

# Interim Report January – September 2015

## STILLFRONT GROUP AB (PUBL)

### Quarterly Report July - September 2015

- Net turnover amounted to 14.7 MSEK (7.8 MSEK)
- Underlying EBITDA, i.e. EBITDA adjusted for expensed investments, amounted to 3.6 MSEK (0.7 MSEK). EBITDA amounted to 1.3 MSEK (-0.9 MSEK)
- Profit/loss before tax was -0.7 MSEK (-3.0 MSEK) Profit/loss after tax was -1.1 MSEK (-3.0 MSEK)
- Earnings per share before dilution, amounted to -0.36 SEK (-0.96 SEK) Earnings per share after dilution, amounted to -0.36 SEK (-0.93 SEK)<sup>1</sup>.
- As of 30 September, cash and cash equivalents amounted to 6.1 MSEK (8.3 MSEK).

### Interim report January – September 2015

- Net turnover amounted to 37.4 MSEK (22.9 MSEK)
- Underlying EBITDA, i.e. EBITDA adjusted for expensed investments, amounted to 8.6 MSEK (2.3 MSEK). EBITDA amounted to 2.6 MSEK (-4.9 MSEK)
- Profit/loss before tax was -3.2 MSEK (-11.2 MSEK) Profit/loss after tax was -4.0 MSEK (-11.2 MSEK)
- Earnings per share before dilution, amounted to -1.31 SEK (-3.70 SEK). Earnings per share after dilution amounted to -1.27 SEK (-3.60 SEK).
- As of September 30, cash and cash equivalents amounted to 6.1 MSEK (8.3 MSEK).

### Continued strong growth during third quarter

“We have seen continued strong growth in the interim period. The Call of War game from Bytro that was launched in May, continued to enjoy rapid growth in the quarter. Coldwood unveiled the game Unravel at The Electronics Entertainment Expo, E3, in Los Angeles in June. Unravel was named “Best Strategy Game” at gamescom, the global video games trade fair in Cologne. We plan to launch Unravel together with EA in the first half of 2016”, says Jörgen Larsson, CEO.

“Stillfront Group and its owners have decided to start preparations for a potential listing on Nasdaq First North in Stockholm. We will provide further information once the board has resolved on these issues”, comments Per Skyttvall, Chairman of the Board.

## Continued strong growth for the Stillfront Group

### Key figures, the Group

MSEK	Jan – Sept 2015	Jan – Sept 2014	Q3 2015	Q3 2014
<b>Net turnover</b>	37.4	22.9	14.7	7.8
Growth in turnover	63%		88%	
<b>Underlying EBITDA</b>	8.6	2.3	3.6	0.7
Underlying EBITDA margin	23.1%	10.2%	24.3%	8.8%
<b>EBITDA</b>	2.6	-4.9	1.3	-0.9
EBITDA margin	6.9%	neg	9.1%	neg
<b>Profit/loss before tax</b>	-3.2	-11.2	-0.7	-3.0

<sup>1</sup> Earnings per share have been calculated after the 7:1 consolidation of shares and ongoing withdrawal of shares.



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## 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.

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## A WORD FROM CEO JÖRGEN LARSSON

### Continued strong growth for the Stillfront Group

The Stillfront Group is continuing its exciting journey. So far in 2015, our German subsidiary company Bytro has launched its latest game Call of War in a very successful way. The game was launched in May 2015 and in September generated earnings of 1.8 MSEK.

The unveiling of Unravel, the latest game from our subsidiary company Coldwood, has received a fantastic response from the industry and consumers alike. The game was announced at the two biggest trade fairs in the games world, E3 and gamescom, where it won some 20 awards. Unravel will go on sale in the first half of 2016 marketed by Electronic Arts, EA.

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, improve turnover 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.

It is also pleasing to see that our underlying EBITDA for the interim period was 8.6 MSEK. This indicates our PLEX strategy is working. 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).

Stillfront Group is investigating the possibilities of a new share issue and subsequent listing on Nasdaq First North. We will provide further information once the board has resolved on these issues.

I view the future with great confidence. Our growth strategy is working and consumers appreciate our products. Our scalable business model also offers us the scope to take advantage of many opportunities in the coming years.

