Building the leading
free-to-play powerhouse

STILLFRONT
GROUP

SINCE 2010

Annual Report
2021

Content

About this report

Stillfront Group AB (publ) 556721-3078 reports the group's financial and non-financial information in a joint report. The formal annual report consists of a board of directors report, financial statements and pages 42–91 and has been audited by external auditors. The Sustainability reporting forms an integrated part of this report and fulfills the requirement for a statutory sustainability report found in the Swedish Annual Accounts Acts. Key sustainability sections are located on pages 11–23.

STILLFRONT GROUP

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Stillfront in brief

THIS IS US

Stillfront is a free-to-play (F2P) powerhouse of 22 gaming studios. Our diverse and exciting games portfolio has a common theme; to develop and maintain long lifecycle games. Organic growth and carefully selected and executed acquisitions embody our growth strategy and our co-workers thrive in an organization that engenders the spirit of entrepreneurship.

We are headquartered in Stockholm, Sweden, and the parent company of the group is listed on Nasdaq Stockholm.

OUR PRODUCT PORTFOLIO

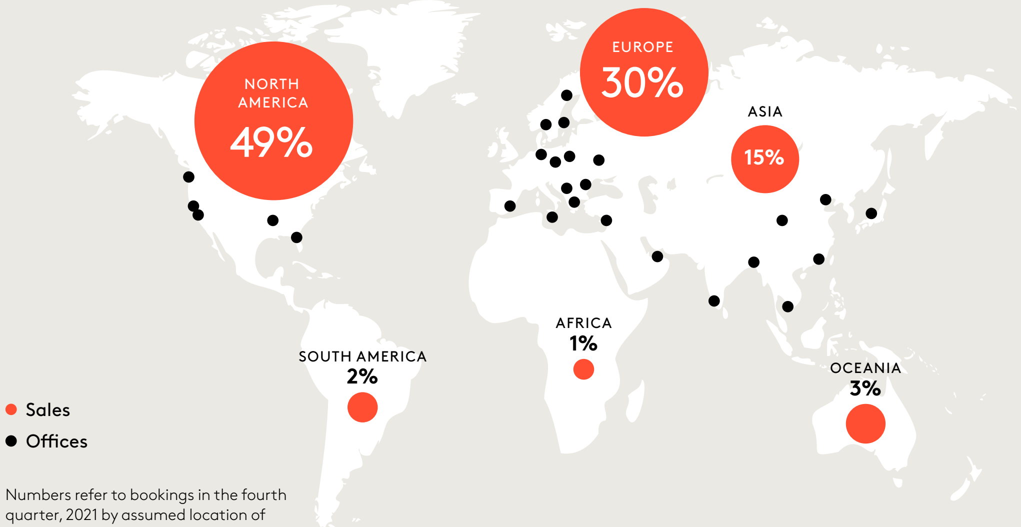
Stillfront offers a diversified portfolio of games, developed and published organically or through acquisitions, with broad appeal to gamers. Our studios work methodically to improve the retention of our games throughout their lifetime. Most of our titles are long lifecycle, creating stable revenues.

If you want to find out more detailed information about us and our operations, our studios, and our games, please navigate to our website stillfront.com.

Our Vision

We have a vision to be the leading free-to-play powerhouse.

GLOBAL PRESENCE



Numbers refer to bookings in the fourth quarter, 2021 by assumed location of gamers based on IP address or similar.

64 games

64m monthly active users

75% mobile

1,381 employees by year-end 2021

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The year at a glance

Financial results

For the full-year 2021, net revenue grew by 37 percent to SEK 5,455m and adjusted EBIT by 21 percent to SEK 1,802m.

Strategic acquisitions

With the acquisition of Moonfrog Labs, Stillfront expanded its geographic footprint to the Indian subcontinent, a strategic move into one of the fastest growing mobile game markets worldwide.

During the year, we also acquired Game Labs, a game studio developing strategy and action games for PC. With the acquisition, Stillfront strengthened its position in the converging games market and was able to add valuable niche competence in the strategy and action genre.

In October 2021, Jawaker, joined the group. Jawaker is a leading mobile gaming studio in the MENA region and offers one of the largest classic PvP (Player versus Player) gaming apps in the world, with a focus on board & card games and other popular games specific to the region.

Record-high number of new game development projects

During 2021, we further strengthened and expanded our growing games portfolio. New game launches include for example DogLife, BitLife DE, Iron Order 1919, The General, Love and Passion, and SIEGE: Apocalypse.

Traded on Nasdaq Stockholm

Stillfront's shares are traded on Nasdaq Stockholm in the Large Cap segment since May 2021.

Climate action

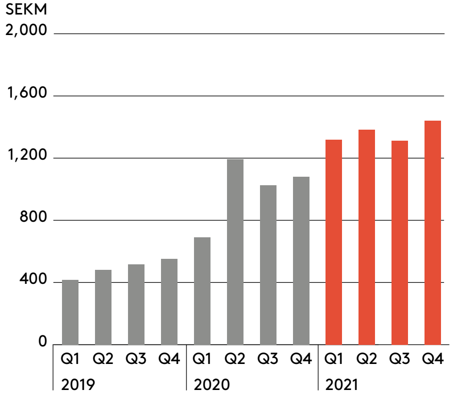
In 2021, we established an Environmental Committee with participation from all studios. The purpose is to drive integration of the group's environmental initiatives and climate reduction plan. Stillfront continues compensating for our studios' daily operations and footprint as well as the energy usage of our gamers and are climate neutral also for 2021.

Signatory of UN Global Compact

Stillfront became a signatory of UN Global Compact, the world's largest corporate sustainability initiative.

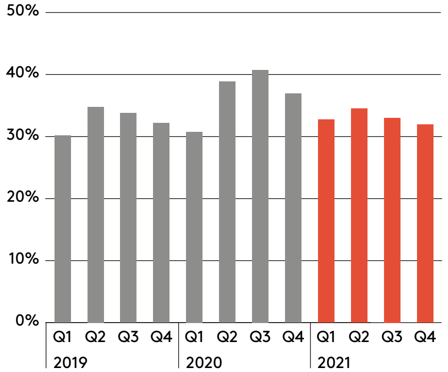
NET REVENUE 2021

SEK **5,455** m



ADJUSTED EBIT MARGIN 2021

33%



Grown our games portfolio

Increased our advertising revenues

Expanded our geographic reach

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Business and operational model

Value creation model

We are guided in all business decisions by our purpose to make a positive impact in our gamers' everyday life, through creating a social, entertaining, and positive gaming experience. Our studios develop games in close contact with users. Together with a group of studios operating around the globe, Stillfront builds a broad and diversified portfolio of games, with the common denominator of low-risk and long lifecycles generating stable cashflow.

We have a broad and diverse audience of users. By year-end 2021, approximately 64 million gamers all over the globe are enjoying our games. Free-to-play games allow the gamer access to the game without paying for it, with the option to conduct micro-transactions. Some of the users are willing to make purchases or pay for access to new content throughout the lifetime of the game. Recurring income, at a low cost, is driven by the ability to retain users over a longer period.

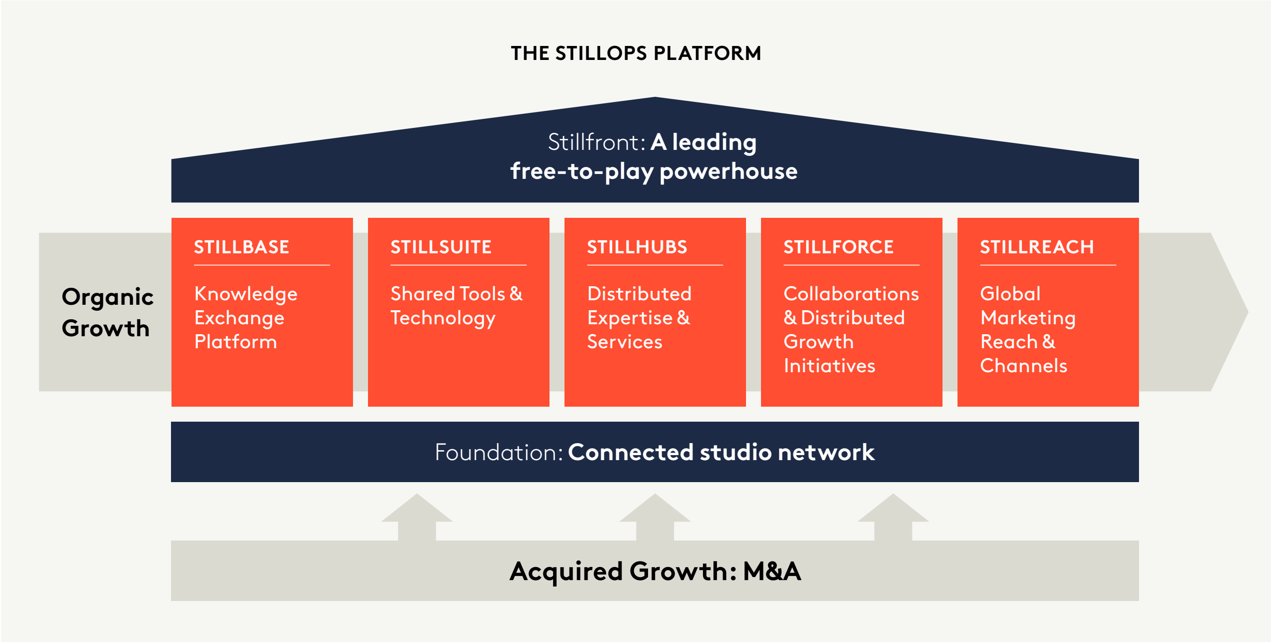
We grow by adding more games and a broadening our genres of games, both organically and by acquisitions. The growth is accelerated by synergies and collaborations between the studios.

Our game studios typically publish games inhouse or in cooperation with a studio in the group. Stillfront manages marketing inhouse through strong performance marketing expertise. Stillfront's games reach users on primarily mobile and browser platforms.

Our operational platform

Stillfront's distributed operational model ensures that studios that join Stillfront maintain their unique identities while getting access to a vast amount of resources, data, knowledge and tools generated from across the group's studios. This operational model is called the Stillops platform. The platform consists of five main pillars: Stillbase (our knowledge exchange platform), Stillsuite (our shared tools and technology), Stillhubs (our distributed expertise and services), Stillforce (our collaborations and distributed growth initiatives) and Stillreach (our global performance marketing expertise and channels).

The Stillops platform enables for positive synergies across our gaming studios, whilst the distributed approach ensures speed and enables us to leverage each studio's strengths. By having access to user data derived from several billion game downloads across our diversified portfolio, our studios can share best-practice across geographies and benefit from collaborating with other studios across the globe. Our strong brands and marketing skills in the F2P model, paired with our successful Stillops platform and a strong track-record of value creating acquisitions, provide a good foundation for continued strong growth years to come.



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STILLFRONT GROUP

Financial targets
2021–2023

		Target	Result 2021
Growth	Stillfront's target is to reach a net revenue of SEK 10,000m by 2023. Growth will be achieved organically as well as through acquisitions. Stillfront is well positioned to reach our growth target 2023: 1. Attractive market position in high-growth industry supported by megatrends. 2. A diversified portfolio of games, strong pipeline of new game development and continued strong M&A pipeline. 3. Leverage our operational platform Stillops, realizing synergies and collaborations.	NET REVENUE BY 2023 SEK 10,000 m	NET REVENUE 5,455 SEK m
Profitability	Stillfront's target is to reach an Adjusted EBIT margin in the region of 35 percent. The Adjusted EBIT margin is defined as EBIT excluding amortization of PPA items and items affecting comparability, in relation to net revenue. The Adjusted EBIT margin may vary quarter to quarter depending on mainly the level of user acquisition and product development.	ADJUSTED EBIT MARGIN ~35%	ADJUSTED EBIT MARGIN 33%
Leverage	The net debt/Adjusted EBITDA ratio should not exceed 1.5x. Adjusted EBITDA pro forma is defined as adjusted EBITDA including acquisitions and excluding items affecting comparability for the last twelve months. Stillfront may however, under certain circumstances, choose to exceed this level during short time periods.	NET DEBT/ADJUSTED EBITDA RATIO <1.5x	NET DEBT/ ADJUSTED EBITDA RATIO 1.6x

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Sustainability targets

Stillfront strives to integrate sustainability into everything we do. The long-term sustainability targets are an important part of delivering on this commitment. During 2021, we have set long-term targets and key performance indicators for our sustainability work. 2021 will be the baseline for us when conducting our yearly measurements, and when reporting our challenges and progress.

Read more about our sustainability work and targets on page 11–24.

Our sustainability framework include three pillars.

Gaming for all

"Focusing on the value we create through our products"

Read more on p. 14–16

MATERIAL TOPIC	TARGET	RESULT 2021
Games for all	Our games are to create a social, affordable, entertaining and positive gaming experience.	64 million monthly active gamers enjoyed Stillfront's diverse portfolio of games, by the year-end of 2021.
Diverse gaming content	New games introduced or developed, should strive to increase diversity in the game portfolio.	The active portfolio of games increased to 64 by year-end 2021, offering an even wider range of addressed audience, cultural representation and expanded access for gamers all around the world.
Responsible gaming culture	100 percent of substantiated incidents to be acted on.	Several incidents reported and acted upon by the studios, according to our strict protocol.
User privacy and data security	100 percent of substantiated incidents to be acted on.	There were no substantiated material data breaches reported. All substantiated privacy breaches were handled pursuant to our set routines together with our external DPO, Deloitte.

Living our values

"Internal and cultural perspectives"

Read more on p. 17–19

MATERIAL TOPIC	TARGET	RESULT 2021
Equality, diversity and inclusion	1. New game teams that are introduced, should improve diversity and inclusion. 2. The gender balance should be 40/60 at all levels of positions within the group.	1. Diversity & Inclusion, part of the FAIR model, is a strategic priority and has been integrated into our daily operations. 2. The gender balance was 30/70 percent at all levels within the group in 2021.
Employee engagement & wellbeing	Minimum 80 percent of our employees should recommend Stillfront as a place to work.	80.6 percent of the employees recommend Stillfront as a place to work.
Responsible Business	100 percent of substantiated reported incidents in our whistleblower channels should be acted upon.	All issues reported through Stillfront's dedicated Speak-up channels have beeen acted on in accordance with applicable laws and regulations.

Smart resource use

"Climate impact and reduction plan"

Read more on p. 20–21

MATERIAL TOPIC	TARGET	RESULT 2021
Carbon reduction	During 2022, our ambition is to set an emissions reduction target in line with the Science Based Targets initiative's (SBTi) criteria.	During the year we conducted our first climate reduction impact analysis, resulting in an activity plan and a framework for our first long-term targets.

STILLFRONT GROUP

CEO Comment

Dear shareholders >

2021 was a remarkable year in many ways. We continued to deliver on our vision to build the leading free-to-play powerhouse. We grew through value-adding acquisitions during the year, successfully conducting three studio acquisitions and two asset acquisitions, further diversifying our group of studios, growing our portfolio, and broadening our geographic reach. We have taken important steps on our journey and have a built a business that is better geared for growth and much more resilient than it was just a year ago.

We grew our net revenues with 37 percent year-over-year in 2021 with maintained high profitability and strong cash generation. Our Adjusted EBIT grew by 21 percent during the year, amounting to an Adjusted EBIT margin of 33 percent. Our cash flow generation continued to be strong, with free cash flow amounting to SEK 953mw for the year, despite record high investments in game development.

However, looking back, we also need to acknowledge that everything did not play out exactly as we would have wanted it to. We would have wanted to reach a higher topline growth and certain studios in the group have not grown year-over-year in 2021 at the rate that we anticipated going into the year. The major events that had a negative impact on growth in 2021, including the IDFA changes from Apple and the tough comparison figures, are transitory issues that we now leave behind us. We remain confident in the strong underlying market trends in our industry and that the demand for gaming will continue to grow in the coming years. We have a well-defined growth strategy and one of the most talented teams in the industry, and we firmly believe in our ability to execute on our strategy to reach our financial targets and generate significant shareholder value over time.

Creating a positive impact through games >

Our mission is to make a positive impact in people's everyday lives through games. People enjoy games because they address three basic human needs: the need to be entertained, the need to compete, and the need to socialize. By leveraging technology, we can build accessible games that cater to those needs in better ways than ever before, and that is the underlying foundation that this company is built upon. As more people across the world spend more of their free time playing our games, we want to ensure that we are doing everything in our power to create a positive gaming environment and build the best game company possible.

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STILLFRONT GROUP

During 2021, we intensified our focus on sustainability by introducing long-term targets for all three pillars in our sustainability framework. We also continued implementing our FAIR model into our business processes and game development. Stillfront's FAIR model includes principles on responsible gaming, inclusion, and diversity, as well as responsible marketing and monetization. During the year, Stillfront also became a signatory of UN Global Compact, the world's largest corporate sustainability initiative, to reconfirm its support and to meet fundamental responsibilities on human rights, labour, environment and anti-corruption. By becoming a signatory member of UN Global Compact commitment we show our firm commitment to the organisations ten principles.

You can read more about the important steps we have taken this year and the positive impact we try to achieve in our sustainability report on page 11.

Continued diversification and geographic expansion >

We continued to grow Stillfront in 2021 through value-adding acquisitions of studios and game assets. During the year, we successfully conducted the acquisitions of the game studios Moonfrog Labs, Game Labs and Jawaker, as well as the games Crush Them All and Rise of Firstborn.

With the acquisition of Moonfrog in February, we added a highly profitable and successful studio to the group and expanded our geographic footprint to the Indian Subcontinent. The expansion into the Indian Subcontinent marked an important strategic move into one of the fastest growing mobile game markets worldwide and we are very excited about the opportunities that we see in that market the coming years.

In May, we acquired Game Labs. The studio has a solid track record of developing highly immersive real time premium strategy and action games for PC. With the acquisition, we added valuable niche genre competence and we see excellent potential to scale Game Labs' games cross-platform as part of Stillfront.

Jawaker is a leading mobile gaming studio in the MENA region, which we acquired in September. The studio has built one of the largest classic PvP (Player versus Player) gaming apps in the world, with a focus on board & card games and other popular games specific to the region. With the acquisition, we added a fast-growing and highly profitable studio to the group, and further strengthened our presence in the strategically important MENA region.

In the beginning of 2022, we announced the acquisition of 6waves, a leading publisher of mobile free-to-play strategy games in Japan. 6waves has built a very strong reputation over several years as one of the leading publishers of strategy games in the Japanese market and we have followed the studio closely for more than two years. Stillfront has a long and proven history of developing and publishing intriguing strategy games, and 6waves's titles fit perfectly into our portfolio. Expanding our presence in Japan has been a strategic priority for Stillfront and the talented 6waves team provides us with a strong market position but also a powerful platform from which we can continue to grow through add-on acquisitions in East Asia.

In connection with the acquisition, we announced that Stillfront's board of directors has resolved on a preferential rights issue of approximately SEK 2.0 billion. The proceeds will be used to repay the temporary increase in debt following the acquisition of 6waves and strengthen our financial flexibility to enable us to take advantage of future acquisition opportunities and deliver on our growth agenda.

The genre broadening into Casual & Mash-up titles that we began in 2020 continued in 2021, which has provided us with a more diversified games portfolio that better mirrors the industry composition, while giving us exposure to a fast-growing segment of the mobile gaming industry. The genre broadening has also enabled us to significantly increase our share of advertising revenues, which has been a strategic priority for us as it both strengthens our gross margin and provides us with an attractive hedge against fluctuations in prices for online marketing.

In the first quarter of 2022, Stillfront consists of 22 game studios that together create an amazing group of talent. With the acquisitions of Moonfrog, Jawaker, and 6waves, we have broadened our geographic reach and now have significant exposure to some of the fastest growing and most exciting games markets globally.

"With the acquisitions of Moonfrog, Jawaker and 6waves we have broadened our geographic reach and now have significant exposure to some of the fastest growing and most exciting games markets globally."

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Leveraging our Stillops platform

This year, we continued to develop Stillops, our business platform that creates synergies and drives organic growth initiatives across our 22 studios. We have taken significant steps in enhancing the number of collaboration projects that are taking place between our studios, which shows some of the clear benefits that studios get from being part of Stillfront. To date, we have recorded more than 100 collaboration projects between our studios.

It is rewarding to see how Stillops has strengthened us in 2021 and resulted in tangible synergies. The Stillops platform has played an integral part in how we were able to successfully navigate the IDFA changes from Apple, it has enabled us to significantly increase the rate which we develop and launch new games, and it has sufficiently freed up time for our studios to focus on developing and operating successful games for that their players enjoy.

Leaving 2021 behind us and looking forward

This year, we have continued improving our platform and added more studios and more games to the ever-growing Stillfront ecosystem. Scale continues to be crucial in our business and will only become more important the coming years. During 2021, we grew our active portfolio from 42 to 64 titles and almost tripled our monthly active users from 22 million to more than 64 million. By increasing the size of our player universe and offering more titles to more users, we will increase the value of the Stillfront ecosystem. Building a combined ecosystem for Stillfront's studios opens up a number of exciting opportunities for both Stillfront and our studios. In 2021, we have stepped up our ambition within our data platform and in-game capabilities to ensure that we can leverage our data even better going forward to enable for increased cross-selling within our ecosystem as well as building a more advanced proprietary advertising network across our studios.

Building the leading free-to-play powerhouse

Looking ahead, Stillfront is in a better position than ever before. We have continued to grow our business through carefully selected acquisitions that add strategic value and significant growth opportunities for the group during the coming years. Further, we have strengthened our Stillops platform, and we have seen some great examples this year of the value and synergies we can create. I'm convinced that we have just scratched the surface when it comes to Stillops and how studios can leverage and benefit from it as a part of the group.

I want to take this opportunity to thank everybody that has played a part in helping build Stillfront to what it is today, and I hope that you are as excited as I am about what we can achieve in the future. We have taken large steps this year towards our ambition to build the leading free-to-play powerhouse of gaming studios and I can't wait to take even larger steps next year.

Stockholm in April 2022
Jörgen Larsson

After year-end, Stillfront acquired 6waves, a leading mobile strategy games developer with large presence in Japan.

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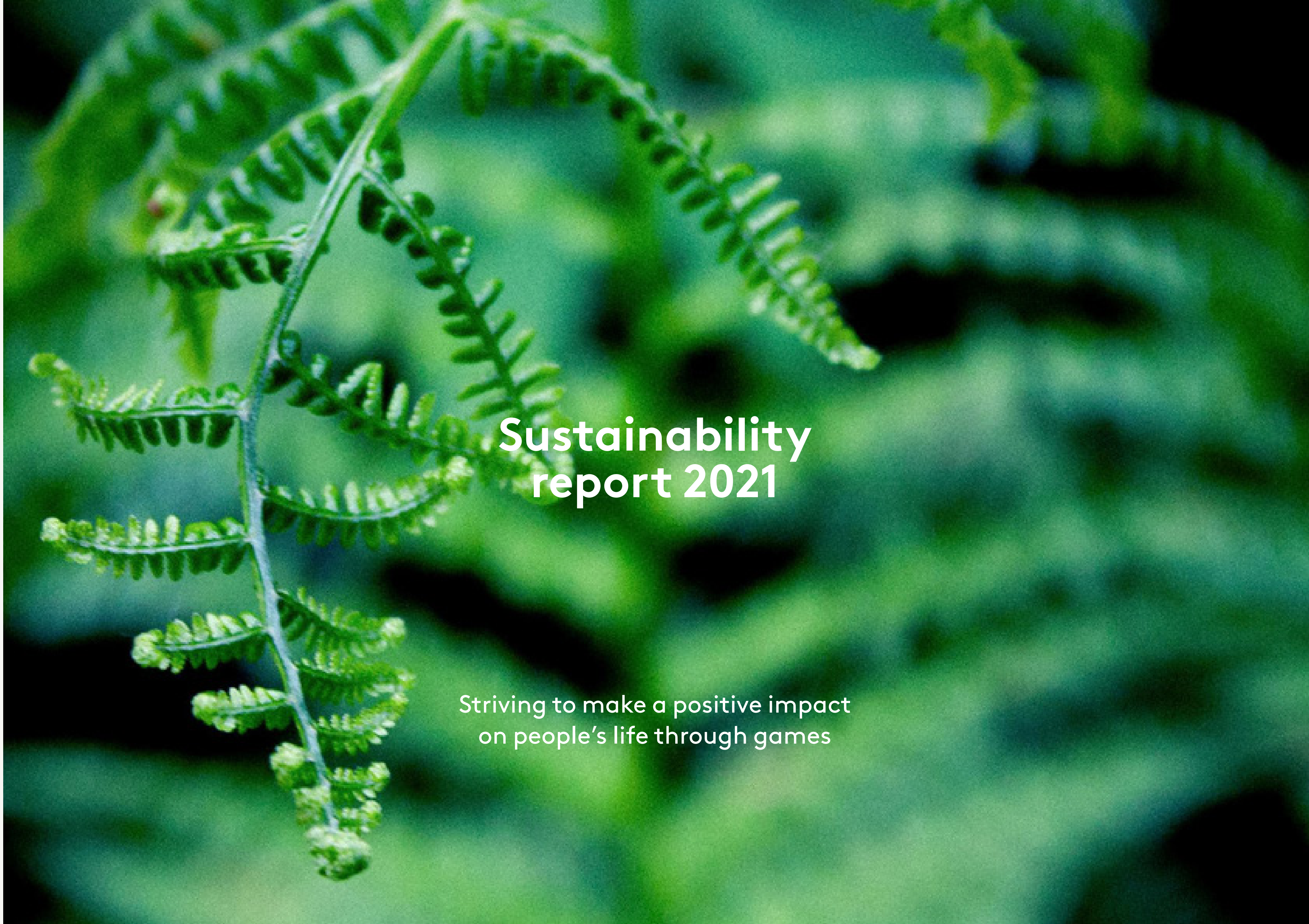

Sustainability report 2021

Striving to make a positive impact on people's life through games

Driving a sustainable gaming business

Our purpose is to create a positive impact in our gamers' everyday life, through a social, entertaining, affordable, and positive gaming experience. Sustainability is therefore an integrated part of our business model and acquisition process. Stillfront's aim is to create a gaming universe that is digital, carbon-free, intelligent, equal, and sustainable. The target audience of our games are adults, aged 16 and above, as per their terms and conditions and their games are to be classified by the International Age Rating Coalition (IARC).

Integrated part of our business model

Free-to-play games allow any gamer to access and experience a game independent of their ability and willingness to pay. When offering optional monetized content, our games only use fair and transparent methods.

For Stillfront, equality, diversity and inclusion are highly important in our games development process. Not only is the share of women who are playing games increasing, but there is also a demand for high-quality entertainment in multiple languages, adapted to different cultures, religions, and customs.

Gaming as entertainment should be a rewarding hobby, a great social experience, or a strategic challenge. As people spend more of their free time playing our games, it has become even more important to ensure that we are making a positive impact in people's lives. Stillfront as a group is responsible for securing that the content that we publish is in accordance with our values. Gaming needs to be a place where everyone feels welcome and included and this aspect plays an important part in new game development projects.

Stillfront operates in an industry that revolves around expertise and talent. To attract and retain the foremost talent in the industry, we need to offer an inclusive, equal workplace with high diversity.

Acquisitions are part of Stillfront's business strategy. Our due diligence process secures that potential acquisitions of new studios are structurally evaluated from a sustainability perspective and significant risks are identified. This evaluation process takes the form of discussions and interviews with the studio's management team, as well as due diligence of the studio's operations and governance process.

Our sustainability strategy

Stillfront's sustainability strategy is a framework set up to focus our resources on the most relevant environmental, social and governance issues, drive performance and to engage internal and external stakeholders. The framework consists of Stillfront's material topics, targets, and objectives. Stillfront's material topics have been identified through interactive stakeholder dialogues, board and management discussions, peer benchmarking and industry best practices. The material topics reflect the key risks and opportunities that we focus on. These topics have not changed significantly from last year but environmental responsibility and social equality, diversity, and inclusion, have risen in importance.

When establishing this strategy, we considered several principles, regulations, standards, and guidelines, including for example the principles of the United Nations Global Compact, the EU Taxonomy, UN Guiding Principles on Business and Human Rights as well as OECD guidelines for multinational enterprises.

GAMING FOR ALL

Objective:
Make a positive impact through games

Target:
Our games are to create a social, affordable, entertaining and positive gaming experience

Policy framework:
Business strategy

Contribution to UN Global Goals:
3.4 Promote well-being

Result 2021:
64 million monthly active gamers enjoyed Stillfront's diverse portfolio of games, by the year-end of 2021.

United Nations Global Compact

During 2021 Stillfront became signatory of UN Global Compact, the world's largest corporate sustainability initiative.

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STILLFRONT GROUP

Stillfront's sustainability framework includes three pillars:

GAMING FOR ALL

We develop games that are fun, smart, and entertaining, and at the same time have a positive impact on people and society. We always try to make sure that gaming is not only a great social experience, but we also take responsibility for a safe, equal, and welcoming environment for everyone.

Material topics
- Games for all
- Diverse gaming content
- Responsible gaming culture
- User privacy and data security

Read more on page 14–16

LIVING OUR VALUES

Living our values is about how our culture supports us to conduct a responsible business and how we as a global group and platform can attract and develop the best game talents globally. Living our values cover our social responsibility in terms of for example equality, diversity and inclusion and employee well-being.

Material topics
- Equality, diversity and inclusion
- Employee engagement & wellbeing
- Responsible business

Read more on page 17–19

SMART RESOURCE USE

For us, smart resource use is a given for the long-term prosperity of gaming and the planet. Our business is digital, and our largest emissions derive from the emissions of our players when playing our games. We strive to reduce our own emissions and offset the non-reducible emissions to make sure our games are carbon neutral.

Material topic
- Carbon reduction

Read more on page 20–21

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GAMING FOR ALL

Games that reflect a diverse world

Stillfront believes in creating games and experiences for our global gaming community that reflects a diverse world. We celebrate diversity of thought, cultural differences, lifestyle, age, background, experience, religion, economic and social status, gender identity and marital status. In our games, we create a diverse range of characters and avoid gender stereotyping. In places where our gamers can create their own characters, we aim to offer diverse options.

Diversified portfolio and geographical presence

We offer a diversified portfolio of games that attract different types of gamers although always an adult target audience. Stillfront's portfolio of games has grown into an exciting and vibrant ecosystem of more than 64 million gamers in 2021.

During 2021, Stillfront's studios worked on more than 40 game development projects. New game development projects spanning over all three genres (Simulation, RPG & Action, Casual & Mash-up and Strategy), attracting diverse audiences.

In 2019, we initiated a strategic focus to further diversify our portfolio of games and end users. Our objective is to increase diversity in gaming content, and our target is that new games introduced or developed, should strive to increase diversity in the game portfolio. During the last two years, we have acquired the studios Storm8, Nanobit and Super Free Games, that all have women as their primary target audience, complementing our previous portfolio which had a larger focus on a male population playing primarily strategy games.

In 2021, we increased our geographical presence with our acquisition of Jawaker that further strengthened our position in the MENA region and among the Arabic speaking population. With the acquisition of Moonfrog Labs, we entered the Indian subcontinent. The gaming population in the Indian subcontinent socialize through playing card and board games and the games create social platforms with cultural barriers that are specific to the region.

In the beginning of 2022, we also made a strategic acquisition of the studio 6waves which has extensive experience of adapting and bringing high quality strategy games to the Japanese audience and will strengthen Stillfront's presence in East Asia and specifically in the attractive Japanese gaming market

Responsible content

As a group we have a responsibility for the growing gaming population that play our games and the social platforms we create for them. We influence many gamers with our content which is why it is of great importance that we all share the same values and principles that we base our content on.

Our responsible content declaration that includes the FAIR model (available at stillfront.com), was established in 2020 and regulates how we take responsibility for our products and addresses unacceptable content covering our own games and forums. FAIR is an acronym that stands for Forums & communities, Age protection, Inclusion & diversity, and Responsible gaming and monetization.

The FAIR model is integrated into our daily operations and part of our regular business reviews, where our Chief Product Officer and our operational team, meet our studios and review the business and development of the games including new game development.

DIVERSE GAMING CONTENT

Objective:
Increase diversity in gaming content

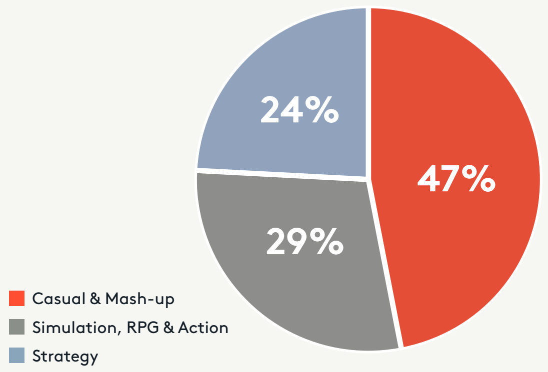
Target:
New games introduced or developed, should strive to increase diversity in the game portfolio

Policy framework:
Responsible content declaration

Contribution to UN Global Goals:
10.2 Promote social inclusion of all
5.5 Ensure women's full participation

Result 2021:
The active portfolio of games increased to 64 by year-end 2021, offering an even wider range of addressed audience, cultural representation and expanded access for players all around the world.

GAME PORTFOLIO SPLIT, YEAR-END 2021



CONTENT

GAMING FOR ALL

Safe environment for all our gamers

Responsible gaming culture

Apart from making sure that our products follow our ideas of responsible content; we must also create a positive in-game environment.

We want our gamers to feel safe and respected in our digital worlds, and as people spend more of their free time playing our games, our responsibility of ensuring a good gaming culture is more important than ever.

