



## **Stillfront Group AB (publ)**

Information Memorandum

Dated 21 December 2017

## Important information

This information memorandum (the **"Information Memorandum"**) has been produced by Stillfront Group AB (publ) with registration number 556721-3078. In this Information Memorandum, **"Stillfront"**, **"Company"** or **"Group"** refers to Stillfront Group AB (publ), or the group in which Stillfront is the parent, or a subsidiary within the group, depending on the context. This Information Memorandum has been produced as an information only document for the purpose of providing certain information in conjunction with a proposed acquisition of Altigi GmbH with registration number HRB 132391, Theodorstrs. 42-90 Hs. 9, 22761 Hamburg, Germany, operating under the name Goodgame Studios (**"Altigi"** or **"Goodgame Studios"** and the **"Acquisition"** or **"Transaction"** respectively), and present the group following a potential completion of the Acquisition. **"Subsidiaries"** means the subsidiaries of Stillfront as per the date of this Information Memorandum and **"Subsidiary"** refers to any of them. **"New Group"** refers to the group in which Stillfront is the parent following a potential completion of the Acquisition.

The distribution of this Information Memorandum in certain jurisdictions is restricted by law. No action has been taken by the Company or any other person to permit a public offering in any jurisdiction. Persons into whose possession this Information Memorandum may come are required to inform themselves about and to observe such restrictions. This Information Memorandum may not be used for, or in connection with, any offer to, or solicitation by, anyone in any jurisdiction or under any circumstances in which such offer or solicitation is not authorised or is unlawful. This Information Memorandum does not constitute an offer to sell or a solicitation of an offer to buy any shares in the Company.

This document is not a prospectus and it has not been approved or reviewed by any governmental authority or stock exchange in any jurisdiction.

The shares have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the **"Securities Act"**), or under any of the relevant securities laws of any state or other jurisdiction of the United States of America. The shares may not be offered or sold in the United States, except pursuant to an exemption from the Securities Act or in a transaction not subject to the registration requirements of the Securities Act.

In this Information Memorandum, the terms **"we"**, **"our"** and **"us"** all refer to Stillfront.

No representation or warranty, express or implied, is made by Carnegie Investment Bank AB as to the accuracy or completeness of any information contained in this Information Memorandum. In making an investment decision, investors must rely on their own assessment of Stillfront. No person is or has been authorised to give any information or make any representation under this Information Memorandum other than those contained in this Information Memorandum and, if given or made, such information or representation must not be relied upon as having been authorised by the Company who does not accept any liability with respect to any such information or representation.

The delivery of this Information Memorandum shall not, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date hereof or that the information contained herein is correct as of any time subsequent to its date.

It should be noted that certain statements herein which are not historical facts, including, without limitation, those regarding expectations for general economic development and the market situation, expectations for Stillfront's development and profitability and statements preceded by **"expects"**, **"estimates"**, **"forecasts"** or similar expressions, are forward-looking statements. These statements are based on current decisions and plans and currently known factors. They involve risks and uncertainties which may cause the actual results to materially differ from the results currently expected for Stillfront.

# Table of Contents

RISK FACTORS .....	2
BACKGROUND AND REASONS .....	11
MARKET OVERVIEW .....	13
DESCRIPTION OF THE STILLFRONT GROUP .....	21
DESCRIPTION OF GOODGAME STUDIOS.....	27
DESCRIPTION OF THE NEW GROUP.....	31
PRO FORMA FINANCIAL INFORMATION .....	33
BOARD OF DIRECTORS AND MANAGEMENT .....	40
CORPORATE GOVERNANCE AND LEGAL CONSIDERATIONS .....	48
DEFINITIONS.....	54
ADDRESSES .....	56

# Risk Factors

*The holding of financial instruments in the Company is associated with a number of risks, a circumstance which will not be affected by the Acquisition of Goodgame Studios. The Company deems the below described risks as the most significant risks relating to the Company, taking into consideration the Acquisition. However, the risks are not described in priority or in any other particular order. The risks described herein would, in Stillfront's view, be applicable to the New Group following a potential completion of the Acquisition. In the event that any of the following risks materialise, the Group's business, financial condition, and results of operations could be materially adversely affected. In such circumstances, the trading price of the shares could decline and the holders of financial instruments in the Company could lose part or all of their investment in the financial instruments. In addition, the risks described below are not the only risks to which the Group is subject. Stillfront may be unaware of certain risks or believe certain risks to be immaterial that later prove to be material. There can be no guarantees or assurances that the objectives of the Company can be reached and that financial instruments in the Company in turn will generate a positive return for the holder of the financial instruments.*

*Additional risk factors that are not currently known or not currently considered to be material may also materially adversely affect the Group's business, financial condition, and results of operations.*

## **Risks related to the Group and its business**

### **The continued success and growth of the Group's business is reliant on its ability to continue to develop new games and enhance its existing range of games**

The Group's ability to increase revenues and profitability is reliant on its ability to regularly develop new games and enhance existing games in ways that improve the gaming experience for both paying and non-paying players while encouraging the purchase of virtual items within games. If the Group's current game development model ceases to be effective in creating or acquiring games that appeal to new as well as existing players and developing existing games to continue to retain the interest of its existing range of games, its customer base will cease to grow at the current rates which are central to the Group's business model. Furthermore, regular failure to successfully adapt games that are popular with the Group's most frequent users to mobile and social platforms will significantly reduce the potential of existing titles, and in order to overcome this obstacle within the existing game development model will result in increased current development costs with the effect that operating results may be materially adversely affected. There can be no assurance that the Group will continue to be able to adapt a sufficient number of games, if any, on existing platforms or to be played on new media platforms successfully to generate the significant purchases of virtual items that the Group's current strategy and financial growth rely on.

The Group's ability to successfully develop new games and enhance existing games and their ability to achieve commercial success is subject to a number of challenges, including: the need to continually anticipate and respond to changes in the games industry, particularly in the mobile and social platforms; the ability to compete successfully against a large and growing number of industry participants; the ability to develop and launch new game IP and games on time and on budget; the ability to develop new game formats that drive engagement and monetization; the ability to adapt to changing player preferences; the ability to enhance existing games by adding features and functionality that will encourage continued engagement with the game; the ability to hire and retain skilled personnel as the Group seeks to expand its development capabilities; the ability to achieve a positive return on advertising investments and to continue to experience success with organic viral growth; and the need to minimise and quickly resolve bugs or outages.

If the Group is unable to develop new and enhance existing games that generate meaningful revenue, its financial condition and results and accordingly its ability to service its payment obligations could be materially adversely affected.

### **The Group has a relatively short history and has as of yet not on a continuous basis made substantial revenues**

The Group was founded in 2010 through the merger of a number of smaller gaming companies. Currently, the Group operates through eight near-autonomous subsidiaries: Bytro Labs in Germany, Coldwood Interactive in

Sweden, Power Challenge in the UK and Sweden, DOG Productions Limited in Malta, Babil Games in UAE and Jordan, Simutronics in the U.S., eRepublik in Ireland and Romania and OFM Studios in Germany. The Group taken as a whole has a relatively short history. The Group's third party relationships with customers have been established relatively recently, making it difficult to evaluate the longevity and strength of those relationships, and their potential impact on the Group's future prospects. Although the Group has performed strongly financially in 2015 and 2016 with organic sales growth and increased EBITDA-margin, the Group has not yet on a continuous basis been able to show substantial revenues. There is a risk that the Group's strategy and business model will not be successful in achieving the anticipated revenues in future resulting in a need for further capitalisation and thereto related consequences and risks for the financial condition and results of the Group.

#### **A limited number of games currently generate a majority of the Group's revenue**

The Group has a wide array of games in its portfolio. However, the Group relies on a relatively small number of games to generate the majority of the Group's revenues. If the gross bookings of the Group's top games are lower than anticipated and the Group is unable to broaden its portfolio of games or increase gross bookings from those games, the Group will not be able to maintain or grow its revenue and its financial condition and results could be materially adversely affected.

#### **Negative perceptions and publicity surrounding the gaming industry and lack of trust and adoption of online payment systems and other transactions systems could adversely affect the Group's business, financial condition and results of operations**

The online gaming industry is exposed to publicity relating to gaming behaviour, gaming by minors and risks related to online gaming. Adverse or negative perceptions and other concerns regarding the gaming industry, even if not directly connected to the Company's or Goodgame Studios' business, could have a material and adverse effect on the Group. For example, if a perception develops that the online gaming market is failing to address public concerns, the resulting political pressure and public sentiment may result in increased regulation of the online gaming market, and such regulation could have a material adverse effect on the Group's business, financial condition and results of operations. Part of the Group's business relies on the trust and adoption of online payment and other transaction systems by its customers' end users. Historically, end users have been reluctant to adopt internet payment methods as a secure and trusted means of transferring fund, and although end users have become more willing to make online payments and other transfers over the internet, public opinion may turn against such systems and end users may cease to adopt online payments and other transfers as a trusted, reliable and secure type of transaction. To the extent that there is slower acceptance by potential end users, the Group's growth strategy and expectations could be adversely impacted, which could have a material adverse effect on the Group's business, financial condition and results of operations.

#### **If the Group fails to properly manage growth, its business may be adversely affected**

The Company has been growing rapidly which increases the demand for management and operational control, information and reporting systems as well as financial control. To achieve the Company's revenue and growth goals, the Company must successfully manage business opportunities, revenue streams, product and service quality and operations, and increase capacity and infrastructure as required by customer demand across the jurisdictions in which the Company operates. This also requires that the Group is successful in finding qualified personnel. The Company may explore new and diversified revenue generating strategies, and the increasing business complexity of operations may place additional requirements on the Company's systems, controls, procedures and management, which may strain the Company's ability to successfully manage future growth. The Company may fail to successfully implement revenue or cost strategies. These problems could result in delays in fulfilling customer demands and increased expenses for the Company. Any such delay or increased expenses could have a material adverse effect on the Group's business, financial condition and results of operations. Future growth will also impose significant added responsibilities on management, including the need to identify, recruit, train and integrate additional employees. The Company may fail to successfully manage such developments and growth in the future. If the Company is unable to effectively manage its growth, or is unsuccessful in adapting to changes and increased requirements resulting from expansion, there could be an adverse effect on the Group's growth, which could have a material adverse effect on the Group's business, financial condition and results of operations.

**The Group's business may be adversely affected by competition from other online gaming developers and console developers**

The Group operates in a highly competitive industry. Competition may very well intensify as new online game developers, publishers and operators enter into the business or current competitors expand their offerings. Online gaming products and services are also sensitive to consumer trends and the improvement and expansion of product offerings by the Group's competitors may attract customers away from the Group's products and reduce the Group's market share. Failure to compete effectively may result in a loss of customers and an inability to attract new customers.

Increased competition can also lead to lower margins and pressure from customers in respect of the fees charged by the Group. In addition, certain competitors may offer a more attractive range of online games or ancillary products and services than the Group does, which can lead to pressure from customers to develop or offer similar products and services, and may result in the loss of such customers or increased development costs associated with developing a specific type of product or service. A failure to deal with the emergence of such increased competition quickly and effectively could have a material adverse effect on the Group's business, financial condition and results of operations.

Increased marketing costs could have a material adverse effect on the Group's business, financial condition and result of operations.

**The Group must be innovative and adapt to technological advances and consumer preferences and demands**

The Group's success is dependent on its ability to successfully innovate, develop and release new games. In addition, the online gaming industry is driven by the preferences and demands of end users, and gaming developers, publishers and operators must continuously offer new products and services in order to attract and retain a broad range of end users. In an industry characterised by the rapid emergence and development of new products, services, technologies and end user practices, it is imperative that the Group updates its existing products, services and proprietary technology. Widespread adoption of new internet technology and higher standards could require the Group to commit significant funding to replace, upgrade, modify or adapt its existing supply, which could negatively impact the Group's business, financial condition and results of operations.

**The Group is dependent on certain key individuals and employees and the loss of such persons, or difficulties in attracting new employees, may negatively impact the Group's business and ability to implement current and future strategies**

The Group's business is dependent on certain key individuals, senior executives and persons with specialist competence, some of whom are the founders of Group companies. These key persons have established good relationships with market participants and have a good understanding of the environment in which the Group operates. Accordingly, these key persons are central to the successful development of the Group's business. If any of these key persons terminate their relationships with the Group, or materially change or reduce their roles within the Group, the Group may not be able to replace them or their services on a timely basis with other professionals capable of making comparable contributions to the Group's business. In order to retain key individuals and employees the Group may encounter increased costs for remuneration to these individuals in terms of bonuses and other incentives. Furthermore, the Group's ability to compete effectively in the markets in which it operates depends upon its ability to retain and motivate its existing workforce. The failure by the Group to retain key personnel or to attract new talent, or a significant increase in the cost of doing so may have a material adverse effect on the Group's business, financial condition and results of operations.

**The Group has made and may make acquisitions that prove unsuccessful or strain or divert the Group's resources**

The Group has grown by means of making acquisitions of small online game developing companies which entails lingering risks in terms of legal, marketing and financial risks associated with the target companies as well as the risk of failing to properly integrate the acquired companies into the Group. Such risks are also associated with the contemplated Acquisition of Goodgame Studios, which is a substantially larger transaction than previous acquisitions. Such transactions may also make the Group's historical financial data difficult to compare from year to year. Furthermore, these circumstances may also make it difficult to evaluate the Group's future prospects and financial results. Historically the Group has issued warrants or contractually

undertaken to issue warrants as consideration to the sellers of certain of the companies it has acquired on terms that to a certain extent are ambiguous as to the consequences of the dilution of existing shareholdings. The exercise of such warrants may result in shareholders being diluted to a larger extent than predicted. The Company's acquisition strategy that inter alia involves acquiring target companies and deferring the payment of part of the purchase prices based on future performance of the target companies may result in larger dilution of the shareholding in the Company than predicted at the time of the acquisition. Furthermore, the true future value of a target company, including Goodgame Studios, may prove to be difficult to correctly evaluate at the time of an acquisition. The Group intends to continue to grow its business by continuing to make acquisitions to support future growth and profitability. Successful growth through acquisitions is dependent upon the Group's ability to identify suitable acquisition targets, conduct appropriate due diligence, negotiate transactions on favourable terms, and complete such acquisitions and integrate the target companies or businesses into the Group. In the future, the Group may not be able to generate expected margins or cash flows, or realise the anticipated benefits of acquisitions, including growth or expected synergies. The Group's assessment of and assumptions regarding acquisition targets, including the contemplated Acquisition of Goodgame Studios, may prove to be incorrect, and actual development may differ significantly from expectations. The Group may not be able to integrate acquisitions successfully and such integration may require more investment than anticipated, and the Group could incur or assume unknown or unanticipated liabilities or contingencies with respect to customers, employees or other parties. The process of integrating acquired targets may also be disruptive to the Group's operations, as a result of, among other things, conflicting interests with minority shareholders of non-wholly owned subsidiaries, unforeseen legal issues, and difficulties in realising operating synergies or a failure to maintain the quality of services that have historically been provided thereby affecting its reputation, all of which could cause the Group's results of operations to decline. Furthermore, future acquisitions may divert management's attention from day to day business and may result in the incurrence of additional debt. Should any of the above occur in connection with an acquisition, including the contemplated Acquisition of Goodgame Studios, there could be a material adverse effect on the Group's business, financial condition and results of operations.

**The Company's contemplated Acquisition of Goodgame Studios is associated with a number of material risks.**

The Company has on 6 December 2017 entered into the Acquisition Agreement. In connection with the Acquisition, the Company has conducted various due diligence investigations in order to identify and investigate the risks that the business of Goodgame Studios is exposed to. There is, however, a risk that these due diligence investigations have not been sufficient or that there are gaps or deficiencies therein. Consequently, there is a risk that the assumptions that the Company has made regarding Goodgame Studios are inaccurate and, in such case, inter alia the calculated return on investment could be affected negatively. Such gaps or deficiencies could also lead to the Company having to make investments in the business of Goodgame Studios. The Company has in the Acquisition Agreement received certain representations and warranties regarding Goodgame Studios and its business. This warranty protection is, however, not all-encompassing and risks associated with Goodgame Studios or its business may not be encompassed by warranties. If such risks materialise, the Company would not have a right to claim compensation. Further, certain Sellers provide more limited warranties than others, and the warranties are limited in time, subject to certain amount restrictions and other qualifications. Consequently, there is a risk that the Company is not compensated or only partly compensated for a loss, even where the deficiency that has resulted in the loss is encompassed by a warranty. If any of the above risks should materialise there could be a material adverse effect on the Group's business, financial condition and results of operation.

**The Group may be unable to protect its intellectual property rights and could be at risk of infringing third party intellectual property rights**

The Group's ability to grow its business successfully depends, amongst other things, on its ability to protect, register and enforce its intellectual property rights.

In the early stages of the life cycle of the Group's games, the Group mainly relies on trademark protection through trademark registration. With regard to trademark registration, some of the Group's brands and logotypes are not registered trademarks and/or pending trademark registration and there is no guarantee that the Group will be able to complete such registrations in respect of such brands and logotypes and/or any future brands or logotypes.

The Berne Convention for the Protection of Literary and Artistic Works, which extends copyright protection to a majority of the Company's intellectual property, only extends its protection to the original literal expression of the Group's source code and not the concepts or ideas expressed by it. Further, the Group's intellectual property does not constitute patentable subject matter and is, as a result thereof, not patentable. Hence, other than protection through trademark registration and domain name registration, the Group's intellectual property enjoys limited intellectual property right protection.

The Group also faces the risk that the use and exploitation of its intellectual property rights, including, in particular, rights relating to its software, may infringe the intellectual property rights of a third party. The costs incurred in bringing or defending any infringement actions may be substantial, regardless of the merits of the claim, and an unsuccessful outcome for the Group may result in royalties or damages being payable and/or the Group being required to cease using any infringing intellectual property or embodiments of any such intellectual property. Should the Group not be able to effectively protect its intellectual property rights, or should an infringement claim be brought against the Group, it could have a material adverse effect on the Group's business, financial condition and results of operations. The Group is also dependent on know-how and trade secrets, and the Group strives to protect such information by, for example, maintaining confidentiality agreements with employees, consultants and partners. However it is not possible to ensure total protection against unauthorised distribution of information and competitors and others may gain access to such information, which may lead to the value of such information diminishing or competitors gaining an advantage, which in turn could have a material adverse effect on the Group's business, financial condition and results of operations.

**The Group uses open source software in its games that may subject the Group's software code to general release or require the Group to re-engineer such code, which may cause harm to the business.**

The Group uses open source software in its game development. Some open source software licences require developers who distribute open source software as part of their software to publicly disclose all or part of the source code to such software or make available any derivative works of the open source code on unfavourable terms or at no cost. The terms of various open source licences have not been interpreted by courts, and there is a risk that such licences could be construed in a manner that imposes unanticipated conditions or restrictions on the Group's ability to market the games. While the Group monitors its use of open source software and tries to ensure that none is used in a manner that would require the Group to disclose its source code or that would otherwise breach the terms of an open source agreement, such use could inadvertently occur and the Group may be required to release its proprietary source code, pay damages for breach of contract, re-engineer its games, discontinue distribution in the event reengineering cannot be accomplished on a timely basis or take other remedial action that may divert resources away from the Group's game development efforts, any of which could harm the Group's reputation, result in player losses, increase the costs or otherwise adversely affect the business and operating results.