## Significant events during the quarter

After the much heralded unveiling of Unravel, a game developed by Coldwood, at E3 in Los Angeles in June, Unravel was also unveiled to similar acclaim at gamescom in Cologne in August. Gamescom is considered to be the world's largest trade fair for computer games and attracted 345,000 visitors this year. Unravel was named "Best Strategy Game", to add to the 20 or so other awards the game has received.

Bytro's Call of War continued its rapid growth and reached earnings of 1.8 MSEK in September. At the same time, Bytro's Supremacy 1914, is still very popular, and is heading for its best year ever, six years after its launch.

During the quarter, modifications to Gladiator Online were completed to enable it to reach larger customer groups via Steam. The previous launch was well received and returned strong key figures, but suffered from the fact that leading browsers caused stability problems for the game related to plug-ins that this game is based on, like many others in the industry. Modifying the game for distribution via Steam will enable us to reach a broader customer group.

PowerChallenge has continued to implement its strategy of increasing the quality of its player base. We are delighted to report a significant increase in earnings per player.

## Significant events after the end of the quarter

An extraordinary general meeting was held October 12. Several resolutions were passed at the meeting including one that the company should trade under the name Stillfront Group AB (publ), and one resolving that shares should be consolidated, such that seven old shares should become one new share. The meeting also resolved on a number of other issues concerning the articles of association as a consequence of this consolidation. The board was further mandated, before the next AGM, to issue shares, convertible promissory notes and warrants within the share capital limits specified in the articles of association.

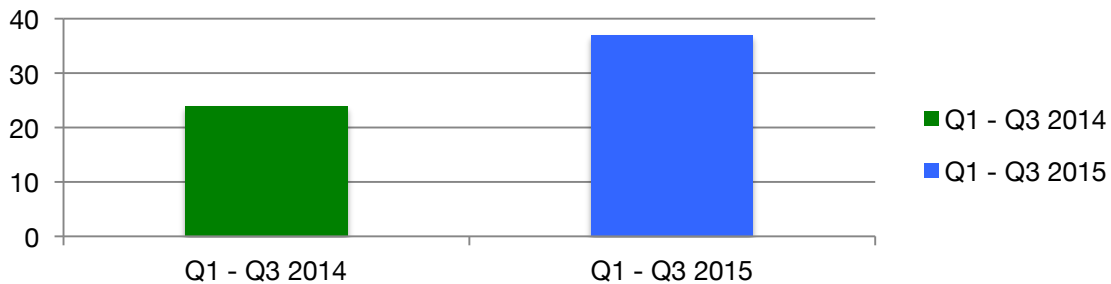
The above resolutions had been proposed by the board as part of the preparatory work ahead of a possible floatation of the company. No decision on a share listing has yet been taken. The board has, however, resolved to investigate whether the conditions are in place for a floatation.

A new board director was elected at the meeting: Fredrik Åhlberg. Fredrik Åhlberg has extensive experience of driving growth in games and e-commerce, which is a particularly relevant skills set for the company. Fredrik Åhlberg has headed Kings Studios in Europe as Senior Vice President Studios for the NYSE listed games company King. He

has also been Head of Expansion, Europe, at ebay, one of the world's leading e-commerce companies.

## Turnover and profit/loss

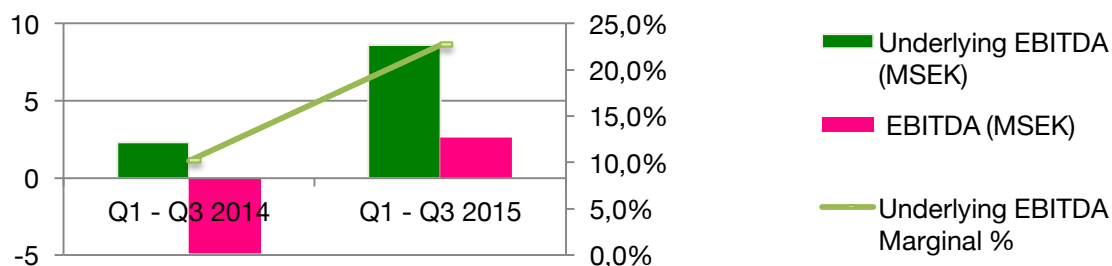
Net turnover in Q3 was 14.7 MSEK (7.8 MSEK). This increase is primarily attributable to the successful launch of the Bytro game Call of War and good earnings at Coldwood related to development projects. Net turnover for the interim period was 37.4 MSEK (22.9 MSEK). This increase is also attributable to good growth at Bytro and Coldwood.