The opportunity to interact with other gamers is a central and appreciated function in many of our games, but there is a risk of toxic behaviour. Keeping things fair, without cheating or exploitation, is always required. No one is allowed to engage or promote harmful behaviour including attacks on race, sexual orientation, gender identity/expression, religion, heritage, country of origin, or unwelcome sexual advances and messages.

We manage toxic behaviour with built-in functions and algorithms that filter out bad language and gamers that are not behaving well are put on mute. Stillfront has zero tolerance for abusive behaviour amongst users. Our target is that 100 percent of substantiated incidents to be acted on. During 2021, we had several reported incidents, and we take these very seriously. All incidents were handled by our studios according to our strict protocol.

Stillfront games do not offer real money features, including gambling for real money and in-game contests that reward real money. Gamers need to transfer their money via verified purchases into in-game currencies and items. The purchase is a transparent process and in accordance with the platform regulations and applicable law.

Social standards and steering document

Our ecosystem of game developers, publishers, and platform providers as well as gamers have created social standards of what defines responsible content and not. Our games are to follow the guidelines and recommendations set by the gaming eco-system.

In addition, Stillfront has established its own responsible content declaration that adresses, and have a plan for, unacceptable content from gamers actions in the games. Stillfronts FAIR model, part of our responsible content declaration, regulates our users' behaviour towards each other.

RESPONSIBLE GAMING CULTURE

Objective:
Zero tolerance for abusive behavior amongst users

Target:
100 percent of substantiated incidents to be acted on

Policy framework:
Responsible content declaration

Result 2021:
Several incidents reported and acted upon by the studios, according to our strict protocol.

F A I R

F: Forum & Communities.
A: Age protection.
I: Inclusion & Diversity.
R: Responsible Games, Marketing and Monetization.

If you want to find out more about our FAIR model, please visit our website stillfront.com

CONTENT

GAMING FOR ALL

Data security and privacy is key

Important intelligence

Data is central to Stillfront. Analyzing user data enables us to identify behavior patterns, information of our operations and other insights, which allow us to be even better at developing games, as well as following events, activities, and campaigns for a better experience. The users' interactions with our studios' customer services are an important intelligence when developing our games and new functions.

An on-going project

Data privacy and data protection are of the utmost importance to Stillfront. We recognize that data privacy and data protection is an ongoing project that demands continuous improvement. Our processes have been designed to safeguard confidentiality, privacy and access to information and data. Stillfront is continuously striving to maintain the highest standards to protect its users from cyberattacks and card fraud when playing our games. We put a lot of resources to comply with all applicable legislations and rules to achieve utmost security and expect the same of our business partners and suppliers.

Our objective is that users should feel that their privacy and data are protected, at all times. Our target is that 100 percent of substantiated incidents to be acted on. In 2021, there were no substantiated material data breaches reported.

Data Protection Officer and training

Over the years, we have put considerable resources into ensuring that our Privacy program meets the criteria of the General Data Protection Regulation (GDPR) and other applicable data protection and privacy regulations. Stillfront's website contains information on the rights that users have and descriptions of how Stillfront processes personal data. The end-user data is processed by the studios and such processing activities are subject to the privacy notice applicable for the respective games. Deloitte is engaged as the group's external Data Protection Officer (DPO), a role that includes recurring targeted audits.

All professionals of Stillfront are offered regular data privacy and data protection training. Stillfront provides best-practice templates and accelerators that enabled the younger and less mature studios to quickly establish a more solid and formal foundation for their privacy capabilities.

Fraud prevention

Stillfront's Goodgame Studios has developed its own fraud prevention solution, which has been implemented at several of our other studios. The solution monitors payment patterns in real time and reacts in the event of fraudulent behavior.

USER PRIVACY AND DATA SECURITY

Objective:
Users should feel that their privacy and data are protected at all times

Target:
100 percent of substantiated incidents to be acted on

Policy framework:
Data Privacy and Data Protection Policy, IT Policy, IT Security Guidelines

Result 2021:
There were no substantiated material data breaches reported. All substantiated privacy breaches were handled pursuant to our set routines together with our external DPO, Deloitte.

CONTENT

LIVING OUR VALUES

Culture for equality, diversity and inclusion

For a company like Stillfront, our most important asset is human capital. We are committed to build a work culture that is including, diverse, attracts talent and is value-based. Our distributed operating model ensures that studios that is part of Stillfront maintain their unique identities and retain operational autonomy. However, we aim to grow together as a company and as individuals and we believe in long-lasting relationships and a decentralized leadership.

Our values

The values that shape our culture is a balance between Entrepreneurship, Scale and Structure. These values are framing our operating model and ensure our unique approach to decision-making, collaborations and sharing knowledge.

A culture where everyone can grow

Our industry faces challenges in the areas of gender equality, diversity, and inclusion. At Stillfront, we are fully aware of how a diversified workforce is key to understanding our global players. Not only is the share of women who are playing games increasing, but there is also a demand for high-quality entertainment in multiple languages, adapted to different cultures, religions, and customs.

Therefore, for us at Stillfront, equality, diversity and inclusion are not only important aspects for creating a culture where everyone can grow – but it is also increasingly important for our product. It has recently been shown that players are equally concerned with inclusion being a part of their gaming experience as they are with gaming quality and content. Stillfront has set a target for improving diversity, inclusion and equality in our game development teams. The objective is to always consider these perspectives when we introduce new game teams.

During 2021 we also set a target to increase the share of women in the group, the gender balance should be 40/60 at all levels within the group. Attracting more women to the game development industry is key to future success and Stillfront's executive management and business management team regard this as a priority in recruitment processes.

We are proud of having 50 percent women and 50 percent men on our board and 38 percent women and 62 percent men in our executive management team. Universally in our group, we had 30 percent women and 70 percent men in 2021.

EQUALITY, DIVERSITY AND INCLUSION

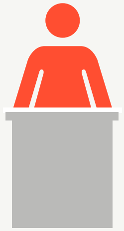
Objective:
1. Improve diversity within game development teams
2. Ensure equal career opportunities for all regardless of gender

Target:
1. New game teams that are introduced, should improve diversity and inclusion
2. The gender balance should be 40/60 at all levels of positions within the group

Policy framework:
Code of conduct

Contribution to UN Global Goals:
10.2 Promote social inclusion of all
5.5 Ensure women's equal opportunities for leadership

Result 2021:
1. Diversity & Inclusion, part of the FAIR model, is a strategic priority and has been integrated into our daily operations.
2. The gender balance in the group was 30/70 percent at all levels within the group in 2021.



WOMEN IN SENIOR POSITIONS

During 2021 we set a target to increase the share of women in the group, the gender balance we are striving for is 40/60.

CONTENT

STILLFRONT GROUP

LIVING OUR VALUES

Attracting and retaining talents

Ensure well-being of our staff

Our business depends on the wellbeing of our professionals. We operate in an industry that revolves around expertise and talent. Behaving responsibly and sustainably is crucial for our success: an inclusive, equal workplace with high diversity will attract and retain the foremost talent in the industry.

Stillfront is a decentralized organization consisting of 22 independent game studios, based in different geographies. Studios keep their culture and values when joining the group and most of the studios have established HR platforms in place. From a Stillfront perspective it is important to balance the studio's independence and at the same time build and invest in the group and create a strong platform of talents that prosper and enjoy the entreprenurial values as much as appreciate the global community of colleagues, knowledge and opportunites.

Talent management program

Stillfront is a knowledge company with highly skilled professionals. Everyone is encouraged to continue learning and training to make a positive contribution to our business and culture.

To ensure continuous learning and wellbeing of our staff, we will continue to build on a talent management program for all employees. This program is still under development and includes for example development talks for all professionals, clear career paths, corporate values, policy, and Code of Conduct training.

During 2022, a forum will be established in the group with focus on developing our talent management program. The forum will focus on different aspects covered in our pillar "Living our values", such as equality, diversity and inclusion as well as employee engagement and well-being.

For Stillfront it is key to attract and retain the most talented people in the gaming industry. Our target is that a minimum of 80 percent of our employees should recommend Stillfront as a place to work. In 2021 80.6 percent said they would recommend Stillfront as a place to work and 86.6 percent of the respondents would recommend their studio as a place to work. The result derives from a newly implemented employee satisfaction index, which is named Stillpoll, that is running on a quarterly basis. An HR network is established in the group, with the purpose to drive knowledge sharing in several areas such as recruiting, compensation, inclusion & diversity etc.

Stillfront's talent management program supports parental leave, and the group has zero tolerance against harassments and discrimination.

EMPLOYEE ENGAGEMENT & WELLBEING

Objective:
Attract and retain the most talented people in the gaming industry

Target:
Minimum 80 percent of our employees should recommend Stillfront as a place to work

Policy framework:
Code of conduct

Contribution to UN Global Goals:
8.5 Decent work for all

Result 2021:
80.6 percent of the employees recommend Stillfront as a place to work.

EMPLOYEE SATISFACTION SURVEY

In 2021 80.6 percent said they would recommend Stillfront as a place to work.

CONTENT

STILLFRONT GROUP

LIVING OUR VALUES

Business ethics at the core

Code of conduct

Our decentralized organization lets us seize local opportunities and as a group we share the same principles and values. Our Code of Conduct, built upon the ten principles by United Nations Global Compact, which Stillfront is signatory of, states that all professionals around the world should act as Stillfront representatives and responsible citizens. To ensure alignment on our Code of Conduct we conduct yearly training with all employees.

Speak-up channels

Our Speak-up system has been updated during the year and is available on our website and open for both internal and external reporting. Reports can also be made by e-mail or by post. All reports are treated consistently and fairly. Cases are handled by Stillfront's Speak-up Committee which comprises the Chairman of the board and the General Counsel, in a fair, consistent way, without bias. Our target is that 100 percent of substantiated reported incidents in our speak-up channels should be acted upon. During 2021, all issues reported through Stillfront's dedicated Speak-up channels have been acted on in accordance with applicable laws and regulations.

Anti-bribery and Anti-corruption

Stillfront has a zero-tolerance stance against bribery, corruption and money laundering and has adopted an Anti-bribery and Anti-corruption Policy that apply to all companies and professionals of the Stillfront Group. We are further committed to observing the standards of conduct set forth in applicable anti-bribery, anti-corruption and anti-money laundering laws and regulations, including the United Kingdom Bribery Act 2010 and the United States Foreign Corrupt Practices Act.

Professionals that are engaging with external stakeholders are trained in the Anti-bribery and Anti-corruption Policy on a regular basis. Any breach of the principles set out in the policy must be reported through the designated channels, which includes Stillfront's Speak-up channels.

Ensure accurate tax status

The payment of taxes is a central link between governments, communities, and businesses. Stillfront has assessed how different tax rules affects its operations, to ensure an accurate tax status. Stillfront reports and pays tax in accordance with applicable legislations, considering expert advice from tax advisors. The tax rate for the full year of 2021 amounted to 25 percent for the group.

Due diligence before acquisitions

All companies that we acquire undergo due diligence specifically focusing on internal processes that safeguard legal and financial compliance, including preventing corruption, sanctions and anti-money laundering screening.

RESPONSIBLE GAMING CULTURE

Objective:
Employees should act as Stillfront representatives and responsible citizens

Target:
100 percent of substantiated reported incidents in our Speak-up channels should be acted upon

Policy framework:
Code of conduct

Contribution to UN Global Goals:
16.5 Reduce corruption and bribery

Result 2021:
All issues reported through Stillfront's dedicated Speak-up channels have beeen acted on in accordance with applicable laws and regulations.

INCREASED TRANSPARENCY

During 2021, all issues reported through Stillfront's dedicated Speak-up channels have been acted on in accordance with applicable laws and regulations.

CONTENT

SMART RESOURCE USE

Climate action

Environmental committee

Our strategy as a company within digital entertainment and low-carbon operations, is to measure our footprint, reduce it as much as possible and then compensate for the remains. Stillfront conducts yearly green-house-gas emmission (GHG) disclosure, quantifying our total CO_2 emissions since 2019. During 2021, we have assessed our internal managerial responsibilities to ensure correct and transparent reporting. As a result, we have initiated an environmental committee, consisting of representatives from all studios. The purpose is to drive integration of the group's environmental initiatives and reduction plan.

GHG process for 2021

2021 was still an anomaly in many ways, affecting our environmental footprint. In the calculations for 2021, the head-office of Stillfront and 21 studios participated, to be compared with 16 studios in 2020. Stillfront's professionals worked predominantly from home in all our studio locations and had limited business travels. To get a full view on employee commuting for 2021 a survey was sent out to all employees. The survey also covered remote work.

GHG emissions for 2021

Stillfront's total GHG emissions for 2021 was 32.186 tCO_2e, to compare with 27,850 tCO_2e in 2020 and 27,995 tCO_2e in 2019. The reasons for the increase in total emissions, are that more studios are included in the calculation as a result of the growth of the company and that the reporting is more complete and covers more categories.

Climate reduction and target

During the year we conducted our first climate reduction impact analysis, resulting in an activity plan and a framework for our first long-term targets. During 2022, our ambition is to set an emissions reduction target in line with the Science Based Targets Initiative's (SBTi) criteria. To be able to succeed with our emissions reduction plan and commit to long-term targets, we will roll-out a playbook in 2022, providing strategic support for our studios in implementing the initiatives. The playbook will also include initiatives covering responsible gaming.

Scope 1 and 2 emissions

Scope 1 and 2 emissions total 3.4 percent of the total emissions in 2021. The largest category of emissions in scope 1 and 2 are direct emissions from energy and heat generation at company-owned facilities. In order to reduce our emissions in scope 1 and 2 Stillfront will for example focus on increasing the sources of renewable energy for our company premises.

CARBON REDUCTION

Target:
During 2022, our ambition is to set an emissions reduction target in line with the Science Based Targets Initiative's (SBTi) criteria.

Policy framework:
Sustainability policy

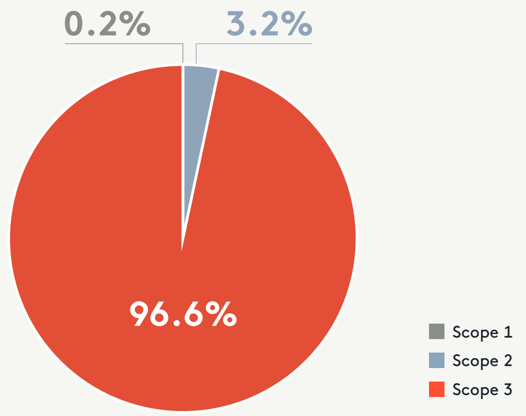
Contribution to UN Global Goals:
Goal 13: Take urgent action to combat climate change and its impacts

Result 2021:
During the year we conducted our first climate reduction impact analysis, resulting in an activity plan and a framework for our first long-term targets.

STILLFRONT'S TOTAL GHG EMISSIONS

	2019	2020	2021
Scope 1	5	8	64
Scope 2	592	1,150	1,026
Scope 3	27,358	26,692	31,096
Total	**27,955**	**27,850**	**32,186**

TOTAL GREENHOUSE GAS EMISSIONS PER SCOPE 2021



STILLFRONT GROUP

CONTENT

Climate action, cont.

Scope 3 – indirect emissions

Stillfront's largest footprint lies within scope 3, our indirect emissions, which makes up 96.6 percent of our total emissions for 2021 (95.8 percent for 2020 and 97.9 percent for 2019). The largest part is the energy consumed by our users when playing our games (use of sold products), adding up to 87.8 percent of our scope 3 emissions for 2021. During 2022 we will further analyze our emissions deriving from the second largest category "purchased goods and services" and specifically focus on the emissions from our performance marketing activities which will be included in our calculations going forward.

The category "use of sold products" includes in total 3,607 million hours of gaming with a majority on mobile devices, adding up to 88 percent. The tCO_2e emissions from gaming totals 27,301, with 12 percent adhering to mobile gaming.

Stillfront – Climate neutral since 2019

At Stillfront, we have calculated and compensated for all our GHG emissions for 2021. Following the Greenhouse Gas Protocol, we made a strategic decision already in 2019, to expand our corporate responsibility to include our indirect emissions, and to compensate for them as well, to offer products that are climate neutral. This means that every time a Stillfront-gamer charges their device, the energy consumed has been calculated and compensated for.

Climate investments

Stillfront is climate neutral also for 2021. For compensation, it is important to partner with an actor that is trustworthy and has projects that are certified gold standard. We have chosen to partner with South Pole, who meets these requirements.

For 2021, we have compensated for our emissions by investing in three projects: a regenerative braking technology project for Dehli Metro Rail Corporation, a technological innovation to speed up low-carbon transport in Dehli. Project number two is Kalasin Wastewater Treatment in Thailand that generates biogas from wastewater and thirdly Kariba Forest Protection in Zimbabwe.

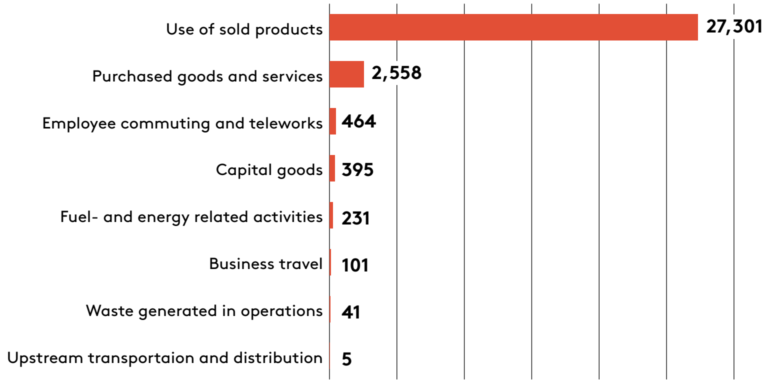
CO_2

CARBON REDUCTION PLAN

During the year we conducted our first climate reduction impact analysis, resulting in an activity plan and a framework for our first long-term targets.

Climate Neutral Company
2022/23 by South Pole

SCOPE 3 EMISSIONS 2021, tCO_2e



MOBILE GAMING IS ALMOST 50 TIMES MORE ENERGY EFFICIENT THAN PC GAMING.

Mobile gaming

1.0 tCO_2e

PC gaming

49.4 tCO_2e

One million hours of mobile gaming generates 1.0 tCO_2e emissions while one million hours of PC gaming generates 49.4 tCO_2e emissions.

STILLFRONT GROUP

How we govern sustainability

Key policies

Stillfront offers a shared framework of values and business principles to underpin local implementation and drive sustainability improvement in our studios. Our key policies include Code of Conduct, Sustainability, HR, Data privacy & security, Anti-Bribery & Anti-corruption as well as a Speak-up procedure. The policies are assessed on a yearly basis by the board of directors, and we conduct yearly policy training of the group's employees.

Our FAIR model is our primary steering document for responsible content and comprises our values and principles that we base our content on. Our FAIR model includes Forum & Communities, Age protection, Inclusion & Diversity as well as Responsible Marketing and Monetization.

Responsibilities

The board of directors is responsible for Stillfront's overall strategy, in which sustainability is integrated. Our management team develops tools and processes that guide the head office and our studios. All our studios and their professionals are expected to live up to our sustainability ambitions. The studio head is responsible for implementation together with the representative of the environmental committee, carrying out trainings and follow-ups. An approach that is resource-efficient, decentralized, and digital is key to our business' success. During 2022 Stillfront will continue its studio support program, which for example includes training in responsible content as well as implementation of carbon reduction plan.

Results from stakeholder dialogues

In steering our sustainability work effectively, we engage in close dialogue with our stakeholders. The stakeholder groups have been identified as the groups that are affected by our operations most and which have a major impact on our ability to reach our goals.

STAKEHOLDER GROUP	FORMAT	KEY ASPECTS
Shareholders and investors	> Interviews > Meetings > Analysis > Capital markets day	> Data privacy and security > Responsible gaming > Anti-corruption
Users/consumers	> Customer dialogue > Internal analysis by product specialists	> Regular product updates > Data privacy and security > Climate impact
Professionals	> Surveys > Meetings with managers > HR network	> Sustainable, accountable, equal workplace > High-quality, long-lasting products > Data privacy

STILLFRONT GROUP

CONTENT

Taxonomy reporting

For 2021, Stillfront is obliged to disclose the proportion of Taxonomy-eligible and Taxonomy non-eligible activities in group-level Turnover, Capex and Opex, as well as to provide qualitative information relevant for these disclosures.

Stillfront has implemented the requirements of the EU Taxonomy Regulation and reports according to the Delegated Act supplementing Article 8 of the Taxonomy Regulation. As a first step, an assessment was done to conclude whether Stillfront's operations were in the scope of the Taxonomy.

Accounting policies

For the purpose of reporting according to article 8 of the Taxonomy, Turnover, Capital expenditures ("Capex") and Operational expenditures ("Opex") are defined as follows. Note that these definitions deviate from how Capex and Opex are defined in Stillfront's financial reporting.

Turnover

Total Turnover corresponds to Net revenues in the Consolidated statement of comprehensive income in the financial statements. See also note 5 in the financial statements.

Capex

Total Capex corresponds to additions, including business combinations, to balance sheet items intangible assets excluding goodwill, and equipment, tools, fixtures, and fittings, before depreciation, amortization, or impairment, as specified in notes 14 and 17 (lines Acquisition of companies, Internal development in the year, and New acquisitions) to the Consolidated statement of financial position, complemented by additions/changes to right-of-use assets as specified in note 16.

Opex

Total Opex corresponds to non-capitalized short-term leases (see note 16), maintenance, and repair costs and other direct costs for the day-to-day servicing of equipment, tools, fixtures, and fittings.

Stillfront's interpretations of the Taxonomy

Identifying economic activities relevant for the company has required interpretations of the Taxonomy as well as of the Delegated Acts. Stillfront's interpretation is that our Turnover as a publisher of games is not covered by the Climate Delegated Act and consequently is Taxonomy-non-eligible.

Our interpretation of Capex is that the additions to right-of-use assets, mainly leased office premises, are individually Taxonomy-eligible Capex corresponding to activity 7.7. identified in the Taxonomy Annex 1.

Our interpretation of Opex concludes that the amounts are relatively insignificant, and the company does not have access to all detail.

It is therefore not possible to determine if items are included that would be defined as eligible under the EU Taxonomy Regulation, but the company has assumed that the entire amount is non-eligible.

TAXONOMY REPORTING 2021

Key performance indicators	Total SEKm	Share Taxonomy-eligible, %	Share Taxonomy-non-eligible, %
Turnover	5,455	0	100
Capital expenditures	2,511	2	98
Operational expenditures	5	0	100

Auditor's report on the statutory sustainability report

To the general meeting of the shareholders in Stillfront Group AB (publ), corporate identity number 556721-3078

Engagement and responsibility

It is the board of directors who is responsible for the statutory sustainability report for the year 2021 on pages 11–23 and that it has been prepared in accordance with the Annual Accounts Act.

The scope of the audit

Our examination has been conducted in accordance with FAR's auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is substantially different and less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

Opinion

A statutory sustainability report has been prepared.

Stockholm, 19 April 2022
Öhrlings PricewaterhouseCoopers AB

Nicklas Kullberg
Authorized Public Accountant

STILLFRONT GROUP

STILLFRONT GROUP

Risk factors and risk management

There will always be uncertainty about future events in any business operation. Stillfront is no exception. Future events may have a positive impact on the business, thus enabling increased value creation. Future events may also be negative and may potentially have a negative impact on Stillfront's operations and earnings.

Stillfront's board of directors is responsible for the group's risk management. Matters regarding risks associated with business development and long-term strategic planning are prepared by group executive management and decided by the board of directors. A number of key policies form the basis for operational risk management in the organization. Stillfront works continually on assessing and evaluating the risks to which the group is or could become exposed. Critical risks in Stillfront's business environment are managed strategically through product and business development, and operationally through daily processes.

The tables below present some of the risks that could have implications for the group's future development. The risks are not arranged by order of importance or potential financial impact on the group's profit or financial position. Further, the risks described below are not the only risks that we face. Additional risks and uncertainties not currently known to us or that we currently deem immaterial may also impair our business operations. For financial risk factors that affect the company's business, see Note 3.

Risks related to the group's business and industry

> Risks related to the groups dependency on key individuals	> Mitigation
The group's operations are dependent on certain key employees, senior executives and persons with specialist competence, some of whom are founders of certain group companies. If any of these key employees terminate their employment with the group or significantly change or reduce their involvement within the group, there is a risk that the group may not, within a reasonable time, be able to replace these persons or their services with other persons who may contribute equally to the group's operations. In addition, there is a risk that failure to attract and retain new key employees may have a negative impact on the group's net revenue growth, profitability and management function.	By promoting career development and other development opportunities for co-workers including remuneration and competitive long-term incentives, Stillfront safeguard its ability to attract and retain co-workers both in the near and in the long term. Additionally, the group works extensively with succession planning for key individuals as to safeguard operational effectiveness.

> Risks related to new games and existing game offerings	> Mitigation
The continued success and growth of the group's operations depends on its ability to continue to develop new games and to broaden its existing game offering If the group fails to develop new games and improve its existing games, there is a risk that these games will generate lower revenues, which in turn may have a material negative impact on the group's net revenues, results of operations and intangible assets. Delays in, or non-completion of planned and ongoing game development projects entail a higher cost for the group and may have a negative impact on cash flow, revenues and operating margins in the group.	Stillfront's incremental model for developing games reduces the risk of "scope creep" – one common cause of delay in development projects. Further, Stillfront's frequent use of proven game engines reduces the development risks. Stillfront is also continously looking for opportunities to acquire suitable games, which further reduces the dependence on existing games.

STILLFRONT GROUP

> Risks related to the group being dependent on a limited number of games and users new games and existing game offerings	> Mitigation
The group has a wide range of games in its portfolio. However, the group is dependent on a relatively limited number of games that generate the majority of the group's revenues. Thus, the group is also dependent on the ability to continuously develop and improve its game portfolio, particularly games with high popularity. If the group's investments in new user acquisitions and monetisation strategies do not produce the desired results, the group may fail to attract, retain or monetise on users and may experience a decrease in the level of spending of existing paying users, which would result in lower revenues attributable to the group's games and thereby risk having a material negative impact on the group's operating expenses, net revenues, results of operations and profitability.	Stillfront continosly works with providing updates and additional content to its existing games with the aim of retaining as many existing users as possible. Further, Stillfront has internal processes in place to make sure that its studios utilize efficient and profitable user acquisition methods and are also continosly looking for opportunities to acquire new users via acqusitions of suitable games.

> Risks related to the free to play model	> Mitigation
The majority of the group's games are available free of charge to players, and the majority of revenue is generated from the sale of virtual items when players make voluntary in-game purchases. If the group fails to price virtual items in the games in line with player expectations or at normal price standard in the market, players may be less inclined to spend money and time in the games, thus resulting in lower revenues for the group, which may have a material negative impact on the group's net revenues and results of operations.	Stillfront has developed tools and systems that allows for continuous tracking of how its games are performing and can use information from such tools and systems to quickly and effectively make appropriate adjustments to relevant parameters and quickly confirm the efficiency of the same.

> Risk related to technological progress and consumer preferences and requirements	> Mitigation
The group's success depends on its ability to successfully innovate, develop and publish new games. In addition, the online gaming industry is driven by users' preferences and requirements. This means that game developers, publishers and operators must be able to continuously offer new products and services to attract and retain a wide range of users. In order to operate in an industry characterised by the rapid emergence and development of new products, services, technologies and the development of player preferences, the group needs to constantly stay innovative and adapt to the technological advances and preferences that arise on an ongoing basis. Widespread adaptation to new internet technologies and higher standards may require the group to allocate significant funds to replace, upgrade, modify or adapt its existing game offering, which may have a material negative impact on the group's short- and long-term operating expenses and earnings.	Stillfront evaluates technical developments in the market and the potential impact on Stillfront's business. Based on the evaluations, Stillfront takes appropriate measures.

STILLFRONT GROUP

> Risks related to identification for advertisers

Identification for Advertisers ("IDFA") is a random device identifier provided by Apple to a user's device. Advertisers, including the group, use this to track data and identify a user (without disclosing personal information) so that they can deliver tailored advertising. The data can then be used to identify which features a user is using in the app. Accordingly, the group is able to use data gathered through IDFA to obtain information about players' preferences and interests and thereby develop and adapt the games in a manner that is appealing to the group's users, as well as implement targeted marketing measures. Android's corresponding IDFA feature is called GPS AdID (or Google Play Services ID for Android). A user has access to its IDFA or GPS AdID in their settings menu on the device and is thus able to choose to turn the feature on and off. Apple previously had the feature on as a default setting, but with the launch of iOS 14, which was introduced in the fall of 2020, users must explicitly allow IDFA to be used. In February 2022, also Google announced that it intends to dissolve the GPS AdID functionality. Google has not yet announced when the change will be implemented.

> Mitigation

Stillfront continously monitors the regulatory landscape in relevant jurisdictions and information from device/platform providers to be able to in a timely manner adjust to any further changes in the regulatory landscape and/or device/platform providers' policies and terms and conditions.

> Risks related to distribution channels

The group's sales are largely made with the help of a few significant distributors, mainly in the growing mobile application sector where the group relies particularly on Google Play, App Store and Facebook to distribute its games. In 2021, approximately 77 per cent of the group's revenue was attributable to games distributed through Google Play and App Store.

The distributors' range of digital distribution channels are crucial for the group's monetisation from its mobile applications segment. If, for any reason, any of these material distributors were to close down their platform or restrict the group's access to or terms of use of its platform, or suspend certain games from distribution through the platforms, this may result in revenue loss for the group. Additionally if there is an interruption or restriction in the group's access to one or several platforms, in whole or for long periods of time, or if the data obtained from distributors is materially incorrect, to the effect that the group has calculated its revenues incorrectly, it may have a material negative impact on the group's net revenues and results of operations.

> Mitigation

Stillfront strives to maintain good relations with the mobile platform distributors. Stillfront's studios also have good working relationships with the platform providers to ensure that processes related to approval of new games and/or content is efficient. In parallel, Stillfront evaluates other means to reach the mobile market.

> Risks related to negative perception or publicity

The online gaming industry is subject to scrutiny related to gaming behaviour, under-age gaming and lack of compliance, as well as standards established to promote responsible gaming. Negative perceptions and prejudices about the gaming industry may lead to the group experiencing difficulties in attracting more or new users or that the group's operations risk gaining a bad reputation, regardless of the type of games that the group provides, which may result in revenue being less than expected. In addition, if a general perception develops that the online gaming industry is unable to address public concerns about gaming addiction, political pressure and public opinion may lead to increased regulation of the online gaming industry. Such new regulation may lead to significant costs for the group to adapt its existing games or make adjustments in its development work in order to comply, which may have a material negative impact on the group's operating expenses and profitability.

> Mitigation

Our FAIR model sets out how we take responsibility for our products and our users' behaviour towards each other. We want our gamers to feel safe and respected in our digital worlds. The opportunity to interact with other gamers is a central and appreciated function in many of our games but an unavoidable consequence of such interactions is toxic behaviour from a relatively small number of users. During 2021, we had several reported incidents and we take these very seriously. We manage toxic behaviour with built-in functions and algorithms that filter out bad language and we have zero tolerance of threats and personal attacks. As a part of creating a positive in-game environment, we also make sure that our products follow our ideas of responsible content.

> Risks related to Intellectual property – infringement on third party trademarks

The group may have inadequate intellectual property protection, be prevented from protecting its intellectual property rights and may risk infringing on third party intellectual property rights.

The group's ability to grow successfully depends, among other things, on its ability to protect, register and maintain its intellectual property rights. In the early phase of the life cycle of the group's games, the group relies mainly on trademark protection through trademark registration as well as on registration of logos, copyright protection and domain name registrations. Some of the group's trademarks and logos are not registered and/or pending trademark registrations, and certain trademarks and logos can, for various reasons, not be registered as trademarks. There is a risk that the group will not be able to complete registrations regarding such trademarks and logos and/or future trademarks or logos.

The group also faces the risk that the use and exploitation of its intellectual property rights, in particular rights related to its software, may infringe on the intellectual property rights of third parties. The costs of bringing or defending an intellectual property infringement action may be significant.

> Mitigation

Material trademarks have been registered in relevant and material. In Stillfront's product development work, care is taken not to infringe on others' intellectual property.

Although the group's intellectual property rights are generally protected by copyright, such protection covers only the original literal expression of the group's source code and not the concepts and ideas expressed by it. Furthermore, the group's intellectual property rights are, as a general rule, by their very nature not patentable. Consequently, other than protection through trademark registrations, copyright protection and domain name registrations, the group's intellectual property rights enjoy limited legal protection. This may limit the group's ability to bring an action and defend itself against intellectual property infringements.

> Risk related to Cybercrime

The group's online gaming business is exposed to the risk of system intrusion, virus spread and other forms of IT crime or harmful behaviour by individual players or other actors. Such actions may interfere with websites, cause system failures and disruptions to the operations, lead to loss of databases and may harm computer equipment and infrastructure held or used by the group or its users. The effect of such actions or the group's failure to successfully protect itself against such attacks may have a material negative impact on the group's operations, net revenues and results of operations.

The group's online gaming business is exposed to the risk of system intrusion, virus spread and other forms of IT crime or harmful behaviour by individual players or other actors. Such actions may interfere with websites, cause system failures and disruptions to the operations, lead to loss of databases and may harm computer equipment and infrastructure held or used by the group or its users. The effect of such actions or the group's failure to successfully protect itself against such attacks may have a material negative impact on the group's operations, net revenues and results of operations.

> Mitigation

Stillfront is continuously striving to maintain the highest standards to protect its users from cyberattacks and card fraud when playing our games. We have implemented policies and procedures to comply with all applicable legislations and rules to achieve adequate information security and expect the same of our business partners and suppliers.

> Risks related to the security, integrity and operational performance of systems, products and services.

