

Interim Report January–March 2016

STILLFRONT GROUP AB (PUBL)

THE QUARTER JANUARY – MARCH 2016

- Net revenues amounted to 25.3 MSEK (corresponding period 2015: 11.9 MSEK), which is an increase of 113% compared to the corresponding period 2015 and 29% compared to the previous quarter.
- Underlying EBITDA, i.e. EBITDA adjusted for expensed investments, amounted to 10.0 MSEK (4.8 MSEK), which is an increase of 111%. EBITDA amounted to 6.6 MSEK (3.0 MSEK).
- Profit/loss before tax was 4.7 MSEK (1.2 MSEK), which is an increase of 304%. Profit/loss after tax was 2.5 MSEK (0.9 MSEK).
- Earnings per share before dilution amounted to 0.51 SEK (0.31 SEK). Earnings per share after dilution amounted to 0.47 SEK (0.29 SEK)¹.
- As of March 31 cash and cash equivalents amounted to 78.0 MSEK (6.5 MSEK).
- Sales of Unravel commenced February 9 and has been very satisfying.
- Coldwood is entering an agreement with Electronic Arts regarding the development of a sequel to Unravel.

AN OUTSTANDING START OF 2016

“2016 has started in an exceptionally strong way for Stillfront, and I look forward to a continued exciting year. Compared with the first quarter of 2015, Stillfront more than doubled sales. Our primary profitability metric, underlying EBITDA, increased 111% and profit before tax amounted to SEK 4.7 million. This growth has been completely organic!

The strong development is primarily based on the success of our German studio Bytro and our Swedish studio Coldwood, not least because of the acclaimed game Unravel.

Stillfront will continue to build on its PLEX strategy, which has proved successful so far. We will strive to accelerate our development further through strategic acquisitions.” says Jörgen Larsson, CEO.

KEY FIGURES, THE GROUP

MSEK	2016 JAN-MAR	2015 JAN-MAR	2015 JAN-DEC
Net Revenues	25.3	11.9	57.1
Growth in revenues	113%		
Underlying EBITDA	10.0	4.8	12.9
Underlying EBITDA margin	39.7%	39.9%	22.6%
EBITDA	6.6	3.0	4.0
EBITDA margin	26.1%	25.5%	7.1%
Profit/loss before tax	4.7	1.2	-4.5

¹ Number of shares after dilution includes shares to be issued as consideration to the sellers of Bytro Labs GmbH.

A Word from Jörgen Larsson, CEO

A VERY STRONG START OF 2016 FOR STILLFRONT GROUP

I am happy to review on a very successful first quarter for Stillfront. We continue the strong development of Stillfront's business based on our proven PLEX strategy – with a balanced risk/reward through a strong portfolio of games.

The growth in sales and profits has been extremely satisfactory, especially considering that growth has been entirely organic - more than a doubling of both sales and underlying EBITDA! Compared with the first quarter of 2015, sales increased by 113% and the underlying EBITDA by 111%. Sales increased by 29% in the first quarter of 2016 compared with the last quarter of 2015. The underlying EBITDA increased by 134% throughout the first quarter of 2016 compared with the last quarter of 2015. It is very gratifying to note that both profit before and after tax is positive for first quarter.

The growth of our online games corresponds generally to the development of MAU and DAU, which we have previously announced. Growth in sales has been driven mainly by the Call of War developed by our German studio Bytro Labs. The game was launched in May 2015 and had in the first quarter 2016 revenue of 11.6 million, compared with 10.1 million in revenue in the fourth quarter of 2015, an increase of 15% in the quarter. The increase can be attributed to strong marketing campaigns in the autumn, which we are now reaping the rewards of. It is clear that Bytros games have high appeal and generate long-term relationships with the players. Bytro will launch a new game in the second half of the second quarter: New World Empires. This game is based on the fundamental success factors in the Call of War and Supremacy in 1914, thus we have the expectations of a successful launch.

Stillfront's studio Coldwood has entered into a new development agreement with Electronic Arts Inc (EA) regarding a sequel to Unravel. I regard this as proof that EA is very pleased with Coldwood's exceptional work in developing Unravel. During the first quarter, Coldwood received a royalty from EA regarding Unravel. For commercial reasons, the exact amount of the royalties is not specified, but it can be said that it had a significant impact on the Coldwood's revenues.

ManagerZone, managed by our subsidiary company PowerChallenge, in which players manage football and ice hockey teams, has built a very loyal player base. ManagerZone Football, launched in 2001, still has players who have stayed with it since its launch. A systematic effort to increase the conversion rate of the games is ongoing and is indicating good results. There is also an ongoing effort to raise revenue per active player underway.