Stillfront Group expenses investments as they are incurred. Thus, investments are included in EBITDA. Stillfront Group also reports Underlying EBITDA, which is EBITDA excluding expensed investments. In the third quarter, Underlying EBITDA was 3.6 MSEK (0.7 MSEK), which corresponds to an Underlying EBITDA margin of 24.3% (8.8%). EBITDA for the quarter amounted to 1.3 MSEK (-0.9 MSEK), corresponding to an EBITDA margin of 9.1% (neg).

Interim period EBITDA amounted to 2.6 MSEK (-4.9 MSEK), corresponding to an EBITDA margin of 6.9% (neg). In the interim period, Underlying EBITDA was 8.6 MSEK (2.3 MSEK), which corresponds to an Underlying EBITDA margin of 23,1% (10.2%). High gross margins on the increased turnover as above, contributed to the strong growth in earnings.

Profit/loss after tax for the interim period was -4.0 MSEK (-11.2 MSEK). Profit/loss after tax for the quarter was -1.1 MSEK (-3.0 MSEK)



## Cashflow and financial position

Cashflow for the quarter was -0.1 MSEK (-1.9 MSEK). Cashflow for the interim period was 1.8 MSEK (0.5 MSEK). Equity ratio as of September 30 was 66 percent compared to 79 percent as of December 31 2014. Loans of 2.0 MSEK were taken out to boost liquidity during the period, please refer to section Related Party Transactions. Disposable cash and cash equivalents for the group, including not utilised credit facilities, were at period end 7.6 MSEK compared with 5.6 MSEK on 31 December 2014.

## Investments and Depreciation

Stillfront Group expenses investments made in new games at cost. During the quarter, 2.2 MSEK has been invested, primarily in Gladiator Online (1.6 MSEK). Investments in the interim period amounted to 6.1 MSEK (7.3 MSEK). These investments mainly relate to Call of War and Gladiator Online.

Planned depreciation of 1.9 MSEK (2.1 MSEK) was charged during the quarter. The corresponding figure for the interim period was 5.6 MSEK (6.2 MSEK). Depreciation primarily pertains to goodwill, but 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 41, 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, 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 no turnover for the January - September 2015 period, nor in the corresponding period in 2014. Profit/loss after tax amounted to -2.5 MSEK (-1.8 MSEK).

## **Related Party Transactions**

Stillfront has boosted its liquidity in the interim period with the aid of a loan from Acacia Finans of 2.0 MSEK. Terms and conditions for the loan are in line with the market. The loan falls due for payment on December 20, 2015. Further, there have been customary transactions with closely related parties such as remuneration to key individuals.

## **The Shares and Shareholders**

Following the consolidation of shares when seven old shares were consolidated into one new share (see Significant events after the end of the quarter), the number of shares amounts to 3,083,583, following the ongoing withdrawal of 304,494 non consolidated shares.

Specialist investors and key people together control more than 50 percent of the company. The largest active investors are Acacia Asset Management with 14,4 percent and IQ Capital Fund that held 10,9 percent of the shares in the company as per September 30, 2015.

## **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](http://www.stillfront.com).

## **Review**

This report has been reviewed by the company's auditors.

## **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

Year end report 2015:	February 25, 2016
Interim report, first quarter 2016:	May 18, 2016
Annual General Meeting 2016:	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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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.

Linköping, 16 November 2015

Per Skyttvall, Chairman of the Board

Max Bautin

Alexander Bricca

Fredrik Åhlberg

Jörgen Larsson, CEO.

