

Year End Report January – December 2015

STILLFRONT GROUP AB (PUBL)

Quarterly Report Oktober - December 2015

- Net revenues amounted to 19.7 MSEK (6.1 MSEK)
- Underlying EBITDA, i.e. EBITDA adjusted for expensed investments, amounted to 4.3 MSEK (-0.1 MSEK). EBITDA amounted to 1.5 MSEK (-3.2 MSEK).
- Profit/loss before tax was -1.3 MSEK (-12.6 MSEK). Profit/loss after tax was -2.2 MSEK (-12.6 MSEK).
- Earnings per share before dilution, amounted to -0.55 SEK (-4.20 SEK) Earnings per share after dilution, amounted to -0.54 SEK (-4.05 SEK)¹.
- As of 31 December, cash and cash equivalents amounted to 73.5 MSEK (4.3 MSEK).
- A new share issue of 75 MSEK was completed and trading on Nasdaq First North commenced in December

Interim report January – December 2015

- Net revenues amounted to 57.1 MSEK (29.1 MSEK)
- Underlying EBITDA, i.e. EBITDA adjusted for expensed investments, amounted to 12.9 MSEK (2.3 MSEK). EBITDA amounted to 4.0 MSEK (-8.2 MSEK)
- Profit/loss before tax was -4.5 MSEK (-23.8 MSEK). Profit/loss after tax was -6.3 MSEK (-23.8 MSEK)
- Earnings per share before dilution, amounted to -1.56 SEK (-8,89 SEK). Earnings per share after dilution amounted to -1.52 SEK (-8.53 SEK).
- As of December 31, cash and cash equivalents amounted to 73.5 MSEK (4.3 MSEK).
- The board proposes no dividend to be paid.

A very strong year

“2015 has been a very strong year for Stillfront. Sales increased by 96% and underlying EBITDA increased more than fivefold. The strong growth is explained mainly by a tremendous growth in the game Call of War from Bytro, but also by good profitability in Coldwood. The consistent work to implement our PLEX strategy has given the continued satisfactory results. The positive development of our business with a very successful new share issue and listing in the fourth quarter gives us a very solid platform for continued strong growth in 2016”, says Jörgen Larsson, CEO.

Continued strong growth for the Stillfront Group

Key figures, the Group

MSEK	2015	2014	2015	2015
	Oct-Dec	Oct-Dec	Jan-Dec	Jan-Dec
Net revenues	19.7	6.1	57.1	29.1
Growth in revenues	220%		96%	
Underlying EBITDA	4.3	-0.1	12.9	2.3
Underlying EBITDA margin	21,8%	Neg	22,6%	7,8%
EBITDA	1.5	-3.2	4.0	-8.2
EBITDA margin	7.4%	Neg	7.1%	Neg
Profit/loss before tax	-1.3	-12.6	-4.5	-23.8

¹ Earnings per share have been calculated after the 7:1 consolidation of shares and completed withdrawal of shares.

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, however main markets include Sweden, Germany, the United States and South America.

A WORD FROM CEO JÖRGEN LARSSON

A very strong close of 2015 for Stillfront Group

2015 has been Stillfront strongest year so far. In tandem, it has been a very important year in Stillfront’s development with several key milestones achieved.

The growth in both revenues and earnings have been extraordinary. The revenues in the fourth quarter increased by 34% as compared to the third quarter. The increase in our online games corresponds well to the development of MAU and DAU as communicated previously. The growth in revenues has been driven mainly by Call of War, developed by our German studio Bytro Labs. The game was launched in May 2015 and had in the fourth quarter revenues of 10.1 MSEK, which compares with 4.0 MSEK in revenues in the third quarter. The increase can be attributed to the very successful marketing campaigns of a high quality and highly appreciated product. Careful monitoring of campaigns with subsequent adjustments has resulted in excellent return on investment of the campaigns.

Stillfront’s studio Coldwood has completed the development contract for the Unravel. The publisher Electronic Arts released the game for sale 9 February 2016. Coldwood is entitled to a royalty, which may be significant if sales of Unravel reach certain levels.