**The Group and its customers are vulnerable to hacking, viruses, malicious acts and other cybercrime**

Online gaming business is subject to the risk of being adversely affected by activities such as system intrusions, virus spreading and other forms of cybercrime. Such activities can disrupt internet sites, cause system failures, business disruptions and may damage the computer equipment of the Group, its customers or end users. The impact of any such activities, or the Company's inability to successfully protect the Group from such attacks, could have a material adverse effect on the Group's business, financial condition and results of operations.

**The Group is subject to laws and regulations in several different jurisdictions and changes to, or failure to comply with, applicable laws and regulations may negatively affect the Group's business**

While neither the Group's nor Goodgame Studios' business currently requires any specific licenses and certifications, other than the trade license in respect of the Group's business operations in the United Arab Emirates, gaming laws are constantly reviewed and changed by the regulators in the applicable countries. It cannot be ruled out that the Group or Goodgame Studios may become further subject to such laws, directly or indirectly, or that the Group's UAE trade license is withdrawn, which could have a material adverse effect on the Group's business, financial condition and results of operations.

It cannot be ruled out that some of the consumers playing the games offered by the Group are minors which entail certain risks, including negative publicity or litigation which could adversely impact the Group's reputation.

The Group is *inter alia* subject to data protection and privacy laws. Compliance with all such laws and regulations is complex and expensive. The Group's non-compliance or deemed non-compliance with any of these other laws and regulatory requirements could result in serious financial and other penalties for the Group. Any failure by the Group to comply with these other laws and regulatory requirements could have a material adverse effect on the Group's reputation, business, financial condition and results of operations.

The Group is further subject to requirements of cultural vetting of games which it distributes in certain jurisdictions. The Group's non-compliance or deemed non-compliance with any of these vetting laws could have a material adverse effect on the Group's reputation, business, financial condition and results of operations.

### **Political and legal risks**

The Group currently owns businesses, and may in future acquire further businesses, in certain jurisdictions which may be subject to political and legal risks. Accordingly, the operations and earnings of the Group throughout the world may be affected from time to time in varying degree by political and legal factors including: (1) political instability or lack of well-established and reliable legal systems in areas where the Group operates or may operate in the future; (2) other political developments and laws and regulations, such as unilateral cancellation or modification of contract terms, and regulation of certain markets; (3) restrictions on imports and exports; (4) price controls; (5) tax or royalty increases, including retroactive claims; (6) war or other international conflicts; and (7) civil unrest. The Group's failure to manage these risks successfully could harm its international operations, reduce its sales and/or increase its costs, and consequently have a materially adverse effect on the Groups financial condition and results as well as its ability to meet its payment obligations.

### **The Group's business is dependent on the security, integrity and operational performance of the systems, products and services that it offers**

The Group's ability to provide its software depends upon the integrity, reliability and operational performance of its systems. The functioning of the IT systems within the Group's businesses, or that of its suppliers, contractors or partners, could be disrupted for reasons beyond its control, including accidental damage, disruptions to the supply of utilities or services, extreme weather events, safety issues, system failures, workforce actions or environmental contaminations. Furthermore, there may be technological challenges in rolling out new products and services. Any such disruption or event may lead to customer claims against the Group or otherwise negatively impact the Group's ability to sell products and services to its customers, and as a result could have a material adverse effect on the Group's business, financial condition and results of operations.

### **The Group's failure to successfully maintain and enhance its brands could have a material and adverse effect on the Group's business, financial condition and results of operations**

The Group's success is dependent in part on the strength of the brands of the products offered. The Group believes that it is well on its way to establish trusted and recognised brands and a reputation in the online gaming market, and that the Group's brands represent competitive advantages in the development of new and existing customer relationships. The future success of the Group will depend on the Group's ability to maintain and enhance the strength of the brands. If the Group is unable to maintain or enhance the strength of the Group's brands, then the Group's ability to retain or expand its customer base may be impaired, and it could have a material adverse effect on the Group's business, financial condition and results of operations.

### **Disputes and the risk of litigation**

The Group is exposed to the risk of litigation, disputes and claims resulting from the agreements entered into as well as its business operations in general. Except as set forth in these risk factors, neither Stillfront nor, to Stillfront's knowledge, Goodgame Studios, is currently aware of any disputes with its customers, suppliers or any other parties that are actual, pending or threatened. Stillfront's view is that it has fulfilled its obligations but there can be no assurance that counterparties do not have another view. There are currently two lawsuits against Goodgame Studios relating to employment law matters, one brought by a former employee for loss of employment and the other concerning alleged discrimination brought by a person who has never been employed or engaged as a contractor by Goodgame Studios. Neither of these lawsuits is, to Stillfront's knowledge, considered by Goodgame Studios to be of material importance. The Group has recently acquired

businesses, and may in the future acquire further businesses, in certain jurisdictions which have a tradition of litigious behaviour, which may increase the risk of litigation, disputes and claims. In the future, the Group may become involved in commercial disputes as well as legal and arbitration disputes, with public authorities or private parties, which involve substantial claims for damages or other sanctions. Such disputes could be time consuming and, in the event of a negative outcome of any material proceeding, whether based on a judgment or a settled agreement, the Group could be obligated to make substantial payments or accept other sanctions. In addition, the costs related to litigation and arbitration proceedings may be significant. Any of these events could have a material adverse effect on the Group's business, financial condition and results of operations.

**Changes to taxation or the interpretation or application of tax laws could have an adverse effect on the Group's business, financial condition and results of operations**

The Group primarily operates its business through subsidiaries that are active in the geographic markets in which it operates and have customers on a global scale. The business, including intra-group transactions, is conducted in accordance with the Group's interpretation of applicable laws, tax treaties and other regulations concerning taxes and the practice of tax authorities in the relevant countries. The Company has obtained advice from independent tax advisors to a certain extent in this respect, but there is a risk that tax authorities in relevant countries may issue decisions that deviate from the Group's interpretation and advice from independent tax advisors. In addition, the Group's interpretation of applicable laws, tax treaties, regulations and administrative practice may be incorrect and such rules may change, possibly with retroactive effect. Regulatory or legislative changes, or decisions by tax authorities, may impair the present, future or previous tax position of the Group, which could have a material adverse effect on the Group's business, financial condition and results of operations.

**Currency fluctuation risks**

Currency fluctuations may impact the Group's financial performance. The costs of the Group are mainly in SEK, EUR, USD, JOD and RON, while revenues from the Group's customer agreements are partially in different local currencies, including EUR and USD. The exchange rates between the local currencies and SEK have fluctuated significantly and may in the future fluctuate significantly. While foreign exchange risk and exposure to currency fluctuations have not historically had a material impact on the Group's business, financial condition or results of operations, the Group normally does not hedge its exposure to currency fluctuations, and as a consequence fluctuations in exchange rates and currencies could have a significant effect on the cash flows of the Group, which could impact the Group's financial results in ways unrelated to its operations and/or have a material adverse effect on the Group's business, financial condition and results of operations.

**Any financial objectives included in this Information Memorandum may differ materially from the Group's actual results and shareholders should not place undue reliance on them**

Any objectives set forth in this Information Memorandum are the Group's expectations for the medium to long term. Any such objectives included in this Information Memorandum are based upon a number of assumptions, which are inherently subject to significant business, operational, economic and other risks, many of which are outside of the Group's control. Accordingly, such assumptions may change or may not materialise at all. In addition, unanticipated events may adversely affect the actual results that the Group achieves in future periods whether or not its assumptions otherwise prove to be correct. As a result, the Group's actual results may vary materially from these objectives and shareholders should not place undue reliance on them.

**Risks related to the shares**

**Nasdaq First North is not a regulated market, may be subject to disruptions and carries a higher degree of risk than an investment in a company listed on a regulated market**

The existing shares in Stillfront are traded on, and the Consideration Shares that may be issued in connection with the Acquisition are planned to be traded on, Nasdaq First North Premier. Nasdaq First North Premier is an MTF which is an alternative marketplace, operated by Nasdaq Stockholm. Companies whose shares are traded on Nasdaq First North Premier are covered by a less extensive regulatory framework than companies that are traded on main market of Nasdaq Stockholm. Nasdaq First North Premier is not a regulated market and is not obligated to implement rules or procedures that comply with existing EU-directives and requirements, including directives and requirements regarding listings, disclosure and offerings. Shareholders may suffer

actual or perceived prejudice to the extent the Company takes advantage of the increased flexibility that is allowed through a listing on Nasdaq First North Premier. It is possible that the market for the shares will be subject to disruptions, and any such disruption may have a negative effect on the Company's shareholders, regardless of the Group's prospects and financial performance. An investment in the Company's shares therefore carries a higher degree of risk than an investment in a company listed on a regulated market, such as the main market of Nasdaq Stockholm. Although the existing shares are and the Consideration Shares are planned to be listed on Nasdaq First North Premier, it is possible that the shares will not remain listed or that future success and liquidity in the market will not be achieved. Although no assurances can be made as to the liquidity of the shares as a result of admission to trading on Nasdaq First North Premier, delisting of the shares from Nasdaq First North Premier may have a material effect on a shareholder's ability to resell the shares in the secondary market.

**There may not be an active and liquid market for the shares and the price of the shares may be volatile**

The Company's shareholders should be aware that an investment in the Company's shares is associated with a high degree of risk, and that the price of the shares may not develop favourably. An active or liquid trading market in the Company's shares may not develop or be sustained. If such market fails to develop or be sustained, it could have a negative impact on the liquidity and price of the shares, and could increase the price volatility of the shares. The Company's shareholders may not be in a position to sell their shares quickly or at the market price if there is no active trading in the Company's shares. The share prices of publicly-traded companies can be highly volatile and the price of the shares can fluctuate substantially due to various factors, some of which could be specific to the Group and its operations, and some of which could be related to the industry in which the Group operates or equity markets generally. As a result of these and other factors, the shares may trade at prices significantly below the price at which a shareholder in the Company acquired the shares. The market price of the shares may decline, and the shares may trade at prices significantly below the price at which a shareholder in the Company acquired the shares, regardless of the Group's actual operating performance, and there can be no assurances as to the liquidity of any market of the shares, a shareholder's ability to sell their shares or the prices at which shareholders would be able to sell their shares.

**Certain shareholders may exercise considerable influence over the Company and its operations, and the interests of these shareholders may conflict with those of other shareholders**

Upon completion of the Acquisition and the Placing, the five largest shareholders will control more than 30 percent of the shares and the votes (approximately 54.33 percent) in the Company. Accordingly, these shareholders will gain a considerable interest in the Company and will consequently have the power to control the outcome of many matters to be decided by vote at a shareholders' meeting. Such matters include the issuance of additional shares or other equity related securities, which may dilute holders of the Company's shares, and the payment of any future dividends. These shareholders may also be able to exercise control over the Company's board of directors through their representation on the board of directors, thus influencing its direction of the Group's operations and other affairs. Furthermore, some of the individuals who hold, or will after the Acquisition of Goodgame Studios hold, management positions within the Group are affiliated with or otherwise dependent in relation to these shareholders, who thereby will be able to direct the day to day operations and strategy of the Company or Goodgame Studios, as the case may be. The interests of these shareholders may differ significantly from or compete with the Company's interests or those of other shareholders and it is possible that these shareholders may exercise influence over the Company in a manner that is not in the best interests of all shareholders. For example, there could also be a conflict between the interests of these shareholders on the one hand, and the interests of the Company or its other shareholders on the other hand, with respect to dividend resolution or other fundamental corporate matters. The concentration of share ownership could delay, postpone or prevent a change of control in the Company, and impact mergers, consolidations, acquisitions or other forms of combinations, as well as distributions of profit, which may or may not be desired by other shareholders in the Company. Such conflicts could have a material adverse effect on the Group's business, financial condition and results of operations.

**Future offerings of debt or equity securities by the Company may adversely affect the market price of the shares and lead to substantial dilution of existing shareholders**

In the future, the Company may seek to raise capital through offerings of debt securities (potentially including convertible debt securities) or additional equity securities. An issuance of additional equity securities or securities with rights to convert into equity could reduce the market price of the shares and would dilute the

economic and voting rights of existing shareholders if made without granting subscription rights to existing shareholders. Because the timing and nature of any future offering will depend on market conditions at the time of such an offering, the Company cannot predict or estimate the amount, timing or nature of any future offering. Thus, holders of the shares bear the risk of any future offerings reducing the market price of the shares and/or diluting their shareholdings in the Company.

#### **Future sales of shares after the Acquisition may affect the market price of the shares**

In connection with the Acquisition, certain potential shareholders have agreed to a lock-up arrangement with Carnegie and the Company. A lockup arrangement is an undertaking, with certain exceptions, not to sell shares for a certain period. The lock-up period will be 360 days following settlement of the Consideration Shares, with the exception for 4,386,464 Consideration Shares, distributed pro rata among the Sellers, which will be subject to a 180 day lock-up provision. Although the lock-up arrangements restrict the ability of certain potential shareholders to sell the shares during a specified time period, subject to certain termination events with respect to the restrictions, Carnegie and the Company may, in their sole discretion and at any time, waive the restrictions on sales of the shares during this time period. When these lock-up arrangements expire, or if they are waived or terminated by Carnegie and the Company, the shares that are subject to the lock-up arrangements will be available for sale in the public market or otherwise. Sales of substantial amounts of shares following the Acquisition, regardless of whether such sales are done by the sale of shares in the market or by way of a subsequent issuance of shares, or the perception that any such sales could occur, could adversely affect the market price of the shares and may make it more difficult for holders to sell their shares at a time and price that they deem appropriate.

#### **The Company's ability to pay dividends in the future may be constrained and depends on several factors**

If declared by a shareholders' meeting, holders of shares in the Company will be entitled to receive future dividends. Swedish law limits the ability of the Board of Directors and the Company to propose and declare dividends to certain funds legally available for that purpose. In addition, the Company's operations are conducted almost entirely through the Subsidiaries and the Company's ability to generate cash to meet its obligations or to make future dividends, if any, is highly dependent on the earnings and the receipt of funds from Subsidiaries via dividends or intercompany loans. As the amount of future dividend payments the Company may make, if any, will depend upon future earnings, financial condition, cash flows, working capital requirements, the receipt of funds from Subsidiaries and, following a potential completion of the Acquisition, Goodgame Studios, as well as other factors, it cannot be predicted whether a dividend will be proposed or declared in any given year.

#### **Certain non-Swedish shareholders may be unable to exercise their preferential rights**

Under Swedish law, holders of shares will have certain preferential rights in respect of certain issues of shares, unless those rights are disapplied by a resolution of the shareholders at a general meeting or the shares are issued on the basis of an authorisation to the Board of Directors under which it may disapply the preferential rights. Securities laws of certain jurisdictions may restrict the Company's ability to allow participation by shareholders in such jurisdictions in any future issue of the shares carried out on a preferential basis in a rights offer. Shareholders in the United States as well as certain other countries may not be able to exercise their preferential rights to participate in a rights offer or a buy-back offer, as the case may be, including in connection with an offering below market value, unless the Company' decides to comply with local requirements, and in the case of the United States, unless a registration statement under the Securities Act is effective with respect to such rights or an exemption from registration requirements is available. In such cases, shareholders resident in such non-Swedish jurisdictions may experience a dilution of their holding of shares, possibly without such dilution being offset by any compensation received in exchange for subscription rights. It is not possible to predict whether local requirements will be complied with or that any registration statement would be filed in the United States so as to enable the exercise of such holders' preferential rights or participation in any rights offer or buy-back offer.

## Background and Reasons

Stillfront is a group of leading creators, publishers and distributors of digital games, aiming to become a leading indie game developer and publisher. Stillfront is active within three gaming segments; the PC/console segment, the mobile games segment, and the browser games segment, with focus on free to play strategy games on mobile and browser. The Company owns semi-autonomous game studios with global reach on multiple platforms and with operations in Sweden, Germany, Malta, the U.S., UAE, Jordan and Romania. Stillfront currently has 15 core games in its portfolio, with large titles such as Call of War, Siege: TITAN WARS and World at War. For the first nine months of 2017, Stillfront recorded net revenues of SEK 112.7 million and an EBIT margin of 17.1 per cent.

A core element within Stillfront's business model is to actively identify, evaluate and acquire interesting gaming companies active in the mobile and browser strategy genre. The Company has during the last four years evaluated more than 1,000 targets and closed only eight acquisitions that have fulfilled the Company's criteria. The acquisition of eRepublik Labs in June 2017 is one recent addition to the Stillfront Group.

On 6 December 2017, Stillfront signed an agreement with the owners of Goodgame Studios ("**Acquisition Agreement**" and "**Sellers**" respectively) to acquire all of the shares in Altigi GmbH for a total consideration of EUR 270 million on a cash and debt free basis to be paid partly in cash and partly in new issued shares in Stillfront ("**Consideration Shares**"). The Consideration Shares will represent 72.4 per cent of the total number of outstanding shares and votes in Stillfront post-Transaction. As part of the Transaction, 8,360,154 of the Consideration Shares will be acquired by a number of investors having committed to acquire shares from the owners of Altigi subsequent to, and conditional upon, completion of the Transaction ("**Placing**"). Settlement of the Placing will occur as soon as possible after the extraordinary general meeting to be held in Stillfront on 9 January 2018 ("**EGM**").

Goodgame Studios is a leading German game development company, producing strategy games both within the browser games segment and the mobile games segment. Goodgame Studios has four products on two major game IPs; Goodgame Empire and Big Farm, both available on both browser and mobile. For the first nine months of 2017, Goodgame Studios recorded net revenues of EUR 71.1 million and an EBIT margin of 31.4 per cent.

To finance the main part of the Acquisition, Stillfront's board of directors has resolved to summon the EGM to be held on 9 January 2018 to resolve on an issue of 16,868,623 Consideration Shares, and resolved to conduct a tap issue of SEK 390 million under its outstanding corporate bond loan. The Transaction is conditional upon, inter alia, approval by the EGM.

The acquisition of Goodgame Studios will significantly strengthen Stillfront's market position and game portfolio. The two companies are active within the same game genre, focusing mainly on free-to-play strategy games. The combination of Stillfront's broad portfolio with Goodgame Studios' two blockbuster IPs makes the portfolios great complements. Furthermore, the strategy genre typically sees a sticky customer base and long game life cycles, enabling steady revenue streams with additional upside from new game launches. The combined group will be well-positioned to optimise and further develop its well-diversified portfolio, consisting of the established blockbuster IPs Empire and Big Farm together with Stillfront's many smaller, highly profitable IPs.

Stillfront expects the acquisition of Goodgame Studios to result in a number of potential synergies and increased growth opportunities directly upon completion of the Transaction, which is expected to take place following the EGM. The companies have identified synergies within performance-based marketing, monetisation, shared use of technology as well as cost reductions. Achieving these synergies will result in an enhanced profitability within the combined group. No revenue synergies or cost reductions have been taken into consideration in the pro forma figures presented in this Information Memorandum.