## Key figures, Group

	2015	2014	2015	2014
	Jul-Sept	Jul-Sept	Jan-Sept	Jan-Sept
Net turnover, SEK '000	14,704	7,797	37,393	22,917
Underlying EBITDA, SEK '000	3,574	683	8,631	2,347
EBITDA, SEK '000	1,331	-917	2,569	-4,921
Profit before tax, SEK '000	-656	-3,023	-3,186	-11,171
Profit after tax, SEK '000	-1,125	-2,995	-4,037	-11,171
Underlying EBITDA margin, %	24.3%	8.8%	23.1%	10.2%
EBITDA margin, %	9.1%	-11.8%	6.9%	-21.5%
Equity ratio, %	66%	87%		
Shareholders' equity per share before dilution SEK	6.40	11.89		
Shareholders' equity per share after dilution SEK	6.23	11.58		
Earnings per share before dilution SEK	-0.36	-0.96	-1.31	-3.70
Earnings per share after dilution SEK	-0.36	-0.93	-1,27	-3.60

## 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 turnover.

### Underlying EBITDA margin

Underlying EBITDA as percentage of net turnover.

### Equity ratio

Shareholders' equity as a percentage of total capital.

### Shareholders' equity per share<sup>2</sup>

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

### Earnings per share<sup>3</sup>

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

<sup>2</sup> Shareholders' equity per share have been calculated after the 7:1 consolidation of shares and the ongoing withdrawal of shares.

<sup>3</sup> Earnings per share have been calculated after the 7:1 consolidation of shares and the ongoing withdrawal of shares.



## Consolidated income statement

SEK '000	2015 Jul-Sept	2014 Jul-Sept	2015 Jan-Sept	2014 Jan-Sept	Rolling 12 months
Net turnover	14,704	7,797	37,393	22,917	43,538
Other operating income	0	479	595	1,507	984
<b>Total operating income</b>	<b>14,704</b>	<b>8,276</b>	<b>37,988</b>	<b>24,424</b>	<b>44,522</b>
Other external costs	-8,909	-5,273	-21,762	-16,578	-27,318
Personnel costs	-4,109	-3,920	-13,657	-12,767	-17,882
Depreciation and write-downs	-1,883	-2,079	-5,565	-6,176	-14,370
Other operating costs	-355	0	0	0	0
<b>Total operating costs</b>	<b>-15 256</b>	<b>-11,272</b>	<b>-40,984</b>	<b>-35,521</b>	<b>-59,570</b>
Profit/loss securities	0	0	0	0	-600
Interest income	4	3	52	35	133
Interest costs	-108	-30	-242	-109	-267
	<b>-104</b>	<b>-27</b>	<b>-190</b>	<b>-74</b>	<b>-734</b>
Tax for the period	-469	28	-851	0	-851
<b>Profit/loss for the period</b>	<b>-1,125</b>	<b>-2,995</b>	<b>-4,037</b>	<b>-11,171</b>	<b>-16,633</b>
<i>Attributable to:</i>					
Parent company shareholders	-1,521	-2,772	-4,811	-10,687	-17,421
Minority interests	396	-223	774	-484	792

## Consolidated balance sheet in summary

SEK '000	20150930	20140930	20141231
Intangible non current assets	12,827	26,295	18,310
Tangible non current assets	267	222	225
Financial non current assets	5,309	5,909	5,309
Current receivables	5,652	2,130	2,519
Cash and bank	6,053	8,266	4,286
<b>Total assets</b>	<b>30,108</b>	<b>42,822</b>	<b>30,649</b>
Shareholders' equity	19,899	37,179	24,291
Appropriations	443	443	443
Non current liabilities	1,864	1,300	1,189
Current liabilities	7,902	3,900	4,726
<b>Total liabilities &amp; Shareholders' equity</b>	<b>30,108</b>	<b>42,822</b>	<b>30,649</b>
Pledged securities & contingent liabilities	3,300	3,300	3,300

## Shareholders' equity, group

SEK '000	Share Capital	Other Contributions	Other Equity incl Profit of Period	Parent Equity	Minority	Total Equity
<b>Opening balance 2015-01-01</b>	<b>2,189</b>	<b>131,532</b>	<b>-111,650</b>	<b>22,071</b>	<b>2,221</b>	<b>24,291</b>
Translation differences			-362	-362	7	-355
Profit/loss for the period incl. minority interests			-4,810	-4,810	773	-4,037
<b>Closing Balance 2015-09-30</b>	<b>2,189</b>	<b>131,532</b>	<b>-116,822</b>	<b>16,898</b>	<b>3,001</b>	<b>19,900</b>

