STILLFRONT
GROUP

Annual Report 2022

Content

About this report

Stillfront Group AB (publ) 556721–3078 reports the group's financial and non-financial information in a joint report. The formal annual report consists of a board of directors report, financial statements on pages 46–90 and has been audited by external auditors. The Sustainability reporting forms an integrated part of this report and fulfills the requirement for a statutory sustainability report found in the Swedish Annual Accounts Acts. Key sustainability sections are located on pages 12–28.

Stillfront in brief

THIS IS US

Stillfront is a global games company founded in 2010. We develop digital games for a diverse gaming audience and our broad games portfolio is enjoyed by more than 60 million people every month. Stillfront is focused on realizing synergies by connecting and empowering game teams globally through our Stillops platform. We are a fast-growing company and an active global strategic acquirer.

We are headquartered in Stockholm with a group of 23 studios operating across the globe. Our 1,500+ professionals thrive in an organization that embodies the spirit of entrepreneurship. Stillfront shares (SF) are listed on Nasdaq Stockholm Large Cap.

For more detailed information about us and our operations, our studios, and our games, please visit stillfront.com.

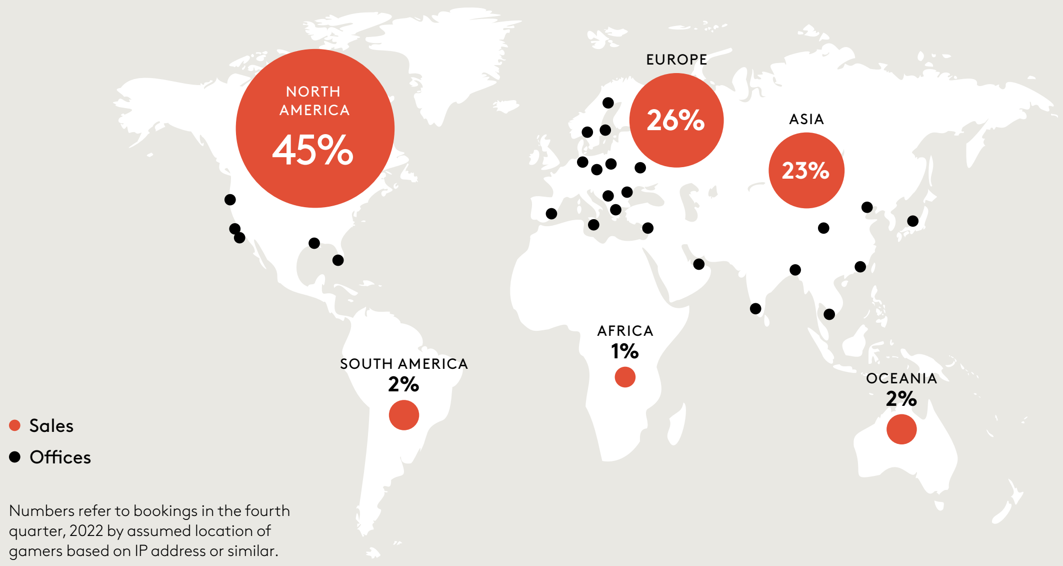
OUR MISSION

Gaming can be a rewarding hobby, a great social experience or a strategic challenge, which is why millions of people enjoy Stillfront's games every day. Our mission is to make a positive impact in our gamers' everyday lives. To achieve that we create social, entertaining and affordable games that can be enjoyed in a sustainable way.

OUR VISION

Stillfront is uniquely positioned in the largest entertainment market in the world with an operational platform that unlocks growth and synergies. Our ambition is to leverage our unique model, talent and reach to build the best games company in the world.

GLOBAL PRESENCE



Numbers refer to bookings in the fourth quarter, 2022 by assumed location of gamers based on IP address or similar.

78 games in active portfolio

61m monthly active users

76% mobile

23 studios

The year at a glance

CONTINUED INVESTMENTS INTO NEW GAMES

2022 was an investment year, marking a significant growth in capex, which drove increased bookings from new games. In total, Stillfront grew the active portfolio by 14 games in 2022, of which 8 were organic launches. By year-end 2022, Stillfront's diverse active portfolio consisted of 78 game titles across three product areas.

BIG IN JAPAN

Beginning of 2022, Stillfront acquired 6waves, a leading publisher of mobile free-to-play strategy games in Japan. With the acquisition, Stillfront established a strong foothold in East Asia and significantly strengthen Stillfront's presence in the attractive Japanese gaming market.

IMPROVED FINANCIAL POSITION

Following the acquisition of 6waves, Stillfront finalized a rights issue with preferential rights for existing shareholders of approximately SEK 2.0 billion. The net proceeds were used to repay the temporary increase in debt that the acquisition of 6waves entailed and to strengthen the balance sheet after the acquisition.

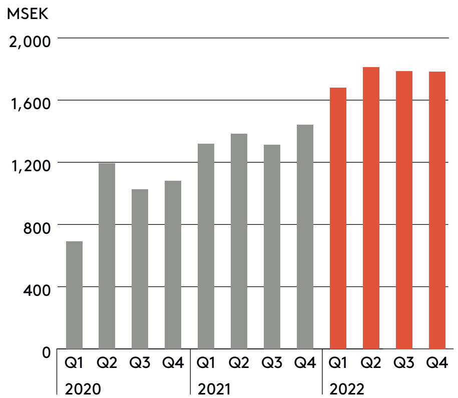
In September, Stillfront announced that we had signed a new unsecured term loan facility agreement of EUR 60 million with Swedish Export Credit Corporation (SEK) as lender. The proceeds were used to refince an outstanding bond loan. The new term loan facility has a four year term and strengthens Stillfront's financial position and further diversifies the company's financing platform. In November, we extended our existing unsecured revolving credit facility of SEK 3.75 billion with new maturity in 2025 – meaning that we have vastly improved the maturity profile of our debt portfolio.

COMMITTED TO SBTi

Stillfront announced on December 6, 2022 that it had committed to set near-term company-wide emission reduction targets in line with climate science and with the Science Based Targets initiative (SBTi). Stillfront will now focus on implementing sufficient actions to reduce emissions from its own operations as well as initiating projects related to reducing energy when gamers play its games.

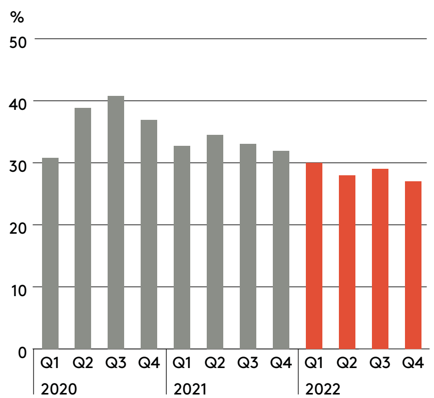
NET REVENUE 2022

7,058 MSEK

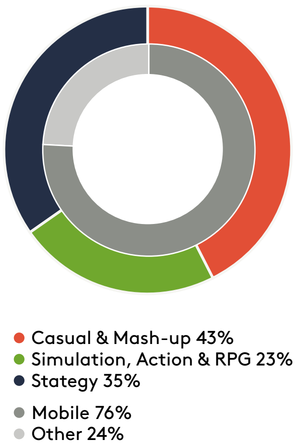


ADJUSTED EBIT MARGIN 2022

28%



ACTIVE PORTFOLIO 2022



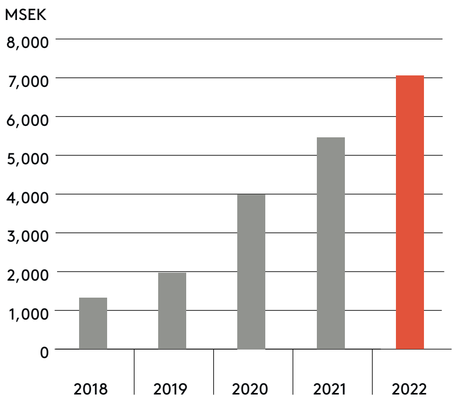
Multi-year summary

GROUP CONSOLIDATED

MSEK	2018	2019	2020	2021	2022
Net revenue	1,325	1,967	3,991	5,455	7,058
EBIT	353	517	993	1,034	850
Adjusted EBIT	397	645	1,493	1,802	2,005
Adjusted EBIT margin , %	30	33	37	33	28
Profit before tax	265	454	799	793	753
Total assets	2,598	4,052	12,366	20,049	24,126
Total shareholder's equity	1,096	1,959	6,146	9,795	14,242

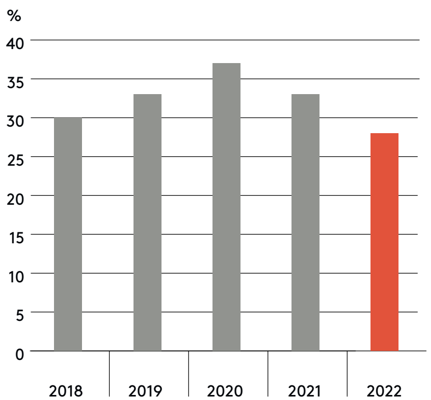
NET REVENUE 2018-2022

7,058 MSEK



ADJUSTED EBIT MARGIN 2018-2022

28%



CEO COMMENT

Entering our fourth phase from a place of strength

Dear Stillfront shareholders,
Stillfront continued its growth journey in 2022 and we did it with high profitability and strong cash generation, despite continued high investments in new game development.

In 2021, we made the strategic decision to invest more in organic game development, increasing our investments in product development from 11.4 percent in relation to net revenue to 14.1 percent. This has paid off: by the end of the year, our active portfolio consisted of 78 games. Our ability to launch and scale new games is important to our success and we are confident that these new titles will continue to grow and contribute to Stillfront's success into 2023 and beyond.

As we enter 2023, we have a clear ambition to become more efficient in how we allocate capital for game development. Going forward, we will impose even tougher requirements on development projects across our studios and allocate a larger share of investments towards our key game franchises. As a result, we will aim to get higher return on our investments in product development and gradually lower the ratio between capitalized development costs and net revenues. Portfolio diversification continues to be a key pillar in Stillfront's strategy and our ambition to grow our portfolio with new game titles remains intact, but we will seek to do so with a strengthened focus on maximizing risk-reward going forward.

A difficult year in gaming

The global gaming market showed significant weakness during 2022, driven by a combination of a slower economy, a tougher digital marketing environment and a shift in consumer behavior following the pandemic. Stillfront performed significantly better than the general market, but we are of course never happy with an organic decline on group level.

Looking ahead, the global games market will return to growth and grow for many more years to come. More than three billion people play digital games today and that number will continue to increase as younger generations embrace gaming, while existing gamers continue to age while still playing and spending on games. Regions like Latin America, South Asia, Middle East and Africa is driving significant player growth going forward, and mobile games will remain the dominating games segment within these growing markets. With this in mind, we remain confident in our market position and our chosen strategy and we look forward to continuing our growth journey for many years to come.

Continued geographic expansion

In the beginning of 2022, we welcomed 6waves to the group. 6waves has built a reputation as one of the leading publishers of free-to-play strategy games in the Japanese market and we had followed the studio closely for several years. Expanding our presence in Japan has been a strategic priority for Stillfront and the talented 6waves team provides us with a strong market position, but also a powerful platform from which we can continue to grow in East Asia. The integration of 6waves in Stillfront has been successful and it only took a few months for the studio to initiate its first game collaboration projects with other studios within Stillfront. The possibility to localize and launch existing Stillfront titles in Japan was a key strategic rationale behind the acquisition of 6waves, and we are intrigued about the projects that we have in our pipeline going into 2023.

We have also been recognized for another relatively recent acquisition. In November I had the pleasure, together with the CEOs of Jawaker and Babil Games, to present at the Swedish Jordanian Forum for Trade and Investment, on the occasion of the Swedish Royal State Visit to Jordan by His Majesty The King Carl XVI Gustaf and Her Majesty The Queen

"During the past three years we have grown our net revenues by more than 3.5x, while increasing free cash flow by more than 4.5x."

Jörgen Larsson
CEO and Founder, Stillfront Group

Silvia of Sweden. This honor points to the strong position our two studios have in the region and we are proud to have been a successful example of Swedish-Jordanian partnership.

A strong balance sheet going into 2023

In connection with the acquisition of 6waves, we announced that Stillfront's board of directors had resolved on a preferential rights issue of approximately SEK 2.0 billion. The proceeds from the rights issue was used to repay the temporary increase in debt following the acquisition of 6waves and strengthen our financial flexibility. In September, we announced that we had signed a new unsecured term loan facility agreement of EUR 60 million with Swedish Export Credit Corporation (SEK) as lender. The new term loan facility agreement has a four year term and strengthens Stillfront's financial position and further diversifies the company's financing platform. In November, we extended our existing unsecured revolving credit facility of SEK 3.75 billion with new maturity in 2025 - meaning that we have vastly improved the maturity profile of our debt portfolio.

Stillfront enters 2023 with a strong balance sheet with a cash position of 989 MSEK and 2,401 MSEK of undrawn credit facilities. Our leverage ratio is within our communicated financial targets and we have a strong cash generation in our business.

Strict payback requirements on user acquisition

At Stillfront we deploy strict payback requirements on user acquisition spend, where we do not compromise on our payback targets of 180 days return on ad spend (net of platform fees). We are able to do that thanks to our diverse portfolio approach: we have a leading mix of studios, games, genres, geographies and channel options to optimize our user acquisition efforts.

During 2022, the marketing landscape was challenging, and our strict payback targets put high demands on our marketing teams across the group. During the year, we have continued to level up our user acquisition capabilities. We are proud that we were able to increase marketing spend in full-year 2022 by 29 percent, and it has become even more clear in the past year that our ability to swiftly allocate user acquisition spend across our diversified portfolio of games without compromising on profitability is a key competitive advantage in our industry.

Entering a new phase for Stillfront

Stillfront has since its inception been built on three pillars: Entrepreneurship, Scale and Structure. These three pillars have been key in building the structure and the culture that so successfully has enabled for Stillfront to become a leading global games company. During the past three years we have grown our net revenues by more than 3.5x, while increasing free cash flow by more than 4.5x. We have also significantly diversified Stillfront's games portfolio, adding several major game franchises to the group. We have increased our market share within mobile games, as well as further expanded our global footprint in North America, MENA and Asia. During these three years, we have also spent a lot of time and resources on developing the Stillops platform, our business platform that enables synergies and collaboration across our group.

Now, we are in a position where we have the right infrastructure and built sufficient scale to add Synergies as the fourth pillar and enter Stillfront's next phase, Stillfront IV. Our ambition with this phase is to further leverage the scale that we have achieved these past three years to continue to build the best games company in the world. By adding Synergies as a fourth pillar, we want to become even better at optimizing the operations of our business and increasing value for our shareholders. We also want to become better at communicating the value that we already create by working between studios across the group. We have rolled out several initiatives that are a part of this new phase and we will continue to focus on this going forward. At the same time, we have launched updated financial targets that reflect the value generation potential in the business today and going forward.

Continuing to make a positive impact through games

Stillfront is on a mission to make a positive impact in our gamers' everyday lives. This encompasses everything we do as a company and our sustainability work is a key component in that mission. In 2022, we announced that Stillfront has committed to set near-term company-wide emission reduction targets in line with climate science and with the Science Based Targets initiative (SBTi). Stillfront will focus on implementing sufficient actions to reduce emissions from our own operations as well as initiating projects related to reducing energy when gamers play our games, which is Stillfront's largest climate footprint. We are eager to work together with our gaming population to find innovative ways in which we can reduce emissions and future-proof our business.

Looking forward to 2023 and beyond

Looking forward, I'm beyond excited about Stillfront's future. We have achieved so much in the past 12 years, and yet it feels like we have just scratched the surface. We have a strong market position with our diversified portfolio of exciting free-to-play games, and we are confident that people will play even more games in the years to come.
In 2023, we will continue to build upon our unique position in the mobile games industry and I can't wait for what the future has in store for us.

Thank you for your support during this year.

Best regards,
Jörgen

Market, business and operational model

Our market

The games industry is the largest entertainment industry globally and is growing rapidly as more and more people discover the joys of digital games. Stillfront focuses on F2P (free-to-play) games, which is the largest and fastest growing segment within the games industry. We develop games primarily for mobile and browser platforms with diverse audiences mainly aged 16 and above.

Stillfront operates in a highly competitive market, in which we compete with both other game companies and other forms of digital entertainment. The industry is consolidating at a high pace and Stillfront has taken an active role in this development. We have a strong track-record of acquiring and unlocking potential and growth from independent game studios.

Our value creation

We are guided in all business decisions by our mission to make a positive impact in our gamers' everyday lives, through creating a social, entertaining and affordable gaming experience.

Developing, operating and scaling F2P games is an iterative and data-driven process with minimal initial investments. F2P games allow the gamer access to the game without paying for it, with the option to conduct micro-transactions. Some users are willing to make purchases or pay for access to new content throughout the lifetime of the games whereas others are monetized through advertising inventory.

Our 23 game studios typically develop and publish games inhouse or in cooperation with other studios in the group. Stillfront manages marketing inhouse through strong performance marketing expertise. Our portfolio approach to UAC (user acquisition cost) enables the ability to dynamically reallocate UA spend between marketing channels and games based on performance, allowing higher overall spending levels with continued strong ROAS.

The active portfolio, generating revenues every day, consists of more than 75 games with broad appeal to people across the world. These are divided into three product areas: Strategy; Simulation, Action & RPG; and Casual & Mash-up. The portfolio mix enables for diversified revenue streams and strong cash flows without having to depend heavily on the success of a few specific titles.

Recurring income, at a low cost, is driven by the ability to retain users over a longer period and our studios work actively with scaling and live operations.

We also grow by adding more games and broadening our genres of games, both organically and through carefully selected and executed acquisitions. This is accelerated by synergies and collaborations between the studios.

We have a broad and diverse audience. By year-end 2022, approximately 61 million gamers all over the globe enjoyed our games.

Design & Development of F2P games > Soft launch, market testing & optimization > Distribution & performance markering > Scaling & live operations > A positive gaming experience

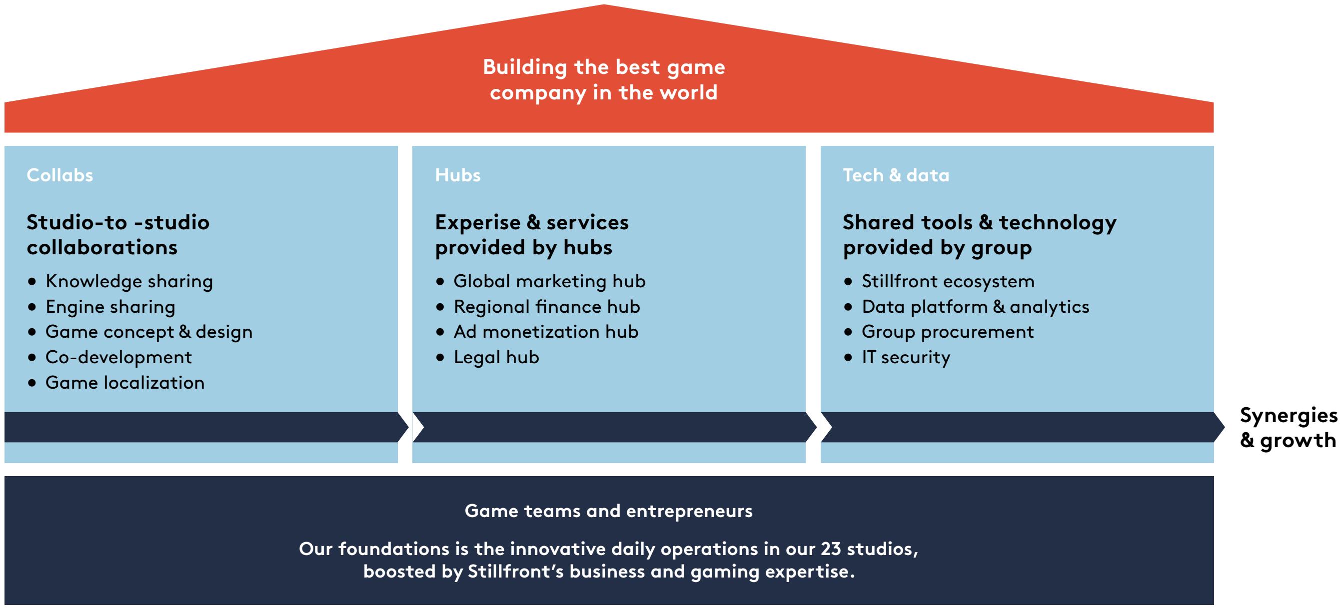
Our operational model

Stillfront connects and empowers the best game teams globally through our established Stillops platform, enabling collaborations and creative exchanges between our studios across the world.

Stillfront's operational model relies on entrepreneurship, scale, and structure as well as synergies. We believe that the entrepreneurial spirit is key to our success and ensures that studios that join Stillfront maintain their unique identities. By adding scale and structure, as well as access to shared knowledge and services, we unlock growth for our studios by enabling them to focus on what they do best: develop and grow great games. They have access to global reach and a vast amount of resources, data, knowledge and tools, while game development and decision-making is done as close as possible to the players and game communities.

This operational model is called the Stillops platform. The platform consists of three main pillars: Collabs (studio-to-studio collaborations such as engine sharing), Hubs (expertise and services provided by hubs such as our cluster of performance marketing experts) and Tech & data (shared tools and technology provided by the group such as our data and knowledge sharing platforms).

The Stillops platform enables for synergies across our gaming studios, whilst the distributed approach ensures speed and enables us to leverage each studio's strengths. By having access to user data derived from several billion game downloads across our diversified portfolio, our studios can share best-practice across geographies and benefit from collaborating with other studios across the globe. Our strong brands and marketing skills in the F2P model, paired with our successful Stillops platform and strong track-record of value creating acquisitions, provide a good foundation for continued strong growth years to come.



We connect and empower the best game teams around the world through our unique Stillops platform.

Financial targets 2020-2022

Stillfront's previous financial targets, initially announced in connection with the Capital Markets Day in November 2019 and updated in connection with the Capital Markets Update in September 2020 – as well as their outcome are presented below.

		Target	Result 2022
Growth	Stillfront's target is to reach a net revenue of 10,000 MSEK by 2023. Growth will be achieved organically as well as through acquisitions.	NET REVENUE BY 2023 10,000 MSEK	NET REVENUE 7,058 MSEK
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.	ADJUSTED EBIT MARGIN ~35%	ADJUSTED EBIT MARGIN 28%
Leverage	The net debt/Adjusted EBITDA ratio should not exceed 1.5x. Adjusted EBITDA pro forma 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.	NET DEBT/ADJUSTED EBITDA RATIO <1.5x	NET DEBT/ ADJUSTED EBITDA RATIO 1.5x

Updated financial targets from 2023

In connection with the Capital Markets Day on February 15, 2023, Stillfront announced updated financial targets. The updated financial targets replace the previous financial targets, initially announced in connection with the Capital Markets Day in November 2019 and updated in connection with the Capital Markets Update in September 2020. Stillfront's updated financial targets will be followed up annually and are valid until further notice.

		Target
Growth	Annual organic revenue growth above addressed market (supported by selective and accretive M&A). Stillfront's addressed market is defined as the global mobile games market excluding China.	**ORGANIC GROWTH** >market
Profitability	Annual adjusted EBITDAC margin in the range 26-29 percent. Stillfront's Adjusted EBITDAC is defined as profit before interest, tax, depreciation, amortization, less capitalized product development, adjusted for items affecting comparability.	**ADJUSTED EBITDAC MARGIN** ~26–29%
Leverage	Leverage ratio below 2.0x (including cash earnouts next 12 months). Stillfront's leverage ratio is defined as net interest-bearing debt, including short-term cash earnout payments, in relation to the last twelve month's Adjusted EBITDA pro forma. Stillfront may, under certain circumstances, choose to exceed this level during shorter time periods.	**NET DEBT/ADJUSTED EBITDA RATIO** <2.0x

Sustainability report 2022

"Striving to make a positive impact on people´s lives through games."

STILLFRONT'S SUSTAINABILITY PILLARS

Gaming for all

We develop games that are fun, smart, and entertaining, and at the same time have a positive impact on people and society. We always try to make sure that gaming is not only a great social experience, but we also take responsibility for a safe, equal, and welcoming environment for everyone.

Living our values

Stillfront's most important asset is human capital. We are committed to build a work culture that is including, diverse, attracts talent and is value-based.

Smart resource use

For us, smart resource use is a given for the long-term prosperity of gaming and the planet. Our business is digital, and our largest negative environmental impact derives from the emissions of our gamers when playing our games on mobile or browser devices. We strive to reduce our own emissions and initiate projects and communicate on how to be a smart gamer.

Building a sustainable gaming business

COMMENTS BY OUR CEO

At Stillfront, we strive to make a positive impact in our gamers' everyday lives. This encompasses everything we do as a company and sustainability is an integrated part of our business model. As people spend more of their free time playing games, our mission becomes even more important. Stillfront as a group is responsible for securing that the content that we publish is in accordance with our values and that we can create a gaming universe that is digital, affordable, equal, and sustainable.

During 2022, we introduced a playbook for all our studios. The playbook is intended to provide both strategic and practical guidance for our studios on how to implement sustainability in their everyday operations. The playbook includes initiatives covering Stillfront's three sustainability pillars: Responsible gaming; Living our values; and Gaming for all. The playbook also consists of three maturity phases that helps determine the maturity of each studio's sustainability work and appropriate actions for each phase. A digital data collection tool was also introduced for all studios that will collect data covering all three pillars on an annual basis, which will enable our studios to benchmark internally and better track their yearly progress.

During the year, we also intensified our focus on internal and cultural perspectives with particular focus on our employees' satisfaction and wellbeing. We initiated a Living our values forum where we hosted our studios' HR managers and addressed common challenges and shared best-practices. We have also significantly extended the scope of our annual survey on employee satisfaction and wellbeing.

By the end of 2022, we committed to set near-term company-wide emission reduction targets in line with climate science and with the Science Based Targets initiative (SBTi). Since 2019, we have built a solid data collection model for our organization, and we have published yearly greenhouse gas emission disclosures. We have now extended our climate impact analysis and created a model for calculating the emissions derived from our digital marketing activities. Going forward, we will focus on implementing sufficient actions to reduce emissions from our own operations as well as initiating projects related to reducing energy when gamers play our games.

Focus areas for 2023 include conducting an updated double materiality analysis and implement an agenda for increasing the use of renewable energy in our office premises. We are also increasing our focus on the talents in the group and will continue running projects within talent management among many other things.

Our business is in digital entertainment, and we reach more than 60 million users every month, why we together with our industry peers and our platforms will partner and educate on important measures to be taken as a responsible game company. We are humble and aware of the difficulties, but we have a clear vision.

Jörgen Larsson
CEO & Founder, Stillfront Group

"In 2022, we introduced a playbook for all studios, providing strategic and practical guidance in implementing sustainability."

Our sustainability framework and targets

For Stillfront, sustainability is an integrated part of our strategy and business model. We use a framework to focus our resources on the most relevant environmental, social and governance issues to drive performance and to engage internal and external stakeholders. The framework is made up of Stillfront's material topics, targets, and objectives which become our three material pillars: Gaming for all (the value we create through our products), Living our values (internal and cultural perspectives) and Smart resource use (climate impact and reduction plan). When establishing this framework, we considered several principles, regulations, standards, and guidelines, including the principles of the United Nations Global Compact, the EU Taxonomy, UN Guiding Principles on Business and Human Rights as well as OECD guidelines for multinational enterprises.