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. During the course of the year, we have achieved good progress in our systematic efforts to raise the quality, increase revenues per paying player and making the platform scalable. This is creating fertile soil for growth in the coming years, both in existing sports and also by adding new sports to the existing platform.

The launch of Dorados Gladiator Online has not met our expectations. The causes hereto are currently being analyzed and appropriate action will be taken.

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 December, Stillfront performed a new share issue and a subsequent listing on Nasdaq First North. The interest of participating in the new issue was overwhelming and was oversubscribed several times. I am very proud of the great interest and of the new reputable and long-term owners Stillfront obtained in the new share issue.

It is with great confidence that I look ahead. In the coming years Stillfront plans to continue implementing the strategy with both organic growth and acquisitions.



Significant events during the quarter

Bytros Call of War continued its rapid growth and had in the fourth quarter revenues of 10.1 MSEK, as compared to 4.0 MSEK in the third quarter. Bytros Supremacy 1914 continues to enjoy a stable and strong customer base along with a solid revenue level.

Adaptations of the Gladiator Online to reach larger customer groups through Steam continued during the quarter and the game was re-launched on Steam in November. Even though the number of players was high, the game did not reach the promising KPIs from the first launch. Analysis of reasons hereto is in progress.

Power Challenge has continued to implement its strategy to increase the quality of the player base. We note that the revenue per player has increased significantly. This means that now we can put more resources into profitable player recruitment.

Coldwood completed the development contract for Unravel with high quality and according to plan.

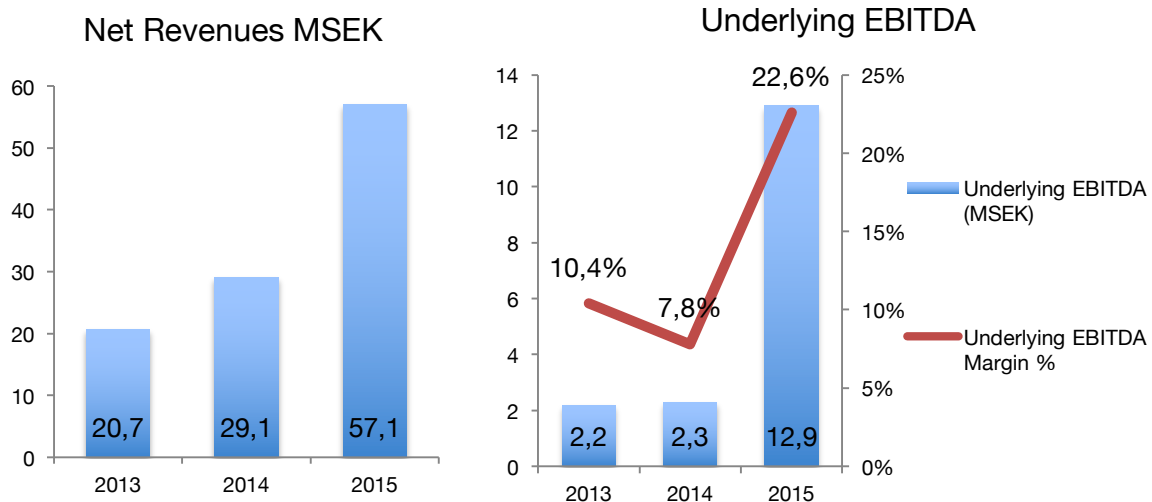
On December 8, trading of the Stillfront Group AB share commenced on Nasdaq First North. A new share issue amounting to 75 MSEK was carried out before. The issue was oversubscribed and Stillfront received a large number of new investors, including Swedbank Robur New Technology BTI, RCL Holding AB and Vasastaden Holding AB.

Significant events after the end of the quarter

Electronic Arts, publisher of Coldwood's game Unravel, began selling Unravel 9 February 2016. Reviewers and the public has given Unravel very high ratings. MetaCritic, that consolidates a large number of established reviewers, gave the game 80 points out of 100, placing Unravel clearly ahead of blockbusters as Star Wars Battlefront and Call of Duty: Black Ops III - Awakening.