*In other respects, reference is made to the full particulars of the Information Memorandum, which has been prepared by the board of directors of Stillfront for information purposes only in connection with the proposed Acquisition.*

*The Board of Directors of Stillfront has taken all reasonable precautionary measures to ensure that the information contained in this Information Memorandum, as far as the board of directors is aware, corresponds to the facts and that nothing has been omitted that would affect its import. However, the information contained herein is to a large extent dependent on information pertaining to Goodgame Studios and the board of directors of Stillfront has relied on such information being true and correct.*

*Stockholm, 21 December 2017*

*Stillfront Group AB (publ)*

*Board of Directors*

# Market overview

*The information about market growth, trends, size, and Stillfront's market position compared to its competitors as specified in this Information Memorandum, is Stillfront's overall assessment based on both internal and external sources. The sources on which Stillfront has based its assessment comprise, among many other things, information derived from industry associations such as The Entertainment Software Association (ESA) and independent research institutes such as Newzoo and Superdata. Readers should note that macroeconomic forecasts and sentiments change. Stillfront has strived to use the latest available information from relevant sources. Certain information has been obtained from various external sources and such information has been accurately reproduced in this Information Memorandum. Although Stillfront regards these sources as reliable, no independent verification has been carried out and thus, it cannot be guaranteed that this information is accurate or complete. Certain statistics in this Information Memorandum have been compiled by Stillfront, in some cases on the basis of various assumptions. In view of this, the reader's attention is drawn in particular to the fact that market statistics presented in this Information Memorandum are uncertain and that no guarantee can be given regarding the accuracy of these. However, as far as Stillfront is aware and can confirm by comparing this with other information published by the third parties from which the information has been obtained, no material information has been omitted in such a way that would render the reproduced information erroneous or misleading.*

## Overview

Despite its relatively young age, the global games industry is one of the largest entertainment industries today. Following the high degree of technology inherent in games, there is no shortage of innovation in the industry. With the rapid introduction of new technology, all parts of the industry value chain develop new ways to meet, and to a certain level create, consumer demand.

## Market size and growth

The global games market is large and growing at a rapid pace. Newzoo estimates the global games market at USD 109bn in 2017, up 7.8 per cent from an estimated USD 101bn in 2016. The Asia Pacific (APAC) region is the largest at USD 51.2bn followed by North America, Europe, the Middle East and Africa (EMEA) and Latin America at USD 27bn, USD 26.2bn and USD 4.4bn respectively. In addition, Newzoo estimates the global games market to grow at CAGR 6.2 per cent between 2016 and 2020, reaching a total market size in excess of USD 128bn by 2020.<sup>1</sup>

Industry growth is mainly driven by growth in mobile games as consumers increasingly play games on more accessible devices. Newzoo estimates that mobile games (tablet and mobile) will constitute approximately 38% of total global games revenue in 2017. With a CAGR of 14% between 2016 and 2020, total revenue from mobile games will reach USD 64bn in 2020, constituting half of the market according to Newzoo.<sup>2</sup>

Revenue from console games are expected to continue to grow – even though sales of traditional physical video games are slowing – as digital distribution of console games and subscription services are increasing.<sup>3</sup>

## Market segments

### Segmentation by platform

---

<sup>1</sup> Newzoo Global Games Market Report (Q2 2017)

<sup>2</sup> Newzoo Global Games Market Report (Q2 2017)

<sup>3</sup> The ESA report: Essential facts about the computer and video game industry (2017)

### *PC/Console segment*

PC/Console games are traditional video games played either on a computer or a console such as Sony's PlayStation, Microsoft's Xbox or Nintendo's Switch.

PC/Console games have traditionally been sold as physical copies through retailers. Recently, however, distribution has moved towards digitalization where consumers download the games via online channels such as PlayStation Network, Xbox Live Marketplace and Valve's Steam for PC. This trend thus reduces the power of the traditional retailer store's role in the value chain and makes it easier for independent game developers to come closer to the potential customers.

The shift to digital has also introduced the concept of DLC (downloadable content) which allows consumers to purchase add-ons to the purchased game. This allows the game developer to continually update the content of the game and provides an additional source of revenue for developers and publishers (in contrast to the one-time sale of a video game without subsequent add-on selling). In-game monetization in the form of digital goods that can be used to enhance the game either cosmetically or by altering gameplay is also on the rise, both in PC/Console games that are free to play, and those that are sold at an initial upfront cost.

PC/Console games are often more advanced than mobile or browser games in terms of the gaming experience they provide. This is reflected in that the amount of man-hours and other investments required to develop a PC/Console game is significantly higher than for other types of games such as mobile or browser games. Consequently, there is a substantial financial risk inherent in developing PC/Console games, which is often too high for many small and/or non-diversified developers to take on. Thus many smaller independent studios, such as Stillfront's Subsidiary Coldwood, have historically collaborated with larger publishers such as EA or Sony to shift away most of the risk and to receive help in marketing and distribution.

### *Mobile segment*

Mobile games are developed for smartphones and tablets.

Mobile games may be so called "casual games" with a simplistic gaming character, short playing times at each playing occasion and low degree of player involvement. For example, casual games are often played while commuting or in between meetings.

Due to the simplistic character and low degree of player involvement, mobile games tend to have short life cycles. This, in turn, requires developers to maintain a large portfolio of games and to continually release new titles as turnover of games is high, with a few notable exceptions such as Candy Crush and Angry Birds, which have been able to achieve exceptional user metrics.

Typically, mobile games are fast and easy to develop, require only a few investments and are easily distributed e.g. through Apple's App Store. This implies that barriers to entry are low for mobile games which has allowed for substantial competition between developers, making it difficult to achieve and maintain attractive profitability for the average developer. However, there are some success stories that have been highly profitable, such as Swedish King and Finnish Rovio, which started as small independent studios, publishing and distributing their games directly through e.g. Apple's App Store.

### *Online/Browser games segment*

Online/Browser games are games played directly through an internet browser. These games do not have to be downloaded or purchased in physical copies, and can therefore be consumed anywhere with access to internet.

Historically, browser games have been of a simple gaming character similarly to mobile games. This segment is however moving towards more advanced games as consumer demand for high quality content is increasing, and with level of depth and quality of content in games increasing – so is the games' lifetime.

Browser games are often so called "free-to-play" games, meaning that no payment is required when starting to play the game. However, payment is often required to unlock certain parts of the game or to add specific advantages. In this way, games with a longer life cycle can provide the developer with longer-term revenue streams.

Modern web technology and design also allows for browser games to work both on PC and the mobile form factor, giving this segment an opportunity to take a share of the growing mobile segment, blurring the lines between these two segments.

### **Revenue models**

The revenue models have developed and new ones have been introduced during the last decades as games have become more of a digital good than before. The following revenue models can also be combined with each other, which is increasingly happening.

#### *One-off revenue*

In this segment, a one-time cost is charged at the time of the purchase. Both console and PC games fall under this category.

#### *Free-to-play*

“Free-to-play” means that no payment is required when starting the game. However, payments are often required to unlock certain parts of the game or to add specific advantages.

#### *Downloadable content*

Downloadable content is additional content created for an already released video game. Downloadable content can be added both to games that have an initial one-off cost and to games that are free-to-play. This requires a digital distribution which also makes the content very scalable, as the additional cost besides developing the extra content is effectively zero.

#### *Subscription*

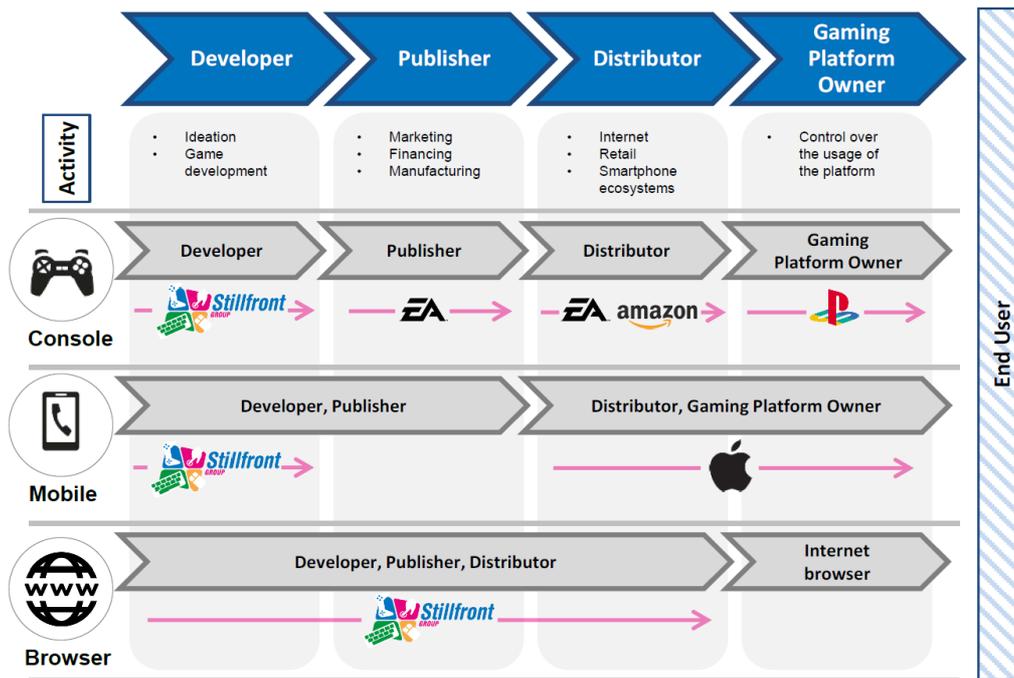
In this segment, the player subscribes for the game and pays a recurring fee.

#### *Advertising revenue*

The game provider can also receive revenue from advertisers instead of from the players. Games that can be accessed through social media websites such as Facebook are often sponsored by advertisers.

### **Industry Value chain**

Depending on the type of game being developed, the industry value chain varies in its composition. For example, in the mobile games segment, a small developer often takes its games directly to Apple’s or Google’s app store, surpassing publishers. In the case of PC games and online browser games, a developer can self-publish and distribute their games directly online, without the need of publishers, distributors or platform owners via digital distribution channels such as Steam. Note that the value chains below are based on Stillfront’s view of the market and are thus only examples of typical value chains given the respective platforms. The companies mentioned are examples of players and are only for illustrative purposes.



### Stillfront's position in the industry value chain

Stillfront's different Subsidiaries are part of different industry value chains as their games differ in character.

Coldwood is currently positioned as a traditional independent game developer, with ideation, creation and game development on contract for different large publishers, currently EA. In contrast, Bytro, Stillfront Online Games, Simutronics, Babil, eRepublik, Power Challenge and OFM Studios mainly develop, publish and distribute their games directly to the end consumer either through a web browser, Steam or Apple's App Store/Google Play. In this way, they are usually not dependent on a game publisher or distributor. Some services can be outsourced for the browser games, such as marketing and advertising. A current exception is SIEGE: Titan Wars by Simutronics, which is co-published with an external publisher, Tilting Point.

### Developers

Game developers create game content, design the game and write the software code underlying the finished game.

Independent ("indie") game developers are financially and contractually independent, thus not owned or tied to a specific games publisher or platform owner. Indie game developers can both develop games for a large game publisher or self-publish their games. When collaborating with a game publisher, the publisher often assumes the intellectual property to the game while compensating the independent game developer with a contracting fee during game development and royalties on each sold copy of the game. Thus, both the risk and the upside for the independent game developer are reduced by collaborating with a publisher. This is often a suitable strategy for smaller independent game developers, specifically in the PC/Console market.

### Publishers

A game publisher publishes video games that they have either developed internally or have had developed by a video game developer.

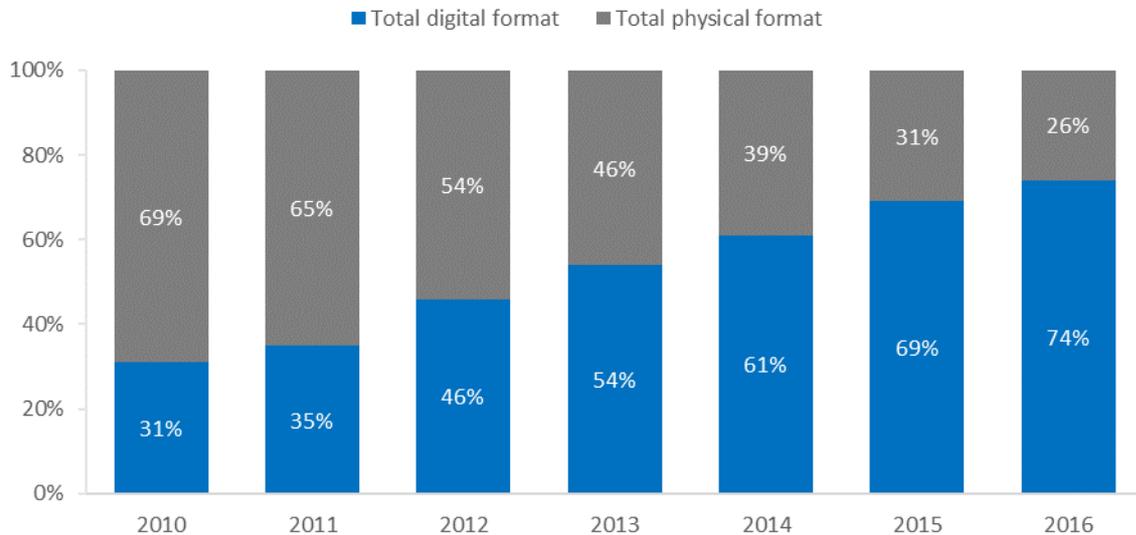
Usually the publisher provides financing for the development of the game, while also being responsible for the market research, pricing of the game, and all aspects of marketing and advertising. In addition, the publisher supervises the development process, tests and adjusts the game as it is being developed and manufactures the product in the case of physical distribution.

Since the publisher often provides the financing and thus bears the financial risk of the project, it also retains a significant part of the IP ownership in the case of outsourced development.

## Distributors

Physical distributors are usually game vendors, supermarkets and internet vendors, such as Amazon.

Distribution via digital channels is becoming more common as gamers prefer digitally distributed games more than ever. Examples of digital distributors are Google, Facebook, Apple and Amazon. In the U.S., almost three quarters of video game spending occurs through digital channels. However, even though digital distribution is growing in popularity and physical video game sales is dropping globally, physical distribution still accounts for a substantial portion of the distribution channels for PC/Console games.



Above graph shows the trend in digital versus physical distribution model of games for the U.S. market. Digital format sales include subscriptions, digital full games, digital add-on content, mobile apps and social network gaming.<sup>4</sup>

## Platform owners

The platform owner is at the end of the industry value chain, and manufactures and owns the ultimate media that consumers use to consume the games. In the case of console games, there are essentially three large platform owners dominating the market: Microsoft's Xbox, Sony's PlayStation, and Nintendo's Switch, players that also cover the rest of the value chain via their own in-house game development. For computer games however, the end of the value chain is a bit different, with digital distribution platforms that is the closest thing to platform owners. Valve's Steam for example, which can also be considered as more of a distributor, is an internet-based digital distribution platform that provides games and multiplayer functionalities for Windows, Mac, and Linux based computers.

For console games, the platform owner controls the usage of the platform and in order for games to be played on the platform actors in the lower end of the value chain need an approval and a license to release the game on a given platform.

---

<sup>4</sup> The ESA report: Essential facts about the computer and video game industry (2017); The NPD Group/Games Market Dynamics: U.S. Digital format sales include subscriptions, digital full games, digital add-on content, mobile apps and social network gaming

## Certain market trends and dynamics

### Strong market growth

Global games market is estimated at USD 101bn in 2016, USD 109bn in 2017 and growing to beyond USD 128bn in 2020 corresponding to a CAGR of 6.2 per cent from 2016 to 2020. Industry growth is mainly driven by growth in tablet and mobile games as consumers increasingly play games on more accessible devices.<sup>5</sup>

### Content is king

Low-quality casual games face harder competition than the mid- to hard-core games sector. Typically, casual games are fast and easy to develop, require only a few investments and are easily distributed e.g. through Apple's App Store. This implies that barriers to entry are low for casual mobile games which has allowed for substantial competition between developers, making it difficult to achieve and maintain attractive profitability for the average developer.<sup>6</sup> The increasing number of games available has thus become an entry barrier in itself, making it harder to stand out in the crowd of games, increasing need for content quality.

### More advanced browser games

Stillfront's strong position is enhanced as browser games evolve to more advanced products which increases barriers to entry. Historically, browser games have been of a simple gaming character similarly to mobile games. However, this segment is moving towards more advanced games as consumer demand for high quality content is increasing. Greater content quality and more advanced games provide consumers with a longer gaming experience, leading to longer life-time-value of each user for the game developer. New web technology and design also allows games to target both PC and mobile devices at the same time, broadening the potential consumer base and allowing for increased consumer engagement and spending.

### Increased digital distribution

Digitally distributed gaming is growing, favouring Stillfront's digital distribution model. Distribution of games can be physical, but with increased demand of completely digital products, distribution via digital channels is now the dominant way to distribute game experiences.<sup>7</sup>

### Growth in free-to-play

Free-to-play revenue model grows in prevalence and importance. Free-to-play massive multiplayer online games (MMOG) for PC are leading growth for PC games in general with a CAGR of 19.4 per cent for 2012-2016.<sup>8</sup> Free-to-play is also growing on console, and similar monetization techniques as free-to-play games utilises are increasingly used also within paid-for games to extend longevity and revenue.

### Industry consolidation

A substantial industry consolidation trend has been visible in recent years with high levels of mergers and acquisition volumes globally.<sup>9</sup> One factor possibly fuelling this trend is heightening barriers to entry in the mobile and browser game space as customer acquisition costs rises and consumer demand for high quality content increases.<sup>10</sup>

---

<sup>5</sup> Newzoo Global Games Market Report (Q2 2017)

<sup>6</sup> Video Games Intelligence (VGI), "2014 insight in Mobile Games"

<sup>7</sup> The ESA report: Essential facts about the computer and video game industry (2017)

<sup>8</sup> Newzoo "Global Games Market Webinar (2014)"

<sup>9</sup> <http://venturebeat.com/2014/04/02/the-year-of-the-deal-game-industry-already-has-more-than-5b-in-mergers-and-acquisitions-in-2014/>

<sup>10</sup> <http://news.investors.com/technology-click/111214-726156-king-glu-lead-mobile-game-industry.htm>

### **Non-cyclical market**

The gaming market in general is relatively non-cyclical as the underlying demand for video games is relatively unaffected by the general business cycle. However, different game platforms can be cyclical in terms of popularity as games can be very dependent on current trends and new platform releases.

### **Mobile and tablet games growth**

With an estimated CAGR of 14 per cent between 2016 and 2020, mobile and tablet games is the strongest growing sector.<sup>11</sup> This incredible growth has attracted a lot of interest, resulting in a constant inflow of new game developers and new game titles. The mobile and tablet games segment is thus very competitive, and having a low-risk development strategy and/or a highly skilled marketing team is increasingly important.

### **Industry competition**

The competitive landscape differs for the different gaming products, but in general, with recent rapid industry growth, the gaming market remains extremely competitive. The industry is growing fast, constantly evolving and the potential for success for newcomers remains immense. The effects of industry characteristics such as quickly developing technology, intense competition and volatile consumer habits are that no competitive edge is long-term sustainable and the top position is thus always being fought over.

Game consumers in general are not very brand-focused and do not develop long-term bonds with certain gaming companies compared to other more brand-focused industries such as luxury car or clothing industries. Game developers have to be constantly creative and prior successes have relatively small effect on the future of the company as traditional video game revenue lifetime is rather finite.

The gaming industry is in all regards global and Stillfront's Subsidiaries thus compete with game developers from all over the world.