Gaming for all

"Focusing on the value we create through our products"

TARGET	RESULT 2022
Diverse gaming content	
New games introduced or developed should strive to increase diversity in the game portfolio.	The active portfolio of games increased by 14 new games during 2022, offering an even wider range of addressed audience, cultural representation and expanded access for gamers all around the world.
Responsible gaming culture	
Zero tolerance for abusive behavior among gamers. 100 percent of substantiated incidents to be acted on.	100 percent of the substantiated incidents have been acted on by the studios according to our strict protocol.
User privacy and data security	
100 percent of substantiated incidents to be acted on.	In 2022, there was one substantiated data breach reported to local data protection authorities and four of complaints from data protection authorities.

Read more on p. 17–19 →

Living our values

"Internal and cultural perspectives"

TARGET	RESULT 2022
Equality, diversity and inclusion	
1. New game teams introduced, should improve diversity and inclusion.	1. The game teams introduced during 2022 are diverse and multicultural, mirroring the high diversity of genres and audiences they target.
2. The gender balance should be 40/60 at all levels of positions within the group.	2. The gender balance was 31/69 percent at all levels within the group in 2022.
Employee engagement and wellbeing	
Our global Employee Net Promoter Score (eNPS) should be above 25. Measuring how likely our employees are to recommend Stillfront as a good place to work.	At year end, 2022, our global eNPS was 22. A good eNPS is between 10 and 30, above 30 is excellent.
Responsible business	
100 percent of substantiated reported incidents in our Speak Up channels should be acted upon.	During 2022, we have not received any substantiated reports in the Speak Up channels.

Read more on p. 20–22 →

Smart resource use

"Climate impact and reduction plan"

TARGET	RESULT 2022
Carbon reduction	
During 2022, our ambition was to set an emissions reduction target in line with the Science Based Targets initiative's (SBTi) criteria.	In December 2022, Stillfront comitted to set nearterm company-wide emission reduction targets in line with climate science and with the Science Based Targets initiative (SBTi). By joining the SBTi, Stillfront will now seek to get its near-term emission reduction targets validated and approved by the SBTi.

Read more on p. 23–24 →

About our business

Our business does not operate in a vacuum: we rely on suppliers, distribution platforms as well as our gamers. Stillfront's games reach users on mobile and browser. At year-end 2022, mobile games totaled 76 percent of Stillfront's total bookings and the share of advertising bookings totaled 16 percent.

Our active portfolio consists of 78 games divided into three product areas: Strategy; Simulation, RPG & Action; and Casual & Mash-up. The target audiences of our games are adults, aged 16 and above, as per their terms and conditions. By year-end 2022, approximately 60 million users all over the globe enjoyed our games and approximately half of our users are females.

Stillfront's games are predominantly within the free-to-play (F2P) segment. F2P games give gamers free access to games, as opposed to premium games which must be paid for prior to being played. Our 23 game studios typically publish games inhouse or in cooperation with another studio in the group. Stillfront manages marketing inhouse through strong performance marketing expertise.

We are committed to improve sustainability throughout our entire value chain to meet our ethical and social responsibilities, reduce costs, and ensure a sustainable future for the industry while providing an enjoyable and responsible gaming experience for all users.

Our business is digital, and our largest negative environmental impact derives from the emissions of our gamers when playing our games on mobile or browser devices.

Our value chain

Suppliers & Infrastructure

- Procurement of materials and services
- Service providers (e.g. AWS)
- Office electricity
- Business travel services

Own operations/ development

- Inhouse and outsourced development (scripts, design, software)
- Office electricity
- Business travel
- Production of electronic equipment
- Human Resources

Publisher/ distribution platform

- App stores: Apple and Google e.g
- Web to access product
- Streaming platforms like Twitch
- Mobile distribution network
- Media & marketing

Use of products

- Playing games
- Communities & networks

How we govern sustainability

DEVELOPMENT RANKING INDICES 2022

MSCI

A Improvement from BBB to A

Clear upwards trend during past years

Sustainalytics

13.8 Improvement from 18.8 to 13.8 (lower = better)

36 Stillfront ranks 36 out of 1,068 companies within software and services

DJSI/S&P Global

+11 Improvement from 12 to 23, +11 year over year.

The board of directors is responsible for Stillfront's overall strategy, in which sustainability is integrated. The sustainability policy has been adopted by the board of directors. Our management team develops tools and processes that guide the head office and our studios. We have set up specific forums for studio representatives covering the three pillars of our sustainability framework. The EVP Communication, IR & Sustainability is heading the forums and is responsible for execution of the sustainability strategy and priorities set by the board.

All our studios and employees are expected to live up to our sustainability ambitions. The studio head is responsible for implementation together with the representative of the respective committee, carrying out trainings and follow-ups. An approach that is resource-efficient, decentralized, and digital is key to our business' success.

Our code of conduct, built upon the ten principles by United Nations Global Compact which Stillfront is signatory of, states that all professionals around the world should act as Stillfront representatives and responsible citizens. To ensure alignment on our code of conduct we conduct yearly trainings with all employees.

Key policies

Stillfront offers a shared structure of values and business principles to underpin local implementation and drive sustainability improvement in our studios. Our key policies include Code of Conduct, Sustainability, HR, Data Protection & Privacy, Anti-bribery & Anti-corruption as well as Speak Up channel. The policies are assessed by the board of directors on an annual basis, and we conduct yearly policy trainings for the group's employees. In 2022, 100 percent of our employees (excluding employees on leave) completed the policy training, provided by our legal team.

Our FAIR model is the primary steering document for responsible content and comprises the values and principles that we base our content on. Our FAIR model comprises Forum & Communities, Age protection, Inclusion & Diversity as well as Responsible Marketing and Monetization.

Material topics

In steering our sustainability work effectively, we engage in close dialogue with our stakeholders. The stakeholder groups have been identified as the groups that are affected most by our operations and those that have a major impact on our ability to reach our goals.

Our sustainability framework include the material topics deriving from our materiality analysis that we conducted in 2019. The materiality assessment identified our most material sustainability topics through questionnaires, surveys and interviews with our main internal and external stakeholders, including our employees, our board, customers, investors and NGOs.

Material topics include;
- Equality, diversity and inclusion
- Employee satisfaction and well-being
- Data privacy and security
- Responsible gaming and marketing

The analysis also identifies risks within labor and human rights, environment and anti-corruption across our value chain, and the governance of these risks. The analysis also included industry specific risks as well as global risks.

During 2023, we will conduct a double materiality analysis according to the requirements of the Corporate Sustainability Reporting Directive, CSRD.

GAMING FOR ALL

Diverse and inclusive games

TARGET

New games introduced or developed should strive to increase diversity in the game portfolio.

RESULT

The active portfolio increased by 14 new games by year-end 2022, offering an even wider range of addressed audience, cultural representation and expanded access for gamers all around the world.

We believe in creating games and experiences for our global gaming community that reflects a diverse world. We celebrate diversity of gender, race, ethnicity, color, national origin, ancestry, citizenship, religion or other belief, sexual orientation, gender identity or expression, disability, age, union membership, civil status, political beliefs In our games, we create a diverse range of characters and we strive to avoid stereotyping. In instances where our gamers can create their own characters, we aim to offer diverse options.

How we govern diverse and inclusive games

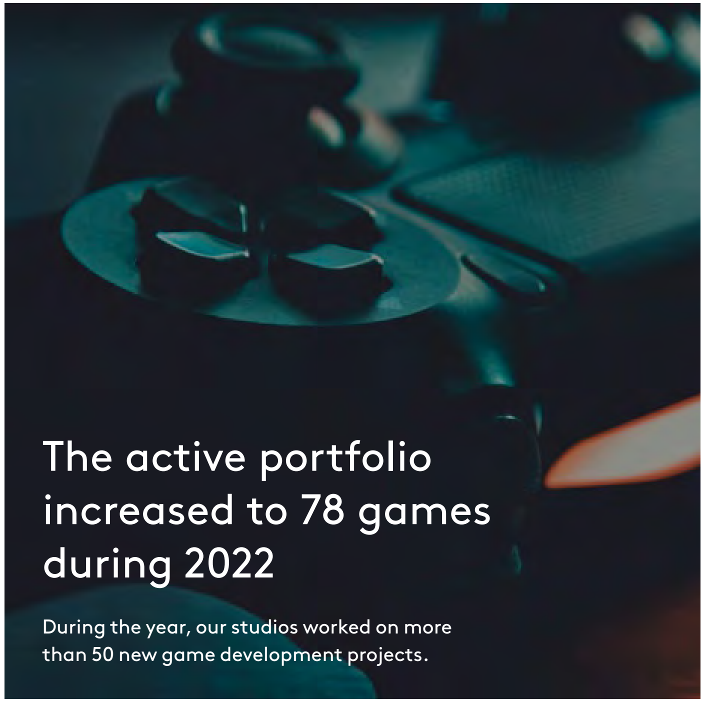
Our FAIR model regulates how we take responsibility for our products and comprises the values and principles that we base our content on. The FAIR model is integrated into our business processes and in our monthly business reviews, our Chief Product Officer and our operational team meet our studios and review content updates as well as new game development projects.

Activities during the year

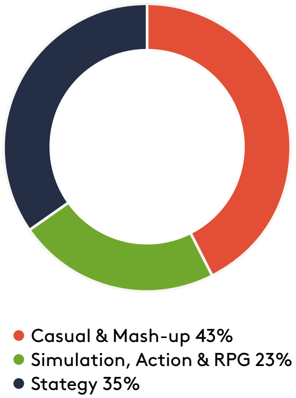
We offer a diversified portfolio of games that attract different types of gamers, yet always targeting adults. Stillfront's portfolio of games has grown into an exciting and vibrant ecosystem with more than 60 million monthly active users by year-end 2022.

During the year, our studios worked on more than 50 game development projects including larger content updates. New game development projects span over all three genres (Simulation, Action & RPG, Casual & Mash-up and Strategy) and attracts diverse audiences. We have also reached a wider audience on a new platform by developing a game with Netflix, which is available to Netflix subscribers globally.

In 2022, we increased our geographical presence with our acquisition of 6waves. 6waves is a studio with extensive experience of adapting and bringing high quality strategy games to the Japanese audience that has strengthened our presence in East Asia and specifically in the Japanese gaming market.



GAME PORTFOLIO SPLIT, YEAR-END 2022



GAMING FOR ALL

Responsible gaming culture

TARGET

Zero tolerance for abusive behavior among gamers. 100 percent of substantiated incidents to be acted on.

RESULT

During 2022, 100 percent of substantiated reports were handled by our studios according to our strict protocol.

Apart from making sure that our products follow our ideas of responsible content, we also aim to create a positive in-game environment. We want our gamers to feel safe and respected in our digital worlds, and as people spend more of their free time playing our games, our responsibility of ensuring a good gaming culture is more important than ever.

The opportunity to interact with other gamers is a central and appreciated function in many of our games, but there is a risk of toxic behavior. Keeping things fair, without cheating or exploitation, is a requirement. No one is allowed to engage or promote harmful behavior including harassment or attacks on race, sexual orientation, gender identity/expression, religion or political beliefs, heritage, country of origin, or unwelcome sexual advances and messages.

How we govern responsible gaming culture

The ecosystem we are active in, consisting of game developers, publishers, platform providers and gamers, has over time established standards of what defines responsible content. Our games are to follow the industry standards set by the gaming ecosystem. In addition, Stillfront has established its own responsible content declaration that addresses, and incudes a plan for, how we deal with unacceptable content and behavior from gamers' actions in the games.

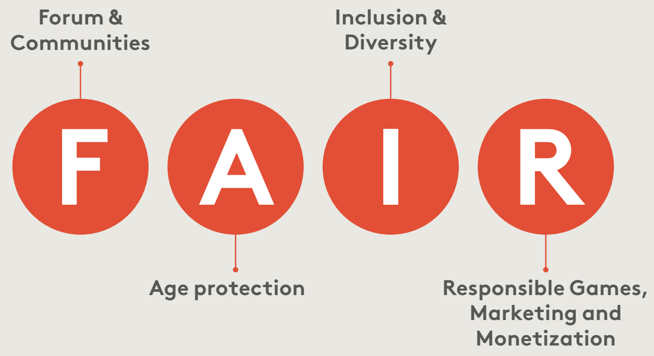
This responsible content declaration, our FAIR model, regulates our users' behavior towards each other. It also regulates how we take responsibility for our products and addresses unacceptable content covering our own games and forums.

We manage toxic behavior with built-in functions and algorithms that filter out bad language and gamers that are not complying with our games terms of services are put on mute and/or banned. Stillfront has zero tolerance for abusive behavior amongst users and our studios have dedicated teams focusing on creating a positive and inclusive environment.

Stillfront games do not offer any real money features, including gambling for real money and in-game contests that reward real money. Gamers need to transfer their money via verified purchases into in-game currencies and items that cannot be transferred back to cash. The purchase is a transparent process and in accordance with the platform regulations and applicable law Stillfront studios have processes and software to detect and intervene against activities violating the games' terms of services.

Activities during the year

These topics are up for discussion in our regular business reviews when the Chief Product Officer, the operational team and the studio management meet for regular check-ins and discussions. During 2022 we have put a lot of consideration into how to conduct marketing of war strategy games considering the Ukraine war. During most of the year we did not conduct any marketing of some of our games in affected regions and set even stricter guidelines for marketing material for games with relevant themes. Other topics handled in this forum is new game development as well as content updates.



If you want to find out more about our FAIR model, please visit our website stillfront.com

GAMING FOR ALL

User privacy and data security

TARGET

Our gamers should feel that their privacy and data are protected, at all times. 100 percent of substantiated incidents to be acted on.

RESULT

In 2022, there was one substantiated of data breach reported to local data protection authorities and four complaints from data protection authorities.

Data privacy and data protection are of the utmost importance to Stillfront. Our processes have been designed to safeguard confidentiality, privacy and access to information and data. Stillfront is continuously striving to maintain the highest standards to protect its users from cyberattacks and card fraud when playing our games. We put in a lot of resources to comply with all applicable legislations and rules to achieve utmost security and expect the same of our business partners and suppliers.

How we govern user privacy and data security

Over the years, we have put considerable resources into ensuring that our Privacy program meets the criteria of the General Data Protection Regulation (GDPR) and other applicable data protection and privacy regulations. Stillfront's website contains information on the rights that users have and descriptions of how Stillfront processes personal data. The end-user data is processed by the studios and such processing activities are subject to the privacy notice applicable for the respective games. Deloitte is engaged as the group's external Data Protection Officer (DPO), a role that includes recurring targeted audits.

Activities during the year

All professionals of Stillfront are offered regular data privacy and data protection trainings. Stillfront provides best-practice templates and guidance that have enabled the younger and less mature studios to quickly establish a more solid and formal foundation for their privacy capabilities. Stillfront has during 2022 implemented a record of processing activities (ROPA) software that facilitates the group's compliance efforts in respect of recording its processing activities in relation to personal data. The ROPA software ensures efficient record keeping procedures and accountability within the group, which promotes compliance with the GDPR requirements.

LIVING OUR VALUES

Equality, diversity and inclusion

TARGET

New game teams introduced should improve diversity and inclusion.

RESULT

The game teams introduced during 2022 are diverse and multicultural, mirroring the high diversity of genres and audiences they target.

At Stillfront, we are of the opinion, that a diversified workforce is key to understanding our global audience. Not only is the share of women who are playing games increasing, but there is also a demand for high-quality entertainment in multiple languages, adapted to different cultures, religions, and customs. Therefore, for us at Stillfront, equality, diversity and inclusion are not only important aspects for creating a culture where everyone can grow – but it is also an increasingly important aspect in successful game development.

How we govern equality, diversity and inclusion

Our operating model ensures that all Stillfront studios maintain their unique identity and retain operational autonomy. We aim to grow together as a company and as individuals and we believe in long-lasting relationships and a decentralized leadership. We are a value-driven group, present in many regions and countries across the globe. Our workforce is diverse in many different aspects: diverse not only in terms of geographic presence, nationality and language skills but also in experiences, skillsets, and perspectives. We embrace differences and doing things in various ways.

Our Code of Conduct supports our business strategy and states the importance of equality, diversity and inclusion. We have zero-tolerance against all forms of discrimination and harassment and our studios work proactively for equality and inclusion. The gaming industry is facing challenges in talent supply and the industry needs to attract more females. At Stillfront, we have a clear ambition to attract more women across the organization.

Activities during the year

In 2022, we updated our corporate values as part of the larger Stillfront IV project. The Stillfront IV project aims to futureproof the group and take the next step as a global games company. Stillfront is a multicultural organization, with employees from many different regions and geographies.

During the year, we initiated a talent mapping project which is the first group-wide talent project with the aim of supporting all our studios on talent acquisition and retention. Equality, diversity, and inclusion is an integrated pillar in our processes, both in terms of recruiting and staffing game teams.

What it means to be a Stillfronter

Passionate

We are passionate about games. Innovation is part of our DNA and we embrace new ideas and initiatives. We always strive to do our utmost to succeed.

Responsible

We act with professionalism and take ownership of our actions to sustainably build the best games company in the world.

Humble

We are open to new perspectives, and we perform the best when we work together as a diverse team with mutual trust.

TARGET

The gender balance should be 40/60 at all levels within the group.

RESULT

We are proud of having 50 percent women and 50 percent men on our board of directors and 43 percent women and 57 percent men in our executive management team. In our group business management team, we increased diversity, and the gender balance is now 17 percent women and 83 percent men. Throughout our entire group, we had 31 percent women and 69 percent men by year-end 2022, to be compared with 30 and 70 in 2021.

Board of directors
50% women

Executive management team
43% women

Group business management team
17% women

Entire group
31% women

LIVING OUR VALUES

Employee engagement and well-being

TARGET

For Stillfront it is key to attract and retain the most talented people in the gaming industry. Our target is a global Employee Net Promoter Score (eNPS) above 25.

eNPS measures how likely our employees are to recommend Stillfront as a good place to work.

RESULT

At year end, 2022, our global Employee Net Promoter Score (eNPS) was 22.

A good eNPS score is between 10 and 30; above 30 is excellent.

We have a vision to build the world's best games company which means creating the best platform for game teams and talents to thrive. We aim to build what we define as the modern company, with a strong and open culture, distributed leadership, and responsible employees. Our model relies on entrepreneurship, scale, structure and synergies, and the entrepreneurial spirit is key to our success.

How we govern employee engagement and wellbeing

Stillfront offers a unique combination of individual and well-run game studios supported by a global group, offering a large network of colleagues, knowledge, and opportunities. Our Stillops platform connects and empowers our game teams, enabling collaborations and realizing synergies.

For Stillfront's future success, we are dependent on attracting, developing and maintain our talents, why it is crucial for us to offer an attractive, competitive, and healthy workplace. Our group-wide HR policy covers employee safety, engagement & wellbeing, recruitment, diversity and inclusion, professional development as well as remuneration. Stillfront supports parental leave, and the group has zero tolerance against harassment and discrimination.

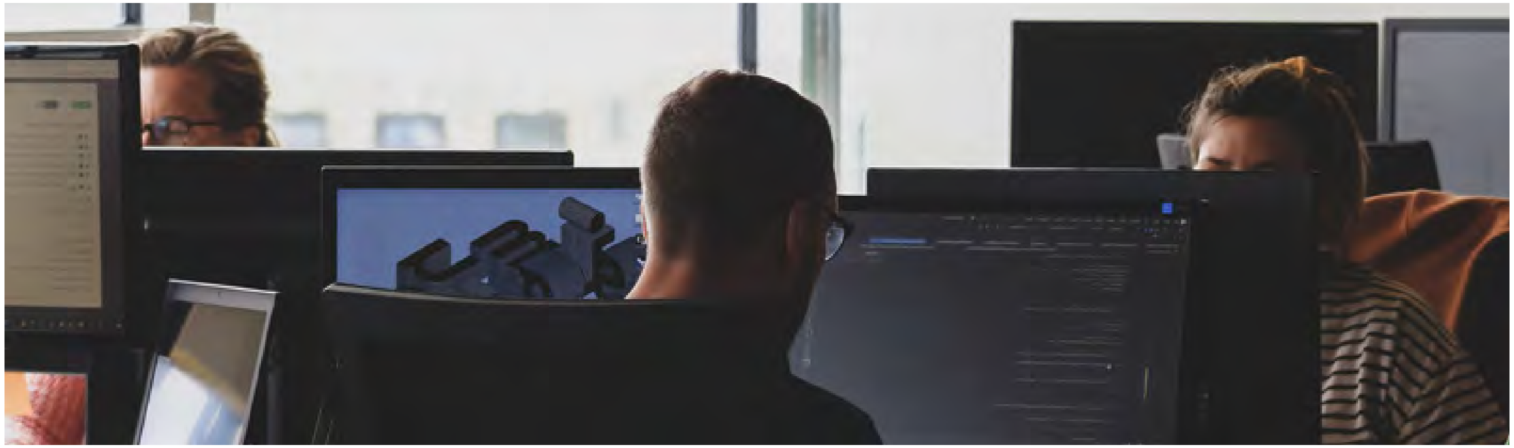
Stillfront conducts employee satisfaction surveys on an annual basis and quarterly we measure our employees engagement and well-being by asking "how likely are you to recommend Stillfront as a good place to work". The result is our global Employee Net Promoter Score (eNPS). A good eNPS score is between 10 and 30; above 30 is excellent.

Activities during 2022

In 2022 we intensified our focus on internal and cultural perspectives with particular focus on our employees' satisfaction and wellbeing. We initiated a Living our values forum where we host our studios' HR managers and address common challenges and shared best-practices.

During the year, we have also increased the focus on supporting the studios' HR managers in areas such as talent mapping, recruiting, remuneration e.g. The talent management program includes for example employee development talks, clear career paths, strong corporate values, policy trainings, employee satisfaction surveys.

In the course of 2022, 78 percent of all employees took part in regular performance and career development reviews. The average number of training hours was three hours in 2022 and examples of training include external classes in local languages, leadership skills training, and other external employee training groups. During 2022, no work related injuries was reported and no recordable cases of ill-health and we had zero incidents of discrimination.



LIVING OUR VALUES

Responsible business

TARGET

100 percent of substantiated reported incidents in our Speak Up channels should be acted upon.

RESULT

During 2022, we received zero substantiated reports in the Speak Up channels. All issues reported through Stillfront's dedicated Speak Up channels have been acted on in accordance with applicable laws and regulations.

Stillfront has a shared framework of values and business principles that underpin local implementation. Our organization lets us seize local opportunities and as a group we share the same principles and values. Our key policies include Code of Conduct, Sustainability, HR, Data Privacy & Security, Anti-bribery and Anti-corruption as well as a public Speak Up procedure.

How we govern responsible business

Our code of conduct, built upon the ten principles by United Nations Global Compact which Stillfront is signatory of, states that all professionals around the world should act as Stillfront representatives and responsible citizens. To ensure alignment on our code of conduct and other policies, all employees undergo yearly training.

Our Speak Up channel is available on our website and also allows for reports sent by e-mail or by post. Cases are handled by Stillfront's Speak Up committee which comprises the Chair of the board and the General Counsel, in a fair, consistent way, without bias.

Stillfront has a zero-tolerance stance against bribery, corruption and money laundering and has adopted an anti-bribery and anti-corruption policy that apply to all companies and professionals of the group. We are further committed to observing the standards of conduct set forth in applicable anti-bribery, anti-corruption and anti-money laundering laws and regulations, including the United Kingdom Bribery Act 2010 and the United States Foreign Corrupt Practices Act.

Activities during the year

During 2022, all employees were trained in anti-corruption. Any breach of the principles set out in the policy must be reported through the designated channels, which includes Stillfront's Speak Up channels. During 2022, we had zero cases of corruption.

The payment of taxes is a central link between governments, communities, and businesses. 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, considering expert advice from tax advisors. The tax rate for the full year of 2022 amounted to 27 percent for the group.

All companies that become part of Stillfront, undergo due diligence specifically focusing on internal processes that safeguard legal and financial compliance, including preventing corruption, sanctions, and anti-money laundering risks.

SMART RESOURCE USE

Climate action

TARGET

During 2022, our ambition is to set an emissions reduction target in line with the Science Based Targets Initiative's (SBTi) criteria.

RESULT

In December 2022, Stillfront comitted to set nearterm company-wide emission reduction targets in line with climate science and with the Science Based Targets initiative (SBTi). By joining the SBTi, Stillfront will now seek to get its near-term emission reduction targets validated and approved by the SBTi.

At Stillfront, we believe that our industry has a role to play in the fight against climate change and we are committed to taking action to reduce our environmental impact. We recognize that as a leading player in the gaming industry, we have a unique opportunity to set an example and inspire others to follow suit. We are proud to be taking steps to minimize our carbon footprint and operate in a sustainable manner.

In every country, environmental requirements are applied to the business operations that, at a minimum, correspond to local environmental regulations, so far as they apply to the group's operations. The environmental impact from Stillfront's business activities is only indirect, in the form of energy consumption in conjunction with data traffic and data storage as well as travel.

How we govern climate action

Measuring is the first step to mitigation and a way to ensure we stay on track with our plans. Stillfront has created a solid data collection model and has conducted yearly greenhouse gas emission disclosures since 2019. The climate calculations are conducted in accordance with the Greenhouse Gas Protocol.

Stillfront has an environmental committee in place since 2020. The Smart resource use forum, comprising all 23 studios.

Activities during the year

In 2022, Stillfront committed to set near-term company-wide emission reduction targets in line with climate science and with the Science Based Targets initiative (SBTi). The SBTi is a partnership between CDP (Climate Disclosure Project), the United Nations Global Compact, World Resources Institute (WRI) and the Worldwide Fund for Nature (WWF).

During the year, Stillfront conducted its first reduction impact analysis which resulted in an activity plan and framework for the group's first near-term climate targets. By joining the SBTi, Stillfront will now seek to get its near-term emission reduction targets validated and approved by the SBTi. Stillfront will from now on focus on implementing sufficient actions to reduce emissions from our own operations as well as initiating projects related to reducing energy when gamers play our games.

GHG Disclosure

Stillfront's total GHG emissions for 2022 was 57,394 tCO_2e to be compared with 33,173 tCO_2e in 2021. The increase of CO_2e emissions compared to the previous year is primarily driven by an increase in scope 3 emissions. This is mainly due to improved data coverage and quality where we have revised and updated our calculation methodologies, specifically for estimating Scope 3.11 Use of sold products, which impacted the emissions.

Scope 1 includes direct emissions from fuels for heating, delivery vehicles and passenger vehicles as well as from refrigerants and totals 74 tCO_2e for 2022. The emissions in Scope 1 increased by 17 percent compared to 2021. Scope 2 includes indirect emissions from purchased energy such as electricity, district heating and district cooling. The emissions in scope 2 market-based were 493 tCO_2e for 2022. The tCO_2e emissions decreased compared to the previous year, mainly due to an increase in the procurement of renewable electricity, representing 16 percent of total energy procurement (electricity, district heating and district cooling), and 29 percent of electricity procurement (8 percent in 2021).