The group's product range consists exclusively of online games that depends on the security and good functioning of the internet connection through which users play the group's games. Consequently, the group's operations depend on the integrity, reliability and operational performance of IT systems as well as the users' access to the internet. The operation of IT systems within the group's operations and its suppliers or partners may be disrupted for reasons beyond the group's control, such as damage caused by accidents, disruptions in the provision of tools or services, extreme weather events, safety problems, system failures or pollution.

Although the group's operations are based on separate servers and platforms, which means that it is unlikely that a significant number of servers are affected by disruptions at the same time, disruptions or events related to a number of the most revenue-generating games may result in loss of players and thus reduced revenues as well as potential complaints against the group for interruptions, or otherwise adversely affect the group's ability to sell products and services to its users.

> Mitigation

The security of Information Technology ("IT") assets is core to our business. It is critical that measures are taken to ensure that IT assets are made and kept secure from cybersecurity attacks and/or human error that can lead to data breach, data loss, data corruption, and natural disasters.

To mitigate these risks the group has Disaster Recovery and Business Continuity Plans framework in place for retaining or reinstituting business operations in the event of a disruption.

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> Risks related to competition

The group operates in a highly competitive industry. Generally, competition increases when new game developers, console developers, game publishers and gaming operators enter the gaming market or when current competitors expand their game offerings. The group's focus is to provide high-quality entertainment, where also other entertainment companies are viewed as main competitors. Online gaming products and services are also sensitive to consumer trends and there is a risk that the group's market share diminishes if competitors make improvements to or expand their product offering. Failure by the group to effectively compete may result in the group losing users or failing to attract new users.

Increased competition may also lead to lower margins and price pressure, and that the group, as a consequence, is forced to reduce the price of its products and services in order to retain its users and current market share. In addition, some competitors may offer a more attractive range of online games or complementary products and services than the group, which may result in the group having to develop or offer similar products and services or the group losing its users. This may also result in the group incurring increased development costs associated with the development of a specific type of product or service.

> Mitigation

Stillfront has chosen to primarily work in the game genre free-to-play online games, which has proven long-term profitability. In addition, Stillfront continuously explores new genres with characteristics that fit Stillfront's strategies.

> Risk related to the use of open source software

The group uses open source software in game development. Certain open source software licenses require developers who distribute open source software to disclose all or part of the source code of such software on unfavourable terms or free of charge. There is a risk that such licenses may be interpreted in a way that entails unexpected consequences or limitations on the group's ability to market the games or that the group inadvertently infringes on the intellectual property rights of other actors. In addition, there is a risk that outdated, and potentially unsafe, open source software is included in the group's products.

This may result in the group being required to disclose and make available its own source code, pay damages due to a breach of contract, reconstruct its games, suspend distribution of affected games should the redesign not be completed in a timely manner, or take other corrective actions that may divert resources from the group's game development work in general. This may have a material negative impact on the group's net revenues, results of operations and intangible assets.

> Mitigation

The group continosly monitors its use of open source software and screens for outdated or unsafe software to mitigate the risks involved.

> Risk of Force Majeure

The group operates in the online gaming industry and is affected by the global economic trend, consumer trends and user preferences. Although the group focuses on digital entertainment and has digital processes in place to ensure that the group's organisation operates more or less as usual in case of an force majeure event, the group's revenues are largely affected by the users' disposable income and gaming activities. Moreover, any force majeure event can have a negative impact on the global economic outlook and any negative developments in the global economy may affect users' disposable income and the ability and willingness of the gaming industry to invest money in the group's products, which may have a material negative impact on the group's operations, net revenues and results of operations

> Mitigation

Stillfront continosly evaluates its performance so that it at an early stage can identify potential issues and take appropriate actions to address the same.

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Risks relating to the group's financial position

> Risks relating to the group's financial position	> Mitigation
The ability to secure financing for the group and to control financial exposure in line with policies and guidelines is essential if the group is to reach its targets.	Financial risk such as currency risk, liquidity risk, financing risk, risk, interest risk, credit risk are managed centrally by the group's Finance and Treasury department in accordance with the policy set annually by the board of directors. For a more detailed description of established risk levels and how adherence to these is ensured, see Note 3.

Risks related to the company's strategy

> Risk related to acquisitions, investments, establishments or divestments.	> Mitigation
As part of the group's strategy, the group has previously carried out, will explore opportunities for and may in the future carry out acquisitions, establishments, investments and divestments that may not be completed or, if completed, do not turn out to be beneficial for the group. Carrying out acquisitions, establishments, investments and divestments is often a comprehensive and complex process that entails costs for legal, financial and other advisors as well as costs related to, for example, financing. Furthermore, there is a risk that the group will not be able to complete an initiated transaction or is unable to integrate and manage the acquired business in an effective manner, anticipate expected liabilities or achieve expected cost-savings and synergies. In addition, an acquisition is associated with risks relating to the acquired company.	Acquisitions are made after conclusion of comprehensive due diligence. Considerations in acquisitions normally contain an earn-out component for several years for the sellers, who are usually a member of the management of the acquired company, thus incentivizing sellers/management to deliver results. Part of the consideration is paid in Stillfront shares that are subject to lock-up, thus ensuring alignment of interest. Additionally, the group applies a integration framework with designated resources that works together with the acquired company's management to integrate the company successfully.

Legal and regulatory risks

> Risks related to the processing of personal data	> Mitigation
The group processes personal data about, among other things, its employees and users. The group is subject to data protection laws, rules and regulations in several jurisdictions. Any non-compliance by the group of applicable laws, regulations and rules regarding data protection could lead to negative publicity and damage the group's reputation and lead to loss of users and revenue. It may also lead to fines and damage claims from individuals and injunctions from authorities to address the deficiency. Non-compliance with the rules applicable in the markets in which the group operates may thus have a material negative impact on the group's reputation, operations and results of operations.	Being a data-driven organization is central to Stillfront. Analyzing user data enables us to identify behavior patterns, information of our operations and other insights, which allow us to be even better at developing games, as well as following events, activities and campaigns for a better experience. The users' interactions with our studios' customer services are an important intelligence when developing our games and new functions. The marketing of our games is data-driven and crucial in attracting users to play free-to-play games. Data privacy and data protection are of the utmost importance to Stillfront. Over the years, we have put considerable resources into ensuring that our privacy program meets the criteria of the General Data Protection Regulation (GDPR) and other applicable data protection and privacy regulations. Stillfront's processes have been designed to safeguard confidentiality, privacy and access to information and data. Additionally, all professionals of Stillfront are offered regular data privacy and data protection training.

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> Risks related to changes in taxation or interpretation and application of applicable tax laws

The group's operations are conducted through subsidiaries in several jurisdictions, and the group is therefore tax resident in Sweden as well as several other jurisdictions. There is a risk that tax authorities, courts or other public entities consider the group's interpretation and application of the tax legislation to be incorrect. In addition, systematic errors by the group, for example, with respect to value-added tax or transfer pricing, may be accumulated over several years and have to be corrected, which could result in large one-time costs for the group. If tax legislation in one or several jurisdictions in which the group operates changes or is misinterpreted by the group, the group may be imposed further taxes, interest, fees or sanctions that adversely affect the group's liquidity, financial position and operating profit.

> Mitigation

The payment of taxes is a central link between governments, communities and businesses Together with external experts, the group continuously assesses how different tax rules affect its operations, to ensure an accurate tax status. Stillfront reports and pays tax in accordance with applicable legislations, taking into account expert advice from tax advisors.

> Risks relating to laws, regulations and rules in several different jurisdictions

The group's studios and games are available in a large number of jurisdictions worldwide, many of which have their own individual regulations governing the running of business operations in general and online gaming in particular. Stillfront's operations in the global online gaming market and its geographical spread expose the group to risks related to sustainability factors such as human rights, working conditions and corruption.

The gaming industry is being increasingly monitored by authorities in the various jurisdictions in which the group operates. The close monitoring of new and changed regulations in all jurisdictions in which the group operates entails costs for legal advisors and may lead to both reduced revenues and increased costs should an unforeseen adaptation of the games be required in order not to violate applicable regulations or as a result of the monetisation mechanism applied in the games not being considered lawful. Examples of this could be different juristictions regulations or view on games being categorised as gambling or so called "hazard games".

There is a risk that the group is not always fully compliant with all local laws and regulations due to a different interpretation of applicable rules than the authorities, which may result in the group being subject to legal proceedings, complaints or injunctions, or that fines, damages or other charges will be directed at the group. This may incur costs for the group and adversely affect the group's reputation. Such risks may be accentuated in a decentralised organisational model.

> Mitigation

Adapting operations to changes in laws and regulations is an ongoing process and is achieved by monitoring relevant regulatory changes, through analysis and training, and by producing governing documents. The group also maintains a dialogue with the supervisory authorities to keep them informed about the group's operations for compliance with laws and regulations.

Stillfront has also adopted a code of conduct and a wide range of different policies and procedures that apply to all employees within the Stillfront Group and aim to ensure that Stillfront compies with rules and regulations related to topics such as anti-corruption and anti-money laundering.

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Corporate governance report

Principles for Corporate governance

Corporate governance at Stillfront is based on external regulations and rules, such as the Swedish Companies Act, the Swedish Book-keeping Act, the Swedish Annual Accounts Act, the Market Abuse Regulation (MAR), the Code and Nasdaq Stockholm's rules for issuers on Nasdaq Stockholm and internal regulations such as Stillfront's articles of association, rules of procedure for the board of directors, the board's instructions for the CEO and other group policies, instructions, and guidelines.

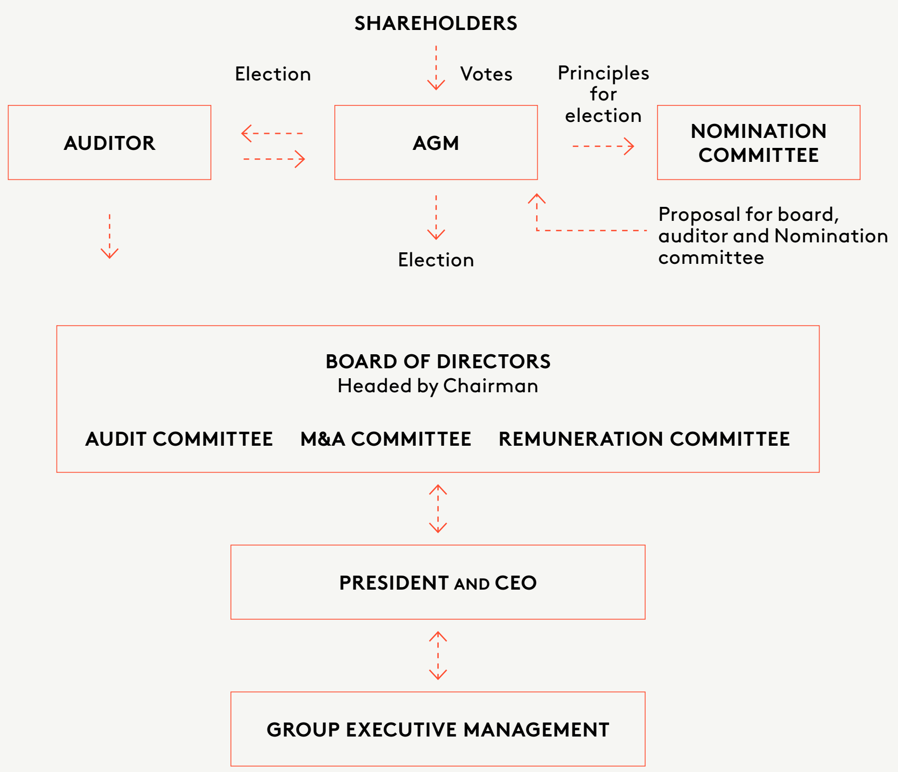
Shares and shareholding

As of 31 December 2021, Stillfront had 387,134,079 outstanding shares and 27,313 shareholders. All shares are of the same class, each grants entitlement to one vote at the General Meeting. At the General Meeting, a shareholder may vote for the total number of shares represented. The largest shareholder on 31 December 2021 was Laureus Capital GmbH, which owned 12.00 percent of the outstanding shares and votes. Laureus Capital GmbH was the only shareholder with an ownership greater than 10 percent of outstanding shares and votes. The ten largest shareholders represented 47.5 percent of the outstanding shares and votes.

Annual General Meeting

The highest decision-making body of Stillfront is the AGM through which the shareholders exercise their influence over the company. The AGM is held within six months from the end of the financial year. The date, time and location are announced no later than in connection with the third quarter financial report. Information on how a shareholder can have a matter addressed at the meeting, and by which date such a request must be received by the company for the matter to be included in the notice to attend the AGM, is announced on Stillfront's website no later than in conjunction with publication of the third quarter financial report. Notice of the AGM is issued no earlier than six and no later than four weeks before the meeting. The notice contains information on registration, participation and voting at the AGM, an agenda with the issues to be addressed, information on the proposed dividend and the main content of other recommendations. To be entitled to vote at the AGM, shareholders must be recorded in the share register on the fifth business day before the meeting and must notify the company of their participation no later than the date stated in the notice of the meeting. The latter mentioned day must not be a Sunday, any other public holiday, Saturday, Midsummer's Eve, Christmas Eve or New Year's Eve and must not be more than the number of days before

CORPORATE GOVERNANCE MODEL



Important external regulations

- The Swedish Companies Act
- The Swedish Annual Accounts Act
- Nasdaq's regulations for issuers on Nasdaq Stockholm
- The Swedish Code of Corporate Governance (the Code)

Important internal regulations and Instructions

- Articles of Association
- Rules of procedure for the board of directors, Committee instructions
- CEO instructions including reporting instruction
- Code of Conduct
- Information security policy and other IT governing documents
- Treasury policy and financial handbook
- Processes for internal control and risk management
- Information and insider policy
- Sustainability policy
- Anti-bribery and Anti-corruption policy

the meeting as set out in the Swedish Companies Act. Shareholders who cannot attend in person may participate through a proxy representative. Decisions at the AGM are normally made by a simple majority of votes cast. However, according to the Swedish Companies Act, certain types of resolutions require a certain quorum or majority of voting rights.

At the AGM, the following matters shall be handled:

- presentation of annual report and the auditor's report and consolidated accounts and auditor's report for the group,
- resolution on
  - adopting of the profit and loss statement and the balance sheet and consolidated profit and loss statement and balance sheet
  - allocation of the company's profit or loss according to the adopted balance sheet, and
  - discharge from liability for the board of directors and the CEO
- resolution to establish the remuneration for the board of directors and the auditor
- resolution on the number of directors to be appointed
- appointment of the directors and auditor and deputy auditor, and
- other matter relevant to the meeting according to the Swedish Companies Act or the Articles of Association.

In addition, shareholders resolve upon any changes to the Articles of Association of the company. The Articles of Association establish, inter alia, the name of the company, the headquarter of the board of directors, the operations of the company, aspects of the share capital, the shareholders' right to participate at the AGM and what matters shall be dealt with at the AGM.

Extra ordinary general meetings (EGMs) can be summoned when necessary. Information, including the notices and suggestions for the AGMs and EGMs, as well as minutes from previous AGM/EGMs are available on Stillfront's website, www.stillfront.com.

Annual General Meeting 2021

The Annual General Meeting was held on 11 May 2021. To prevent the spread of the virus causing covid-19, the board of directors resolved that the AGM was to be held without the physical presence of shareholders, proxies, or external parties and that the shareholders should have the opportunity to exercise their voting rights only by postal voting. The company held a webcast with the Chairman of the board of directors, the chief executive officer and the external auditor on 4 May 2021. In the webcast, the Chairman of the board and the chief executive officer presented their views on the past year and provided answers to questions received from shareholders.

A total 129,748,815 shares and votes were represented at the general meeting which corresponded to 36.3 percent of the number of the outstanding shares and votes at the date of the AGM. The Chairman of the board was elected as the Chairman of the AGM.

At the AGM, the shareholders, inter alia, resolved:

- to adopt the profit and loss statement and the balance sheet and consolidated profit and loss statement and balance sheet,
- in accordance with the proposal of the board of directors and the CEO that the earnings available for distribution shall be carried forward
- to discharge the directors of the board and the CEO from liability of the fiscal year 2020
- to re-elect the board members Jan Samuelson, Birgitta Henriksson, Ulrika Viklund, Katarina Bonde, Erik Forsberg and Kai Wawrzinek until the end of the next AGM
- to re-elect Jan Samuelson as Chairman of the board
- that the remuneration to the board of directors shall be according to the proposal from the Nomination Committee,
- to re-elect the accounting firm Öhrlings Pricewaterhouse-Coopers AB as auditors, Nicklas Kullberg will continue as the auditor in chief
- that the remuneration to the auditor shall be paid according to current approved account
- to implement a long-term incentive program in accordance with the board of directors' proposal (LTIP 2021/2025)
- to authorize the board of directors to issue shares, convertible instruments and/or warrants. The increase of the share capital which entails issuance, conversion or subscription for new shares, may correspond to a dilution of a maximum of 10 percent of the shares in the company at the time when the board of directors first utilises the authorisation
- on four directed new share issues to the sellers of four of the companies that Stillfront previously has acquired
- to amend the company's articles of association.

For more information about the AGM 2021, visit Stillfront's website https://www.stillfront.com/en/arsstamma-agm-2021/.

Extraordinary General Meetings 2021

At an extraordinary general meeting on 17 June 2021 held only by postal voting without the physical presence of shareholders, proxies or external parties, it was resolved to not approve the board of directors' proposal on an issue of warrants and approval of transfer of warrants as arrangement for ensuring delivery of shares in Stillfront to the participants in the long-term incentive program approved by the annual general meeting on 11 May 2021 (LTIP 2021/2025).

For more information about the EGM in June 2021, visit Stillfront's website https://www.stillfront.com/en/extra-bolagsstamma-egm-2021/.

At an extraordinary general meeting on 4 October 2021, held only by postal voting without the physical presence of shareholders, proxies or external parties, it was resolved in accordance with the board of directors' proposal to:

- approve the board of directors' resolution dated September 9, on a directed share issue through an issue of not more than 1,929,567 shares. It was resolved that Laureus Capital GmbH should have the right to subscribe for the new shares

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- to authorize the board of directors to, within the scope of the articles of association, with or without deviation from the shareholders' preferential rights, on one or several occasions during the period until the next annual general meeting, resolve to increase the company's share capital by issuing new shares, warrants or convertible debt in the company. The authorization shall be limited whereby the board of directors may not resolve to issue shares, warrants or convertible debt that involve the issue of, or conversion into shares corresponding to, more than ten (10) percent of the shares in the company at the time when the board of directors first utilizes the authorization. The authorization replaced the authorization adopted at the AGM on 11 May 2021.

For more information about the EGM in October 2021 visit Stillfront's website https://www.stillfront.com/en/extra-bolagsstamma-oktober-2021-egm-october-2021/

Annual General Meeting 2022

The AGM 2022 will take place 16.00 CEST on 12 May 2022 in Stockholm. Information regarding the AGM, together with all required documents, will be published on the company's website, www.stillfront.com.

Nomination Committee

In accordance with the resolution of the AGM on 11 May 2021, the Chairman of the board, shall convene at the end of the third quarter, Stillfront's three latest registered shareholders to elect one representative each for the Nomination Committee. A shareholder representative shall be appointed chairperson of the Nomination Committee. Neither the Chairman of the board nor another director of the board shall serve as chairperson of the Nomination Committee.

The Nomination Committee for the AGM 2022 consists of:
- Caroline Sjösten, Swedbank Robur Fonder, Chairman of the Nomination Committee
- Dr Kai Wawrzinek, Laureus Capital
- Kristofer Flack, SEB Fonder

The duties of the Nomination Committee are to propose, for the AGM 2022, the Chairman of the AGM, the board of directors to be elected by the AGM, the Chairman of the board, remuneration for the members of the board and the Chairman and any remuneration for committee work, auditors' fees, a proposal on the appointment of auditor (if applicable) and the nomination committee's procedures. The Nomination Committee's mandate period runs until the new Nomination Committee has been appointed, in accordance with the decision on appointment of the Nomination Committee passed by the AGM 2021.

The composition of the Nomination Committee meets the Code's requirements for independent members. Following the formation of the Nomination Committee and until the day of the approval of the corporate governance report, the Nomination Committee have had six meetings.

The Nomination Committee has proposed that the AGM 2022 elects six ordinary board members with no deputy directors. Jan Samuelson, Katarina Bonde, Erik Forsberg, Birgitta Henriksson and Ulrika Viklund have been proposed to be re-elected as board members and Marcus Jacobs has been proposed as new board member. Kai Wawrzinek has informed the Nomination Committee that he will not be available for re-election at the AGM 2022. The Nomination Committee has proposed that Jan Samuelson is re-elected as Chairman of the board of directors. the Nomination Committee's complete proposals and motivated statement will be announced together with the notice to the AGM 2022.

Board of directors

The board has overarching responsibility for the organization and management of the company's business. The board shall continually assess the financial situation of the company and ensure that the organization of the company is structured in such a way that the accounting, the management of assets and the financial situation of the company in other respects are monitored in a safe manner. It is also incumbent upon the board of directors to ensure that there is sufficient control over the company's compliance with laws and other regulations applicable to the company's business, and that essential ethical guidelines are established for the company's conduct. The board appoints the CEO.

Composition of the Board

According to Stillfront's Articles of Association, the board of directors shall consist of at least three and at most eight members, with no deputies, elected at the AGM to serve until the end of the next AGM. There is no rule on the maximum period a director may serve on the board. The requirement to achieve diversity and breadth, as well as an effort to achieve an even distribution of gender, have been taken into account in the composition of Stillfront's board of directors.

The AGM 2021 re-elected Jan Samuelson, Birgitta Henriksson, Ulrika Viklund, Katarina Bonde, Erik Forsberg and Kai Wawrzinek as board members. The AGM re-elected Jan Samuelson as Chairman of the board.

ATTENDANCE BOARD MEETINGS 2021

	Attendance	Audit Committee	Attendance	Remuneration Committee	Attendance	M&A Committee	Attendance
Katarina Bonde, member	33/34			Member	2/2		
Erik Forsberg, member	34/34	Chairman	5/5				
Birgitta Henriksson, member	34/34	Member	5/5				
Jan Samuelson, Chairman	34/34			Chairman	2/2	Chairman	3/3
Ulrika Viklund, member	34/34						
Kai Wawrzinek, member	31/34					Member	3/3

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Independence

According to the Code, a majority of the board members elected by the General Meeting is to be independent of the company and its executive management. At least two of the of board members who are independent of the company and its executive management are also to be independent in relation to the company's major shareholders. The Nomination Committee's opinion is that the board fulfils the requirements pursuant to the Code regarding board members' independence.

The Nomination Committee has assessed that all board members are independent in relation to the company and the executive management. Five of the board members are independent in relation to the company's major shareholders. Kai Wawrzinek has, through his shareholding in Laureus Capital GmbH which is Stillfront's largest shareholder, been considered as dependent in relation to the company's largest shareholder.

Board work

The board resolves on written rules of procedure for its work as well as CEO instructions including reporting instructions for the CEO, these are adopted annually at the constitutional meeting after the AGM. The rules of procedure specify how work is to be divided among the board of directors, its committees and the CEO. During 2021, 34 board meetings were held. At its scheduled meetings, the agenda was as determined by its rules of procedure and included items such as business performance, liquidity, annual accounts, M&A activities and interim reports. Three of the board meetings were held prior to the release of interim reports and one prior to the year-end report. One meeting addressed the company's operational planning and budget. At one board meeting the board met the company's auditor without the CEO or any other member of the executive management present. A constitutional meeting was held in conjunction with the AGM i.a. resolving signatories, working procedures of the board, CEO and committee instructions and schedule for the meetings of the coming year. The other board meetings were dedicated to, inter alia, acquisitions and financing. The board members attendance is set out on page 34 in Stillfront's annual report.

Board meetings are usually convened by way of a notice issued to members at least five days in advance. The directors shall receive written supporting material regarding the issues to be discussed prior to the board meeting.

Except for when the board meets the auditor without any of the executive management present or when executive management remuneration is discussed/resolved, the CEO, CFO and the General Counsel take part in the board meetings. The CEO reports on operational performance at each ordinary board meeting and the CFO reports on financial performance. The General Counsel acts as secretary of the board. Other representatives from the executive management participates in board meetings when relevant.

The Chairman's role

The Chairman of the board organizes and manages the board's work so that is conducted in accordance with the Swedish Companies Act, other legal acts and regulations, the Code and the board's internal governing documents. The Chairman monitors operations through continuous contact with the CEO and is responsible for ensuring that the other board members receive relevant information. The Chairman ensures that the CEO's work is evaluated annually and that the board is informed about the results of the evaluation.

Once a year, the Chairman of the board carries out an evaluation and analysis of the board's work through a board assessment tool developed by a third party. The evaluation addresses issues such as the climate of cooperation, corporate governance models, the breadth of knowledge and the quality and efficiency of the board work. The intention is to get a picture of how the members perceive that the board work has been carried out and what measures can be taken to streamline and improve the work. The Chairman of the board reports the evaluation to the board of directors and to the nomination committee.

Remuneration

Remuneration to the board of directors is proposed by the nomination committee and resolved by the AGM. Information on remuneration for the board of directors and the committee members is shown in the table in Note 8 in the annual report.

Remuneration to the CEO and other members of the executive management consists of a base salary, and, for certain managers, a variable performance remuneration, other benefits and pension. The AGM 2021 adopted guidelines for the remuneration of senior executives, available on Stillfront's website www.stillfront.com. These guidelines have been adhered to without deviations during the year.

The Chairman of the board negotiates the remuneration and terms of employment for the CEO. The remuneration for CEO is approved by the board of directors.

The CEO negotiates the remuneration and terms of employment for the other members of the executive management after consultation with the remuneration committee. For further information, see Note 8 in the annual report.

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Board Committees

The Audit Committee

The Audit Committee consists of Erik Forsberg (Chairman) and Birgitta Henriksson. The Audit Committee has the responsibilities and authority that follows from the Swedish Companies Act and the Code.

The duties of the Audit Committee include:

- reviewing the financial reports
- monitoring the efficiency of internal control, including risk management, with respect to financial reporting
- staying informed about the external audit
- reviewing and, as appropriate, granting prior approval when external auditors are appointed for assignments other than audit services
- follow-up on previous matters.

During 2021, five meetings were held by the Audit Committee. both members of the audit committee attended along with the CEO, CFO, General Counsel, the company's auditor and relevant members of the finance team.

The Remuneration Committee

The Remuneration Committee consists of Jan Samuelson (Chairman) and Katarina Bonde. The Remuneration Committee has the responsibilities and authority that follows the Swedish Companies Act and the Code.

The duties of the Remuneration Committee include:

- preparing and evaluating guidelines for remuneration to senior executives
- preparing and evaluating goals and principles for variable remuneration
- preparing proposals regarding remuneration and other terms of employment to the executive management
- monitor and evaluate programs for variable remuneration,
- prepare and make proposals for shareholders' resolutions regarding share or share priced related incentive programs for the executive management
- prepare any resolutions regarding bonus schemes, and
- prepare the board's CEO succession plan and review of the group's overall succession planning concerning top management.

During 2021, two meetings were held by the Remuneration Committee where both members attended.

The M&A Committee

The M&A committee consists of Jan Samuelson (Chairman) and Kai Wawrzinek. The M&A committee has the responsibilities and authority that follows from its instructions approved by the board of directors which include reviewing, evaluating, and approving non-material M&A transactions.

During 2021, three meetings were held by the M&A committee where both members attended.

Audit

One or several auditors are elected by the AGM, for a term running up until the end of the AGM during the financial year after the election. The auditor is assigned to review Stillfront's annual report, accounting records and the administration performed by the board and the CEO. The auditor(s) deliver(s) a report to the AGM. Shareholders have the opportunity to ask the auditor(s) questions during the AGM.

The AGM 2021 re-elected accounting firm Öhrlings PricewaterhouseCoopers AB as auditor until the end of the AGM 2022. The chief auditor is Nicklas Kullberg.

In 2021, the auditors have, in addition to reviewing the company's books, performed review of the company's third interim report. The auditor of the company has been present at one board meeting for presenting his conclusions from the 2021 audit and addressing questions from the board of directors without any member of the executive management present.

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Internal control and risk assessment regarding financial reporting

The board is responsible for the company's internal control and review and that financial reporting follows the regulations and rules applicable to companies traded on Nasdaq Stockholm, as well as Swedish legislation such as the Swedish Companies Act, the Swedish Annual Accounts Act as well as the Swedish Code of Corporate Governance. In addition, there are internal policies, instructions, routines, and a system for delegating roles and responsibility, to ensure good internal control.

The group's financial position is discussed at board meetings in conjunction with interim reports.

The executive management's working methods

The executive management is presented on page 40 in Stillfront's annual report. At the executive management meetings, which are held regularly, business development, financial monitoring and business plans are discussed. The executive management has recurring meetings with representatives of the company's subsidiaries throughout the year. The subsidiaries have high operational freedom within the agreed framework and internal control processes. The executive management monitors that the agreed authorities and processes are not exceeded. Effective management and governance structures have been established within each subsidiary.

Control environment

Stillfront's operations are organized in independent subsidiaries. The CEO of the group appoints an entity head in charge of each subsidiary's governance, development and management.

Stillfront's decentralized organization, with many subsidiaries, entails demanding requirements on the management teams of subsidiaries, as well as their competence, values and ethics. Further, this requires understanding and respect for delegation of roles. This also requires that the division of responsibility within and between the e xecutive management and the management teams of the subsidiaries are well-defined and that the communication between all these units works well. Instructions on governing documents, accounting principles, guidelines and routines are regularly communicated to affected employees.

The authorization instructions in place for Stillfront and all its subsidiaries regulate the decision-making process for material contracts, major investments and other significant decisions, thus becoming an important part of the group's control environment.

Risk management & Control activities

Stillfront's operations are affected by a number of risk factors that cannot be fully controlled by the company. The Board has a work agenda determined at the constituting meeting. It provides the basis for the Board's work and for effective handling of the risks to which the company is exposed. For a more comprehensive description of financial risks see Note 3 in Stillfront's annual report.

The Board is responsible for identifying and managing significant financial risks and risks of errors in the financial reports. Its efforts focus on significant income and balance items, transactions of high complexity and/or where the effects of any errors could be significant.

Stillfront has an internal control framework in place ensuring the identification of, and adequate response to, key company risks. A risk is defined as the uncertainty whether an event will occur and its effect on Stillfront Group's ability to achieve its business goals in a given period. The internal control framework is based on the COSO framework (Committee of Sponsoring Organizations of the Treadway Commission). There is also an ICFR policy governing the internal control over financial reporting, which describes the control environment, risk assessments, control activities, information, communication, and monitoring activities. Key controls in the ICFR area have been tested in the year mainly through self-assessments based on an internal control plan approved by the Audit Committee, and internal control has been strengthened through recruitments.

The most significant items and processes in which the risk of significant errors can typically arise encompass financial assets and instruments in the income statement and balance sheet, and the investment process. Stillfront has established documented work routines and continuously evaluates how well the controls function in relation to these items and processes.

Stillfront's CFO, together with the Audit Committee, annually reviews the company's minimum requirements for internal control and routines for financial reporting. These minimum requirements serve to prevent, uncover and correct errors and deviations in the financial reporting. Reviews include, i.a., approval of significant agreements, follow-up of risk exposure, checking account balances and analyzing financial results.

The subsidiaries' observance of Stillfront's requirements of internal review and processes for financial reporting is monitored continuously by the CEO and CFO, both remotely and onsite. Onsite reviews are selected based on particular needs and timed depending on internal reviews already performed.

The group's subsidiaries report income and balance sheets, as well as relevant key figures, on a monthly basis. The monthly reports of the subsidiaries and the consolidated monthly report of the group are analyzed by the executive management.

CONTENT

Internal audit

Given the group's structure and processes for internal audit of financial reporting, the board has not assessed it necessary to establish a special internal audit function for its financial reporting. Instead, Stillfront, on instructions from the Audit Committee, engages external parties and have implemented an internal audit program utilizing peer audits, to follow up and evaluate work related to inter alia risk management and internal audit. This assessment is revisited yearly by the board.

Information

The Head of IR, Communication & Sustainability has been responsible for the implementation of group policies regarding internal information and communication.

The company's external information follows the information policy established by the board of directors. The policy states what should be communicated, by whom and in what manner – to ensure that both external and internal information is correct, compliant and complete.

Stillfront provides information to shareholders and other stakeholders through published press releases, interim and year-end reports, the annual report and the company's website (www.stillfront. com). The press releases, financial reports and presentation materials are published on the company's website, along with information on corporate governance. Interim reports, annual reports and press releases are translated into English and published on the company's website (www.stillfront.com).

STILLFRONT GROUP

CONTENT

Board of directors

JAN SAMUELSON
Chairman of the Board

Born 1963.

Board member since 2018.

Education: B. Sc Finance, Stockholm School of Economics, LL.M. Master of Law, Stockholm University.

Former positions, selection: Previously co-founder and senior partner Accent Equity Partners AB, SVP EF Travel EF Education First, Management Consultant Carta Corporate Advisors AB, Management Consultant Indevo AB.

Other current assignments, selection: Chairman Sdiptech AB (publ.). Board member Saltå Kvarn AB, Independia AB and Business Partner Sweden AB.

Shareholding: 260,000.

Other senior unsecured bond holding: 2,500,000.

Chairman of the Remuneration Committee and M&A committee.

Independent in relation to the company, company management and major shareholders.

KATARINA BONDE
Board member

Born 1958.

Board member since 2018.

Education: M.Sc. Physics and Mathematics, KTH Royal Institute of Technology, Mathematics and Social history, Salem College, North Carolina, Economics, Stockholm University.