### **Console/PC games**

Before technology and quality developed to current levels, video game development budgets were significantly lower, and it was viable for game developers to start from scratch and develop their own games with very little funding. Video games could be developed by smaller teams and took a few months to produce. In a market with little competition, games often spread virally and marketing costs were limited. These two factors resulted in large possible profit margins for the game industry.

As the industry has grown rapidly to become one of the highest grossing entertainment industries of all, the competition and thus the need and drive for innovation and demand for higher quality content have increased. Improvements in gaming technology and the increasing demand for higher quality content quickly led to a need for larger development teams and longer development cycles. The increased competition then fuelled marketing and advertising costs, leading to escalating video game budgets in general. The large game budgets, coupled with a hit-driven market, could also be seen as factors that increase the risk for the party bearing the costs of developing a video game.

However, compared to other gaming sectors such as mobile and tablet games, the competitive landscape is still somewhat more restricted. The increase in budgets and higher demand for quality content, as well as shorter game life cycles, have become barriers to entry in the console and PC game sector, making it virtually impossible for individual hobbyists and smaller teams developing games to compete effectively in this sector, with many small developers going out of business as a result.

Key competitors for Coldwood include a wide array of independent high quality studios. In the Nordics, Avalanche Studios, Starbreeze and Paradox Interactive are good examples. Large studios belonging to the large publishers, i.e. non independent, also constitutes one category of competitors as they, along with Coldwood,

---

<sup>11</sup> Newzoo Global Games Market Report (Q2 2017)

want a cut of the publishers' budgets. However, the large publishers such as EA, Sony, and Microsoft are more seen as potential partners rather than competitors.

### **Mobile and tablet games**

The mobile game market is booming and still developing, resulting in a constant significant inflow of new game developers and new game titles. Thousands of games are submitted each month to Apple's App Store and Google Play. Currently, the total amount of game apps in Apple's App Store is over 790,000.<sup>12</sup> It is estimated that even more game developers will continue to enter the market and a wider range of games will be introduced as the industry continues to evolve.

The barriers to entry for mobile games in terms of development costs are lower compared to mid and high quality console and PC games. However, the significant changes in seamless distribution models and increased competition means that tens of thousands of games are fighting for consumer attention, and consumer marketing has become the key differentiation and greatest cost and barrier to entry.

Key competitors for Subsidiaries that focus on mobile games, like Simutronics, Babil and eRepublik, is very wide and includes game giants such as Zynga, EA mobile and ActivisionBlizzard (King) and Gameloft, but also more focused mobile games developers such as Gamevil, Supercell and Rovio. However, as the development entry barriers are low, competition can also come from individuals or small networks of people developing games for a hobby. With digital distribution platforms such as Apple's App Store and Google Play, the step for a really small first-time developer to create a huge hit is not as large as in the PC game sector.

### **Browser games**

As the browser game industry has developed and evolved from being mostly simplistic casual games, a low-barrier industry similar to mobile games, to moving towards more advanced games, the barriers to entry have increased slightly and the competitive landscape has thus become narrower. There will of course still be casual browser games with lower barriers to entry, but mid-to hard-core browser games are increasing in popularity, changing the competitive landscape in that quality content and high game immersion is becoming more important.

This development is also fuelled by the increasing user acquisition cost in the browser space, and cost per new account is higher than ever. As it gets more expensive to buy traffic and users, games need to become more immersive and have longer game cycles in order for marketing to pay off. Long game cycles and high immersion will thus increase chances to get positive return on marketing investments.

Stillfront considers all browser games to be competitors in the sense that they all contribute to rising marketing costs, leading to rising user acquisition costs for Stillfront. Direct key competitors for Subsidiaries that have strategy Browser games like Bytro, Stillfront Online Games and eRepublik include companies such as InnoGames, Wargaming, Plarium, and Paradox Interactive (develops PC games) as they also create multiplayer online war strategy games with similar features. Direct competitors for Power Challenge and OFM Studios include companies such as CAT Games, What If Sports, Northworks, and Sports Interactive (develops PC games).

---

<sup>12</sup> <http://www.pocketgamer.biz/metrics/app-store/app-count/>, 2017-11-30

# Description of the Stillfront Group

## Business

### General

The Group is an independent creator, publisher and distributor of digital games, with a vision to become Europe's leading indie game developer and publisher.

### Market Segments

The Group divides its games into four different segments: the "Healthy Legacy" segment, the "Cross Platform" segment, the "Mobile Apps" segment and the "Downloadables" segment. During Q3 2017, the "Healthy Legacy" games segment accounted for approximately 17 per cent of the Group's business, the "Cross Platform" segment for approximately 29 per cent of the Group's business, the "Mobile Apps" segment accounted for approximately 43 per cent of the Group's business and the "Downloadables" segment for approximately 11 per cent of the Group's business.

- **Healthy Legacy games segment.** Healthy legacy games are online games with a long history of generating revenue with a long-time engaged user base. These games are operated in a very lean way focused on engaging the existing user base and reducing churn.
- **Cross Platform games segment.** Cross Platform games are online games that have the potential to be played on several platforms, i.e. the player can start a game in a browser and then continue the same game on Steam or on a mobile device or even a console. Historically, browser games and mobile games have been of a simple gaming character, and separate from each other. These segments, however, are moving towards more advanced games as consumer demand for high quality content is increasing, and modern web technology and design are enabling true cross platform experiences. As a result, the life cycle of games and user engagement is increasing. Cross platform games are often so called "free-to-play" games, meaning that no payment is required when starting to play the game. However, payment is often required to unlock certain parts of the game or to gain specific advantages. In this way, games with a longer life cycle can provide the developer with longer-term revenue streams.
- **Downloadables.** Downloadable games are traditional video games played either on a computer or a console. Traditionally, these types of games have been sold as physical copies through retailers, but today the majority of sales and revenue is coming through digital channels. This trend reduces the power of the traditional retailer store's role in the value chain and makes it easier for independent game developers to come closer to the potential customers. The shift to digital has also introduced the concept of DLC (downloadable content) which allows consumers to purchase add-ons to purchased games. Monetization strategies similar to "free-to-play" games are also increasingly common within these types of games, enabling additional purchases of digital goods within the game. Downloadable games are often more advanced than mobile or browser games in terms of the gaming experience they provide, which is reflected in the amount of man-hours and other investments required to such a game in comparison to Mobile Apps or Cross Platform games. Consequently, there is a substantial financial risk inherent in developing Downloadable games, which is often too high for many small and/or non-diversified developers to take on. Thus many smaller independent studios, such as the Company's Subsidiary Coldwood, have historically collaborated with larger publishers such as EA or Sony to shift away most of the risk and to receive help in marketing and distribution.
- **Mobile Apps.** Mobile games are developed for smartphones and tablets. Mobile games have usually been so called "casual games" with a simplistic gaming character, short playing times at each playing occasion and low degree of player involvement. Due to the simplistic character and low degree of player involvement, mobile games tend to have short life cycles. This, in turn, requires developers to maintain a large portfolio of games and to continually release new titles as turnover of games is high. These types of mobile games are fast and easy to develop, require only a few investments and are easily distributed. This implies that barriers to entry are low for mobile games which has allowed for substantial competition between developers, making it difficult to achieve and maintain attractive profitability, with

a small number of notable exceptions. As mobile devices are now more powerful, more advanced games are suitable for mobiles, with higher gamer immersion and lifetime. These more advanced games are mainly the ones that the Subsidiaries are focusing on developing.

### **Business Model**

The Company's current Subsidiaries apply three different business models:

① *Proprietary development and publishing (Bytro Labs, Power Challenge, Stillfront Online Games, eRepublik, Simutronics and OFM Studios)*

Game development is internally performed and financed, which enables retained intellectual property ("IP") ownership and large upside potential. The upfront investment risk is mitigated with the use of game engines, as the investment per game becomes smaller for every new game released on the same game. The revenue model is free to play with monetising through in-game purchases.

② *Partnership development and publishing (Coldwood Interactive)*

Development and publishing is carried out in collaboration with a global publisher such as Sony or EA, who obtains the IP ownership of the game but finances the development, marketing and distribution. The absence of up-front investment in development, marketing and distribution reduces the Group's risk while the loss of IP ownership limits the upside. The revenue model is contracting fees with royalty participation on sold copies.

③ *Adaptation and publishing (Babil Games)*

Adaptation and publishing does not entail development of games but localised adaptation of games from external developers to meet the requirements of a certain market. The adaptations relate to language, graphics and in some cases also to adding social functions. Revenues are generated through a free-to-play model with in game purchase options.

### **Studios**

The Group operates through eight near-autonomous studios: Bytro Labs and OFM Studios in Germany, Coldwood Interactive in Sweden, Power Challenge in the UK and Sweden, Simutronics in the U.S., Babil Games in the UAE and Jordan, eRepublik in Ireland and Romania and Stillfront Online Games with Dorado Online Games in Malta. The Group's games are distributed globally, although its main target markets include the U.S., UK, Germany, MENA and France.

- **Babil Games** focuses on adapting and publishing mobile games for the MENA market. It adapts games from external – mainly Chinese – developers to the specific requirements of the MENA market, including adapting language, graphics and in some cases adding social functions. Revenues are generated through a free-to-play model with in game purchase options.
- **Bytro Labs** develops and publishes cross platform war strategy games, earning revenue through a free-to-play model with in game purchase options.
- **Coldwood Interactive** is a game studio currently developing games on a contractual basis for consoles and PC and has a long history of console games. Coldwood generally earns revenues by way of contracting fees during game development and royalties on each sold copy of a game.
- **Stillfront Online Games** develops and publishes cross platform war strategy games, earning revenue through a free-to-play model with in game purchase options.
- **eRepublik** develops mobile and cross platform strategy games, earning revenue through a free-to-play model with in game purchase options.
- **OFM Studios** develops and publishes browser-based sports manager games, earning revenue through a free-to-play model with in game purchase options.
- **Power Challenge** develops and publishes browser-based sports manager games, earning revenue through a free-to-play model with in game purchase options.

- **Simutronics** develops advanced mobile games, earning revenue through a free-to-play model with in game purchase options. They also maintain legacy online games with more than 30 years of history.

### Games portfolio

The Group has a well-diversified games portfolio across a range of genres and platforms. Key game titles of the Group include:

#### Healthy Legacy segment

- **Gemstone IV** and **Dragonrealms**, browser-based fantasy games originally launched in 1987 and 1996, respectively;
- **ManagerZone**, browser-based sports management games launched in 2001;
- **Online Fussball Manager**, browser-based sports management games launched in 2003;

#### Cross Platform segment

- **Supremacy 1914**, a browser-based World War I strategy game launched in 2009;
- **Call of War**, a cross platform World War II strategy game launched in 2015;
- **Conflict of Nations: Modern War**, a browser-based contemporary strategy game launched in 2017;
- **eRepublik.com**, a browser-based massively multiplayer online game launched in 2007;

#### Downloadables segment

- **Unravel**, a puzzle/strategy platform game launched for console and PC in 2016;

#### Mobile Apps segment

- **Tank Storm**, a mobile war strategy game focused on MENA region launched in 2015;
- **Admiral**, a mobile war strategy game focused on MENA region launched in 2016;
- **Age of Lords**, a mobile strategy game launched in 2015.
- **World at War**, a mobile war strategy game launched in 2016;
- **SIEGE: Titan Wars**, an advanced mobile real-time multiplayer game launched in 2017; and
- **War and Peace: Civil War**, a mobile war strategy game launched in 2017.

## The Stillfront Group

The Stillfront Group's organisational set-up is concentrated in the Company itself providing professional group management over the studios listed above. This management framework provides a professional structure to guide creativity in the entrepreneurial game-developing subsidiaries and to obtain inter-subsidary synergies.

### Professional Structure

The Company seeks to professionalise decision making relating to investments and operations in order to improve resource allocation. For example, the risk-to-reward profile of different investment opportunities are weighed against each other to select the most beneficial investment for the Group at a given point in time. In addition, group management may also be able to leverage its industry networks throughout the Group.

### Guided Creativity

Group management applies a professional framework to improve resource allocation and to centralise administrative functions across the Group, leaving entrepreneurs and game developers free to originate, conceptualise and develop games.

**Synergies**

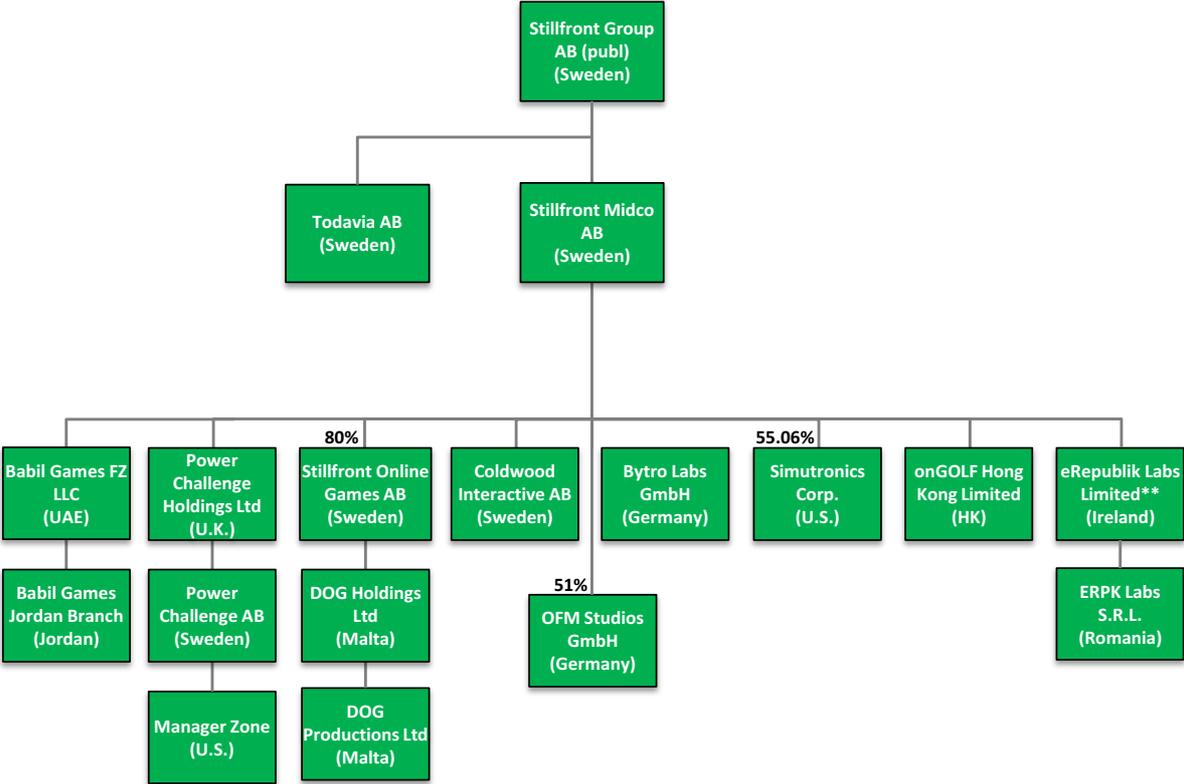
The central management of the Group creates cost synergies through centralised overhead functions and marketing procurement. Furthermore, the Group can benefit from cross-promotion synergies between games and between Subsidiaries, as well as knowledge-sharing synergies between Subsidiaries.

**Group Structure**

The below structure chart shows the legal structure of the Group as at the date of this Information Memorandum.\*

The Company is the ultimate parent company in the Group and has several direct and indirect subsidiaries in different countries. A significant portion of the Group's business is carried out through the Subsidiaries. Consequently, the Company is dependent upon its Subsidiaries.

MidCo and Todavia are wholly-owned subsidiaries of the Company. Babil Games, Power Challenge, Bytro Labs and Coldwood Interactive are wholly-owned subsidiaries of MidCo and indirectly wholly-owned by the Company. Stillfront Online Games, Simutronics and OFM Studios are majority owned by MidCo. eRepublik is jointly owned by Stillfront and MidCo. Each of the Subsidiaries is dependent on the Company for group management purpose as further described under section "The Stillfront Group" above. OnGOLF is a dormant company wholly-owned by MidCo. Todavia was established in 2017, for the purposes of facilitating the handling of the Company's incentive programme.



\* All members of the Group are directly or indirectly wholly-owned by the Company unless otherwise indicated.

\*\* One share of eRepublik Labs. Limited is owned by the Company. The 1,999,999,999 other shares of eRepublik Labs. Limited are owned by Stillfront Midco AB.

## Strategy

The Group's strategy focusses on the following:

- **Internal operational strategy:** focussing on improving and extending the Group's portfolio of games, long life-cycle games, game engines for scalability and cross (X) platform development.
- **Growth:** the Group intends to increase profitability by capitalising on the internal operational strategy through both organic growth and further acquisitions.
- **Marketing:** the Group's marketing strategy is based on publishing and brands, aiming to target the potential of third party publishing and increasing own brands.

## Intellectual property

### General

Intellectual property rights to works produced by the Group's employees are generally transferred via the employment agreements. Consultants are only occasionally involved in work that results in intellectual property rights. The employees are remunerated for the transfer of rights to the employing entity through their salaries. Generally, no extra payments are made as consideration for the transfer of rights.

### Material Intellectual Property Rights

The Group's material intellectual property rights are as follows:

**Trademarks.** Bytro Labs, Simutronics, DOG Holdings Ltd, eRepublik, and ERPK Labs S.R.L have registered a number of trademarks in relevant classes and territories. No trademarks have been registered by the other Group companies.

**Domain names.** The Group companies hold a number of domain names which are used in and are considered relevant for the business.

### Disputes

No material disputes regarding the Group companies' intellectual property rights are on-going.

## Financial information regarding Stillfront

The following documents are incorporated into this Information Memorandum by reference:

- the Group's annual financial statements for the financial year ended 31 December 2015 (the "**2015 Annual Report**");
- the Group's annual financial statements for the financial year ended 31 December 2016 (the "**2016 Annual Report**" and together with the 2015 Annual Report the "**Annual Reports**"); and
- the Group's interim financial statements for the period 1 January 2017 to 30 September 2017 (the "**2017 Q3 Report**"). The documents incorporated by reference are to be read as part of this Information Memorandum. All such reports are available on the Company's website <http://www.stillfront.com/site/investor-relations/financial-reports/> and can also be obtained from the Company in hard copy.

## Factors Affecting Comparability of the Annual Historical Financial Information

### Change of Accounting Principles

The 2015 Annual Report was prepared in accordance with GAAP. The Group has since then changed its accounting principles to IFRS and the 2016 Annual Report has therefore been prepared in accordance with

IFRS. The transition has taken place in accordance with IFRS 1 First-time Adoption of IFRS (“**IFRS 1**”). The main rule in IFRS 1 requires the entity apply all IFRS standards retrospectively when determining the opening IFRS balance sheet and the comparison years have therefore been fully converted to IFRS. However, certain exemptions from the retrospective application are permitted, while some exemptions from retrospective application are mandatory. No mandatory exemptions applied to the Group. Of the optional exemptions the Group chose to apply the option not to restate acquisitions of businesses retroactively and to zero the translation differences. This means that the acquisition analyses which were made for business combinations prior to 1 January 2014 are unchanged compared to how they were reported in the most recent annual reports. Explanations of how the transition from previous GAAP to IFRS has affected the Group’s financial position and financial results are shown in the 2016 Annual Report; for comparability between the Company’s financial periods, please review the relevant financial information set out in the 2016 Annual Report with the corresponding financial information for the 2015 Annual Report.