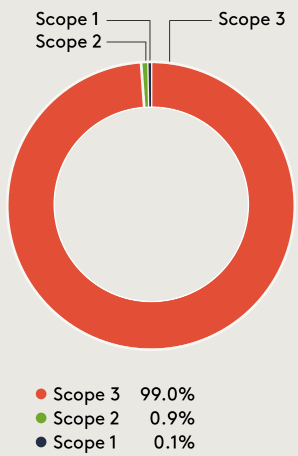
Scope 3 emissions, 56,827 tCO_2e for 2022, represent 99% of Stillfront's total emissions. The category Use of sold products (gaming hours) make up 95 percent of total Scope 3 emissions. In total, Stillfront Group's Scope 3 emisisons increased with 77 percent compared to 2021, mainly due tothe increase in emissions from gaming hours.

ENERGY CONSUMPTION WITHIN THE ORGANIZATION 2022 (MWH)

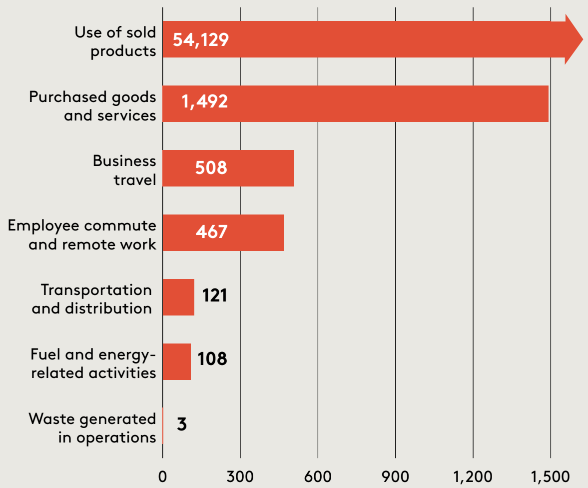
Energy type	Total amount	Of which renewable
Electricity	1,019	293
District cooling	78	0
District heating	683	0
Fuels	243	0
Total	**2,023**	**293**

Electricity, district heating, and district cooling has been purchased by Stillfront Group during the reporting year 2022. Stillfront Group did not purchase any steam. Fuels represent diesel and petrol used on cars owned or controlled by Stillfront Group, as well as the energy used in electric vehicles and consumption of natural gas used on-site. When data was unavailable, estimations and extrapolations has been made based on average FTE. Extrapolation of energy related to electricity, district heating and cooling represent 56% and extrapolations related to fuels represents 38%.

TOTAL GREENHOUSE GAS EMISSIONS PER SCOPE 2022



SCOPE 3 EMISSIONS 2022, tCO_2e [1)]



1) Emissions of greenhouse gases have been calculated in line with the GHG Protocol. Sources for emission factors are e.g., DEFRA, IEA, AIB.

GREENHOUSE GAS EMISSIONS, tCO_2e [2)]

Emission category	Amount 2022	2021	2020
Scope 1 (Direct emissions) - Total	74	64	8
Scope 2 (Indirect emissions) - Total Market based [3)]	493	1,026	1,150
Scope 3 (Other emissions) - Total [4)]	56,827	32,083	26,692
Total emissions	**57,394**	**33,173**	**27,850**

2) Emissions of greenhouse gases have been calculated in line with the GHG Protocol. Sources for emission factors are e.g., DEFRA, IEA, AIB. When data was unavailable, estimations and extrapolations has been made based on average FTE. Extrapolations make up 3% of total CO_2e emissions in Scope 1, 2 och 3.

3) Emissions in tCO_2e according to the location based method: 511 tCO_2e

4) The scope 3 emissions have increased significantly compared to previous years which primarily is due to improved data coverage and quality. During the year, Stillfront Group also revised and updated calculation methodologies for Scope 3.11 (Use of sold products), leading to an increase in those emissions compared to the previous year.

EU Taxonomy reporting

For reporting year 2022, we are required to report on 1) the eligibility of their economic activities, 2) the environmental objectives their eligible activities substantially contribute to and 3) the alignment of their eligible activities with the applicable Do No Significant Harm ("DNSH") criteria and the Minimum Safeguards in line with Article 3.

By screening our business activities, we have identified that our activities as developer and publisher of games, is not covered by the Climate Delegated Act and consequently Taxonomy-non-eligible.

Below, we present the share of our group turnover, capital expenditure (capex) and operating expenditure (opex) for the reporting period 2022, which are associated with Taxonomy-aligned economic activities related to the first two environmental objectives (climate change mitigation and climate change adaption) in accordance with Article 8 of the Taxonomy Regulation.

Revenue Taxonomy-non-eligible

Total Turnover corresponds to Net revenues in the Consolidated statement of comprehensive income in the financial statements. See also note 5 in the financial statements. Turnover in Stillfront is considered as non-eligible.

Capex Taxonomy-eligible

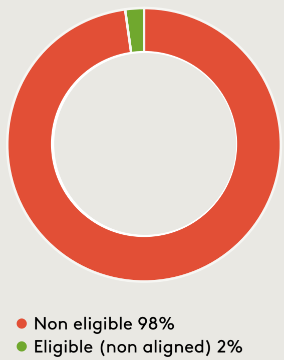
Total Capex corresponds to additions, including business combinations, to balance sheet items intangible assets excluding goodwill, and equipment, tools, fixtures, and fittings, before depreciation, amortization, or impairment, as specified in notes 14 and 17 (lines Acquisition of companies, Internal development in the year, and New acquisitions) to the Consolidated statement of financial position, complemented by additions/changes to right-of-use assets as specified in note 16. In Stillfront, Capex in real estate in the form of additions to right-of-use assets for office premises is considered as eligible, whereas all other capex is non-eligible, according to activity 7.7, Acquisition and ownership of buildings in Annex I.

Opex Taxonomy-non-eligible

Total Opex corresponds to non-capitalized short-term leases (see note 16), maintenance, and repair costs and other direct costs for the day-to-day servicing of equipment, tools, fixtures, and fittings. Opex in Stillfront is for all practical purposes considered as non-eligible since Opex as defined in the EU Taxonomy is considered as not material for our business model. As a publisher of games our business model does not generally lead to expenditures related to maintenance, repair or similar.

TURNOVER

CAPEX



OPEX

Taxonomy alignment

Minimum Safeguards

Our governance and policy framework are based on the United Nations Guiding Principles on Business and Human Rights ("UNGPs") and Organization for Economic Co-Operation and Development ("OECD") Guidelines for Multinational Enterprises. The policy framework contains the necessary requirements to be considered as adequate processes for human rights as per Article 18 of the Delegated Act.

Our global anti-bribery and anti-corruption policy consists of standards and requirements to observe and comply with applicable anti-bribery and anti-corruption laws and regulations of the countries in which we operate and on an annual basis, our employees undergo training in this policy. Further, we review our processes regularly to ensure that we have adequate anti-corruption and anti-bribery processes in place in compliance with Article 18 of the Delegated Act.

Our Code of Conduct includes a section on fair competition, which includes clear obligations for Stillfront and our employees to act in a manner consistent with all applicable competition laws and regulations. We conduct Code of Conduct training for all employees on a yearly basis.

Taxonomy-aligned Capex

To determine if an economic activity is Taxonomy-aligned, it must first comply with the first requirement as described in the Taxonomy Regulation. It must contribute substantially to one or more of the environmental objectives. Secondly it must not significantly harm any of the other environmental objectives.

For the eligible CAPEX activities, obtaining evidence that supports a substantial contribution has largely not been possible. The same applies to the Do no significant harm (DNSH) criteria for Taxonomy-aligned activities where we have not obtained evidence that supports the assumption of DNSH. Therefore, the proportion of our Capex that is eligible, is reported as not Taxonomy-aligned.

PROPORTION OF TAXONOMY-ALIGNED ECONOMIC ACTIVITIES

Proportion of turnover from products or services associated with Taxonomy-aligned economic activities				Substantial contribution criteria						DNSH criteria (Do No Significant Harm)										
	Code(s)	Absolute turnover	Proportion of turnover	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Minimum safeguards	Taxonomy-aligned proportion of turnover, year 2022	Taxonomy-aligned proportion of turnover, year 2021	Category (enabling activity)	Category (transitional activity)
Economic activities		[MSEK]	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Percent	Percent	Y/N	Y/N
A. TAXONOMY ELIGIBLE ACTIVITIES																				
A.1. Environmentally sustainable activities (Taxonomy-aligned)																				
Turnover of eligible Taxonomy-aligned activities (A.1)																	0	0		
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)																	0	0		
Total (A.1 + A.2)																	0	0		
B. TAXONOMY NON-ELIGIBLE ACTIVITIES																				
Turnover of non-eligible activities (B)		7 058	100%																	
Total (A + B)		7 058																		

Proportion of CapEx from products or services associated with Taxonomy-aligned economic activities

Economic activities	Code(s)	Absolute CapEx	Proportion of CapEx	Substantial contribution criteria: Climate change mitigation	Substantial contribution criteria: Climate change adaptation	Substantial contribution criteria: Water and marine resources	Substantial contribution criteria: Circular economy	Substantial contribution criteria: Pollution	Substantial contribution criteria: Biodiversity and ecosystems	DNSH criteria (Do No Significant Harm): Climate change mitigation	DNSH criteria (Do No Significant Harm): Climate change adaptation	DNSH criteria (Do No Significant Harm): Water and marine resources	DNSH criteria (Do No Significant Harm): Circular economy	DNSH criteria (Do No Significant Harm): Pollution	DNSH criteria (Do No Significant Harm): Biodiversity and ecosystems	Minimum safeguards	Taxonomy-aligned proportion of CapEx, year 2022	Taxonomy-aligned proportion of CapEx, year 2021	Category (enabling activity)	Category (transitional activity)
		MSEK	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Percent	Percent	Y/N	Y/N
A. TAXONOMY ELIGIBLE ACTIVITIES																				
A.1. Environmentally sustainable activities (Taxonomy-aligned)																				
CapEx of eligible Taxonomy-aligned activities (A.1)																				
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
Acquisition (leasing) of buildings	7.7	43	2%																	
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		43	2%														0	0		
Total (A.1 + A.2)		43	2%																	
B. TAXONOMY NON-ELIGIBLE ACTIVITIES																				
CapEx of non-eligible activities (B)		1 823	98%														0	0		
Total (A + B)		1 866															0	0		

Proportion of OpEx from products or services associated with Taxonomy-aligned economic activities

Economic activities	Code(s)	Absolute OpEx	Proportion of OpEx	Substantial contribution criteria: Climate change mitigation	Substantial contribution criteria: Climate change adaptation	Substantial contribution criteria: Water and marine resources	Substantial contribution criteria: Circular economy	Substantial contribution criteria: Pollution	Substantial contribution criteria: Biodiversity and ecosystems	DNSH criteria (Do No Significant Harm): Climate change mitigation	DNSH criteria (Do No Significant Harm): Climate change adaptation	DNSH criteria (Do No Significant Harm): Water and marine resources	DNSH criteria (Do No Significant Harm): Circular economy	DNSH criteria (Do No Significant Harm): Pollution	DNSH criteria (Do No Significant Harm): Biodiversity and ecosystems	Minimum safeguards	Taxonomy-aligned proportion of OpEx, year 2022	Taxonomy-aligned proportion of OpEx, year 2021	Category (enabling activity)	Category (transitional activity)
		MSEK	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Percent	Percent	Y/N	Y/N
A. TAXONOMY ELIGIBLE ACTIVITIES																				
A.1. Environmentally sustainable activities (Taxonomy-aligned)																				
OpEx of eligible Taxonomy-aligned activities (A.1)																	0	0		
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)																	0	0		
Total (A.1 + A.2)																	0	0		
B. TAXONOMY NON-ELIGIBLE ACTIVITIES																				
OpEx of non-eligible activities (B)		4	100%																	
Total (A + B)		4																		

Sustainability index

Statement of use	Sillfront has reported the information cited in this sustainability index for the period 2022-01-01 to 2022-12-31 with reference to the GRI Standards.
GRI 1 used	GRI 1: Foundation 2021

GRI STANDARD	DISCLOSURE	LOCATION	COMMENT
GRI 2: General Disclosures 2021	2-16 Communication of critical concerns	Page 16	
	205-2 Communication and training about anti-corruption policies and procedures	Page 22	
GRI 205: Anti-corruption 2016	205-3 Confirmed incidents of corruption and actions taken	Page 22	
GRI 302: Energy 2016	302-1 Energy consumption within the organization	Page 24	
	305-1 Direct (Scope 1) GHG emissions	Page 24	
	305-2 Energy indirect (Scope 2) GHG emissions	Page 24	
GRI 305: Emissions 2016	305-3 Other indirect (Scope 3) GHG emissions	Page 24	
	403-9 Work-related injuries	Page 21	
GRI 403: Occupational Health and Safety 2018	403-10 Work-related ill health	Prage 21	
	404-1 Average hours of training per year per employee	Page 21	
GRI 404: Training and Education 2016	404-3 Percentage of employees receiving regular performance and career development reviews	Page 21	
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	Page 20	Partial omission: Age and governance body not disclosed.
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	Page 21	
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	Page 19	
Own KPI: User complaints	Number of user complaints and incidents reported and followed up upon in line with policies.	Page 18	
Own KPI: Equality, diversity and inclusion	Good internal examples of how equality, diversity and inclusion is applied in practice within the studios	Page 17 and 20	

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 2022 on pages 12–28 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, 19 April 2023
Öhrlings PricewaterhouseCoopers AB

Nicklas Kullberg
Authorised Public Accountant

Corporate governance report

Stillfront strives to be the best games company in the world and our corporate governance work shall therefore guide our professionals in sound business conduct, ensuring a responsible risk culture. We are to build and maintain trust with our professionals, users, shareholders and business partners – whom all make the Stillfront journey possible.

Principles for corporate governance

Stillfront is a Swedish limited liability company, publicly traded on Nasdaq Stockholm. Stillfront follows the Swedish Code of Corporate Governance (the Code). In addition, corporate governance at Stillfront is based on other external regulations and rules, such as the Swedish Companies Act, the Swedish Bookkeeping Act, the Swedish Annual Accounts Act, the Market Abuse Regulation (MAR) and Nasdaq Stockholm's rules for issuers on Nasdaq Stockholm as well as 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 policies, instructions, and guidelines.

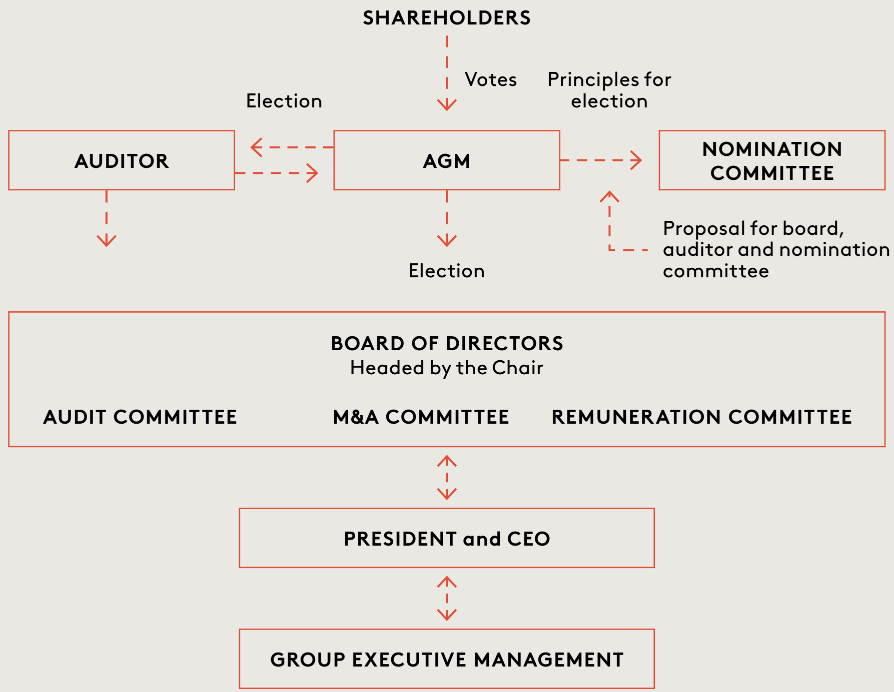
Stillfront has no deviations from the Code to report for 2022. This corporate governance report has been reviewed by Stillfront's auditor, as presented on page 39.

Shares and shareholding

As of 31 December 2022, Stillfront had 513,199,454 outstanding shares and 27,603 known 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 on 31 December 2022 was Laureus Capital GmbH, which owned 11.83 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 41.92 percent of the outstanding shares and votes in Stillfront.

Corporate governance model



Important external regulations

- The Swedish Companies Act
- The Swedish Annual Accounts Act
- Nasdaq's regulations for issuers on Nasdaq Stockholm
- 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
- Code of Conduct
- Information security policy and other IT governing documents
- Treasury policy and financial handbook
- Processes for internal control and risk management
- Information and insider policy
- Sustainability policy
- Anti-bribery and anti-corruption policy

Annual general meeting

The highest decision-making body of Stillfront is the 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 for the matter to be included in the notice to attend the AGM, is announced on Stillfront's website no later than in connection with publication of the third quarter financial report. 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 and must notify the company of their participation no later than the date stated in the notice of the meeting. The latter mentioned day must not be a Sunday, any other public holiday, Saturday, Midsummer's Eve, Christmas Eve or New Year's Eve and must not be more than the number of days before the meeting as set out in the Swedish Companies Act. 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.

At the AGM, the following matters shall be handled:

- presentation of annual report and the auditor's report and consolidated accounts and auditor's report for the group,
- resolution on
  - adopting of the profit and loss statement and the balance sheet and 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 CEO
- resolution to establish the remuneration for the board of directors and the auditor
- resolution on the number of directors to be appointed
- appointment of the 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 at the AGM and what matters shall be dealt with at the AGM.

Extra ordinary general meetings (EGMs) can be summoned when necessary. Information, including the notices and suggestions for the AGMs and EGMs, as well as minutes from previous AGM/EGMs are available on Stillfront's website, www.stillfront.com.

Annual general meeting 2022

The AGM was held on 12 May 2022 in Stockholm, Sweden. In accordance with Stillfront's articles of association, the board of directors resolved that shareholders could exercise their voting rights at the AGM by post as well as in person at the meeting.

A total of 265,475,992 shares and votes were represented at the AGM which corresponded to 52.4 percent of the number of the outstanding shares and votes at the date of the AGM. The Chair of the board was elected as the Chair of the AGM.

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

- to adopt the profit and loss statement and the balance sheet and consolidated profit and loss statement and balance sheet,
- in accordance with the proposal of the board of directors and the CEO that the earnings available for distribution shall be carried forward
- to discharge the directors of the board and the CEO from liability of the fiscal year 2021
- to elect Marcus Jacobs and re-elect Jan Samuelson, Erik Forsberg, Katarina G. Bonde, Birgitta Henriksson and Ulrika Viklund as member of the board until the end of the next AGM
- to re-elect Jan Samuelson as Chair of the board
- that the remuneration to the board of directors shall be according to the proposal from the nomination committee to re-elect the accounting firm Öhrlings PricewaterhouseCoopers AB as auditors, Nicklas Kullberg will continue as the auditor in charge
- that the remuneration to the auditor shall be paid according to current approved invoices
- to authorize the board of directors to issue shares, convertible instruments and/or warrants. The increase of the share capital which entails issuance, conversion or subscription for new shares, may correspond to a dilution of a maximum of 10 percent of the shares in the company at the time when the board of directors first utilizes the authorization

- on seven directed new share issues to the sellers of seven of the companies that Stillfront previously has acquired
- to authorize the board of directors to, on one or several occasions during the period until the next annual general meeting, resolve on repurchase of own shares and transfer of own shares
- to implement a long-term incentive program in accordance with the board of directors' proposal (LTIP 2022/2026) and to issue up to 2,000,000 RSUs to ensure delivery of shares to the participants in the long-term incentive program. The meeting also resolved, in accordance with the board of director's proposal, that transfer of own shares to participants in the long-term incentive program may be done to ensure delivery of shares in the company under the long-term incentive program

For more information about the AGM 2022, visit Stillfront's website https://www.stillfront.com/en/arsstamma-agm-2022/.

Extraordinary general meeting 2022

At an extraordinary general meeting on 23 February 2022 held only by postal voting without the physical presence of shareholders, proxies or external parties, it was resolved to approve the board of directors' resolution on a rights issue with preferential rights for Stillfront's shareholders, following the acquisition of 6waves.

For more information about the EGM in February 2022, visit Stillfront's website https://www.stillfront.com/en/extra-bolagsstamma-egm-2022/.

Annual general meeting 2023

The AGM 2023 will take place 16.00 CEST on 11 May 2023 in Stockholm. Information regarding the AGM, together with all required documents, will be published on the company's website, www.stillfront.com.

Nomination committee

In accordance with the resolution of the AGM on 12 May 2022, the Chair of the board, shall convene at the end of the third quarter, Stillfront's three latest registered shareholders to elect one representative each for the nomination committee. A shareholder representative shall be appointed Chair of the nomination committee. Neither the Chair of the board nor another director of the board shall serve as Chair of the nomination committee.

The nomination committee for the AGM 2023 consists of:

- Ossian Ekdahl, Första AP-fonden (AP1), Chair of the nomination committee
- Niklas Johansson, Handelsbanken Fonder
- Patrik Jönsson, SEB Fonder
- Jan Samuelson, Chair of the Board of Directors of Stillfront Group AB (publ) (adjunct)

The duties of the nomination committee are to propose, for the AGM 2023, the Chair of the AGM, the board of directors to be elected by the AGM, the Chair of the board, remuneration for the members of the board and the chair 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 2022.

The composition of the nomination committee meets the Code's requirements for independent members. Following the formation of the nomination committee and until the day of the approval of the corporate governance report, the nomination committee have had five meetings.

The nomination committee has proposed that the AGM 2023 elects six ordinary board members with no deputy directors. Katarina G. Bonde, Erik Forsberg, Birgitta Henriksson, Marcus Jacobs and Ulrika Viklund have been proposed to be re-elected as board members. The nomination committee proposes that David Nordberg is elected as a new member of the board. David Nordberg has vast experience in digital marketing/product management, as well as leading cross-functional teams and strategy work. David has +20 years gaming industry knowledge and has held executive positions i.a. in Electronic Arts, King, Mag Interactive and Stryda. The nomination committee has proposed that Katarina Bonde is elected as Chair of the board of directors. Katarina G. Bonde has been a member of the board of Stillfront since 2018.

The nomination committee's complete proposals and motivated statement has been announced together with the notice to the AGM 2023.

Auditor

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 2022 re-elected accounting firm Öhrlings PricewaterhouseCoopers AB as auditor until the end of the AGM 2023. The chief auditor is Nicklas Kullberg.

In 2022, the auditors have, in addition to reviewing the company's books, performed review of the company's third interim report. The auditor of the company has been present at a board meeting to present his conclusions from the 2022 audit and address questions from the board of directors without any member of the executive management present.

Board of directors

The board has overarching responsibility for the organization and management of the company's business. The board shall continually assess the financial situation of the company and ensure that the organization of the company is structured in such a way that the accounting, the man-agement 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 estab-lished for the company's conduct. The board appoints the CEO.

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 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 2022 elected Marcus Jacobs and re-elected Jan Samuelson, Katarina G. Bonde, Erik Forsberg, Birgitta Henriksson and Ulrika Viklund as board members. The AGM re-elected Jan Samuelson as Chair of the board. Kai Wawrzinek did not candidate for re-election as board member at the AGM and his appointment as board member therefore terminated in connection with the AGM.

Independence

According to the Code, a majority of the board members elected by the general meeting is to be independent of the company and its executive management. At least two of the of board members 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, the executive management and the company's major shareholders.

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 2022, 24 board meetings were held. At its scheduled meetings, the agenda was as determined by its rules of procedure and included items such as business performance, liquidity, annual accounts, M&A activities 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. At one board meeting the board met the company's auditor without the CEO or any other member of the executive management present. A constitutional meeting was held in conjunction with the AGM i.a. resolving signatories, working procedures of the board, CEO and committee instructions and schedule for the meetings of the coming year. The other board meetings were dedicated to, inter alia, acquisitions and financing. The board members attendance is set out on page 34 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.

Except for when the board meets the auditor without any of the executive management present or when executive management remuneration is discussed/resolved, the CEO, CFO and the General Counsel take part in the board meetings. The CEO reports on operational performance at each ordinary board meeting and the CFO reports on financial performance. The General Counsel acts as secretary of the board. Other representatives from the executive management participates in board meetings when relevant.

The Chair's role

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

Once a year, the Chair 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 Chair of the board reports the evaluation to the board of directors and to the nomination committee.

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 8 in the 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 2022 adopted guidelines for the remuneration of senior executives, available on Stillfront's website www.stillfront.com/en/remuneration. These guidelines have been adhered to without deviations during the year.

The Chair of the board negotiates the remuneration and terms of employment for the CEO. The remuneration 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. For further information, see note 8 in the annual report.

Board committees

The audit committee

The audit committee consists of Erik Forsberg (Chair) and Birgitta Henriksson. The audit committee has the responsibilities, the competence 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
- follow-up on previous matters.

During 2022, five meetings were held by the audit committee. Both members of the audit committee attended along with the CEO, CFO, General Counsel, the company's auditor and relevant members of the finance team.

The remuneration committee

The remuneration committee consists of Jan Samuelson (Chair) 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 programs for variable remuneration
- prepare and make proposals for shareholders' resolutions regarding share or share priced related incentive programs 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.

During 2022, four meetings were held by the remuneration committee where both members attended.

The M&A committee

The M&A committee consists of Jan Samuelson (Chair) and Marcus Jacobs. The M&A committee has the responsibilities and authority that follows from its instructions approved by the board of directors which include reviewing, evaluating, and approving non-material M&A transactions.

During 2022, one meeting was held by the M&A committee where both members attended.

The executive management and its working methods

The executive management is presented on page 38 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.

ATTENDANCE BOARD MEETINGS 2022

	Attendance	Audit committee	Attendance	Remuneration committee	Attendance	M&A committee	Attendance
Katarina Bonde, member	19/24			Member	4/4		
Erik Forsberg, member	24/24	Chair	5/5				
Birgitta Henriksson, member	23/24	Member	5/5				
Jan Samuelson, Chair	24/24			Chair	4/4	Chair	1/1
Ulrika Viklund, member	24/24						
Kai Wawrzinek, member[1]	13/13					Member	0/0
Marcus Jacobs, member[2]	11/11					Member	1/1

1) Board member until the AGM 2022
2) Board member since the AGM 2022

Internal control and risk assessment regarding financial reporting

The board is responsible for the company's internal control and that financial reporting follows the regulations and rules applicable to companies traded on Nasdaq Stockholm, 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. To ensure compliance to rules and regulations and good internal control, Stillfront has defined and implemented internal policies, instructions, routines, controls and a system for delegating roles and responsibility. This internal control system is a key component for compliance with rules and regulations but also for the mitigation of enterprise risks and to ensures reliable reporting and decision making.