Former positions, selection: CEO and Chair UniSite Software, Global Sales & Marketing Captura Software Inc., Marketing Director Dun & Bradstreet Software Inc., VP Sales and Marketing Timeline Inc. CEO Programator Industri AB.

Other current assignments, selection: Chairman Reason Studios AB, Stratsys AB, Flatfrog Laboratories AB, Mentimeter ABm Nepa AB, AddSecure Group AB and Propellerhead Intressenter AB. Board member Mycronic AB (publ.), Seafox AB, ACQ Bure AB (publ.), MD International AB and Ysäter AB.

Shareholding: –

Member of the Remuneration Committee

Independent in relation to the company, company management and major shareholders.

ERIK FORSBERG
Board member

Born 1971.

Board member since 2018.

Education: M.Sc. Business and Administration, Stockholm School of Economics.

Former positions, selection: CFO Intrum AB, CFO Cision AB and Business Area CFO, Group Treasurer and Business Controller at EF Education.

Other current assignments, selection: Chairman Collectia Group (Care Bidco Aps DK). Board member and owner Deltalite AB. Board member Kindred Group Plc and Enento Group Plc.

Shareholding: 32,500.

Other senior unsecured bond holding: 1,250,000.

Chairman of the Audit Committee.

Independent in relation to the company, company management and major shareholders.

BIRGITTA HENRIKSSON
Board member

Born 1963.

Board member since 2017.

Education: Bachelor's degree, Economics, Business Administration, Uppsala University.

Former positions, selection: Partner Brunswick Group, Head of Investor Relations and Corporate Communications, Carnegie Investment Bank.

Other current assignments, selection: Board member Sdiptech AB.

Shareholding: 37,050.

Member of the Audit Committee.

Independent in relation to the company, company management and major shareholders.

ULRIKA VIKLUND
Board member

Born 1981.

Board member since 2017.

Education: B Sc, Mittuniversitetet, Systems development and Project Management, Amsterdam University of Applied Sciences.

Former positions, selection: Co-Founder Spira Globalt AB, General Manager Magine Consumer Group Global, CEO film2home, Director International Growth, Spotify.

Other current assignments, selection: Chairman Idea2Innovation Sweden AB and Spektrumare AB. Board member Nextory AB, Spira Globalt AB and E14 Invest AB, House Be AB and Adgie Consulting AB.

Shareholding: 650

Independent in relation to the company, company management and major shareholders.

KAI WAWRZINEK
Board member

Born 1976.

Board member since 2019.

Education: Lawyer and Doctor of Law, Heidelberg University, Germany.

Former positions, selection: CEO and Founder of Goodgame Studios.

Other current assignments, selection: Managing Director of Laureus Capital GmbH, Qubit5 GmbH and Qubit9 GmbH.

Shareholding: 60,702,417 shares owned by Laureus Capital GmbH, of which 50 percent is indirectly owned by Dr. Kai Wawrzinek.

Member of the M&A committee.

Dependent in relation to the major shareholders. Independent in relation to the company and company management.

Shareholding as per 31 March 2022.

STILLFRONT GROUP

CONTENT

Executive management

JÖRGEN LARSSON
CEO and President

Born 1964.

Founder and CEO since 2010.

Education: Master of Science in Industrial Engineering from Linköpings Tekniska Högskola.

Former positions, selection: Co-Founder & Chairman ESN, Partner Deseven, Founder & CEO, Mind AB.

Shareholding: 1,957,540.

Warrants/Employee stock options: 100,000 warrants (LTIP 2020/2024), 70,000 employee stock options (LTIP 2019/2023) and 525,000 employee stock options (LTIP 2021/2025).

MARINA ANDERSSON
Head of M&A

Born 1972.

Head of M&A since 2019.

Education: Two master's degrees from Stockholm University and Russian Herzen State Pedagogical University.

Former positions, selection: Director Deloitte Corporate Finance Advisory team, Director ICECAPITAL Securities, Associate partner & Investment manager, Deseven and analyst, Carnegie.

Shareholding: 3,965.

Warrants/Employee stock options: 7,200 warrants (LTIP 2020/2024), 10,000 employee stock options (LTIP 2019/2023) and 190,000 employee stock options (LTIP 2021/2025).

JOHANNA LUNDBERG
General Counsel

Born 1983.

General Counsel since 2020.

Education: LL.M. from Uppsala University.

Former positions, selection: Senior Group General Legal Counsel at Evolution Gaming Group AB and senior associate positions at Advokatfirman Cederquist AB and G Grönberg Advokatbyrå Aktiebolag.

Shareholding: –

Warrants/Employee stock options: 10,000 warrants (LTIP 2020/2024) and 140,000 employee stock options (LTIP 2021/2025).

ALEXIS BONTE
COO

Born 1976.

COO since 2019.

Education: BA Honors Degree International Business & Languages, European Business School, London, Global Leadership and Public Policy, Harvard University, Transformational Leadership Program University of Oxford/Said Business School.

Former positions, selection: Co-founder and CEO eRepublik Labs, various positions at lastminute.com: Head of Business Development, UK, Marketing and Sales Director, France and MD, Italy.

Shareholding: 1,215,442.

Warrants/Employee stock options: 88,300 warrants (LTIP 2020/2024), 50,000 employee stock options (LTIP 2019/2023) and 350,000 employee stock options (LTIP 2021/2025).

PHILLIP KNUST
CPO

Born 1988.

CPO since 2019

Education: Data processing, EPS Lübeck, Computer Sience, TH Lübeck

Former positions, selection: CPO Goodgame Studios. Creative founder of EMPIRE and BIG brand.

Shareholding: 43,831

Warrants/Employee stock options: 22,000 warrants (LTIP 2020/2024), 20,000 employee stock options (LTIP 2019/2023) and 140,000 employee stock options (LTIP 2021/2025).

CLAYTON STARK
CTO

Born 1969.

CTO since 2020.

Education: Mechanical Engineering, Camosun College, Canada.

Former positions, selection: Studio Head Kixeye, COO Mercurial Communications Inc; CTO Flock Inc; Director Zynga Inc, CTO KIXEYE.

Shareholding: –

Warrants/Employee stock options: 5,000 warrants (LTIP 2020/2024) and 120,000 employee stock options (LTIP 2021/2025).

ANDREAS UDDMAN
CFO

Born 1979.

CFO since 2019.

Education: Chartered Management Accountant (ACMA), Master's in management, EADA Business school, M.A. in Politics from University of Glasgow.

Former positions, selection: CFO Qliro Financial Services, CFO Vireo Energy, Finance and Business Development positions Shell.

Shareholding: 43,769.

Warrants/Employee stock options: 20,000 warrants (LTIP 2020/2024), 40,000 employee stock options (LTIP 2019/2023) and 350,000 employee stock options (LTIP 2021/2025).

SOFIA WRETMAN
Head of IR, Communication & Sustainability

Born 1977.

Head of IR, Communication & Sustainability, since 2018.

Education: Master of political science, Stockholm University

Former positions, selection: Head of IR & Communication, Alimak Group, Senior Consultant Halvarsson & Hallvarsson, Communication Manager, SAS Institute.

Shareholding: –

Warrants/Employee stock options: 10,000 warrants (LTIP 2019/2023); 7,500 employee stock options (LTIP 2020/2024 I) and 140,000 employee stock options (LTIP 2021/2025)

Shareholding as per 31 March 2022.

STILLFRONT GROUP

CONTENT

Auditor's report on the Corporate Governance Statement

To the general meeting of the shareholders in Stillfront Group AB (publ), corporate identity number 556721-3078

Engagement and responsibility

It is the board of directors who is responsible for the corporate governance statement for the year 2021 on pages 32–40 and that it has been prepared in accordance with the Annual Accounts Act.

The scope of the audit

Our examination has been conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

Opinions

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2–6 the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the annual accounts and the consolidated accounts and are in accordance with the Annual Accounts Act.

Stockholm, 19 April 2022
Öhrlings PricewaterhouseCoopers AB

Nicklas Kullberg
Authorized Public Accountant

STILLFRONT GROUP

Directors' report

The board of directors and the CEO hereby submit the annual report and consolidated accounts for Stillfront Group AB (publ), 556721-3078, for the financial year 2021.

Operations

Stillfront Group AB (publ) is the parent company of a global group of gaming studios with a vision to build the leading free-to-play powerhouse. The diverse games portfolio holds approximately 60 games within a wide variety of genres, from casual and mash-up games to strategy and role-playing games. The purpose is to offer long-term first-class digital entertainment, with the mission to make a positive impact through games. Stillfront operated through 21 gaming studios at the end of 2021: Babil Games, Bytro Labs, Candywriter, Coldwood Interactive, Dorado Games, eRepublik Labs, Everguild, Game Labs, Goodgame Studios, Imperia Online, Jawaker, Kixeye, Moonfrog Labs, Nanobit, OFM Studios, Playa Games, Power Challenge, Simutronics, Storm8, Sandbox Interactive and Super Free Games. The main markets are United States, UK, Germany, Canada, and the MENA region (Middle East and North Africa). Stillfront's growth strategy is based on organic growth and carefully selected and executed acquisitions.

Revenue and profit/loss

Net revenue for 2021 totalled SEK 5,455m (SEK 3,991m), up 37 percent. The increase is mainly related to acquisitions.

Operating profit (EBIT) totalled SEK 1,034m (SEK 993m) for the full year. EBIT excluding items affecting comparability and amortization related to acquisitions equalled SEK 1,802m (SEK 1,493m), up 21 percent. That corresponds to an adjusted EBIT margin of 33 percent (37 percent). Items affecting comparability primarily consist of costs for acquisitions and mergers and for preparations for moving the share listing to the main market.

Profit after financial items totalled SEK 793m (SEK 799m).

Tax expense for 2021 was SEK 197m (SEK 219m), corresponding to 25 percent (27 percent) of profit/loss before tax. Excluding the impact of non-deductible transaction costs, the tax rate for the full year would have been 23 percent (24 percent).

Profit for the year was SEK 596m (SEK 581m).

Key ratios and alternative performance measures (APMs) are defined on page 99. To track financial ratios, see Note 30. For further information about the parent company's and group's earnings and position, please refer to the statements of comprehensive income and financial position, summaries of changes in equity, cash flow statements and notes.

Key events in 2021

January 29, Stillfront completed the acquisition of Super Free Games, which was announced December 18, 2020. Super Free Games was consolidated into Stillfront's financial reporting from February 1.

February 1, Stillfront announced the acquisition of Moonfrog Labs, a game studio based in Bangalore, India, focusing on board and social card games. With the acquisition, Stillfront added a highly profitable and successful studio and expanded its geographic footprint to the Indian Subcontinent, a strategic move into one of the fastest growing mobile game markets worldwide. The acquisition was finalized February 26 and was consolidated into Stillfront's financial reporting from March 1.

May 7, Stillfront acquired Game Labs, a game studio with a strong track record of developing strategy and action games for PC. With the acquisition, Stillfront strengthened its position in the converging games market and was able to add valuable niche genre competence in the strategy and action genre. The acquisition of Game Labs was finalized in May.

May 11, Stillfront placed a SEK 1,500m of senior unsecured bonds under a new bond framework of up to SEK 2,000m with final maturity in 2025. The proceeds from the issue of bonds were to be used for general corporate purposes to strengthen the company's flexibility for further growth.

May 25, Stillfront was approved to transfer from Nasdaq First North Premier Growth Market to the main market of Nasdaq Stockholm. As from May 26th, Stillfront's shares are traded in the Large Cap Segment on Nasdaq Stockholm.

June 7, Stillfront acquired the popular mobile idle role-playing game "Crush them all", developed by Godzilab Inc. Following the transaction "Crush them all" has been operated by Stillfront's studio Imperia Online.

June 17, Stillfront held an Extraordinary General Meeting, following a request by the shareholder Laureus Capital GmbH. The Extraordinary General Meeting resolved to not approve the board of directors' proposal on an issue of warrants and approval of transfer of warrants as arrangement for ensuring delivery of shares in Stillfront to the participants in the long-term incentive program approved by the Annual General Meeting on 11 May 2021 (LTIP 2021/2025). For clarity, it should be noted that the Annual General Meeting on 11 May 2021 approved the establishment of LTIP 2021/2025 and approved that Stillfront may enter into hedging arrangements with a third party to ensure Stillfront's obligation to deliver shares in accordance with the terms and conditions applicable to LTIP 2021/2025.

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September 8, Stillfront announced the acquisition of Jawaker FZ-LLC. Jawaker is a leading mobile gaming studio in the MENA region and was founded in 2009. The studio holds one of the largest classic PvP (Player versus Player) gaming apps in the world, with a focus on board & card games and other popular games specific to the region. Jawaker is headquartered in Abu Dhabi, the UAE, with a team of approximately 50 people. The acquisition of Jawaker was completed on October 4 and was consolidated into Stillfront's consolidated financial reporting from October 1, 2021.

September 9, Stillfront carried out a directed share issue of 15,723,270 new shares at subscription price of SEK 63.60 per share, directed to institutional investors. Stillfront received SEK 1 billion through the directed share issue before deduction of costs.

December 22, Stillfront acquired the game "Rise of Firstborn" (previously known as "Iron Throne: The Firstborn"), a popular mobile strategy game developed and published by Netmarble Corporation. The game will be operated by Stillfront's studio Kixeye.

Cash flow and financial position

Cash flow for the year amounted to SEK 56m (SEK 729m). Cash flows from operating activities totalled SEK 1,620m (SEK 1,251m). Free cash flow for the year amounted to SEK 953m (SEK 773m) with a cash conversion rate of 0.47 (0.50). At year-end, cash, and cash equivalents for the group equalled SEK 1,133m (SEK 1,005m). Unutilized credit facilities were SEK 2,494m (SEK 2,634m). Cash and cash equivalents including unutilized credit facilities were SEK 3,627m at year-end (SEK 3,639m).

The adjusted proforma interest coverage ratio, defined as adjusted EBITDA (including acquired entities as if they had been acquired on January 1) divided by adjusted net financial items for the most recent 12 months, equalled 15.5 (18.4). For the proforma ratio, net financial items were adjusted for restatements of earnout consideration.

Net debt on 31 December of SEK 3,649m (SEK 1,814m) divided by proforma adjusted EBITDA for the most recent 12 months (including acquired entities as if they had been acquired on January 1, 2020, was 1.56 (0.88).

Investments and depreciation

During the year, the group's investments in intangible assets totalled 621m (SEK 444m).

Investments included development of new games such as DogLife, the mobile version of Albion Online, Fashion Nation, Game of Nations, Love and Passion, SIEGE: Apocalypse, The General, Iron Order 1919, as well as other not yet announced games. In addition, investments were made in a number of new games based on existing game engines as well as new functionality and content in existing games. No research and development are based on existing game engines in the group besides development of software and the functionality and content in games.

Depreciation and amortization of SEK 987m (SEK 560m) was charged for the year, whereof SEK 665m (SEK 357m) amortization of PPA items. See Note 30. Depreciation and amortization primarily pertain to intangible assets acquired by the group in conjunction with the acquisition of subsidiaries and capitalization of product development expenses.

During the year, the group increased intangible assets (capitalized product development expenses, goodwill and game rights) by SEK 7,245m. The group's non-current liabilities increased by SEK 2,516m. The increase in intangible assets was mainly attributable to business combinations. The change in non-current liabilities for the year is described in Note 21.

Parent company

Group executive management functions and group-wide services are provided via the parent company. Net revenues for the parent company during the year totalled SEK 136m (SEK 119m), and profit/loss before tax was SEK -287m (SEK 150m).

Financial targets

At the capital markets day in September 2020, Stillfront published the financial targets.

Growth: Stillfront's target is to reach net revenue of SEK 10 billion by the end of 2023. The group will expand based on organic growth and through acquisitions.

Profitability: Stillfront's target is to reach an adjusted EBIT margin in the region of 35 percent. The adjusted EBIT margin is defined as EBIT excluding amortization of purchase price allocation (PPA) items and items affecting comparability, in relation to net revenue. The adjusted EBIT margin may vary quarter to quarter mainly depending on the level of user acquisition and product development.

Leverage: The net debt/adjusted EBITDA ratio should not exceed 1.5. Proforma adjusted EBITDA is defined as the adjusted EBITDA including acquisitions and excluding items affecting comparability for the most recent 12 months. However, Stillfront may choose, under certain circumstances, to exceed this level for a brief period.

Shares and share capital

On December 31, 2021, the number of shares in Stillfront Group AB (publ) was 387,134,079 (346,537,200 on December 31, 2020). The share capital was 27,099,386 SEK (24,257,604 SEK). Shares in Stillfront Group AB (publ) have been listed on Nasdaq First North since December 8, 2015, and on Nasdaq Stockholm since May 26, 2021. On December 30, 2021, the closing price was SEK 48.3 per share. Movements during the year in the number of shares are described in Note 20. The number of shareholders at year-end was 27,313.

The largest shareholders on December 31, 2021, were Laureus Capital GmbH with 12.0 percent of the outstanding shares and votes, Swedbank Robur Holding with 9.7 percent, SEB Funds with 6.3 percent, Handelsbanken Funds with 4.6 percent and Columbia Threadneedle with 3.5 percent.

The articles of association contain no restrictions on the transferability of the company's shares, such as post-transfer acquisition rights clauses, and no other circumstances of that type have been identified that the company is liable to disclose under the provisions in chapter 6, section 2a, paragraphs 3–11 of the Swedish Annual Accounts Act.

CONTENT

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Sustainability, employees and the environment

Stillfront has, in accordance with the Annual Accounts Act, prepared a statutory sustainability report, approved for issue by the board of directors and the CEO. The Statutory Sustainability report comprises pages 11–23. The report covers the parent company and the group's subsidiaries. In 2019, a sustainability framework was established as the platform for governance. The Code of Conduct together with the sustainability policy and the group's FAIR model are the main governance documents. Risks pertaining to sustainability issues are integrated into the group's work identifying and managing risks.

The average number of people employed in the group was 1,208 (896) of whom 30 percent were women. Stillfront is a knowledge-based company with highly educated employees in a flat organization in which everyone is encouraged to make a positive contribution to the business. Employees regularly participate in continuing professional training. At Stillfront, everyone is treated equally regardless of sex, ethnicity, religion, sexual orientation, or disability.

Stillfront conducts no business operations in Sweden subject to licensing or registration under the Environmental Code. In every country, environmental requirements are applied to the business operations that, at a minimum, correspond to local environmental regulations, so far as they apply to the group's operations. Stillfront provides digital entertainment, so there is no physical product in the value chain. Thus, the environmental impact is only indirect, in the form of energy consumption in conjunction with data traffic and data storage as well as travel.

Risks and uncertainty factors

Stillfront has a model for risk management that aims to identify, control, and reduce risks. The board of directors is responsible for the group's risk management. Matters regarding risks associated with business development and long-term strategic planning are prepared by executive management and decided by the board. Several group-wide policies form the basis for operational risk management in the organization. Critical risks in Stillfront's business environment are managed strategically through product and business development, and operationally through daily processes. For a more detailed description of Stillfront's risks and risk management, see Note 3 and the Risk management section on pages 25–31.

Events after year-end

January 19, 2022, Stillfront announced the acquisition of 6waves for a total upfront consideration of USD 201 million on a cash and debt free basis. 6waves is a leading publisher of mobile free-to-play strategy games in Japan. Founded in 2008 in Hong Kong, 6waves has extensive experience of adapting and bringing high quality strategy games to the Japanese audience and will strengthen Stillfront's presence in East Asia and specifically in the attractive Japanese gaming market. The acquisition was completed on February 2, 2022, and 6waves was consolidated into Stillfront's financial reporting from February 1, 2022.

As part of the financing arrangement of the transaction of 6waves, Stillfront's board of directors resolved on a preferential rights issue of approximately SEK 2.0 billion, which was approved by an extraordinary general meeting on 23 February 2022. Stillfront's largest shareholder Laureus Capital GmbH guaranteed part of the rights issue. A maximum of 117,014,379 shares were offered in the rights issue at a subscription price of SEK 17.00 per share. The subscription period ended on 16 March 2022, and the rights issue was oversubscribed by 80.3 percent.

At the end of February, Russia invaded Ukraine. Stillfront's studio Game Labs has a small developer team based in Ukraine and it has been our top priority to seek for their safety and provide the support they need. Stillfront has no studio in Russia. In terms of operations, Russia and Ukraine are non-material markets for Stillfront, representing less than one percent of our total revenue. However, Stillfront could, in the near term, be affected primarily by higher energy prices. In the long term, Stillfront could be impacted by the global economic development.

Outlook

Stillfront's future development depends mainly on the development of our studios. In addition, trends in the gaming industry as well as the financial markets can have a significant impact on the group's reported revenues and financial position.

Stillfront operates in a growing and profitable market and has communicated financial targets for 2021–2023 including a growth target for net revenue of SEK 10 billion by the end of 2023, an adjusted EBIT margin in the region of 35 percent and a net debt/adjusted EBITDA ratio not to exceed 1.5. Stillfront may, however, under certain circumstances decide to exceed the net debt/adjusted EBITDA ratio target during short time periods.

Corporate Governance

The company is subject to Swedish laws and regulations such as the Companies Act (2005:551), the Bookkeeping Act (1999:1078) and the Annual Accounts Act (1995:1554). The company applies the Swedish Code of Corporate Governance (the Code).

Corporate governance is exercised through shareholders' meetings, the board of directors and the CEO. The company's auditor, who is appointed by the Annual General Meeting, reviews the company's accounts and the administration of the company by the board and the CEO.

According to Stillfront's articles of association, the company's board shall consist of at least three and no more than eight directors. All members of the board are elected by the Annual General Meeting. The corporate governance report also contains disclosures about the most important elements of the group's system for internal control and preparation of financial statements, on pages 37–38.

Guidelines for executive remuneration

Guidelines for remuneration of the CEO and executive managers are presented in Note 8. The board's proposal to the 2022 Annual General Meeting is found below.

The board of directors' proposal for guidelines for executive remuneration

These guidelines apply to remuneration and other terms of employment of the CEO and other individuals of the executive management of Stillfront Group. The guidelines for executive remuneration as approved by the Annual General Meeting 2021 remain largely unchanged. However, clarifications have been made regarding, inter alia, criteria for variable remuneration.

Subject to what is set out in the next paragraph, these guidelines shall also apply in relation to a member of the board of directors of Stillfront who receives any remuneration from the company and any reference herein to the executive management and/or an executive shall for such purposes be deemed to also include such board member. These guidelines do not apply to any remuneration decided or approved by the general meeting. The guidelines are forward-looking, that is, they are applicable to remuneration agreed, and amendments to remuneration already agreed, after adoption of the guidelines by the Annual General Meeting 2022.

The guidelines' promotion of the company's business strategy, long-term interests and sustainability

Stillfront's business strategy is to build a leading free-to-play powerhouse, offering long term first class digital entertainment through its global group of gaming studios. Organic growth and carefully selected and executed acquisitions embody Stillfront's growth strategy. For more information regarding the company's business strategy, please see https://www.stillfront.com/en/about-the-company/. A prerequisite for the successful implementation of the company's business strategy and safeguarding of its long-term interests, including its sustainability, is that the company is able to recruit and retain qualified personnel. To this end, it is necessary that the company offers competitive remuneration. The overall guidelines for remuneration to executive management shall be based on the position, the individual performance, the company's earnings and that the remuneration shall be competitive.

Types of remuneration, etc

The remuneration shall be on market terms and may consist of the following components: fixed salary, variable cash remuneration based on annual performance targets (bonus), pension benefits and other benefits. Additionally, the general meeting may – irrespective of these guidelines – resolve on, among other things, share-related or share price-related remuneration.

Fixed salary
The fixed salary shall be based on the individual's experience, field of responsibility and related to the relevant market. Fixed salary shall be revised annually.

Variable cash remuneration
The satisfaction of criteria for awarding variable cash remuneration shall be measured annually. The variable cash remuneration for an executive manager may, as the main rule, correspond to not more than fifty percent (50%) of the fixed annual cash salary. However, the variable cash remuneration may correspond to up to one hundred percent (100%) of the fixed annual cash salary of an executive manager if justified by remuneration structures or extraordinary arrangements in the individual case.

The variable cash remuneration shall be linked to predetermined and measurable criteria such as earnings, achievements in relation to the budget, the development of the company's share price, fulfilled sustainability goals and personal performance. Thereby, the variable cash remuneration is linked to the company's business strategy, long-term interests and sustainability.

The board of directors shall have the possibility, under applicable law or contractual provisions, subject to the restrictions that may apply under law or contract, to in whole or in part reclaim variable remuneration paid on incorrect grounds (claw-back).

To which extent the criteria for awarding variable cash remuneration has been satisfied shall be evaluated/determined when the measurement period has ended. The remuneration committee is responsible for the evaluation so far as it concerns variable remuneration to the CEO. For variable cash remuneration to other executives, the CEO is responsible for the evaluation. For financial objectives, the evaluation shall be based on the latest financial information made public by the company.

Variable long-term incentive programs (LTIP)
Long-term incentive programs have been implemented in the company. Such programs have been resolved by the general meeting and are therefore excluded from these guidelines. The incentive programs include the executive management and other key individuals of the company and its subsidiaries. The programs are conditional upon certain holding periods of several years. For more information regarding these programs, including the criteria which the outcome depends on, please see https://www.stillfront.com/en/remuneration/.

Pension benefits and other benefits
Pension benefits, including health insurance shall be premium defined. Variable cash remuneration shall not qualify for pension benefits. The pension premiums for premium defined pension shall amount to not more than thirty percent (30%) of the fixed annual cash salary.

Other benefits may include, for example, medical insurance and company cars. Such benefits shall be limited and not exceed five percent (5%) of the fixed annual cash salary.

For employments governed by rules other than Swedish, pension benefits and other benefits may be duly adjusted for compliance with mandatory rules or established local practice, taking into account, to the extent possible, the overall purpose of these guidelines.

Termination of employment

Members of the executive management shall be offered employment terms in accordance with the laws and practices applicable to the country in which the employee is employed. Employment agreements between the company and members of executive management generally apply until further notice. Upon termination of an employment, the notice period may not exceed twelve (12) months. Fixed salary during the notice period and severance pay may not together exceed an amount corresponding to the fixed cash salary for one (1) year for any executive. When termination is made by the executive, the notice period may not exceed six (6) months, without any right to severance pay.

Additionally, remuneration may be paid for non-compete undertakings. Such remuneration shall compensate for loss of income and shall only be paid in so far as the previously employed executive is not entitled to severance pay. The remuneration shall be based on the fixed salary at the time of termination of employment, unless otherwise provided by mandatory collective agreement provisions, and be paid during the time the non-compete undertaking applies.

Salary and employment conditions for executive management

When evaluating whether these guidelines and the limitations set out herein are reasonable, the board of directors (including the remuneration committee) has considered the total income of all employees of the company, including the various components of their remuneration as well as the increase and growth rate over time.

The decision-making process to determine, review and implement the guidelines

The board of directors has established a remuneration committee. The committee's tasks include preparing the board of directors' decision to propose guidelines for executive remuneration. The board of directors shall prepare a proposal for new guidelines at least every fourth year and submit it to the general meeting. The guidelines shall be in force until new guidelines are adopted by the general meeting. The remuneration committee shall also monitor and evaluate programs for variable remuneration for the executive management, the application of the guidelines for executive remuneration as well as the current remuneration structures and compensation levels in the company. The members of the remuneration committee are independent of the company and its executive management. The CEO and other members of the executive management do not participate in the board of directors' processing of and resolutions regarding remuneration-related matters in so far as they are affected by such matters.

Information on remuneration resolved but not yet due

There is no resolved remuneration that is not yet due.

Derogation from the guidelines

The board of directors may temporarily resolve to derogate from the guidelines, in whole or in part, if in a specific case there is special cause for the derogation and derogation is necessary to serve the company's long-term interests, including its sustainability, or to ensure the company's financial viability. As set out above, the remuneration committee's tasks include preparing the board of directors' resolutions in remuneration-related matters. This includes any resolutions to derogate from the guidelines.

There has been no derogation from the remuneration guidelines resolved by the Annual General Meeting 2021.

Allocation of earnings proposed by the board of directors

The board of directors proposes that the 2022 Annual General Meeting resolve to carry forward the net result for the year. Stillfront aims to invest its profits and cash flows in organic growth initiatives and acquisitions. The full proposal for allocation of earnings is presented in Note M17.

For further information on the earnings and financial position of the parent company and the group, please refer to the income statements, balance sheets, summary of changes in shareholders' equity, cash flow statements and notes.

Annual General Meeting

The Annual General Meeting of Stillfront Group AB (publ), corporate identity number 556721-3078, will be held on May 12, 2022, at 4 pm, at Strandvägen 7A, in Stockholm.

Publication of the Annual Report

This information is information that Stillfront Group AB (publ) is obliged to make public pursuant to the Securities Markets Act. The information was submitted for publication on 19 April 2022.