## **Auditing**

### **Auditors of the Annual Historical Financial Information**

The auditing of the Annual Reports was conducted in accordance with generally accepted auditing standards in Sweden and the audit reports submitted were unqualified without other modifications.

At the annual general meeting held on 19 May 2017, Mazars SET Revisionsbyrå AB was re-elected as the Company's auditor and Michael Olsson was re-appointed as auditor-in-charge to serve until the end of the annual general meeting in 2018. Michael Olsson is an authorised public account and a member of FAR, the professional body for the accountancy sector in Sweden. The office address of Mazars SET Revisionsbyrå AB is Mäster Samuelsgatan 56, SE-111 83 Stockholm, Sweden.

# Description of Goodgame Studios

## Business

### General

Goodgame Studios is an independent developer and publisher of free-to-play games available through browsers and on mobile devices with more than 340 million registered users worldwide. Goodgame Studios is a leading German game development company, producing strategy games both within the browser games segment and the mobile games segment. Goodgame Studios has four hit products on two major game IPs; Goodgame Empire and Big Farm, both available on both browser and mobile. For the first nine months of 2017, Goodgame Studios recorded net revenues of EUR 71.1 million and an EBIT margin of 31.4 per cent.

### Market Segments

Goodgame Studios is active within the mid-core, free-to-play game segment on online/browser mobile. During the calendar year 2016, online/browser games accounted for approximately 60 per cent of Goodgame Studios' business, and mobile games for approximately 40 per cent of Goodgame Studios' business.

- **Online/Browser and Mobile games.** Online/Browser games are games played live directly through an internet browser. These games do not have to be downloaded or purchased in physical copies, and can therefore be consumed anywhere with access to internet. Mobile games are developed for smartphones and tablets, usually downloaded through the platform provider's catalogue
- **Free-to-Play.** In free-to-play games, players can gain access to a significant portion of their content for free but can also make payments to purchase in-game virtual items or to access additional content. In this way, games with a longer life cycle can provide the developer with longer-term revenue streams.
- **Mid-core games.** The casual category is distinguished by its broad appeal: they appeal to people of all ages, gender and nationalities. Initially driven by social networking services on web browser, in particular Facebook, the proliferation of mobile devices drove the spread of casual games generally, Mid-core games however, are also part of this trend and have rapidly gained prominence among players with prior gaming background or casual gamers who seek a more immersive experience. Growing player sophistication, combined with technology advancements in mobile devices, which players usually use from the comfort of their home or during longer stretches of time spent in transit, has fuelled the rise of mid-core games featuring more intricate graphics and game play mechanisms. Deeper engagement in these games often results in strong retention and monetization metrics in comparison to casual games.

### Business Model

Goodgame Studios currently employs the following business model:

Proprietary development and publishing of free games with in-game purchases

Game development is internally performed and financed, which enables retained IP ownership and large upside potential. All games are available for free, while users are encouraged to purchase virtual currency, which can be used to acquire in-game virtual items to enhance players' gaming experience. The games can be accessed on Goodgame Studios' own website [goodgamestudios.com](http://goodgamestudios.com), as well as through partner websites and on major mobile platforms.

### Games portfolio

Goodgame Studios has a diversified games portfolio across web and mobile platforms. Key game titles of Goodgame Studios include:

- **Goodgame Empire**, a browser-based medieval strategy game launched in 2011
- **Empire: Four Kingdoms**, a mobile-based medieval strategy game launched in 2013

- **Big Farm**, a web-based farming economy simulation game launched in 2012
- **Big Farm: Mobile Harvest**, a web-based farming economy simulation game launched in 2017

## Company Strategy

Based on extensive knowledge of the free-to-play model and extensive analyses of industry trends and consumer preferences, Goodgame Studios strives to develop its current portfolio and create new games to produce attractive long-term economic potential. Goodgame Studios believes that the quality of the games, combined with performance-based marketing and a vast global distribution network, will enable it to achieve this.

### Strong Portfolio of Mid-core Free-to-Play Games

Goodgame Studios constantly endeavours to improve existing games and retain existing users through the continued release of new content and features tailored to users' playing preferences and behaviour. The content and characteristics of new games under development are continuously optimised to reflect player preferences and behaviour, as well as games of competitors with a view to launching new games with long-term economic potential, targeting various player groups.

### Innovation transfer for repeated success

Goodgame Studios has a focus on transferring experience to new and existing games to boost the success of the titles. For example, its successful transition to mobile devices has demonstrated its ability to leverage its experience to quickly adapt to important trends and different platforms. Goodgame Studios' game-to-game innovation transfer has also proven successful, as its transfer of experience and knowledge among existing and into new games has resulted in the repeated success of its titles. For example, automated, customised offers, which were initially introduced for players in Goodgame Empire, were swiftly adopted in Big Farm and Empire: Four Kingdoms

### Strong performance-based marketing leading to high return on investment

All marketing activities are performance-focused and aim to attract specific segments of the player audience with high monetization potential, with a view to maximizing the ROI of Goodgame Studios' marketing activities. Improved data analytics and the emergence of sophisticated targeted advertising on digital platforms enable Goodgame Studios to adopt a rigorous approach to investing in marketing over the life of a game, which greatly differs from the traditional marketing campaigns

### Deep and growing free-to-play knowledge leading to strong monetization

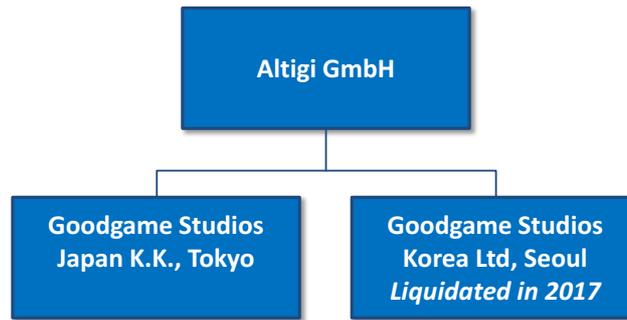
Deep base of free-to-play knowledge on all aspects of operations, from game design to monetization mechanics, has enabled strong monetization of the user base. The games benefited from spill-over effects of learning and game-independent know-how within their life cycles, and Goodgame Studios continues to drive game development process building on accumulated knowledge of the free-to-play model.

### Global web game distribution network

In addition to Goodgame Studios' own website, goodgamestudios.com, games are published in cooperation with third-party platform operators. Goodgame Studios has been steadily expanding and developing a far-reaching and diversified publishing network for its games. The current network comprises more than 16,000 publishing partners that distribute the browser games on worldwide and local bases. This has significantly contributed to diversifying and amplifying revenue streams.

## Group Structure

The below structure chart shows the legal structure of Goodgame Studios as at the date of this Information Memorandum:



## Intellectual property

### General

Intellectual property rights to works produced by the Group's employees are generally transferred via the employment agreements. Consultants are only occasionally involved in work that results in intellectual property rights. The employees are remunerated for the transfer of rights to the employing entity through their salaries. Generally, no extra payments are made as consideration for the transfer of rights.

### Material Intellectual Property Rights

Goodgame Studios' material intellectual property rights are as follows:

**Trademarks.** Goodgame Studios has registered a number of trademarks in relevant classes and territories, such as GG GOOD GAME Logo, Goodgame Studios, Goodgame Empire. Empire: Four Kingdoms.

**Domain names.** The Group companies hold a number of domain names which are used in and are considered relevant for the business.

### Disputes

No material disputes regarding Goodgame Studio's intellectual property rights have been identified.

## Competition

Competition in the browser and mobile gaming industry is intense in most major markets, involving both browser and mobile gaming companies and game operators using other media (such as console games). As many gaming companies develop games on social networks and mobile platforms and many new developers enter the gaming market on a regular basis, browser and mobile games are becoming more widely accessible across platforms and countries. Goodgame Studios, fully armed with high quality games and a scientific approach to effectively monetise its user base, believes it is well positioned to differentiate itself in this competitive environment.

Goodgame Studios' main competitors include:

**Global mobile and browser game developers.** Some of these competitors include King Digital Entertainment PLC; Gameloft S.E.; GungHo Online Entertainment, Inc.; Zynga Inc.; Glu Mobile, Inc.; Supercell Oy; Kabam, Inc.; Rovio Entertainment Ltd.; Machine Zone, Inc.; Wooga GmbH; Bigpoint GmbH; Innogames GmbH; Gameforge AG; and Wargaming Public Company, Limited.

**Online game developers with a focus on Asia.** Some of these competitors include Tencent Holdings Limited; DeNA Co., Ltd.; Gree International, Inc.; NCSOFT Corporation; Nexon Co. Ltd; NetEase, Inc.; Changyou.com Ltd.; Shanda Games Ltd.; and IGG Inc.

**Traditional game developers.** Some of these competitors include Activision Blizzard, Inc.; Electronic Arts, Inc.; Ubisoft Entertainment S.A.; Take-Two Interactive Software, Inc.; and Konami Digital Entertainment, Inc.

## **Auditing**

The auditing of Goodgame Studios' annual reports have been conducted in accordance with generally accepted auditing standards in Germany and the audit reports submitted were unqualified without other modifications.

With the shareholder's resolution of 17 October 2017, Mazars GmbH & Co. KG was elected as Goodgame Studios' auditor with the intention to appoint Tobias Zickmann as auditor-in-charge to audit the financial year 2017. Tobias Zickmann is a Certified public accountant and tax advisor.

The office address of Mazars GmbH & Co. KG is Domstraße 15, 20095 Hamburg, Germany.

# Description of the New Group

## Transaction logic

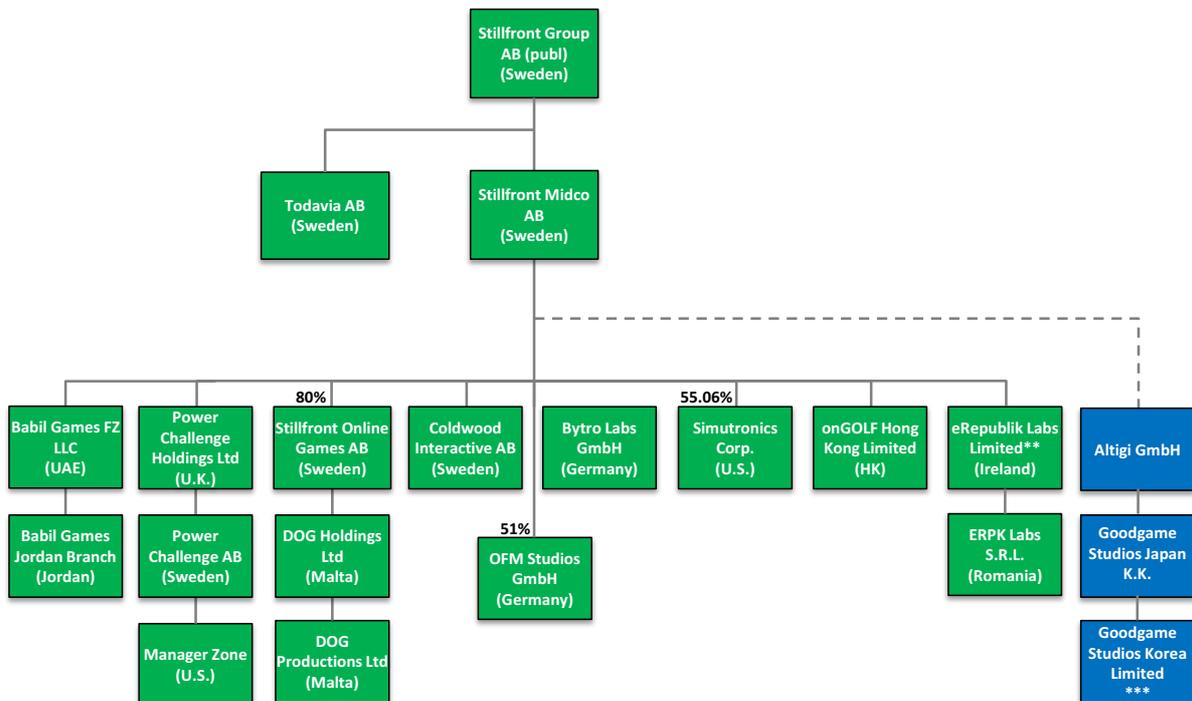
The acquisition of Goodgame Studios will significantly strengthen Stillfront’s market position and game portfolio. The two companies are active within the same game genre, focusing mainly on free-to-play strategy games. The combination of Stillfront’s broad portfolio with Goodgame Studios’ two blockbuster IPs makes the portfolios great complements. Furthermore, the strategy genre typically sees a sticky customer base and long game life cycles, enabling steady revenue streams with additional upside from new game launches. The combined group will be well-positioned to optimise and further develop its well-diversified portfolio, consisting of the established blockbuster IPs Empire and Big Farm together with Stillfront’s many smaller, highly profitable IPs.

Stillfront expects the acquisition of Goodgame Studios to result in a number of potential synergies and increased growth opportunities directly upon completion of the Transaction. The companies have identified synergies within performance-based marketing, monetisation, shared use of technology as well as cost reductions. Achieving these synergies will result in an enhanced profitability within the combined group.

## Legal Structure of the New Group

Assuming that the Acquisition is completed, Goodgame Studios will be transferred to and owned by the Company's wholly-owned subsidiary Stillfront Midco AB. The shares in Goodgame Studios will be pledged to Intertrust Sweden AB in its capacity as agent in relation to the Company's Bond. The below structure chart shows the legal structure of the New Group following a potential completion of the Acquisition:\*

The Company will be the ultimate parent company in the New Group and will continue to have several direct and indirect subsidiaries in different countries. As was the case prior to the Acquisition, a significant portion of the New Group's business will be carried out through the subsidiaries. Goodgame Studios will, as all other Subsidiaries, operate on a stand-alone basis also following a potential completion of the Acquisition. Consequently, the Company is, and will continue to be, dependent upon its subsidiaries.



\* *All members of the group are directly or indirectly wholly-owned by the Company unless otherwise indicated (in the case of Altigi and its subsidiaries, they will be directly or indirectly wholly-owned by the Company subject to completion of the Acquisition).*

\*\* *One share of eRepublik Labs. Limited is owned by the Company. The 1,999,999,999 other shares of eRepublik Labs. Limited are owned by Stillfront Midco AB.*

\*\*\**Liquidated in 2017.*

## **The Board of Directors and Senior Management of Stillfront following the Acquisition**

As part of the transaction and in order for the board of directors of Stillfront to in a better way be composed to reflect the ownership of the Company after the Transaction, Stillfront's nomination committee has, in consultation with the Sellers, nominated one board member proposed by the Sellers to be appointed by the EGM provided that the Transaction closes. The nominated board member is presented under section "Board of Directors and Management". No other changes to the board of directors of Stillfront are envisaged as a result of the Acquisition. Consequently, subject to EGM approval, the board of directors will following the Acquisition be comprised of Annette Brodin Rampe (chairman), Alexander Bricca, Mark Miller, Birgitta Henriksson, Ulrika Viklund, Sture Wikman and Christian Wawrzinek.

No changes of the senior management of Stillfront Group AB (publ) are envisaged as a result of the Acquisition.

## **New Financial Targets**

The board of directors of Stillfront has adopted new financial targets which are linked to the Company's revised group structure following completion of the Transaction. The new financial targets are as follows:

- **Growth** - Stillfront's long-term revenue growth objective is to have a yearly organic growth above market growth. In addition to growing organically, Stillfront will continue to grow through acquisitions.
- **Margin** - Stillfront's long-term profitability goal is to have an EBIT margin in excess of 30 percent
- **Dividend** - Stillfront's dividend policy is to distribute annual dividends up to 50 percent of the Group's net profit. Dividends may vary from year to year depending on M&A activity and the Group's financial position.<sup>13</sup>
- **Leverage** - Stillfront intends to maintain a Net Debt / EBITDA ratio below 1.5x. The Group may however, under certain circumstances, choose to exceed such level during short time periods.

---

<sup>13</sup> For as long as the Company's current Bond loan remains outstanding, no dividend will be paid due to dividend restrictions under the terms and conditions for the bond loan.

# Pro Forma Financial Information

## Background of the pro forma financial information

Stillfront intends to acquire Goodgame Studios on 9 January 2018. Goodgame Studios will be acquired for the total consideration of 270 MEUR, equivalent of 2 681.9 MSEK.<sup>14</sup> The consideration consists of 390 MSEK, equivalent of 39.3 MEUR<sup>14</sup> financed within the existing limit of an existing corporate bond of Stillfront, and the remaining 230.7 MEUR, equivalent of 2 291.9 MSEK,<sup>14</sup> through approximately 16.9 million newly issued shares. The acquisition is classified as a reverse acquisition in accordance with IFRS 3, mainly on the basis that Goodgame Studios operationally is the larger company and that Goodgame Studios' existing shareholders will control a larger number of shares and votes in the new group, than Stillfront's existing shareholders. Hence, the pro forma financial information is presented with Goodgame Studios as the accounting acquirer, even though Stillfront is the legal acquirer. The new combined group will continue under the name of Stillfront, meaning that the use of "Stillfront" in this pro forma financial information means Stillfront Group AB or the new group that will be formed by the acquisition.

## Purpose of the pro forma financial information

The transaction will have a direct effect on Stillfront's future earnings, financial position and cash flows. Therefore Stillfront has prepared pro forma financial information as of and for the nine-month period ended 30 September 2017 to illustrate the effect that the acquisition might have had on Stillfront if the acquisition had been completed on an earlier date. For purposes of the pro forma income statement the acquisition is assumed to have been completed as of January 1, 2017 and for the purpose of the pro forma statement of financial position the acquisition is assumed to have taken place as of September 30, 2017.

The pro forma financial information describes a hypothetical situation and has been prepared for illustrative purposes only. The pro forma financial information does not include all of the information required for financial statements under IFRS.

Moreover, the pro forma financial information may not necessarily reflect Stillfront's actual results of operations or financial position if the acquisition had actually been completed on such earlier date and such pro forma financial information should not be considered to be indicative of Stillfront's results of operations for any future period. Accordingly, potential investors should not pay undue attention to the pro forma financial information.

## Basis for the pro forma financial information

### *Basis for preparation*

The pro forma financial information is prepared based on the principles of the Prospectus Regulation 809/2004/EC.

### *Accounting policies*

The pro forma financial information has been prepared in accordance with Stillfront's accounting policies under IFRS, as described in Stillfront's 2016 Annual Report, which are the accounting policies the new group expects to apply in the future. New or amended accounting standards that are not applicable as of 2017 have not been considered in the pro forma financial information. Those standards might impact future financial reports of the new group.

Goodgame Studios prepares its external financial statements according to German GAAP. However, Goodgame Studios also prepares financial statements in accordance with IFRS. An analysis of the differences in applying IFRS between Stillfront and Goodgame Studios has been performed. The difference identified is that Stillfront and Goodgame Studios apply different methods to recognize revenue under IFRS. For the purpose of this pro

---

<sup>14</sup> FX-rate SEK/EUR 9.9329 as of December 6

forma financial information Goodgame Studios has prepared internal reports in accordance with the revenue recognition method used by Stillfront.

#### *Supporting documents*

Stillfront - published interim report as of and for the nine-month period ending September 30, 2017 reviewed by the Company's auditor. The report has been prepared in accordance with IAS 34.