Control environment

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

Stillfront's decentralized 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 and the management teams of the subsidiaries are 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 authorization 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 an internal control framework in place ensuring the identification of, and adequate response to, key company risks. A risk is defined as the uncertainty whether an event will occur and its effect on Stillfront Group's ability to achieve its business goals in a given period. The internal control framework is based on the COSO framework (Committee of Sponsoring Organizations of the Treadway Commission). There is also an ICFR policy governing the internal control over financial reporting, which describes the control environment, risk assessments, control activities, information, communication, and monitoring activities. Key controls in the ICFR area have been tested in the year mainly through self-assessments based on an internal control plan approved by the board. The audit committee receives a update on ICFR activities every quarter.

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.

Monitoring

Stillfront's CFO, together with the audit committee, annually reviews the company's minimum requirements for internal control and routines for financial reporting and reports the result to the board of directors. These minimum requirements serve to prevent, uncover and correct errors and deviations in the financial reporting. Reviews include, i.e., approval of significant agreements, follow-up of risk exposure, checking account balances and analyzing 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 and assessments already performed.

The group's subsidiaries report income and balance sheets, as well as relevant operational KPI's on a monthly basis. The monthly reports of the subsidiaries and the consolidated monthly report of the group are analyzed by the executive management.

Each month the board is updated on the financial performance of the group and its subsidiaries. Quarterly, the board of directors is given a business report where the group's operational KPI's, risk limits and compliance are reviewed.

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 and have implemented an internal audit program utilizing peer audits, 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 & Sustainability is 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 are published on the company's 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
Chair of the Board

Born 1963.

Board member since 2018.

Education: B. Sc 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 EF Education First, Management Consultant Carta Corporate Advisors AB, Management Consultant Indevo AB.

Other current assignments, selection: Chairman Sdiptech AB (publ). Board member Saltå Kvarn AB, Independia AB and Business Partner Sweden AB.

Shareholding[1]**:** 260,000.

Chair of the Remuneration Committee and M&A 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 UniSite Software, Global Sales & Marketing Captura Software Inc., Marketing Director Dun & Bradstreet Software Inc., VP Sales and Marketing Timeline Inc. CEO Programator Industri AB.

Other current assignments, selection: Chairman Stratsys AB, Flatfrog Laboratories AB, Mentimeter AB, Nepa AB and Zimpler Holding AB.

Board member Mycronic AB (publ), Seafox AB, ACQ Bure AB (publ) and Ysäter AB.

Shareholding[1]**:** 10,000.

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, selection: Chairman Collectia Group (Care Bidco Aps DK). Board member and owner Deltalite AB. Board member Kindred Group Plc and Enento Group Plc.

Shareholding[1]**:** 32,500.

Other senior unsecured bond holding: 1,250,000.

Chair 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: Bachelor's degree, Economics, Business Administration, Uppsala University.

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

Other current assignments, selection: Partner Fogel & Partners. Board member Sdiptech AB.

Shareholding[1]**:** 57,050.

Member of the audit committee.

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

MARCUS JACOBS
Board member

Born 1975.

Board member since 2022.

Education: M.Sc. General Law Stockholm University, M.Sc Business Law, Linköping University, Bachelor in Economics, Stockholm University.

Former positions, selection: Member of the Executive Management of King (various positions), CCO Embark Studios, Director of Monetization of Electronic Arts.

Other current assignments, selection: COO/Co-founder Seidr AB, CEO of Steelmind AB, Chairman of Sidledes AB (Strafe), Board member of Jumpgate AB, Learnifier and wrlds creations AB.

Shareholding[1]**:** 40,000.

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 film2home, Director International Growth, Spotify.

Other current assignments, selection: Co-Founder House Be, E14 Invest and Spira Globalt. Chairman Idea2Innovation Sweden AB and Spektrumare AB. Board member Nextory AB, Spira Globalt AB and E14 Invest AB, House Be AB and Adgie Consulting AB.

Shareholding[1]**:** 650

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

Changes during 2023

January 3, 2023 Stillfront announced that Jan Samuelson had informed the nomination committee that he is not available for re-election at the 2023 annual general meeting. For the nomination committee's proposal of the board of directors, including new Chair, see page 32.

1) Shareholding as of 31 December, 2022.

Executive management

JÖRGEN LARSSON
CEO and President

Born 1964.

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[1]**:** 1,957,540.

Warrants/Employee stock options:
70,000[2] (LTIP 2019/2023);
100,000[2] (LTIP 2020/2024 I);
525,000 (LTIP 2021/2025);
300,000 (LTIP 2022/2026).

MARINA ANDERSSON
EVP Head of Corporate Development & M&A

Born 1972.

Head of M&A since 2019.

Education: Two master's 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[1]**:** 3,965.

Warrants/Employee stock options:
10,000[2] (LTIP 2019/2023);
7,200[2] (LTIP 2020/2024 I);
190,000 (LTIP 2021/2025);
95,000 (LTIP 2022/2026).

JOHANNA LUNDBERG
EVP General Counsel

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[1]**:** 4,090.

Warrants/Employee stock options:
10,000[2] (LTIP 2020/2024 I);
140,000 (LTIP 2021/2025);
95,000 (LTIP 2022/2026).

ALEXIS BONTE
COO

Born 1976.

COO since 2019.

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

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

Shareholding[1]**:** 1,215,442.

Warrants/Employee stock options:
50,000[2] (LTIP 2019/2023);
88,300[2] (LTIP 2020/2024 I);
350,000 (LTIP 2021/2025);
220,000 (LTIP 2022/2026).

PHILLIP KNUST
CPO

Born 1988.

CPO since 2019

Education: Data processing, EPS Lübeck, Computer Sience, TH Lübeck

Former positions, selection: CPO Goodgame Studios. Creative founder of EMPIRE and BIG brand.

Shareholding[1]**:** 56,980.

Warrants/Employee stock options:
20,000[2] (LTIP 2019/2023);
22,000[2] (LTIP 2020/2024 I);
140,000 (LTIP 2021/2025);
95,000 (LTIP 2022/2026).

ANDREAS UDDMAN
CFO

Born 1979.

CFO since 2019.

Education: Chartered Management Accountant (ACMA), Master's 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 Shell.

Shareholding[1]**:** 43,769.

Warrants/Employee stock options:
40,000[2] (LTIP 2019/2023);
20,000[2] (LTIP 2020/2024 I);
350,000 (LTIP 2021/2025);
220,000 (LTIP 2022/2026).

SOFIA WRETMAN
EVP IR, Communication & Sustainability

Born 1977.

Head of IR, Communication & Sustainability, 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[1]**:** —

Warrants/Employee stock options:
10,000[2] (LTIP 2019/2023);
7,500[2] (LTIP 2020/2024 I);
140,000 (LTIP 2021/2025);
95,000 (LTIP 2022/2026).

[1] Shareholding as of 31 December, 2022.

[2] Post the share split on 28 December 2020, each warrant/employee stock option entitles the holder to subscribe for 10 new shares in the company subject to the terms of the relevant LTIP.

Changes during 2022

Clayton Stark left his position as CTO and member of the executive management team on November 30, 2022.

Auditor's report on the Corporate governance statement

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 corporate governance statement for the year 2022 on pages 30–38 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, 19 April 2023
Öhrlings PricewaterhouseCoopers AB

Nicklas Kullberg
Authorized Public Accountant

Risk factors and risk management

There will always be uncertainty about future events in any business operation. Stillfront is no exception. Future events may have a positive impact on the business, thus enabling increased value creation. Future events may also be negative and may potentially have a 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 executive management and decided by the board of directors. A number of key policies form the basis for operational risk management in the organization. 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. Further, the risks described below are not the only risks that we face. Additional risks and uncertainties not currently known to us or that we currently deem immaterial may also impair our business operations. For financial risk factors that affect the company's business, see note 3.

Risks related to the group's business and industry

> Risks related to the groups dependency on key individuals

The group's operations are dependent on certain key employees, senior executives and persons with specialist competence, some of whom are founders of certain group companies. If any of these key employees terminate their employment with the group or significantly change or reduce their involvement within the group, there is a risk that the group may not, within a reasonable time, be able to replace these persons or their services with other persons who may contribute equally to the group's operations. In addition, there is a risk that failure to attract and retain new key employees may have a negative impact on the group's net revenue growth, profitability and management function.

> Mitigation

By promoting career development and other development opportunities for co-workers including remuneration and competitive long-term incentives, Stillfront safeguards its ability to attract and retain co-workers both in the near and in the long term.

> Risks related to new games and existing game offerings

The continued success and growth of the group's operations depends on its ability to continue to develop new games and to broaden its existing game offering

If the group fails to develop new games and improve its existing games, there is a risk that these games will generate lower revenues, which in turn may have a material negative impact on the group's net revenues, results of operations and intangible assets. Delays in, or non-completion of planned and ongoing game development projects entail a higher cost for the group and may have a negative impact on cash flow, revenues and operating margins in the group.

> Mitigation

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. Stillfront is also continously looking for opportunities to acquire suitable games, which further reduces the dependence on existing games.

> Risks related to the group being dependent on a limited number of games and users new games and existing game offerings

The group has a wide range of games in its portfolio. However, the group is dependent on a relatively limited number of games that generate a majority of the group's revenues. Thus, the group is also dependent on the ability to continuously develop and improve its game portfolio, particularly games with high popularity. If the group's investments in new user acquisitions and monetization strategies do not produce the desired results, the group may fail to attract, retain or monetize on users and may experience a decrease in the level of spending of existing paying users, which would result in lower revenues attributable to the group's games and thereby risk having a material negative impact on the group's operating expenses, net revenues, results of operations and profitability.

> Mitigation

Stillfront continuously works with providing updates and additional content to its existing games with the aim of retaining as many existing users as possible. Further, Stillfront has internal processes in place to make sure that its studios utilize efficient and profitable user acquisition methods and are also continuously looking for opportunities to acquire new users via acqusitions of suitable games.

> Risks related to the free to play model

The majority of the group's games are available free of charge to players, and the majority of revenue is generated from the sale of virtual items when players make voluntary in-game purchases. If the group fails to price virtual items in the games in line with player expectations or at normal price standard in the market, players may be less inclined to spend money and time in the games, thus resulting in lower revenues for the group, which may have a material negative impact on the group's net revenues and results of operations.

> Mitigation

Stillfront has developed tools and systems that allows for continuous tracking of how its games are performing and can use information from such tools and systems to quickly and effectively make appropriate adjustments to relevant parameters and quickly confirm the efficiency of the same.

> Risk related to technological progress and consumer preferences and requirements

The group's success depends on its ability to successfully innovate, develop and publish new games. In addition, the online gaming industry is driven by users' preferences and requirements. This means that game developers, publishers and operators must be able to continuously offer new products and services to attract and retain a wide range of users. In order to operate in an industry characterized by the rapid emergence and development of new products, services, technologies and the development of player preferences, the group needs to constantly stay innovative and adapt to the technological advances and preferences that arise on an ongoing basis. Widespread adaptation to new internet technologies and higher standards may require the group to allocate significant funds to replace, upgrade, modify or adapt its existing game offering, which may have a material negative impact on the group's short- and long-term operating expenses and earnings.

> Mitigation

Stillfront evaluates technical developments in the market and the potential impact on Stillfront's business. Based on the evaluations, Stillfront takes appropriate measures.

> Risks related to changes in marketing norms and standards

The success of the group is highly dependent on the effectiveness of new user acquisitions and marketing of the live game titles. As such any changes to marketing norms or standards, could have a significant impact on the group's profitability by increasing marketing costs or rendering marketing initiatives less effective.

> Mitigation

Stillfront continuously monitors the regulatory landscape in relevant jurisdictions and information from device/platform providers to be able to in a timely manner adjust to any further changes in the regulatory landscape and/or device/platform providers' policies and terms and conditions.

> Risks related to distribution channels

The group's sales are largely made with the help of a few significant distributors, mainly in the growing mobile application sector where the group relies particularly on Google Play, App Store and Facebook to distribute its games. In 2022, approximately 77 percent of the group's revenue was attributable to games distributed through Google Play and App Store.

The distributors' range of digital distribution channels are crucial for the group's monetization from its mobile applications segment. If, for any reason, any of these material distributors were to close their platform or restrict the group's access to or terms of use of its platform, or suspend certain games from distribution through the platforms, this may result in revenue loss for the group. Additionally if there is an interruption or restriction in the group's access to one or several platforms, in whole or for long periods of time, or if the data obtained from distributors is materially incorrect, to the effect that the group has calculated its revenues incorrectly, it may have a material negative impact on the group's net revenues and results of operations.

> Mitigation

Stillfront strives to maintain good relations with the mobile platform distributors. Stillfront's studios also have good working relationships with the platform providers to ensure that processes related to approval of new games and/or content is efficient. In parallel, Stillfront evaluates other means to reach the mobile market.

> Risks related to negative perception or publicity

The online gaming industry is subject to scrutiny related to gaming behavior, under-age gaming and lack of compliance, as well as standards established to promote responsible gaming. Negative perceptions and prejudices about the gaming industry may lead to the group experiencing difficulties in attracting more or new users or that the group's operations risk gaining a bad reputation, regardless of the type of games that the group provides, which may result in revenue being less than expected. In addition, if a general perception develops that the online gaming industry is unable to address public concerns about gaming addiction, political pressure and public opinion may lead to increased regulation of the online gaming industry. Such new regulation may lead to significant costs for the group to adapt its existing games or make adjustments in its development work in order to comply, which may have a material negative impact on the group's operating expenses and profitability.

> Mitigation

The ecosystem Stillfront is active in, consisting of game developers, publishers,and platform providers as well as gamers have over time established standards of what defines responsible content. Our games are to follow the industry standards set by the gaming ecosystem. In addition, Stillfront has established its own responsible content declaration that addresses, and incudes a plan for, how we deal with unacceptable content and behavior from gamers' action in the games. Stillfront has zero tolerance for abusive behavior among gamers. During 2022, 100 percent of th substantiated incidents have been acted on, by the studios according to our strict protocol.

> Risks related to Intellectual property – infringement on third party trademarks

The group may have inadequate intellectual property protection, be prevented from protecting its intellectual property rights and may risk infringing on third party intellectual property rights.

The group's ability to grow successfully depends, among other things, on its ability to protect, register and maintain its intellectual property rights. In the early phase of the life cycle of the group's games, the group relies mainly on trademark protection through trademark registration as well as on registration of logos, copyright protection and domain name registrations. Some of the group's trademarks and logos are not registered and/or pending trademark registrations, and certain trademarks and logos can, for various reasons, not be registered as trademarks. There is a risk that the group will not be able to complete registrations regarding such trademarks and logos and/or future trademarks or logos.

The group also faces the risk that the use and exploitation of its intellectual property rights, in particular rights related to its software, may infringe on the intellectual property rights of third parties. The costs of bringing or defending an intellectual property infringement action may be significant.

> Mitigation

Material trademarks have been registered in relevant intellectual property offices. In Stillfront's product development work, care is taken not to infringe on others' intellectual property.

Although the group's intellectual property rights are generally protected by copyright, such protection covers only the original literal expression of the group's source code and not the concepts and ideas expressed by it. Furthermore, the group's intellectual property rights are, as a general rule, by their very nature not patentable. Consequently, other than protection through trademark registrations, copyright protection and domain name registrations, the group's intellectual property rights enjoy limited legal protection. This may limit the group's ability to bring an action and defend itself against intellectual property infringements.

> Risk related to cybercrime

The group's online gaming business is exposed to the risk of system intrusion, virus spread and other forms of IT crime or harmful behavior by individual players or other actors. Such actions may interfere with websites, cause system failures and disruptions to the operations, lead to loss of databases and may harm computer equipment and infrastructure held or used by the group or its users. The effect of such actions or the group's failure to successfully protect itself against such attacks may have a material negative impact on the group's operations, net revenues and results of operations.

> Mitigation

Stillfront is continuously striving to maintain the highest standards to protect its users from cyberattacks and card fraud when playing our games. We have implemented policies and procedures to comply with all applicable legislations and rules to achieve adequate information security and expect the same of our business partners and suppliers.

> Risks related to the security, integrity and operational performance of systems, products and services.

The group's product range consists exclusively of online games that depends on the security and good functioning of the internet connection through which users play the group's games. Consequently, the group's operations depend on the integrity, reliability and operational performance of IT systems as well as the users' access to the internet. The operation of IT systems within the group's operations and its suppliers or partners may be disrupted for reasons beyond the group's control, such as damage caused by accidents, disruptions in the provision of tools or services, extreme weather events, safety problems, system failures or pollution.

Although the group's operations are based on separate servers and platforms, which means that it is unlikely that a significant number of servers are affected by disruptions at the same time, disruptions or events related to a number of the most revenue-generating games may result in loss of players and thus reduced revenues as well as potential complaints against the group for interruptions, or otherwise adversely affect the group's ability to sell products and services to its users.

> Mitigation

The security of Information Technology ("IT") assets is core to our business. It is critical that measures are taken to ensure that IT assets are made and kept secure from cybersecurity attacks and/or human error that can lead to data breach, data loss, data corruption, and natural disasters.

To mitigate these risks the group has Disaster Recovery and Business Continuity Plans framework in place for retaining or reinstituting business operations in the event of a disruption.

> Risks related to competition

The group operates in a highly competitive industry. Generally, competition increases when new game developers, console developers, game publishers and gaming operators enter the gaming market or when current competitors expand their game offerings. The group's focus is to provide high-quality entertainment, where also other entertainment companies are viewed as main competitors. Online gaming products and services are also sensitive to consumer trends and there is a risk that the group's market share diminishes if competitors make improvements to or expand their product offering. Failure by the group to effectively compete may result in the group losing users or failing to attract new users. Increased competition may also lead to lower margins and price pressure, and that the group, as a consequence, is forced to reduce the price of its products and services in order to retain its users and current market share. In addition, some competitors may offer a more attractive range of online games or complementary products and services than the group, which may result in the group having to develop or offer similar products and services or the group losing its users. This may also result in the group incurring increased development costs associated with the development of a specific type of product or service.

> Mitigation

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

> Risk related to the use of open-source software

The group uses open-source software in game development. Certain open-source software licenses require developers who distribute open source software to disclose all or part of the source code of such software on unfavorable terms or free of charge. There is a risk that such licenses may be interpreted in a way that entails unexpected consequences or limitations on the group's ability to market the games or that the group inadvertently infringes on the intellectual property rights of other actors. In addition, there is a risk that outdated, and potentially unsafe, open-source software is included in the group's products.

This may result in the group being required to disclose and make available its own source code, pay damages due to a breach of contract, reconstruct its games, suspend distribution of affected games should the redesign not be completed in a timely manner, or take other corrective actions that may divert resources from the group's game development work in general. This may have a material negative impact on the group's net revenues, results of operations and intangible assets.

> Mitigation

The group continuously monitors its use of open-source software and screens for outdated or unsafe software to mitigate the risks involved.

> Risk of force majeure

The group operates in the online gaming industry and is affected by the global economic trend, consumer trends and user preferences. Although the group focuses on digital entertainment and has digital processes in place to ensure that the group's organization operates more or less as usual in case of an force majeure event, the group's revenues are largely affected by the users' disposable income and gaming activities. Moreover, any force majeure event can have a negative impact on the global economic outlook and any negative developments in the global economy may affect users' disposable income and the ability and willingness of the gaming industry to invest money in the group's products, which may have a material negative impact on the group's operations, net revenues and results of operations

> Mitigation

Stillfront continuously evaluates its performance so that it at an early stage can identify potential issues and take appropriate actions to address the same.

> Risks related to synergies within the group

There is a risk that the group will be unable to integrate and manage the acquired business in an effective manner, anticipate expected liabilities or achieve expected cost-savings and synergies. Should the group fail in realizing operational synergies such as engine sharing, localization, marketing or monetization mechanics, there is a risk of negative impact on the group's operations and results of operations.

> Mitigation

The group has in 2022 continued to build and operationalize its Stillops platform that accelerates synergies by leveraging our assets and capabilities to maximze cost efficiency and growth.

Risks relating to the group's financial position

> Risks relating to the group's financial position

The ability to secure financing for the group and to control financial exposure in line with policies and guidelines is essential if the group is to reach its targets.

> Mitigation

Financial risk such as currency risk, liquidity risk, financing risk, interest risk, credit risk is managed centrally by the group's Finance and Treasury department in accordance with the policy set annually by the board of directors. For a more detailed description of established risk levels and how adherence to these is ensured, see note 3.

Risks related to the company's strategy

> Risk related to acquisitions, investments, establishments or divestments.

As part of the group's strategy, the group has previously carried out, will explore opportunities for and may in the future carry out acquisitions, establishments, investments and divestments that may not be completed or, if completed, do not turn out to be beneficial for the group.

In addition, there is a risk that the group will not be able to identify suitable acquisitions or carry out acquisitions, investments or divestments on acceptable terms, obtain necessary permits or regulatory approvals (e.g., from competition authorities) due to restrictions in the Group's financing agreements. This may result in the group not being able to achieve set growth targets in accordance with its strategy.

> Mitigation

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 incentivizing sellers/management to deliver results. Part of the consideration is paid in Stillfront shares that are subject to lock-up, thus ensuring alignment of interest.

Additionally, the group applies an integration framework with designated resources that works together with the acquired company's management to integrate the company successfully.

Legal and regulatory risks

> Risks related to the processing of personal data

The group processes personal data about, among other things, its employees and users. The group is subject to data protection laws, rules and regulations in several jurisdictions. Any non-compliance by the group of applicable laws, regulations and rules regarding data protection could lead to negative publicity and damage the group's reputation and lead to loss of users and revenue. It may also lead to fines and damage claims from individuals and injunctions from authorities to address the deficiency. Non-compliance with the rules applicable in the markets in which the group operates may thus have a material negative impact on the group's reputation, operations and results of operations.

> Mitigation

Being a data-driven organization is central to Stillfront. Analyzing user data enables us to identify behavior patterns, information of our operations and other insights, which allow us to be even better at developing games, as well as following events, activities and campaigns for a better experience. The users' interactions with our studios' customer services are an important intelligence when developing our games and new functions. The marketing of our games is data-driven and crucial in attracting users to play free-to-play games.

Data privacy and data protection are of the utmost importance to Stillfront. Over the years, we have put considerable resources into ensuring that our privacy program meets the criteria of the General Data Protection Regulation (GDPR) and other applicable data protection and privacy regulations. Stillfront's processes have been designed to safeguard confidentiality, privacy and access to information and data. Additionally, all professionals of Stillfront are offered regular data privacy and data protection training.

> Risks related to changes in taxation or interpretation and application of applicable tax laws

The group's operations are conducted through subsidiaries in several jurisdictions, and the group is therefore tax resident in Sweden as well as several other jurisdictions. There is a risk that tax authorities, courts or other public entities consider the group's interpretation and application of the tax legislation to be incorrect. In addition, systematic errors by the group, for example, with respect to value-added tax or transfer pricing, may be accumulated over several years and have to be corrected, which could result in large one-time costs for the group. If tax legislation in one or several jurisdictions in which the group operates changes or is misinterpreted by the group, the group may be imposed further taxes, interest, fees or sanctions that adversely affect the group's liquidity, financial position and operating profit.

> Mitigation

The payment of taxes is a central link between governments, communities and businesses Together with external experts, the group continuously assesses how different tax rules affect 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.

> Risks relating to laws, regulations and rules in several different jurisdictions

The group's studios and games are available in a large number of jurisdictions worldwide, many of which have their own individual regulations governing the running of business operations in general and online gaming in particular. Stillfront's operations in the global online gaming market and its geographical spread expose the group to risks related to sustainability factors such as human rights, working conditions and corruption.

The gaming industry is being increasingly monitored by authorities in the various jurisdictions in which the group operates. The close monitoring of new and changed regulations in all jurisdictions in which the group operates entails costs for legal advisors and may lead to both reduced revenues and increased costs should an unforeseen adaptation of the games be required in order not to violate applicable regulations or as a result of the monetization mechanism applied in the games not being considered lawful. Examples of this could be different jurisdictions regulations or view on games being categorized as gambling or so called "hazard games".

There is a risk that the group is not always fully compliant with all local laws and regulations due to a different interpretation of applicable rules than the authorities, which may result in the group being subject to legal proceedings, complaints or injunctions, or that fines, damages or other charges will be directed at the group. This may incur costs for the group and adversely affect the group's reputation. Such risks may be accentuated in a decentralized organizational model.

> Mitigation

Adapting operations to changes in laws and regulations is an ongoing process and is achieved by monitoring relevant regulatory changes, through analysis and training, and by producing governing documents. The group also maintains a dialogue with the supervisory authorities to keep them informed about the group's operations for compliance with laws and regulations.

Stillfront has also adopted a code of conduct and a wide range of different policies and procedures that apply to all employees within the Stillfront Group and aim to ensure that Stillfront complies with rules and regulations related to topics such as anti-corruption and anti-money laundering.

Directors' report

The board of directors and the CEO hereby submit the annual report and consolidated accounts for Stillfront Group AB (publ), 556721-3078, for the financial year 2022.

Operations

Stillfront Group AB (publ) is the parent company of a global group of gaming studios focused on realizing synergies by connecting and empowering game teams globally through its Stillops platform. The diverse games portfolio holds close to 80 active games within a wide variety of genres, from casual and mash-up games to strategy and role-playing games. The purpose is to offer long-term first-class digital entertainment, with the mission to make a positive impact through games. Stillfront operated through 23 gaming studios at the end of 2022: 6waves, Babil Games, Bytro Labs, Candywriter, Coldwood Interactive, Dorado Games, eRepublik Labs, Everguild, Game Labs, Goodgame Studios, Imperia Online, Jawaker, Kixeye, Moonfrog Labs, Nanobit, New Moon Production, OFM Studios, Playa Games, Power Challenge, Simutronics, Storm8, Sandbox Interactive and Super Free Games. The main markets are United States, Japan, Germany, UK and the MENA region (Middle East and North Africa).

Revenue and profit/loss

Net revenue for 2022 amounted to 7,058 (5,455) MSEK. The increase of 29.4 percent is mainly driven by acquired studios (+20.0 percent) and currency movements (+11.1 percent), slightly offset by negative organic growth (–1.4 percent) and the impact of pausing operations in Bangladesh (-0.3 percent).

Operating profit (EBIT) amounted to 850 (1,034) MSEK for the full year. Adjusted EBIT amounted to 2,005 (1,802) MSEK, corresponding to an adjusted EBIT margin of 28 (33) percent. Total IAC affecting operating income amounted to –226 (–104) MSEK, comprising of amortization of –176 (0) MSEK on developed games with shortened economic lifetime, transaction costs for acquisitions of –14 (–74) MSEK, costs for long-term incentive programs of –26 (–10) MSEK and other items of -10 (-26) MSEK. No impairment or other significant costs have been recorded in the year in connection with pausing the operations in Bangladesh.

Profit after financial items amounted to 753 (793) MSEK. Tax expense for the year was –206 (–197) MSEK, corresponding to 27 percent (25 percent) of profit before tax. Excluding the impact of non-deductible transaction costs, non-cash earnout interest and tax-free earnout revaluations, the tax rate for the year would have been 32 (21) percent.

The net result for the year was 547 (596) MSEK.

Key ratios and alternative performance measures (APMs) are defined on pages 98-99 and reconciled in note 30. For further information about the parent company's and group's earnings and position, please refer to the statements of comprehensive income and financial position, summaries of changes in equity, cash flow statements and notes.

