



Interim Report

JANUARY - DECEMBER 2017 / NITRO GAMES OYJ





The Interim Period Jan – Dec 2017

- Revenues (January – December) increased by 107% to 1,716.1 KEUR (827.9 KEUR on corresponding period 2016).
- EBITDA amounted to -2,487.9 KEUR (corresponding period 2016: - 574.3 KEUR).
- EBIT: Operating result before financial items amounted to -3,159.8 KEUR (-1,233.4 KEUR).
- Net profit: The net result for the period amounted to -3,341.2 KEUR (-1,482.6 KEUR).
- As of December 31, cash and cash equivalents amounted to 2,367.5 KEUR.

The Company wrote down in December old stock from sub-companies, related to obsolete past projects that were no longer producing revenue. This caused a one-off negative effect of -625.0 KEUR.

October – December 2017

- Revenues (October - December) increased by 652% to 517.0 KEUR (68.8 KEUR on corresponding period 2016).
- EBITDA amounted to -1,461.1 KEUR (corresponding period 2016: -257.1 KEUR).
- EBIT: Operating result before financial items amounted to -1,617.7 KEUR (-533.1 KEUR).
- Net profit: The net result for the period amounted to -1,680.1 KEUR (-771.8 KEUR).

The Company wrote down in December old stock from sub-companies, related to obsolete past projects that were no longer producing revenue. This caused a one-off negative effect of -625.0 KEUR.

Significant Events during the Interim Period

- Medals of War was featured by Apple in 18 countries, including United States from end of September to early October.
- Nitro Games signed a Game Distribution and Servicing Agreement with Netmarble EMEA to introduce "Medals of War" to Arabic and Turkish speaking audiences.
- Nitro Games completed a directed new share issue of 500,000 shares, raising SEK 25 million.
- Nitro Games and Wargaming agreed on a project scope increase with an amendment to the agreement signed in May 2017, resulting in approximately 0.4 MEUR increased revenue for Nitro Games.
- Medals of War entered Open Beta on Android and received Early Access featuring from Google.
- Nitro Games distributed incentive options to management and personnel.
- Medals of War launch in MEA region started with Netmarble EMEA and received instant featuring.

Significant Events after the Interim Period

- None.



Expanding to self-publishing

"We continued strong execution of our new strategy during Q4. This quarter was the strongest in 2017 with increasing growth in revenues. After we started the launch of our first new game, Medals of War, we had an increase in revenues from our Self-publishing business, representing 27% of our total revenues in H2. We are looking forwards to continuing seeking growth and increasing shareholder value in 2018." says Jussi Tähtinen, CEO of Nitro Games.