Goodgame Studios – internal reports as of and for the nine-month period ending September 30, 2017, according to IFRS.

#### *Currency*

The pro forma financial information is presented in SEK, which is Stillfront's presentation currency. The income statement and statement of financial position of Goodgame Studios are presented in EUR and have been converted into SEK. For the purposes of the pro forma income statement, the average SEK/EUR exchange rate during the nine-month period January 1 – September 30, 2017 of 9.580 has been used. For the purposes of the pro forma statement of financial position, the exchange rate as of September 30, 2017 of SEK/EUR 9.567 has been used.

All FX-rates used are obtained from the Swedish Central Bank.

#### *Synergies and integration costs*

No pro forma adjustments have been made for synergies or integration costs in the pro forma financial information.

#### **Assumptions for the pro forma financial information**

##### *Preliminary Purchase Price Allocation (PPA)*

The preliminary PPA performed as of December 4, 2017 with Stillfront as the target is based on an implicitly calculated total consideration transferred of 873.0 MSEK. In total, 218.0 MSEK of intangible assets has been identified and adjusted for, and will be amortized over the economic life of the respective intangible assets. The PPA is as follows:

<b>Preliminary PPA</b>	<b>MSEK</b>	<b>Economic life</b>
Game titles	47.0	5-10
Developed technology	119.4	5
In development	12.6	5
Customer relationships	39.0	5
Deferred tax liability	-48.0	
<b>Total intangible assets</b>	<b>170.0</b>	
Other net assets	-173.5	
<b>Total net assets</b>	<b>-3.5</b>	
<b>Total consideration</b>	<b>873.0</b>	
Goodwill	876.5	

The preliminary PPA is conducted on Stillfront as the target due to the reverse acquisition. An implicit calculation gives a hypothetical total consideration of 873.0 MSEK. Compared to total net assets of negative 3.5 MSEK, the recognized goodwill is 876.5 MSEK.

### Financing of the acquisition

According to the Acquisition Agreement, Goodgame Studios will be acquired for the total consideration of 270 MEUR (2 681.9 MSEK<sup>15</sup>), partly financed by a new share issue and partly by a cash payment. In accordance with the Acquisition Agreement the new share issue corresponds to 230.7 MEUR (2 291.9 MSEK<sup>15</sup>). A volume weighted average price of Stillfront's shares on Nasdaq First North during the five (5) trading days prior to signing of the Acquisition Agreement (6 December 2017), the day of signing included, with a discount amounting to 5 per cent, of 135.87 SEK and a FX-rate of 9.3929 SEK/EUR as of 6 December 2017 is used, which renders approximately 16.9 million issued shares. The cash payment of 390 MSEK will be financed within the existing limit of an existing corporate bond of Stillfront, which is issued at a premium of 101% of the nominal amount. The interest rate for the bond is variable (Stibor 3M + 7.5%) with a maturity of three years. For the purpose of the pro forma, Stibor as of 6 December 2017 is used to calculate the interest for the period.

### Dividend payment

In accordance with the Acquisition Agreement, a dividend payment from Goodgame Studios to the current owners will be executed prior to the acquisition. Goodgame Studios will remain sufficiently funded to a level that it may still carry out its business operations consistent with past practice. An analysis of the difference between the normal working capital and the current working capital serves as the basis for the amount of the dividend payment. The dividend payment will result in an adjustment reducing Cash and bank. The reduction of cash generates less interest income. Based on the current interest rate level, the reduction of interest income is assessed to be immaterial and therefore no adjustment will be recognized.

### Tax

TAX effects have been calculated for each of the adjustments that are deemed to be tax-deductible expenses and taxable income. The adjustments relating to Goodgame Studios has been calculated using the corporate tax rate in Germany (32.25%). The adjustments relating to Stillfront has been calculated using the corporate tax rate in Sweden (22%). The tax effects in the pro forma financial information might differ from actual tax effects when the transaction is executed pending on the current tax in the respective entity as well as the respective country where intangible assets are located.

### Pro forma Income Statement for the period January 1 – September 30, 2017

Million	Altigi, € IFRS Unaudited	Altigi, SEK IFRS Unaudited	Stillfront, SEK IFRS Unaudited	Adjustments SEK Unaudited	Notes	Pro forma income statement SEK Unaudited
Net revenues	71.1	681.5	112.7	-		794.2
Other revenues	0.8	7.9	3.5	-		11.4
<b>Total Operating Revenues</b>	<b>72.0</b>	<b>689.4</b>	<b>116.2</b>	<b>0.0</b>		<b>805.6</b>
General operating expenses	-43.0	-412.2	-79.2	-	A1	-491.4
Depreciation, amortization and write-downs	-6.6	-63.2	-17.6	-12.9	D2	-93.8
<b>Adjusted Operating result</b>	<b>22.3</b>	<b>214.0</b>	<b>19.4</b>	<b>-12.9</b>	H	<b>220.5</b>
Transaction costs	-	-	-	-74.1	A2, E1	-74.1
Restructuring costs	-4.8	-45.9	-	-	A2	-45.9
<b>Operating result</b>	<b>17.5</b>	<b>168.1</b>	<b>19.4</b>	<b>-87.0</b>		<b>100.5</b>
Financial income	0.0	0.0	0.6	-		0.6
Financial expenses	-	-	-8.6	-23.2	B1, E3	-31.8
Total financial items	0.0	0.0	-8.0	-23.2		-31.2
<b>Operating result after financial items</b>	<b>17.6</b>	<b>168.1</b>	<b>11.4</b>	<b>-110.2</b>		<b>69.3</b>
Taxes for the period	-5.9	-56.4	-2.6	8.0	F	-51.0
<b>Net result for the period</b>	<b>11.7</b>	<b>111.7</b>	<b>8.8</b>	<b>-102.3</b>		<b>18.2</b>

<sup>15</sup> FX-rate SEK/EUR 9.9329 as of December 6

## Pro forma statement of financial position as of September 30, 2017

Million	Altigi, €	Altigi, SEK	Stillfront	Adjustments	Notes	Pro forma Balance Sheet Unaudited
	IFRS Unaudited	IFRS Unaudited	SEK IFRS Unaudited	SEK Unaudited		
Other intangible assets	15.6	148.8	106.6	111.4	D1	366.8
Goodwill	-	-	252.6	623.9	D1	876.5
<b>Intangible non current assets</b>	<b>15.6</b>	<b>148.8</b>	<b>359.2</b>	<b>735.3</b>		<b>1 243.3</b>
<b>Tangible non current assets</b>	<b>1.1</b>	<b>10.6</b>	<b>1.1</b>	-		<b>11.7</b>
Deferred tax assets	-	-	8.2	-		8.2
Non current receivables	-	-	4.8	-		4.8
<b>Current receivables</b>	<b>6.2</b>	<b>59.6</b>	<b>22.6</b>	-		<b>82.2</b>
Cash and bank	25.1	239.8	71.1	-234.0	B2, C, E2	76.9
<b>Total assets</b>	<b>48.0</b>	<b>458.8</b>	<b>467.0</b>	<b>501.3</b>		<b>1 427.1</b>
<b>Shareholders' equity</b>						
Share capital	0.1	0.7	4.5	11.1	G1	16.3
Other shareholders' equity	30.6	292.9	176.9	7.7	B2, C, D1, E1, E2, G2	477.5
<b>Total Shareholder's equity</b>	<b>30.7</b>	<b>293.6</b>	<b>181.4</b>	<b>18.8</b>		<b>493.8</b>
<b>Non-current liabilities</b>	<b>2.8</b>	<b>26.7</b>	<b>264.1</b>	<b>408.4</b>	B2, D1, E2	<b>699.3</b>
<b>Current liabilities</b>	<b>14.5</b>	<b>138.5</b>	<b>21.5</b>	<b>74.0</b>	E1	<b>234.0</b>
<b>Total Liabilities and Shareholder's equity</b>	<b>48.0</b>	<b>458.8</b>	<b>467.0</b>	<b>427.3</b>		<b>1 427.1</b>

### Notes to the pro forma financial information

#### *Adjustments for differences in presentation format*

A - The pro forma financial information is presented in a condensed format compared to Stillfront's original presentation format. Adjustments have been made to Stillfront's presentation format to be more transparent and suitable for the purpose of the pro forma financial information for the new group.

A1 - Internally accrued during the year of 23 MSEK, Other operating expenses of 52.3 MSEK, Personnel expenses of 49.8 MSEK, and Other expenses of 0.1 MSEK in Stillfront's income statement have been reclassified as General operating expenses in the pro forma income statement.

A2 – Transaction costs and Restructuring costs are considered non-recurring and are shown separately in order to present a representative pro forma Adjusted operating result.

#### *Acquisition-related adjustments*

##### *B Financing*

B1 - The acquisition is financed partly through a new share issue and partly through cash payment that Stillfront is financing within the existing limit of an existing corporate bond of Stillfront. According to the terms and conditions for the bond, the interest rate for the bond is variable (Stibor 3M (-0.61% per December 6) + 7.5%) with maturity of three years. If Stibor is negative the bond runs with interest rate corresponding to the margin (7.5%). An adjustment of negative 21.7 MSEK is recognized to account for the additional financing costs. The adjustment has a continuing impact.

B2 – Adjustment of 393.9 MSEK refers to the cash received through the bond issue. The cash consideration of 390 MSEK is transferred to the former shareholders of Goodgame Studios as part of the total consideration and has been eliminated accordingly in Other shareholder's equity.

##### *C Dividend payment*

In accordance with the Acquisition Agreement, a dividend payment of 21.7 MEUR (equivalent of 207.9 MSEK) from Goodgame Studios to the current owners is executed prior to the acquisition. The adjustment is reducing Cash and bank and Other shareholder's equity.

#### *D Intangible assets*

D1 - The following intangible assets were identified in the acquisition analysis; Game titles, Developed technology, In development technology, and Customer relationships. The total fair value of the intangibles amounts to 218.0 MSEK, which results in a deferred tax liability of 48.0 MSEK (based on the Swedish corporate tax rate of 22%). Based on the PPA, the goodwill amounts to 876.5 MSEK. The original recognized goodwill of 252.6 MSEK and intangible assets (Capitalized development expenses of 68.2 MSEK, Game titles of 38.4 MSEK and deferred tax liability of 23.5 MSEK) of Stillfront are eliminated accordingly.

D2 - Amortization of these assets, save for goodwill which is not amortized, is made on a straight-line basis over the estimated economic life of the assets. The estimated economic life is presented in the preliminary PPA table above. The amortizations (based on fair value) from January 1 to September 30, 2017 amounts to 30.5 MSEK and have been adjusted in the pro forma income statement. The amortizations and write-downs of 17.6 MSEK for the intangible assets recognized by Stillfront (based on book value) are correspondingly eliminated. The net effect in the pro forma income statement is negative 12.9 MSEK. The pro forma adjustment has a continuing impact.

#### *E Transaction costs*

Adjustments are recognized in the pro forma income statement as well as the pro forma statement of financial position for the estimated transaction costs for the acquisition and the related bond and share issues.

E1 - The estimated costs for the acquisition are adjusted with an increase of 74.1 MSEK in Transaction costs in the pro forma income statement and with an increase of 74.0 MSEK in Current liabilities and reduction with 74.0 MSEK in Other shareholders' equity in the pro forma statement of financial position. As the transaction costs are not tax deductible, no tax effect is recognized for the adjustment. The adjustment does not have a continuing impact.

E2 - The estimated costs of 30 MSEK for the bond (10 MSEK) and share issue (20 MSEK) are adjusted for in Cash and bank of negative 30 MSEK, Other shareholders' equity of negative 20 MSEK and Other interest bearing securities of negative 10 MSEK. No tax effect is recognized for the adjustment. The adjustment does not have a continuing impact.

E3 - The estimated costs of 10 MSEK for the bond issue as well as the premium of 3.9 MSEK are amortized over the life of the bond (three years). For the nine months in 2017 a cost of 1.5 MSEK is adjusted for in Financial expenses in the pro forma income statement. The pro forma adjustment has a continuing impact.

#### *F TAX effects*

TAX effects have been calculated for each of the adjustments that are deemed to be tax-deductible expenses and taxable income. The adjustments relating to Goodgame Studios has been calculated using the corporate tax rate in Germany (32.25%). The adjustments relating to Stillfront has been calculated using the corporate tax rate in Sweden (22%).

#### *G Equity*

G1 – Adjustments of 11.1 MSEK has been recognized in Share capital to reflect the share capital of the legal parent, including the equity interests issued by the legal parent to effect the combination.

G2 – Adjustments of 7.7 MSEK has been recognized in Other shareholders' equity. The adjustments consist of an elimination of Stillfront's other shareholders' equity of positive 178.0 MSEK, an elimination of negative 15.6 MSEK which reduces Other shareholders' equity and increases Share capital in accordance with G1 above, an elimination of the cash dividend of negative 21.7 MEUR (equivalent of 207.9 MSEK) as described in note C, an elimination of negative 335.7 MSEK for the original recognized goodwill, intangible assets and related deferred tax liabilities as described in note D1, an increase for the total consideration of 873.0 MSEK, an elimination of the cash consideration of negative 390 MSEK as described in note B2, and an elimination of the estimated transaction costs of negative 94.0 MSEK as described in note E1 and E2.

#### *H Alternative Performance Measurements*

Adjusted Operating result is defined as the reported operating result before Transaction costs and Restructuring costs. Stillfront believes that Adjusted Operating result is a useful measure for showing the profit generated by the operating activities excluding Transaction costs and Restructuring costs, as such costs are not considered to be indicative of the new group's future operations.

#### *Intra-group transactions*

There were no transactions between Stillfront and Goodgame Studios during the period and hence no adjustment is needed.

## **The auditor's report on the pro forma financial information**

**To the Board of Directors in Stillfront Group AB, corporate identity number 556721-3078**

### **The Auditor's Report on Pro Forma Financial Information**

We have audited the pro forma financial information set out on pages 33-38 in Stillfront Groups AB:s information memorandum dated 21 December 2017.

The pro forma financial information has been prepared for illustrative purposes only to provide information about how the consolidated income statement and statement of financial position of the Stillfront Group would have been affected if the acquisition would have taken place on Jan 1, 2017 respective Sep 30, 2017.

#### *The Board of Directors' responsibility*

It is the Board of Directors' responsibility to prepare the pro forma financial information based on the principles of the Prospectus Regulation (EC) No 809/2004.

#### *The auditor's responsibility*

It is our responsibility to provide an opinion based on the principles in Annex II item 7 of Prospectus Regulation 809/2004/EC. We are not responsible for expressing any other opinion on the pro forma financial information or of any of its constituent elements. In particular, we do not accept any responsibility for any financial information used in the compilation of the pro forma financial information beyond that responsibility we have for auditor's reports regarding historical financial information issued in the past.

#### *Work performed*

We performed our work based on FAR's Recommendation RevR 5 Examination of Prospectuses. This recommendation requires that we comply with FAR's ethical requirements and have planned and performed the audit to obtain reasonable assurance that the financial statements are free from material misstatements. The firm applies ISQC 1 (International Standard on Quality Control) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We are independent of Stillfront Group AB in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the historical information, assessing the evidence supporting the pro forma adjustments and discussing the pro forma financial information with the management of the company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to obtain reasonable assurance that the pro forma financial information has been compiled on the basis stated on pages 33-38, and in accordance with the accounting principles applied by the company.

#### *Opinion*

In our opinion the pro forma financial information has been properly compiled on the basis stated on pages 33-38 and in accordance with the accounting principles applied by the company.

Stockholm, December 21, 2017

Mazars SET Revisionsbyrå AB

Michael Olsson

Authorised Public Accountant

# Board of Directors and Management

A brief introduction to the Company's board of directors, including the candidate proposed for election on the extraordinary general meeting on 9 January 2018, and the senior management of the Group is set forth below. More information about the individuals presented below can be found on the Company's website.

## Board of Directors

### Annette Brodin Rampe, Chair of the Board

*Born 1962. Chair since 2017 and board member since 2016.*

**Other current positions:** Board member of HerCare Sweden AB and Ferronordic Machines AB. Board member and managing director of Hus1 AB, Jobb1 AB and Sund1 AB. Deputy board member of BRNSWK Nordic AB. Partner with Brunswick Group.

Annette Brodin Rampe has been appointed CEO of Internationella Engelska Skolan i Sverige Holdings II AB as from 1 March 2018.

**Holdings of financial instruments in Stillfront:** 9,677 shares (held through a legal entity).

**Independent in relation to major shareholders:** Yes

**Independent in relation to the Company and management:** Yes

### Alexander Bricca, Board Member

*Born 1976. Board member since 2008.*

**Other current positions:** Deputy board member of Coldwood Interactive AB.

Alexander Bricca has agreed with Paradox Interactive AB to assume the position as CFO of Paradox Interactive AB. He will enter the position within six months. Alexander Bricca has therefore announced that he will leave his board assignments in Stillfront and Coldwood Interactive. The Nomination Committee takes note of this in its nomination work before the Annual General Meeting to be held in May 2018.

**Holdings of financial instruments in Stillfront:** 4,194 shares.

**Independent in relation to major shareholders:** Yes

**Independent in relation to the Company and management:** Yes

### Mark Miller, Board Member

*Born 1973. Board member since 2016.*

**Other current positions:** Managing Director of CatCap GmbH.

**Holdings of financial instruments in Stillfront:** 0.

**Independent in relation to major shareholders:** Yes

**Independent in relation to the Company and management:** No

### Birgitta Henriksson, Board Member

*Born 1963. Board member since 2017.*

**Other current positions:** Partner with Brunswick Group.

**Holdings of financial instruments in Stillfront:** 2,250 shares.

**Independent in relation to major shareholders:** Yes

**Independent in relation to the Company and management:** Yes

### Ulrika Viklund, Board Member

*Born 1981. Board member since 2017.*

**Other current positions:** Board member of GodEl i Sverige AB, Idea2Innovation Sweden AB, Adgie Consulting AB, House Be i Åre AB and My Academy Sweden AB. Board member and managing director House Be Holding AB. Board member and deputy managing director of Magine Media Investments AB, Magine Sweden AB and Magine AB. Managing director of Magine Holding AB.

**Holdings of financial instruments in Stillfront:** 0.

**Independent in relation to major shareholders:** Yes

**Independent in relation to the Company and management:** Yes

## **Sture Wikman, Board Member**

---

*Born 1954. Board member since 2017.*

**Other current positions:** Chairman and managing director of Precima Production Aktiebolag. Board member and managing director of Naeco AB, Naeco Fastighet AB, Naeco Stall Y AB.

**Holdings of financial instruments in Stillfront:** 43,693 shares.

**Independent in relation to major shareholders:** Yes

**Independent in relation to the Company and management:** Yes

## **Christian Wawrzinek (proposed to be elected at the EGM)**

---

*Born 1980.*

**Other current positions:** Founder, Managing Director and Chief Strategy Officer of Goodgame Studios.

**Holdings of financial instruments in Stillfront:** None at present. For holdings following a potential completion of the Acquisition, please see section "Share Capital and Ownership Structure".

**Independent in relation to major shareholders:** No<sup>16</sup>

**Independent in relation to the Company and management:** No<sup>17</sup>

---

<sup>16</sup> Information assumes completion of the Acquisition.

<sup>17</sup> Information assumes completion of the Acquisition.