Revenues and profit/loss

Net revenues in Q4 was 19.7 MSEK (6.1 MSEK). The increase is primarily attributable to the continued success of Bytro's game Call of War and solid revenues at Coldwood related to development projects. Net revenues for the year was 57.1 MSEK (29.1 MSEK). The increase is also attributable to solid growth in Bytro and Coldwood.



In the fourth quarter, Underlying EBITDA was 4.3 MSEK (-0.1 MSEK), which corresponds to an Underlying EBITDA margin of 21.8% (neg). Underlying EBITDA is defined as EBITDA excluding expensed investments. Stillfront expenses investments as they are incurred. Thus, investments are included in EBITDA. EBITDA for the quarter amounted to 1.5 MSEK (-3.2 MSEK), corresponding to an EBITDA margin of 7.4% (neg).

The full year Underlying EBITDA amounted to 12.9 MSEK (2.3 MSEK), corresponding to an Underlying EBITDA margin of 22.6% (7.8%). The full year EBITDA was 4.0 MSEK (-8.2 MSEK), which corresponds to an EBITDA margin of 7.1% (neg). High gross margins on the increased revenues as above, contributed to the strong growth in earnings.

Profit/loss after tax for the full year was -6.3 MSEK (-23.8 MSEK). Profit/loss after tax for the quarter was -2.2 MSEK (-12.6 MSEK)

Cash flow and financial position

Cash flow for the quarter was 67.7 MSEK (-4.0 MSEK). Cash flow from operations for the full year was 1.9 MSEK (-3.7 MSEK). The cash flow was strengthened by the new share issue in December and was 69.2 MSEK for the full year (-3.5 MSEK). Cash flow from operations for the full year was 3.8 MSEK (-8.2 MSEK). Equity ratio as of December 31 was 86 percent compared to 79 percent as of December 31 2014. Cash and cash equivalents for the group, including not utilised credit facilities, were at year end 75.1 MSEK compared with 5.6 MSEK on December 31 2014.



Investments and Depreciation

Stillfront Group expenses investments made in new games at cost. During the quarter, 2.8 MSEK has been invested (3.2 MSEK). Investments have been made primarily in Gladiator Online including the Dog engine. Investments during the full year amounted to 8.9 MSEK (10.4 MSEK). These investments mainly relate to Call of War and Gladiator Online including the DOG Engine.

Depreciation and appreciation of 2.7 MSEK (8.8 MSEK) was charged during the quarter. The corresponding figure for the full year was 8.3 MSEK (15.0 MSEK). Depreciation and appreciation 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 45, compared with 38 on 31 December 2014.

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.

Via a market partnership with Electronic Arts (EA), Unravel, a game developed by Coldwood, has been positioned as one of the most interesting new products on the way to market for consoles and PCs. Demand for qualitatively excellent and unique game concepts is assessed as very good, which in combination with EA's strong marketing capacity, has created fertile soil for establishing the Unravel brand for many years to come.

Parent Company

Standard group management functions and group wide services are provided via the parent company. The parent company had full year revenues of 1.0 MSEK (0.0 MSEK). The revenues for the fourth quarter were 1.0 MSEK (0.0 MSEK). Full year profit/loss after tax amounted to 3.6 MSEK (-2.8 MSEK). The quarter's profit/loss after tax amounted to 6.1 MSEK (-1.0 MSEK).



Related Party Transactions

Stillfront has strengthened its liquidity during the year through loans from Acacia Finans of 3.3 MSEK. Terms and conditions for the loans are in line with the market. The loans have been fully repaid. 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 December 31 was 65.50 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 December 30, 2015.

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 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 Advisor

Pareto Securities is Stillfront's Certified Adviser up until March 7, 2016. Starting March 8, Avanza Bank will be Stillfront's 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, first quarter 2016:	May 18, 2016
Annual General Meeting:	May 18, 2016
Interim report, second quarter 2016:	August 26, 2016
Interim report, third quarter 2016:	November 9, 2016
Year end report 2016:	February 23, 2017

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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 24 2016

Per Skyttvall, Chairman of the Board

Max Bautin

Alexander Bricca

Fredrik Åhlberg

Jörgen Larsson, CEO.