Key events in 2022

January 19, Stillfront announced the acquisition of 6waves, a leading publisher of mobile free-to-play strategy games in Japan. With the acquisition, Stillfront intends to establish a strong foothold in East Asia and significantly strengthen Stillfront's presence in the attractive Japanese gaming market. The acquisition was finalized on February 1 and 6waves was consolidated into Stillfront's consolidated financial reporting from that same date.

January 19, Stillfront announced that the board of directors had resolved on a rights issue with preferential rights for existing shareholders. The board of directors' resolution was approved by an extraordinary general meeting on 23 February 2022. A maximum of 117,014,379 shares were offered in the rights issue at a subscription price of SEK 17.0 per share. The subscription period ended on 16 March 2022 and the rights issue was oversubscribed by 80.3 percent. The rights issue raised approximately SEK 2.0 billion for Stillfront before deduction of transaction costs. The net proceeds were used to repay the temporary increase in debt that the acquisition of 6waves entailed and to strengthen the balance sheet after the acquisition.

July 21, in connection with the Q2 report, Stillfront announced that New Moon Production, previously a part of Goodgame Studios, had been set up as a fully independent studio, officially becoming Stillfront's 23rd studio. New Moon Production has since 2016 released multiple games including Big Farm: Mobile Harvest. Goodgame Studios will continue to be an independent studio with a clear focus on operating a successful games portfolio for many more years to come.

September 9, Stillfront exercised its right to make a voluntary early redemption of all of its outstanding senior floating rate bonds maturing on 22 November 2022. On October 5, the bonds were redeemed in accordance with their terms and conditions. Stillfront redeemed the bonds with proceeds from a new unsecured term loan facility agreement of EUR 60 million with Swedish Export Credit Corporation (SEK) as lender. The new term loan facility agreement has a four (4) year term and strengthens Stillfront's financial position and further diversifies the company's financing platform.

November 3, Stillfront Group announced that it had decided to evaluate a potential process to close Moonfrog Labs' operations in Bangladesh. Stillfront's subsidiary in India, Moonfrog Labs, which was acquired in February 2021, has had business operations in Bangladesh through a company called Ulka Games. Due to recent measures taken by Bangladeshi authorities including a new interpretation of what constitutes online gaming as opposed to online gambling under the laws of Bangladesh, Stillfront finds it unviable to conduct online gaming business in the country. Stillfront's topline and EBITDA in the fourth quarter was negatively impacted by approximately –1 percent and –2 percent respectively as a result of the decision. Cash and bank balances in the group include 91 MSEK on bank accounts in Bangladesh. Moonfrog Labs has shown solid growth since becoming part of Stillfront. Moonfrog generates most of its revenues from the Indian market and a potential decision to close Ulka Games' operations permanently would have very limited impact on Moonfrog's business outside Bangladesh and the financial impact for the group would be non-material.

November 21, Stillfront announced it had utilized its two-year extension option of its revolving credit facility of SEK 3.75 billion with a new maturity date in December 2025. The extension was done at the same terms as the original facility signed in December 2020. With the extension, Stillfront ensures continued cost-effective financing and financial flexibility, while improving the maturity profile of its debt portfolio.

December 6, Stillfront Group announced that it had committed to set near-term company-wide emission reduction targets in line with climate science and with the Science Based Targets initiative (SBTi). Stillfront will now focus on implementing sufficient actions to reduce emissions from its own operations as well as initiating projects related to reducing energy when gamers play its games.

Cash flow and financial position

The group had cash flows from operating activities in the year of 2,028 (1,620). Free cash flow for the year amounted to 974 (953) MSEK with a cash conversion rate of 0.38 (0.47).

At year-end, cash and cash equivalents for the group amounted to 989 (1,133) MSEK, and unutilized credit facilities were 2,401 (2,494) MSEK, of which 2,279 (2,294) MSEK were long-term credit facilities.

A directed issue of 2,913,857 shares to the sellers of 6waves took place in the year, in the amount of 147 MSEK and a preferential rights issue with 117,014,379 shares of 1,989 MSEK was completed to finance the acquisition of 6waves and to increase financial flexibility. Earnout provisions and other liabilities for business combinations were settled during the year with 1,041 (617) MSEK in cash and 262 (307) MSEK in 6,137,139 new issued shares.

Stillfront signed an agreement in the year for a new term loan of 60 MEUR from the Swedish Export Credit Corporation with a four-year term. It was applied for a voluntary early redemption of its outstanding senior bonds maturing on 22 November 2022 with an outstanding amount of 600 MSEK. Stillfront's unsecured revolving credit facility of 3,750 MSEK was extended with a new maturity date in December 2025 and at the same terms as the original facility.

Net debt as of year-end 2022, amounted to 3,826 (3,649) MSEK.

Adjusted interest coverage ratio, pro forma was 11.8x (15.5x) at the end of the year, and the adjusted leverage ratio, pro forma was 1.5x (1.6x).

Key ratios and alternative performance measures (APMs) are defined on pages 98-99 and reconciled in note 30.

Investments and depreciation

During the year, investments in product development have been capitalized by 996 (620) MSEK. Investments include development of new games in soft launch as well as other not yet launched games. Investments also pertain to larger extensions and additions to existing games.

Amortization of product development of –518 (–263) MSEK was charged during the year. Additionally, comparison disturbing amortization was recorded in the year of –176 (0) MSEK on developed games with shortened economic lifetime. Amortization of PPA items amounted to –929 (–665) MSEK, where the increase is driven by recent acquisitions and currency.

Parent company

Customary group management functions and group wide services are provided via the parent company. Net revenues for the parent company during the year were 144 (136) MSEK with profit before tax amounting to –230 (–287) MSEK.

Financial targets

In connection with the Capital Markets Day on February 15, 2023, Stillfront announced updated financial targets. The updated financial targets replace the previous financial targets, initially announced in connection with the Capital Markets Day in November 2019 and updated in connection with the Capital Markets Update in September 2020. Stillfront's updated financial targets will be followed up annually and are valid until further notice.

Growth: Annual organic revenue growth above addressed market (supported by selective and accretive M&A). Stillfront's addressed market is defined as the global mobile games market excluding China.

Profitability: Annual adjusted EBITDAC margin in the range 26-29 percent. Stillfront's Adjusted EBITDAC is defined as profit before interest, tax, depreciation, amortization, less capitalized product development, adjusted for items affecting comparability.

Leverage: Leverage ratio below 2.0x (including cash earnouts next 12 months). Stillfront's leverage ratio is defined as net interest-bearing debt, including short-term cash earnout payments, in relation to the last twelve month's Adjusted EBITDA pro forma. Stillfront may, under certain circumstances, choose to exceed this level during shorter time periods.

Shares and share capital

On December 31, 2022, the number of shares in Stillfront Group AB (publ) was 513,199,454 (387,134,079 on December 31, 2021). The share capital was 35,923,962 SEK (27,099,386 SEK). Shares in Stillfront Group AB (publ) have been listed on Nasdaq First North since December 8, 2015, and on Nasdaq Stockholm since May 26, 2021. On December 30, 2022, the closing price was SEK 17.52 per share. Movements during the year in the number of shares are described in note 20. The number of known shareholders at year-end was 27,603.

The largest shareholders on December 31, 2022, were Laureus Capital GmbH with 11.8 percent of the outstanding shares and votes, First National Pension Fund with 5.7 percent, DNB Funds with 5.5 percent, SEB Funds with 4.0 percent and Handelsbanken Funds with 3.6 percent.

The articles of association contain no restrictions on the transferability of the company's shares, such as post-transfer acquisition rights clauses, and no other circumstances of that type have been identified that the company is liable to disclose under the provisions in chapter 6, section 2a, paragraphs 3–11 of the Swedish Annual Accounts Act.

Sustainability, employees and the environment

Stillfront has, in accordance with the Annual Accounts Act, prepared a statutory sustainability report, approved for issue by the board of directors and the CEO. The Statutory Sustainability report comprises pages 12–28. The report covers the parent company and the group's subsidiaries. In 2019, a sustainability framework was established as the platform for governance. The Code of Conduct together with the sustainability policy and the group's FAIR model are the main governance documents. Risks pertaining to sustainability issues are integrated into the group's work identifying and managing risks.

In 2022, the average number of people employed in the group was 1,516 (1,208) of whom 31 percent were women. Stillfront is a knowledge-based company with highly educated employees in a flat organization in which everyone is encouraged to make a positive contribution to the business. Employees regularly participate in continuing professional training. At Stillfront, everyone is treated equally regardless of sex, ethnicity, religion, sexual orientation, or disability.

Stillfront conducts no business operations in Sweden subject to licensing or registration under the Environmental Code. In every country, environmental requirements are applied to the business operations that, at a minimum, correspond to local environmental regulations, so far as they apply to the group's operations. The environmental impact from Stillfront's business activities is only indirect, in the form of energy consumption in conjunction with data traffic and data storage as well as travel.

Risks and uncertainty factors

Stillfront has a model for risk management that aims to identify, control, and reduce risks. The 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 executive management and decided by the board. Several group-wide policies form the basis for operational risk management in the organization. Critical risks in Stillfront's business environment are 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 the Risk management section on pages 40–45.

Events after year-end

January 3, 2023 Stillfront announced that Jan Samuelson, Chair of the Board of Directors of Stillfront Group AB (publ), had informed the nomination committee that he is not available for re-election at the 2023 annual general meeting. Jan has been Chair of the board of directors of Stillfront since 2018.

February 15, 2023, Stillfront hosted a digital capital markets day that provided a strategic update on the company's fourth operational phase and presented the updated financial targets (see "Financial targets" above for more information).

February 15, 2023, Stillfront's board of directors resolved to exercise its authorization granted by the annual general meeting on May 12, 2023, to acquire own shares on Nasdaq Stockholm for up to 270 MSEK between 16 February and the 2023 annual general meeting. The purpose of the repurchase is to enable payment with the company's own shares of certain earn-out payments relating to previous acquisitions.

Outlook

Stillfront's future development depends mainly on the development of our studios. In addition, general market conditions and trends in the gaming industry as well as the financial markets can have a significant impact on the group's reported revenues and financial position. Stillfront operates in a profitable market with strong, underlying growth drivers although 2022 was a difficult year for mobile gaming. The mobile games market declined by approximately -8 percent (Stillfront's addressed market is defined as the global mobile games market excluding China, using average market growth numbers from data.ai, Newzoo and Sensor Tower) following several years of strong growth. Against this backdrop, we are pleased that Stillfront's organic decline was limited to -1.4 percent for full-year 2022. Even though market visibility remains low, we expect both Stillfront and the market to return to organic growth during the second half of 2023.

In February 2023, Stillfront announced updated financial targets that include: 1) annual organic growth above addressed market, 2) annual adjusted EBITDAC margin of 26-29 percent, and 3) a leverage ratio below 2.0x (including cash earnouts next 12 months). 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 Annual Accounts Act (1995:1554). The company applies the Swedish Code of Corporate Governance (the Code).

Corporate governance is exercised through shareholders' meetings, the board of directors and the CEO. The company's auditor, who is appointed by the annual general meeting, reviews the company's accounts and the administration of the company by the board and the CEO.

According to Stillfront's articles of association, the company's board shall consist of at least three and no more than eight directors. All members of the board are elected by the annual general meeting. The corporate governance report also contains disclosures about the most important elements of the group's system for internal control and preparation of financial statements, on pages 30–38.

Guidelines for executive remuneration

Guidelines for remuneration of the CEO and executive managers are presented in note 8. The board's proposal to the 2023 annual general meeting is found below.

The board of directors proposal for resolution for executive remuneration

These guidelines apply to remuneration and other terms of employment of the CEO iand other individuals of the executive management of Stillfront group.

The guidelines for executive remuneration as approved by the annual general meeting 2022 remain unchanged save for an addition that additional cash remuneration may be paid out in extraordinary circumstances.

Subject to what is set out in the next paragraph, 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 management" and/or an "executive" shall for such purposes be deemed to also include such board member.

These 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 2023.

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 Stillfront's 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, 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 the company's executive management shall be based on the position, the individual performance, the company's earnings and that the remuneration shall be competitive.

Types of remuneration, etc.

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), extraordinary cash remuneration, 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, as the main rule, correspond to not more than fifty per cent (50%) of the fixed annual cash salary. However, the variable cash remuneration may correspond to up to one hundred per cent (100%) of the fixed annual cash salary of an executive manager if justified by remuneration structures or extraordinary arrangements in the individual case.

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, fulfilled sustainability goals and personal performance. Thereby, the variable cash remuneration is linked to the company's business strategy, long-term interests and sustainability.

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

Extraordinary cash remuneration
Additional cash remuneration may be paid out in extraordinary circumstances, provided that such arrangement is of a one-off nature and is agreed on an individual basis for management recruitment or retention purposes or as compensation for extraordinary efforts beyond the individual's ordinary assignment. Such remuneration shall be in line with market practice and may for example include a one-off cash payment, retention bonus or similar. Extraordinary remuneration shall not exceed the fixed annual cash salary and shall not be paid more than once a year per individual. Decisions regarding such remuneration shall be made by the board of directors based on a proposal from the remuneration committee.

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 incentive programs 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 programs, including the criteria which the outcome depends on, please see https://www.stillfront.com/en/remuneration/.

Pension benefits and other benefits
Pension benefits, including health insurance (Sw: sjukförsäkring), shall be premium defined. Variable cash remuneration shall not qualify for pension benefits. The pension premiums for premium defined pension shall amount to not more than thirty per cent (30%) of the fixed annual cash salary.

Other benefits may include, for example, medical insurance (Sw: sjukvårdsförsäkring) and company cars. Such benefits shall be limited and not exceed five per cent (5%) 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. Employment agreements between the company and members of the executive management generally apply until further notice. 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. In the event of termination 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.

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' preparation 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.

Allocation of earnings proposed by the board of directors

The board of directors proposes that the 2023 annual general meeting resolve to carry forward the net result for the year. Stillfront aims to invest its profits and cash flows in organic growth initiatives and acquisitions. The full proposal for allocation of earnings is presented in note M17.

For further information on the earnings and financial position of the parent company and the group, please refer to the income statements, balance sheets, summary of changes in shareholders' equity, cash flow statements and notes.

Annual general meeting

The annual general meeting of Stillfront Group AB (publ), corporate identity number 556721-3078, will be held on May 11, 2023 in Stockholm.

Publication of the Annual Report

This information is information that Stillfront Group AB (publ) is obliged to make public pursuant to the Securities Markets Act. The information was submitted for publication on 20 April 2023.

Consolidated statement of comprehensive income

MSEK	Note	2022	2021
Revenues			
Net revenues	5,6	7,058	5,455
Capitalized work for own account		609	462
Other operating revenue	5	28	26
		7,695	**5,943**
Operating expenses			
Other external expenses	7,16	–3,915	–3,016
Personnel expenses	8	–1,221	–899
Depreciation, amortization and impairment	14,16,17	–1,695	–986
Other operating expenses		–15	–8
Total operating expenses		**–6,845**	**–4,909**
Operating profit		**850**	**1,034**
Profit/loss from financial items			
Financial income	9	256	21
Financial expenses	10	–353	–263
Net financial items		**–97**	**–242**
Profit after financial items		**752**	**793**
Profit before tax		752	793
Tax for the period	11	–206	–197
Net profit for the year		**547**	**596**
Other comprehensive income			
Items that later can be reversed in profit			
Change in translation reserve attributable to the translation of foreign operations		2,389	981
Comprehensive income attributable to hedging of currency risks in foreign operations		–954	–351
Tax on other comprehensive income		119	59
Total other comprehensive income		**1,554**	**689**
Total comprehensive income for the year		**2,101**	**1,285**

MSEK	Note	2022	2021
Profit for the year attributable to:			
Equity holders of the parent company		559	590
Non–controlling interests		-12	6
Comprehensive income for the year attributable to:			
Equity holders of the parent company		2,113	1,278
Non–controlling interests		-12	6
Average number of shares	12		
Undiluted		483,877,769	366,572,354
Diluted		483,877,769	367,143,219
Earnings per share attributable to equity holders of the parent company:			
Undiluted, SEK/share		1.15	1.61
Diluted, SEK/share		1.15	1.61

Consolidated statement of financial position

MSEK	Note	2022	2021
ASSETS			
Non-current assets			
Intangible assets	14,15		
Game products		1,048	1,088
Licenses, market and customer related assets		3,605	3,133
Capitalized development expenditure		1,496	1,023
Goodwill		16,043	12,752
Right-of-use assets	16	101	92
Equipment, tools, fixtures and fittings	17	56	35
Deferred tax assets	11	75	39
Other non currents assets		16	7
Total non-current assets		**22,440**	**18,169**
Current assets			
Accounts receivable	18	472	390
Current tax asset		10	23
Other receivables		90	235
Prepaid expenses and accrued income	19	124	99
Cash and cash equivalents	27	989	1,133
Total current assets		**1,686**	**1,880**
TOTAL ASSETS		**24,126**	**20,049**

MSEK	Note	2022	2021
EQUITY AND LIABILITIES			
Shareholder's equity	20		
Share capital		36	27
Other paid-up capital		10,942	8,541
Other reserves		1,434	–120
Retained earnings incl. profit for the year		1,825	1,325
Total equity attributable to parent company shareholders		**14,237**	**9,772**
Non-controlling interests		6	23
Total shareholder's equity		**14,242**	**9,795**
Non-current liabilities			
Deferred tax liability	11	1,127	1,053
Bond loans	21	2,496	2,494
Liabilities to credit institutions	21	1,471	1,456
Term loan	21	668	–
Other non-current liabilities	16,21	2,090	2,361
Other provisions	22	58	3
Total non-current liabilities		**7,909**	**7,368**
Current liabilities			
Liabilities to credit institutions	21	79	–
Bond loans	21	–	597
Accounts payable		151	139
Current tax liabilities		40	74
Other current liabilities	16,21,22,23	1,286	1,669
Accrued expenses and deferred income	24	419	405
Total current liabilities		**1,975**	**2,886**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**24,126**	**20,049**

Consolidated statement of changes in shareholders' equity

MSEK	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 interest	Total equity
Opening balance, 1 Jan. 2021	**24**	**6,179**	**–808**	**734**	**6,129**	**17**	**6,146**
Profit for the year				590	590	6	596
Change in translation reserve attributable to the translation of foreign operations			981		981	1	981
Comprehensive income attributable to hedging of currency risks in foreign operations			–351		–351		–351
Tax on other comprehensive income			59		59		59
Total comprehensive income	**0**	**0**	**688**	**590**	**1,278**	**6**	**1,285**
New share issue	1	1,073			1,074		1,074
Issue for non-cash consideration	2	1,517			1,518		1,518
Issue expenses		–20			–20		–20
Tax impact of issue expenses		4			4		4
Share-based incentive programs		12			12		12
Equity swap		–224			–224		–224
Total transactions with shareholders recognized directly against equity	**3**	**2,362**	**0**	**0**	**2,365**	**0**	**2,365**
Closing balance, 31 Dec. 2021	**27**	**8,541**	**–120**	**1,325**	**9,772**	**23**	**9,795**
Opening balance, 1 Jan. 2022	**27**	**8,541**	**–120**	**1,325**	**9,772**	**23**	**9,795**
Profit for the year				559	559	-12	547
Change in translation reserve attributable to the translation of foreign operations			2,389		2,389	1	2,389
Comprehensive income attributable to hedging of currency risks in foreign operations			–954		–954		–954
Tax on other comprehensive income			119		119		119
Total comprehensive income	**0**	**0**	**1,554**	**559**	**2,113**	**-11**	**2,101**
New share issue	8	1,981			1,989		1,989
Issue for non-cash consideration	1	408			409		409
Issue expenses		–35			–35		–35
Tax impact of issue expenses		7			7		7
Share-based incentive programs		27			27		27
Equity swap		12			12		12
Transactions with non controlling interests				-58	–58	-6	–64
Total transactions with shareholders recognized directly against equity	**9**	**2,401**	**0**	**-58**	**2,352**	**-6**	**2,346**
Closing balance, 31 Dec. 2022	**36**	**10,942**	**1,434**	**1,825**	**14,237**	**6**	**14,242**

Consolidated statement of cash flows

MSEK	Note	2022	2021
Operating activities			
Profit after financial items		752	793
Adjustment of non-cash items, etc.	26	1,640	1,043
Tax paid		–310	–221
Cash flow from operating activities before changes in working capital		**2,082**	**1,615**
Cash flow from changes in working capital			
Increase (–)/decrease (+) in operating receivables		74	-2
Increase (+)/decrease (–) in operating liabilities		-129	7
Cash flow from changes in working capital		**-54**	**5**
Cash flow from operating activities		**2,028**	**1,620**
Investing activities			
Acquisition of operation, net of cash acquired	13	–2,724	–3,317
Purchase/sale of property, plant and equipment	17	–30	–15
Purchase of intangible assets	14	–996	–621
Acquisition of game assets		–31	–223
Change in financial fixed assets		22	–
Cash flow from investment activities		**–3,758**	**–4,176**
Financing activities			
Proceed from borrowings	21	653	1,486
Repayment of loans	21	-801	–
Net change in overdraft and revolving credit facilities	21	-139	118
Cash effect from currency derivatives		-159	0
Cash outflow lease agreements	21	–57	–46
Issue expenses		–35	–20
New share issue		2,001	1,074
Cash flow from financing activities		**1,462**	**2,612**
Cash flow for the year		**-267**	**56**
Cash and cash equivalents at beginning of year		1,133	1,005
Exchange rate difference in cash and cash equivalents		123	72
Cash and cash equivalents at end of year		**989**	**1,133**

Parent company income statement

MSEK	Note	2022	2021
Revenues			
Net revenues		144	136
Own work capitalized		14	-
Total revenues		**158**	**136**
Operating expenses			
Other external expenses	M2	–68	–67
Personnel expenses	M3	–116	–80
Depreciation, amortization and impairment	M7	–3	–4
Other operating expenses		0	3
Total operating expenses		**–188**	**–148**
Operating loss		**–30**	**–11**
Profit/loss from financial items			
Financial income, etc.	M4	723	51
Financial expenses, etc.	M5	–1,176	–422
Net financial items		**–453**	**–371**
Loss after financial items		**–484**	**–382**
Appropriations			
Group contributions		254	95
Total appropriations		**254**	**95**
Loss before tax		**–230**	**–287**
Tax for the period	M6	60	–7
Net loss for the year		**–170**	**–294**
Parent company Statement of Comprehensive Income			
Net loss for the year		–170	–294
Total comprehensive income		**–170**	**–294**

Parent company balance sheet

MSEK	Note	2022	2021
ASSETS			
Non-current assets			
Licenses, market and customer related assets	M7	16	4
Equipment, tools, fixtures and fittings		1	1
Financial assets			
Participations in group companies	M8	18,479	16,158
Receivables from group companies	M15	2,971	2,858
Deferred tax assets	M6	75	5
Other financial assets		1	1
Total non-current assets		**21,542**	**19,027**
Current assets			
Receivables from group companies	M15	358	140
Other receivables		11	17
Prepaid expenses and accrued income	M9	21	32
Cash and cash equivalents		-	77
Total current assets		**390**	**267**
TOTAL ASSETS		**21,932**	**19,294**

MSEK	Note	2022	2021
EQUITY AND LIABILITIES			
Shareholders' equity			
Restricted equity			
Share capital		36	27
Total restricted equity		**36**	**27**
Non-restricted equity			
Share premium reserve		13,347	10,958
Accumulated profit or loss		–531	–249
Profit/loss for the year		–170	–294
Total non-restricted equity		**12,646**	**10,415**
Total shareholders' equity		**12,682**	**10,442**
Provisions			
Other provisions	M11	1,637	1,647
Total provisions		**1,637**	**1,647**
Non-current liabilities			
Interest bearing liabilities	M10	4,706	3,950
Non-current liabilities to group companies		139	–
Total non-current liabilities		**4,846**	**3,950**
Current liabilities			
Interest bearing liabilities	M10	79	597
Other current provisions	M11	747	843
Accounts payable		6	9
Liabilities to group companies		1,873	1,360
Current tax liabilities	M6	0	18
Equity swap		20	223
Other current liabilities		12	153
Accrued expenses and deferred income	M12	31	50
Total current liabilities		**2,767**	**3,254**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**21,932**	**19,294**

Parent company statement of changes in equity

	RESTRICTED EQUITY	NON-RESTRICTED EQUITY		
MSEK	Share capital	Share premium reserve	Retained earnings incl. loss of the year	Total equity
Opening balance, 1 Jan. 2021	**24**	**8,372**	**–25**	**8,371**
Loss for the year			–294	
Total comprehensive income	**0**	**0**	**–294**	**–294**
New share issue	3	2,589		2,592
Issue expenses		–20		–20
Tax impact of issue expenses		4		4
Share-based incentive programs		12		12
Equity swap			–224	–224
Total transactions recognized directly against equity	**3**	**2,586**	**–224**	**2,365**
Closing balance, 31 Dec. 2021	**27**	**10,958**	**–543**	**10,442**
Opening balance, 1 Jan. 2022	**27**	**10,958**	**-543**	**10,442**
Loss for the year			–170	–170
Total comprehensive income	**0**	**0**	**–170**	**-170**
New share issue	9	2,390		2,399
Issue expenses		–35		–35
Tax impact of issue expenses		7		7
Share-based incentive programs		27		27
Equity swap			12	12
Total transactions recognized directly against equity	**9**	**2,389**	**12**	**2,410**
Closing balance, 31 Dec. 2022	**36**	**13,347**	**-701**	**12,682**

Parent company cash flow statement

MSEK	Note	2022	2021
Operating activities			
Profit after financial items and group contributions		–230	–287
Adjustment of non-cash items, etc.	M14	1,001	166
Tax paid		–29	–1
Cash flow from operating activities before changes in working capital		**742**	**–122**
Cash flow from changes in working capital			
Increase(–)/decrease (+) in operating receivables		23	22
Increase (+)/decrease (–) in operating liabilities		-25	44
Cash flow from changes in working capital		**-2**	**66**
Cash flow from operating activities		**739**	**–56**
Investing activities			
Purchase of intangible assets		-15	0
Lending/net settlement to subsidiaries		323	–451
Change in financial fixed assets		12	–
Acquisition of operation	M8	–2,674	–2,805
Cash flow from investment activities		**–2,354**	**–3,255**
Financing activities			
Net change in borrowings		-287	2,218
Issue expenses		–35	–20
Realized foreign currency swap		-159	0
New share issue		2,001	1,074
Cash flow from financing activities		**1,520**	**3,272**
Cash flow for the year		**–95**	**–39**
Cash and cash equivalents at beginning of year		77	115
Exchange rate difference in cash and cash equivalents		18	1
Cash and cash equivalents at end of year		**0**	**77**

Notes

Note 1. General information

Stillfront Group AB (publ), corporate identification number 556721-3078, and its subsidiaries (collectively termed the group) are a group of gaming studios focused on realizing synergies by connecting and empowering game teams globally through its Stillops platform. Stillfront is active through 23 studios: Babil Games, Bytro Labs, Candywriter, Coldwood Interactive, Dorado Games, eRepublik Labs, Everguild, Game Labs, Goodgame Studios, Imperia Online, Jawaker, Kixeye, Moonfrog Labs, Nanobit, New Moon Production, OFM Studios, Playa Games, Power Challenge, Sandbox Interactive, Simutronics, 6waves, Storm8 and Super Free Games.