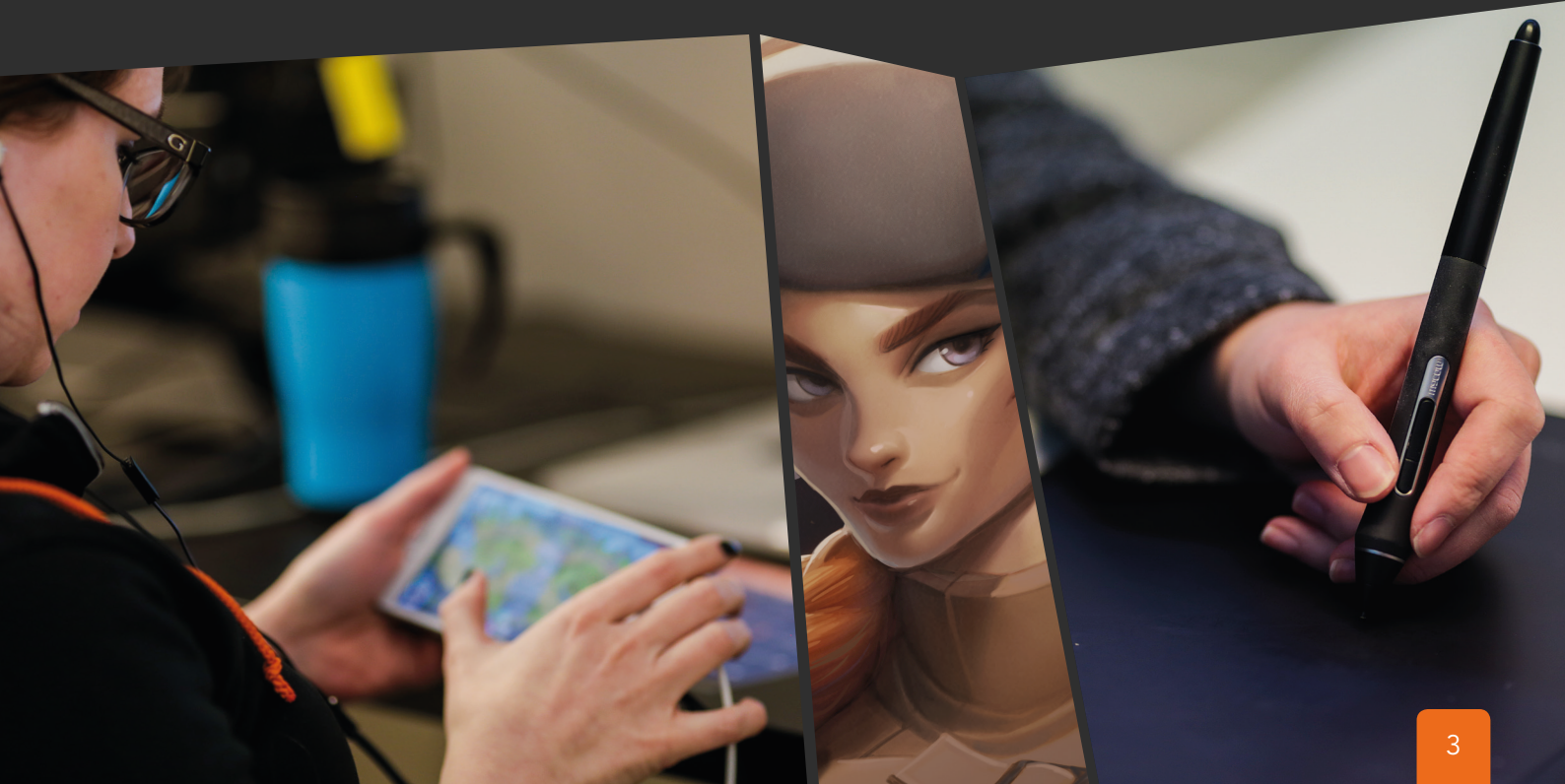
About Nitro Games

Nitro Games is a free-to-play mobile game developer and publisher with a decade of experience in developing games for the mid-core user segment, mostly focusing on the genre of strategy games. The Company focuses on producing games with high production values and high revenue potential for smartphones and tablets. With Nitro Games' powerful NG Platform and NG MVP-process, the Company is able to do market validation with new game prototypes after only a week of development. Historically, Nitro Games has developed games such as East India Company, Commander: Conquest of the Americas, Pirates of Black Cove and Raids of Glory. Nitro Games' shares are listed on Nasdaq First North Stockholm.

Nasdaq First North Ticker: NITRO

Certified Adviser: Augment Partners, phone: +46 8 505 651 72

www.nitrogames.com





Key Financials

	Oct - Dec 2017	Oct - Dec 2016	Full year 2017	Full year 2016
	Unaudited	Unaudited	Unaudited	Audited
Revenue (EUR thousand)	517.0	68.8	1,716.1	827.9 ¹
Operating profit (loss) (EUR thousand)	-1,617.6	-533.2	-3,159.7	-1,233.4 ¹
Operating margin (%)	-312.9%	-775.0%	-184.1%	-149.0%
EBITDA (EUR thousand)	-1,461.0	-257.2	-2,487.9	-574.3
EBITDA margin (%)	-282.6%	-373.8%	-145.0%	-69.0%
Net profit (loss) (EUR thousand)	-1,680.7	-771.8	-3,341.8	-1,482.6 ¹
Cash flow generated from operations (EUR thousand)	-859.3	-137.9	-2,178.0	-474.9
Equity to assets ratio (%)	94.3%	-583.29%	75.6%	42.0%
Average number of shares ²	2,184.884	496.261	1,431.110	580.187
Number of Share end of Period	2,329.328	580.187	2,329.328	580.187
Number of Share options ³	172.700		172.700	
Equity per share (EUR)	1.4	2.2	1.4	2.2
Earnings per share (EUR) before dilution	-0.7	-1.3	-1.4	-2.6
Earnings per share (EUR) after dilution	-0.7		-1.3	
Net debt (EUR thousand)	-1,639.1	-1,511.0	-1,318.5	1,642.8
Number of employees	36	23	36	23

¹ Audited

² Calculation includes split of shares that occurred in April 2017.

³ The share subscription period shall be between 1 June 2018 and 31 December 2021



A Word from Jussi Tähtinen, CEO

Expanding our business to self-publishing

We started the execution of our new strategy in 2017. Our strategy aims for growth, consisting of two key operations: 1) Self-publishing a portfolio of mobile games, based on our own IPs and 2) Offering our development services to leading companies in the industry. During the 2nd half of 2017, we expanded our business to self-publishing as planned, while maintaining good progress on the service business at the same time.

We announced our first self-published game “Medals of War” in April and opened up the first public test market in May. Nitro Games went public on Nasdaq First North Stockholm in June. At the same time, we opened up more markets for public testing according to our MVP-process. We released “Medals of War” in 77 countries on Apple iPhone and iPad at the end of September. Our launch was supported by visibility in the Apple App Store through featuring in 18 countries, including the United States. This was the starting point for the launch in the western markets. We then expanded our focus to the Android version, and the game entered open beta in the Google Play store in November. This Open beta test is currently ongoing and supported by Google with early access featuring in 69 countries. Open beta means that the game is offered for players to test on Android while we’re still finalizing the actual launch version.