Key figures, Group

	2015	2014	2015	2014
	Oct-Dec	Oct-Dec	Jan-Dec	Jan-Dec
Net revenues, SEK '000	19 659	6 145	57 052	29 062
Underlying EBITDA, SEK '000	4 287	-95	12 918	2 252
EBITDA, SEK '000	1 460	-3 247	4 029	-8 168
Profit before tax, SEK '000	- 1 283	-12 596	-4 469	-23 767
Profit after tax, SEK '000	-2 216	-12 596	-6 253	-23 767
Underlying EBITDA margin, %	21.8%	-1.5%	22.6%	7.8%
EBITDA margin, %	7.4%	-52.8%	7.1%	-28.1%
Equity ratio, %	86%	79%	86%	79%
Shareholders' equity per share undiluted SEK	15.88	8.10	15.88	8.10
Shareholders' equity per share diluted SEK	15.62	7.81	15.62	7.81
Earnings per share undiluted SEK	-0.55	-4.20	-1.56	-8.89
Earnings per share diluted SEK	-0.54	-4.05	-1.52	-8.53
No of shares period end undiluted	5 006 583	2 998 510	5 006 583	2 998 510
No of shares period end diluted	5 090 231	3 111 586	5 090 231	3 111 586
Average number of shares undiluted	4 045 083	2 998 510	4 002 547	2 674 797
Average number of shares diluted	4 128 731	3 111 586	4 100 909	2 787 873

Definitions key figures, Group

EBITDA

Operating profit before depreciation and impairments.

Underlying EBITDA

EBITDA adjusted for expensed investments.

EBITDA margin

EBITDA as percentage of net revenues.

Underlying EBITDA margin

Underlying EBITDA as percentage of net revenues.

Equity ratio

Shareholders' equity as a percentage of total capital.

Shareholders' equity per share²

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

Earnings per share³

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

² Shareholders' equity per share have been calculated after the 7:1 consolidation of shares and completed withdrawal of shares.

³ Earnings per share have been calculated after the 7:1 consolidation of shares and completed withdrawal of shares.

Consolidated income statement

SEK '000	2015	2014	2015	2014	Rolling
	Oct-Dec	Oct-Dec	Jan-Dec	Jan-Dec	12 months
Net revenues	19 659	6 145	57 052	29 062	57 052
Other operating income	0	389	268	1 896	268
Total operating income	19 659	6 534	57 320	30 958	57 320
Other external costs	-11 999	-5 556	-33 761	-22 134	-33 761
Personnel costs	-5 873	-4 225	-19 530	-16 992	-19 530
Depreciation and write-downs	-2 702	-8 805	-8 267	-14 981	-8 267
Other operating costs	-327	0	0	0	0
Total operating costs	-20 901	-18 586	-61 558	-54 107	-61 558
Profit/loss securities	51	-600	51	-600	51
Interest income	-31	81	21	116	21
Interest costs	-61	-25	-303	-134	-303
Financial Profit/Loss	-41	-544	-231	-618	-231
Tax for the period	-933	0	-1 784	0	-1 784
Profit/loss for the period after tax	-2 216	-12 596	-6 253	-23 767	-6 253
<i>Attributable to:</i>					
Parent company shareholders	-2 597	-12 613	-7 619	-23 300	-7 619
Minority interests	381	18	1 366	-466	1 366

Consolidated balance sheet in summary

SEK '000	2015-12-31	2014-12-31
Intangible non current assets	10 251	18 310
Tangible non current assets	241	225
Financial non current assets	0	5 309
Current receivables	8 807	2 519
Cash and bank	73 454	4 286
Total assets	92 753	30 649
Shareholders' equity	79 516	24 291
Appropriations	301	443
Non current liabilities	298	888
Current liabilities	12 638	5 027
Total liabilities & Shareholders' equity	92 753	30 649
Pledged securities & contingent liabilities	1 300	3 300