The parent company is a public limited company registered in Sweden, with its registered office in Stockholm. The address of the head office is Kungsgatan 38, SE-111 35 Stockholm, Sweden. In December 2015, Stillfront's shares were listed on Nasdaq First North Stockholm (currently Nasdaq First North Premier Growth Market). In June 2017, the listing was moved to First North Premier. Since 26 May 2021, Stillfront's shares are listed on Nasdaq Stockholm. Stillfront's 2019/2024 bond with ISIN code SE0012728830, and Stillfront's 2021/2025 bond with ISIN SE0015961065, are listed on Nasdaq OMX Stockholm.

The board of directors approved these consolidated accounts for publication on April 19, 2023.

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 (MSEK). 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.

Reclassifications without impact on net profit or shareholders' equity have been done retrospectively by restating amounts for 2021.

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 in note M1.

BASIS FOR 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 as endorsed by the EU. The accounts have been prepared in accordance with acquisition accounting, apart from contingent considerations (earnout provisions), which are measured at fair value through profit or loss, and derivatives used for currency hedging which are measured at fair value through other comprehensive income.

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 that are of material significance to the consolidated accounts are stated in note 4.

New and amended standards adopted by the group

The group elected to adopt early the Annual Improvements to IFRS Standards 2018–2020 cycle. From 2022, the group also applies updated versions of IFRS 3, IAS 16 and IAS 37.

The impact of applying the amended standards in 2022 is insignificant.

From 2023, new versions of IAS 8, IAS 12 and IFRS 17 apply. The impact is insignificant for the group. Furthermore, a new version of IAS 1 applies where among other things annual reports are required to disclose "material accounting policies" as opposed to "significant accounting policies" as previously required.

There are no other already decided changes in accounting standards that are expected to have a significant impact on Stillfront's financial reports.

CONSOLIDATED ACCOUNTS

The consolidated financial statements cover the accounts of the parent company and the companies in which the parent company has a direct or indirect controlling interst, in accordance with IFRS 10 Consolidated financial statements. A subsidiary is 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, is exposed to, or has rights to, variable re- turns 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 in- vestor obtains control of the investee, which normally coincides with the acquisition date. Consolidation ceases when control is lost.

Business combinations are accounted for according to 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 made for upcoming 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.

Cont. note 2.

If the consideration is contingent on future events, it is initially measured at fair value. The contingent consideration is classified as a financial liability, and it is subsequently measured at fair value through profit and loss. For more information, see the separate section "Provision for earnouts/contingent considerations" and note 21 Interest-bearing debt.

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 ac- quirer 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 several factors, such as the relative voting-shares in the merged entity after the business combination, the composition of management bodies, the entities' relaive sizes (measured by assets or revenues or earnings, for example). Stillfront's only re-verse acquisition was the acquisition of Altigi GmbH in 2018.

Acquisitions of legal entities which only consist of one asset or group of similar assets, but no ongoing business are accounted for as asset acquisitions.

Expected future payments of deferred purchase price consideration are discounted to their present value at a risk adjusted interest rate for each payment that reflects the average cost of capital for the investment.

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 time of consolidation as a subsidiary. Any gain or loss arising from the 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 adjusted to achieve a 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. If Stillfront is bound by an agreement to acquire the shares from the non-controlling shareholders, then the fair value of the future purchase price is recognized in the statement of financial position as a liability and not as a non-controlling interest.

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.

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. Revenues and expenses of a foreign operation acquired in the year are translated to SEK at the average exchange rate during the period of ownership. 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.

An intangible asset is an identifiable, non-monetary asset under the group's control which generates future economic benefits.

An intangible asset can be recognized through a separate acquisition, as part of a business combination or be internally generated. Intangible assets other than goodwill are recognized at cost minus accumulated amortization and impairment losses. Impairment losses are applied in accordance with IAS 36 Impairment of assets.

An assessment of the recoverable amount and remaining useful life of an asset is made on a regular basis and may result in and adjustment of the amortization period.

Game products

The group's game products derive from games that have been acquired through the acquisition of an operation or of assets. 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 or shorter. Market and customer-related assets are amortized over 2–10 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 3–10 years. Amortization is on a straight-line basis over the estimated economic life of the assets.

Cont. note 2.

Capitalized development expenditure
The capitalized development expenditure items consist of technology acquired through business combinations and of 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 can demonstrate 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 the 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.

Amortization begins when the asset is ready for use, which is the same time 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 has 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 is 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 ex- pected 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 an- nually for impairment or more frequently if indicators of impairment exist. Any impairment is recognized immediately as an expense and not reversed.

LEASES

Stillfront applies IFRS 16 Leases from January 1, 2019.

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 for buildings. Stillfront has a few other leases such as office equipment, IT-equipment, cars and other. 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 separates non-lease components such as service charges, property tax, electricity, water, heating etc. in a contract, and does not include the non-lease component in the calculation of the value of the right-of-use assets 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 de- pend on an index or a rate.

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.

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.

PROPERTY, PLANT AND EQUIPMENT

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

Tangible assets are recognized using the cost method. Measurement after recognition is cost less depreciation and any impairment. The tangible assets in the group comprise 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.

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.

Cont. note 2.

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

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

IMPAIRMENT OF NON-FINANCIAL ASSETS

Intangible assets are tested for impairment in accordance with IAS 36 Impairment of assets.

The assets that are tested for impairment on a regular basis within Stillfront are 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. Resource allocation among the group's games and businesses is determined centrally with the profitability of the entire group in mind. This is a major success factor for the group. Financial performance is therefore monitored on the level of the entire group rather than on a more granular level. Hence, Stillfront is viewed as a single cash-generating unit for impairment testing purposes.

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 in 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 is presented as other current liabilities.

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

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 according to the effective interest rate method (at the net present value of expected receipts). 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.

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 other comprehensive income until derecognition when they are reclassified to profit or loss. In- struments 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, except when the liability refers to a financial instrument at fair value through profit or loss, such as a derivative, or a provision for earnouts that is recognized by an acquirer in a business combination in accordance with IFRS 3. Such contingent consideration shall subsequently be measured at fair value with changes recognized in profit or loss. Financial liabilities include the liability for equity swaps entered into in order to meet Stillfront's commitments under long-term incentive programs. The liability is measured at amortised cost. A deposit made in connection with the annual renewal of the equity swap to the bank that entered into the swap agreement with Stillfront is treated as a partial redemption of the swap liability.

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

ACCOUNTS RECEIVABLE

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

CASH AND CASH EQUIVALENTS

In the balance sheet and statement of cash flows, cash and cash equivalents include cash, bank balances and other investments in securities, etc. In the balance sheet, utilized overdraft facilities are recognized as loan liabilities in current liabilities.

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 are due within one year or earlier (or during a normal business cycle if this is longer). If not, they are reported as non-current liabilities.

Cont. note 2.

BORROWING
Bond loans, overdraft facilities, other credit facilities, and contingent considerations (earnout provisions) 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 liabilities pertaining to contingent considerations from acquisitions (earnout provisions). Contingent considerations are settled with cash or shares in Stillfront, based on an amount which is determined by the terms and conditions in the agreement.

If the contingent consideration is expected to be settled within twelve months from the reporting date, it is classified as a current financial liability. The liability is measured at fair value, and changes in its value are recognized in profit or loss as financial items. The liability is part of a hedging relationship, and therefore currency translation differences are recognized in other comprehensive income whereas other fair value changes are recognized in net financial items.

PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS
Provisions are reported in accordance with 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 is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognized as interest expense.

HEDGE ACCOUNTING
Stillfront applies hedge accounting to its net investments in foreign operations. As of its treasury policy, Stillfront finances its foreign operations partly in currencies other than the functional currency of the parent company (SEK). Liabilities in foreign currency other than the functional currency of the parent company (SEK), including 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 with IAS 12 Income taxes.

Income tax consists of current tax and deferred tax. Income tax is recognized as in- come 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. Current tax is calculated based on the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period in the countries where the parent company and its subsidiaries are operating and generate taxable income.

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.

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

Deferred tax liabilities are reported for retained earnings in subsidiaries only if future dividends are expected to be subject to income tax or withholding tax and such dividends are intended to be made in the foreseeable future.

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.

The fair value of employee stock options allotted to staff is calculated at issue according to the Black & Scholes valuation model. The fair value of restricted stock units allotted is estimated by using Monte Carlo simulation. The value of share-based instruments allotted is recognized as a personnel cost in the profit and loss statement, over the vesting period, with a corresponding increase in shareholders' equity. The cost recognized corresponds to the fair value of options and restricted stock units that have been allotted.

Equity swap agreements entered into with a bank in order to meet Stillfront's commitments under long-term incentive programs are accounted for as a financial liability at amortised cost and as a reduction of shareholders' equity. Consequently, the fair value of the underlying shares when the agreement was signed is accounted for as a liability and the fees to the bank are recognized over time as financial costs. A deposit made in connection with the annual renewal of the equity swap to the bank that entered into the swap agreement with Stillfront is treated as a partial redemption of the swap liability.

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 em- ployees render the related service.

Short-term employee benefits within the group include 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.

Cont. note 2.

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

Defined benefit plans are plans where it is the group's obligation to provide agreed benefits to current and former employees. There are no defined benefit pension plans in the group.

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.

REVENUE FROM CONTRACTS WITH CUSTOMERS

According to IFRS 15 Revenue from contract with customers, 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 revenues come from game experience delivered to players primarily in so-called free-to-play games, where the group charges for virtual goods, subscriptions, advertising and contracting. Net revenues are calculated by adjusting payments received for deferred revenues.

Platform fees to suppliers like Apple or Google are deducted when payments are made to Stillfront but are reported in the profit and loss statement as operating expenses and not as revenue reductions.

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 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, tokens 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 constitutes 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. Virtual goods and subscriptions are evaluated either as licenses "to use" or "to access" 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 if the benefit that the player receives from the license is considered as basically immediate and without further obligations for Stillfront, or over the estimated time during which the virtual goods and subscription are delivered under the license if they are considered to benefit the player going forward. If the virtual goods or subscription do not depend on Stillfront's future maintenance of the game platform, and hence no obligation, then this corresponds to a classification of the license as "to use".

Bookings

Gamers can pay real money or use in-game purchases to acquire IGC. Such a transaction is referred to as a booking. Revenue is as described above 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.

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 that reliably determining the amount of revenue relating 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 zero, which means that no policy for revenue recognition needs to be adopted.

Other games related revenues

In-game advertising revenues are recognized when they occur, i.e. when a player watches or 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 is 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 on a straight-line basis 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.

Is Stillfront contracted to develop a complete game at fixed price for an external owner, then revenue is recognized over time as milestones are fulfilled which reflect the completion of performance obligations.

Cont. note 2.

When Stillfront acts as a publisher of games owned by an external developer, who makes all decisions about setting prices etc, then Stillfront is an agent for the game developer, and accounts for revenues net after deduction of reimbursement to the de- veloper and platform providers.

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.

GOVERNMENT GRANTS

Stillfront applies IAS 20 Accounting for Government Grants and Disclosure of Government Assistance. Government grants received are recognized as a cost reduction over the period in which the expenses that are compensated for by grants are reported. Grants related to investments in assets and to expenses which are capitalized are presented as a reduction of the carrying amount of the assets, whereby the cost for depreciation and amortization is reduced.

CASH FLOW STATEMENT

The cash flow statement has been prepared in accordance with the indirect method, whereby earnings are adjusted for transactions not involving cash payments in the period. The company's cash and cash equivalents consist of cash and bank balances.

The classification within the cash flow statement has been adjusted from 2022 whereby the cash flow impact of currency hedging derivative transactions is reported within cash flows from financing activities rather than cash flows from operating activities as previously. The impact on periods prior to 2022 would have been insignificant.

EARNINGS PER SHARE

IAS 33 Earnings per share 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 ef- fect 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. In 2022, Stillfront had no options and warrants that may cause dilution. 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, the studios. Studio heads report to the members of group management team, whose members report di- rectly or indirectly to Stillfront's CEO. However, operational monitoring is focused on individual games rather than the subsidiaries themselves.

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 group Business management 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

See note M1.

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 currency exposures in net assets in foreign subsidiaries are partly hedged by having external loans in the parent company denominated in the same currencies, where hedge accounting is applied when the loans constitute an effective hedge of the group's exposure. All earnout liabilities (contingent considerations) are in foreign currency and are considered as hedges of currency exposures. Currency risks are also hedged with derivatives. The main currencies the group is exposed to are EUR and USD. The group's risk exposure in net investments in foreign operations the end of the financial year, expressed in Swedish krona (SEK), was as follows:

NET INVESTMENTS IN FOREIGN OPERATIONS BY CURRENCY

	31 Dec 2022		31 Dec 2021	
MSEK	Net Assets	Thereof hedged	Net Assets	Thereof hedged
EUR	5,010	2,202	4,134	1,438
USD	14,163	4,900	11,454	4,597
Other foreign currencies	1,562	23	2,632	42

CONSOLIDATED NET REVENUES BY CURRENCY

MSEK	2022	2021
EUR	2,256	1,787
USD	3,269	2,809
Other foreign currencies	1,506	841
SEK	27	19
Total net revenues	**7,058**	**5,455**

CONSOLIDATED EBITDA BY CURRENCY

MSEK	2022	2021
EUR	695	649
USD	1,334	1,086
Other foreign currencies	508	275
SEK	7	10
Total EBITDA	**2,545**	**2,020**

If the EUR exchange rate had been 5 percent higher or lower versus the SEK with all other variables constant, EBITDA would have been 35 (32) MSEK higher or lower respectively, and the impact on equity would have been 140 (135) MSEK. If the USD exchange rate had been 5 percent higher or lower versus the SEK with all other variables constant, EBITDA would have been 67 (54) MSEK higher or lower respectively, and the impact on equity would have been 463 (343) MSEK. Currency hedging of net investments in foreign operations had an impact on other comprehensive income for the year of –835 (–351) MSEK net of tax.

Cont. note 3.

INTEREST RATE RISK

Interest rate risk means the risk that fair value or future cash flows fluctuate due to altered market interest rates. The interest risk is managed by funding the group with loans that have an interest rate fixing maturity which reflects the duration profile of the assets and the business. The average interest rate duration of the loan portfolio should be between 3 and 36 months. At year-end, the outstanding loans had an interest rate duration of 3 months. The group has during the year had outstanding bond loans amounting to up to 2,500 (3,100) MSEK and liabilities to credit institutions of 1,471 (1,456) MSEK at year end as well as a term loan from the Swedish Export Credit Corporation amounting to 668 (0) MSEK 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 percent increase in STIBOR based on the value at year-end would negatively impact profit by 94 (91) MSEK. Stillfront updated the RCF contract in 2021 to reflect the current IBOR transition.

PRICE RISK

Financial liabilities measured at fair value

The group has contingent considerations/ provisions for earnouts measured at fair value. If future EBIT assumptions used in fair value measurement increase (decrease) 5 percent for those operations where contingent considerations have been measured for payment based on performance in 2022 to 2026, this would impact net profit by –306 (–139) MSEK at the date of fair value measurement.

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 and counterparties are stable and reputable companies such as Apple, Google and PayPal. 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 76 (109) MSEK.

MAXIMUM EXPOSURE TO CREDIT RISK

MSEK	31 Dec. 2022	31 Dec. 2021
Accounts receivable	472	390
Contract assets (accrued income)	67	47
Other receivables	88	229
Bank balances	989	1,133
Total	**1,616**	**1,799**

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. Acquisitions of new businesses 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, most 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, assuming unchanged currency and interest rates. The provision for earnout presented in the below table is partly settled in new issued Stillfront Group shares (344 MSEK with maturity 3–12 months and 717 MSEK with maturity 1–5 years).

MATURITY ANALYSIS OF CONTRACTUAL PAYMENTS FOR FINANCIAL LIABILITIES INCLUDING INTEREST

MSEK	0-3 months	3-12 months	1-5 years	>5 years
Bond Loans	57	96	2,653	–
Contingent consideration for shares in subsidiaries	–	1,089	2,120	–
Lease liabilities	13	27	67	5
Term Loan	6	20	739	–
Liabilities to credit institutions	12	71	1,661	–
Liabiltities to credit institutions (Overdraft facitlities)	1	80	–	–
Equity swap	–	20	–	–
FX currency swap	10	–	72	–
Accounts payable	151	–	–	–
Total	**251**	**1,402**	**7,312**	**5**

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, repurchase own shares, 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 evaluate the group's long-term need for capital and finance alternatives. The bonds have no financial maintenance covenants, only financial incurrence covenants. The company has also arranged credit facilities with banks. Some of these facilities have maintenance covenants regarding leverage, all of which were satisfied during the year.

Fair value measurement

The following table illustrates 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).

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

MSEK	Level 1	Level 2	Level 3
Financial liabilities			
Contingent purchase price considerations			
Opening balance 1 January 2021			2,103
Acquisitions during the year			1,849
Settled during the year			–927
Changes in fair value			5
Other fair value changes (currency/interest)			298
Closing balance 31 December 2021			**3,328**
Acquisitions during the year			402
Settled during the year			–1,073
Changes in fair value			–237
Other fair value changes (currency/interest)			608
Closing balance 31 December 2022			**3,028**

Additionally, there was at year-end 2022 a liability for currency derivatives of 83 (11) MSEK, in Level 2.

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 are 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 areas where estimates and judgements have been made and are 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 not ready for use) is subject to annual 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 14.

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 that management conducted may result in different results of operations and a different financial position. For more information see note 15.

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 are mainly attributable to tax loss carry forwards, deferred income and lease liabilities. The deferred tax liabilities are mainly attributable to games and 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 is 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 es- timated 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 11.

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. Management regularly assesses and discusses with the board of directors its 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 items 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.

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 judgement, which needs thorough examination, measurement and analysis. This also means that preliminary measurement usually needs 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. For more information on acquisitions, see note 13.

CONTINGENT CONSIDERATIONS (PROVISION FOR EARNOUTS)

For several 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.

SUBSIDIARY'S OPERATIONS IN BANGLADESH

Stillfront evaluates since November 2022 a potential process to close the group's operations in Bangladesh, due to recent measures taken by Bangladeshi authorities including a new interpretation of what constitutes online gaming as opposed to online gambling under the laws of Bangladesh. The impact on consolidated revenues and earnings of such a decision would be non-material. Cash and bank balances in the group include 91 MSEK on bank accounts in Bangladesh. Other assets and liabilities in Bangladesh amount to insignificant amounts in the consolidated balance sheet. No impairment of the carrying values of cash and bank balances or other assets in Bangladesh is assessed to be necessary.

Note 5.
Revenues from clients

	GROUP	
MSEK	**2022**	**2021**
Net revenues		
Subscriptions and virtual goods	5,966	4,485
Advertising revenues	1,092	970
Total net revenues	**7,058**	**5,455**
Other operating revenues		
Exchange rate differences	9	2
Refund of purchase price for shares	0	7
Other	19	17
Total other operating revenues	**28**	**26**

Subscriptions and virtual goods consist mainly of "bookings" adjusted for deferred revenues. Bookings are derived from gamers in the geographical continents as follows: North America 45 percent, South America 2 percent, Europe 27 percent, Africa 1 percent, Asia 23 percent, and Oceania 2 percent. No individual customer represents more than 10 percent of net revenues.

Note 6.
Revenues and non-current assets per country

NET REVENUES

	GROUP	
MSEK	**2022**	**2021**
Bulgaria	135	143
Croatia	370	406
United Arab Emirates	707	396
Malta	422	216
Romania	113	95
United Kingdom	19	19
Sweden	27	19
Germany	1,721	1,476
United States	2,562	2,413
India	374	273
Hong Kong	608	-
Total	**7,058**	**5,455**

NON-CURRENT ASSETS EXCLUDING DEFERRED TAX

	GROUP	
MSEK	**31 Dec. 2022**	**31 Dec. 2021**
Bulgaria	282	255
Croatia	1,183	1,074
United Arab Emirates	3,699	3,300
Malta	57	50
Romania	41	43
United Kingdom	75	71
Sweden	1,173	1,193
Germany	3,056	2,806
United States	9,109	8,310
India	1,094	1,028
Jordan	13	–
Hong Kong	2,584	–
Total	**22,365**	**18,130**

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

Note 7.
Audit fees and reimbursement

	GROUP	
MSEK	**2022**	**2021**
PwC		
Audit	12	13
Other audit	1	2
Other services	–	2
Sub-total, PwC	**12**	**17**
Other audit firms		
Audit	1	2
Total	**13**	**19**

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. 3 (2) MSEK of the audit fees relates to PwC Sweden.

Note 8.
Average number of employees, personnel expenses, pensions etc.

AVERAGE NO. OF EMPLOYEES, GROUP

	GROUP	
	2022	2021
Australia		
Women	–	1
Men	–	2
Total		**3**
Bangladesh		
Women	4	3
Men	33	32
Total	**37**	**34**
Bulgaria		
Women	32	37
Men	52	41
Total	**84**	**78**
Canada		
Women	14	13
Men	72	63
Total	**86**	**76**
China		
Women	19	-
Men	41	-
Total	**60**	**-**
Croatia		
Women	64	60
Men	57	59
Total	**121**	**119**
Germany		
Women	124	110
Men	282	283
Total	**406**	**393**
Hong Kong		
Women	14	–
Men	22	–
Total	**36**	**–**

	GROUP	
	2022	2021
India		
Women	27	17
Men	117	88
Total	**144**	**104**
Ireland		
Women	1	1
Men	0	0
Total	**1**	**1**
Japan		
Women	10	-
Men	12	-
Total	**22**	**-**
Jordan		
Women	51	22
Men	91	43
Total	**142**	**65**
Malta		
Women	8	6
Men	26	22
Total	**34**	**28**
Portugal		
Women	0	0
Men	1	1
Total	**1**	**1**
Romania		
Women	12	12
Men	15	14
Total	**27**	**26**
Russia		
Women	0	0
Men	0	1
Total	**0**	**1**

	GROUP	
	2022	2021
Singapore		
Women	7	7
Men	11	11
Total	**18**	**18**
Spain		
Women	4	3
Men	14	6
Total	**18**	**9**
Sweden		
Women	9	7
Men	36	35
Total	**46**	**42**
United Arab Emirate		
Women	4	1
Men	16	4
Total	**20**	**5**
Ukraine		
Women	2	0
Men	4	2
Total	**6**	**2**
United States		
Women	70	66
Men	135	130
Total	**205**	**196**
Vietnam		
Women	0	2
Men	2	5
Total	**2**	**7**
All countries		
Women	475	368
Men	1,041	840
Total	**1,516**	**1,208**

Cont. note 8.

GENDER DIVISION IN GROUP EXECUTIVE MANAGEMENT

	GROUP	
	2022	2021
Board members	6	6
of which men	3	3
President and other senior executives	8	8
of which men	5	5
Total	**14**	**14**
of which men	**8**	**8**

SALARIES AND OTHER BENEFITS, GROUP

MSEK	2022	2021
Total salaries and benefits	**972**	**698**
(Thereof boards of directors, Presidents and other senior executives)	47	35
Social security	91	71
Pensions	14	15
Total	**1,077**	**784**

REMUNERATION FOR GROUP EXECUTIVE MANAGEMENT

2022 (SEK 000)	CEO and President	Other senior executives	Total
Fixed salary	6,937	19,778	26,715
Variable remuneration	0	65	65
Cost for shared based benefits	5,506	11,719	17,225
Pension expenses	1,193	1,633	2,826
Total remuneration	**13,636**	**33,195**	**46,831**

2021 (SEK 000)	CEO and President	Other senior executives	Total
Fixed salary	6,154	17,447	23,601
Variable remuneration	500	1,260	1,760
Cost for shared based benefits	3,057	4,514	7,571
Pension expenses	1,500	1,533	3,033
Total remuneration	**11,211**	**24,754**	**35,965**

FEES TO THE BOARD OF DIRECTORS

SEK 000	2022	2021
Jan Samuelson, Chair	853	721
Katarina Bonde	318	276
Birgitta Henriksson	358	312
Erik Forsberg	533	473
Ulrika Viklund	283	243
Marcus Jacobs	196	0
Kai Wawrzinek	108	243
Total	**2,649**	**2,268**

On the annual general meeting in May 2022, Marcus Jacobs was elected as a new member of the board, and Kai Wawrzinek resigned.

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 Chair of the board and other board members in accordance with resolutions by shareholders' meetings.

REMUNERATION GUIDELINES FOR EXECUTIVE MANAGEMENT

The following remuneration guidelines for the CEO and other persons in the company's executive management for the period until the next annual general meeting were adopted on the AGM in May 2022.

These guidelines apply to remuneration and other terms of employment of the Chief Executive Officer (the "CEO") and other individuals of the executive management of Stillfront Group AB (publ), reg. no. 5567213078 ("Stillfront" or the "Company").

The guidelines for executive remuneration as approved by the Annual General Meeting 2021 remain largely unchanged. However, clarifications have been made regarding, inter alia, criteria for variable remuneration.

Subject to what is set out in the next paragraph, 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 management" and/or an "executive" shall for such purposes be deemed to also include such board member.

These 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 2022.

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 Stillfront's 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, 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 the Company's executive management shall be based on the position, the individual performance, the Company's earnings and that the remuneration shall be competitive.

TYPES OF REMUNERATION, ETC.

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, as the main rule, correspond to not more than fifty per cent (50%) of the fixed annual cash salary. However, the variable cash remuneration may correspond to up to one hundred per cent (100%) of the fixed annual cash salary of an executive manager if justified by remuneration structures or extraordinary arrangements in the individual case.

Cont. note 8.

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, fulfilled sustainability goals and personal performance. Thereby, the variable cash remuneration is linked to the Company's business strategy, long-term interests and sustainability.

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 cash remuneration has been satisfied shall be evaluated/determined when the measurement period has ended. The remuneration committee is responsible for the evaluation in so far as it concerns variable remuneration to the CEO. For variable cash 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 incentive programs 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 programs, including the criteria which the outcome depends on, please see https://www.stillfront.com/en/remuneration/.

Pension benefits and other benefits

Pension benefits, including health insurance (Sw: sjukförsäkring), shall be premium defined. Variable cash remuneration shall not qualify for pension benefits. The pension premiums for premium defined pension shall amount to not more than thirty per cent (30%) of the fixed annual cash salary.

Other benefits may include, for example, medical insurance (Sw: sjukvårdsförsäkring) and company cars. Such benefits shall be limited and not exceed five per cent (5%) 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. Employment agreements between the Company and members of the executive management generally apply until further notice. 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. In the event of termination 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.

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' preparation 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 deviation from the remuneration guidelines resolved by the annual general meeting 2022.

Note 9.
Financial income/other interest income, etc.

	GROUP	
MSEK	2022	2021
Financial income		
Interest income	8	7
Exchange gain	11	15
Change in fair value of contingent consideration	237	–
Total	**256**	**21**

Stillfront has liabilities for contingent considerations (earnouts). The earnout liability is calculated by discounting expected future payments at the weighted average cost of capital (WACC). Over time, the discounting effect is released over profit and loss split into interest cost (based on the marginal cost of debt) and earnout revaluations (corresponding to the risk premium, which is the difference between the WACC and the marginal cost of debt). Changes in fair value of contingent considerations (earnout revaluations) are the total of the impact of the risk premium and forecast revisions. Net earnout revaluations amounted to 237 (–5) MSEK.