Dorado has assumed the operational responsibility for several of our long-tail products, mainly from Bytro. This means that these games can be exploited further with greater focus, and that Dorado as a second studio will have the opportunity to build games on Bytro's very successful SUP-engine. In parallel, resources are freed up within Bytro to develop new titles in a higher tempo.

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





In addition to PLEX, Stillfront also has a strategy to grow through acquisitions. Stillfront is now finalizing the acquisition of Bytro Labs. The completion is in accordance with the acquisition agreement entered into in 2013. I regard Bytro as a very successful acquisition and Bytro as an excellent model for the companies we wish to acquire: Entrepreneurial companies with an existing, proven games portfolio and a dedicated management who shares our faith in PLEX strategy. The efforts of identifying and executing new acquisitions have accelerated, we do, however, continue to be very careful and diligent in our evaluation of potential acquisition candidates.

I look forward to a continued exciting year with Stillfront!

Jörgen Larsson, CEO

Significant events during the quarter

Bytros Call of War, which was launched in the second quarter of 2015, continues to deliver players and revenues. During the first quarter Call of War 11.6 million, representing an increase of 15% compared to the fourth quarter. The growth rate is thus lower compared to what it was between the third and fourth quarter of 2015. This was due to strong marketing efforts in the autumn of 2015. During the first quarter of 2016, market stakes were lower, which reduced net sales increase, while profits improved sharply. Bytros Supremacy 1914 still has a stable, strong customer base and a solid income level. Bytro during the quarter continued to work on developing a new game, the New World Empires, which is planned to be launched during the second half of the second quarter.

Dorado has taken responsibility for several of our long-tail products, mainly from Bytro. Thereby, more effort can be spent on exploiting the potential for these games, while Dorado also has opportunity to develop new games based on the proven SUP engine. This both increases Stillfront's opportunities to maximize return on SUP-engine as well as strengthens Bytro's capacity to develop new games.

Power Challenge conducts a structured effort to improve the conversion rate of their traffic. A large number of measures - large and small - have been implemented, which are now yielding results through gradually improved conversion rates.

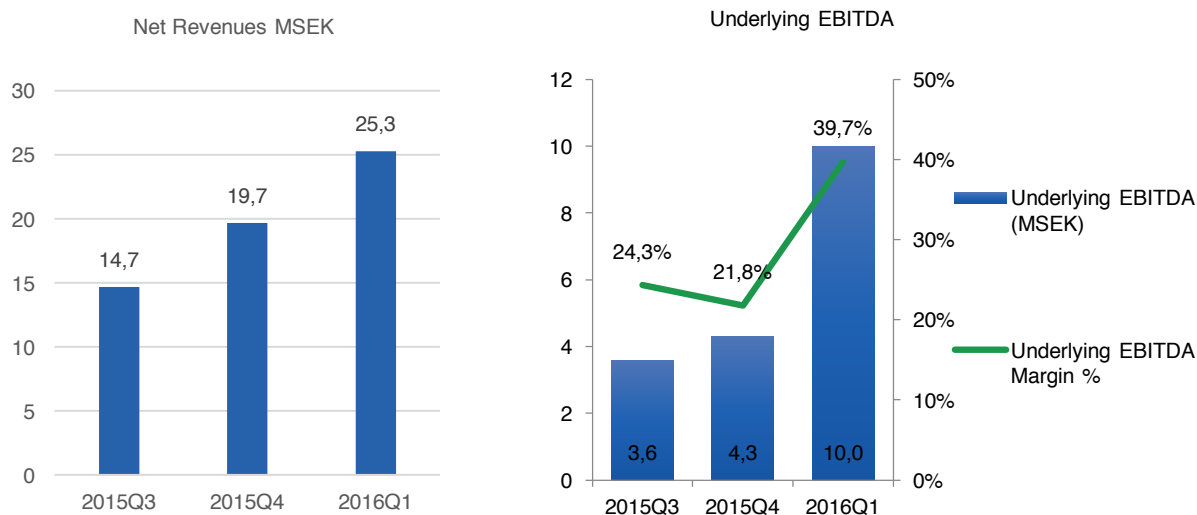
Sales of the game Unravel, developed by the studio Coldwood, began in February. Sales have been very satisfactory, and has resulted in a royalty, contributing to the revenues of Coldwood. Coldwood has, after the very positive reception of Unravel, received renewed confidence from the world leading publisher Electronic Arts Inc (EA) to develop a sequel to Unravel.

