

# Year End Report January–December 2017

## STILLFRONT GROUP AB (PUBL)

### THE YEAR JANUARY – DECEMBER 2017

- **The scope of this year end report is Stillfront Group excluding Goodgame Studios. Goodgame Studios will be consolidated from January 2018. A pro forma income statement and balance sheet for the new group structure is presented in the investor presentation published on the company's website.**
- Net revenues amounted to 166.0 MSEK (2016: 94.8 MSEK), which is an increase of 75% compared to the full year 2016.
- EBITDA excluding effects of revaluations of conditional contingent considerations amounted to 52.3 MSEK (34.3 MSEK), which is an increase of 53%. EBITDA including effects of revaluations of conditional contingent considerations amounted to 135.3 MSEK (34.3). Further, EBITDA has increased due to a written-off debt and has been charged with acquisition costs, costs pertaining to improved IT infrastructure at Bytro, conversion to IFRS, acquisitions and move to Nasdaq First North Premier however with no net effect on the profit and loss.
- Operating result after financial items amounted to 92.6 MSEK (23.4 MSEK). The increase is mainly caused by the revaluation of the conditional contingent considerations. The net result for the year amounted to 91.4 MSEK (21.0 MSEK).
- Net result per share before dilution amounted to 14.35 SEK (2.89 SEK). Net result per share after dilution amounted to 14.15 SEK (2.86 SEK).
- As of December 31, cash and cash equivalents amounted to 65.9 MSEK (35.8).
- The board proposes that the annual profit be appropriated by profit carried forward.
- Stillfront issued a bond loan amounting to MSEK 110 within a frame of MSEK 500 in May.
- The acquisition of eRepublik Labs Limited was announced May 30 and completed June 27.
- The trade in the Stillfront share was moved to First North Premier in June.
- An asset acquisition of Online Fussball Manager was made in July.
- Acquisition agreement for Altigi GmbH was entered in December. The acquisition was completed in January 2018.

### THE QUARTER OCTOBER – DECEMBER 2017

- Net revenues amounted to 53.2 MSEK (corresponding period 2016: 24.6 MSEK), which is an increase of 116% compared to the fourth quarter 2016.
- EBITDA amounted to 15.4 MSEK (6.8) excluding effects of revaluations of conditional contingent considerations. EBITDA including effects of revaluations of conditional contingent considerations amounted to 98.4 MSEK (6.8 MSEK).
- Operating result after financial items amounted to 81.3 MSEK (1.2 MSEK). The increase is mainly caused by the revaluation of the conditional contingent considerations. The net result amounted to 82.7 MSEK (7.7 MSEK).
- Earnings per share before dilution amounted to 12.83 SEK (1.39 SEK). Earnings per share after dilution amounted to 12.64 SEK (1.37 SEK).
- Acquisition agreement for Altigi GmbH was entered in December. The acquisition was completed in January 2018.

### EVENTS AFTER THE END OF THE YEAR

- The acquisition of Altigi GmbH was completed in January 2018, whereby 16,868,623 shares were issued and a bond issue of 390 MSEK was performed.



## SUCCESSFUL 2017 WITH STRONG GROWTH, GOOD MARGINS AND BRIGHT OUTLOOKS FOR 2018

“2017 has been a very successful year for Stillfront Group. Stillfront increased sales by 75% and EBITDA by 53%. The confidence in our strategy was confirmed by the successful bond issues of 500 MSEK. Further, our share is now traded on First North Premier. eRepublik Labs was acquired during the spring and has developed exceptionally well. We concluded 2017 by entering an agreement to acquire Goodgame Studios – one of Europe’s leading players in our segment free-to-play. We are now well equipped for 2018,” says Jörgen Larsson, CEO Stillfront Group.

### KEY FIGURES, THE GROUP

MSEK	2017 OCT-DEC	2016 OCT-DEC	2017 JAN-DEC	2016 JAN-DEC
<b>Net Revenues</b>	53 240	24 552	165 986	94 832
<b>Growth in revenues</b>	116%	31%	75%	71%
<b>EBITDA<sup>1</sup></b>	15 364	6 773	52 265	34 264
<b>EBITDA margin</b>	28.9%	27.6%	31.5%	36.1%
<b>Operating result after financial items</b>	81 281	1 162	92 608	23 443
<b>Net Result</b>	83 737	7 668	91 440	20 976

### INVESTOR PRESENTATION

An Investor Presentation is available at Stillfront’s website with the address:  
[stillfront.com/site/investor-relations/financial-reports/](http://stillfront.com/site/investor-relations/financial-reports/)

**IMPORTANT NOTICE:** This Year End Report is a non-official translation from Swedish of the Bokslutskommuniké issued by Stillfront Group AB (publ) February 22, 2018. This translation is solely provided as convenience. Should there be any ambiguity between the Swedish and the English text, the Swedish text will prevail.

<sup>1</sup> EBITDA 2017 excluding effects of revaluations of conditional contingent considerations

# A Word from Jörgen Larsson, CEO

## 2017 – A giant leap

2017 has been a fantastic year for Stillfront. We have taken both many steps as well as a giant leap towards our vision:

*“to create the leading group of indie studios, delivering high shareholder value through high profitable growth with diversification and lower risk than comparable companies”*

The giant leap during the year was the acquisition of Goodgame Studios. Goodgame is one of the superstars on the European gaming scene, Germany’s most successful gaming company with more than 1bUSD in lifetime bookings and with massive IPs in the portfolio, especially the EMPIRE brand. One of the most successful strategy IPs of all time with more than 170 million registered users.

The Goodgame deal was signed in December and closed in January. Hence, consolidation will be from January 2018.

In tandem with achieving high profitable growth, many new key elements have been established for long and strong future progress for Stillfront Group.

