

CONFLICT OF NATIONS

МОДЕРН ШАДЯ



Presentation Year-end 16 Report
February 23, 2017

Stillfront Group in brief

Strong fundamentals for future development

Our Consumers

- Approximately 500.000 MAUs and 150.000 DAUs with exceptional loyalty and spending. Growing rapidly.
- Global reach with consumers from over 100 countries
- Major markets are US, Germany, MENA, France, UK and Scandinavia

Our Group

- Six studios in six countries in three continents
- ~120 highly skilled and experienced game professionals
- Combines small indie studios' agility with the strength of a professional public structure

Our Owners

- Strong ownership structure;
- ~30% owned by active key individuals in our studios
- Key industry institutions hold significant positions. Significant institutional interest built for further investments
- Good retail spread (~1500 shareholders)

Our Performance

- Strong growth: 50 - 100+% p.a. with CAGR 2012 – 2016 of 53%
- Operational profitability (EBITDA) of 36%
- Net margin of 22%
- Lower risk than many peers thanks to strong revenue mix

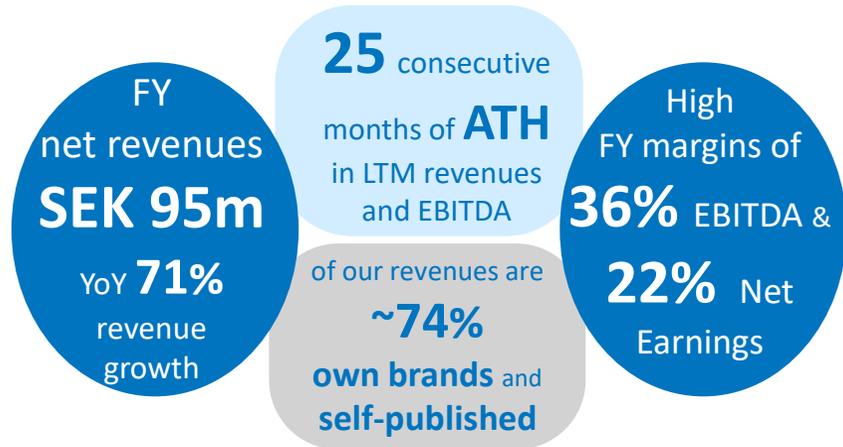
Our Brands and our Publishing



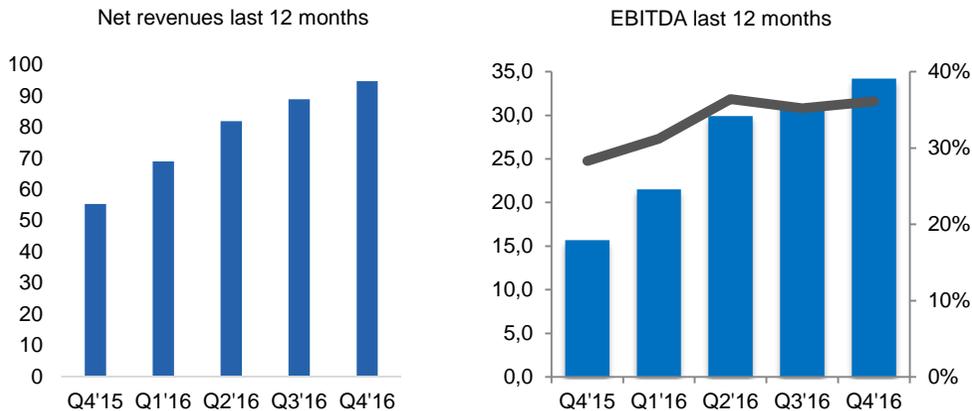
- Many million consumers have played our games whereof many are very loyal to our brands
- Majority of current brands are long term free-to-play strategy games
- ~80% of revenues comes from own brands and self-publishing
- Unravel is published and owned by EA (one of very few chosen)

Selected highlights year-end 2016 report

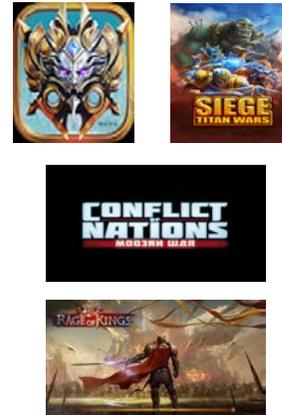
SF portfolio show strength with lower risk



High growth and strong earnings



High level of investment for continued growth



High level of investments in Q3 and Q4 have built a very strong pipeline for '17

Four new titles to be fully launched soon, in parallel with investments in existing brands e.g. mobile version of Call of War

High level of investments into growth is top priority coming years

Babil Games acquisition adding strategic value



Babil Games acquired in December

Babil possesses a truly unique market position in one of the fastest expanding mobile games market globally

The business model is very attractive considering reward/risk balanced solid profitability and growth opportunities.