Significant events after the end of the quarter

The purchase price for the remaining 49% of Bytro Labs GmbH was determined in connection with the finalization of the financial statements for 2015. The purchase price is a function of Bytro's sales and earnings for 2015, as stipulated in the acquisition agreement entered into by Stillfront and Bytro in 2013. The purchase price consists of a combination of cash and Stillfront shares. The board of Stillfront will convene an extraordinary meeting shortly, whereby the meeting is to resolve to issue 560,724 new shares as the share component of the purchase price.

Revenues and profit/loss

Net revenues during the first quarter were 25.3 MSEK (corresponding period 2015: 11.9 MSEK). The increase pertains mainly to Bytro's Call of War and strong revenues in Coldwood. The revenue in Coldwood pertains to contracting work as well as royalties.



The underlying EBITDA amounted to 10.0 MSEK (4.8 MSEK), during the first quarter, corresponding to a underlying EBITDA-margin of 39.7% (39.9%). Underlying EBITDA is defined as EBITDA excluding expensed investments. Stillfront expenses investments as they are incurred. Thus, investments are included in EBITDA. EBITDA of the quarter amounted to 6.6 MSEK (3.0 MSEK), corresponding to a EBITDA-margin of 26.1% (25.5%).

The profit before tax for the quarter amounted to 4.7 MSEK (1.2 MSEK). The profit after tax for the quarter amounted to 2.5 MSEK (0.9 MSEK).

Cash flow and financial position

Cash flow for the quarter was 4.5 MSEK (2.2 MSEK). Cash flow from operations was 4.8 MSEK (2.4 MSEK). Equity ratio as of March 31, 2016 amounted to 84 percent compared to 86 percent as of December 31, 2015. Cash and cash equivalents for the Group, including not utilised credit facilities, were at the end of the quarter 79.3 MSEK compared to 75.1 MSEK as of December 31, 2015.

Investments and Depreciation

Stillfront Group expenses investments made in new games at cost. During the quarter 3.4 MSEK (1.7 MSEK) has been invested. Investments have been made primarily in the coming title New World Empires, which has been developed by Bytro based on the Supremacy engine. Additional investments have been made in a number of other titles and some other current titles.

Depreciation and amortization of 1.0 MSEK (1.8 MSEK) was charged during the quarter. Depreciation and amortization primarily pertains to goodwill, however pertains to also intangible assets acquired by the Group related to the Group's acquisitions of subsidiaries.



Employees

The number of employees at the end of period was 48.

Market

According to the Newzoo Annual Global Games Market Report, the global games market will reach 100 billion USD in 2017. The same report forecasts annual growth of eight percent for the period 2013-2017.

The market is therefore very big, but the competition is substantial as well, and in certain segments, tough. Stillfront Group strategy is to meet this competition by offering qualitatively excellent games that deliver an extremely compelling gaming experience for consumers.

There is a low threshold for online games when it comes to attracting new players and offering free to play, but that offers clear advantages for players willing to pay for extra functions and features. This means good player liquidity can be achieved, in parallel with a large paying player base with high average revenues per user.

Parent Company

Standard group management functions and group wide services are provided via the parent company. The revenues for the parent was during the quarter 0.0 MSEK (0.0 MSEK). The quarter's profit/loss after tax amounted to -1.7 MSEK (-0.8 MSEK).

Related Party Transactions

During the quarter Stillfront Group initiated the agreed completion of the acquisition of Bytro Labs GmbH. In connection therewith, the sellers will receive a payment in accordance with the acquisition agreement. The sellers are active in Bytro Labs GmbH. Further, there have been customary transactions with closely related parties such as remuneration to key individuals.

The Shares and Shareholders

Stillfront Group's shares are traded on Nasdaq First North since December 8, 2015. Closing price as of March 31 was 64.00 SEK/share.

The largest shareholders are Acacia Asset Management with 11.8 percent of the shares and Swedbank Robur Ny Teknik BTI with 9.0 percent of the shares in the company as per March 31, 2016. Post the share issue to the sellers of Bytro Labs GmbH, the number of shares will increase by 560,724. Following the increase, the total number of shares to be 5,567,307, of which 987,610 shares, representing 17.7 percent of the shares to be owned by FKL Holding GmbH.

Annual General Meeting

The shareholders' annual general meeting will take place May 18. The board proposes no dividend to be paid.

The Annual Report of the Group will be available at the company's web site stillfront.com and at the company offices in Stockholm from April 20, 2016.



Accounting and Valuation Principles

This interim report has been produced in accordance with the Swedish Annual Accounts Act. The accounting and valuation principles applied are in accordance with the K3 regulations and remain unchanged compared with the most recent annual accounts published.