Our work to broaden our portfolio of games and studios have continued according to our strategies with results exceeding our expectations. During 2017 we have increased the number of core games by 100% and the number of studios by 33%. This is excluding the acquisition of Goodgame Studios.

The high investment pace from 2016 and the first half of 2017 is paying off as planned. The number of products in launch phase is at a record high and also the number of products in development is the highest ever. All of this make the pipeline for 2018 exceptionally interesting and exciting.

Most notable of the new products launched during 2017 are War and Peace from eRepublik and Nida Harb III from Babil Games.

War and Peace was launched in Q4 and quickly reached sales making the product the Group’s highest grossing game in December. In total it generated deposits of 7.4 MSEK in Q4, recouping the initial 1 MSEK investment in a few weeks.

Nida Harb III was launched in late November. The product has gained tremendous traction. We can already conclude that it will be a success, as it is our top grossing game in our current trading, first half of February, in close competition with War and Peace. Also, Nida Harb III was most capital efficient with only 1 MSEK in investment.

We continue to develop new games with established brands and proven engines which provides us with a favourable risk/reward balanced and capital efficient way of expanding our portfolio. Since several years we have systematically developed different means of making our go-to-market models increasingly efficient. Seeing how these means pay off is very pleasing and encourage us to continue our work even harder.





Call of War has developed with stability and good growth in Q4. What is especially important is that Call of War and the Bytro team has successfully performed a broad platform extension of the Call of War product, into both Steam and into mobile. The Mobile extension is performed in three steps; a HTML5 mobile browser version to Progressive Web App version and finally a version wrapped into native apps.

The platform extension has proven to improve KPIs such as player engagement, retention, distribution and monetization. Currently, approximately 12-15% of Call of War's revenues come from the platform extensions. Bytro is sharing their state-of-the-art knowledge and experiences throughout the Group for other studios on how to extend their products to other platforms.

Further, we are excited to see the very strong development within eRepublik since joining Stillfront Group. In Q2, when we made the acquisition, eRepublik had quarterly revenues of approximately 10 MSEK. In Q4 the revenues were 73% higher. Acquiring eRepublik was made with the initial dilution of 7% whereas eRepublik represent 33% of our Q4 revenues. That is creating shareholder value.

Our four-step model of creating value through M&A works. This is further proven by Babil Games reaching record levels.

The organic investment (i.e. excluding acquisitions) levels in relation to revenues is now decreasing as planned, and through the acquisition of Goodgame we will reach the target level of less than 10% early 2018.

The share of revenues coming from own brands and own publishing amounts to about 91% in fourth quarter, up from 74% during the fourth quarter 2016. The share of mobile revenues is in the fourth quarter was 48%, up from 47% in the third quarter. This has been in line with our plans and targets.

In order to strengthen Stillfront's financial capacity for acquisitions, and to facilitate the execution of the company's growth strategy, Stillfront issued a bond loan in May. The initial issue amounted to MSEK 110 within a frame of MSEK 500. The bond was listed on Nasdaq STO Corporate Bonds on July 21. The bond was fully issued up to 500 MSEK in January 2018 as a part of the financing of the Goodgame acquisition.

Stillfront was approved for listing on Nasdaq First North Premier in June. First North Premier places higher requirements on accounting and corporate governance, among other things, it is necessary for Stillfront to prepare consolidated financial statements according to IFRS, and to apply the Swedish Corporate Governance Code. This step will prove to be valuable as we now have initiated work aiming at move to the main market within 12 months.

Our work on identifying and evaluating interesting acquisitions continues. The market's awareness of Stillfront Group is increasing, which is reflected in a strong deal flow. We have high standards for potential acquisition we wish to pursue, and evaluations is ongoing continuously.

It is with confidence and eagerness I look forward. We see that our business model and strategy works and gives us strong momentum for years to come.

I want to thank all our talented individuals and teams for all the hard and dedicated work to reach successes and handle challenges. The passion that exist throughout the Group is fantastic and creates spirit, joy and results.

We have just begun.

Jörgen Larsson, CEO

## Revenues and profit/loss

The acquisition of Altigi GmbH (Goodgame Studios) announced December 6, 2017, was completed in January 2018. Altigi GmbH will be consolidated in Stillfront from January 2018. All the following information pertain to Stillfront Group excluding the acquisition of Goodgame Studios.

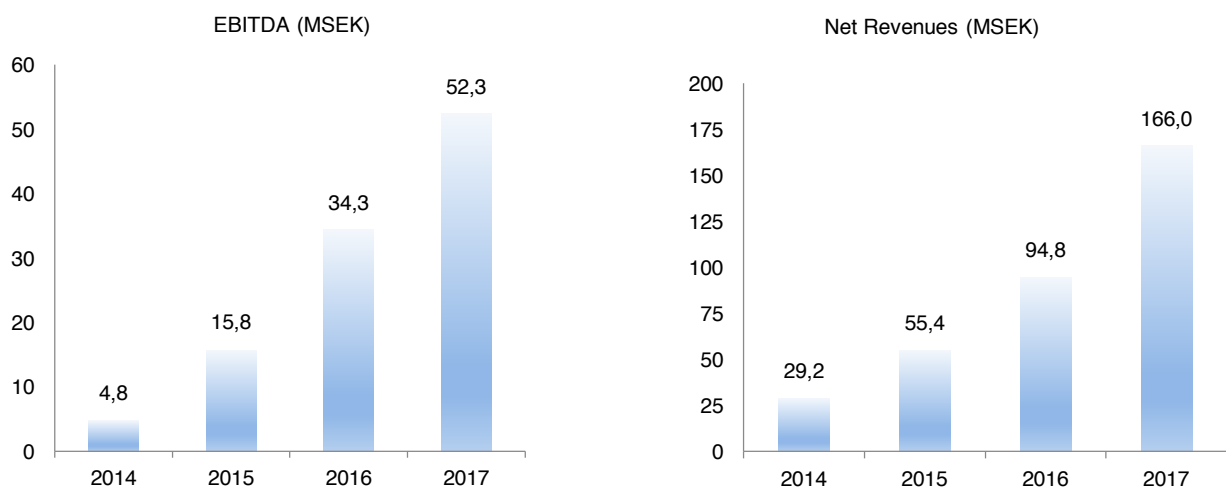
Net revenues during 2017 were 166.0 MSEK (2016: 94.8), an increase of 75%. The increase pertains mainly to eRepublik Labs, acquired in May, the launch of Siege and Babil Games, acquired in December 2016. Net revenues for the fourth quarter amounted to 53.2 MSEK (corresponding period previous year: 24.6).