STILLFRONT GROUP

STILLFRONT GROUP

Consolidated statement of comprehensive income

SEKm	Note	2021	2020
Revenues			
Net revenues	5,6	5,455	3,991
Capitalized work for own account		462	328
Other operating revenue	5	26	15
		5,943	**4,334**
Operating expenses			
Other external expenses	7,16	-3,016	-2,160
Personnel expenses	8	-899	-616
Depreciation, amortization and impairment	14,16,17	-986	-560
Other operating expenses		-8	-6
Total operating expenses		**-4,909**	**-3,342**
Operating profit		**1,034**	**993**
Profit/loss from financial items			
Financial income	9	21	12
Financial expenses	10	-263	-205
Net financial items		**-242**	**-193**
Profit after financial items		**793**	**799**
Profit before tax		793	799
Tax for the period	11	-197	-219
Net profit for the year		**596**	**581**
Other comprehensive income			
Items that later can be reversed in profit			
Change in translation reserve attributable to the translation of foreign operations		981	-1,081
Comprehensive income attributable to hedging of currency risks in foreign operations		-351	348
Tax on other comprehensive income		59	-80
Total other comprehensive income		**689**	**-814**
Total comprehensive income for the year		**1,285**	**–233**

SEKm	Note	2021	2020
Profit for the year attributable to:			
Equity holders of the parent company		590	580
Non-controlling interests		6	0
Comprehensive income for the year attributable to:			
Equity holders of the parent company		1,278	-233
Non-controlling interests		6	-1
Average number of shares	12		
Undiluted		366,572,354	324,161,085
Diluted		367,143,219	325,531,355
Earnings per share attributable to equity holders of the parent company			
Undiluted, SEK/share		1.61	1.79
Diluted, SEK/share		1.61	1.78

CONTENT

Consolidated statement of financial position

SEKm	Note	2021	2020
ASSETS			
Non-current assets			
Intangible assets	14,15		
Game products		1,088	678
Licenses, market and customer related assets		3,133	761
Capitalized development expenditure		1,023	1,383
Goodwill		12,752	7,929
Right-of-use assets	16	92	84
Equipment, tools, fixtures and fittings	17	35	29
Deferred tax assets	11	39	31
Other non currents assets		7	11
Total non-current assets		**18,169**	**10,906**
Current assets			
Accounts receivable	18	390	270
Current tax asset		23	21
Other receivables		235	109
Prepaid expenses and accrued income	19	99	56
Cash and cash equivalents		1,133	1,005
Total current assets		**1,880**	**1,461**
TOTAL ASSETS		**20,049**	**12,366**

SEKm	Note	2021	2020
EQUITY AND LIABILITIES			
Shareholder's equity	20		
Share capital		27	24
Other paid-up capital		8,541	6,179
Other reserves		-120	-808
Retained earnings incl. profit for the year		1,325	734
Total equity attributable to parent company shareholders		**9,772**	**6,129**
Non-controlling interests		23	17
Total shareholder's equity		**9,795**	**6,146**
Non-current liabilities			
Deferred tax liability	11	1,053	631
Bond loans	21	2,494	1,602
Liabilities to credit institutions	21	1,456	1,216
Other non-current liabilities	16,21	2,361	1,398
Other provisions	22	3	3
Total non-current liabilities		**7,368**	**4,850**
Current liabilities			
Liabilities to credit institutions	21	0	1
Bond loans	21	597	0
Accounts payable		139	74
Current tax liabilities		74	60
Other current liabilities	16,21,22,23	1,669	977
Accrued expenses and deferred income	24	405	259
Total current liabilities		**2,886**	**1,371**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**20,049**	**12,366**

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STILLFRONT GROUP

Consolidated statement of changes in shareholders' equity

SEKm	Share capital	Other paid-up capital	Other reserves	Retaind earnings incl. Profit of the year	Attributable to equity holders of the parent company	Non-controlling interest	Total equity
Opening balance, 1 Jan. 2020	**18**	**1,765**	**4**	**154**	**1,942**	**18**	**1,959**
Profit for the year				581	581		581
Change in translation reserve attributable to the translation of foreign operations			-1,081		-1,081	-1	-1,081
Comprehensive income attributable to hedging of currency risks in foreign operations			348		348		348
Tax on other comprehensive income			-80		-80		-80
Total comprehensive income	**0**	**0**	**-813**	**580**	**-233**	**-1**	**-233**
New share issue	4	2,533			2,537		2,537
Issue for non-cash consideration	2	1,903			1,905		1,905
Issue expenses		-57			-57		-57
Tax impact of issue expenses		12			12		12
Warrants		20			20		20
Employee share options		5			5		5
Repayment of shareholders' contribution		-2			-2		-2
Total transactions with shareholders recognized directly against equity	**6**	**4,414**	**0**	**0**	**4,420**	**0**	**4,420**
Closing balance, 31 Dec. 2020	**24**	**6,179**	**-808**	**734**	**6,129**	**17**	**6,146**
Opening balance, 1 Jan. 2021	**24**	**6,179**	**-808**	**734**	**6,129**	**17**	**6,146**
Profit for the year				590	590	6	596
Change in translation reserve attributable to the translation of foreign operations			981		981	1	981
Comprehensive income attributable to hedging of currency risks in foreign operations			-351		-351		-351
Tax on other comprehensive income			59		59		59
Total comprehensive income	**0**	**0**	**688**	**590**	**1,278**	**6**	**1,285**
New share issue	1	1,073			1,074		1,074
Issue for non-cash consideration	2	1,517			1,518		1,518
Issue expenses		-20			-20		-20
Tax impact of issue expenses		4			4		4
Warrants		12			12		12
Equity Swap		-224			-224		-224
Total transactions with shareholders recognized directly against equity	**3**	**2,362**	**0**	**0**	**2,365**	**0**	**2,365**
Closing balance, 31 Dec. 2021	**27**	**8,541**	**-120**	**1,325**	**9,772**	**23**	**9,795**

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STILLFRONT GROUP

Consolidated statement of cash flows

SEKm	Note	2021	2020
Operating activities			
Profit after financial items		793	799
Adjustment of non-cash items, etc.	26	1,043	660
Tax paid		-221	-286
Cash flow from operating activities before changes in working capital		**1,615**	**1,174**
Cash flow from changes in working capital			
Increase (–)/decrease (+) in operating receivables		-2	35
Increase (+)/decrease (–) in operating liabilities		7	42
Cash flow from changes in working capital		**5**	**77**
Cash flow from operating activities		**1,620**	**1,251**
Investing activities			
Acquisition of operation, net of cash acquired	13	-3,317	-4,273
Purchase/sale of property, plant and equipment	17	-15	-19
Purchase of intangible assets	14	-621	-444
Acquisition of game assets		-223	0
Cash flow from investment activities		**-4,176**	**-4,737**
Financing activities			
Proceeds from borrowings		1,604	1,800
Repayment of loans		0	-48
Repayment of shareholders contribution		0	-2
Cash outflow lease agreements		-46	-34
Issue expenses		-20	-57
Warrants		0	20
New share issue		1,074	2,536
Cash flow from financing activities		**2,616**	**4,214**
Cash flow for the year		**56**	**729**
Cash and cash equivalents at beginning of year		1,005	342
Exchange rate difference in cash and cash equivalents		72	-66
Cash and cash equivalents at end of year		**1,133**	**1,005**

Parent company income statement

SEKm	Note	2021	2020
Revenues			
Net revenues		136	119
Total revenues		**136**	**119**
Operating expenses			
Other external expenses	M2	-67	-60
Personnel expenses	M3	-80	-53
Depreciation, amortization and impairment	M7	-4	-5
Other operating expenses		3	-1
Total operating expenses		**-148**	**-118**
Operating profit		**-11**	**1**
Profit/loss from financial items			
Financial income, etc.	M4	51	366
Financial expenses, etc.	M5	-422	-142
Net financial items		**-371**	**224**
Profit after financial items		**-382**	**225**
Appropriations			
Group contributions		95	-75
Total appropriations		**95**	**-75**
Profit before tax		**-287**	**150**
Tax for the period	M6	-7	-49
Net profit for the year		**-294**	**101**
Parent company Statement of Comprehensive Income			
Net profit for the year		-294	101
Total comprehensive income		**-294**	**101**

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Parent company balance sheet

SEKm	Note	2021	2020
ASSETS			
Non-current assets			
Licenses, market and customer related assets	M7	4	7
Equipment, tools, fixtures and fittings		1	1
Financial assets			
Participations in group companies	M8	16,158	4,547
Receivables from group companies		2,858	8,034
Deferred tax assets	M6	5	1
Other financial assets		1	1
Total non-current assets		**19,027**	**12,592**
Current assets			
Receivables from group companies		140	558
Other receivables		17	14
Prepaid expenses and accrued income	M9	32	19
Cash and cash equivalents		77	115
Total current assets		**267**	**706**
TOTAL ASSETS		**19,294**	**13,298**

SEKm	Note	2021	2020
EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Restricted equity			
Share capital		27	24
Total restricted equity		**27**	**24**
Non-restricted equity			
Share premium reserve		10,958	8,372
Accumulated profit or loss		-249	-126
Profit/loss for the year		-294	101
Total non-restricted equity		**10,415**	**8,347**
Total shareholders' equity		**10,442**	**8,371**
Provisions			
Other provisions	M11	1,647	631
Total provisions		**1,647**	**631**
Non-current liabilities			
Interest bearing liabilities	M10	3,950	2,205
Total non-current liabilities		**3,950**	**2,205**
Current liabilities			
Interest bearing liabilities	M10	597	0
Other current provisions	M11	843	773
Accounts payable		9	7
Liabilities to group companies		1,360	1,274
Current tax liabilities	M6	18	12
Equity swap		223	0
Other current liabilities		153	1
Accrued expenses and deferred income	M12	50	25
Total current liabilities		**3,254**	**2,092**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**19,294**	**13,298**

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STILLFRONT GROUP

Parent company statement of changes in equity

	RESTRICTED EQUITY	NON-RESTRICTED EQUITY		
SEKm	Share capital	Share premium reserve	Retained earnings incl. profit of the year	Total equity
Opening balance, 1 Jan. 2020	**18**	**3,957**	**-125**	**3,850**
Profit for the year			101	101
Total comprehensive income	**0**	**0**	**101**	**101**
New share issue	6	4,435		4,441
Issue expenses		-57		-57
Tax impact of issue expenses		12		12
Warrants		20		20
Repayment of shareholders' contribution			-2	-2
Employee share options		5		5
Total transactions recognized directly against equity	**6**	**4,415**	**-2**	**4,419**
Closing balance, 31 Dec. 2020	**24**	**8,372**	**-25**	**8,371**
Opening balance, 1 Jan. 2020	**24**	**8,372**	**-25**	**8,371**
Profit for the year			-294	
Total comprehensive income	**0**	**0**	**-294**	**-294**
New share issue	3	2,589		2,592
Issue expenses		-20		-20
Tax impact of issue expenses		4		4
Warrants		12		12
Equity swap			-224	-224
Total transactions recognized directly against equity	**3**	**2,586**	**-224**	**2,365**
Closing balance, 31 Dec. 2021	**27**	**10,958**	**-543**	**10,442**

Parent company cash flow statement

SEKm	Note	2021	2020
Operating activities			
Profit after financial items and group contributions		-287	225
Adjustment of non-cash items, etc.	M14	166	-299
Tax paid		-1	1
Cash flow from operating activities before changes in working capital		**-122**	**-73**
Cash flow from changes in working capital			
Increase(–)/decrease (+) in operating receivables		22	-19
Increase (+)/decrease (–) in operating liabilities		44	-21
Cash flow from changes in working capital		**66**	**-40**
Cash flow from operating activities		**-56**	**-113**
Investing activities			
Purchase of property, plant and equipment		0	-1
Purchase of intangible assets		0	-8
Lending/net settlement to subsidiaries		-451	122
Acquisition of operation	M8	-2,805	-3,449
Cash flow from investment activities		**-3,255**	**-3,337**
Financing activities			
New loans		2,218	1,101
Repayment of shareholders contribution		0	-2
Overdraft facility		0	-48
Issue expenses		-20	-57
Warrants		0	20
New share issue		1,074	2,536
Cash flow from financing activities		**3,272**	**3,550**
Cash flow for the year		**-39**	**101**
Cash and cash equivalents at beginning of year		115	15
Exchange rate difference in cash and cash equivalents		1	0
Cash and cash equivalents at end of year		77	115

STILLFRONT GROUP

Notes

Note 1. General information

Stillfront Group AB (publ.), corporate identification number 556721-3078, and its subsidiaries (collectively termed the group) are a group of gaming studios with the vision of being a leading free-to-play powerhouse. Stillfront is active through 22 studios: Babil Games, Bytro Labs, Candywriter, Coldwood Interactive, Dorado Games, eRepublik Labs, Everguild, Game Labs, Goodgame Studios, Imperia Online, Jawaker, Kixeye, Moonfrog Labs, Nanobit, OFM Studios, Playa Games, Power Challenge, Sandbox Interactive, Simutronics, 6waves, Storm8 and Super Free Games.

The parent company is a limited company registered in Sweden, with its registered office in Stockholm. The address of the head office is Kungsgatan 38, SE-111 35 Stockholm, Sweden. In December 2015, Stillfront's shares were listed on Nasdaq First North Stockholm (currently Nasdaq First North Premier Growth Market). In June 2017, the listing was moved to First North Premier. Since 26 May 2021, Stillfront's shares are listed on Nasdaq Stockholm. Stillfront's 2018/2022 bond, with ISIN code SE0011897925, Stillfront's 2019/2024 bond with ISIN code SE0012728830, and Stillfront's 2021/2025 bond with ISIN SE0015961065, are listed on Nasdaq OMX Stockholm.

The board of directors approved these consolidated accounts for publication on April 19, 2022.

Note 2. Critical accounting policies

The financial statements are presented in SEK, Swedish kronor, which is the functional currency of the parent company. All amounts, unless otherwise stated, are rounded to the nearest million (SEK m). Due to rounding, numbers presented throughout these consolidated financial statements may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

Reclassifications without impact on net profit or shareholders' equity have been done retrospectively by restating amounts for 2020.

The critical accounting policies applied when preparing these annual accounts are stated below. The policies have been applied consistently for all years presented, unless otherwise stated. The parent company's accounting policies are consistent with the group's unless otherwise stated. Any discrepancies are listed in Note M1.

BASIS FOR PREPARATION OF THE FINANCIAL STATEMENTS

Stillfront's consolidated accounts have been prepared in accordance with the Swedish Annual Accounts Act, the Swedish Financial Reporting board's (RFR) recommendation RFR1 Supplementary Accounting Rules for groups, as well as the International Financial Reporting Standards (IFRS) and Interpretations from the IFRS Interpretations Committee as endorsed by the EU. The accounts have been prepared in accordance with acquisition accounting, apart from contingent considerations (earnout provisions), which are measured at fair value through profit or loss.

Preparing accounts consistent with IFRS requires the application of significant estimates for accounting purposes. This also requires management to make certain judgements on the application of the group's accounting policies. Estimates that are of material significance to the consolidated accounts are stated in Note 4.

New and amended standards adopted by the group

The group elected to adopt early the Annual Improvements to IFRS Standards 2018–2020 Cycle.

The new accounting rules in IFRS 16 Leases have been applied since the financial year 2019. In 2020, an amendment was made to IFRS 16 entailing certain practical expedients for lessees to account for covid-19-related temporary rent reductions. This amendment has not had a significant impact for Stillfront.

As of 2021, Stillfront applies the amendments to IFRS 7 and IFRS 9 that are made in connection with the ongoing IBOR reform. There is a practical expedient whereby the replacement of the existing interest rate benchmark may be treated as any other change of a variable interest rate, as a modification of the effective interest rate without any change of the carrying value, and is not considered as a break of a hedging relationship.

The impact of applying the amended standards in 2021 is insignificant.

There are no other already decided changes in accounting standards that are expected to have a significant impact on Stillfront's financial reports.

CONSOLIDATED ACCOUNTS

The consolidated financial statements cover the accounts of the parent company and the companies in which the parent company has a direct or indirect controlling interst, in accordance with IFRS 10 Consolidated financial statements. A subsidiary refers to an entity in which the parent directly or indirectly owns more than half of the voting rights or otherwise controls the investee. Control over an investee occurs when the group has power over the investee, is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Cont. note 2

A subsidiary is included in the consolidated financial statements from the date the investor obtains control of the investee, which normally coincides with the acquisition date. Consolidation ceases when control is lost.

Business combinations are accounted for according to IFRS 3 Business combinations.

At the time of an acquisition, the fair value of the identifiable assets and liabilities of the acquired operations is established. These fair values include participations in the assets and liabilities attributable to any remaining non-controlling interests in the acquired operations. Identifiable assets and liabilities include assets, liabilities, and provisions, as well as commitments and claims from external parties that are not recognized in the balance sheet of the acquired operations. Provisions are not made for upcoming restructuring measures that result from the acquisition. The difference between the consideration transferred for the acquisition and the acquired share in the fair value of net assets of the acquired operations is classified as goodwill and recognized in the statement of financial position. Any transaction costs related to an acquisition are expensed in the period in which they arise.

If the consideration is contingent on future events, it is initially measured at fair value. The contingent consideration is classified as a financial liability and it is subsequently measured at fair value through profit and loss. For more information, see the separate section "Provision for earnouts/contingent considerations" and Note 21 Interest-bearing debt.

Under certain circumstances, the legal acquirer is treated as the group subsidiary and the legally acquired subsidiary is treated as the acquirer. This is a 'reverse acquisition', which is when the consolidated accounts are prepared with the legal subsidiary as acquirer and the legal parent as the acquired entity. The purchase price allocation was prepared based on the legal parent's financial statements. The consolidated accounts were prepared as an extension of the legal subsidiary's financial statements. When judging which entity was the acquirer from a group perspective, analysis is based on a number of factors, such as the relative voting-shares in the merged entity after the business combination, the composition of management bodies, the entities' relaive sizes (measured by assets or revenues or earnings, for example). Stillfront's only reverse acquisition was the acquisition of Altigi GmbH in 2018.

Acquisitions of legal entities which only consist of one asset or group of similar assets but no ongoing business are accounted for as asset acquisitions.

Expected future payments of deferred purchase price consideration are discounted to their present value at a risk adjusted interest rate for each payment that reflects the average cost of capital for the investment.

If a business combination is conducted as a step acquisition, the previous equity interest in the acquired entity is restated to fair value at the time of consolidation as a subsidiary. Any gain or loss arising from the fair value adjustments is recognized through profit or loss.

Intragroup transactions, balance sheet items, revenues and expenses on transactions between group companies are eliminated. Gains and losses resulting from intragroup transactions that are recognized in assets are also eliminated. Where applicable, the accounting policies of subsidiaries have been amended to achieve a consistent application of the group's policies.

Non-controlling interests in subsidiary earnings and equity are recognized separately in the Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Statement of Financial Position. If Stillfront is bound by an agreement to acquire the shares from the non-controlling shareholders, then the fair value of the future purchase price is recognized in the statement of financial position as a liability and not as a non-controlling interest.

Changes in participation in a subsidiary without change of controlling interest

Transactions with non-controlling interests that do not result in loss of control are recognized as equity transactions, i.e. as transactions with owners in their capacity as owners. A change in participation is recognized by restating the carrying amounts of the non-controlling interests so that they reflect changes in their relative participation in subsidiaries. On acquisitions from non-controlling interests, the difference between fair value of the consideration and the actual acquired participation in the carrying amount of the subsidiary's participations is recognized in equity. Gains and losses on sales to non-controlling interests are also recognized in equity.

TRANSLATION OF FOREIGN CURRENCY

Translation of items in foreign currency

Foreign currency is translated into an entity's functional currency at the exchange rate in effect on the transaction date.

The functional currency is the currency of the primary economic environment in which the group entities operate. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to the functional currency at the foreign exchange rate prevailing at that date. Foreign exchange differences arising on translation of monetary assets and liabilities are recognized in profit or loss for the year. Foreign exchange differences from monetary assets and liabilities designated as a hedging instrument under hedge accounting are recognized in other comprehensive income. Non-monetary assets and liabilities measured in terms of historical cost in a foreign currency are translated using the exchange rate prevailing at the date of the transaction.

Financial statements of foreign subsidiaries

The results and financial positions of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows: The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated from the foreign operation's functional currency to the group's reporting currency, SEK, at foreign exchange rates at the closing rate at the date of the balance sheet. Revenues and expenses of foreign operations are translated to SEK at the period average exchange rates. Revenues and expenses of a foreign operation acquired in the year are translated to SEK at the average

STILLFRONT GROUP

Cont. note 2

exchange rate during the period of ownership. Translation differences arising from the translation of the net investment in foreign operations are recognized in other comprehensive income and are accumulated in a separate component of equity, a translation reserve.

INTANGIBLE ASSETS

Intangible assets within the group relates to goodwill, capitalized development expenditures, game products, market and customer related assets and licenses.

The group recognizes intangible assets according to IAS 38 Intangible assets. Goodwill that arises upon acquisition of companies is recognized in accordance with the rules in IFRS 3.

An intangible asset is an identifiable, non-monetary asset in the group's control which generates future economic benefits.

An intangible asset can be recognized through a separate acquisition, as part of a business combination or be internally generated. Separately acquired intangible assets are measured at cost. Intangible assets other than goodwill are recognized at cost minus accumulated amortization and impairment losses. Impairment losses are applied in accordance with IAS 36 Impairment of assets.

Game products

The group's game products derive from games that have been acquired through the acquisition of an operation or of assets. According to IFRS 3 Business combinations the fair value of the games is established on the acquisition date of the operation. Subsequently the value of the game products is carried at cost less accumulated amortizations and impairments. Game products are amortized on a straight-line basis over 5–10 years.

Market and customer related assets and licenses

The group has acquired market and customer related assets through business combinations. The assets are measured at fair value on the acquisition date and subsequently carried at cost less accumulated amortizations and impairments.

The measurement of paying gamers (market and customer related assets) is allocated by game product and amortized over the same period as them. Market and customer-related assets are amortized over 2–10 years on a straight-line basis. On the sale of an entity, the amount of game products is included in the gain/loss arising.

Licenses have been acquired through subsidiaries and mainly consist of software licenses. The assets are measured at fair value on the acquisition date and subsequently carried at cost less accumulated amortizations and impairments. Licenses are amortized over 5–10 years. Amortization is on a straight-line basis over the estimated economic life of the assets.

Capitalized development expenditure

The capitalized development expenditure items consist of technology acquired through business combinations and of internally developed technology including game products.

The following basis of capitalization applies for internal development:

Expenditure for maintenance of software is expensed as it occurs. Development expenditure directly relating to the development and test of identifiable and unique software products (game development projects) that are controlled by the group, are recognized as capitalized development expenditure when the following criteria are satisfied:

- technological feasibility for completing the asset for use or sale has been achieved,
- the entity intends to complete and use or sell the asset,
- the entity has the ability to use or sell the asset,
- the entity can demonstrate that the asset will generate probable future economic benefits,
- technical, financial, and other resources are available to complete development of the asset,
- the entity has the ability to reliably measure the expenditures.

Normally, the entity does not commence the development process before the above criteria are satisfied, which means that in most cases, capitalization is from the starting date.

Directly related expenditures that are capitalized mainly consist of expenditure for employees, external subcontractors, user testing and a reasonable portion of indirect expenses.

Intangible assets are recognized at cost less accumulated amortization and impairment. The cost of an internally generated intangible asset is the total of the expenditure arising from the date when the intangible asset first satisfies the above capitalization criteria.

Amortization begins when the asset is ready for use, which is the same date as the test launch is complete. Useful life is judged on the basis of the period the expected benefits are expected to flow to the group.

The amortization of the capitalized expenditure is recognized on a straight-line basis and has been judged to have a useful life of 3–5 years.

Development expenditure that does not satisfy these criteria is expensed as it arises. Development expenditure previously expensed is not recognized as an asset in subsequent periods.

Goodwill

Goodwill is recognized according to IFRS 3 Business combinations and IAS 38 Intangible assets.

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Goodwill is the value by which the purchase price exceeds the fair value of the net assets acquired in a business combination. Goodwill, which has an indefinite useful life, is not amortized but is tested for impairment annually, or upon indication of impairment in accordance with IAS 36 Impairment of assets.

Goodwill recognized within the group emerges from the business combinations. Goodwill acquired in a business combination is allocated to cash-generating units or groups of cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the synergies from the business combination.

An assessment is made at the end of each reporting period whether there is any indication that goodwill may be impaired. If any such indication exists, the recoverable amount of the cash-generating unit shall be estimated. Goodwill is tested at least annually for impairment or more frequently if indicators of impairment exist. Any impairment is recognized immediately as an expense and not reversed. Resource allocation among the group's games and operations is determined centrally based on what is assessed to be best for the entire group. This is an important component in the group strategy. Financial results are therefore evaluated on group level rather than for individual parts of the group. In light of these facts, Stillfront has concluded that the cash generating unit for impairment testing of goodwill comprises the entire group.

LEASES

Stillfront applies IFRS 16 Leases from January 1, 2019.

All leases, except leases with a term of less than 12 months and leases where the underlying asset is of low value, are recognized in the statement of financial position as right-of-use assets, and interest-bearing lease liabilities.

Almost all IFRS 16 leases are lease contracts on office premises and are classified as right- of-use assets for buildings. Stillfront has a few other leases such as office equipment, IT-equipment, cars and other. These other leases are grouped together and classified as others.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

A contract is a lease if it conveys the right to control the use of an identified asset during a specific time period in exchange for consideration. The lease term is the non-cancellable period of the lease, taking into consideration any extension or termination option for the contract and whether it is reasonably certain that this option will be exercised. The lease term in a contract is not extended until the agreement is signed by both parties if both the lessor and the lessee have the right to terminate the contract without penalties.

Contracts may contain both lease and non-lease components. Stillfront separates non-lease components such as service charges, property tax, electricity, water, heating etc. in a contract, and does not include the non-lease component in the calculation of the value of the right-of-use where it is possible to separate such costs.

The right-of-use asset is initially measured at cost, which equals the amount of the initial measurement of lease liability adjusted for any lease payments made at or before the commencement date. The lease payments include variable lease payments that depend on an index or a rate.

Rights of use of buildings, office equipment and other leases are depreciated over the lease term.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

The new updated Stillfront incremental interest is recalculated and used as a discounted rate when a new lease agreement is signed within the group.

The parent company applies the exception from application of IFRS 16 Leases. Leasing costs are charged to profit and do not impact the balance sheet. Lease payments are recognized on a straight-line basis over the term of the lease.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are reported in accordance with IAS 16 Property, plant and equipment.

Tangible assets are recognized using the cost method. Measurement after recognition is cost less depreciation and any potential impairment. The tangible assets in the group comprise of equipment, tools, fixtures and fittings which are depreciated on a straight-line basis over 3–15 years. The useful lives as well as the residual value for the tangible assets are reviewed annually.

Additional expenses are added to the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the asset will flow to the group and the cost of the asset can be measured reliably. The carrying amount of a replaced part is derecognized from the balance sheet. All other forms of repair and maintenance are recognized as costs in the period in which they occur.

The residual values and useful lives of assets are tested at each reporting date and restated as required. The carrying amount of an asset is depreciated immediately to recoverable amount if the asset's carrying amount exceeds its estimated recoverable amount.

Gains and losses on sale are determined through a comparison between sales revenue and the carrying amount and are recognized in other operating income and other operating expenses in the Income Statement.

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IMPAIRMENT OF NON-FINANCIAL ASSETS

Intangible assets are tested for impairment in accordance with IAS 36 Impairment of assets.

The assets that are tested for impairment on a regular basis within Stillfront relate to goodwill and capitalized development expenditures that are under development. For the group's other non-financial assets, an impairment test is performed if there is any indication that the carrying amount exceeds the recoverable amount for the asset.

Intangible assets that have an indefinite useful life or intangible assets not ready for use are not amortized but tested annually for any impairment requirement. Assets that are depreciated or amortized are assessed for impairment whenever events or changes in circumstances indicate that the carrying value might not be recoverable. An impairment is made for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less selling expenses and value in use. For assets (other than goodwill) previously impaired, a test for reversal is conducted at each reporting date.

The recoverable amount of goodwill is based on value in use, which is the present value of the expected future cash flows without regard to potential future expansions of operations and restructuring. Resource allocation among the group's games and businesses is determined centrally with the profitability of the entire group in mind. This is a major success factor for the group. Financial performance is therefore monitored on the level of the entire group rather than on a more granular level. Hence, Stillfront is viewed as a single cash-generating unit for impairment testing purposes.

FINANCIAL ASSETS

Stillfront applies IFRS 9 Financial Instruments, except for the hedge accounting requirements in IFRS 9, where the group has chosen to continue to apply the hedge accounting requirements in IAS 39.

Recognition and derecognition

Financial assets and liabilities are recognized when the group becomes a party to the contractual provision of the instrument. Transactions of financial assets are accounted for at trade date, which is the day when the group contractually commits to acquire or dispose of the assets. Trade receivables are recognized when the group has an unconditional right to consideration. Liabilities are recognized when the other party has performed and there is a contractual obligation to pay.

Derecognition, fully or partially, of a financial asset occurs when the rights in the contract have been realized or mature, or when the group no longer has control over it. A financial liability is derecognized, fully or partially, when the obligation specified in the contract is discharged or otherwise expires. Gains and losses from derecognition or modifications are recognized in profit or loss.

CLASSIFICATION OF FINANCIAL ASSETS

Classification and measurement of financial instruments

Financial instruments are recognized in the financial statement as current if they are expected to be settled within twelve months. Contrary, if financial instruments are not expected to be settled within twelve months, they are classified as non-current. Liabilities that are due within twelve months, or do not have an unconditional right to defer settlement for at least twelve months, are classified as current. The current portion of long-term liabilities is presented as other current liabilities.

Financial instruments are classified at initial recognition. The classification decides the measurement of the instruments.

Financial assets

The classification of financial assets that are debt instruments is based on the entity's business model for managing the assets and the asset's contractual cash flow characteristics. The instruments are classified at:

- amortized cost,
- fair value through other comprehensive income (FVOCI), or
- fair value through profit or loss (FVTPL).

Financial assets at amortized cost are at initial recognition measured at fair value including transaction costs. After initial recognition, they are measured at the effective interest rate method (at the net present value of expected receipts). Assets classified at amortized cost are held under the business model of collecting the contractual cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments measured at FVOCI are assets held both for selling and collecting contractual cash flows that are solely payment of principal and interest. Such instruments are measured at fair value with the changes in values recognized in other comprehensive income until derecognition when they are reclassified to profit or loss. Instruments at FVTPL are all other debt instruments that are not measured at amortized cost or FVOCI. Financial instruments in this category are recognized at fair value at initial recognition and changes in fair value are recognized in profit or loss.

Equity instruments are classified at FVTPL unless they are not held for trading purposes, in which case an irrevocable election can be made on initial recognition to classify them at FVOCI with no subsequent reclassification to profit or loss.

Financial liabilities

Financial liabilities are measured at amortized cost, except when the liability refers to a financial instrument at fair value through profit or loss, such as a derivative, or a provision for earnouts that is recognized by an acquirer in a business combination in accordance with IFRS 3. Such contingent consideration shall subsequently be measured at fair value with changes recognized in profit or loss. Financial liabilities include the liability for equity swaps entered into in order to meet Stillfront's commitments under long-term incentive programs. The liability is measured at amortised cost.

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Financial liabilities at amortized cost are at initial recognition measured at fair value including transaction costs. After initial recognition, they are measured at the effective interest rate method.

ACCOUNTS RECEIVABLE

Accounts receivable are amounts to be paid by customers for goods sold or services rendered in operating activities. Sales to end-customers are either via platforms owners, mainly Apple and Google for mobile games, or payment providers. Payments from platform owners and payment intermediaries are executed after the end-customer (gamer) has made a purchase. If payment is expected within one year or earlier (or during a normal business cycle if longer), they are classified as current assets. If not, they are recognized as non-current assets.

CASH AND CASH EQUIVALENTS

In the balance sheet and statement of cash flows, cash and cash equivalents include cash, bank balances and other investments in securities, etc. In the balance sheet, utilized overdraft facilities are recognized as loan liabilities in current liabilities. Stillfront does not hold any material investments in securities, etc. for the financial year.

ACCOUNTS PAYABLE

Accounts payable are obligations to pay for goods or services that have been purchased from suppliers in operating activities. Accounts payable are classified as current liabilities if they become due within one year or earlier (or during a normal business cycle if this is longer). If not, they are recognized as non-current liabilities.

BORROWING

Bond loans, overdraft facilities, other credit facilities, and contingent considerations (earnout provisions) are recognized as borrowings in the group.

Borrowing is initially recognized at fair value net of transaction costs. Borrowing is subsequently recognized at amortized cost and any difference between the amount received (net of transaction costs) and the repayment amount is recognized through profit or loss allocated over the loan term, by applying the effective interest method.

PROVISION FOR EARNOUTS/CONTINGENT CONSIDERATIONS

Stillfront has liabilities pertaining to contingent considerations from acquisitions. Contingent considerations are settled with cash or shares in Stillfront, based on an amount which is determined by the terms and conditions in the agreement.

Considerations are classified as a financial liability. If the contingent consideration is expected to be settled within twelve months of the reporting date, it is classified as a current liability and if it is estimated to be settled after twelve months, it is classified as a non-current liability. Contingent consideration is referred to as provisions for earnout. This liability is measured at fair value, and changes in value are recognized in profit or loss as financial net. The liability is part of a hedging relationship, and therefore currency translation differences are recognized in other comprehensive income whereas other fair value changes are recognized in net financial items.

PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provisions are reported in accordance to IAS 37 Provisions, contingent liabilities and contingent assets. A provision is recognized when the group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

HEDGE ACCOUNTING

Stillfront applies hedge accounting to some of its net investments in foreign operations. As of its treasury policy, Stillfront finances its foreign operations partly in currencies other than the functional currency of the parent company (SEK). Liabilities in foreign currency other than the functional currency of the parent company (SEK), including contingent considerations, are used as hedging instruments. To the extent a gain or loss (currency translation effect) on the hedging instrument is measured as an effective portion of hedging, it is recognized in other comprehensive income. Hedge accounting is performed under IAS 39. Stillfront does not apply cash flow hedges or fair value hedges.

The group documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the hedging instruments that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

CURRENT AND DEFERRED INCOME TAX

Income taxes are reported in accordance to IAS 12 Income taxes.

Income tax consists of current tax and deferred tax. Income tax is recognized as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from a transaction or event which is recognized, in the same or a different period, outside profit or loss, either in other comprehensive income or directly in equity, or a business combination. In such case, tax is also recognized in other comprehensive income and equity.

Deferred tax assets and liabilities are only offset when there is a legal right to offset the tax assets and tax liabilities and when the deferred tax assets and tax liabilities relate to taxes charged by the same taxation authority, and are either for the same taxable entity or different taxable entities, where there is an intention to settle the balances through net payments.

Current tax is tax to be paid or received with respect to the current year, or adjustments of current tax attributable to prior periods. Current income taxes are based on

Cont. note 2

each entity's taxable income for the period. This item includes adjustments for current income tax attributable to previous periods.

Deferred tax is reported in accordance with the balance sheet method on all temporary differences arising between reported and fiscal values of assets and liabilities. Deferred tax on temporary differences is not recognized if it occurs due to initial recognition of goodwill. Deferred tax is calculated using tax rates that are adopted or announced as of the balance sheet date and that are expected to apply when the deferred tax asset is realized or when the deferred tax liability is settled.

Deferred tax assets are recognized to the extent it is likely that future taxable surpluses will be available in the foreseeable future that the temporary differences can be used against.

EMPLOYEE BENEFITS

The IAS 19 Employee benefits standard requires an entity to recognize a liability when an employee has provided service in exchange for employee benefits to be paid in the future, and an expense when the entity consumes the economic benefit arising from service provided by an employee in exchange for employee benefits.

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees or for the termination of employment. If an employee receives share-based payments, such transactions are not within the scope of IAS 19 but instead IFRS 2 Share-based payments.

The fair value of employee stock options allotted to staff is calculated at issue according to the Black & Scholes valuation model. The value is recognized as a personnel cost in the profit and loss statement, over the vesting period, with a corresponding increase in shareholders' equity.

Equity swap agreements entered into with a bank in order to meet Stillfront's commitments under long-term incentive programs are accounted for as a financial liability at amortised cost and as a reduction of shareholders' equity. Consequently, the fair value of the underlying shares when the agreement was signed is accounted for as a liability and the fees to the bank are recognized over time as financial costs.

Short term employee benefits

Short-term employee benefits are employee benefits that are expected to be settled within twelve months after the end of the annual reporting period in which the employees render the related service.

Short-term employee benefits within the group refer to salary, social security contributions, vacation pay and bonuses. These are all expensed in the period in which the employees render the services. Provisions for bonuses are allocated with the full expected amounts, which are then adjusted to reflect the actual outcome.

Long-term employee benefits

Post-employment benefit plans are classified either as defined contribution or defined benefit plans. Under a defined contribution plan, the group pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts if the fund does not hold sufficient assets to pay all employee benefits.

Defined contributions plans are expensed when employees provide services entitling them to the contribution.

Defined benefit plans are plans where it is the group's obligation to provide agreed benefits to current and former employees. There are no defined benefit pension plans in the group.

Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment.

The group recognizes a liability and an expense for termination benefits when it no longer can withdraw the offer of those benefits.

REVENUE FROM CONTRACTS WITH CUSTOMERS

According to IFRS 15 Revenue from contract with customers, an entity shall recognize revenue when the customer gains control over the sold goods or services. The standard includes a five-step model for recognizing revenue. The standard also provides application guidance specific to the recognition of revenue for licenses of intellectual property.

Stillfront's revenues come from game experience delivered to players primarily in so-called free-to-play games, where the group charges for virtual goods, subscriptions, advertising and contracting. Net revenues are calculated by adjusting payments received for deferred revenues.

Platform fees to suppliers like Apple or Google are deducted when payments are made to Stillfront, but are reported in the profit and loss statement as operating expenses and not as revenue reductions.

Timing of revenue recognition in the income statement is described below.

Free-to-play games

The games within Stillfront are essentially so called free-to-play games. This means that the base platform can be used by a player without paying an entry fee. The player can play the games without paying a license fee. The revenue occurs instead when a player makes in-game purchases to access additional content, functions, features or advantages in the games.

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All games have different characteristics which can differ between studios and also within studios. Hence the standard terms may differ based on the specifics of a game.