## Senior Management

### Jörgen Larsson, CEO

Born 1964. CEO in Stillfront since 2015.

**Other current positions:** Board member and Managing Director of Mind Improvement Group Scandinavia AB. Board member of Idecap AB, Sontagh & Larsson Investment Strategy AB, Coldwood Interactive AB, Stillfront Midco AB, Stillfront Online Games AB and Power Challenge AB. Deputy board member of 4P Business Consulting AB and Sandhammaren Utveckling AB.

**Holdings of financial instruments in Stillfront:** 208,106 shares (held through legal entities) and 60,000 warrants.

### Sten Wranne, CFO

Born 1961. CFO in Stillfront since 2010, full time since 2015.

**Other current positions:** Board member of Power Challenge Holding Ltd, Black Ocean Development Aktiebolag, Deseven International Aktiebolag, Pamplemousse Holding AB, F2NS Holding AB, D702 Invest AB and Black Ocean Invest AB. Deputy board member of Influence AB, Power Challenge AB, Stillfront Online Games AB, and Stillfront Midco AB. Deputy board member and managing director of Deseven Capital Aktiebolag.

**Holdings of financial instruments in Stillfront:** 87,243 shares (held through legal entities) and 40,000 warrants.

### Mohammad J Fahmi

Born 1985. CEO and founder of Babil Games LLC.

**Other current positions:** -

**Holdings of financial instruments in Stillfront:** 109,196 shares.

### AJ Fahmi

Born 1981. COO and founder of Babil Games LLC.

**Other current positions:** -

**Holdings of financial instruments in Stillfront:** 58,797 shares.

### Hubertus Thonhauser

Born 1968. Founder of Babil Games LLC.

**Other current positions:** Member of the board of directors of Stadtcasino Baden AG (Switzerland).

**Holdings of financial instruments in Stillfront:** 177,302 shares.

### Tobias Kringe

Born 1980. Managing Director of Bytro Labs GmbH since 2009.

**Other current positions:** Managing Director of FKL Holding GmbH.

**Holdings of financial instruments in Stillfront:** 310,086 shares (held through a legal entity).

### Felix Faber

Born 1980. Managing Director (Operations) of Bytro Labs GmbH since 2009.

**Other current positions:** Managing Director (Operations) of FKL Holding GmbH.

**Holdings of financial instruments in Stillfront:** 310,086 shares (held through a legal entity).

### Christopher Lörken

Born 1980. Managing Director (Technology) of Bytro Labs GmbH since 2009.

**Other current positions:** Managing Director (Technology) of FKL Holding GmbH.

**Holdings of financial instruments in Stillfront:** 310,086 shares (held through a legal entity).

### Christopher Holmberg

Born 1977. Studio Manager of Coldwood Interactive AB since 2003.

**Other current positions:** Board member of Aktiebolaget Norra Teknikinvest.

**Holdings of financial instruments in Stillfront:** 20,000 shares.

### Jakob Marklund

Born 1973. Technical Director of Coldwood Interactive AB since 2003.

**Other current positions:** -

**Holdings of financial instruments in Stillfront:**  
21,812 shares.

#### **David Whatley**

---

Born 1966. Founder and CEO of Simutronics since 1987.

**Other current positions:** President Critical Thought Games, LLC.

**Holdings of financial instruments in Stillfront:**  
18,851 shares (held through a legal entity) and 10,000 incentive stock options.

#### **Alexis Bonte**

---

Born 1976. Founder and CEO of eRepublik since 2007.

**Other current positions:** Executive in Residence (XiR) at Atomico. Non-executive board member in several companies (internet, healthcare and real estate). Non-executive chairman of www.trilulilu.ro and Zonga.fm.

**Holdings of financial instruments in Stillfront:**  
76,054 shares.

## **Changes of Senior Management following the Acquisition**

No changes of the senior management of Stillfront Group AB (publ) are envisaged as a result of the Acquisition.

No changes of the senior management of Goodgame Studios are envisaged as a result of the Acquisition. The management of Goodgame Studios is presented below.

#### **Kai Wawrzinek**

---

Born 1976. Founder, managing director and Chief Executive Officer of Goodgame Studios since 2009

*Other current positions:* -

**Holdings of financial instruments in Stillfront:** None at present. For holdings following a potential completion of the Acquisition, please see section "Share Capital and Ownership Structure".

#### **Christian Wawrzinek**

---

Born 1980. Founder, managing director and Chief Strategy Officer of Goodgame Studios since 2009

*Other current positions:* -

**Holdings of financial instruments in Stillfront:** None at present. For holdings following a potential completion of the Acquisition, please see section "Share Capital and Ownership Structure".

## **Conflicts of Interest within Administrative, Management and Control Bodies**

Other than as set out below, there are no conflicts of interest between the duties of the board members or members of senior management in respect of the Company or the Subsidiaries and their private interests or other commitments.

Several members of the Board of Directors of the Company and members of the senior management of the New Group have or will, following the Acquisition have, certain financial interests in the Company as a consequence of the holdings, direct or indirect, of shares in the Company. While the Company recognises the potential conflicts, the Company does not believe that such appointments constitute an actual conflict of interest between such persons' duties to the Company.

Mohammad J Fahmi and AJ Fahmi are brothers. Kai Wawrzinek and Christian Wawrzinek are brothers. Other than that, there are no family ties between any of the board members or members of the senior management of the New Group.

## Share Capital and Ownership Structure

### Share capital of the Company

As at 21 December 2017, the Company's share capital amounted to SEK 4,497,505.60 divided among 6,425,008 shares. The shares are denominated in SEK. Since 8 December 2015, the Company's shares are traded on Nasdaq First North, with trading symbol SF and ISIN: 5E0007704788. Since 29 June 2017, the Company's shares are traded on Nasdaq First North Premier. As at 30 September 2017, there were approximately 1,500 shareholders in the Company.

The following table shows the principal shareholders of shares in the Company as at 30 September 2017:

Shareholder	Number of Shares	Proportion of Share Capital	Proportion of Voting Capital
FKL Holding GmbH*	930,257	14.48%	14.48%
Swedbank Robur Fonder	493,102	7.67%	7.67%
Prioritet Finans	253,272	3.94%	3.94%
Idinvest Partners	230,681	3.59%	3.59%
Avanza Pension	215,385	3.35%	3.35%
Idecap AB	204,836	3.19%	3.19%
Hubertus Thonhauser	177,302	2.96%	2.96%
IQ Capital**	175,174	2.73%	2.73%
Nordnet Pensionsförsäkring	172,889	2.69%	2.69%
Niclas Eriksson	135,889	2.27%	2.27%
Other Shareholders	3,436,221	53.48%	53.48%
<b>Total:</b>	<b>6,425,008</b>	<b>100.00%</b>	<b>100.00%</b>

\* Owned by 33.33% each by Felix Faber, Christopher Lörken and Tobias Kringe.

\*\* According to press release 10 October 2017, IQ Capital has divested all shares in the Company.

The board of directors of Stillfront has proposed that the EGM resolves to issue 16,868,623 new Consideration Shares to the Sellers as partial consideration for shares in Goodgame Studios. As part of the Transaction, 8,360,154 of the Consideration Shares will be acquired by a number of investors having committed to acquire shares from the owners of Altigi subsequent to, and conditional upon, completion of the Transaction. The Placing is made at a price per share equal to the price per share in the issue of the Consideration Shares. Settlement of the Placing will occur as soon as possible after the EGM to be held on 9 January 2018.

The following table shows the ownership structure following a potential completion of the Acquisition and the Placing:

Shareholder	Number of Shares	Proportion of Share Capital	Proportion of Voting Capital
Laureus Capital*	6,283,475	26.98%	26.98%
Swedbank Robur Fonder	2,185,896	9.38%	9.38%
Första AP-fonden	1,839,994	7.90%	7.90%
Global Founders Capital	1,276,246	5.48%	5.48%
Handelsbanken Fonder	1,068,521	4.59%	4.59%
FKL Holding GmbH**	930,257	3.99%	3.99%
Carnegie Fonder	919,997	3.95%	3.95%
Prioritet Finans	474,071	2.04%	2.04%
Niclas Eriksson/Vasastaden	467,087	2.01%	2.01%
Novobis	374,399	1.61%	1.61%
Other Shareholders	7,473,688	32.08%	32.08%
<b>Total:</b>	<b>23,293,631</b>	<b>100.00%</b>	<b>100.00%</b>

\* Owned by 50% each by Kai Wawrzinek and Christian Wawrzinek.

\*\* Owned by 33.33% each by Felix Faber, Christopher Lörken and Tobias Kringe.

#### *Exemption from mandatory bid obligation*

Laureus Capital GmbH currently does not own any shares in Stillfront. When the Consideration Shares have been issued to Laureus Capital GmbH, and prior to the Placing, Laureus Capital GmbH will hold 53.5 per cent of the shares and votes in Stillfront. Subsequent to the closing of the Placing, Laureus Capital GmbH will hold approximately 27.0 per cent of the shares and votes of Stillfront. The acquisition of the shares in Stillfront will therefore trigger a mandatory bid obligation for Laureus Capital GmbH under the Takeover Rules for Certain Trading Platforms adopted by the Swedish Corporate Governance Board (Sw. *Kollegiet för svensk bolagsstyrning*). The Swedish Securities Council (Sw. *Aktiemarknadsnämnden*) has in its statement 2017:39 resolved to exempt Laureus Capital GmbH from such mandatory bid obligation subject to that the resolution to issue the Consideration Shares is supported by shareholders representing not less than two-thirds of both the votes cast and of the shares represented at the EGM and that any shares held by Laureus Capital GmbH shall be disregarded at the counting of votes, and that the shareholders before the EGM are informed of the highest percentage of the shares and votes that Laureus Capital GmbH can reach by subscribing to the relevant shares.

The following table shows shares in the Company owned directly or indirectly by management and/or the Board of Directors as at 30 September 2017:

Shareholder	Number of Shares	Proportion of Share Capital	Proportion of Voting Capital
Tobias Kringe*	310,085.67	4.83%	4.83%
Felix Faber*	310,085.67	4.83%	4.83%
Christopher Lörken*	310,085.67	4.83%	4.83%
Jörgen Larsson**	208,106	3.24%	3.24%
Hubertus Thonhauser	177,302	2.76%	2.76%
MJ Fahmi	109,196	1.70%	1.70%
Sten Wranne***	87,243	1.36%	1.36%
Alexis Bonte	76,054	1.18%	1.18%
AJ Fahmi	58,797	0.92%	0.92%
Sture Wikman	43,693	0.68%	0.68%
Jakob Marklund	21,812	0.34%	0.34%
Christopher Holmberg	20,000	0.31%	0.31%
David Whatley	18,851	0.29%	0.29%
Annette Brodin Rampe****	9,677	0.15%	0.15%
Alexander Bricca	4,194	0.07%	0.07%
Birgitta Henriksson	2,250	0.04%	0.04%
<b>Total:</b>	<b>1,767,432</b>	<b>27.51%</b>	<b>27.51%</b>

\* Each of Tobias Kringe, Felix Faber and Christopher Lörken owns 33.33% of FKL Holding GmbH, which owns 930,257 shares in the Company.

\*\* Jörgen Larsson owns 100% of IdeCap AB, which holds 204,836 shares in the Company. Further, Jörgen Larsson owns 50% of Sonthag & Larsson Investment Strategy AB, which holds 6,540 shares in the Company.

\*\*\* 6,540 shares held through an endowment insurance, 80,703 shares held by Lacebark Consultants Ltd, 100% owned by Sten Wranne.

\*\*\*\* Held through Sund 1 AB, where Annette Brodin Rampe is the sole shareholder.

The following table shows the shares in the Company owned directly or indirectly by management and/or the Board of Directors following a potential completion of the Acquisition and the Placing:

Shareholder	Number of Shares	Proportion of Share Capital	Proportion of Voting Capital
Kai Wawrzinek*	3,141,737.5	13.49%	13.49%
Christian Wawrzinek*	3,141,737.5	13.49%	13.49%
Tobias Kringe**	310,085.67	1.33%	1.33%
Felix Faber**	310,085.67	1.33%	1.33%
Christopher Lörken**	310,085.67	1.33%	1.33%
Jörgen Larsson***	208,106	0.89%	0.89%
Hubertus Thonhauser	177,302	0.76%	0.76%
MJ Fahmi	109,196	0.47%	0.47%
Sten Wranne****	87,243	0.37%	0.37%
Alexis Bonte	76,054	0.33%	0.33%
AJ Fahmi	58,797	0.25%	0.25%
Sture Wikman	43,693	0.19%	0.19%
Jakob Marklund	21,812	0.09%	0.09%
Christopher Holmberg	20,000	0.09%	0.09%
David Whatley	18,851	0.08%	0.08%
Annette Brodin Rampe*****	9,677	0.04%	0.04%
Alexander Bricca	4,194	0.02%	0.02%
Birgitta Henriksson	2,250	0.01%	0.01%
<b>Total:</b>	<b>8,050,907</b>	<b>34.56%</b>	<b>34.56%</b>

\* Each of Kai Wawrzinek and Christian Wawrzinek owns 50% of Laureus Capital GmbH, which will following completion of the Acquisition and the Placing hold 6,283,475 shares in the Company.

\*\* Each of Tobias Kringe, Felix Faber and Christopher Lörken owns 33.33% of FKL Holding GmbH, which owns 930,257 shares in the Company.

\*\*\* Jörgen Larsson owns 100% of IdeCap AB, which holds 204,836 shares in the Company. Further, Jörgen Larsson owns 50% of Sonthag & Larsson Investment Strategy AB, which holds 6,540 shares in the Company.

\*\*\*\* 6,540 shares held through an endowment insurance, 80,703 shares held by Lacebark Consultants Ltd, 100% owned by Sten Wranne.

\*\*\*\*\*Held through Sund 1 AB, where Annette Brodin Rampe is the sole shareholder.

# Corporate Governance and Legal Considerations

## Corporate Governance

The Company's corporate governance is governed by Swedish legislation and regulations such as the Swedish Companies Act (Sw. *aktiebolagslagen (2005:551)*), the Swedish Accounting Act (Sw. *bokföringslagen (1999:1078)*) and the Swedish Annual Reports Act (Sw. *årsredovisningslagen (1995:1554)*). The Company applies the First North Rulebook. The Company further adheres to the Swedish Corporate Governance Code (the "**Code**"). The corporate governance is exercised, *inter alia*, through the general meeting, the Board of Directors and the Managing Director. The Company's auditor, who is appointed by the annual general meeting, supervises the Company and the Group's accounts and the management of the Company by the Board of Directors and the Managing Director. The foreign subsidiaries of the Company and Goodgame Studios apply the laws and ordinances in force in the country in question.

### General Meetings and Nomination Committee

Information about previous general meetings and the nomination committee of the Company can be found on the Company's website. Notice has been issued to the upcoming extraordinary general meeting on 9 January 2018. The notice is available at the Company's website and further information is set out further below in this section.

#### *Board of Directors*

The board of directors' primary responsibility is to safeguard the Company's and the shareholders' interests. The board of directors is responsible to ensure that the Company complies with applicable laws and regulations, the articles of association and the Code. Information about the members of the board of directors is set out in section "Board of Directors and Management" above and on the Company's website.

#### *Managing Director and Executive Management*

The managing director is appointed by the board of directors and shall abide by the instructions adopted by the board of directors. The managing director is responsible for the Company's day-to-day management, which includes managing all operational aspects of the Company's business in accordance with the business plan, principles and instructions adopted by the board of directors. The managing director is furthermore responsible for the preparation and presentation of matters to be addressed by the board of directors, as well as for the execution of decisions made by the board of directors. Information about the members of the executive management is set in section "Board of Directors and Management" above and on the Company's website.

#### *Incentive Programs*

An incentive program for the management was decided upon on the extraordinary general meeting on 18 April 2017. The general meeting resolved on a directed issue of not more than 299,189 warrants. Each warrant entitles to subscription of one share in the Company, entailing an increase of the share capital of not more than SEK 209,432.30 if all warrants are exercised. The purpose of the directed issue of warrants is to constitute an incentive for the group's current and future key employees.

Each warrant entitles to the subscription of one share in the Company at a subscription price corresponding to 200 per cent of the volume weighted average price of the share from and including 3 April 2017 up to and including 18 April 2017. The subscription price may not be lower than an amount corresponding to the quota value of the shares in the Company. Subscription of shares in accordance with the terms and conditions of the warrants may take place from and including 15 May 2020 up to and including 1 June 2020. The increase of the share capital may at full exercise of the warrants amount to a maximum of SEK 209,432.30 distributed among 299,189 shares, corresponding to a pre-Transaction dilution of approximately 4.5 per cent.

### *Committees*

The board of directors of the Company has established a remuneration committee consisting of the chairman Annette Brodin Rampe and board members Alexander Bricca and Sture Wikman. The main tasks of the remuneration committee are to prepare the board's decisions on issues concerning principles for remuneration for the executive management and to monitor and evaluate programmes for variable remuneration as well as the current remuneration structures and levels in the Company.

The annual general meeting held on 19 May 2017 adopted principles for the appointment of the nomination committee. The nomination committee shall be composed of three members, who are appointed by each of the three largest shareholders in Stillfront as of the last banking day in September who wish to appoint a representative in the nomination committee. The nomination committee has resolved that the chairman of Stillfront's board of directors shall also be a member of the nomination committee. The nomination committee's tasks are to prepare and present proposals for inter alia the election of the board members an auditor as well as their remuneration. If a shareholder, who is represented in the nomination committee, during the term of the nomination committee ceases to be one of the three largest shareholders, a representative appointed by that shareholder shall offer to vacate his or her office and the shareholder who has become one of the three largest shareholders shall be offered the opportunity to appoint a member of the nomination committee. Minor changes do not have to be considered.

### *Auditors*

For information about the Company's auditors and the auditing of the historical financial information, please see section "Description of the Stillfront Group – Auditing" above.

## **Legal Considerations**

### **Material Agreements**

#### **Acquisition Agreements**

##### *Bytro Labs*

On 9 May 2016 Stillfront completed the acquisition of the remaining 49 per cent of the shares in Bytro. Stillfront entered into the share purchase agreement and acquired 51 per cent of the shares in Bytro in 2013. The purchase price, based on Bytro's sales and earnings in 2015, consisted of a combination of a cash payment and 560,724 newly issued shares in the Stillfront.

##### *Simutronics*

On 27 June 2016, Stillfront acquired 52.65 per cent of the shares in Simutronics. The purchase price amounted to in total USD 937,661, of which USD 787,635 was paid in cash and the remaining part in the form of 18 851 new issued shares in Stillfront. Furthermore, an earn-out consideration consisting partly of cash and partly of equity will be paid based on the financial performance of Simutronics during 2017. The earn-out consideration shall not exceed USD 1,805,400. In February 2017, the Company increased its ownership in Simutronics Corp. by 2.41 per cent, whereafter the Group owned 55.06 per cent of the shares in Simutronics.