Other revenues amounted to 87.0 MSEK (1.3 MSEK). At the point in time for the acquisitions of Simutronics and Babil a calculation was made of the fair value of the respective conditional contingent considerations based on the companies' estimated financial results for the period 2017 – 2020. At the end of the fiscal year, a new fair value calculation has been made, which has resulted in a decrease of the assessed conditional contingent considerations. As a result, 83.0 MSEK has been recognized as other revenues. Goodwill for these two acquisitions have been impairment tested in the normal course and has been found to be valid.

The EBITDA amounted to 135.3 MSEK (34.3 MSEK) during the year. EBITDA excluding effects of revaluations of conditional contingent considerations amounted to 52.3 MSEK (34.3 MSEK), which is an increase of 53%. This corresponds to an EBITDA margin of 31.5% (36.1%) EBITDA has increased due to a written-off debt and has been charged with acquisition costs, costs pertaining to improved IT infrastructure at Bytro, conversion to IFRS, acquisitions and move to Nasdaq First North Premier with no net effect on the profit and loss. The mobile sales share has increased during 2017 – according to plan – which has contributed to lower EBITDA margins during the year.

EBITDA in the fourth quarter amounted to 98.4 MSEK (6.8). Excluding effects of revaluations of conditional contingent considerations, the EBITDA in the fourth quarter amounted to 15.4 MSEK, corresponding to an EBITDA-margin of 28.9% (27.6%).

Operating result after financial items amounted to 92.6 MSEK (23.4 MSEK). Net result amounted to 91.4 MSEK (21.0 MSEK). For the fourth quarter, the corresponding numbers were 81.3 MSEK (1.2 MSEK) and 82.7 MSEK (7.7 MSEK)



EBITDA in the above figure refers to EBITDA excluding effects of revaluations of conditional contingent consideration.

## Cash flow and financial position

Cash flow for the year was 30.2 MSEK (-38.4 MSEK). Cash flow from operations was 28.5 MSEK (30.0 MSEK). Corresponding numbers for the fourth quarter 2017 were -4.6 MSEK and 14.1 MSEK, respectively. Equity ratio as of December 31, 2017 was 52 percent (48 percent). Cash and cash equivalents for the Group, including not utilised credit facilities, were at the end of the year 67.5 MSEK compared to 37.4 MSEK as of December 31, 2016.

The interest coverage ratio (defined as EBITDA divided by net financial items for the past 12 months) was as of December 31, 2017 6.2, compared with 28.3 at December 31, 2016. The change is due to increased financial expenses related to the bond issued during the second quarter as well as accounting financial costs related to the contingent considerations.

Leverage ratio (defined as adjusted net debt as of 31 December divided by EBITDA for the past 12 months) was 31 December 1.30. As of December 31, 2016, the leverage ratio was negative, i.e. the company did not have a net debt. In this context, adjusted net debt is defined as non-current liabilities excluding contingent considerations reduced by cash and bank.

## Investments and Depreciation

During the year investments have been made that have been capitalized with 44.1 MSEK (31.0 MSEK). Investments include, inter alia, the games *Siege: Titan Wars*, *War and Peace: Civil War*, and *Nida Harb III*. Furthermore, investments have been made both in a number of other new games, and new functionality in some existing games. During the fourth quarter, investments were made that resulted in capitalizations amounting to 11.4 MSEK (9.1). In relation to net revenues, investments in the fourth quarter were 21%, while investments in the third quarter accounted for 29% of net revenues.

Depreciation and amortization of 26.3 MSEK (9.6 MSEK) was charged during the year. Depreciation and amortization primarily pertains to goodwill and other intangible assets acquired by the Group related to the Group's acquisitions of subsidiaries and to capitalization of product development expenses. A write-down of one game has taken place amounting to 2.3 MSEK.

During the year, the Group increased intangible assets (capitalized product development expenses, goodwill and game rights) by 137.9 MSEK and the Group's non-current liabilities increased by 46.3 MSEK. The change of non-current liabilities is essentially attributable to conditional contingent considerations related to the Group's acquisition of eRepublik Labs, Simutronics and Babil as well as to the issue of a bond loan.

## Employees

The number of employees at the end of period was 152.

## Market

The gaming industry is globally one of the largest areas in digital entertainment. In 2017 the market was estimated to USD 109 billion. Thus, the game industry is a larger industry than the film and music industries together. During 2012 – 2017, the annual growth is estimated to be 9%, and the market is expected to USD 128 billion 2020.

The market is very large, but the competition is also, in some segments, fierce. Stillfront Group's strategy is to meet the competition by offering high quality games with highly engaging play experiences for consumers with a long life cycle.



Stillfront's online games have a low threshold to attract new players and offer free-to-play, but offers clear advantages for the players who pay for extra features and characteristics. In this way, a good player liquidity is achieved in parallel with a large paying player base with high average revenues.