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SIEGE TITAN WARS

The gaming market is exciting and contains some specific challenges

The key to long term success is to balance reward and risk

Thrilling market

- The largest entertainment market globally exceeding 100 billion USD and still growing by ~8% pa.
- Dynamic with many new areas evolving
- Fragmented and unstructured market

Volatility and immaturity

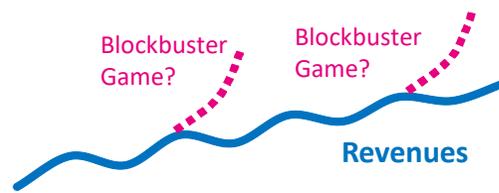
- By nature high profitability in already fairly successful products
- Highly volatile for most companies with title risks, tech shifts and fast moving consumers
- Huge amount of small product driven companies that are underexploited

Consolidation opportunities

- Multidimensional opportunities for M&A and alliances in the existing market
- Hard to invest without detailed industry knowledge, operational experience and personal network
- We combine small indie studios' agility with the strength of a professional public structure

The reward / risk balancing is the **red thread** in all what we do

Less volatility and lower risk



- We work systematically with utilizing the opportunities of this market into a sound and predictable business
- We would like to create value in the consolidation of the gaming market coming 3-5 years

Diversified long life games portfolio to gear up reward/risk*

BYTRO Launch in: 2009



13% of group revenue

- ▶ Still stable high revenues after 8 years
- ▶ December 2016 revenues highest since July 2015 and Q1'16 ATH
- ▶ Total cumulative sales since inception is 90 mSEK

BYTRO Q2 2015



24% of group revenue

- ▶ Our highest grossing brand in 2016
- ▶ Total cumulative sales since launch is 47 mSEK
- ▶ Built for a long life similar to Supremacy 1914

BYTRO Q3 2016



2% of group revenue

- ▶ New grand strategy game based on the successful Bytro engine
- ▶ Full Launch in September 2016
- ▶ Flat revenues in Q4
- ▶ Total cumulative sales since inception is 1.3 mSEK

COLDWOOD Q1 2016



Incl in Coldwood's 21% of group revenue

- ▶ Launched February 9, 2016
- ▶ Winner of 20+ awards at E3 and gamescom
- ▶ Very strong sales
- ▶ Royalties in Q4 significantly lower
- ▶ Sequel under development

SIMUTRONICS® 1987 & 1996



13% of group revenue

- ▶ Developed in several generations
- ▶ Still growing after 29 years
- ▶ Exceptional customer loyalty and ARPU
- ▶ Low cost of operations provides very high margins

BABIL GAMES Q4 2014



21% of group revenue*

- ▶ Asefat Adebabat (Tank Storm) stable high revenues after 2 yrs, being Group's 2nd highest grossing game
- ▶ Exceptional customer loyalty and ARPPU
- ▶ In total currently 3 games live

POWERCHALLENGE Q3 2001



5% of group revenue

- ▶ 14-year life-cycle – still stable revenues
- ▶ Fully mobile playable version live in Q3

DORADO GAMES



1% of group revenue

- ▶ Gathered responsibility for Group's long tail
- ▶ Conflict of Nations beta launched in December, built on Bytro's successful SUP engine

* For better comparison all products' share of group revenue are based upon Q4 numbers incl Babil's all 3 months, not only the consolidated December number.