##### *Babil Games*

On 13 March 2017, Stillfront completed the acquisition of all outstanding shares in Babil Games. The purchase price amounted to USD 4,500,000, of which USD 2,100,000 was paid in cash and the remaining part in the form of 355,848 newly issued shares in the Company. Further, USD 300,000 is payable by Stillfront if and when the accumulated gross revenues received by Babil Games for the sale of certain licensed games reach a certain portion of forecasted accumulated gross revenues. Furthermore, Stillfront will pay an earn-out consideration, subject to certain EBIT-targets being met, in the aggregate maximum total amount of USD 12,500,000 payable 50 per cent in cash and 50 per cent in newly issued shares in Stillfront, following the establishment of the audited annual accounts for the fiscal years 2017, 2018 and 2019. The subscription price for such newly issued shares shall correspond to the average price per share in Stillfront at Nasdaq First North during the 30 days

preceding the end of the relevant fiscal year. The earn-out consideration payable for each of the years 2017 and 2018 is capped at USD 1,700,000, however, excess amounts accumulate for subsequent years. The purchase price for the shares in Babil payable to the founders thus amounts to a maximum aggregate total of USD 17,000,000 payable 50 per cent in cash and 50 per cent in newly issued shares in Stillfront. The 355,848 newly issued shares in Stillfront that are issued to the founders upon completion are subject to customary lock-up restrictions during a period of twelve months from receipt thereof. The cash portion of the purchase price is financed through internally generated funds.

#### *Todavia*

In March 2017, Stillfront acquired an off the shelf company, Todavia AB, for the purposes of facilitating the handling of the Company's incentive programme.

#### *MidCo*

In May 2017, Stillfront acquired an off the shelf company, Stillfront Midco AB, in connection with the issue and listing of the Bonds for the sole purpose of providing a single point of enforcement in respect of a majority of the Group.

#### *eRepublik*

On 27 June 2017, Stillfront acquired all of the shares in eRepublik Labs. Limited with its wholly-owned subsidiary ERPK LABS S.R.L, a developer of online multiplayer strategy games incorporated and headquartered in Ireland but with its main operations in Bucharest, Romania. eRepublik currently has a portfolio of four games and intends to release a further two games in the next 12 months. The purchase price that Stillfront paid to the sellers of eRepublik in connection with the closing amounted to EUR 7,500,000, of which EUR 4,050,000 was paid in cash and the remaining EUR 3,450,000 in the form of 441,233 newly issued shares in Stillfront. Further, an earn-out consideration is payable by Stillfront, provided that certain targets are met, in an aggregate maximum total amount of EUR 13,000,000 out of which 50 per cent shall be paid in cash and 50 per cent in newly issued shares in Stillfront, following the approval of audited annual reports for the financial years 2017, 2018 and 2019. The subscription price for such newly issued shares shall correspond to the average price per share in Stillfront at Nasdaq First North during the 30 days preceding the end of the relevant fiscal year. The earn-out consideration shall not exceed EUR 4,333,333 for fiscal year 2017 or EUR 8,666,666 for fiscal years 2017 and 2018 together. The purchase price payable by Stillfront for eRepublik shall in aggregate not exceed EUR 20,500,000.

#### *OFM Studios*

On 18 July 2017, Stillfront acquired 51 per cent of OnlineFussballManager.de through an asset purchase. The business is conducted in the newly formed legal entity OFM Studios GmbH, which is owned to 51 per cent by Stillfront through MidCo, and is operated from Cologne, Germany. The purchase price paid by OFM Studios for assets related to OFM is EUR 639,000. Stillfront issued a loan to OFM Studios for the financing of the acquisition.

The acquisition agreements described above contain customary representations and warranties by the respective sellers of each of the acquired companies. As at the date of this Information Memorandum, no claims for breaches of warranties or other provisions under the acquisition agreements have been made.

#### *The Acquisition*

The Company has on 6 December 2017 entered into the Acquisition Agreement with the shareholders of Goodgame Studios, being Laureus Capital GmbH, Global Founders Capital GmbH & Co. Beteiligungs KG Nr. 1, Mr. Dominik Willers, Mr. Stefan Klemm, Mr. Fabian Ritter and Mr. Nikolai Lucht for the acquisition by the Company of all outstanding shares in Goodgame Studios.

The total consideration for 100 per cent of the shares in Altigi is EUR 270 million on a cash and debt free basis, excluding a dividend in Altigi of approx. EUR 21.7 million which will be distributed to its shareholders prior to completion of the Transaction. SEK 390 million will be paid in cash and financed through a tap issue of Stillfront's outstanding corporate bond loan. The cash amount will be paid in EUR based on an exchange rate agreed between the parties in connection with the signing of the Acquisition Agreement. Stillfront has hedged

the risk for currently fluctuations during the period from the signing date until the completion of the Acquisition. The remaining part of the consideration will be paid in newly issued Stillfront shares. The value of the Consideration Shares will be EUR 231 million and the price per share is based on ninety five (95) per cent of volume weighted average price per share in Stillfront on Nasdaq First North Premier during the five (5) trading days up to and including 6 December 2017, i.e. SEK 135.87. Thus, the issue of new shares will comprise of 16,868,623 shares. The Consideration Shares will represent 72.4 per cent of the total number of outstanding shares and votes in Stillfront post-Transaction. Through the issue of the Consideration Shares and the subsequent closing of the Placing, Laureus Capital GmbH will hold approximately 27.0 per cent of the outstanding shares and votes in Stillfront and Global Founders Capital GmbH will hold approximately 5.5 per cent of the outstanding shares and votes in Stillfront.

As part of the Transaction, a part of the Consideration Shares will be acquired by a number of investors having committed to acquire shares from the owners of Altigi subsequent to, and conditional upon, completion of the Transaction. The Placing amounts to 8,360,154 shares. The Placing is made at a price per share equal to the price per share in the issue of the Consideration Shares. The institutional investors which have committed to acquire shares in the Placing include Första AP-fonden (for SEK 250 million), Swedbank Robur (for SEK 230 million), Handelsbanken Fonder (for SEK 145 million) and Carnegie Fonder (for SEK 125 million). These commitments are not secured by a bank guarantee, pledge, deposit or similar arrangement.

Through the issue of the Consideration Shares and the subsequent closing of the Placing, Laureus Capital GmbH will hold approximately 27.0 per cent of the outstanding shares and votes in Stillfront and Global Founders Capital GmbH will hold approximately 5.5 per cent of the outstanding shares and votes in Stillfront.

The Consideration Shares not placed with investors in the Placing will be subject to customary lock-up provisions. The lock-up period will be 360 days following settlement of the Consideration Shares, with the exemption for 4,386,464 shares, distributed pro rata between the Sellers, which will be subject to a 180 days lock-up provision.

The Acquisition is conditional upon (i) the EGM having adopted resolutions to approve the Acquisition, change the articles of association of Stillfront and issue the Consideration Shares, as well as to appoint Christian Wawrzinek as member of Stillfront's board of directors subject to completion of the Acquisition, (ii) that Stillfront has received SEK 390 million from the tap issue under the corporate bond loan, (iii) Laureus Capital GmbH having received an exemption from the mandatory bid obligation pursuant to the Takeover Rules for Certain Trading Platforms issued by the Swedish Corporate Governance Board (Sw. *Kollegiet för Svensk Bolagsstyrning*) from the Swedish Securities Council (Sw. *Aktiemarknadsnämnden*), (iv) that the Sellers have obtained comfort on receiving a certain amount of cash proceeds from the Placing, (v) that there has not occurred any material adverse change during the period between the signing date and up until and including the completion of the Transaction with respect to Altigi or Stillfront and (vi) that each of the Sellers has opened a deposit account with Carnegie Investment Bank AB and not terminated such accounts.

If the conditions precedent are not fulfilled within a specified time period from the signing of the Acquisition Agreement, both Stillfront and the Sellers have the right to terminate the Acquisition Agreement.

The Swedish Securities Council (Sw. *Aktiemarknadsnämnden*) has in its statement 2017:39 resolved to exempt Laureus Capital GmbH from the mandatory bid obligation which arises from Laureus Capital GmbH's acquisition of shares in Stillfront, subject inter alia to that the resolution to approve the issue of the Consideration Shares is supported by shareholders representing not less than two-thirds of both the votes cast and of the shares represented at the EGM in Stillfront (see further section " Share Capital and Ownership Structure – Exemption from mandatory bid obligation" above). Since all the resolutions to be adopted by the EGM are proposed to be conditional upon each other, the board of directors has proposed that the majority requirement prescribed by the Swedish Securities Council shall be applied in relation to all resolutions related to the Acquisition proposed at the EGM.

The Acquisition Agreement contains customary representations and warranties by the Sellers relating to inter alia the financial position of Goodgame Studios, intellectual property, tax position, employees and litigation.

The closing of the Acquisition and settlement of the Placing will occur as soon as possible after the EGM to be held on 9 January 2018.

## **Guarantee Agreements**

The Company's obligations under the Bonds are guaranteed by certain guarantors pursuant to guarantee agreements (each a "**Guarantee Agreement**"). Subject to certain grace periods, the guarantors must represent over 80 per cent of the EBITDA of the Group (excluding Simutronics) and any material group company (other than the Company) which is wholly-owned by the Company must issue a guarantee or accede to a Guarantee Agreement. As at the date of this Information Memorandum, Babil Games, Bytro Labs, Coldwood Interactive and MidCo are guarantors. Pursuant to the Terms and Conditions of the Bond, a guarantor may resign as guarantor if it no longer constitutes a material group company, subject to compliance with the provisions of the Terms and Conditions.

Each guarantor shall unconditionally and irrevocably guarantee (*Sw. *proprieborgen**) to the Agent and each bondholder (as represented by the Agent) as for its own debts (*Sw. *såsom för egen skuld**) the full and punctual payment by the Company under the Bonds. The obligations and liabilities of the guarantors under the Guarantee Agreement shall be limited if required (but only if and to the extent required) under the laws of the jurisdiction in which the relevant guarantor is incorporated.

## **Development and Publishing Agreements**

Coldwood Interactive has on 31 January 2015 entered into a development and publishing agreement with EA regarding Coldwood Interactive's development of the game "Unravel" for EA. Through the agreement, Coldwood Interactive assigns all intellectual property rights to the game to EA.

Simutronics has on 1 April 2016 entered into a consulting agreement with Mammoth Entertainment regarding consulting services in relation to finding a publishing partner(s) and/or digital licensor(s) for Simutronics' game "Siege".

## **Other Material Agreements**

Neither the Group nor, insofar as Stillfront is aware, Goodgame Studios, has entered into any other material agreements not in the ordinary course of its business and which may affect the Company.

## **Related Party Transactions**

Transactions which have taken place between related parties during the period covered by the section "Description of the Stillfront Group - Financial information regarding Stillfront" are, as regards Stillfront, described in the 2015 Annual Report, the 2016 Annual Report and the 2017 Q3 Report. Goodgame Studios has not, insofar as Stillfront is aware, undertaken any transactions with related parties during that period.

## **Bond**

On 17 May, 2017 the Company issued Bonds in the amount of SEK 110 with a final maturity in May 2020 within a total framework amount of MSEK 500. The Bonds, which are listed on the corporate bond market of Nasdaq Stockholm, bear a floating rate coupon of Stibor 3m + 7.50 per cent.

## **Security under the Bond**

The shares in MidCo, Bytro Labs, Stillfront Online Games, Simutronics, eRepublik and Coldwood Interactive have been pledged as security for the Company's obligations under the Bonds. The Company's obligations under the Bonds are further guaranteed by certain guarantors pursuant to guarantee agreements. As at the date of this Information Memorandum, Babil Games, Bytro Labs, Coldwood Interactive and MidCo are such guarantors. Pursuant to the terms of the Bond, new material group companies must be owned by MidCo and the shares shall be pledged and a guarantee must be issued or a guarantee agreement shall be acceded to by such new material group company. The Company has furthermore pledged its present and future material intra-group loans advanced to a member of the Group which when aggregated with all loans granted by the Company to the same member of the Group is equal to or exceed SEK 10,000,000 and has a tenor of not less than 1 year.

### **Tap Issue**

Stillfront has secured unconditional subscription commitments for a tap issue of SEK 390 million on its outstanding corporate bond loan (ISIN: SE0009973050) and the proceeds will be used as part financing of the acquisition of Altigi.

The unconditional subscription commitments have been retained at a premium to nominal amount and the bonds will be issued at a price of 101 per cent of the nominal amount. The newly issued bonds will be subject to the same terms as for other bonds issued under Stillfront's outstanding bond loan. After the tap issue, the total outstanding amount of the company's bond loan will amount to SEK 500 million, which equals the total framework amount of the bond loan. The bond is listed on Nasdaq Stockholm and the company will apply for listing of the new bonds on Nasdaq Stockholm. The expected settlement date of the tap issue is set to 12 January 2018.

### **Permits and Licenses**

The Group's business currently does not require any specific licenses and certifications, other than the trade license in respect of its business operations in the United Arab Emirates which Babil Games holds. The business of Goodgame Studios currently does not require any specific licenses and certifications.

### **Legal Proceedings and Arbitration Proceedings**

The Company is not, nor has it over the past twelve months been, a party to any legal proceedings or arbitration proceedings that have had or would have a material effect on the Group's financial position or profitability, nor has the Company been informed of any claims that could lead to the Company or any member of the Group becoming a party to such proceedings. There are currently two lawsuits against Goodgame Studios relating to employment law matters, one brought by a former employee for loss of employment and the other concerning alleged discrimination brought by a person who has never been employed or engaged as a contractor by Goodgame Studios. Neither of these lawsuits are, insofar as Stillfront is aware, considered by Goodgame Studios to be of material importance.

### **Certified Adviser**

Avanza Bank is Stillfront's Certified Adviser, and can be reached at +46-8-4094 2120.

# Definitions

<b>2015 Annual Report</b>	means the Group's annual financial statements for the financial year ended 31 December 2015.
<b>2016 Annual Report</b>	means the Group's annual financial statements for the financial year ended 31 December 2016.
<b>2017 Q3 Report</b>	means the Group's interim financial statements for the period 1 January 2017 to 30 September 2017.
<b>Acquisition or Transaction</b>	means the contemplated acquisition of Goodgame Studios and thereto related transactions described in this Information Memorandum.
<b>Acquisition Agreement</b>	means the agreement entered into on 6 December 2017 between Stillfront and the Sellers regarding the Acquisition.
<b>Annual Reports</b>	means the 2015 Annual Report and the 2016 Annual Report.
<b>Babil Games</b>	means Babil Games FZ LLC, with trade license no. 2987/2012 FCZ, and registered address P.O. Box 4422 Fujairah, United Arab Emirates and Babil Games, Jordan Branch (Jordan reg. no. 2740).
<b>Bond</b>	means debt instruments (Sw. <i>skuldförbindelser</i> ), each for the Nominal Amount and of the type set forth in Chapter 1 Section 3 of the Swedish Central Securities Depositories and Financial Instruments (Accounts) Act (Sw. <i>lag (1998:1479) om värdepapperscentraler och kontoföring av finansiella instrument</i> ), issued by Stillfront (ISIN: SE0009973050).
<b>Bytro Labs</b>	means Bytro Labs GmbH, with registration number HRB 118884 and registered address Zirkusweg 2, 20359 Hamburg, Germany.
<b>Code</b>	means the Swedish Corporate Governance Code.
<b>Coldwood Interactive</b>	means Coldwood Interactive AB, with registration number 556641-6532 and registered address Storgatan 43, 903 26 Umeå, Sweden.
<b>Company or Stillfront or Group</b>	means Stillfront Group AB (publ), with registration number 556721-3078 and registered address Gamla Tanneforsvägen 17 C, 582 54 Linköping, Sweden, or the group in which Stillfront is the parent, or a subsidiary within the group, depending on the context.
<b>Consideration Shares</b>	means the shares to be issued to the Sellers as partial consideration for shares in Goodgame Studios pursuant to the Acquisition Agreement.
<b>EGM</b>	means the extraordinary general meeting of the shareholders of Stillfront to be held on 9 January 2018.
<b>eRepublik</b>	means eRepublik Labs. Limited, with registration number 462101 and registered address Unit 4 Block A, Broomfield Business Park, The Hill, Malahide, Co. Dublin, Ireland, or its subsidiary ERPK Labs S.R.L, with registration number J40/6415/2009, sole identification code (CUI) 25622297, and registered address 39 - 41 Nicolae Filipescu Street, 6th floor, 2nd District 020961, Bucharest,

Romania, as applicable.

<b>Goodgame Studios</b>	means Altigi GmbH, with registration number HRB 132391, and registered address Theodorstrs. 42-90 Hs. 9, 22761 Hamburg, Germany, operating under the name Goodgame Studios.
<b>Guarantee Agreement</b>	means an agreement by which the Company's obligations under the Bonds are guaranteed by certain guarantors.
<b>Information Memorandum</b>	means this information memorandum.
<b>IP</b>	means intellectual property.
<b>MidCo</b>	means Stillfront Midco AB, with registration number 559110-4053 and registered address Gamla Tanneforsvägen 17 C, 582 54 Linköping, Sweden.
<b>New Group</b>	means the group in which Stillfront is the parent following a potential completion of the Acquisition.
<b>OFM Studios</b>	means OFM Studios GmbH, with registration number HRB 145244 and registered address Eupener Straße 60, 50933, Cologne, Germany.
<b>Placing</b>	means the transfer of 8,360,154 Consideration Shares to a number of investors which the Sellers will undertake immediately after the EGM.
<b>Power Challenge</b>	means Power Challenge Holding Limited, with registration number 07099333 and registered address Shakespeare House, 42 Newmarket Road, Cambridge, Cambridgeshire, CB5 8EP, UK, or Power Challenge AB with registration number 556719-9871 and registered address Gamla Tanneforsvägen 17 C, 582 54 Linköping, Sweden, or ManagerZone Inc., with registration number (Company No.) 07099333 and registered address 1200 Broom Street, Wilmington, New Castle County, Delaware, US, as applicable
<b>Sellers</b>	means the sellers of the shares in Goodgame Studios.
<b>Simutronics</b>	means Simutronics Corp., with Virginia registration number 0311296 and registered address 218-C Millwell Dr., Maryland Heights, MO 63043, Virginia, US.
<b>Stillfront Online Games</b>	means Stillfront Online Games AB, with registration number 556721-9430 and registered address Gamla Tanneforsvägen 17 C, 582 54 Linköping, Sweden, or DOG Holdings Ltd, with registration number C 64760 and registered address 60/2 Melita Street, Valletta VLT 1122, Malta or DOG Productions Ltd, with registration number C 55850 and registered address 60/2 Melita Street, Valletta VLT 1122, Malta, as applicable.
<b>Subsidiary</b>	means a subsidiary of Stillfront as per the date of this Information Memorandum.
<b>Todavia</b>	means Todavia AB, with registration number 559100-2893, registered address Västra Trädgårdsgatan 15, 111 53 Stockholm.

# Addresses

## COMPANY

**Stillfront Group AB (publ)**  
Gamla Tanneforsvägen 17 C  
SE-582 54 Linköping  
Sweden

## FINANCIAL ADVISER

**Carnegie Investment Bank AB (publ)**  
Regeringsgatan 56  
SE-103 38 Stockholm  
Sweden

## LEGAL COUNSEL

*(to the Company)*  
**Advokatfirma DLA Piper Sweden KB**  
Kungsgatan 9  
P.O. Box 7315  
SE-103 90 Stockholm  
Sweden

## CERTIFIED ADVISER

**Avanza Bank AB**  
Regeringsgatan 103  
P.O. Box 1399  
SE-111 93 Stockholm  
Sweden

## CENTRAL SECURITIES DEPOSITORY

**Euroclear Sweden AB**  
P.O. Box 191  
SE-101 23 Stockholm  
Sweden