## Parent Company

Standard group management functions and group wide services are provided via the parent company. The net revenues for the parent during the year were 5.1 MSEK (1.7 MSEK). The yearly profit/loss amounted to -8.6 MSEK (15.0 MSEK).

## Related Party Transactions

At an extraordinary general meeting in April 2017, it was resolved to issue 299,189 warrants, to be used in an incentive program directed at current and future key employees within the Stillfront Group. Each warrant entitles the holder to subscribe for one share during the period May 15, 2020 - September 1, 2020 at the subscription price SEK 152.74. The price of the warrants is deemed as on market terms and has been calculated based on the Black & Scholes formula. Further information about the incentive program and the terms of the warrants can be found in documentation from the Meeting, which can be found on Stillfront's website.

In July 2017, Stillfront acquired the game Online Fussball Manager (OFM) along with an operating organization through an asset acquisition. The operations are, after the acquisition, run by the company OFM Studios GmbH, of which Stillfront Group owns 51%. The remaining 49% is owned by Maik Dokter, founder of OFM and CEO of OFM Studios GmbH. In connection with this acquisition, Stillfront entered a publishing agreement with Digamore Entertainment GmbH regarding the mobile game Football Empire. Maik Doctor is the main owner of Digamore. Stillfront Group has an option to acquire 51% of Digamore at a company valuation of 3 MEUR, that is, Stillfront Group acquires 51% for just over 1.5 MEUR.

Further, there have been customary transactions with related parties such as remuneration to key individuals.

## The Share and Shareholders

Stillfront Group's shares are traded on Nasdaq First North since December 8, 2015. As of June 29 2017 the share is traded on First North Premier. Closing price as of December 31 2017 was 191.00 SEK/share.

The largest shareholders were FKL Holding GmbH with 14.5 percent of the shares in Stillfront Group AB, and Swedbank Robur Fonder with 7.7 percent of the shares. Avanza Pension owned 5.2 percent, Bengt Eriksson owned 3.8 percent and Nordnet Pensionsförsäkring owned 3.7 percent of the shares in the company as per December 31, 2017. The total number of shares as of December 31 2017 was 6,425,008.

The largest shareholders as of January 31 2018, i.e. after the new share issue directed to the sellers of Altigi GmbH and the subsequent sell down of a part of the share consideration, were Laureus Capital GmbH owning 27.0 percent of the shares in the company, Swedbank Robur Fonder owning 9.4 percent, Första AP-fonden owning 9.0 percent, Handelsbanken Fonder owning 6.4 percent and Global Founders Capital GmbH Group owning 5.5% of the company. The total number of shares after the issue directed to the sellers of Altigi GmbH was 23,293,631.

Stillfront's bond with ISIN SE0009973050 is traded on Nasdaq OMX Stockholm.





## Annual General Meeting of the Shareholders

The AGM will be held May 30, 2018. The Board proposes that the profit for the year be appropriated by profit carried forward.

The annual accounts will be available on the company website [stillfront.com](http://stillfront.com) and the company's office in Stockholm during the week of April 30, 2017.

## Accounting and Valuation Principles

Accounting and valuation principles are described in Note 1.

## Risks and Uncertainty Factors

Risks and uncertainties are described in Prospectus Stillfront Group AB (publ) Bond 2017/2020, which is available on the company's web site <http://www.stillfront.com/site/the-bond/>

## Review

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

## Certified Adviser

Avanza Bank is Stillfront's Certified Adviser. Avanza Bank is reachable at +46-8-4094 2120

## Investor contact

The latest information on the company is published on its website [www.stillfront.com](http://www.stillfront.com). The company can be contacted by email [ir@stillfront.com](mailto:ir@stillfront.com), or by phone +46-725-139914.

## Financial Calendar

Interim report first quarter 2018:	May 29, 2018
AGM:	May 30, 2018
Interim report second quarter 2018:	August 28, 2018
Interim report third quarter 2018:	November 22, 2018
Year end report 2018:	February 22, 2019

## Note

This information is information that Stillfront Group AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact person set out below, at 07.30 CET on February 22, 2018.





**FOR FURTHER INFORMATION, PLEASE CONTACT:**

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## 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, February 22, 2018

Annette Brodin Rampe, Chair

Alexander Bricca

Mark Miller

Birgitta Henriksson

Ulrika Viklund

Sture Wikman

Christian Wawrzinek

Jörgen Larsson, CEO

## Key Ratios, Group

	2017 OCT-DEC	2016 OCT-DEC	2017 JAN-DEC	2016 JAN-DEC
<b>Net revenues, KSEK</b>	53 240	24 552	165 986	94 832
<b>Growth in revenues</b>	116%	31%	75%	71%
<b>EBITDA<sup>2</sup>, KSEK</b>	15 364	6 773	52 265	34 264
<b>Operating result after financial items, KSEK</b>	81 281	1 162	92 608	23 443
<b>Net result, KSEK</b>	82 737	7 668	91 440	20 976
<b>EBITDA margin, %</b>	28.9%	27.6%	31.5%	36.1%
<b>Interest Coverage Ratio, x</b>	6.2	28.3	6.2	28.3
<b>Equity Ratio, %</b>	52.2%	47.7%	52.2%	47.7%
<b>Leverage Ratio, X</b>	1.30	neg	1.30	Neg
<b>Shareholders' equity per share undiluted, SEK</b>	38.64	22.44	38.64	22.44
<b>Shareholders' equity per share diluted, SEK</b>	38.07	22.21	38.07	22.21
<b>Earnings per share undiluted, SEK</b>	12.83	1.39	14.35	2.89
<b>Earnings per share diluted, SEK</b>	12.64	1.37	14.15	2.86
<b>No of shares end of period undiluted</b>	6 425 008	5 983 775	6 425 008	5 983 775
<b>No of shares end of period diluted</b>	6 519 548	6 045 938	6 512 009	6 045 938
<b>Average no of shares period undiluted</b>	6 425 008	5 655 371	6 210 452	5 328 763
<b>Average no of shares period diluted</b>	6 519 548	5 717 534	6 297 453	5 392 059