Risk goes down and financials goes up – our strategy kicks in

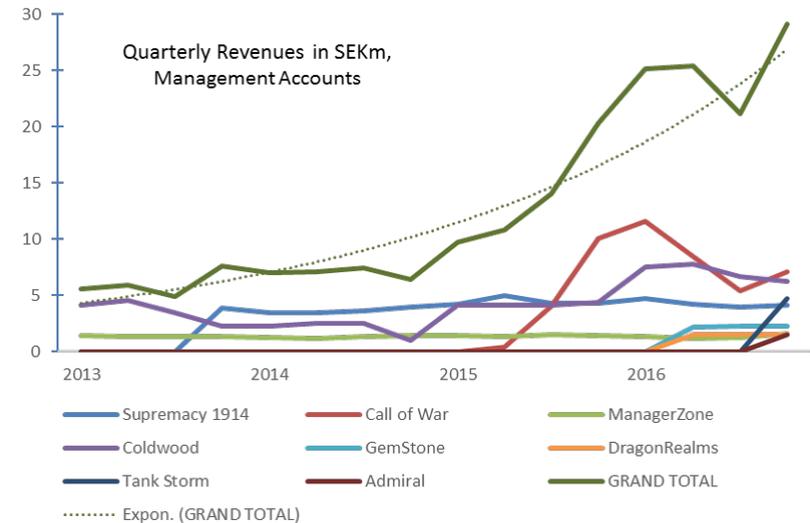
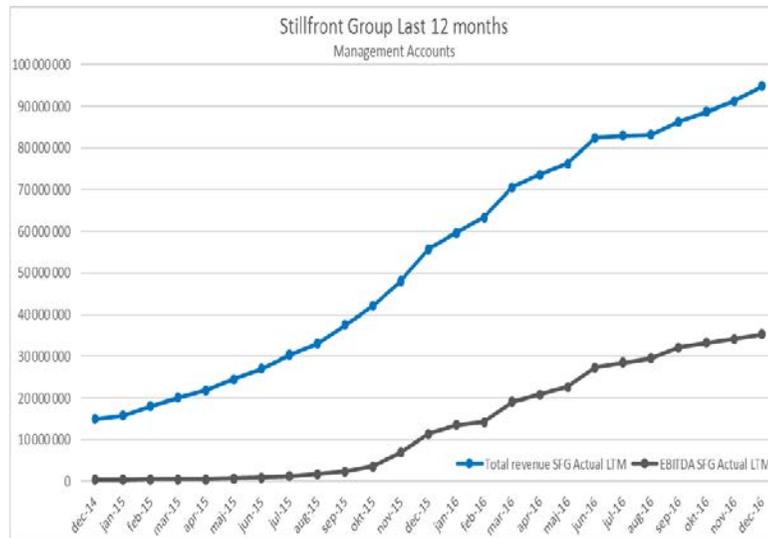
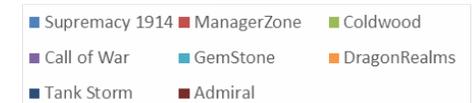
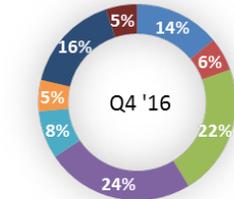
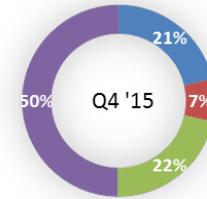
Our strategy has proven to work performing strong growth and margins with lower risk

Stillfront Group risk balancing achievements 2016:

- ✓ Diversified platform mix with mobile growing fastest
- ✓ No of studios up by 50%
- ✓ No of core products up by 100%
- ✓ Broader geographical distribution

- ✓ Risk-weighted revenues and earnings increase

- ✓ Rolling 12 month ATH for 25nd consecutive month





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ServerR1

دخول اللعبة

V1.0.4

Business strategy – 3 pillars

Our strategy has proven to be a powerful tool for reaching targets and achieving progress

The strategy pillars have different purposes

Product strategy

1

- P** Portfolio of studios & games
- L** Long life cycle games
- E** Engines for scalability
- X** X (cross) platform



Improve risk/reward
Create scalability

Growth strategy

2

- H** **Hi Growth** by leveraging Scalability, Structure of organization and Systematic M&A
- i**
- G**
- S³**



Grow to higher profitability
Increase relevance for investors
Increase relevance for partners

Market strategy

3

- B** Brands
 - &** &
 - P** Publishing
-

Increase own Brands and Publishing
Untapped potential in 3rd party publishing



Improve risk/reward
Increase gross margin
Improve barriers of competition



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Conversion to IFRS

Conversion done including full 3 year history

Reported earnings improved

- Reported EBITDA improved compared to the previously applied Swedish GAAP K3
- EBT and Net Earnings improved consequently

Capitalized investment

- Gross revenue increase
- Capitalized in total 31 mSEK in 2016, with amortization over 5 years
- In total 73.8 mSEK in capitalized product development
- Deferred tax increased due to capitalization