A player buys In Game Currency (IGC). This virtual money/currency, tokens or tickets (referred to as "virtual currency") can be used to get different types of "virtual goods" i.e. different types of tools to use in the games or services in-game. A virtual good can be used either immediately or unlimited over the playing time (the playing time can be either unlimited or limited in time). In addition, vouchers can be used for so-called "subscriptions" which means that the player uses his voucher to access various functions for a limited amount of time.

The group's contracts contain two distinct performance obligations (PO):

- Virtual goods (additional tools to use when playing) if there is selling price to a virtual item that has been paid for.
- Purchased subscriptions (additional functionality and features to use when playing).

Each PO is priced separately which constitutes the stand-alone selling price for each PO. The access to the game platform is considered a license "to access" the game. However, as the game is free-to-play, the satisfaction of this PO does not result in any revenue recognition. Virtual goods and subscriptions are evaluated either as licenses "to use" or "to access" Stillfront's intellectual property. Revenue is, hence, recognized at the point in time when a player uses a virtual currency as payment for the virtual goods if the benefit that the player receives from the license is considered as basically immediate and without further obligations for Stillfront, or over the estimated time during which the virtual goods and subscription are delivered under the license if they are considered to benefit the player going forward. If the virtual goods or subscription do not depend on Stillfront's future maintenance of the game platform, and hence no obligation, then this corresponds to a classification of the license as "to use".

Bookings

Gamers can pay real money or use in-game purchases to acquire IGC. Such a transaction is referred to as a booking. Revenue is as described above recognized when the gamer uses the IGC to acquire virtual goods or premium subscriptions. To measure the portion of the payment received that is deferred income, i.e. advance payments from gamers, requires certain estimates and judgements of a gamer's activity. Gamers are classified as inactive after a period of inactivity in each game. The length of these periods is determined by game based on gaming patterns. After a gamer has been classified as inactive, the value of this player's advance payment is recognized as revenue.

Gifted items

Stillfront's free-to-play games are based on the player acquiring IGC by paying real money and using such IGC to acquire virtual goods or premium subscriptions. Some offers to the gamers contain a combination of IGC and free in-game virtual items ("gifted items"). Reliably determining the value of the gifted items is challenging as some items are only available as gifts and other may be priced differently based on volume and/or bundling. As all in-games items are virtual, there is no guide to value the items based on the production cost. The group has analyzed the gifted items and concluded that the value of the gifted items is not material, and that reliably determining the amount of revenue relating to the gifted items is not possible. Therefore, no revenue is allocated to the gifted items.

The license to use the game on the base platform means gamers can access all updates of the game. Stillfront's opinion is that this license should be treated as the right to access the game platform in its current form throughout the license term, which would involve revenue recognition over time, i.e. allocation over the term of usage. However, the price of this license is zero, which means that no policy for revenues needs to be adopted.

Other games related revenues

In-game advertising revenues are recognized when they occur i.e. when a player watches or consumes an ad in the games.

Contracting

Contracting involves Stillfront developing a game for a publisher independent of Stillfront. Typically, contracting assignments involve two payment components from the publisher to Stillfront. One is based on the labor involved in building the game, and the second is sales-based royalty.

Stillfront's development for an independent publisher is considered a distinct performance obligation that is satisfied over time. The labor from Stillfront in these types of projects is typically constant, or almost constant, over the lifetime of the project. Revenue relating to the development is recognized in accordance with an input method which means that the revenue is recognized linearly as the input is constant over the lifetime of the project.

Royalty is recognized in the period that is the basis for computing royalties, in accordance with the guidance for sales-based royalties in IFRS 15. The amount of royalties recognized is consistent with what is documented in a royalty statement issued by the publisher. The purchase of subscriptions should also be treated in the same way as purchasing virtual goods, i.e. revenue recognition is when IGC is used as payment for the subscription.

Is Stillfront contracted to develop a complete game at fixed price for an external owner, then revenue is recognized over time as milestones are fulfilled which reflect the completion of performance obligations.

When Stillfront acts as a publisher of games owned by an external developer, who makes all decisions about setting prices etc, then Stillfront is an agent for the game developer, and accounts for revenues net after deduction of reimbursement to the developer and platform providers.

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Cont. note 2

OTHER TYPES OF REVENUE

Interest income is recognized using the effective interest method. Dividends are recognized when the right to receive dividend has been verified.

CASH FLOW STATEMENT

The Cash Flow Statement has been prepared in accordance with the indirect method, whereby earnings are adjusted for transactions not involving cash payments in the period. The company's cash and cash equivalents consist of cash and bank balances.

EARNINGS PER SHARE

IAS 33 Earnings per share deals with principles for the determination and presentation of earnings per share before and after dilution. Basic earnings per share are computed by dividing earnings attributable to equity holders of the parent by a weighted average number of outstanding ordinary shares.

For computing diluted earnings per share, the weighted average number of outstanding ordinary shares is restated for the dilution effect of all potential ordinary shares. The parent company has issued share options that have a potential dilution effect. For share options, the number of shares that could have been purchased at fair value for an amount corresponding to the monetary value of the subscription rights associated with outstanding share options is computed. The number of shares computed as above is compared to the number of shares that would have been issued assuming that the share options had been exercised. However, options and warrants have a dilutive effect only when the average market price of ordinary shares during the period exceeds the exercise price of the options, i.e. if they are in the money. Currently, Stillfront has options and warrants that may cause dilution. Additionally, potential ordinary shares only give rise to a dilution effect in cases where the conversion of them results in lower earnings per share or a higher loss per share.

SEGMENTS

Stillfront's operations are conducted through its subsidiaries, the studios. Studio heads report to the members of group management team, whose members report directly or indirectly to Stillfront's CEO. However, operational monitoring is focused on individual games rather than the subsidiaries themselves.

Stillfront markets its games worldwide. Revenues are monitored closely for each game, but all costs are not allocated on a game-by-game basis. Additionally, games have certain shared components that cannot be allocated to an individual game. Accordingly, Stillfront's financial position and results of operations cannot be presented by segments in a way that would improve analysis of the company.

The group Business management is Stillfront's Chief Operating Decision Maker (CODM). Monitoring and management of the group is based on the group's overall financial position, because as stated above, it is not possible to allocate operations into segments that are meaningful from a monitoring/management perspective. Accordingly, all operations are treated as a single segment.

PARENT COMPANY ACCOUNTING POLICIES

See Note M1.

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Note 3. Financial risk management

Through its operations, the group is exposed to a number of financial risks such as market risk (mainly involving currency risk and interest rate risk), credit risk and liquidity risk. Risk management is in accordance with predetermined principles, and the group's overall risk management policy endeavors to minimize unforeseen unfavorable effects on the group's results of operations and financial position.

CURRENCY RISK

The group operates internationally and is exposed to currency risks from various currency exposures. Currency risk arises through future business transactions, recognized assets and liabilities, as well as net investments in foreign operations. Currency risk occurs when future business transactions, recognized assets and liabilities are denominated in currencies other than the functional currency of the group entities. In the financial years presented, the group has not employed currency forward contracts. The currency exposures in net assets in foreign subsidiaries are partly hedged by having external loans in the parent company denominated in the same currencies, where hedge accounting is applied when the loans constitute an effective hedge of the group's exposure. The main currencies the group is exposed to are EUR and USD. The group's risk exposure in net investments in foreign operations the end of the financial year, expressed in Swedish krona (SEK m), was as follows:

NET INVESTMENTS IN FOREIGN OPERATIONS BY CURRENCY

	31 Dec 2021		31 Dec 2020	
SEKm	Net Assets	Thereof hedged through loans in foreign currency	Net Assets	Thereof hedged through loans in foreign currency
EUR	4,134	1,438	4,626	1,257
USD	11,454	4,597	5,493	2,006
Other foreign currencies	2,632	42	1,455	56

CONSOLIDATED NET REVENUES IN FOREIGN CURRENCY

SEKm	2021	2020
EUR	1,787	1,423
USD	2,809	2,254
Other foreign currencies	841	184
SEK	19	130
Total net revenues	**5,455**	**3,991**

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CONSOLIDATED EBITDA

SEKm	2021	2020
EUR	649	638
USD	1,086	832
Other foreign currencies	275	49
SEK	10	34
Total EBITDA	**2,020**	**1,553**

If the EUR exchange rate had been 5 percent higher or lower versus the SEK with all other variables constant, EBITDA would have been SEK 32m (SEK 32m) higher or lower respectively, and the impact on equity would have been SEK 135m (SEK 168m). If the USD exchange rate had been 5 percent higher or lower versus the SEK with all other variables constant, EBITDA would have been SEK 54m (SEK 42m) higher or lower respectively, and the impact on equity would have been SEK 343m (SEK 174m). Currency hedging of net investments in foreign operations had an impact on other comprehensive income for the year of SEK -279m (SEK 286m) net of tax.

INTEREST RATE RISK

Interest rate risk means the risk that fair value or future cash flows fluctuate due to altered market interest rates. The interest risk is managed by funding the group with loans that have an interest rate fixing maturity which reflects the duration profile of the assets and the business. The average interest rate duration of the loan portfolio should be between 3 and 36 months. At year-end, the outstanding loans had an interest rate duration of 3 months. The group has during the year had outstanding bond loans amounting to up to SEK 3,100 m (SEK 1,600m) and liabilities to credit institutions of SEK 1,456m (SEK 1,217m) at year end. The group has STIBOR based interest bearing liabilities and the bond loans have STIBOR as the basis of their coupon rate. A 2 percent increase in STIBOR based on the value at year-end would negatively impact profit by SEK 91m (SEK 56m). The risk of variable interest rates on cash and cash equivalents is considered marginal because interest rates are low, and in certain cases, negative. Stillfront updated the RCF contract in 2021 to reflect the current IBOR transition.

PRICE RISK

Financial liabilities measured at fair value

The group has contingent considerations/ provisions for earnouts measured at fair value. If future EBIT assumptions used in fair value measurement increase (decrease) 5 percent for those operations where contingent considerations have been measured for payment based on performance in 2022 to 2026, this would impact net profit by SEK -139m (SEK -43m) at the date of fair value measurement.

CONTENT

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Cont. note 3

CREDIT RISK

Credit risk means exposure to receivables in the form of investments of surplus liquidity and accounts receivable. The group's accounts receivable and contract assets are limited when the majority is paid advances and repayments are only made to a very limited extent. The group's counterparties are stable and reputable companies such as Apple, Google and PayPal. Accordingly, the group judges that the risk of bad debt is limited. The largest total exposure to all financial instruments with a single bank was SEK 109m (SEK 197m).

MAXIMUM EXPOSURE TO CREDIT RISK

SEKm	31 Dec. 2021	31 Dec. 2020
Accounts receivable	390	270
Contract assets (accrued income)	39	17
Other receivables	229	109
Bank balances	1,133	1,005
Total	**1,791**	**1,401**

LIQUIDITY RISK

Liquidity risk means the risk that the group encounters problems in fulfilling the obligations relating to the group's financial liabilities. Financing risk means the risk that the group is unable to arrange sufficient finance for a reasonable cost. To a significant extent, the group finances its operations with new share issues, bond loan issues and bank facilities. Acquisitions of new businesses are partly financed through earnouts, i.e. parts of payments are deferred, and these amounts are computed on the basis of the acquired entity's estimated future financial performance. To minimize liquidity risk, most earnout agreements include caps on maximum payouts. The following tables analyze the group's financial liabilities allocated by the time remaining until agreed due dates on the reporting date. The amounts stated in the table are contractual undiscounted cash flows. The provision for earnout presented in the below table is partly settled in new issued Stillfront Group shares (SEK 344m with maturity 3–12 months and SEK 717m with maturity 1–5 years).

MATURITY ANALYSIS OF CONTRACTUAL PAYMENTS FOR FINANCIAL LIABILITIES

SEKm	0-3 months	3-12 months	1-5 years	>5 years
Bond Loans	0	600	2,500	0
Contingent consideration for shares in subsidiaries	0	1,046	2,328	158
Lease liabilities	9	27	50	10
Other liabilities	0	509	1,456	0
Accounts payable	139	0	0	0
Total	**148**	**2,182**	**6,336**	**167**

Cont. note 3

CAPITAL

The group's target for its capital structure is to safeguard the group's ability to continue its operations so that they can generate returns for shareholders and benefit other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital. To maintain or alter its capital structure, the group can alter dividends paid to shareholders, repay capital to shareholders, issue new shares, increase liabilities or sell assets to reduce liabilities. Capital is estimated based on the group's equity/ assets ratio. The company's board of directors and management continuously evaluates the group's long-term need for capital and finance alternatives. The bonds have no financial maintenance covenants, only financial incurrence covenants. The company has also arranged credit facilities with banks. Some of these facilities have covenants regarding leverage, all of which were satisfied during the year.

Fair value measurement

The following table illustrates how financial instruments measured at fair value on the basis of classification in the fair value hierarchy. The different levels are defined as follows:

Level 1: Quoted prices of identical assets or liabilities on active marketplaces.

Level 2: Observable data for the asset or liability other than listed prices included in level 1, either directly (i.e. as price quotations) or indirectly (i.e. sourced from price quotations).

Level 3: Data for the asset or liability not based on observable market data (i.e. non-observable data).

The following table illustrates changes in fair value adjustments for instruments in level 3:

SEKm	Level 1	Level 2	Level 3
Financial liabilities			
Contingent purchase price considerations			
Opening balance 1 January 2020			331
Acquisitions during the year			2,144
Settled during the year			-155
Changes in fair value			30
Other fair value changes (currency/interest)			-247
Closing balance 31 December 2020			**2,103**
Acquisitions during the year			1,849
Settled during the year			-927
Changes in fair value			5
Other fair value changes (currency/interest)			298
Closing balance 31 December 2021			**3,328**

Additionally, there was at year-end 2021 a liability for currency derivatives of SEK 11m, in Level 1.

Note 4. Critical accounting estimates and judgements

Stillfront's financial statements are prepared in accordance with IFRS. This means that the preparation of financial statements and application of accounting policies are often based on estimates and assumptions considered reasonable and well-balanced at the time they are made. However, given other judgements, assumptions and estimates, results of operations may differ, and events may occur that require material fair value adjustments of the carrying amounts of the affected asset or liability. The critical areas where estimates and judgements have been made, and are assessed to have the most impact on the financial statements, follow.

CAPITALIZATION AND IMPAIRMENT TESTS OF DEVELOPMENT EXPENDITURE

The timing of capitalization of development; the group's expenditure for game development is capitalized when games are sufficiently technologically specified to enable evaluation of their commercial potential. The judgement of commercial ability and returns is based on experience of previous games.

Incomplete development because the group's capitalized expenditure for development has not yet commenced amortization (as yet not ready for use), is subject to annual impairment tests. The most important underlying assumption of these estimates may alter, and accordingly, have a material impact on the group's results of operations and financial position. The carrying amount of capitalized development expenditure is stated in Note 14.

IMPAIRMENT TESTS OF GOODWILL AND OTHER ACQUISITION-RELATED ASSETS

Each year, Stillfront investigates whether goodwill and other acquisition-related assets are impaired pursuant to the accounting policies stated in Note 2. Measurement is conducted in tandem with impairment tests based on estimates and assumptions. The critical assumptions underlying these judgements are the growth rate, free cash flow and discount rate. Estimates other than those management conducted may result in different results of operations and a different financial position. For more information see Note 15.

DEFERRED TAXES, INCOME TAX AND VALUE ADDED TAX

Deferred tax assets and liabilities are recognized for temporary differences and for tax loss carry forwards. Stillfront's deferred tax assets are attributable to tax loss carry forwards, deferred income and lease liabilities. The deferred tax liabilities are attributable to capitalized development costs. The valuation of temporary differences and tax loss carry forwards is based on management's estimates of future taxable profits in different tax jurisdictions and is primarily based on business plans.

Tax assets that derive from tax loss carry forwards have been generated in loss-making subsidiaries. The tax losses have been assessed to be able to be utilized against future taxable income. New assessments are done on a regular basis based on the current estimated future ability to utilize the deferred tax assets. Assessment regarding future utilization of tax loss carry forwards can change over time which can impact recorded tax expense in profit or loss. Carrying amounts at each reporting date are stated in Note 11.

Accounting for income tax and value added tax is based upon evaluation of income and value added tax rules in all jurisdictions where the group performs activities. Management regularly assesses and discusses with the board of directors judgements of transactions and estimates of probable outcomes in fiscal matters.

ACQUISITION OF OPERATIONS (BUSINESS COMBINATIONS)

The measurement of identifiable assets and liabilities in acquisitions of operations includes items in the acquired entity's Balance Sheet, and various types of item that have not been recognized in the acquired entity's Balance Sheet, such as intangible assets. Firstly, intangible assets that may have value need to be identified, such as game products, other technical processes and market-related assets, for example.

Normally, there are no quoted prices for the assets and liabilities to be measured, and accordingly, different measurement techniques must be applied. These techniques are based on differing assumptions such as future cash flows, growth rates for revenues, EBIT margins as well as tax rates and discount factors in different countries. Measurements of this kind involve a high degree of estimation, which all need thorough examination, measurement and analysis. This also means that preliminary measurement usually need to be conducted, and subsequently restated. All acquisition measurements are subject to final fair value adjustments by no later than one year after the acquisition date. For more information on acquisitions, see Note 13.

CONTINGENT CONSIDERATIONS (PROVISION FOR EARNOUTS)

For several business combinations, Stillfront has agreed on contingent considerations. These are continuously measured at fair value, and measurement is based on a number of judgements and assumptions. The critical assumptions underlying these judgements are stated in Note 29. Estimates other than those made by management may result in different results of operations and financial position.

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Note 5. Revenues from clients

	GROUP	
SEKm	**2021**	**2020**
Net revenues		
Subscriptions and virtual goods	4,485	3,728
Advertising revenues	970	263
Total net revenues	**5,455**	**3,991**
Other operating revenues		
Exchange rate differences	2	5
Refund of purchase price for shares	7	0
Other	17	10
Total other operating revenues	**26**	**15**

Subscriptions and virtual goods consist mainly of "bookings" adjusted for deferred revenues. Bookings are derived from gamers in the geographical continents as follows: North America 49 per cent, South America 2 per cent, Europe 30 per cent, Africa 1 per cent, Asia 15 per cent, and Oceania 3 per cent.

Note 6. Revenues and non-current assets per country

NET REVENUES

	GROUP	
SEKm	**2021**	**2020**
Bulgaria	143	71
Croatia	406	110
United Arab Emirates	396	425
Malta	216	107
Romania	95	62
United Kingdom	19	3
Sweden	19	23
Germany	1,476	1,361
United States	2,413	1,829
India	273	-
Total	**5,455**	**3,991**

Cont. note 6

NON-CURRENT ASSETS EXCLUDING DEFERRED TAX

	GROUP	
SEKm	**31 Dec. 2021**	**31 Dec.2020**
Bulgaria	255	245
Croatia	1,074	1,084
United Arab Emirates	3,300	56
Malta	50	39
Romania	43	48
United Kingdom	71	71
Sweden	1,193	1,182
Germany	2,806	2,749
United States	8,310	5,400
India	1,028	-
Total	**18,130**	**10,874**

The allocation of net revenues and non-current assets is based on the countries where the group company has its registered office.

Note 7. Audit fees and reimbursement

	GROUP	
SEKm	**2021**	**2020**
PwC		
Audit	13	6
Other auditing	2	1
Tax consultancy	0	0
Other	2	1
Sub-total, PwC	**17**	**8**
Other audit firms		
Audit	2	1
Total	**19**	**9**

Auditing means fees for the statutory audit, i.e. work necessary for presenting an audit report, and audit consultancy provided in tandem with the audit. Other auditing means fees for various types of quality-assurance service. SEK 2 m of the audit fees relates to PwC Sweden.

STILLFRONT GROUP

Note 8. Average number of employees, personnel expenses, pensions etc.

AVERAGE NO. OF EMPLOYEES, GROUP

	GROUP	
	2021	2020
Australia		
Women	1	5
Men	2	20
Total	**3**	**25**
Bangladesh		
Women	3	0
Men	32	0
Total	**34**	**0**
Bulgaria		
Women	37	36
Men	41	49
Total	**78**	**85**
Canada		
Women	13	8
Men	63	60
Total	**76**	**68**
Croatia		
Women	60	38
Men	59	45
Total	**119**	**83**
Germany		
Women	110	91
Men	283	237
Total	**393**	**328**
India		
Women	17	20
Men	88	29
Total	**104**	**49**
Ireland		
Women	1	2
Men	0	2
Total	**1**	**4**
Jordan		
Women	22	20
Men	43	29
Total	**65**	**49**

Cont. note 8

	GROUP	
	2021	2020
Malta		
Women	6	5
Men	22	18
Total	**28**	**23**
Portugal		
Women	0	0
Men	1	0
Total	**1**	**0**
Romania		
Women	12	12
Men	14	13
Total	**26**	**25**
Russia		
Women	0	0
Men	1	0
Total	**1**	**0**
Singapore		
Women	7	0
Men	11	0
Total	**18**	**0**
Spain		
Women	3	1
Men	6	12
Total	**9**	**13**
Sweden		
Women	7	7
Men	35	27
Total	**42**	**34**
United Arab Emirate		
Women	1	0
Men	4	0
Total	**5**	**0**
Ukraine		
Women	0	0
Men	2	0
Total	**2**	**0**

Cont. note 8

	GROUP	
	2021	2020
United States		
Women	66	33
Men	130	80
Total	**196**	**113**
Vietnam		
Women	2	11
Men	5	36
Total	**7**	**47**
All countries		
Women	368	287
Men	840	620
Total	**1,208**	**907**

GENDER DIVISION IN GROUP EXECUTIVE MANAGEMENT

	GROUP	
	2021	2020
Board members	6	6
of which men	3	3
President and other senior executives	8	8
of which men	5	5
Total	**14**	**22**
of which men	**8**	**8**

SALARIES AND OTHER BENEFITS, GROUP

SEKm	2021	2020
Total salaries and benefits	**698**	**484**
(Thereof boards of directors, Presidents and other senior executives)	35	40
Social security	71	60
Pensions	15	16
Total	**784**	**560**

Cont. note 8

THE GROUP'S PENSION PLANS

All the group's pension plans are defined contribution plans.

REMUNERATION TO THE BOARD OF DIRECTORS

Fees are payable to the Chairman of the board and other board members in accordance with resolutions by shareholders' meetings.

REMUNERATION POLICY FOR EXECUTIVE MANAGEMENT

Remuneration to the CEO is decided by the board of directors, and remuneration to other senior executives, by the CEO. The CEO is entitled to a 6 month notice period. Mutual notice periods of 3–6 months apply to other senior executives.

REMUNERATION GUIDELINES FOR EXECUTIVE MANAGEMENT

The following remuneration policy for the CEO and other persons in the company's executive management for the period until the next annual general meeting was adopted on the AGM in May 2021.

The guidelines apply to remuneration and other terms of employment of the CEO and other individuals of the executive management of Stillfront Group AB (publ), reg no. 556721-3078 (Stillfront or the company). These guidelines shall also apply in relation to a member of the board of directors of Stillfront who receives any remuneration from the company and any reference herein to the executive management and/or an executive shall for such purposes be deemed to also include such board member. The guidelines do not apply to any remuneration decided or approved by the general meeting. The guidelines are forward-looking, i.e. they are applicable to remuneration agreed, and amendments to remuneration already agreed, after adoption of the guidelines by the Annual General Meeting 2021.

THE GUIDELINES' PROMOTION OF THE COMPANY'S BUSINESS STRATEGY, LONG-TERM INTERESTS AND SUSTAINABILITY

Stillfront's business strategy is to be a leading free-to-play powerhouse, offering long term first class digital entertainment through its global group of gaming studios. Organic growth and carefully selected and executed acquisitions embody our growth strategy. For more information regarding the company's business strategy, please see https://www.stillfront-com/en/about-the-company/. A prerequisite for the successful implementation of the company's business strategy and safeguarding of its long-term interests, including its sustainability, through these guidelines is that the company is able to recruit and retain qualified personnel. To this end, it is necessary that the company offers competitive remuneration. The overall guidelines for remuneration to executive management shall be based on the position, the individual performance, the company's earnings and that the remuneration shall be competitive.

STILLFRONT GROUP

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Cont. note 8

TYPES OF REMUNERATION

The remuneration shall be on market terms and may consist of the following components: fixed cash salary, variable cash remuneration based on annual performance targets (bonus), pension benefits and other benefits. Additionally, the general meeting may – irrespective of these guidelines – resolve on, among other things, share-related or share price-related remuneration.

Fixed salary

The fixed salary shall be based on the individual's experience, field of responsibility and related to the relevant market. Fixed salary shall be revised annually.

Variable cash remuneration

The satisfaction of criteria for awarding variable cash remuneration shall be measured annually. The variable cash remuneration for an executive manager may correspond to not more than fifty (50) percent of the fixed annual cash salary. However, the variable cash remuneration may correspond to up to one hundred (100) percent of the fixed annual cash salary, if justified by remuneration structures or extraordinary arrangements in the individual case.

The variable cash remuneration shall be linked to predetermined and measurable criteria such as earnings, achievements in relation to the budget, the development of the company's share price and personal performance.

The board of directors shall have the possibility, under applicable law or contractual provisions, subject to the restrictions that may apply under law or contract, to in whole or in part reclaim variable remuneration paid on incorrect grounds (claw-back).

To which extent the criteria for awarding variable remuneration has been satisfied shall be evaluated/ determined when the measurement period has ended. The remuneration committee is responsible for the evaluation so far as it concerns variable remuneration to the CEO. For variable remuneration to other executives, the CEO is responsible for the evaluation. For financial objectives, the evaluation shall be based on the latest financial information made public by the company.

Variable long-term incentive program (LTIP)

Long-term incentive programs have been implemented in the company. Such programs have been resolved by the general meeting and are therefore excluded from these guidelines. The LTIPs include the executive management and other key individuals of the company and its subsidiaries. The programs are conditional upon certain holding periods of several years. For more information regarding these LTIPs, including the criteria which the outcome depends on, please see https://www.stillfront. com/en/incentive-programs/.

Pension benefits and other benefits

Pension benefits, including health insurance, shall be premium defined. Variable remuneration shall not qualify for pension benefits. The pension premiums for premium defined pension shall amount to not more than thirty (30) percent of the fixed annual cash salary.

Other benefits may include, for example, medical insurance and company cars. Such benefits shall be limited and not exceed five (5) percent of the fixed annual cash salary.

For employments governed by rules other than Swedish, pension benefits and other benefits may be duly adjusted for compliance with mandatory rules or established local practice, taking into account, to the extent possible, the overall purpose of these guidelines.

TERMINATION OF EMPLOYMENT

Members of the executive management shall be offered employment terms in accordance with the laws and practices applicable to the country in which the employee is employed. Upon termination of an employment, the notice period may not exceed twelve (12) months. Fixed cash salary during the notice period and severance pay may not together exceed an amount corresponding to the fixed cash salary for one (1) year for any executive. When termination is made by the executive, the notice period may not exceed six (6) months, without any right to severance pay.

Additionally, remuneration may be paid for non-compete undertakings. Such remuneration shall compensate for loss of income and shall only be paid in so far as the previously employed executive is not entitled to severance pay. The remuneration shall be based on the fixed cash salary at the time of termination of employment, unless otherwise provided by mandatory collective agreement provisions, and be paid during the time the non-compete undertaking applies.

SALARY AND EMPLOYMENT CONDITIONS FOR EXECUTIVE MANAGEMENT

When evaluating whether these guidelines and the limitations set out herein are reasonable, the board of directors (including the remuneration committee) has considered the total income of all employees of the company, including the various components of their remuneration as well as the increase and growth rate over time.

THE DECISION-MAKING PROCESS TO DETERMINE, REVIEW AND IMPLEMENT THE GUIDELINES

The board of directors has established a Remuneration Committee. The Committee's tasks include preparing the board of directors' decision to propose guidelines for executive remuneration. The board of directors shall prepare a proposal for new guidelines at least every fourth year and submit it to the general meeting. The guidelines shall be in force until new guidelines are adopted by the general meeting. The remuneration committee shall also monitor and evaluate programs for variable remuneration for the executive management, the application of the guidelines for executive remuneration as well as the current remuneration structures and compensation levels in the company. The members of the remuneration committee are independent of the company and its executive management. The CEO and other members of the executive management do not participate in the board of directors' processing of and resolutions regarding remuneration-related matters in so far as they are affected by such matters.

INFORMATION ON REMUNERATION RESOLVED BUT NOT YET DUE

There is no resolved remuneration that is not yet due.

DEROGATION FROM THE GUIDELINES

The board of directors may temporarily resolve to derogate from the guidelines, in whole or in part, if in a specific case there is special cause for the derogation and derogation is necessary to serve the company's long-term interests, including its sustainability, or to ensure the company's financial

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Cont. note 8

viability. As set out above, the remuneration committee's tasks include preparing the board of directors' resolutions in remuneration-related matters. This includes any resolutions to derogate from the guidelines.

There has been no derogation from the remuneration guidelines resolved by the Annual General Meeting 2021.

REMUNERATION FOR GROUP EXECUTIVE MANAGEMENT

2021	CEO and President	Other senior executives	Total
Fixed salary	6,154	17,447	23,601
Variable remuneration	500	1,260	1,760
Cost for shared based benefits	3,057	4,514	7,571
Pension expenses	1,500	1,533	3,033
Total remuneration	**11,211**	**24,754**	**35,965**

2020	CEO and President	Other senior executives	Total
Base salary	5,522	14,291	19,813
Variable remuneration	2,052	2,223	4,275
Cost for shared based benefits	4,381	8,582	12,963
Pension expenses	1,080	1,376	2,456
Total remuneration	**13,035**	**26,472**	**39,507**

FEES TO THE BOARD OF DIRECTORS

SEK 000	2021	2020
Jan Samuelson, Chairman	721	558
Katarina Bonde	276	247
Birgitta Henriksson	312	267
Erik Forsberg	473	370
Ulrika Viklund	243	212
Kai Wawrzinek	243	212
Total	**2,268**	**1,866**

Note 9. Financial income/other interest income, etc.

	GROUP	
SEKm	2021	2020
Financial income		
Interest income	7	9
Exchange gain	15	3
Total	**21**	**12**

Note 10. Financial expenses/other interest expenses, etc.

	GROUP	
SEKm	2021	2020
Financial expenses		
Interest expenses	-247	-166
Transaction expenses	0	-9
Changes in fair value of contingent consideration	-5	-30
Exchange loss	-11	0
Total	**-263**	**-205**

Stillfront has liabilities for contingent considerations (earnouts). The earnout liability is calculated by discounting expected future payments at the weighted average cost of capital (WACC). Over time, the discounting effect is released over profit and loss split into interest cost (based on the marginal cost of debt) and earnout revaluations (corresponding to the risk premium, which is the difference between the WACC and the marginal cost of debt). Changes in fair value of contingent considerations (earnout revaluations) are the total of the impact of the risk premium and forecast revisions. Negative earnout revaluations from the risk premium have in 2021 largely been compensated by the impact of forecast revisions, resulting in net revaluations of SEK -5m (SEK -30m).

	GROUP	
SEKm	2021	2020
Changes in fair value of contingent consideration		
Risk premium	-328	-28
Forecast adjustments	323	-2
Total	**-5**	**-30**

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Note 11. Taxes

	GROUP	
SEKm	**2021**	**2020**
Tax expense		
Current tax expense for the year	-266	-294
Adjustments of current tax for previous years	-5	-1
Deferred tax	74	76
Total tax expense	**-197**	**-219**
Profit or loss before tax	**793**	**799**
Reconciliation of effective tax		
Tax at applicable rate 20.6% (21.4%)	-163	-171
Effect of foreign tax rates	-18	-42
Non-deductible expenses*	-52	-59
Non-taxable revenues	0	19
Adjustment of tax for previous years	-5	-3
Net effect of use of unrecognized loss carry-forwards for the year and previous years	49	32
Other items	-7	4
Total tax expense	**-197**	**-219**

* Essentially pertaining to interest and revaluations of contingent considerations, non-deductible interest and non-deductible transaction costs.

DEFERRED TAX BALANCES

Deferred tax assets and liabilities are derived from the balance sheet items as shown in the table below.

	GROUP	
SEKm	**31 Dec. 2021**	**31 Dec. 2020**
Intangible assets	-1,180	-672
Deferred income	14	9
Other	9	2
Loss carry-forwards	142	60
Net deferred tax assets/liabilities	**-1,014**	**-601**
Deferred tax asset	39	30
Deferret tax liability	-1,053	-631

Cont. note 11

CHANGE IN NET DEFERRED TAX ASSETS/LIABILITIES

	GROUP	
SEKm	**2021**	**2020**
Opening balance, net	-601	-179
Recognized in net income	75	76
Recognized in other comprehensive income	59	-68
Acquisitions/divestments of subsidiaries	-502	-490
Translation difference	-45	60
Closing balance, net	**-1,014**	**-601**

Tax effects reported directly in Other comprehensive income amount to SEK 59 (-80) million, and tax effects reported directly in equity amount to SEK 4 (12) million.

INTANGIBLE ASSETS

Deferred tax liabilities for intangible assets include temporary differences related to development expenses which are capitalized only for accounting purposes but not for tax purposes. The main part of the amount, however, is related to intangible assets such as capitalized development expenditures, game products and customer related assets that are recognized in the purchase price allocation following a business combination.

TAX LOSSES CARRIED FORWARD

Deferred tax assets are only recognized in countries and by amounts where the company expects to be able to generate in the foreseeable future sufficient taxable income to benefit from tax reductions. Tax losses carried forward exist primarily in Sweden and the United States, and can be utilized without time limitations.

Note 12. Earnings per share

Basic earnings per share is computed by dividing earnings attributable to equity holders of the parent company by a weighted average number of outstanding ordinary shares in the period. For diluted earnings per share, the amount used for computing basic earnings per share is restated by considering the effect of dividends and interest expenses on potential ordinary shares, and the weighted average of the additional ordinary shares that would be outstanding given conversion of all potential shares.