### KEY RATIOS NOT DEFINED IN IFRS

Stillfront applies IFRS, see Note 1. IFRS defines only a few key ratios. As of this year-end report, Stillfront applies ESMA's (European Securities and Markets Authority) guidelines for alternative key performance indicators, Alternative Performance Measures. An alternative key ratio is a financial measurement of historical or future earnings performance, financial position or cash flow that is not defined or specified in IFRS. To facilitate analysis of Stillfront's development, certain key ratios are disclosed, which are not defined in IFRS. This additional information is supplementary information to IFRS and is not to be regarded as substitute for key ratios defined in IFRS. Stillfront's definitions of alternative key ratios are shown below.

<sup>2</sup> EBITDA excluding effects of revaluations of conditional contingent considerations

## DEFINITIONS OF KEY RATIOS

Key Ratio	Definition	Purpose
Growth in Revenues	Growth in Net revenues compared to the corresponding period the previous year.	Indicates the growth rate
EBITDA	Operating profit before depreciation and amortization.	Indicates the profits in the running business
Operating result after financial items	Net result for the period before taxes	Indicates the performance excluding income tax effects
EBITDA margin	EBITDA as a percentage of Net revenues	Indicates the profitability in relation to the Net revenues.
Interest Coverage Ratio	EBITDA divided by net financial items for the past 12 months.	Indicates the ability to pay interest on debts
Equity Ratio	Shareholders' equity as a percentage of total capital	Describes the capital structure
Leverage Ratio	Adjusted net debt (non-current liabilities excluding contingent considerations reduced by cash and bank) divided by EBITDA for the past 12 months	Describes the capital structure and financial risk
Shareholders' equity/share	Shareholders' equity attributable to the parent company shareholders divided by the number of shares at the end of the period.	Indicates the value of the equity per share

## Consolidated income statement

KSEK	NOTE 1, 3	2017 OCT-DEC	2016 OCT-DEC	2017 JAN-DEC	2016 JAN-DEC
Net revenues		53 240	24 552	165 986	94 832
Internally accrued during the year		7 537	7 589	30 496	23 669
Other revenues	6	83 541	690	86 997	1 348
<b>Operating expenses</b>					
Other operating expenses		-25 356	-11 583	-77 697	-40 216
Personnel expenses		-20 600	-14 475	-70 397	-45 369
Depreciations and write-downs		-8 719	-5 753	-26 313	-9 611
Other operating expenses		-	-	-120	-
<b>Operating result</b>		<b>89 643</b>	<b>1 020</b>	<b>108 953</b>	<b>24 653</b>
<b>Result from financial items</b>					
Financial Income		175	1 151	798	1 836
Financial expenses		-8 536	-1 009	-17 143	-3 046
Total financial items		-8 362	142	-16 345	-1 210
<b>Operating result after financial items</b>		<b>81 281</b>	<b>1 162</b>	<b>92 608</b>	<b>23 443</b>
Taxes for the period		1 456	6 506	-1 168	-2 467
<b>Net result for the period</b>		<b>82 737</b>	<b>7 668</b>	<b>91 440</b>	<b>20 976</b>
<b>Other comprehensive income</b>					
<b>Items that later can be reversed in profit</b>					
Foreign currency translation differences		4 517	-584	-7 335	3 853
<b>Total other comprehensive income for period</b>		<b>87 254</b>	<b>7 084</b>	<b>84 105</b>	<b>24 829</b>
<b>Period net result attributed to:</b>					
Parent company shareholders		82 404	7 849	89 124	15 408
Minority interests		333	-181	2 316	5 568
<b>Period total comprehensive income</b>					
Parent company shareholders		86 604	7 300	83 637	19 075
Minority interests		650	-216	468	5 754
<b>Average number of shares</b>					
Undiluted		6 425 008	5 655 371	6 210 452	5 328 763
Diluted		6 519 548	5 717 534	6 297 453	5 392 059
<b>Net result per share attributable to the parent company shareholders</b>					
<b>Undiluted</b>		12.83	1.39	14.35	2.89
<b>Diluted</b>		12.64	1.37	14.15	2.86

## Consolidated balance sheet in summary

KSEK	NOTE 1,2	2017-12-31	2016-12-31
Intangible non current assets	3, 4	402 414	264 499
Tangible non current assets		1 293	775
Deferred tax assets		11 575	7 779
Current receivables		32 066	13 707
Cash and bank		65 931	35 774
<b>Total assets</b>		<b>513 280</b>	<b>322 534</b>
<b>Shareholders' equity</b>			
Shareholders' equity attributable to parent company's shareholders		248 231	134 261
Minorities		19 809	19 733
<b>Total Shareholders' equity</b>		<b>268 039</b>	<b>153 994</b>
Non-current liabilities	4, 5	194 387	148 090
Current liabilities		50 854	20 450
<b>Total Liabilities and Shareholders' equity</b>		<b>513 280</b>	<b>322 534</b>