Acquisitions

- Acquisition costs are charged to the P&L
- Earn-outs are booked as long term debts with a financial cost
- Goodwill is no longer amortized

Quarterly comparisons

- As our conversion in the reporting includes history, it create some differences in prior quarters which makes comparison with prior reports slightly skewed;
- Accruals differs from previous reporting
- Some costs that are not regular e.g. acquisitions costs

Summary:

- Reported profits increased
- Expanding balance sheet
- Increased transparency
- Increased comparability



Balance Sheet

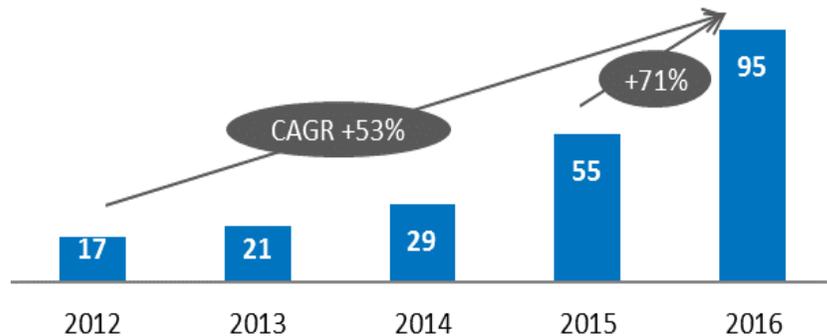
Consolidated balance sheet in summary

KSEK	NOTE 1,2,4,6	2016-12-31	2015-12-31	2014-12-31
Intangible non current assets	3	264 499	37 962	37 317
Tangible non current assets		775	241	225
Financial non current assets		0	0	5 309
Deferred tax assets		7 779	1 049	567
Current receivables		13 707	8 808	2 519
Cash and bank		35 774	73 454	4 286
Total assets		322 534	121 514	50 223
Shareholders' equity				
Shareholders' equity attributable to parent company's shareholders		134 261	95 508	35 072
Minorities		19 733	5 400	4 022
Total Shareholders' equity		153 994	100 908	39 094
Non-current liabilities	5	148 090	4 167	3 909
Current liabilities		20 450	16 439	7 220
Total Liabilities and Shareholders' equity		322 534	121 514	50 223

- Intangible assets mainly consists of
 - Capitalized product development
 - Acquired products
 - Goodwill
- Deferred tax mainly attributable to accumulated losses
- Non-current liabilities mainly attributable to
 - expected earn-out payments
 - tax related to subsidiaries not capitalizing product development

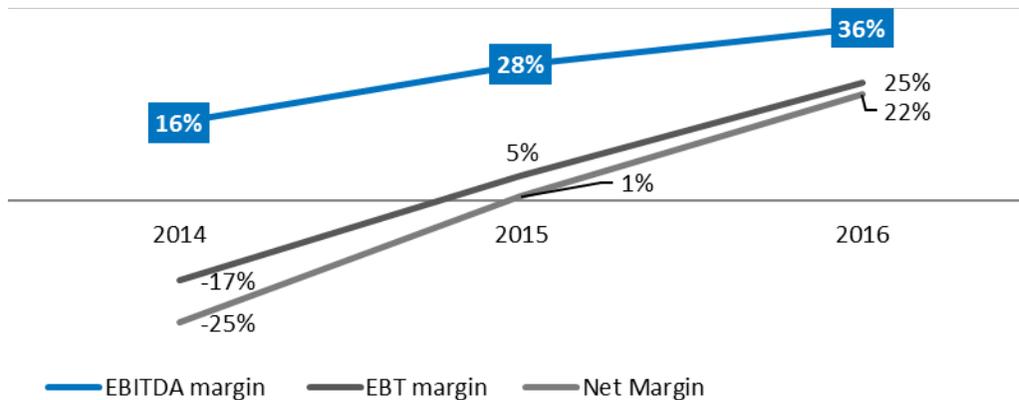
Strong financials

Net revenue (SEKm)



- 71% growth YTD'16 over YTD'15
- Q4 revenues: 24.8 mSEK which makes 31% Q4'16 over Q4'15
- Growth mainly from
 - Successful development for Call of War and Supremacy1914
 - Strong growth in Coldwood
 - Simutronics acquisition and growth
- 53% CAGR from 2012 to 2016 attributable to both organic and acquisition growth