Share warrants only cause dilution if they result in an issue of ordinary shares at a price that is below the average price for the period. Additionally, potential shares only cause dilution if conversion of a number of potential ordinary shares results in lower earnings per share or a higher loss per share. Stillfront has share warrants that cause dilution.

	GROUP	
	2021	**2020**
Number of shares outstanding at year-end	387,134,079	346,537,200
Weighted number of outstanding shares before dilution	366,572,354	324,161,085
Weighted number of outstanding shares after dilution	367,143,219	325,531,355
Profit for the year attributable to equity holders of the parent (SEKm)	**590**	**580**
Basic earnings per share (SEK)	1.61	1.79
Diluted earnings per share (SEK)	1.61	1.78

The number of shares and earnings per share are restated taking into account the 10:1 share split that took place in December 2020.

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Note 13. Acquisitions

SEKm, Purchase price	**Storm8**	**Candywriter**	**Nanobit**	**Everguild**	**Sandbox**	**Super Free**	**Moonfrog**	**Game Labs**	**Jawaker**
Cash and cash equivalents	2,290	381	695	8	1,045	657	756	204	1,365
New shares issued	805	414	263	6	337	665	-	82	462
Contingent consideration (earnout)	901	469	220	57	497	383	207	77	1,183
Total purchase consideration	**3,996**	**1,264**	**1,178**	**71**	**1,880**	**1,704**	**963**	**363**	**3,010**
Fair value of acquired assets and assumed liabilities									
Intangible non-current assets	993	334	359	21	460	665	231	190	1,048
Property, plant and equipment	22	0	6	0	2	1	2	0	0
Current receivables excl cash and bank	222	39	53	1	9	105	29	4	11
Cash and cash equivalents	277	30	62	3	110	82	65	15	56
Non-current liabilities	-27	0	0	0	0	0	0	0	0
Deferred tax liabilities	-213	-90	-62	-4	-139	-170	-58	-40	-216
Current liabilities	-367	-37	-32	-1	-86	-140	-29	-6	-15
Total net assets acquired excluding goodwill	**907**	**276**	**386**	**20**	**356**	**544**	**240**	**163**	**886**
Goodwill	3,089	987	791	52	1,523	1,160	723	200	2,125
Total net assets acquired	**3,996**	**1,263**	**1,177**	**72**	**1,880**	**1,704**	**963**	**363**	**3,010**
Less									
Cash and cash equivalents	-277	-30	-62	-3	-110	-82	-65	-15	-56
Ordinary shares issued	-805	-414	-263	-6	-337	-665	0	-82	-462
Provision for earnout	**-901**	**-469**	**-220**	**-57**	**-497**	**-383**	**-207**	**-77**	**-1,183**
Net cash outflow on acquisition of business	**2,013**	**350**	**632**	**6**	**935**	**575**	**691**	**189**	**1,309**
Percentage of shares and votes acquired (%)	100	100	100	100	100	100	100	100	100
Transaction costs	42	17	12	3	11	22	23	13	16
Consolidated since	1 Mar 2020	1 May 2020	1 Oct 2020	1 Nov 2020	31 Dec 2020	1 Feb 2021	1 Mar 2021	1 May 2021	3 Oct 2021
Net revenues for the year, before being consolidated by Stillfront	202	109	451	12	150	91	41	15	199
Adjusted EBITDA for the year, before being consolidated by Stillfront	113	56	96	3	82	-3	15	6	148

Cont. note 13

ACQUISITIONS IN 2021

Acquisitions in 2021 are Super Free Games, Moonfrog Labs, Game Labs and Jawaker. Preliminary purchase price allocations are provided above. The purchase price allocation for Super Free Games is considered as final, The purchase price allocations are based on assumptions regarding fair values of intangible assets and earnouts among other things, which may be adjusted during the twelve-months period following the acquisition. Goodwill recognized in the acquisitions pertains to the value of the skills within the companies in terms of their capability to develop and publish new games and new versions of existing games.

On January 29, 2021, Stillfront announced the completion of the acquisition of 100 percent of the shares and votes in Super Free Games, Inc. for an upfront consideration of USD 150 million on a cash and debt free basis. Super Free is a rapidly growing and profitable US-headquartered gaming company focusing on market-leading Casual games including successful titles such as Word Collect, Word Nut and Trivia Star. The sellers were the joint founders and main owners of Super Free as well as certain key employees and other investors. The upfront consideration was partly paid by a set-off by a transfer of 7,503,240 newly issued shares in Stillfront to the sellers, equivalent of approximately USD 79 million, and approximately USD 71 million was paid in cash to the sellers.

On February 1, 2021, Stillfront announced the acquisition of 100 percent in four tranches of the shares and votes in Moonfrog Labs, a rapidly growing independent game studio based in Bangalore, India, focusing on board and Social Card Games, for an initial consideration of approximately USD 90 million on a cash and debt free basis. On February 26, 2021, Stillfront announced it had completed the acquisition of 91 percent of the shares and votes.

On May 7, 2021, Stillfront announced the acquisition of 100 percent of the shares and votes in Game Labs Inc. Game Labs is a rapidly growing independent game studio with a strong track record of developing strategy and action games for PC. The sellers are the joint founders and management of Game Labs. The upfront consideration amounted to USD 32.5 million on a cash and debt free basis, of which USD 9.75 million was payable in 981,813 newly issued shares in Stillfront and the remaining amount was payable in cash.

On September 8, 2021, Stillfront announced the acquisition of 100 percent of the shares and votes in Jawaker FZ LLC. Jawaker is a leading and highly profitable mobile gaming studio in the MENA region, with one of the largest classic PvP gaming apps in the world. The total upfront consideration for the acquisition amounts to USD 205 million on a cash and debt free basis, of which 74 percent payable in cash, and 26 percent in 8,540,092 newly issued shares in Stillfront.

ACQUISITIONS IN 2020

Acquisitions in 2020 are Storm8, Candywriter, Nanobit, Everguild and Sandbox Interactive. Final purchase price allocations are provided above, and have been updated since the previous Annual report. Goodwill recognized in the acquisitions pertains to the value of the skills within the companies in terms of their capability to develop and publish new games and new versions of existing games.

In February 2020, Stillfront acquired 100 percent of the shares and votes in Storm8, a leading mobile mash-up game developer headquartered in US. The upfront consideration was USD 300m and, if certain EBIT levels for the financial years 2020 and 2021 are achieved, an earnout consideration up to USD 100m, on a cash and debt free basis will be paid. USD 75m of the upfront consideration was paid in 1,910,671 newly issued shares and the remainder in cash. 75 percent of the earnout consideration is, if certain EBIT levels are achieved, payable in cash and 25 percent in newly issued shares.

In April 2020, Stillfront acquired 100 percent of the shares and votes in Candywriter, a US based mobile games developer and publisher focusing on casual and mash-up games for an upfront consideration of approximately USD 74.4m on a cash and debt free basis, of which USD 37.5m was paid in 708,463 newly issued shares in Stillfront and the remaining approx. USD 36.9m was paid in cash. Further, an earnout consideration may be payable by Stillfront in an aggregate maximum total amount of USD 120.6m on a cash and debt free basis, out of which 50 percent shall be paid in cash and 50 percent in newly issued shares in Stillfront. The ultimate size of the yearly earnout component will depend on the EBIT development of Candywriter for the financial years 2020, 2021 and 2022. The total purchase price payable by Stillfront cannot exceed USD 195m.

In September 2020, Stillfront announced the signing of an agreement to acquire 100 percent of the shares and votes in Nanobit, a leading developer and publisher of mobile games based in Zagreb, Croatia. The transaction will be executed in two tranches, whereof 78 percent of the shares in Nanobit was purchased for an initial consideration of approximately USD 100m on a cash and debt free basis. Approx. USD 30m of the first tranche is payable in 280,542 newly issued shares in Stillfront to the founders and the remaining approximately. USD 70m is payable in cash to the sellers. 22 percent of the shares in Nanobit will be purchased for a second tranche consideration of an amount depending on the EBITDA development of Nanobit for the financial years 2021 and 2022 but however not exceeding USD 48m on a cash and debt free basis. The second tranche will be payable by Stillfront in 2023, out of which 70 percent will be paid in cash and 30 percent in newly issued shares in Stillfront.

October 28, 2020, Stillfront announced the acquisition of 100 percent of the shares and votes in Everguild, a rapidly growing independent game studio focusing on the digital Collectible Card Games (CCG) genre, for an upfront consideration of approx. GBP 1.06m on a cash and debt free basis, of which GBP 0.54m is payable in 5,971 newly issued shares in Stillfront and the remaining amount is payable in cash.

In December 2020, Stillfront entered into an agreement to acquire 100 percent of the shares and votes in Sandbox Interactive GmbH. Sandbox is a rapidly growing and highly profitable gaming company and the developer and publisher of the popular cross-platform free-to-play sandbox MMORPG Albion Online. The total upfront consideration payable upon completion of the acquisition of 100 percent of the shares in Sandbox amounts to EUR 130m on a cash and debt free. Of the upfront purchase price, approximately EUR 30m, is payable in 3,374,030 newly issued shares in Stillfront, and the remaining part of the upfront purchase price, equivalent of approximately EUR 100m, is payable in cash to the sellers. In addition, the sellers may receive an earn-out payment of 1x EBIT for each of the financial years 2021, 2022, 2023 and 2024, depending on the level of EBIT generated during each of those years, payable approximately 78 percent in cash and approximately 22 percent in newly issued shares in Stillfront.

CONTENT

STILLFRONT GROUP

Note 14. Intangible assets

	Capitalized development expenditure		Game products		Market and customer related assets		Goodwill		Total	
GROUP, SEKm	31 Dec. 2021	31 Dec. 2020	31 Dec. 2021	31 Dec. 2020	31 Dec. 2021	31 Dec. 2020	31 Dec. 2021	31 Dec. 2020	31 Dec. 2021	31 Dec. 2020
Opening accumulated cost	2,145	1,437	795	208	1,009	67	7,929	2,211	11,877	3,922
Acquisition of companies	0	686	378	637	1,813	787	4,124	6,489	6,315	8,600
Other external acquisitions	0	0	98	0	151	9	-	-	249	9
Internal development in the year	620	436	0	0	0	-	-	-	620	436
Reclassifications during the year	-1,029	-242	6	30	1,022	265	-	-	-2	53
Translation differences	163	-171	85	-80	126	-119	700	-770	1,074	-1,141
Closing accumulated cost	**1,899**	**2,145**	**1,361**	**795**	**4,122**	**1,009**	**12,752**	**7,929**	**20,135**	**11,878**
Opening accumulated amortisation	-762	-576	-117	-23	-248	-30	-	-	-1,126	-629
Amortization for the year	-260	-268	-143	-62	-524	-189	-	-	-927	-519
Reclassifications during the year	183	41	-0	-43	-181	-51	-	-	2	-53
Translation differences	-37	42	-14	11	-35	22	-	-	-86	74
Closing accumulated amortization	**-876**	**-762**	**-273**	**-117**	**-989**	**-248**	**-**	**-**	**-2,139**	**-1,126**
Closing carrying amount	**1,023**	**1,383**	**1,088**	**678**	**3,133**	**761**	**12,752**	**7,929**	**17,996**	**10,752**
Of which incomplete development									-	-

Note 15. Impairment test

GOODWILL IMPAIRMENT TEST

Goodwill is monitored by management and tested for impairment. The recoverable amount is based on value in use, which is the present value of the expected future cash flows without regard to potential future expansions of operations and restructuring. When goodwill is testing for impairment, the assets are grouped in cash-generating units. The current cash-generating units identified for impairment testing of goodwill comprise of Stillfront Group AB as one single cash generating unit.

Goodwill in Stillfront has been tested for impairment. Important factors for the test were estimated cash flows for the coming years, estimated growth after the forecast period of 2 (2) percent, an unchanged EBITDA margin during the forecast period and a weighted average cost of capital (WACC) before tax of 7.1 (7.1) percent. The assumption on revenue growth in years 2–5 is in line with external market research on expected industry market growth, while free cash flow in years 1–5 was on par with 2021 figures in relation to revenues. A sensitivity analysis reveals that a margin to impairment remains when growth during the forecast periods, perpetual growth and average weighted cost of capital (WACC) are simultanously adversely changed by 20 percent.

Note 16. Leasing and right-of-use assets

BALANCE SHEET ITEMS REFERRING TO LEASING

	GROUP	
SEKm	31 Dec. 2021	31 Dec. 2020
Buildings	91	83
Others	1	1
Closing accumulated cost	**92**	**84**
Lease liabilities		
Current	35	29
Non-current	61	56
Total	**96**	**86**
Additions to the right-of-use assets during theinancial year were	52	60

DEPRECIATION OF RIGHT-OF-USE ASSETS CHARGED TO PROFIT AND LOSS

	GROUP	
SEKm	2021	2020
Depreciation charge of right-of-use assets		
Buildings	-44	-32
Others	-1	-1
Total	**-44**	**-32**
Other information about leasing contracts		
Interest expense (included in financial expenses)	-4	-3
Expense relating to short-term leases (included in cost of goods sold and administrative expenses)	-4	-2
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in administrative expenses)	-1	0
Expense relating to variable lease payments not included in lease liabilities (included in administrative expenses)	-7	-6
The total cash outflow for leases in the year was	-61	-44

Note 17. Equipment, tools, fixtures and fittings

	GROUP	
SEKm	2021	2020
Opening cost	57	39
Acquisition of companies	3	6
New acquisitions	16	17
Disposals	-8	0
Reclassifications during the year	-1	1
Translation difference	4	-7
Closing accumulated cost	**71**	**57**
Opening accumulated depreciation	-27	-21
Depreciation	-14	-9
Reclassifications during the year	0	-1
Disposals	7	0
Translation differences	-2	3
Closing accumulated depreciation	**-37**	**-27**
Total closing carrying amount	**35**	**29**

Note 18. Accounts receivable

	GROUP	
SEKm	31 Dec. 2021	31 Dec. 2020
Accounts receivable		
Accounts receivable gross	391	271
Provision for doubtful receivables	-1	-1
Accounts receivable, net	**390**	**270**
Accounts receivable not due	332	266
Accounts receivable, overdue with no reserve		
Overdue by 0–3 mth.	53	2
Overdue by 3–6 mth.	2	0
Overdue by >12 mth.	3	2
Total remaining maturity as of 31 December	**390**	**270**

As of 31 December 2021, accounts receivable amounted to SEK 390m of which SEK 332m were not overdue. Expected credit losses are insignificant. Based on credit history, these amounts are expected to be received on their due date. The group has not sold any of these receivables using a factoring solution. Information on the credit risk policy for accounts receivable and contract assets is in Notes 2 and 3.

Note 19. Prepaid expenses and accrued income

	GROUP	
SEKm	31 Dec. 2021	31 Dec. 2020
Other prepaid expenses	52	39
Contracted assets (accrued income)	47	17
Total	**99**	**56**

Note 20. Shareholders' equity

OTHER COMPREHENSIVE INCOME

Other comprehensive income consists of currency translation effects on the translation of foreign subsidiaries, and currency from foreign currency loans to hedge net investments, i.e. subsidiaries' net assets.

EQUITY

Group

Share capital
Holders of ordinary shares are entitled to dividends resolved in arrears, and the shareholding confers voting rights at shareholders' meetings, at one vote per share. All shares carry the same entitlement to the group's remaining net assets.

Other paid-up capital
Other paid-up capital wholly consists of amounts paid in share issues over and above the quotient value of issued shares.

Other reserves
Other reserves wholly consist of currency translation effects on the translation of foreign subsidiaries and currency from foreign currency loans for hedging net investments, i.e. subsidiaries' net assets.

Retained earnings including profit for the year
Retained earnings including profit for the year consists of accrued earnings in the parent company and its subsidiaries.

Dividend
No dividend will be proposed at the AGM 2022.

Cont. note 20

	PARENT COMPANY	
SEKm	2021	2020
Share capital	27	24
Change in number of shares:		
Opening balance	**346,537,200**	**26,339,453**
New share issue, 8 January 2019		
New share issue, 18 June 2019		
New share issues (earn-outs 2018), 6 September 2019		
New share issue, 16 September 2019		
New share issue, 22 January 2020		2,633,945
New share issue, 10 February 2020		527,717
New share issue, 2 March 2020		262,467
New share issue, 3 March 2020		1,909,222
New share issue, 30 April 2020		708,463
Share registration after exercise of warrants under LTIP 2017/2020, 20 May 2020		189,000
Share registration after exercise of warrants under LTIP 2017/2020, 27 May 2020		10,000
Share registration after exercsise of warrants under LTIP 2017/2020, 5 June 2020		5,000
New share issue, 17 June 2020		1,558,441
New share issues (earn-outs 2019), 16 July 2020		223,499
New share issue, 1 October 2020		280,542
New share issue, 2 November 2020		5,971
Share split 10:1, 28 December 2020		311,883,480
New share issue, 4 January 2021	3,374,030	
New share issue, 1 February 2021	7,503,240	
New share issue, 11 May 2021	981,813	
New share issue (incentive program), 15 May 2021	1,565,000	
New share issue (earn-outs 2018-2020), 29 June 2021	1,479,897	
New share issue (earn-outs 2020), 28 July 2021	1,421,516	
New share issue, 9 September 2021	13,793,703	
New share issue (earn-outs 2020), 16 September 2021	8,021	
New share issue, 5 October 2021	10,469,659	
Closing balance	**387,134,079**	**346,537,200**

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Cont. note 20

The parent company's ordinary shares have a quotient value of SEK 0.07 per share. Each share carries one vote.

Restricted equity
Restricted equity may not be reduced by the distribution of profits.

Share premium reserve
The share premium reserve wholly consists of amounts paid in share issues over and above the quotient value of issued shares and comprises non-restricted equity.

Accumulated profit or loss
Consists of the previous year's non-restricted equity after any dividends are paid. Comprises total non-restricted equity with the share premium reserve and profit for the year.

CAPITAL MANAGEMENT

Equity comprises shareholders' equity attributable to parent company shareholders and non-controlling interests. There are no external capital requirements other than those that follow from the Swedish Companies Act.

The capital structure is measured by monitoring the key performance indicator Net Debt/adjusted EBITDA, where the financial target of the board requires this measure not to exceed 1.5x on a rolling twelve months basis, however with a possibility to exceed the target for shorter periods. The key performance indicator is calculated in note 30.

To support value creation, Stillfront aims to invest its profits and cash flows in organic growth initiatives and acquisitions and therefore, does not expect to pay dividends in 2022.

Note 21. Interest-bearing liabilities

	GROUP	
SEKm	**31 Dec. 2021**	**31 Dec. 2020**
Contingent considerations for shares	3,328	2,103
Bond loans	3,092	1,602
Liabilities to credit institutions	1,456	1,217
Leasing liabilities	95	86
Other interest-bearing liabilities	223	0
Total	**8,194**	**5,008**
Movement in the year		
Opening balance	5,008	1,554
Cashflows		
Proceeds from borrowings	1,604	1,800
Repayment of loans	0	-48
Contingent considerations paid out in cash	-617	-76
Payment of lease liabilities	-42	-34
Non cash changes		
New/changed IFRS16 lease liabilities	48	71
Contingent consideration new acquistions	1,849	2,144
Contingent considerations interest	87	52
Contingent considerations settled	-309	-80
Contingent considerations revaluation	5	30
Contingent considerations recalutaion not recognized in the income statement	0	-47
Accrual	3	-
Equity swap	223	-
Translation differences	337	-360
Closing balance	**8,194**	**5,008**

Cont. note 21

MATURITY STRUCTURE

	GROUP	
SEKm	31 Dec. 2021	31 Dec. 2020
Contingent considerations		
Repayment within 2–5 yr.	2,164	1,330
Repayment after more than 5 yr.	134	-
Non-current liability	**2,298**	**1,330**
Current liability	**1,030**	**773**
Total Contingent considerations	**3,328**	**2,103**
Bond loans		
Repayment within 2–5 yr.	2,494	1,602
Repayment after more than 5 yr.	-	-
Non-current liability	**2,494**	**1,602**
Current liability	**597**	
Total bond loans	**3,091**	**1,602**
Liabilities to credit institutions		
Repayment within 2–5 yr.	1,456	1,217
Repayment after more than 5 yr.	-	-
Non-current liability	**1,456**	**1,217**
Total liabilities to credit institutions		
Other non-current liabilities and non-current lease liabilities		
Repayment within 2–5 yr.	50	49
Repayment after more than 5 yr.	10	8
Non-current liability	**59**	**56**
Current liability	**36**	**29**
Total other non-current liabilities and non-current lease liabilities	**95**	**86**

Cont. note 21

BOND LOANS AND REVOLVING CREDIT FACILITY

The group has a revolving credit facility of SEK 3,750m at competitive market terms, maturing in December 2023. As of December 31, 2021, SEK 1,456m (SEK 1,216m) had been utilized. The group and the parent company have three issued bond loans with an aggregate liability recognized as of 31 December 2021 of SEK 3,091m (SEK 1,602m): Bond 2018/2022 of SEK 600m matures in November 2022 and has an interest rate corresponding to STIBOR 3 months+5.00 percent. The market value of the bond as of the closing date was SEK 607m (SEK 613m). Bond 2019/2024 of SEK 1,000m (whereof SEK 500m issued in 2020) matures in June 2024 and has an interest rate corresponding to STIBOR 3 months+4.75 percent. The market value of the bond as of the closing date was SEK 1,039m (SEK 1,048m). Bond 2021/2025 of SEK 1,500m matures in May 2025 and has an interest corresponding to STIBOR 3 months+2.75 percent. The market value of the bond as of the closing date was SEK 1,492m. The bond terms include change of control clauses implying that holders of the bond loans are entitled to demand redemption of the loans in the event of any party taking control of 50 percent of the votes or capital of Stillfront Group.

CONTINGENT CONSIDERATION (EARNOUT PROVISIONS)

Stillfront has contingent considerations from acquisitions. These contingent considerations are settled in cash and shares in Stillfront, where the number of shares transferred on settlement of the contingent consideration is based on an amount in SEK, as stipulated in the terms and conditions for computing the contingent consideration.

The value of the earnouts for the acquired studios are based on current assessment of the future profits for each studio based on the terms and conditions as per the purchase agreement. At year end eight studios had an expected earnout payout. Earnouts to be settled relate to performance based on the years 2021 to 2025, of which the last payout is due in 2026.

Contingent considerations are classified as financial liabilities, which in turn, are classified as current if they are to be settled within 12 months of the reporting date. Liabilities are measured at fair value and value changes are recognized in financial items in the Income Statement.

The group has unutilized credit facilities as of the closing date of SEK 2,494m (SEK 2,634m).

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Note 22. Provisions

	GROUP	
SEKm	31 Dec. 2021	31 Dec. 2020
Opening balance	23	24
Provision in the year	22	18
Settled in the year	-19	-4
Reversed Provision	-2	-13
Translation difference	1	-2
Closing balance, other provisions	**25**	**23**
Whereof current provisions	**22**	**20**

Other provisions are mainly for compensation on termination of premises and staff.

Note 23. Other current liabilities

	GROUP	
SEKm	31 Dec. 2021	31 Dec. 2020
Contingent considerations	1,030	773
Other provisions	22	20
Current lease liabilities	34	29
Equity swap	223	0
VAT payable	54	29
Employee withholding taxes	8	6
Social security contributions	2	2
Other short term liabilities	295	118
Total	**1,669**	**977**

Note 24. Accrued expenses and deferred income

	GROUP	
SEKm	31 Dec. 2021	31 Dec. 2020
Accrued personnel expenses	91	47
Other accrued expenses	227	127
Deferred income (contract liability)	87	85
Total	**405**	**259**

Note 25. Pledged assets, contingent liabilities, acquisition commitments and contingent assets

	GROUP	
SEKm	31 Dec. 2021	31 Dec. 2020
Collateral for liabilities to credit institutions		
Corporate mortgages	0	0
Pledged shares in subsidiaries	0	0
Total	**0**	**0**
Contingent liabilities	**None**	**None**
Acquisition commitments	**None**	**1,228**
Contingent assets	**None**	**None**

Acquisition commitments at the end of 2020 refer to the shares in Super Free Games, Inc.

Note 26. Cash flow

NON-CASH ITEMS

	GROUP	
SEKm	2021	2020
Depreciation and amortization	986	560
Change in fair value of contingent consideration	5	30
Interest on contingent consideration	87	52
Unrealised exchange rate differences	-6	-2
Other items	-28	20
	1,043	**660**

INFORMATION ABOUT INTEREST AND DIVIDEND

	GROUP	
SEKm	2021	2020
Interest paid during the year	-140	-104

No dividend has been received during 2020 or 2021.

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Note 27. Financial assets and liabilities

The fair value of financial assets and liabilities is stated in the following table. See also Note 3 financial risk management. The group has bond loans, credit facilities, overdraft facilities and contingent considerations as stated in Note21. The group also has equity swaps which are accounted for at amortised cost which differs from fair value. Other liabilities include currency drivatives carried at fair value. The bond loans, the equity swaps and the currency derivatives are classified as level 1 in the fair value hierarchy. The contingent considerations are classified as level 3 in the fair value hierarchy.

	Financial assets measured at amortized cost		Financial liabilities measured at amortized cost		Financial liabilities measured at fair value through profit or loss	
Group, SEKm	**31 Dec. 2021**	**31 Dec. 2020**	**31 Dec. 2021**	**31 Dec. 2020**	**31 Dec. 2021**	**31 Dec. 2020**
Financial assets						
Accounts receivable	390	270				
Other receivables	193	92				
Accrued income	39	17				
Cash and cash equivalents	1,133	1,005				
Total	**1,755**	**1,384**	**0**	**0**	**0**	**0**
Financial liabilities						
Bond loans			3,138	1,661		
Liabilities to credit institutions			1,456	1,217		
Other non-current liabilities			61	56	3	
Contingent consideration, long portion					2,298	1,330
Contingent consideration, short portion					1,030	773
Accounts payable			128	74		
Equity swap			58			
Other liabilities			175	155	8	
Accrued expenses			330	174		
Total	**0**	**0**	**5,346**	**3,336**	**3,339**	**2,103**

Note 28. Transactions with related parties

Purchase and sales transactions with related parties are on market terms. Transactions between the parent company and subsidiaries are service and management fees. Salaries and benefits to senior executives are reported in Note 8. There are no purchases of goods and services from related parties.

Note 29. Significant events after the end of the year

ACQUISITION OF 6WAVES

On January 19, 2022, Stillfront announced the acquisition of 100 percent of the shares and votes in 6waves for a total upfront consideration of USD 201 million on a cash and debt free basis, whereof 8 percent was paid in 2,913,857 newly issued shares in Stillfront through a directed share issue to the sellers, and the remaining 92 percent was paid in cash to the sellers. Operational founders and key employees in 6waves may in addition to the upfront purchase price receive an earn-out of maximum 1.0x EBITDA of each of the financial years 2022, 2023, 2024 and 2025, based on achieving certain operational targets, capped at a total of USD 100 million. The earn-out is payable 75 percent in cash and 25 percent in newly issued shares in Stillfront. 6waves is a Hong Kong based leading publisher of mobile free-to-play

Cont. note 29

strategy games in Japan, and will strengthen Stillfront's presence in East Asia particularly in the attractive Japanese gaming market. The acquisition was completed on February 2, 2022, and 6waves was consolidated into Stillfront's financial reporting from February.

The preliminary purchase price allocation appears below.

SEKm, Purchase price	6waves
Cash and cash equivalents	1 701
New shares issued	148
Contingent consideration (earnout)	585
Total purchase consideration	**2 434**
Fair value of acquired assets and assumed liabilities	
Intangible non-current assets	1 024
Deferred tax liabilities	-169
Net assets	-50
Total net assets acquired excluding goodwill	**805**
Goodwill	1 629
Total net assets acquired	**2 434**
Percentage of shares and votes acquired (%)	100
Transaction costs	27
Consolidated since	1 Feb 2021

RIGHTS ISSUE

As part of the financing arrangement of the transaction, Stillfront's board of directors resolved on a preferential rights issue of approximately SEK 2.0 billion, which was approved by an extraordinary general meeting on 23 February 2022. Stillfront's largest shareholder Laureus Capital GmbH guaranteed part of the rights issue. A maximum of 117,014,379 shares were offered in the rights issue at a subscription price of SEK 17.00 per share. The subscription period ended on 16 March 2022, and the rights issue was oversubscribed by 80.3 percent.

INVASION OF UKRAINE

At the end of February, Russia invaded Ukraine. Stillfront's studio Game Labs has a small developer team based in Ukraine and it has been our top priority to seek for their safety and provide the support they need. Stillfront has no studio in Russia. In terms of operations, Russia and Ukraine are non-material markets for Stillfront, representing less than one percent of our total revenue. However, Stillfront could, in the near term, be affected primarily by higher energy prices. In the long term, Stillfront could be impacted by the global economic development.

Note 30. Reconciliation of key performance measures

ITEMS AFFECTING COMPARABILITY

	GROUP	
SEKm	**2021**	**2020**
Revenue		
Refund purchase price for shares	7	-
Total IAC Revenues affecting EBIT	**7**	**-**
Costs		
Transaction costs	-74	-114
Long term incentive programs	-10	-19
Other costs	-26	-10
Total IAC Costs affecting EBIT	**-111**	**-144**
Total IAC affecting Operating income	**-104**	**-144**
Financial costs		
Revaluation of earnouts	-5	-30
Total IAC in net financial items	**-5**	**-30**

ALTERNATIVE PERFORMANCE MEASURES

	GROUP	
SEKm	**2021**	**2020**
Net revenue	5,455	3,991
Platform fees	-1,224	-1,103
Gross profit	**4,232**	**2,888**
Operating profit (EBIT)	1,034	993
Amortization of PPA items	665	357
Other amortization and depreciation	321	203
EBITDA	**2,020**	**1,553**
Operating profit (EBIT)	1,034	993
Items affecting comparability	104	144
Amortization of PPA items	665	357
Adjusted Operating profit (EBIT)	**1,802**	**1,493**
Other amortization and depreciation	321	203
Adjusted EBITDA	**2,124**	**1,697**

Cont. note 30

	GROUP	
	2021	**2020**
In relation to net revenue		
Gross profit margin, %	*78*	*72*
EBITDA margin, %	*37*	*39*
Adjusted EBITDA margin, %	*39*	*43*
Operating profit (EBIT) margin, %	*19*	*25*
Adjusted operating profit (EBIT) margin, %	*33*	*37*

	GROUP	
SEKm	**2021**	**2020**
Adjusted EBITDA	2,124	1,697
Divided by		
Net financial items	242	193
Total IAC affecting financial items last 12 months	-5	-30
Interest on earn-out consideration affecting financial items	-87	-52
Adjusted interest coverage ratio, x	**14.1**	**15.2**
Bond loans	3,092	1,602
Liabilities to credit institutions	1,456	1,217
Equity swap	223	-
Currency derivatives	11	-
Cash and cash equivalents	-1,133	-1,005
Total net debt	**3,649**	**1,814**
Divided by		
Adjusted EBITDA	2,124	1,697
Adjusted leverage ratio	**1.72**	**1.07**
Cash flow from operations	1,620	1,251
IFRS 16 lease repayment	-46	-34
Acquisition of intangible assets	-621	-444
Free cash flow	**953**	**773**
Divided by		
EBITDA	2,020	1,553
Cash conversion rate	**0.47**	**0.50**

Cont. note 30

Net revenue growth	**2021**	**2020**
Change through acquisitions, %	48.5	89.3
Change through currency movements, %	-3.9	-2.3
Organic growth, %	-7.8	15.9
Total net revenue growth, %	**36.8**	**102.9**

PRO FORMA MEASURES

SEKm	**2021**	**2020**
Adjusted EBITDA	2,124	1,697
Including		
EBITDA, Acquired companies	212	355
Adjusted EBITDA, pro forma	**2,336**	**2,052**
Divided by		
Net financial items	242	193
Total IAC affecting financial items	-5	-30
Interest on earn-out consideration affecting financial items	-87	-52
Adjusted interest coverage ratio, x, pro forma	**15.5**	**18.4**
Net debt	3,649	1,814
Divided by		
Adjusted EBITDA, pro forma	2,336	2,052
Adjusted leverage ratio, pro forma	**1.56**	**0.88**

Note M1. Critical accounting policies

PARENT COMPANY ACCOUNTING POLICIES

The parent company applies the Swedish Annual Accounts Act and the Swedish Financial Reporting board's recommendation RFR 2 Accounting for Legal Entities. Application of RFR 2 means that as far as possible, the parent company applies all IFRS as endorsed by the EU within the auspices of the Swedish Annual Accounts Act, and considering the relationship between accounting and taxation. The annual accounts have been prepared in accordance with the cost method. Differences between the parent company's and the group's accounting policies are reviewed below.

PARTICIPATIONS IN SUBSIDIARIES

Participations in subsidiaries are recognized according to the cost method, which means that participations are recognized at cost less potential impairment in the Balance Sheet. Cost includes acquisition-related expenses. When there is an indication of value impairment of participations in subsidiaries, recoverable amount is measured. If this is less than carrying amount, impairment is taken. Impairment is recognized in the "profit/loss from participations in group companies" item. Dividends from subsidiaries are recognized as dividend income.

DEFERRED TAX

Amounts provisioned to untaxed reserves are taxable temporary differences. However, due to the relationship between accounting and taxation, legal entities account the deferred tax liability on untaxed reserves as part of untaxed reserves. Appropriations in the Income Statement are also recognized including deferred tax.