## Shareholders' equity, Group

KSEK	SHARE CAPITAL	NOT REGISTERED SHARE CAPITAL	OTHER CONTRIBUTIONS	OTHER EQUITY INCL PROFIT OF PERIOD	EQUITY PERTAIN TO PARENT SHARE HOLDERS	MINORITY	TOTAL EQUITY
<b>Opening balance 2016-01-01</b>	3 505	191 840	-1 116	-98 721	95 508	5 400	100 908
Profit/Loss for the period				15 408	15 408	5 568	20 976
Other comprehensive income							
*** Foreign currency translation differences			3 667		3 667	186	3 853
<b>Total other comprehensive income</b>			<b>3 667</b>	<b>15 408</b>	<b>19 075</b>	<b>5 754</b>	<b>24 829</b>
New share issue	684	56 911			57 595		57 595
Issue costs		-1 591			-1 591		-1 591
Acquisition of minority		-36 326			-36 326	-11 150	-47 476
Acquisition of subsidiary						19 729	19 729
<b>Total transactions booked against share capital</b>	<b>684</b>	<b>18 994</b>	<b>0</b>	<b>0</b>	<b>19 678</b>	<b>8 579</b>	<b>28 257</b>
<b>Closing balance 2016-12-31</b>	<b>4 189</b>	<b>210 834</b>	<b>2 551</b>	<b>-83 313</b>	<b>134 261</b>	<b>19 733</b>	<b>153 994</b>
Profit/Loss for the period				89 124	89 124	2 316	91 440
Other comprehensive income					0		
*** Foreign currency translation differences			-5 487		-5 487	-1 848	-7 335
<b>Total other comprehensive</b>			<b>-5 487</b>	<b>89 124</b>	<b>83 637</b>	<b>468</b>	<b>84 105</b>
New share issue	309	33 101			33 410		33 410
Issue costs		-2 847			-2 847		-2 847
Acquisition of minority				-230	-230	-513	-743
Acquisition of subsidiary						120	120
<b>Total transactions booked against share capital</b>	<b>309</b>	<b>30 255</b>	<b>0</b>	<b>-230</b>	<b>30 334</b>	<b>-393</b>	<b>29 941</b>
<b>Closing balance 2017-12-31</b>	<b>4 498</b>	<b>241 089</b>	<b>-2 936</b>	<b>5 811</b>	<b>248 232</b>	<b>19 808</b>	<b>268 039</b>

## Cash flow in summary, Group

KSEK	NOTE	2017	2016	2017	2016
		OCT-DEC	OCT-DEC	JAN-DEC	JAN-DEC
<b>Operations</b>					
Result after financial items		85 965	1 162	97 292	23 443
Adj for items not in cash flow etc		-74 110	4 720	-56 477	9 553
Tax paid		-1 701	833	-288	-1 953
<b>Cash flow from operations before changes in working capital</b>		<b>10 155</b>	<b>6 715</b>	<b>40 527</b>	<b>31 042</b>
<b>Changes in working capital</b>					
Increase(-)/Decrease (+) operating receivables		-6 314	120	-14 887	-647
Increase (+)/Decrease (-) in operating liabilities		4 568	-2 763	-2 814	-437
<b>Cash flow from changes in working capital</b>		<b>-1 746</b>	<b>-2 642</b>	<b>-17 701</b>	<b>-1 084</b>
<b>Cash flow from operations</b>		<b>8 409</b>	<b>4 072</b>	<b>22 826</b>	<b>29 959</b>
<b>Investment activities</b>					
Acquisition of business		-	-15 834	-37 202	-21 556
Acquisition of tangible assets		-589	-28	-776	-740
Acquisition of non-tangible assets		-12 445	-9 103	-53 953	-30 960
<b>Cash flow from investment activities</b>		<b>-13 034</b>	<b>-24 965</b>	<b>-91 931</b>	<b>-53 255</b>
<b>Financing activities</b>					
New share issue		-	29	-	29
New share issue costs		-8	-622	-2 847	-1 592
Acquisition of minority shares		-	-	-743	-13 552
New debt		-	-	102 900	-
<b>Cash flow from financing activities</b>		<b>-8</b>	<b>-592</b>	<b>99 310</b>	<b>-15 115</b>
<b>Cash flow for the period</b>		<b>-4 632</b>	<b>-21 485</b>	<b>30 205</b>	<b>-38 411</b>
<b>Cash and cash equivalents at start of period</b>		<b>71 131</b>	<b>56 835</b>	<b>35 774</b>	<b>73 454</b>
<b>Translation differences</b>		<b>-568</b>	<b>425</b>	<b>-50</b>	<b>731</b>
<b>Cash and cash equivalents at end of period</b>		<b>65 930</b>	<b>35 774</b>	<b>65 930</b>	<b>35 774</b>



## Parent company income statement

KSEK	NOTE	2017	2016	2017	2016
		OCT-DEC	OCT-DEC	JAN-DEC	JAN-DEC
<i>Revenues</i>					
Net revenues		1 707	1 688	5 120	1 688
Other operating revenues		-1	-10	2 785	-10
<b>Total operating revenues</b>		<b>1 706</b>	<b>1 678</b>	<b>7 905</b>	<b>1 678</b>
<i>Operating expenses</i>					
Other external expenses		-3 252	-722	-7 950	-3 282
Personnel expenses		-2 285	-1 226	-6 908	-4 473
<b>Operating result</b>		<b>-3 831</b>	<b>-270</b>	<b>-6 953</b>	<b>-6 077</b>
Financial income		587	45	659	115
Financial expenses		-8 965	-411	-12 181	-422
<i>Total financial items</i>		<i>-8 377</i>	<i>-366</i>	<i>-11 521</i>	<i>-307</i>
<b>Result after financial items</b>		<b>-12 208</b>	<b>-636</b>	<b>-18 474</b>	<b>-6 384</b>
Group contribution		6 615	14 865	6 615	14 865
Tax for the period		3 085	6 489	3 285	6 489
<b>Net result for the period/Comprehensive income for the period</b>		<b>-2 508</b>	<b>20 718</b>	<b>-8 574</b>	<b>14 970</b>