Margins



- Margins are very strong FY 2016
 - EBITDA margin: 36% equal to 34 mSEK
 - EBT margin: 25% equal to 23 mSEK
 - Net margin: 22% equal to 21 mSEK
- Q4 EBITDA margin: 28% equal to 6.8 mSEK
- Q4 and FY was hurt by a couple of one-off costs
 - 1.3 mSEK related to acquisitions
 - 1.5 mSEK in marketing costs at Bytro

Studio highlights Q4

Bytro

All Games

- Revenues, SEKm 11.6
- EBITDA margin 28%
- UAC, SEKm 6.3 (54%)*
- PPC, SEKm 0.8 (6.9%)

Supremacy 1914

- DAU 20,989
- MAU 78,840

Call of War

- DAU 29,495
- MAU 145,849

Coldwood

All Games

- Revenues, SEKm 6.1
- EBITDA margin 57%
- UAC, SEKm N/A
- PPC, SEKm N/A

Babil**

All Games

- Revenues, SEKm 2.1
- EBITDA margin 31%
- UAC, SEKk 38 (1.8%)
- PPC, SEKm N/A

Power Challenge

All Games

- Revenues, SEKm 1.5
- EBITDA margin 35%
- UAC, SEKk 18 (1.2%)
- PPC, SEKk 126 (8.4%)

ManagerZone

- DAU 15,955
- MAU 32,341

Simutronics

All Games

- Revenues, SEKm 3.7
- EBITDA margin 37%
- UAC, SEKk 0 (0%)
- PPC, SEKk 106 (3.0%)

Gemstone

- DAU 1,536
- MAU 3,064

DragonRealms

- DAU 1,202
- MAU 2,951



*whereof was taken one-off costs of 0.8 mSEK for testing NWE and 0.7 mSEK new channels **December only



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Babil Games



A unique market position adding strategic value to the Group

Market characteristics

- The Arab speaking market within and outside MENA is large with a ~300 m audience
- The population is growing fast
- The demographics are attractive with young average age

Demand is very strong

- Spending power is high in large parts of population
- Large share of the population is tech savvy
- Mobile penetration is high, advanced PCs and consoles are low

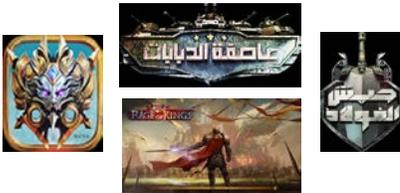
Supply is quite weak

- Public entertainment available is quite limited
- Few percentages of digital content is localized and culturized
- Localization and culturization are difficult w/o being native and have local presence

Babil is uniquely positioned with a strong business model

- Highly skilled and experienced team in localization, culturization and games publishing
- Customer support locally
- Partnerships are absolutely key and business is truly regional
- Proven track record in publishing mid to hard core high grossing mobile strategy games

Babil at a glance



- Based in Amman, Jordan and Dubai, UAE with in total 12 employees
- Currently 3 games running with Tank Storm being the largest one. Life time grossing exceeds to date 5mUSD.
- Outstanding ARPPU and very loyal user base
- Two games are in the process of being launched, whereof Heroes' Adventures was launched February 21.



2017 outlook

Growth is highest priority

Strategic and tactical priorities

1. Growth in portfolio of products and studios driving large investments
2. Further reward/risk balancing
3. Increased diversity in platforms
4. Building of operational organisational model

Siege and other new products on the way to the market

- Babil's Heroes' Adventures was launched February 21 and next title is estimated to be launched early Q2
- Siege: Titan wars KPIs very promising during our extensive soft launch
- Conflict of Nations KPIs are on par with Supremacy 1914, full market launch planned for early Q2.
- CoW mobile will reach market in Q2

Further expansion of portfolio

- Bytro will initiate next SUP based product in Q1, with target to reach market in Q4'17
- Bytro has started development on next generation engine "E2" targeting Q1
- Mobile products we target to take large share of revenues FY'17

Acquisitions

- Deal flow significantly higher both in volume and quality
- Attractive reward/risk with the Stillfront business model letting units being semi-autonomous
- Deals can be made with valuation arbitrage

General:

- Our vision is to create the leading group of indie studios, delivering high shareholder value through high profitable growth with lower risk than comparable companies - Stillfront play a long term game
- **IF** we have to have to choose lower margins a single quarter to gain long term strength – we will
- High portion of new products during the coming years of prioritized growth makes us not communicate any targets
- As acquisition opportunities are attractive, we seek to use the momentum and might consider strengthen balance sheet



Thank you