ACCOUNTING OF GROUP CONTRIBUTIONS

Group contributions are accounted pursuant to the alternative rule of RFR 2, which means that group contributions made and received are recognized as appropriations in the Income Statement.

FINANCIAL INSTRUMENTS

The parent company applies the exception in RFR 2 not to apply IFRS 9. Instead, the parent company applies the items specified in RFR 2 (IFRS 9 Financial Instruments, p. 3–10). Financial fixed assets are valued on the basis of acquisition value adjusted for impairment and financial current assets according to the principle of the lowest value. The acquisition value of interest-bearing instruments is adjusted for the accrued difference between what was originally paid, after deduction of transaction costs, and the amount paid on the due date.

LEASES

The parent company applies the exception from application of IFRS 16 Leases. Leasing costs are charged to profit and do not impact the balance sheet. Lease payments are recognized on a straightline basis over the term of the lease.

FORMAT OF INCOME STATEMENT AND BALANCE SHEET

The Income Statement and Balance Sheet are consistent with the formats stipulated by the Swedish Annual Accounts Act. The Statement of Changes in Equity is consistent with the group's format but should contain those components stated in the Swedish Annual Accounts Act. Additionally, differences in designation compared to the consolidated accounts are mainly for financial income, financial expenses and equity.

PROVISION FOR EARNOUT/CONTINGENT CONSIDERATIONS

In the parent company, provision for earnout/contingent consideration is recognized as part of the acquisition value if it is probable that they will fall out. If, in subsequent periods, it becomes apparent that the initial assessment needs to be revised, the acquisition value is adjusted under provision. In the group the corresponding item is recognized as a financial liability at fair value. A change in the provision is recognized in the parent company in group receivables, exchange gains and losses and interest.

Note M2. Audit fees and reimbursement

	PARENT COMPANY	
SEKm	2021	2020
PwC		
Audit	2	2
Other auditing	2	0
Tax consultancy	0	0
Other	2	0
Total	**6**	**2**

Auditing means fees for the statutory audit, i.e. work necessary for presenting an audit report, and audit consultancy provided in tandem with the audit. Other auditing means fees for various types of quality-assurance service. Other means anything not included in auditing, other auditing or tax consultancy. SEK 2 m of the audit fees relates to PwC Sweden.

Note M3. Average number of employees, personnel expenses, pensions etc

AVERAGE NO. OF EMPLOYEES, PARENT COMPANY

	PARENT COMPANY	
	2021	2020
Stockholm, Sweden		
Women	6	6
Men	17	10
Total	**23**	**16**

SALARIES AND OTHER BENEFITS, PARENT COMPANY

SEKm	2021	2020
Boards of directors, Presidents and senior executives	35	40
Other employees	17	9
Total	**52**	**49**
Social security	10	10
Pensions	4	3
Total	**66**	**62**

Note M4. Financial income/ other interest income, etc

	PARENT COMPANY	
SEKm	2021	2020
Financial income		
Interest income	51	12
Exchange gain	0	354
Total	**51**	**366**

Note M5. Financial expenses/ other interest expenses, etc

	PARENT COMPANY	
SEKm	2021	2020
Financial expenses		
Interest expenses	-202	-134
Exchange loss	-183	0
Other financial expenses	-37	-8
Total	**-422**	**-142**

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Note M6. Taxes

	PARENT COMPANY	
SEKm	**2021**	**2020**
Tax expense		
Current tax expense	-7	-12
Deferred tax	4	-37
Total tax expense	**-3**	**-49**
Profit or loss before tax	**-287**	**150**
Reconciliation of effective tax		
Tax at applicable rate 20.6% (21.4%)	59	-32
Non-deductible expenses	-29	-22
Current tax related to previous year	-7	0
Effect of use of previously unrecognized loss carry-forwards	10	5
Controlled foreign taxation of non-domestic subsidiary	-40	0
Total tax expense	**-7**	**-49**

	PARENT COMPANY	
Deferred tax assets and liabilities	**2021**	**2020**
Loss carry-forwards	5	1
Total	**5**	**1**

	PARENT COMPANY	
Change in net deferred tax assets	**2021**	**2020**
Opening balance, net	1	26
Recognized in net income	4	-25
Closing balance, net	**5**	**1**

There was no tax effect reported directly in Other comprehensive income. Tax effects reported directly in equity amounted to SEK 4 (12) million.

Note M7. Intangible assets

	PARENT COMPANY	
SEKm	**31 Dec. 2021**	**31 Dec. 2020**
Opening accumulated cost	11	3
Other external acquisitions	0	8
Closing accumulated cost	**11**	**11**
Opening accumulated amortisation	-5	0
Amortization for the year	-3	-5
Closing accumulated amortization	**-8**	**-5**
Closing carrying amount	**4**	**7**
Of which incomplete development		

Note M8. Participations in group companies

	PARENT COMPANY	
SEKm	**31 Dec. 2021**	**31 Dec. 2020**
Opening carrying amount	4,547	3,504
Acquisition of subsidiaries	18,220	6,719
Sale of subsidiary*	-6,609	-5,676
Closing carrying amount	**16,158**	**4,547**

* Sale of subsidiary is an intra-group restructuring. The sold entitity is still part of the Stillfront Group.

SPECIFICATION OF PARENT COMPANY HOLDINGS OF PARTICIPATIONS IN GROUP COMPANIES

The parent company Stillfront Group AB holds 100 percent of the shares in Stillfront Midco AB, Todavia AB, Stillfront NA Holdco inc. Jawaker FZ LLC., Everguild Ltd, Game Development Ukraine LLC, 91% of the shares in Moonfrog Labs private Ltd and 78% of the shares in Nanobit d.o.o..Stillfront Midco AB and Stillfront NA Holdco own directly or indirectly the Studios listed below. Unless otherwise stated, they have share capital consisting of ordinary shares only that are held directly by the group, and participation in equity is equal to share of the vote.

Cont. note M8

Name	Country	Reg. office	Corp. ID no.	Participating interest, %	Main activity	Book value, 31 Dec. 2021	Book value, 31 Dec. 2020
Todavia AB	Sweden	Stockholm	559100-2893	100	Owning and managing securities	0	0
Everguild Ltd	Great Britain	London	09334050	100	Developing and publishing online games	53	76
Nanobit d.o.o	Croatia	Zagreb	HR56906077918	78	Developing and publishing online games	969	970
Stillfront Midco AB	Sweden	Stockholm	559110-4053	100	Owning and managing securities	3,502	3,502
- Altigi GmbH	Germany	Hamburg	HRB 99869	100	Developing and publishing online games		
- Goodgames Studio Japan K.K.	Japan			100			
- Babil Games LLC	UAE	Dubai	2987/2012 FCZ	100	Publishing mobile games		
- Babil Games Jordan Branch	Jordan		2740	100	Developing mobile games		
- Arab Gamers League FZ LLC	UAE	Fujairah	12166/2018	51	New media services, event management and digital media services		
- Imperia Online JSC	Bulgaria	Sofia	205098993	100	Developing and publishing online games		
- Simutronics	US	Maryland Heights	311296	55.06	Developing and publishing online games		
- Stillfront Online Games AB	Sweden	Stockholm	556721-9430	80	Developing and publishing online games		
- Dorado Games Holdings Ltd	Malta	Malta	C64760	100	Developing and publishing online games		
- DOG Prodcutions Ltd	Malta	Malta	C55850	100	Developing and publishing online games		
- OFM studios	Germany	Köln	HRB 145244	51	Developing and publishing online games		
- Power Challenge AB	Sweden	Linköping	556719-9871	100	Developing console games		
- Coldwood Interactive AB	Sweden	Umeå	556641-6532	100	Developing and publishing online games		
- Bytro Labs GmbH	Germany	Hamburg	HRB 118884	100	Developing and publishing online games		
- eRepublik Labs. Ltd	Ireland	Dublin	264101	100	Developing and publishing online games		
- ERPK Labs SRL	Romania	Bucharest	25622297	100	Developing and publishing online games		
Playa Games GmbH	Germany	Hamburg	HRB 109725	100	Developing and publishing online games		
Stillfront NA Holdco, Inc	US	Delaware	7805241	100	Holding company	7,763	
- Kixeye Inc.	US	Wilmington	935057-91	100	Developing and publishing online games		
- Kixeye Canada Ltd.	Canada	Vancouver	BC0952509 (CRA 846529931)	100	Developing and publishing online games		
- KIXEYE Australia PTY LTD	Australia	Benowa	157747870	100	Developing and publishing online games		
- MachineCell PTY Ltd.	Australia	Benowa	616523329	100	Developing and publishing online games		
- SHFT Inc.	US	Wilmington	5947380	100	Developing and publishing online games		
- SHFT VN Co LTD	Vietnam	Ho Chi Minh City	314465736	100	Developing and publishing online games		
- Godzilab, Inc.	US	Redondo Beach	C3119998	100	Developing and publishing online games		
- Candywriter LLC	US	Miami	7617501	100	Developing and publishing online games		
- Storm 8 Inc	US	Wilmington	4712338	100	Developing and publishing online games		
- Superfree Games Inc.	US	Delaware	4391799	100	Developing and publishing online games		
- Super Free Games LLC	US	San Francisco	201721210175	100	Developing and publishing online games		
- Matcha Sauce LLC	US	San Francisco	201728910428	100	Developing and publishing online games		

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Cont. note M8

Name	Country	Reg. office	Corp. ID no.	Participating interest, %	Main activity	Book value, 31 Dec. 2021	Book value, 31 Dec. 2020
- Super Nutty Games LLC	US	San Francisco	201728910430	100	Developing and publishing online games		
- Red Mustache Apps LLC	US	San Francisco	201729610299	100	Developing and publishing online games		
- Twisted Bamboo LLC	US	San Francisco	201729610319	100	Developing and publishing online games		
- Jackpot Interactive Pte. Ltd	Singapore		201314929M	100	Developing and publishing online games		
- Gamelabs Inc.	US	Delaware	5727645	100	Developing and publishing online games		
- Game Development Ukraine LLC	Ukraine	Kyiv	44371956	100	Developing and publishing online games		
- Sandbox Interactive GmbH	Germany	Berlin	HRB141903B	100	Developing and publishing online games		
Moonfrog Labs Private Limited	India	Bangalore	'U72400KA 2013PTC072054	91	Developing and publishing online games	779	
- Moonfrog Asia PTE. LTD.	Singapore		201832514H	100	Developing and publishing online games		
- Ulka Games Ltd.	Bangladesh	Dhaka		100	Developing and publishing online games		
Jawaker FZ-LLC	UAE	Abu Dhabi	BL136/20	100	Developing and publishing online games	3,091	
Closing carrying amount						**16,158**	**4,547**

NON-CONTROLLING INTERESTS

Condensed financial information for each subsidiary that has a non-controlling interest that is material to the group is provided below. The amounts stated for each subsidiary are before intra-group eliminations.

CONDENSED BALANCE SHEET

	SIMUTRONICS		OFM		SOG	
SEKm	31 Dec. 2021	31 Dec. 2020	31 Dec. 2021	31 Dec. 2020	31 Dec. 2021	31 Dec. 2020
Non-current assets	118	84	13	11	49	39
Current assets	4	4	32	21	16	11
Total assets	**121**	**88**	**45**	**32**	**66**	**50**
Non-current liabilities	97	47	15	11	40	26
Current liabilities	6	26	8	7	3	9
Total liabilities	**103**	**73**	**23**	**18**	**43**	**35**
Net assets	18	15	24	14	23	16
Accumulated non-controlling interests	**8**	**7**	**11**	**7**	**5**	**3**

CONDENSED INCOME STATEMENT

	SIMUTRONICS		OFM		SOG	
SEKm	31 Dec. 2021	31 Dec. 2020	31 Dec. 2021	31 Dec. 2020	31 Dec. 2021	31 Dec. 2020
Revenues	30	62	18	18	216	116
Profit for the year	1	-12	7	6	7	12
Profit attributable to the non-controlling interests	**1**	**-5**	**4**	**3**	**2**	**2**

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Note M9. Prepaid expenses and accrued income

	PARENT COMPANY	
SEKm	**31 Dec. 2021**	**31 Dec. 2020**
Prepaid expenses and accrued income	32	19
Total	**32**	**19**

Note M10. Interest-bearing liabilities

	PARENT COMPANY	
SEKm	**31 Dec. 2021**	**31 Dec. 2020**
Bond loans		
Repayment within 2–5 yr.	2,494	1,602
Non-current liability	**2,494**	**1,602**
Current liability	**597**	**0**
Total bond loans	**3,092**	**1,602**
Liabilities to credit institutions		
Repayment within 2–5 yr.	1,456	602
Non-current liability	**1,456**	**602**
Current liability	**0**	**0**
Total liabilities to credit institutions	**1,456**	**602**

Note M11. Provisions

	PARENT COMPANY	
SEKm	**31 Dec. 2021**	**31 Dec. 2020**
Contingent considerations		
Opening balance	1,404	285
Acquisitions	1,642	1,427
Settlement	-927	-155
Revaluation	148	30
Exchange rate differences	164	-233
Interest	59	49
Closing balance, contingent considerations	**2,490**	**1,404**
Whereof current contingent considerations	843	773

Note M12. Accrued expenses and deferred income

	PARENT COMPANY	
SEKm	**31 Dec. 2021**	**31 Dec. 2020**
Personnel expenses	6	7
Other expenses	44	18
Total	**50**	**25**

Note M13. Pledged assets

	PARENT COMPANY	
SEKm	**31 Dec. 2021**	**31 Dec. 2020**
Collateral for liabilities to credit institutions		
Corporate mortgages	0	0
Pledged shares in subsidiaries	0	0
Total	**0**	**0**

Note M14. Cash flow

NON-CASH ITEMS

	PARENT COMPANY	
SEKm	**2021**	**2020**
Depreciation and amortization	4	5
Interest on contingent consideration	59	50
Unrealised exchange rate differences	96	-353
Other items	7	-1
	166	**-299**

INFORMATION ABOUT INTEREST AND DIVIDEND

	PARENT COMPANY	
SEKm	**2021**	**2020**
Interest paid during the year	-130	-83
Interest recieved during the year	45	5

No dividend has been received during 2021 and 2020.

Note M15. Financial assets and liabilities (fair value)

SEKm	Financial assets measured at amortized cost 31 Dec. 2021	Financial assets measured at amortized cost 31 Dec. 2020	Financial liabilities measured at amortized cost 31 Dec. 2021	Financial liabilities measured at amortized cost 31 Dec. 2020	Financial liabilities measured at fair value through profit or loss 31 Dec. 2021	Financial liabilities measured at fair value through profit or loss 31 Dec. 2020
Financial assets						
Intercompany receivables	2,998	8,594				
Other receivables	13	14				
Cash and cash equivalents	77	115				
Total	**3,088**	**8,723**	**0**	**0**	**0**	**0**
Financial liabilities						
Intercompany liabilities			1,360	1,274		
Bond loans			3,138	1,661		
Other non-current liabilities			1,456	602		
Accounts payable			5	7		
Equity swap			58			
Other liabilities			145	1	11	
Accrued expenses			50	25		
Total	**0**	**0**	**6,212**	**3,570**	**11**	**0**

No significant credit loss is considered to exist in intercompany receivables.

Note M16. Transactions with related parties

Purchase and sales transactions with related parties are on market terms. Transactions between the parent company and subsidiaries are service and management fees. Salaries and benefits to senior managers are reported in Note 10. There are no purchases of goods and services from related parties.

RELATED PARTY DISCLOSURES, PARENT COMPANY

SEKm	2021	2020
Sales to group companies	136	119
Purchased services from group companies	-18	-5
Interest income from group companies	45	2
Interest expense to group companies	-1	0
Non-current receivables from group companies	2,858	8,034
Current receivables from group companies	140	558
Current liabilities to group companies	1,360	1,275

Note M17. Appropriation of profits

The board of directors proposes that the disposable funds of SEK 10,414,822,451 are appropriated as follows:

SEK	31 Dec. 2021	31 Dec. 2020
Share premium reserve	10,957,966,765	8,371,866,074
Profit/loss brought forward	-249,366,203	-125,905,177
Profit/loss for the year	-293,778,111	100,369,924
Total	**10,414,822,451**	**8,346,330,821**
Carried forward	10,414,822,451	8,346,330,821
Total	**10,414,822,451**	**8,346,330,821**

CONTENT

STILLFRONT GROUP

The board of directors and the President hereby certify that the Annual Report has been prepared in accordance with generally accepted accounting principles in Sweden, and that the consolidated financial statements have been prepared in accordance with the international financial reporting standards referred to in the regulation (EU) no. 1606/2002 of the European Parliament and Council dated July 19, 2002, pertaining to the application of international financial reporting standards. The Annual Report and the consolidated financial statements give a true and fair view of the parent company's and the group's financial position and results. The Report of the Directors pertaining to the parent company and the group gives a fair overview of the development of the parent company's and the group's operations, financial position and results, and describes the significant risks and uncertainties facing the parent company and the companies included in the group.

Stockholm, 19 April 2022

Jan Samuelson
Chairman

Katarina Bonde
Board member

Erik Forsberg
Board member

Birgitta Henriksson
Board member

Ulrika Viklund
Board member

Kai Wawrzinek
Board member

Jörgen Larsson
President and Chief Executive Officer

Our Auditor's Report was submitted on April 19, 2022
Öhrlings PricewaterhouseCoopers AB

Nicklas Kullberg
Authorized Public Accountant

STILLFRONT GROUP

STILLFRONT GROUP

Auditor's report

To the general meeting of the shareholders of Stillfront Group AB (publ), corporate identity number 556721-3078

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Stillfront Group AB (publ) for the year 2021. The annual accounts and consolidated accounts of the company are included on pages 42–92 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of parent company and the group as of 31 December 2021 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2021 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the consolidated statement of comprehensive income and consolidated statement of financial position for the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Our audit approach

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the group, the accounting processes and controls, and the industry in which the group operates.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Key audit matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

CONTENT

STILLFRONT GROUP

Key audit matter	How our audit addressed the Key audit matter
> Revenue recognition – cut-off	
We refer to the Notes 2 Critical accounting policies, 5 Revenues from clients and 24 Accrued expenses and deferred income. The group's revenue amounts to MSEK 5 455 in 2021. The majority of Stillfront Group's revenue consists of in game purchases in free-to-play games. A purchased virtual currency can be used for acquisition of virtual goods or so-called subscriptions. Revenue is recognized at the point in time when a player uses a virtual currency as payment for the virtual goods or over the time relevant for a purchased subscription. Stillfront also has revenue from in game advertising. These revenues are reported in the period in which the advertising takes place as this is deemed to comprise the correct measure of when the revenue has been earned. Stillfront also has revenues from contracting work. These are recognized in accordance with the economic implications of the agreements in place. The risk is that there can exist a difference between the point in time when Stillfront provides goods or services and when the control is transferred to clients. When the goods or services are seen to have been provided to the clients, and when revenues can, then, be reported, is based on the contractual stipulations found in the established agreements.	In our audit, we have analyzed Stillfront's processes and controls regarding revenue recognition in order to obtain an understanding of how they operate and where potential errors could occur. This analysis has been performed to enable us to focus our substantive procedures on the right areas. Our audit procedures included the following: > Analysis of revenues as compared with the prior period. > We have tested, on a random basis, the reported revenue against payments received and agreements, if applicable, to determine if these items have been reported in the correct amounts in the correct periods. > We have tested a sample of receivables against payments received after the year end. > We have by analysis of values accounted for, by analysis of unused virtual currency balances and by assessment of the management's assumptions about use of virtual currency balances tested that deferred revenue is recognized in the correct amount. > We have also assessed if the accounting principles and disclosures in the annual report are correct and in accordance with IFRS. The results of these activities have produced no significant observations as regards the audit.
> Capitalization of development expenditure	
We refer to the Notes 2 Critical accounting policies, 4 Critical accounting estimates and judgements and 14 Intangible assets. Capitalised expenses for product development in the amount of MSEK 2 360 comprise a significant portion of Stillfront Group's balance sheet as at the end of December 2021. There is a risk that criteria for capitalization of development expenditure have not been met. Normally, Stillfront commences development when all the recognition criteria are met, therefore development expenditure is capitalized from the starting date. The assets are subject to ongoing depreciation.	In our audit, we have analyzed Stillfront's processes and controls regarding capitalization of development expenditure and checked that criteria for capitalization are met. Our audit procedures included the following: > We have performed a recalculation of the development expenditure capitalization schedule. > We have agreed the inputs of the capitalization schedule to supporting documentation on a sample basis. > We have performed analytical procedures over management's estimate of the percentage of payroll costs to be capitalized. > We have also assessed if the accounting principles and disclosures in the annual report are correct and in accordance with IFRS. No significant observations were made in the audit resulting in reporting to the Audit Committee.

CONTENT

> Impairment test of goodwill and intangible assets

We refer to the Notes 2 Critical accounting policies, 4 Critical accounting estimates and judgements, 14 Intangible assets and 15 Impairment test.

Goodwill in the amount of MSEK 12 752 and other intangible assets in the amount of 5 244 comprise a significant portion of Stillfront Group's balance sheet as at the end of December 2021. There is a risk that the future estimated cash flow will not be equivalent to the book value of goodwill and other intangible assets and that, as a result, an impairment risk exists.

According to the Stillfront Group's routine, the value of goodwill and other intangible assets is tested annually for impairment. Stillfront has a process for executing this test. This testing is based on the recoverable amount, which is equivalent to the value of the discounted cash flows for the identified assets.

The calculated recoverable value is based on future budgets and forecasts, approved by the board of directors. The cash flows after the forecast period are extrapolated based on the estimated long-term growth rate. The process, consequently, includes assumptions of a major significance in the testing of impairment requirements. These include the assumptions regarding revenue growth, growth of free cash flows and the discount rate (WACC). The whole Stillfront Group comprises a single cash-generating unit.

In evaluating the assumptions for a combined impairment test for goodwill and other intangible assets, as reported in Note 15, we have undertaken the following audit measures to assess the valuation of such assumptions and model:

- We have tested and evaluated management's assumptions regarding the discount rate, growth and margins. We test the assumptions based on what is included in the budgets and business plans, the results of the group and our knowledge of the Stillfront Group's development. This includes the follow-up of the accuracy of the forecasts for historical periods and provides us with a basis for testing the assumptions regarding future development. In terms of discount rate, this is based on our review of the company's calculation of WACC and the assessment of the inherent risk of operating in current markets.
- With help of PwC's internal valuation specialists, we have tested accuracy of the impairment test model.
- We have also, in conjunction with the testing of possible impairment requirements, checked the sensitivity of the valuations through sensitivity analyses, to determine if there are negative changes in significant parameters which individually, or on a collective basis, could imply the existence of an impairment requirement.
- We have assessed correctness of determining the cash-generating units.
- We have also assessed if the accounting principles and disclosures in the annual report are correct and in accordance with IFRS.

No significant observations were made in the audit resulting in reporting to the Audit Committee.

> Valuation of contingent consideration

We refer to the Notes 2 Critical accounting policies, 4 Critical accounting estimates and judgements and 21 Interest-bearing liabilities.

The contingent consideration amounts to MSEK 3 328 as at the end of December 2021. This is deemed to comprise a significant item in the group's balance sheet. Valuation of contingent consideration is based on the management's estimates regarding future performance of subsidiaries as specified in agreements related to business acquisitions. The valuation is based on future budgets and forecasts, approved by the board of directors.

In our audit, we have assessed the process for valuation of contingent consideration and the underlying management's estimates. The audit procedures included, amongst other:

- We evaluated the management's assumptions regarding assessed future results in subsidiaries with contingent consideration.
- We performed a follow-up of the accuracy of the forecasts for historical periods.
- We checked the calculation of WACC which is applied in discounting expected future cash flows.
- We have also assessed if the accounting principles and disclosures in the annual report are correct and in accordance with IFRS.

No significant observations were made in the audit resulting in reporting to the Audit Committee.

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> Acquisition of operations (business combinations)

We refer to the Notes 2 Critical accounting policies and 13 Acquisitions.

In 2021, Stillfront acquired four subsidiaries (Super Free, Moonfrog, Game Labs and Jawaker) for a total upfront consideration of MSEK 2 982 in cash and MSEK 1 209 in own shares. The sellers will be also entitled to an earn-out consideration based on the performance of the acquired subsidiaries. Upon initial consolidation of the acquired subsidiaries, Stillfront determined the fair value of contingent consideration in the amount of MSEK 1 850. Stillfront applies a probability-weighted average of payouts associated with each possible outcome when estimating the fair value of contingent consideration. According to the purchase price allocation, goodwill on the subsidiaries acquired in 2021 amounts to MSEK 4 208. The purchase price allocation for Moonfrog, Game Labs and Jawaker will be finalized in 2022.

In our audit, we have assessed the process for performing purchase price allocation for business acquisitions. The audit procedures included, amongst other:

- We evaluated the management's assumptions in determining fair values of acquired identifiable assets and liabilities.
- With help of PwC's internal valuation specialists, we have tested accuracy of the purchase price allocation models.
- We tested consideration paid upon acquisition and checked valuation of contingent consideration payable.
- We have also assessed if the accounting principles and disclosures in the annual report are correct and in accordance with IFRS.

No significant observations were made in the audit resulting in reporting to the Audit Committee.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–41 and 99–103. The information in "Stillfront Group remuneration report 2021" to be published on the company web page at the same time as this report also constitutes other information. The board of directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the board of director's and the Managing Director

The board of directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The board of directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The board of directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the board of directors and the Managing Director intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the board of director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

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Report on other legal and regulatory requirements

The auditor's examination of the administration of the company and the proposed appropriations of the company's profit or loss

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the board of director's and the Managing Director of Stillfront Group AB (publ) for the year 2021 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the board of director's and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the board of director's and the Managing Director

The board of directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group' equity, consolidation requirements, liquidity and position in general.

The board of directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company´s organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the board of directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the board of directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibility for the audit of the administration is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

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The auditor's examination of the ESEF report

Opinion

In addition to our audit of the annual accounts and consolidated accounts, we have also examined that the board of directors and the Managing Director have prepared the annual accounts and consolidated accounts in a format that enables uniform electronic reporting (the Esef report) pursuant to Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528) for Stillfront Group AB (publ) for the financial year 2021.

Our examination and our opinion relate only to the statutory requirements.

In our opinion, the Esef report #16d9227bc2b7796d953a8e6ed a54490400255dada67631178dd4a06f22cfe4eb has been prepared in a format that, in all material respects, enables uniform electronic reporting.

Basis for Opinions

We have performed the examination in accordance with FAR's recommendation RevR 18 Examination of the Esef report. Our responsibility under this recommendation is described in more detail in the Auditors' responsibility section. We are independent of Stillfront Group AB (publ) in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the board of director's and the Managing Director

The board of directors and the Managing Director are responsible for ensuring that the Esef report has been prepared in accordance with the Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), and for such internal control that the board of directors and the Managing Director determine is necessary to prepare the Esef report without material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to form an opinion with reasonable assurance whether the Esef report is in all material respects prepared in a format that meets the requirements of Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), based on the procedures performed.

RevR 18 requires us to plan and execute procedures to achieve reasonable assurance that the Esef report is prepared in a format that meets these requirements.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an engagement carried out according to RevR 18 and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the ESEF report.

The audit firm applies ISQC 1 Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Services Engagements and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with professional ethical requirements, professional standards and legal and regulatory requirements.

The reasonable assurance engagement involves obtaining evidence, through various procedures, that the Esef report has been prepared in a format that enables uniform electronic reporting of the annual accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the report, whether due to fraud or error. In carrying out this risk assessment, and in order to design procedures that are appropriate in the circumstances, the auditor considers those elements of internal control that are relevant to the preparation of the Esef report by the board of directors and the Managing Director, but not for the purpose of expressing an opinion on the effectiveness o f those internal controls. The reasonable assurance engagement also includes an evaluation of the appropriateness and reasonableness of assumptions made by the board of directors and the Managing Director.

The procedures mainly include a technical validation of the Esef report, i.e. if the file containing the Esef report meets the technical specification set out in the Commission's Delegated Regulation (EU) 2019/815 and a reconciliation of the Esef report with the audited annual accounts and consolidated accounts.

Furthermore, the procedures also include an assessment of whether the Esef report has been marked with iXBRL which enables a fair and complete machine-readable version of the consolidated statement of financial performance, statement of financial position, statement of changes in equity and the statement of cash flow.

Öhrlings PricewaterhouseCoopers AB, Torsgatan 21, 113 97 Stockholm, was appointed auditor of Stillfront Group AB (publ) by the general meeting of the shareholders on the 11 May 2021 and has been the company's auditor since the 9 May 2019.

Stockholm, 19 April 2022
Öhrlings PricewaterhouseCoopers AB

Nicklas Kullberg
Authorized Public Accountant

Key figures and glossary

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Alternative Performance Measures

Stillfront applies the ESMA Guidelines on Alternative Performance Measures (APM). An APM is a financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework. For Stillfront's consolidated accounts, this typically means IFRS. APMs are disclosed when they complement performance measures defined by IFRS. The basis for disclosed APMs are that they are used by management to evaluate the financial performance and in so believed to give analysts and other stakeholders valuable information. Definitions of all APMs, operational key figures and other definitions are found below.

Financial key figures

Key figure	Definition	Purpose
EBIT	Operating profit.	Used to evaluate the underlying profitability of Stillfront.
EBIT margin	EBIT divided by net revenues.	Used to evaluate the underlying profitability and value creation of Stillfront.
Adjusted EBIT	EBIT adjusted for iac and amortization of ppa items.	Used to evaluate the underlying profitability of Stillfront.
Adjusted EBIT margin	Adjusted EBIT divided by net revenues.	Used to evaluate the underlying profitability and value creation of Stillfront.
EBITDA	EBIT before depreciation, amortization and write-downs.	Used to evaluate the underlying profitability of Stillfront.
EBITDA margin	EBITDA divided by net revenues.	Used to evaluate the underlying profitability and value creation of Stillfront.
Items affecting comparability (IAC)	Significant income statement items that are not included in the group's normal recurring operations and which distort the comparison between the periods, including transaction costs for M&A and costs for long-term incentive programs.	Items affecting comparability are specified because they are difficult to predict and have low forecast values for the group's future earnings trend.
Adjusted EBITDA	EBITDA adjusted for IAC.	Used to evaluate the underlying profitability and value creation of Stillfront.
Adjusted EBITDA margin	Adjusted EBITDA divided by net revenues.	Used to evaluate the underlying profitability of Stillfront.
Net Debt/adjusted EBITDA, pro forma	Net Debt divided by adjusted EBITDA, pro forma, for the past twelve months.	Used to determine how many years it would take to repay the company's debt with its current profitability. Included among the financial convents under Stillfront's revolving credit facility.
Adjusted interest coverage, pro forma	Adjusted EBITDA, pro forma, divided by financial items for the past twelve months.	Used to assess Stillfront's capability of covering its financial expenses.
Organic growth	Change in consolidated net revenues, excluding the translation impact of changed currency exchange rates and acquisitions. Net revenues in acquired operations are considered as acquired growth during twelve months from the acquisition date.	Organic growth is a measure of the development of the group's existing operations that management has the ability to influence.
Cash conversion ratio	Free cash flow divided by EBITDA.	Measure of how well the group's earnings are converted to positive cash flows.
Free cash flow	Cash flow from operations minus acquisitions of intangible assets and repayment of lease liabilities.	Measure of cash flow available for investments and repayments of loans.

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Operational key figures

Key figure	Definition	Purpose
ARPDAU	Average revenue per daily active user.	Used to assess the underlying development of Stillfront's games.
DAU	Average daily active users.	Used to assess the underlying development of Stillfront's games.
MAU	Average monthly active users.	Used to assess the underlying development of Stillfront's games.
MPU	Average monthly paying users.	Used to assess the underlying development of Stillfront's games.

Other definitions

Key figure	Definition
Adjusted EBITDA, pro forma	Adjusted EBITDA, where acquired units are included from the beginning of the period.
Adjusted financial items	Financial items adjusted for IAC.
Amortizations of PPA items	Amortization of fair value adjustments identified in connection with purchase price analyses.
Bookings	Revenue before changes in deferred revenue, including deposits from paying users, in-game advertising revenue and other game-related revenue.
Net Debt	Interest bearing liabilities minus cash and cash equivalents. Contingent liabilities for earnouts are not considered as interest bearing in this context.
Shareholders' equity/share	Shareholders' equity attributable to the parent company shareholders divided by the number of shares at the end of the period.
UAC	User acquisition costs.

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Multi-year summary

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GROUP CONSOLIDATED

SEKm	2021	2020	2019	2018	2017
Net revenues	5,455	3,991	1,967	1,325	913
Operating profit	1,034	993	517	353	116
Profit after financial items	793	799	454	265	116
Total assets	20,049	12,366	4,052	2,598	408
Shareholders' equity	9,795	6,146	1,959	1,096	64

PARENT COMPANY

SEKm	2021	2020	2019	2018	2017
Net revenues	136	119	55	19	5
Operating profit	-11	1	-8	-5	-7
Profit after financial items	-382	225	-86	-84	-18
Total assets	19,294	13,298	5,358	4,461	370
Shareholders' equity	10,442	8,371	3,850	3,315	234

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Four strong reasons to invest in Stillfront

1. Ideally positioned in the largest and fastest growing entertainment market
2. Capital efficient growth with diversified revenue streams
3. Successful M&A execution with proven track record
4. Strong financial position with conservative leverage and high profitability

Financial calendar

Interim Report January–March 2022	4 May 2022
Annual General Meeting, Stockholm	12 May 2022
Interim Report January–June 2022	12 July 2022
Interim Report January–September 2022	26 October 2022
Year End Report 2022	15 February 2023

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This Annual report is a non-official translation from Swedish.
In the event of discrepancies between the language versions the Swedish wording will prevail.

Design & Production: Addira

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