Shareholders' equity

SEK '000	Share Capital	Other Contributions	Other Equity incl Profit of Period	Equity Pertaining to Parent Shareholders	Minority	Total Equity
Opening balance 2015-01-01	2 189	131 532	-111 650	22 071	2 221	24 291
New Share Issue	1 346	73 651	0	74 997	0	74 997
Issue Costs	0	-10 814	0	-10 814	0	-10 814
Withdrawal of Shares	-30	-2 529	0	-2 559	0	-2 559
Translation Differences	0	0	-44	-44	-102	-146
Profit/Loss for the Period Incl. Minority Interests	0	0	-7 414	-7 414	1 161	-6 253
Closing Balance 2015-12-31	3 505	191 841	-119 108	76 237	3 279	79 516

SEK '000	Share Capital	Other Contributions	Other Equity incl Profit of Period	Equity Pertaining to Parent Shareholders	Minority	Total Equity
Opening balance 2015-10-01	2 189	131 532	-116 822	16 898	3 001	19 900
New Share Issue	1 346	73 651	0	74 997	0	74 997
Issue Costs	0	-10 814	0	-10 814	0	-10 814
Withdrawal of Shares	-30	-2 529	0	-2 559	0	-2 559
Translation Differences	0	0	318	318	-109	209
Profit/Loss for the Period Incl. Minority Interests	0	0	-2 604	-2 604	387	-2 216
Closing Balance 2015-12-31	3 505	191 841	-119 108	76 237	3 279	79 516

Cash flow in summary, group

SEK '000	2015 Oct-Dec	2014 Oct-Dec	2015 Jan-Dec	2014 Jan-Dec
Cash flow from operating activities before changes in working capital	1 591	-3 927	2 619	-10 294
Changes in working capital	294	185	1 182	2 122
Cash flow from operating activities	1 885	-3 742	3 801	-8 171
Cash flow from investment activities	1 888	-52	1 774	-138
Cash flow from financing activities	63 926	-186	63 593	4 826
Cash flow for the period	67 700	-3 980	69 168	-3 484
Cash and cash equivalents at start of period	5 755	8 266	4 286	7 770
Cash and cash equivalents at end of period	73 454	4 286	73 454	4 286

Parent company income statement

SEK '000	2015 Oct-Dec	2014 Oct-Dec	2015 Jan-Dec	2015 Jan-Dec	Rolling 12 months
Operating income	1 020	0	1 020	0	1 020
Other external costs	-408	-723	-2 808	-2 437	-2 808
Personnel costs	-545	0	-545	0	-545
Depreciation and write-downs	0	0	0	0	0
Operating profit/loss	-953	-723	-3 353	-2 437	-3 353
Profit/loss securities	51	-600	51	-600	51
Interest income	0	3	0	12	0
Interest costs	-133	-24	-265	-100	-265
Financial profit/loss	-82	-621	-214	-688	-214
Group Contributions	6 164	335	6 164	355	6 164
Tax for the period	0	0	0	0	0
Profit/loss for the period after tax	6 149	-1 009	3 617	-2 790	3 617

Parent company balance sheet in summary

SEK '000	2015-12-31	2014-12-31
Intangible non current assets	0	0
Tangible non current assets	0	0
Financial non current assets	80 041	78 358
Current receivables	1 435	85
Cash and bank	63 513	335
Total assets	144 989	78 778
Shareholders' equity	140 749	75 508
Appropriations	0	0
Non current liabilities	0	2 250
Current liabilities	4 240	1 020
Total liabilities & Shareholders equity	144 989	78 778
Pledged securities & contingent liabilities	1,300	3,300

Cashflow in summary, parent company

SEK '000	2015 Oct-Dec	2014 Oct-Dec	2015 Jan-Dec	2014 Jan-Dec
Cashflow from operating activities before changes in working capital	-65	-745	-2 598	-2 526
Changes in working capital	-8 409	-1 462	-5 734	-4 641
Cashflow from operating activities	-8 474	-2 207	-8 331	-7 167
Cashflow from investment activities	2 051	0	2 051	0
Cashflow from financing activities	69 929	149	69 459	5 161
Cashflow for the period	63 505	-2 058	63 178	-2 006
Cash and cash equivalents at start of period	8	2 393	335	2 341
Cash and cash equivalents at end of period	63 513	335	63 513	335