Risks and Uncertainty Factors

Risks and uncertainty factors are described on the company website www.stillfront.com.

Review

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

Certified Adviser

Avanza Bank is Stillfronts Certified Adviser.

Investor contact

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

Financial Calendar

Interim report, second quarter 2016:	August 26, 2016
Interim report, third quarter 2016:	November 9, 2016
Year end report 2016:	February 23, 2017

FOR FURTHER INFORMATION, PLEASE CONTACT:

Jörgen Larsson, CEO
+46-70-321 1800
jorgen@stillfront.com

Sten Wranne, CFO
+46-705-851258
sten@stillfront.com



Board Declaration

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

Stockholm, May 18, 2016

Per Skyttvall, Chairman

Max Bautin

Alexander Bricca

Fredrik Åhlberg

Jörgen Larsson, CEO

Key figures, Group

	2016 JAN-MAR	2015 JAN-MAR	2015 JAN-DEC	LATEST 12 MONTHS
Net revenues, KSEK	25 304	11 894	57 052	70 462
Underlying EBITDA, KSEK	10 044	4 750	12 918	18 212
EBITDA, KSEK	6 613	3 034	4 029	7 608
Profit before tax, KSEK	4 739	1 174	-4 469	-904
Profit after tax, KSEK	2 547	915	-6 253	-4 621
Underlying EBITDA margin, %	39.7%	39.9%	22.6%	25.8%
EBITDA margin, %	26.1%	25.5%	7.1%	10.8%
Equity ratio, %	84%	86%	86%	84%
Shareholders' equity per share undiluted, SEK	16.56	8.13	15.88	16.56
Shareholders' equity per share diluted, SEK	14.67	7.84	15.62	14.67
Earnings per share undiluted, SEK	0.51	0.31	-1.56	-1.15
Earnings per share diluted, SEK	0.47	0.29	-1.52	-1.05
No of shares end of period undiluted	5 006 583	2 998 510	5 006 583	5 006 583
No of shares end of period diluted	5 650 955	3 111 586	5 090 231	5 650 955
Average no of shares period undiluted	5 006 583	2 998 510	4 002 547	4 002 547
Average no of shares period diluted	5 370 593	3 111 586	4 100 909	4 381 271

DEFINITIONS KEY FIGURES, GROUP

EBITDA

Operating profit before depreciation and amortization.

Underlying EBITDA

EBITDA adjusted for expensed investments.

EBITDA margin

EBITDA as percentage of net revenues.

Underlying EBITDA-marginal

Underlying EBITDA as percentage of net revenues.

Equity ratio

Shareholders' equity as a percentage of total capital.

Shareholders' equity per share ²

Shareholders' equity divided by the number of shares at the end of the period.

Earnings per share ³

Earnings after tax divided by the average number of shares during the period.

² Equity per share after dilution is based on the number of shares after full dilution and the share issue to the sellers of Bytro Labs GmbH.

³ Earnings per share after dilution is based on the number of shares after full dilution and the share issue to the sellers of Bytro Labs GmbH.

Consolidated income statement

KSEK	2016 JAN-MAR	2015 JAN-MAR	2015 JAN-DEC	LATEST 12 MONTHS
Net revenues	25 304	11 894	57 052	70 462
Other operating income	-	747	268	-
Total operating income	25 304	12 641	57 320	70 462
Other external costs	-10 987	-5 250	-33 761	-39 498
Personnel costs	-7 420	-4 357	-19 530	-22 593
Depreciations and write-downs	-1 009	-1 833	-8 267	-7 443
Other operating costs	-284	-	-	-479
Total operating costs	-19 700	-11 440	-61 558	-70 013
Profit/Loss Securities	-	-	51	51
Interest income	8	27	21	2
Interest cost and similar costs	-873	-54	-303	-1 122
Financial Profit/Loss	-865	-27	-231	-1 069
Tax for the period	-2 192	-259	-1 784	-3 717
Profit/loss for the period	2 547	915	-6 253	-4 621
<i>Attributable to:</i>				
Parent company shareholders	2 547 ⁴	594	-7 414	-5 460
Minority interests	-	321	1 161	839

⁴ After completion of the acquisition of Bytro Labs GmbH, 100% of the results in Bytro Labs GmbH are attributable to parent company shareholders.