	GROUP	
MSEK	2022	2021
Changes in fair value of contingent consideration		
Risk premium	–442	–328
Forecast adjustments	678	323
Total	**237**	**–5**

Note 10.
Financial expenses/other interest expenses, etc.

	GROUP	
MSEK	2022	2021
Financial expenses		
Interest expenses	–240	–160
Earnout interest	–113	–87
Changes in fair value of contingent consideration	–	–5
Exchange loss	–	–11
Total	**–353**	**–263**

Note 11.
Taxes

	GROUP	
MSEK	2022	2021
Tax expense		
Current tax expense for the year	–289	–266
Adjustments of tax for previous years	–26	–5
Deferred tax	109	74
Total tax expense	–206	**–197**
Profit or loss before tax	**753**	**793**
Reconciliation of effective tax		
Tax at applicable rate 20.6%	–155	–163
Effect of foreign tax rates	–26	–18
Non-deductible expenses*	–53	–52
Non-taxable revenues	49	0
Adjustment of tax for previous years	–26	–5
Net effect of use of unrecognized loss carry-forwards for the year and previous years	1	49
Other items	4	–7
Total tax expense	**–206**	**–197**

* Mainly pertaining to interest and revaluations of contingent considerations, non-deductible interest and non-deductible transaction costs.

DEFERRED TAX BALANCES

Deferred tax assets and liabilities are derived from the balance sheet items as shown in the table below.

	GROUP	
MSEK	31 Dec. 2022	31 Dec. 2021
Intangible assets	-1,267	–1,180
Deferred income	29	14
Other	71	9
Loss carry-forwards	115	142
Net deferred tax assets/liabilities	**–1,052**	**–1,014**
Deferred tax asset	75	39
Deferred tax liability	-1,127	–1,053

Cont. note 11.

CHANGE IN NET DEFERRED TAX ASSETS/LIABILITIES

	GROUP	
MSEK	2022	2021
Opening balance, net	–1,014	–601
Recognized in net income	83	75
Recognized in other comprehensive income	119	59
Acquisitions/divestments of subsidiaries	–112	–502
Translation difference	–128	–45
Closing balance, net	**–1,052**	**–1,014**

Tax effects reported directly in Other comprehensive income amount to SEK 119 (59) million, and tax effects reported directly in equity amount to SEK 7 (4) million.

INTANGIBLE ASSETS

Deferred tax liabilities for intangible assets include temporary differences related to development expenses which are capitalized only for accounting purposes but not for tax purposes. The main part of the amount, however, is related to intangible assets such as capitalized development expenditures, game products and customer related assets that are recognized in the purchase price allocation following a business combination.

TAX LOSSES CARRIED FORWARD

Deferred tax assets are only recognized in countries and by amounts where the company expects to be able to generate in the foreseeable future sufficient taxable income to benefit from tax reductions. Tax losses carried forward exist primarily in Sweden and the United States, and can be utilized without time limitations.

OTHER

Other deferred tax assets include 52 MSEK of R&D credits recognized in the United States which can be applied against future state and local tax. Additionally, 121 MSEK of R&D credits exists, 25 MSEK with a 20 year time limit and 95 MSEK without time limit, but are not recognized as they are not expected to be applied offset against current tax in the foreseeable future.

Note 12. Earnings per share

Basic earnings per share is computed by dividing earnings attributable to equity holders of the parent company 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	
	2022	2021
Number of shares outstanding at year-end	513,199,454	387,134,079
Weighted number of outstanding shares before dilution	483,877,769	366,572,354
Weighted number of outstanding shares after dilution	483,877,769	367,143,219
Profit for the year attributable to equity holders of the parent (MSEK)	**559**	**590**
Basic earnings per share (SEK)	1.15	1.61
Diluted earnings per share (SEK)	1.15	1.61

Note 13. Acquisitions

MSEK, Purchase price	Super Free	Moonfrog	Game Labs	Jawaker	6waves
Cash and cash equivalents	657	756	204	1,365	1,729
New shares issued	665	–	82	462	147
Contingent consideration (earnout), see note 3 and note 21	383	207	77	1,183	389
Total purchase consideration	**1,704**	**963**	**363**	**3,010**	**2,265**
Fair value of acquired assets and assumed liabilities					
Intangible non-current assets	665	231	190	1,048	789
Property, plant and equipment	1	2	0	0	1
Current receivables excl cash and bank	105	29	4	11	107
Cash and cash equivalents	82	65	15	56	42
Deferred tax liabilities	–170	–62	–40	–216	–108
Current liabilities	–140	–59	–6	–15	–134
Total net assets acquired excluding goodwill	**544**	**205**	**163**	**886**	**696**
Goodwill	1,160	758	200	2,125	1,569
Total net assets acquired	**1,704**	**963**	**363**	**3,010**	**2,265**
Less					
Cash and cash equivalents	–82	–65	–15	–56	–42
Ordinary shares issued	–665	0	–82	–462	–147
Provision for earnout	–383	–207	–77	–1,183	–389
Net cash outflow on acquisition of business	**575**	**691**	**189**	**1,309**	**1,687**
Percentage of shares and votes acquired (%)	100	100	100	100	100
Transaction costs	22	23	13	16	29
Consolidated since	1 Feb 2021	1 Mar 2021	1 May 2021	3 Oct 2021	1 Feb 2022
Net revenues for the year, before being consolidated by Stillfront	91	41	15	199	67
Adjusted EBITDA for the year, before being consolidated by Stillfront	–3	15	6	148	18

Cont. note 13.

ACQUISITION IN 2022

On January 19, 2022, Stillfront announced the acquisition of up to 100 percent of the shares and votes in Six Waves Inc. ("6waves"), a leading publisher of mobile free-to-play strategy games in Japan, for a total upfront consideration of USD 201 million on a cash and debt free basis. The sellers of 6waves were the founders, employees, and investors. Of the upfront consideration, approx. 92 percent was payable in cash, and approx. 8 percent was payable in a total of 2,913,857 newly issued shares in Stillfront. 6waves was consolidated into Stillfront's consolidated financial reporting from February 1, 2022. The preliminary price allocation analysis is provided above, and has been updated since the previous Annual report for new assumptions regarding fair values of assets, liabilities and earnouts. It is finally being updated in the beginning of 2023. Goodwill recognized in the acquisition pertains to the value of the skills within the company in terms of its capability to develop and publish new games and new versions of existing games.

Increase in shareholding in minority interests

In March 2022, further shares were aquired in OFM Studios Germany, leading to an increase in shareholding from 51 to 100%.

In October 2022, further shares were aquired in Simutronics US, leading to an increase in shareholding from 55.06 to 88.03%.

Cash outflows on acquisitions of business in 2022

(amounts in MSEK, including earnout payments for earlier made acquisitions) 1,687 for 6waves; 344 for Jawaker; 168 for Moonfrog; 112 for Superfree; 8 for Game Labs; 208 for Storm8; 105 for Candywriter; 50 for OFM; 31 for Sandbox (shareholding increase in minorities interests); 10 for Imperia.

ACQUISITIONS IN 2021

Acquisitions in 2021 were Super Free Games, Moonfrog Labs, Game Labs and Jawaker. Final purchase price allocations are provided above, and have in some cases been updated since the previous Annual report. Goodwill recognized in the acquisitions pertains to the value of the skills within the companies in terms of their capability to develop and publish new games and new versions of existing games.

On January 29, 2021, Stillfront announced the completion of the acquisition of 100 percent of the shares and votes in Super Free Games, Inc. for an upfront consideration of USD 150 million on a cash and debt free basis. Super Free is a rapidly growing and profitable US-headquartered gaming company focusing on market-leading Casual games including successful titles such as Word Collect, Word Nut and Trivia Star. The sellers were the joint founders and main owners of Super Free as well as certain key employees and other investors. The upfront consideration was partly paid by a set-off by a transfer of 7,503,240 newly issued shares in Stillfront to the sellers, equivalent of approximately USD 79 million, and approximately USD 71 million was paid in cash to the sellers.

On February 1, 2021, Stillfront announced the acquisition of 100 percent in four tranches of the shares and votes in Moonfrog Labs, a rapidly growing independent game studio based in Bangalore, India, focusing on board and Social Card Games, for an initial consideration of approximately USD 90 million on a cash and debt free basis. On February 26, 2021, Stillfront announced it had completed the acquisition of 91 percent of the shares and votes.

On May 7, 2021, Stillfront announced the acquisition of 100 percent of the shares and votes in Game Labs Inc. Game Labs is a rapidly growing independent game studio with a strong track record of developing strategy and action games for PC. The sellers are the joint founders and management of Game Labs. The upfront consideration amounted to USD 32.5 million on a cash and debt free basis, of which USD 9.75 million was payable in 981,813 newly issued shares in Stillfront and the remaining amount was payable in cash.

On September 8, 2021, Stillfront announced the acquisition of 100 percent of the shares and votes in Jawaker FZ LLC. Jawaker is a leading and highly profitable mobile gaming studio in the MENA region, with one of the largest classic PvP gaming apps in the world. The total upfront consideration for the acquisition amounts to USD 205 million on a cash and debt free basis, of which 74 percent payable in cash, and 26 percent in 8,540,092 newly issued shares in Stillfront.

Cash outflows on acquisitions of business in 2021

(amounts in MSEK, including earnout payments for earlier made acquisitions) 1,169 for Jawaker; 697 for Moonfrog; 575 for Superfree; 189 for Game Labs; 463 for Storm8; 90 for Candywriter; 54 for Playa; 70 for Sandbox; 10 for Imperia.

Note 14. Intangible assets

	Capitalized development expenditure		Game products		Licenses, market and customer related assets		Goodwill		Total	
GROUP, MSEK	31 Dec. 2022	31 Dec. 2021	31 Dec. 2022	31 Dec. 2021	31 Dec. 2022	31 Dec. 2021	31 Dec. 2022	31 Dec. 2021	31 Dec. 2022	31 Dec. 2021
Opening accumulated acquisition cost	1,899	2,145	1,361	795	4,122	1,009	12,752	7,929	20,134	11,877
Acquisition of companies	–	0	–	378	789	1,814	1,603	4,124	2,392	6,315
Other external acquisitions	–	0	–	98	–	151	–	–	–	249
Internal development in the year	989	620	–	0	8	0	–	–	997	620
Reclassifications during the year	4	–1,029	–	6	–9	1,022	–	–	–5	–2
Translation differences	238	163	170	85	635	127	1,688	700	2,730	1,074
Closing accumulated acquisition cost	**3,129**	**1,899**	**1,531**	**1,361**	**5,544**	**4,122**	**16,043**	**12,752**	**26,248**	**20,134**
Opening accumulated amortisation	–876	–762	–273	–117	–988	–248	–	–	–2,138	–1,126
Amortization for the year	–645	–260	–170	–143	–808	–524	–	–	–1,623	–927
Reclassifications during the year	–1	183	–0	–0	6	–181	–	–	5	2
Translation differences	–110	–37	–40	–14	–150	–35	–	–	–299	–86
Closing accumulated amortization	**–1,633**	**–876**	**–483**	**–273**	**–1,940**	**–988**	**–**	**–**	**–4,055**	**–2,138**
Closing carrying amount	**1,496**	**1,023**	**1,048**	**1,088**	**3,605**	**3,133**	**16,043**	**12,752**	**22,192**	**17,996**

The remaining economic life for intangible assets has been reviewed in the year which resulted in comparison disturbing amortization recorded in the amount of –176 (0) MSEK.

Note 15. Impairment test

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 tested for impairment, the assets are grouped in cash-generating units. Stillfront has determined that all its operations are defined as being one single cash- generating unit.

Goodwill in Stillfront has been tested for impairment with careful documentation, on one occasion during the year and updated, in view of the low share price, in connection with closing the annual accounts.

Important factors for the test were estimated cash flows for the five coming years, estimated growth after the forecast period of 2 (2) percent and a discount rate corresponding to the weighted average cost of capital (WACC) before tax of 8.2 (7.4) percent or after tax of 7.8 (7.1) percent. The Board and management have defined assumptions on revenue growth in years 2–5 of five percent per year which are based on the company's internal budget and forecasts, and comparisons against external market research (from e g NewZoo) on expected industry market growth. The forecasts include conservative assumptions on margin improvements during the five-year period, which are supported by concrete action plans. A sensitivity analysis reveals that there is no impairment even if the perpetual growth is assumed to be zero or if the discount rate is assumed to be 10 percent.

Note 16. Leasing and right-of-use assets

BALANCE SHEET ITEMS REFERRING TO LEASING

	GROUP	
MSEK	31 Dec. 2022	31 Dec. 2021
Buildings	95	91
Others	6	1
Total right-of-use assets	**101**	**92**
Lease liabilities		
Current	44	35
Non-current	62	61
Total lease liabilities	**106**	**95**
Additions to the right-of-use assets during the financial year were	43	52

DEPRECIATION OF RIGHT-OF-USE ASSETS CHARGED TO PROFIT AND LOSS

	GROUP	
MSEK	2022	2021
Depreciation charge of right-of-use assets		
Buildings	-51	–44
Others	–2	–1
Total	**-53**	**–44**
Other information about leasing contracts		
Interest expense (included in financial expenses)	–5	–4
Expense relating to short-term leases (included in cost of goods sold and administrative expenses)	–4	–4
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in administrative expenses)	–1	–1
Expense relating to variable lease payments not included in lease liabilities (included in administrative expenses)	–10	–7
The total cash outflow for leases in the year was	–72	–61

Note 17. Equipment, tools, fixtures and fittings

	GROUP	
MSEK	2022	2021
Opening accumulated acquisition cost	71	57
Acquisition of companies	1	3
New acquisitions	36	16
Disposals	–14	–8
Reclassifications during the year	0	–1
Translation difference	11	4
Closing accumulated acquisition cost	**105**	**71**
Opening accumulated depreciation	–37	–27
Depreciation	–19	–14
Disposals	14	7
Translation differences	–7	–2
Closing accumulated depreciation	**–49**	**–37**
Total closing carrying amount	**56**	**35**

Note 18. Accounts receivable

	GROUP	
MSEK	31 Dec. 2022	31 Dec. 2021
Accounts receivable		
Accounts receivable gross	474	391
Provision for doubtful receivables	–2	–1
Accounts receivable, net	**472**	**390**
Accounts receivable not due	416	332
Accounts receivable, overdue with no reserve		
Overdue by 0–3 mth.	53	53
Overdue by 3–6 mth.	1	2
Overdue by 6–12 mth.	0	0
Overdue by >12 mth.	3	3
Total remaining maturity as of 31 December	**472**	**390**

As of 31 December 2022, accounts receivable amounted to 472 (390) MSEK of which 416 (332) MSEK 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 sold any of these receivables using a factoring solution. Information on the credit risk policy for accounts receivable and contract assets is in notes 2 and 3.

Note 19. Prepaid expenses and accrued income

	GROUP	
MSEK	31 Dec. 2022	31 Dec. 2021
Other prepaid expenses	57	52
Contracted assets (accrued income)	67	47
Total	**124**	**99**

Note 20. Shareholders' equity

OTHER COMPREHENSIVE INCOME

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

EQUITY

Group

Share capital

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

Other paid-up capital

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

Other reserves

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

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 2023.

MSEK	2022	2021
Share capital	36	27
Change in number of shares:		
Opening balance	**387,134,079**	**346,537,200**
New share issue, 4 January 2021		3,374,030
New share issue, 1 February 2021		7,503,240
New share issue, 11 May 2021		981,813
New share issue (incentive program), 15 May 2021		1,565,000
New share issue (earn-outs 2020), 29 June 2021		1,479,897
New share issue (earn-outs 2020), 28 July 2021		1,421,516
New share issue, 9 September 2021		13,793,703
New share issue (earn-outs 2020), 16 September 2021		8,021
New share issue, 5 October 2021		10,469,659
New share issue, 31 January 2022	2,913,857	
Rights issue, 22 March 2022	115,726,752	
Rights issue, 25 March 2022	1,287,627	
New share issue, (earn-outs 2021), 6 July 2022	4,130,895	
New share issue, (earn-outs 2021), 20 September 2022	1,972,152	
New shares issue, (earn-outs 2021), 30 December 2022	34,092	
Closing balance	**513,199,454**	**387,134,079**

The parent company's ordinary shares have a quotient value of SEK 0.07 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.

CAPITAL MANAGEMENT

Equity comprises shareholders' equity attributable to parent company shareholders and non-controlling interests. There are no external capital requirements other than those that follow from the Swedish Companies Act.

The capital structure is measured by monitoring the key performance indicator Net Debt/adjusted EBITDA, where the financial target of the board requires this measure not to exceed 1.5x on a rolling twelve months basis, however with a possibility to exceed the target for shorter periods. The key performance indicator is calculated in note 30.

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 in 2023.

Note 21. Interest-bearing liabilities

	GROUP	
MSEK	31 Dec. 2022	31 Dec. 2021
Contingent considerations for shares	3,027	3,328
Bond loans	2,496	3,092
Liabilities to credit institutions	1,471	1,456
Term loan	668	–
Overdraft facility	79	–
Leasing liabilities	106	95
Other interest-bearing liabilities	20	223
Total	**7,865**	**8,194**
Movement in the year		
Opening balance	8,194	5,008
Cashflows		
Proceeds from borrowings	653	1,486
Repayment of loans	-801	-
Net change in revolving credit facility	-217	118
Net change in overdraft facility	79	–
Contingent considerations paid out in cash	-811	–617
Payment of lease liabilities	-53	–42
Non cash changes		
New/changed IFRS16 lease liabilities	54	48
Contingent consideration new acquistions	402	1,849
Contingent considerations interest	113	87
Contingent considerations settled	-262	–309
Contingent considerations revaluation	-237	5
Accrual	0	3
Equity swap	-	223
Translation differences	750	337
Closing balance	**7,865**	**8,194**

MATURITY STRUCTURE

	GROUP	
MSEK	31 Dec. 2022	31 Dec. 2021
Contingent considerations		
Repayment within 2–5 yr.	1,956	2,164
Repayment after more than 5 yr.	–	134
Non-current liability	**1,956**	**2,298**
Current liability	**1,071**	**1,030**
Total Contingent considerations	**3,027**	**3,328**
Bond loans		
Repayment within 2–5 yr.	2,496	2,494
Repayment after more than 5 yr.	–	-
Non-current liability	**2,496**	**2,494**
Current liability	**–**	**597**
Total bond loans	**2,496**	**3,091**
Term Loans		
Repayment within 2–5 yr.	**668**	
Non-current liability	**668**	
Liabilities to credit institutions		
Repayment within 2–5 yr.	1,471	1,456
Repayment after more than 5 yr.	–	–
Non-current liability	**1,471**	**1,456**
Current liability (overdraft facilties)	**79**	**–**
Total liabilities to credit institutions	**1,550**	**1,456**
Other non-current liabilities and non-current lease liabilities		
Repayment within 2–5 yr.	57	50
Repayment after more than 5 yr.	4	10
Non-current liability	**76**	**59**
Current liability	**63**	**36**
Total other non-current liabilities and non-current lease liabilities	**124**	**95**

REVOLVING CREDIT FACILITY

The group has a revolving credit facility of 3,750 MSEK at competitive market terms, maturing in December 2025. Stillfront utilized its two-year extension option on the facility in November, with the same terms as the original facility signed in December 2020. As of December 31, 2022, 1,471 (1,456) MSEK had been utilized. Utilizations and repayments during the year are presented as a net (net change in overdraft and revolving credit facility).

The group has unutilized credit facilities as of the closing date of SEK 2,401 (2,494) MSEK including remaining overdraft facility.

BOND LOANS

The group and the parent company have two outstanding bond loans with an aggregate liability recognized as of 31 December 2022 of 2,496 (3,091) MSEK: Bond 2019/2024 of 1,000 MSEK (whereof 500 MSEK issued in 2020) matures in June 2024 and has an interest rate corresponding to STIBOR 3 months+4.75 percent. The market value of the bond as of the closing date was 1,001 (1,039)MSEK. Bond 2021/2025 of 1,500 MSEK matures in May 2025 and has an interest corresponding to STIBOR 3 months+2.75 percent. The market value of the bond as of the closing date was 1,414 (1,492) MSEK. The bond terms include change of control clauses implying that holders of the bond loans are entitled to demand redemption of the loans in the event of any party taking control of 50 percent of the votes or capital of Stillfront Group. The group exercised its right to make a voluntary early redemption Bond 2018/2022 of 600 MSEK in September 2022, in conjunction with the new loan from the Swedish Export Credit Corporation (SEK).

TERM LOAN

Stillfront entered into a new unsecured term loan facility agreement of EUR 60 million with Swedish Export Credit Corporation (SEK) in September 2022 and utilized it in October 2022. The new term loan facility agreement matures in September 2026.

Cont. note 21.

CONTINGENT CONSIDERATION (EARNOUT PROVISIONS)

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 ten studios had an expected earnout payout. Earnouts to be settled relate to performance based on the years 2022 to 2026, of which the last payout is due in 2027. 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 22. Provisions

	GROUP	
MSEK	31 Dec. 2022	31 Dec. 2021
Opening balance	25	23
Provision in the year	18	22
Acquisition of companies	170	–
Settled in the year	–123	–19
Reversed provision	–1	–2
Reclassifications	–3	0
Translation difference	2	1
Closing balance, other provisions	**89**	**25**
Whereof current provisions	**31**	**22**

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

Note 23. Other current liabilities

	GROUP	
MSEK	31 Dec. 2022	31 Dec. 2021
Contingent considerations	1,071	1,030
Other provisions	31	22
Current lease liabilities	44	34
Equity swap	20	223
VAT payable	65	54
Employee withholding taxes	10	8
Social security contributions	4	2
Other short term liabilities	43	295
Total	**1,286**	**1,669**

Note 24. Accrued expenses and deferred income

	GROUP	
MSEK	31 Dec. 2022	31 Dec. 2021
Accrued personnel expenses	103	91
Other accrued expenses	225	227
Deferred income (contract liability)	91	87
Total	**419**	**405**

Note 25. Pledged assets, contingent liabilities, acquisition commitments and contingent assets

	GROUP	
MSEK	31 Dec. 2022	31 Dec. 2021
Collateral for liabilities to credit institutions		
Corporate mortgages	0	0
Pledged shares in subsidiaries	0	0
Total	**0**	**0**
Contingent liabilities	**None**	**None**
Acquisition commitments	**None**	**None**
Contingent assets	**None**	**None**

Note 26. Cash flow

NON-CASH ITEMS

	GROUP	
MSEK	2022	2021
Depreciation and amortization	1,696	986
Change in fair value of contingent consideration	–237	5
Interest on contingent consideration	113	87
Unrealised exchange rate differences	29	–6
Other items	40	–28
	1,640	**1,043**

INFORMATION ABOUT INTEREST AND DIVIDEND

	GROUP	
MSEK	2022	2021
Interest paid during the year	–210	–140

No dividend has been received during 2021 or 2022.

Note 27. 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 21. Bond loans are reported in the statement of financial position at amortised cost but have a different fair value as disclosed below, as they have quoted prices on an exchange. The group also has an equity swap which is accounted for at amortised cost which may differ from its fair value. Other liabilities include currency derivatives carried at fair value. The bond loans are classified as level 1 in the fair value hierarchy, the equity swaps and the currency derivatives as level 2. The contingent considerations are classified as level 3 in the fair value hierarchy.

	Financial assets measured at amortized cost		Financial liabilities measured at amortized cost		Financial liabilities measured at fair value through profit or loss	
GROUP, MSEK	**31 Dec. 2022**	**31 Dec. 2021**	**31 Dec. 2022**	**31 Dec. 2021**	**31 Dec. 2022**	**31 Dec. 2021**
Financial assets						
Accounts receivable	472	390				
Other receivables	79	193				
Accrued income	14	39				
Cash and cash equivalents	989	1,133				
Total	**1,554**	**1,755**				
Financial liabilities						
Bond loans (level 1)			2,415	3,138		
Liabilities to credit institutions			1,549	1,456		
Term loan			668	–		
Other non-current liabilities (level 2 for currency derivatives)			62	61	72	3
Contingent consideration, long portion (level 3)					1,956	2,298
Contingent consideration, short portion (level 3)					1,071	1,030
Accounts payable			151	139		
Equity swap (level 2)			20	58		
Other liabilities (level 2 for currency derivatives)			88	175	11	8
Accrued expenses			328	330		
Total			**5,281**	**5,357**	**3,110**	**3,339**

Cash and cash equivalents as of 31 December 2022 included 91 MSEK on bank accounts in Bangladesh, where certain officers of the group entity that is the account holder are subject to an investigation by the authorities.

Note 28. 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 executives are reported in note 8. There are no purchases of goods and services from related parties.

Note 29. Significant events after the end of the year

In January 2023 Stillfront announced that Jan Samuelson, Chair of the Board of Directors, had informed the nomination committee that he is not available for re-election at the 2023 annual general meeting.

At Stillfront's digital capital markets day in February 2023, a strategic update was provided and updated financial targets for the group were presented. See the Director's report.

In February 2023, the Board of directors resolved, pursuant to the authorization granted by the AGM in 2022, to acquire own shares on Nasdaq Stockholm for up to 270 MSEK with the purpose of enabling payment with the company's own shares of certain earnout payments relating to previous business combinations.