## Cashflow in summary, group

SEK '000	2015 Jul-Sept	2014 Jul-Sept	2015 Jan-Sept	2014 Jan-Sept
<b>Cashflow from operating activities before changes in working capital</b>	<b>1,616</b>	<b>-1,194</b>	<b>1,027</b>	<b>-6,366</b>
<b>Changes in working capital</b>	<b>-1,555</b>	<b>-556</b>	<b>1,187</b>	<b>1,937</b>
<b>Cashflow from operating activities</b>	<b>61</b>	<b>-1,750</b>	<b>2,214</b>	<b>-4,429</b>
<b>Cashflow from investment activities</b>	<b>-94</b>	<b>-17</b>	<b>-114</b>	<b>-86</b>
<b>Cashflow from financing activities</b>	<b>-111</b>	<b>-111</b>	<b>-333</b>	<b>5,011</b>
<b>Cashflow for the period</b>	<b>-143</b>	<b>-1,879</b>	<b>1,767</b>	<b>495</b>
<b>Cash and cash equivalents at start of period</b>	<b>6,197</b>	<b>10,145</b>	<b>4,286</b>	<b>7,770</b>
<b>Cash and cash equivalents at end of period</b>	<b>6,053</b>	<b>8,265</b>	<b>6,053</b>	<b>8,265</b>

## Parent company income statement

SEK '000	2015 Jul-Sept	2014 Jul-Sept	2015 Jan-Sept	2014 Jan-Sept	Rolling 12 months
Operating income	0	0	0	0	0
Other external costs	-730	-564	-2,400	-1,714	-3,123
Personnel costs	0	0	0	0	0
Depreciation and write-downs	0	0	0	0	0
Other operating costs	0	0	0	0	0
<b>Operating profit/loss</b>	<b>-730</b>	<b>-564</b>	<b>-2,400</b>	<b>-1,714</b>	<b>-3,123</b>
Profit/loss securities	0	0	0	0	-600
Interest income	0	0	0	9	3
Interest costs	-94	-22	-132	-76	-156
	<b>-94</b>	<b>-22</b>	<b>-132</b>	<b>-67</b>	<b>-753</b>
Tax for the period	0	0	0	0	0
Profit/loss for the period	<b>-824</b>	<b>-586</b>	<b>-2,532</b>	<b>-1,781</b>	<b>-3,876</b>

## Parent company balance sheet in summary

SEK '000	20150930	20140930	20141231
Intangible non current assets	0	0	0
Tangible non current assets	0	0	0
Financial non current assets	81,521	77,267	78,358
Current receivables	326	89	85
Cash and bank	7	2,393	335
Total assets	81,854	79,749	78,778
Shareholders' equity	72,976	76,593	75,508
Appropriations	0	0	0
Non current liabilities	6,566	2,360	2,250
Current liabilities	2,312	796	1,020
Total liabilities & Shareholders equity	81,854	79,749	78,778
Pledged securities & contingent liabilities	3,300	3,300	3,300

## Cashflow in summary, parent company

SEK '000	2015 Jul-Sept	2014 Jul-Sept	2015 Jan-Sept	2014 Jan-Sept
<b>Cashflow from operating activities before changes in working capital</b>	<b>-824</b>	<b>-585</b>	<b>-2,532</b>	<b>-1,780</b>
<b>Changes in working capital</b>	<b>-1,974</b>	<b>-1,121</b>	<b>2,675</b>	<b>-3,179</b>
<b>Cashflow from operating activities</b>	<b>-2,798</b>	<b>-1,706</b>	<b>143</b>	<b>-4,959</b>
<b>Cashflow from investment activities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Cashflow from financing activities</b>	<b>-248</b>	<b>-111</b>	<b>-470</b>	<b>5,011</b>
<b>Cashflow for the period</b>	<b>-3,046</b>	<b>-1,818</b>	<b>-327</b>	<b>52</b>
<b>Cash and cash equivalents at start of period</b>	<b>3,054</b>	<b>4,212</b>	<b>335</b>	<b>2,341</b>
<b>Cash and cash equivalents at end of period</b>	<b>7</b>	<b>2,393</b>	<b>7</b>	<b>2,393</b>