Consolidated balance sheet in summary

KSEK	2016-03-31	2015-12-31
Intangible non current assets	9 372	10 251
Tangible non current assets	448	241
Financial non current assets	-	-
Current receivables	10 642	8 807
Cash and bank	77 951	73 454
Total assets	98 413	92 754
Shareholders' equity	82 893	79 516
Appropriations	301	301
Non current liabilities	364	298
Current liabilities	14 855	12 638
Total liabilities & Shareholders' equity	98 413	92 754

Shareholders' equity, Group

KSEK	SHARE CAPITAL	OTHER CONTRIBU- TIONS	OTHER EQUITY INCL PROFIT OF PERIOD	EQUITY PERTAIN TO PARENT SHARE HOLDERS	MINORITY	TOTAL EQUITY
Opening balance 2016-01-01	3 505	191 841	-119 108	76 237	3 279	79 516
Issue Costs		-69		-69		-69
Translation Differences			890	890	9	899
Profit/Loss for the period			295	295	2 252	2 547
Closing balance 2016-03-31	3 505	191 772	-117 922	77 354	5 540	82 894

Cash flow in summary, Group

KSEK	2016 JAN-MAR	2015 JAN-MAR	2015 JAN-DEC
Cash flow from operating activities before changes in working capital	6 567	1 741	2 619
Changes in working capital	-1 816	615	1 182
Cash flow from operating activities	4 751	2 356	3 801
Cash flow from investment activities	-251	-20	1 774
Cash flow from financing activities	-3	-111	63 593
Cash flow for the period	4 497	2 225	69 168
Cash and cash equivalents at start of period	73 454	4 286	4 286
Cash and cash equivalents at end of period	77 951	6 512	73 454

Parent company income statement

KSEK	2016 JAN-MAR	2015 JAN-MAR	2015 JAN-DEC	LATEST 12 MONTHS
Operating income	-	-	1 020	1 020
Other income	-	-	-	-
Total operating income	0	0	1 020	1 020
Other external costs	-705	-740	-2 808	-2 773
Personnel costs	-1 041	-	-545	-1 586
Total Operating Costs	-1 746	-740	-3 353	-4 359
Profit/loss securities	-	-	51	51
Interest income and similar	1	-	-	1
Interest cost and similar	-	-10	-265	-255
Financial Profit/Loss	1	-10	-214	-203
Group Contributions	-	-	6 164	6 164
Profit/Loss before tax	-1 745	-750	3 617	2 622
Tax	-	-	-	-
Profit/Loss	-1 745	-750	3 617	2 622

Parent company balance sheet in summary

KSEK	2016-03-31	2015-12-31
Intangible non current assets	-	-
Tangible non current assets	-	-
Financial non current assets	81 400	80 041
Current receivables	1 519	1 435
Cash and bank	56 792	63 513
Total assets	139 711	144 989
Shareholders' equity	138 971	140 749
Non current liabilities	-	-
Current liabilities	740	4 240
Total liabilities & Shareholders' equity	139 711	144 989

Eget kapital, Moderbolaget

KSEK	SHARE CAPITAL	OTHER CONTRIBU- TIONS	OTHER EQUITY INCL PROFIT OF PERIOD	PARENT EQUITY
Opening balance 2016-01-01	3 505	191 841	-54 596	140 750
Issue costs		-33		-33
Translation differences				-
Profit/loss for period			-1 746	-1 746
Closing balance 2016-03-31	3 505	191 808	-56 342	138 971

Cash flow in Summary, Parent company

KSEK	2016 JAN-MAR	2015 JAN-MAR	2015 JAN-DEC
Cash flow from operating activities before changes in working capital	-1 746	-750	-2 598
Changes in working capital	-4 943	716	-5 734
Cash flow from operating activities	-6 689	-35	-8 332
Cash flow from investment activities	-	-	2 051
Cash flow from financing activities	-33	-111	69 459
Cash flow for the period	-6 721	-145	63 178
Cash and cash equivalents at start of period	63 513	335	335
Cash and cash equivalents at end of period	56 792	189	63 513



ABOUT STILLFRONT

Stillfront is an independent creator, publisher and distributor of digital games – with a vision to become one of Europe’s leading indie game creators and publishers. Stillfront operates through four near-autonomous subsidiaries: Bytro Labs in Germany, Coldwood Interactive in Sweden, Power Challenge in the UK and Sweden, and Dorado Online Games in Malta. Stillfront’s games are distributed globally. The main markets are Sweden, Germany, the United States and South America. For further information, please visit www.stillfront.com.

SELECTED GAMES

Stillfront’s portfolio includes games across multiple platforms. *Unravel*, developed by Coldwood in collaboration with Electronic Arts, won 20+ awards at E3 and gamescom and was released in February 2016. *Supremacy 1914* and *Call of War* are high-immersion war strategy games developed by Bytro Labs. *ManagerZone* is a sports management strategy game launched in 2001.