Note 30.
Reconciliation of key performance measures

ITEMS AFFECTING COMPARABILITY

	GROUP	
MSEK	**2022**	**2021**
Revenue		
Refund purchase price for shares	0	7
Total IAC Revenues affecting EBIT	**0**	**7**
Costs		
Transaction costs	–14	–74
Long term incentive programs	–26	–10
Comparison-disturbing amortization of product development	–176	0
Other costs	–10	–26
Total IAC Costs affecting EBIT	**–226**	**–111**
Total IAC affecting Operating income	**–226**	**–104**
Financial income and expenses		
Revaluation of earnouts	237	–5
Total IAC in net financial items	**237**	**–5**

ALTERNATIVE PERFORMANCE MEASURES

	GROUP	
MSEK	**2022**	**2021**
Net revenue	7,058	5,455
Direct costs	–1,675	–1,224
Gross profit	**5,384**	**4,232**
Operating profit (EBIT)	850	1,034
Amortization of PPA items	929	665
Other amortization and depreciation	590	321
Comparison disturbing amortizations	176	–
EBITDA	**2,545**	**2,020**
Operating profit (EBIT)	850	1,034
Items affecting comparability	226	104
Amortization of PPA items	929	665
Adjusted Operating profit (EBIT)	**2,005**	**1,802**
Other amortization and depreciation	590	321
Adjusted EBITDA	**2,595**	**2,124**

	GROUP	
	2022	**2021**
In relation to net revenue		
Gross profit margin, %	*76*	*78*
EBITDA margin, %	*36*	*37*
Adjusted EBITDA margin, %	*37*	*39*
Operating profit (EBIT) margin, %	*12*	*19*
Adjusted operating profit (EBIT) margin, %	*28*	*33*

Cont. note 30

	GROUP	
MSEK	**2022**	**2021**
Adjusted EBITDA	2,595	2,124
Divided by		
Net financial items	97	242
Total IAC affecting financial items	237	–5
Interest on earn-out consideration	–113	–87
Adjusted interest coverage ratio, x	**11,7**	**14.1**
Bond loans	2,496	3,092
Liabilities to credit institutions	1,549	1,456
Term loan	668	–
Equity swap	20	223
Currency derivatives	83	11
Cash and cash equivalents	–989	–1,133
Total net debt	**3,826**	**3,649**
Divided by		
Adjusted EBITDA	2,595	2,124
Adjusted leverage ratio	**1.47**	**1.72**
Cash flow from operations	2,028	1,620
Cash outflow lease agreements	–57	–46
Purchase of intangible assets	–996	–621
Free cash flow	**974**	**953**
Divided by		
EBITDA	2,545	2,020
Cash conversion rate	**0.38**	**0.47**

Net revenue growth	**2022**	**2021**
Change through acquisitions, %	20.0	48.5
Change through currency movements, %	11.1	–3.9
Organic growth, %	–1.4	–7.8
Other, %	–0.3	–
Total net revenue growth, %	**29.4**	**36.8**

PRO FORMA MEASURES

MSEK	**2022**	**2021**
Adjusted EBITDA	2,595	2,124
Including		
EBITDA, Acquired companies	18	212
Adjusted EBITDA, pro forma	**2,612**	**2,336**
Divided by		
Net financial items	97	242
Total IAC affecting financial items	237	–5
Interest on earn-out consideration	–113	–87
Adjusted interest coverage ratio, pro forma	**11,8**	**15.5**
Net debt	3,826	3,649
Divided by		
Adjusted EBITDA, pro forma	2,612	2,336
Adjusted leverage ratio, pro forma	**1,46**	**1.56**

Note M1. Critical accounting policies

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 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 OF 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.

HEDGE ACCOUNTING

The parent company does not apply hedge accounting. Those currency exchange differences which are in the consolidated accounts reported within other comprehensive income are reported in the Income Statement of the legal entity.

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 straightline basis over the term of the lease.

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 participations in subsidiaries or group receivables, exchange gains and losses and interest.

Note M2. Audit fees and reimbursement

	PARENT COMPANY	
MSEK	2022	2021
PwC		
Audit	3	2
Other auditing	0	2
Other	0	2
Total	**3**	**6**

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. 3 (2) MSEK of the audit fees relates to PwC Sweden.

Note M3. Average number of employees, personnel expenses, pensions etc

AVERAGE NO. OF EMPLOYEES, PARENT COMPANY

	PARENT COMPANY	
	2022	2021
Stockholm, Sweden		
Women	9	6
Men	17	14
Total	**26**	**20**

SALARIES AND OTHER BENEFITS, PARENT COMPANY

MSEK	2022	2021
Boards of directors, Presidents and senior executives	25	21
Other employees	20	17
Total	**45**	**38**
Social security	13	9
Pensions	6	4
Total	**64**	**51**

The tables refer to employees on the payroll of the parent company. Previous years, the note has inaccurately included general executive management members employed in other group companies or with consultancy agreements. Comparative figures have been restated.

Note M4. Financial income/other interest income, etc

	PARENT COMPANY	
MSEK	2022	2021
Financial income		
Dividends	676	–
Interest income	47	51
Total	**723**	**51**

Note M5. Financial expenses/other interest expenses, etc

	PARENT COMPANY	
MSEK	2022	2021
Financial expenses		
Interest expenses	–309	–202
Exchange loss	–782	–183
Other financial expenses	–85	–37
Total	**–1,176**	**–422**

Note M6. Taxes

	PARENT COMPANY	
MSEK	2022	2021
Tax expense		
Current tax expense	–2	–7
Deferred tax	62	–
Total tax expense	**60**	**–7**
Profit or loss before tax	**-230**	**–287**
Reconciliation of effective tax		
Tax at applicable rate 20.6%	47	59
Non-deductible expenses	–57	–29
Tax-free income	139	–
Current tax related to previous year	–	–7
Effect of use of previously unrecognized loss carry-forwards	–	10
Foreign withholding tax	–2	–
Controlled foreign taxation of non-domestic subsidiary	-67	–40
Total tax expense	**60**	**–7**

	PARENT COMPANY	
Deferred tax assets and liabilities	2022	2021
Loss carry-forwards	60	5
Financial instruments	15	–
Total	**75**	**5**

	PARENT COMPANY	
Change in net deferred tax assets	2022	2021
Opening balance, net	5	1
Recognized in net income	62	–
Recognized in equity	7	4
Closing balance, net	**75**	**5**

There was no tax effect reported directly in Other comprehensive income. Tax effects reported directly in equity amounted to 7 (4) MSEK. Tax reported in equity in 2022 of 7 MSEK was incorrectly included in the income statement in the year-end announcement, corrected in the annual report.

Note M7. Intangible assets

	PARENT COMPANY	
MSEK	31 Dec. 2022	31 Dec. 2021
Opening accumulated cost	11	11
Other external acquisitions	15	0
Disposals of the year	–2	**0**
Closing accumulated cost	**24**	**11**
Opening accumulated amortisation	–8	–5
Amortization for the year	–3	–3
Disposals of the year	2	–
Closing accumulated amortization	**–8**	**–8**
Closing carrying amount	**16**	**4**

Note M8. Participations in group companies

	PARENT COMPANY	
MSEK	31 Dec. 2022	31 Dec. 2021
Opening carrying amount	16,158	4,547
Acquisition of subsidiaries	2,321	18,220
Sale of subsidiary*	0	–6,609
Closing carrying amount	**18,479**	**16,158**

* Sale of subsidiary in 2021 is an intra-group restructuring. The sold entity is still part of the Stillfront Group.

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, Todavia AB, Stillfront NA Holdco inc. Jawaker FZ LLC., Everguild Ltd, Game Development Ukraine LLC, Six Waves Inc.,94% of the shares in Moonfrog Labs private Ltd and 78% of the shares in Nanobit d.o.o..Stillfront Midco AB and Stillfront NA Holdco 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.

Cont. note M8

Name	Country	Reg. office	Corp. ID no.	Participating interest, %	Main activity	Book value, 31 Dec. 2022	Book value, 31 Dec. 2021
Todavia AB	Sweden	Stockholm	559100-2893	100	Owning and managing securities		0
Everguild Ltd	Great Britain	London	09334050	100	Developing and publishing online games	32	53
Nanobit d.o.o	Croatia	Zagreb	HR56906077918	78	Developing and publishing online games	969	969
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	Developing mobile games		
- Arab Gamers League FZ LLC	UAE	Fujairah	12166/2018	51	Media and event management services		
- Imperia Online JSC	Bulgaria	Sofia	205098993	100	Developing and publishing online games		
- Simutronics	US	Maryland Heights	311296	88.03 (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 Productions Ltd	Malta	Malta	C55850	100	Developing and publishing online games		
- OFM studios	Germany	Köln	HRB 145244	100 (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		
Stillfront NA Holdco, Inc	US	Delaware	7805241	100	Holding company	7,538	7,763
- Kixeye Inc.	US	Wilmington	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		
- Super Hapy Fine Time LLC	US	Wilmington	5947380	100	Developing and publishing online games		
- SHFT VN Co LTD	Vietnam	Ho Chi Minh City	314465736	100	Developing and publishing online games		
- Godzilab, Inc.	US	Redondo Beach	C3119998	100	Developing and publishing online games		
- Candywriter LLC	US	Miami	7617501	100	Developing and publishing online games		
- Storm 8 Inc	US	Wilmington	4712338	100	Developing and publishing online games		
- Storm 8 LLC	US	San Mateo	200907610226	100	Developing and publishing online games		
- Superfree Games Inc.	US	Delaware	4391799	100	Developing and publishing online games		
- Super Free Games LLC	US	San Francisco	201721210175	100	Developing and publishing online games		
- Matcha Sauce LLC	US	San Francisco	201728910428	100	Developing and publishing online games		
- Super Nutty Games LLC	US	San Francisco	201728910430	100	Developing and publishing online games		
- Red Mustache Apps LLC	US	San Francisco	201729610299	100	Developing and publishing online games		

Cont. note M8

Name	Country	Reg. office	Corp. ID no.	Participating interest, %	Main activity	Book value, 31 Dec. 2022	Book value, 31 Dec. 2021
- Twisted Bamboo LLC	US	San Francisco	201729610319	100	Developing and publishing online games		
- Jackpot Interactive Pte. Ltd	Singapore		201314929M	100	Developing and publishing online games		
- Gamelabs Inc.	US	Delaware	5727645	100	Developing and publishing online games		
- Game Development Ukraine LLC	Ukraine	Kyiv	44371956	100	Developing and publishing online games		
- Sandbox Interactive GmbH	Germany	Berlin	HRB141903B	100	Developing and publishing online games		
Moonfrog Labs Private Limited	India	Bangalore	U72400KA 2013PTC072054	94.14 (91)	Developing and publishing online games	948	779
- Moonfrog Asia PTE. LTD.	Singapore		201832514H	100	Developing and publishing online games		
- Ulka Games Ltd.	Bangladesh	Dhaka		99.99	Developing and publishing online games		
Jawaker FZ-LLC	UAE	Abu Dhabi	BL136/20	100	Developing and publishing online games	3,365	3,091
Six Waves Inc.	Hong Kong	Wanchai	1512629	100	Holding company	2,124	
-6waves Limited	Hong Kong	Wanchai	1216243	100	Developing and publishing online games		
-6waves K.K	Japan	Tokyo	0104-01-092929	100	Developing and publishing online games		
-Beijing Youmai Hudong Technology Company Limited	China	Beijing	1-03283416	100	Developing and publishing online games		
-Prodigy Studios LLC	US	Delaware	99-0361905	100	Developing and publishing online games		
-6waves Mobile Limited	Hong Kong	Wanchai	1516241	100	Developing and publishing online games		
-Empire Studios Inc.	BVI	Tortola	1801048	100	Developing and publishing online games		
-Six Waves Payment K.K.	Japan	Tokyo	0104-01-153727	100	Developing and publishing online games		
-Luk Long Limited	Hong Kong	Wanchai	1824247	100	Dormant		
-Luk Long Limited Taiwan Branch	Taiwan	Wanchai	53662350	Branch	Developing and publishing online games		
-Beijing Yunjiu Technology Co., Ltd	China	Beijing	1-03275930	100	Developing and publishing online games		
Stillfront Portugal, UNIPESSOAL LDA	Portugal	Lisboa	516803450	100	Group management services		
Closing carrying amount						**18,479**	**16,158**

Cont. note M8

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

	SIMUTRONICS		OFM		SOG	
MSEK	**31 Dec. 2022***	**31 Dec. 2021**	**31 Dec. 2022***	**31 Dec. 2021**	**31 Dec. 2022**	**31 Dec. 2021**
Non-current assets	57	118	–	13	57	49
Current assets	12	4	–	32	17	16
Total assets	**69**	**121**	–	**45**	**74**	**66**
Non-current liabilities	38	97	–	15	45	40
Current liabilities	6	6	–	8	14	3
Total liabilities	**44**	**103**	–	**23**	**60**	**43**
Net assets	25	18	–	24	14	23
Total non-controlling interests	**3**	**8**		**11**	**3**	**5**

CONDENSED INCOME STATEMENT

	SIMUTRONICS		OFM		SOG	
MSEK	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
Revenues	34	30	21	18	422	216
Profit for the year	–76	1	4	7	–7	7
Profit attributable to the non-controlling interests	**–10**	**1**	**0**	**4**	**–2**	**2**

* In 2022 the shareholding % in OFM increased from 51 to 100 and in Simutronics from 55.06 to 88.03.

Note M9. Prepaid expenses and accrued income

	PARENT COMPANY	
MSEK	31 Dec. 2022	31 Dec. 2021
Prepaid expenses and accrued income	21	32
Total	**21**	**32**

Note M10. Interest-bearing liabilities

	PARENT COMPANY	
MSEK	31 Dec. 2022	31 Dec. 2021
Bond loans		
Repayment within 2–5 yr.	2,496	2,494
Non-current liability	**2,496**	**2,494**
Current liability	**0**	**597**
Total bond loans	**2,496**	**3,092**
Term Loan		
Repayment within 2-5 yr.	668	–
Total term loans	**668**	–
Liabilities to credit institutions		
Repayment within 2–5 yr.	1,471	1,456
Non-current liability	**1,471**	**1,456**
Current liability	**79**	**0**
Total liabilities to credit institutions	**1,549**	**1,456**

Note M11. Provisions

	PARENT COMPANY	
MSEK	31 Dec. 2022	31 Dec. 2021
Contingent considerations		
Opening balance	2,490	1,404
Acquisitions	402	1,642
Settlement	–865	–927
Revaluation	–138	148
Exchange rate differences	404	164
Interest	91	59
Closing balance, contingent considerations	**2,384**	**2,490**
Whereof current contingent considerations	747	843

Note M12. Accrued expenses and deferred income

	PARENT COMPANY	
MSEK	31 Dec. 2022	31 Dec. 2021
Personnel expenses	7	6
Other expenses	24	44
Total	**31**	**50**

Note M13. Pledged assets

	PARENT COMPANY	
MSEK	31 Dec. 2022	31 Dec. 2021
Collateral for liabilities to credit institutions		
Corporate mortgages	0	0
Pledged shares in subsidiaries	0	0
Total	**0**	**0**

Note M14. Cash flow

NON-CASH ITEMS

	PARENT COMPANY	
MSEK	2022	2021
Depreciation and amortization	3	4
Interest on contingent consideration	91	59
Unrealised exchange rate differences	874	96
Other items	33	7
Total	**1,001**	**166**

INFORMATION ABOUT INTEREST AND DIVIDEND

	PARENT COMPANY	
MSEK	2022	2021
Interest paid during the year	–203	–130
Interest recieved during the year	47	45
Dividends recieved	676	–

Note M15.
Financial assets and liabilities (fair value)

	Financial assets measured at amortized cost		Financial liabilities measured at amortized cost		Financial liabilities measured at fair value through profit or loss	
MSEK	31 Dec. 2022	31 Dec. 2021	31 Dec. 2022	31 Dec. 2021	31 Dec. 2022	31 Dec. 2021
Financial assets						
Intercompany receivables	3,329	2,998				
Other receivables	1	13				
Cash and cash equivalents	0	77				
Total	**3,330**	**3,088**				
Financial liabilities						
Intercompany liabilities			2,012	1,360		
Bond loans			2,415	3,138		
Term loan			668	–		
Other non-current liabilities			1,471	1,456	72	8
Accounts payable			6	5		
Equity swap			20	58		
Other liabilities			79	145	11	3
Accrued expenses			33	50		
Total			**6,704**	**6,212**	**83**	**11**

No significant credit loss is considered to exist in intercompany receivables.

Note M16.
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 M3. There are no purchases of goods and services from related parties.

RELATED PARTY DISCLOSURES, PARENT COMPANY

MSEK	2022	2021
Sales to group companies	144	136
Purchased services from group companies	–41	–18
Interest income from group companies	46	45
Interest expense to group companies	–3	–1
Non-current receivables from group companies	2,971	2,858
Non-current liabilites to group companies	139	0
Current receivables from group companies	358	140
Current liabilities to group companies	1,873	1,360

Note M17.
Appropriation of profits

The board of directors proposes that the disposable funds of SEK 12,646,033,143 are appropriated as follows:

SEK	31 Dec. 2022	31 Dec. 2021
Share premium reserve	13,346,954,423	10,957,966,765
Profit/loss brought forward	–530,942,614	–249,366,203
Profit/loss for the year	–169,978,666	–293,778,111
Total	**12,646,033,143**	**10,414,822,451**
Carried forward	12,646,033,143	10,414,822,451
Total	**12,646,033,143**	**10,414,822,451**

The board of directors and the President and CEO hereby certify that the Annual Report has been prepared in accordance with generally accepted accounting principles in Sweden, and that the consolidated financial statements have been prepared in accordance with the international financial reporting standards referred to in the regulation (EU) no. 1606/2002 of the European Parliament and Council dated July 19, 2002, pertaining to the application of international financial reporting standards. The Annual Report and the consolidated financial statements give a true and fair view of the parent company's and the group's financial position and results. The Report of the Directors pertaining to the parent company and the group gives a fair overview of the development of the parent company's and the group's operations, financial position and results, and describes the significant risks and uncertainties facing the parent company and the companies included in the group.

Stockholm, 19 April 2023

Jan Samuelson
Chair of the board

Katarina Bonde
Board member

Erik Forsberg
Board member

Birgitta Henriksson
Board member

Marcus Jacobs
Board member

Ulrika Viklund
Board member

Jörgen Larsson
President and Chief Executive Officer

Our Auditor's Report was submitted on 19 April 2023
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 2022. The annual accounts and consolidated accounts of the company are included on pages 46-90 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 2022 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 2022 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.

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, 5 Revenues from clients and 24 Accrued expenses and deferred income. The Group's revenue amounts to MSEK 7 058 in 2022. 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, by analysis of unused virtual currency balances and by assessment of the management's assumptions about use of 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.
> Capitalization of development expenditure	
We refer to the Notes 2 Critical accounting policies, 4 Critical accounting estimates and judgements and 14 Intangible assets. Capitalised expenses for product development in the amount of MSEK 1 496 comprise a significant portion of Stillfront Group's balance sheet as at the end of December 2022. There is a risk that criteria for capitalization of development expenditure have not been met. 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.	In our audit, we have analyzed Stillfront's processes and controls regarding capitalization of development expenditure and checked that criteria for capitalization are met. Our audit procedures included the following: – We have performed a recalculation of the development expenditure capitalization schedule. – We have agreed the inputs of the capitalization schedule to supporting documentation on a sample basis. – We have performed analytical procedures over management's estimate of the percentage of payroll costs to be capitalized. – 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.

> Impairment test of goodwill and intangible assets

We refer to the Notes 2 Critical accounting policies, 4 Critical accounting estimates and judgements, 14 Intangible assets and 15 Impairment test.

Goodwill in the amount of MSEK 16 043 and other intangible assets in the amount of 6 149 comprise a significant portion of Stillfront Group's balance sheet as at the end of December 2022. 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 budgets and forecasts for the next five years approved by the Board of Directors. The cash flows after the forecast period are extrapolated based on the estimated long-term growth rate. The process, consequently, includes significant assumptions relevant for the impairment assessment. 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 15, 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 group 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 analysis of the impairment test, checked the sensitivity of the valuation through a sensitivity analysis, to determine if there are negative changes in significant parameters which individually, or on a collective basis, could imply the existence of a need for impairment.
- 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.

> Valuation of contingent consideration

We refer to the Notes 2 Critical accounting policies, 4 Critical accounting estimates and judgements and 21 Interest-bearing liabilities.

The contingent consideration amounts to MSEK 3 027 as at the end of December 2022. This is deemed to comprise a significant item in the consolidated statement of financial position. 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.

> Acquisition of operations (business combinations)

We refer to the Notes 2 Critical accounting policies and 13 Acquisitions.

In 2022, Stillfront acquired one subsidiary (6waves) for a total upfront consideration of MSEK 1 729 in cash and MSEK 147 in own shares. The sellers will be also entitled to an earn-out consideration based on the performance of the acquired subsidiaries. Upon initial consolidation of the acquired subsidiaries, Stillfront determined the fair value of contingent consideration in the amount of MSEK 389. Stillfront applies a probability-weighted average of payouts associated with each possible outcome when estimating the fair value of contingent consideration. According to the purchase price allocation, goodwill on the subsidiaries acquired in 2022 amounts to MSEK 1 569. The purchase price allocation for 6waves will be finalized in 2023.

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.
- With help of PwC's internal valuation specialists, we have tested accuracy of the purchase price allocation models.
- 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 1-45 and 98-102. The information in "Stillfront Group remuneration report 2022" to be published on the company web page at the same time as this report also constitutes other information. 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

The auditor's examination of the administration of the company and the proposed appropriations of the company's profit or loss

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Director's and the Managing Director of Stillfront Group AB (publ) for the year 2022 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 Director's 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 Director's 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' 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.

The auditor's examination of the ESEF report

Opinion

In addition to our audit of the annual accounts and consolidated accounts, we have also examined that the Board of Directors and the Managing Director have prepared the annual accounts and consolidated accounts in a format that enables uniform electronic reporting (the Esef report) pursuant to Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528) for Stillfront Group AB (publ) for the financial year 2022.

Our examination and our opinion relate only to the statutory requirements.

In our opinion, the Esef report has been prepared in a format that, in all material respects, enables uniform electronic reporting.

Basis for Opinions

We have performed the examination in accordance with FAR's recommendation RevR 18 Examination of the Esef report. Our responsibility under this recommendation is described in more detail in the Auditors' responsibility section. We are independent of Stillfront Group AB (publ) 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 evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Director's and the Managing Director

The Board of Directors and the Managing Director are responsible for ensuring that the Esef report has been prepared in accordance with the Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), and for such internal control that the Board of Directors and the Managing Director determine is necessary to prepare the Esef report without material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to form an opinion with reasonable assurance whether the Esef report is in all material respects prepared in a format that meets the requirements of Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), based on the procedures performed.

RevR 18 requires us to plan and execute procedures to achieve reasonable assurance that the Esef report is prepared in a format that meets these requirements.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an engagement carried out according to RevR 18 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the ESEF report.

The audit firm applies ISQC 1 Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Services Engagements and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with professional ethical requirements, professional standards and legal and regulatory requirements.

The reasonable assurance engagement involves obtaining evidence, through various procedures, that the Esef report has been prepared in a format that enables uniform electronic reporting of the annual accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the report, whether due to fraud or error. In carrying out this risk assessment, and in order to design procedures that are appropriate in the circumstances, the auditor considers those elements of internal control that are relevant to the preparation of the Esef report by the Board of Directors and the Managing Director, but not for the purpose of expressing an opinion on the effectiveness of those internal controls. The reasonable assurance engagement also includes an evaluation of the appropriateness and reasonableness of assumptions made by the Board of Directors and the Managing Director.

The procedures mainly include a technical validation that the Esef report has been prepared in a valid XHTML and a reconciliation that the Esef report agrees to the audited annual accounts and consolidated accounts.

Furthermore, the procedures also include an assessment of whether the consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in shareholders' equity, consolidated statement of cash flows and the notes have been marked with iXBRL in accordance with what follows from the Esef regulation.

Öhrlings PricewaterhouseCoopers AB, Torsgatan 21, 113 97 Stockholm, was appointed auditor of Stillfront Group AB (publ) by the general meeting of the shareholders on the 12 May 2022 and has been the company's auditor since the 9 May 2019.

Stockholm 19 April 2023

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, operational key figures and other definitions are found below.

Financial key figures

Key figure	Definition	Purpose
EBIT	Operating profit.	Used to evaluate the underlying profitability of Stillfront.
EBIT margin	EBIT divided by net revenues.	Used to evaluate the underlying profitability and value creation of Stillfront.
Adjusted EBIT	EBIT adjusted for IAC and amortization of intangible assets acquired through business combinations and identified in purchase price analyses.	Used to evaluate the underlying profitability of Stillfront.
Adjusted EBIT margin	Adjusted EBIT divided by net revenues.	Used to evaluate the underlying profitability and value creation of Stillfront.
EBITDA	EBIT before depreciation, amortization and write-downs.	Used to evaluate the underlying profitability of Stillfront.
EBITDA margin	EBITDA divided by net revenues.	Used to evaluate the underlying profitability and value creation of Stillfront.
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, including transaction costs for M&A and costs for long-term incentive programs.	Items affecting comparability are specified because they are difficult to predict and have low forecast values for the group's future earnings trend.
Adjusted EBITDA	EBITDA adjusted for IAC.	Used to evaluate the underlying profitability and value creation of Stillfront.
Adjusted EBITDA margin	Adjusted EBITDA divided by net revenues.	Used to evaluate the underlying profitability of Stillfront.
Adjusted EBITDAC	Adjusted EBITDA less capitalized product development.	Used to evaluate the underlying profitability of Stillfront.
Adjusted EBITDAC margin	Adjusted EBITDAC divided by net revenues.	Used to evaluate the underlying profitability and value creation of Stillfront.
Net Debt/adjusted EBITDA, pro forma	Net Debt divided by adjusted EBITDA, pro forma, for the past twelve months.	Used to determine how many years it would take to repay the company's debt with its current profitability. Included among the financial convents under Stillfront's revolving credit facility.
Leverage (from 2023)	Net interest-bearing debt, including short-term cash earnout payments, in relation to the last twelve month's Adjusted EBITDA pro forma.	Used to determine how many years it would take to repay the company's debt with its current profitability.
Adjusted interest coverage, pro forma	Adjusted EBITDA, pro forma, divided by financial items for the past twelve months.	Used to assess Stillfront's capability of covering its financial expenses.
Cash conversion ratio	Free cash flow divided by EBITDA.	Measure of how well the group's earnings are converted to positive cash flows.
Free cash flow	Cash flow from operating activities minus purchase of intangible assets and cash outflow from lease agreements.	Measure of cash flow available for investments and repayments of loans.

Operational key figures

Key figure	Definition	Purpose
ARPDAU	Average revenue per daily active user.	Used to assess the underlying development of Stillfront's games.
DAU	Average daily active users.	Used to assess the underlying development of Stillfront's games.
MAU	Average monthly active users.	Used to assess the underlying development of Stillfront's games.
MPU	Average monthly paying users.	Used to assess the underlying development of Stillfront's games.

Other definitions

Key figure	Definition
Adjusted EBITDA, pro forma	Adjusted EBITDA, where acquired units are included from the beginning of the period.
Amortizations of PPA items	Amortization of fair value adjustments identified in connection with purchase price analyses.
Organic growth	Change in consolidated net revenues, excluding the translation impact of changed currency exchange rates and acquisitions. Net revenues in acquired operations are considered as acquired growth during twelve months from the acquisition date. The impact of pausing operations in Bangladesh is excluded from the measure.
Bookings	Revenue before changes in deferred revenue, including deposits from paying users, in-game advertising revenue and other game-related revenue.
Net Debt	Interest bearing liabilities, including equity swap and currency derivatives, minus cash and cash equivalents. Contingent liabilities for earnouts are not considered as interest bearing in this context.
Shareholders' equity/share	Shareholders' equity attributable to the parent company shareholders divided by the number of shares at the end of the period.
UAC	User acquisition costs.

Five strong reasons to invest in Stillfront

1

Well positioned in the attractive mobile games industry.

2

Driving further growth while diversifying risk.

3

Unique Stillops platform, creating and utilizing benefits of scale.

4

Strong financial position with high profitability and cash generation.

5

Sustainability principles deeply embedded into our culture.

Financial calendar

Interim Report January–March 2023	3 May 2023
Annual general meeting, Stockholm	11 May 2023
Interim Report January–June 2023	21 July 2023
Interim Report January–September 2023	25 October 2023

Contact

Stillfront Group
Kungsgatan 38
SE-111 35 Stockholm
Sweden
ir@stillfront.com

This Annual report is a non-official translation from Swedish.
In the event of discrepancies between the language versions the Swedish wording will prevail.

Design & Production: Addira

STILLFRONT
GROUP

SINCE 2010

stillfront.com