## Parent company balance sheet in summary

KSEK	NOTE	2017-12-31	2016-12-31
Financial non current assets		338 276	326 359
Current receivables		11 746	1 238
Cash and bank		20 324	22 755
<b>Total assets</b>		<b>370 346</b>	<b>350 352</b>
Shareholders' equity		234 014	211 509
Appropriations		25 229	126 304
Non current liabilities		106 470	7 708
Current liabilities		4 633	4 831
<b>Total liabilities &amp; Shareholders' equity</b>		<b>370 346</b>	<b>350 352</b>

## NOTES

### NOTE 1 ACCOUNTING AND VALUATION PRINCIPLES

Stillfront's year end report has been prepared in accordance with IAS 34, Interim Financial Reporting. The consolidated financial statements have been prepared in accordance with IFRS such as adopted by the EU and the relevant references to Chapter 9 of the Swedish Annual Accounts Act. The parent company's financial statements are prepared in accordance with RFR 2, Accounting for Legal Entities and the Swedish Annual Accounts Act.

#### IFRS 9 Financial Instruments and IFRS 15 Revenues from agreements with customers

IFRS 9 and IFRS 15 are applied by the company from January 1, 2018. During the year a project has been conducted to evaluate the effects of the application of the new accounting standards. The project is now completed and the conclusion is that the introduction of IFRS 9 and IFRS 15 does not materially affect the Group's financial reporting.

### NOTE 2 FAIR VALUES

Stillfront only holds financial assets belonging to the category Loan receivables and accounts receivable, which are reported at accrued acquisition value. All liabilities, except conditional contingent considerations, are reported at accrued acquisition value. Financial assets and liabilities that are reported at accrued acquisition value are subject to variable interest rates. The fair value of these are judged to be substantially consistent with book value. No financial assets or liabilities have been moved between the valuation categories.

Stillfront reports conditional contingent consideration in connection with the acquisition of operations. These conditional contingent considerations are valued at fair value in accordance with the Tier 3.

### NOTE 3 INTANGIBLE ASSETS

Capitalized Development Costs KSEK	2017-12-31	2016-12-31
<i>Accumulated costs</i>		
Opening balance	88 266	56 131
External acquisitions	7 306	0
Internally accrued during the year	44 090	30 960
Translation difference	162	1 175
<b>Closing Balance</b>	<b>139 824</b>	<b>88 266</b>
<i>Accumulated depreciation/amortization</i>		
Opening balance	-46 484	-40 762
This year's depreciations	-13 460	-5 511
Write down	-2 310	0
Translation difference	-507	-211
<b>Closing Balance</b>	<b>-62 761</b>	<b>-46 484</b>
<b>Book Value</b>	<b>77 063</b>	<b>41 782</b>

<b>Goodwill KSEK</b>	<b>2017-12-31</b>	<b>2016-12-31</b>
<i>Accumulated costs</i>		
Opening balance	196 370	28 344
Investments in businesses	113 634	171 066
Translation difference	-14 981	-3 040
<b>Closing Balance</b>	<b>295 023</b>	<b>196 370</b>
<i>Accumulated depreciation/amortization</i>		
Opening balance	-5 752	-5 752
This year's depreciations	0	0
<b>Closing Balance</b>	<b>-5 752</b>	<b>-5 752</b>
<b>Book Value</b>	<b>289 271</b>	<b>190 618</b>
<b>Games KSEK</b>		
<i>Accumulated costs</i>		
Opening balance	35 842	0
External acquisitions	2 562	0
Investments in businesses	13 163	32 296
Translation difference	-3 156	3 546
<b>Closing Balance</b>	<b>48 411</b>	<b>35 842</b>
<i>Accumulated depreciation/amortization</i>		
Opening balance	-3 743	0
This year's depreciations	-9 125	-3 743
Translation difference	538	-215
<b>Closing Balance</b>	<b>-12 330</b>	<b>-3 743</b>
<b>Book Value</b>	<b>36 081</b>	<b>32 099</b>
<b>Total book value of intangible assets</b>	<b>402 414</b>	<b>264 499</b>

## NOTE 4 ACQUISITIONS

In May 2017 100% of the shares in eRepublik Labs Limited were acquired. eRepublik Labs Limited is an Irish company with its operations on Ireland and in Romania. eRepublik is a successful developer and publisher of strategy games with a good fit to the Stillfront portfolio. The purpose of the acquisition is to expand Stillfront's portfolio of games and to strengthen Stillfront's publishing capabilities, primarily in the mobile games space.

Purchase price and the book values of the acquisition are as follows:

### KSEK

#### *Purchase price*

Cash and cash equivalents	40 357
Ordinary shares issued	33 410
Contingent consideration	50 087
<b>Total purchase consideration</b>	<b>123 854</b>

In connection with the acquisition of eRepublik 441 233 shares have been issued at a price of 75.72 SEK / share. The conditional contingent consideration is calculated based on the acquisition's estimated future economic outcomes for the period ending in 2019. The maximum amount of conditional contingent consideration is 13 MEUR.

### **The fair value of acquired assets and assumed liabilities (KSEK):**

Games	13 369
Machinery equipment	422
Deferred tax asset	177
Current assets excluding cash and cash equivalents	3 652
Cash and cash equivalents	3 156
Current liabilities	-9 652
Deferred tax liabilities	-903
<b>Total net assets acquired excluding goodwill (KSEK)</b>	<b>10 221</b>
Reported goodwill	113 634
Total net assets acquired	123 855
<b>Total purchase consideration</b>	<b>123 855</b>
<i>Less:</i>	
Cash and cash equivalents	-3 156
Common shares	-33 410
Contingent consideration	-50 087
<b>Net cash outflow on acquisition of business</b>	<b>37 202</b>

Goodwill relating to eRepublik represents the value of the competencies in the company regarding the ability to develop and publish high end mobile games.

Acquisition costs amounted to 734 KSEK and are included in the income statement as other external expenses.

The acquired business eRepublik is included in Stillfront's consolidated net sales of with 36 297 KSEK and a profit of 11 095 KSEK. If the acquired business had been consolidated from January 1 2017, eRepublik would have consolidated with a revenue of approx. 50 MSEK and a profit of approx 13 MSEK.

### Acquisition after the end of the year

On December 6, 2017 Stillfront entered into an agreement to acquire 100% of the shares in Altigi GmbH in Germany. The acquisition was completed as of January 9, when an Extraordinary General Meeting resolved to approve the acquisition and to issue shares to the sellers of Altigi GmbH. The operations are conducted under the name Goodgame Studios. Goodgame Studios is the leading developer and publisher of free-to-play games in Germany with four very successful games; Goodgame Empire, Empire Four Kingdoms, Big Farm and Big Farm Mobile Harvest. The purpose of the acquisition is to increase the scope of Stillfront's operations and to benefit from the strong marketing skills within Goodgame Studios.

Purchase price of the acquisition are as follows:

#### KSEK

##### *Purchase price*

Cash and cash equivalents	<b>390 000</b>
Ordinary shares issued	<b>3 113 948</b>
<b>Total purchase consideration</b>	<b>3 503 948</b>

In connection with the acquisition of Altigi GmbH, 16,868,623 shares were issued at the price of SEK 184.60 per share. The cash component of the purchase price was financed with a tap issue of Stillfront's corporate bond by SEK 390 million. The acquisition was carried out on a debt- and cash-free basis. At the time of the acquisition, Altigi GmbH had a credit facility of 20 MEUR, which was not utilized. This is still not utilized.

The Board of Directors of Stillfront Group has deemed Altigi GmbH to be the acquiring company and Stillfront Group AB to be the acquired company from an accounting perspective, i.e. a reverse acquisition. The acquisition will be consolidated from January 2018. Upon a reverse acquisition, the purchase price analysis will be established with the legal subsidiary as the acquirer and the legal parent company as the acquired company. The purchase price analysis will be based on the Stillfront Group Financial Statements by 2017-12-31. A consolidated financial statement prepared after a reverse acquisition is issued in the name of the legal parent company but is described in the notes as a continuation of the legal subsidiary's financial statements. As of the fiscal year 2018, the comparative figures in Stillfront Group's financial reporting will consequently be attributable to the legal subsidiary Altigi GmbH.

A preliminary purchase price analysis is provided below. Please note that in the preliminary purchase price analysis, The purchase price analysis including the allocation of surplus values can change as the final fair value analysis of assets and liabilities is finalized. Altigi GmbH is the acquiring company and Stillfront Group AB the acquired company. Hence, the consideration as described below differs from the purchase consideration stated above.

**The fair value of acquired assets and assumed liabilities (MSEK):**

Intangible non-current assets	218.0
Property, plant and equipment	1.3
Deferred tax asset	11.6
Current receivables excl cash and bank	32.0
Cash and bank	65.9
Non-current liabilities	-163.7
Deferred tax liabilities	-53.8
Current liabilities	-50.9
<b>Total net assets acquired excluding goodwill (MSEK)</b>	<b>60.6</b>
Minority	-19.8
<b>Total net assets attributable to parent company's shareholders excl goodwill (MSEK)</b>	<b>40.7</b>
Recognized goodwill	1 145.3
<b>Total consideration</b>	<b>1 186.1</b>

A pro forma income statement and balance sheet for the new group structure will be presented in the investor presentation that will be published on the company's website shortly after the publication of this year end report.

Goodwill presented above represents, as a preliminary assessment, the value of the competencies in the company regarding the ability to develop and publish games. None of the goodwill value will be tax deductible.

**NOTE 5 NON-CURRENT LIABILITIES**

Of non-current liabilities 60.7 MSEK refer to conditional contingent consideration and 102.9 MSEK refer to the bond issued during the second quarter. The bond matures May 23 2020 and has an interest rate of 7.5%.

Shares in subsidiaries have been put as collateral for the bond loan. The consolidated value of these shares amounts to 222.4 MSEK. In the parent company, the book value of these shares is 2.8 MSEK and in its subsidiary 255.5 MSEK.

**NOTE 6 OTHER REVENUES**

A fair value calculation has been made of conditional contingent considerations, which has resulted in a decrease of the assessed conditional contingent considerations. As a result, 83.0 MSEK has been recognized as other revenues.



## ABOUT STILLFRONT

Stillfront is a group of independent creators, publishers and distributors of digital games - with a vision to become the leading group of indie game creators and publishers. Stillfront operates through nine near-autonomous subsidiaries: Bytro Labs in Germany, Coldwood Interactive in Sweden, Power Challenge in the UK and Sweden, Dorado Online Games in Malta, Simutronics in the United States, Babil Games in UAE and Jordan, eRepublik in Ireland and Romania, OFM Studios in Germany and Goodgame Studios in Germany. Stillfront's games are distributed globally. The main markets are Germany, the United States, France, UK and MENA. For further information, please visit [www.stillfront.com](http://www.stillfront.com).

## SELECTED GAMES

Stillfront's portfolio includes games across multiple platforms. Unravel is a widely acclaimed console game developed by Coldwood in collaboration with Electronic Arts. 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. DragonRealms and GemStone IV are MUD-style games with a very loyal player base. Siege: Titan Wars(TM) is a popular mobile game developed by Simutronics. Nida Harb 3 and Admiral are mobile strategy games with very strong player bases, which are published by Babil Games. World at War: WW2 and War and Peace: Civil War are a successful mobile strategy games developed and published by eRepublik Labs. Online Fussball Manager is a leading sports management game. Empire and BigFarm are major IPs operated by Goodgame Studios.