Our strategy for self-publishing is that we self-publish our own games in the western markets, and for other markets, we seek partnerships with leading publishers that have local market expertise. We signed Medals of War for Turkey and MEA markets with Netmarble EMEA in October. After careful customization and local market adaptation done together with them, the game was launched in the first markets by Netmarble EMEA in December.

The next steps with Medals of War launch in 2018 are releasing it also on Google Play so that the game is available on both Apple and Google platforms in the western markets published by Nitro Games, and getting the game launched by Netmarble EMEA in Turkey and MEA markets.

The results from Medals of War launch so far are encouraging. With our MVP process, we have improved on our user acquisition efficiency by decreasing the cost of a new install on a monthly basis, while at the same time we’ve increased the monetization of the game. We’ve already succeeded in ROAS positive user acquisition, resulting in our best performing marketing campaigns returning more money than what goes into them. With our continuous efforts in improving the game based on the performance indicators, we’re aiming to increase the scale of these successes and the game itself by expanding on marketing activities resulting in more downloads and revenue.

The free-to-play business model essentially means that we’re building games as a service and that we seek for constant improvement and long lifetime for our games by providing our players with a constantly updating and improving service. It’s often said that free-to-play is not a sprint, but a marathon. I feel that we’re doing well with our marathon so far, while we’re looking forward to a long, demanding but rewarding run ahead of us. Generally, the lifetime of games in this category could last up to 5 years.



In our self-publishing business, our goal is building a portfolio of games, utilizing our technology NG Platform and our MVP-process. During the fourth quarter, we've progressed further with our 2nd game. This game is yet un-announced and planned for release in 2018.

Nitro Games performed a directed share issue in October raising SEK 25 million, to further support the scale-up of our self-publishing.

In our service business, we utilize our experienced team and our capabilities by offering services for industry-leading companies. Our focus here has been in the production of the mobile game that we are developing with Wargaming. This project is moving forward steadily, and in October we signed an amendment with Wargaming to expand the project scope, resulting in approximately 0.4 MEUR increased revenue for us.


Towards the end of 2017, we also saw growth in the team size and the expertise and capabilities of the team. To support the increased scope with the Wargaming project, the needs with the new version of Medals of War we're doing with Netmarble and our un-announced games, as well as to help us achieve our goals for our self-publishing, we've managed to increase our headcount to 36 at the end of 2017. Despite the hiring being a challenge in the industry in general, we've succeeded in finding the right talents we need, while minimizing the delays in our own projects. We've also hired some new staff in early 2018 to support our growth further.

During 2017 we've seen an increase in revenues. Compared to the full year 2016, our revenues increased 107% from 828 KEUR to 1,716 KEUR. During Q4, the revenues were 517 KEUR compared to 69 KEUR in 2016 (652 % increase). Most significantly we managed to grow the revenues in our self-publishing business towards the end of the year, representing 27% of revenues in H2 2017, while in H1 the self-publishing business only accounted for 1% of our revenues.

Overall we had a strong start for our new strategy during 2017. We are looking forward to continue seeking growth and increasing shareholder value in 2018. To support this with new types of opportunities, Nitro Games aims to be an active player in the consolidation of the mobile games market.



Jussi Tähtinen
CEO, Co-Founder



"We continued strong execution of our new strategy during Q4. This quarter was the strongest in 2017 with increasing growth in revenues."

We are looking forwards to continue seeking growth and increasing shareholder value in 2018."

Jussi Tähtinen
CEO, Co-Founder

 A COMMENT FROM **CEO**
Jussi Tähtinen



Significant Events during the Interim Period

Medals of War was featured by Apple in 18 countries, including the United States, in the beginning of fourth quarter. The game entered Open Beta on Android and received Early Access featuring from Google.

Nitro Games signed a Game Distribution and Servicing Agreement with Netmarble EMEA in October to introduce "Medals of War" to Arabic and Turkish speaking audiences and the launch in MEA region started with Netmarble EMEA and received instant featuring in December.

At the same time the company progressed further with the un-announced 2nd game, planned for release in 2018.

Nitro Games and Wargaming agreed on a project scope increase with an amendment to the agreement signed in May 2017, resulting in approximately 0.4 MEUR increased revenue for Nitro Games.

Nitro Games completed a directed new share issue of 500,000 shares, raising SEK 25 million. Swedbank Robur Ny Teknik was the largest investor in the transaction subscribing for 225,000 shares amounting to SEK 11.25 million representing 9,66% of the capital and votes of the Company post the Directed new share issue. Other new institutional and professional investors in the Directed new share issue included the equity fund Calgus and Patrick Bergström, and existing shareholders Feat Invest AB, Johan Biehl, Savox Investments and Jacob Ehnrooth.

Significant Events after the Interim Period

None.



Revenues & Profit / Loss

Revenues during the interim period January – December 2017 were 1,716,077.10 EUR (corresponding period 2016: 827,855.51 EUR), which is an increase of 107% compared to the corresponding period 2016. The Revenues came mainly from the service business as the company focused on development of it's own IP and Medals of War was launched on September 19.

Revenue growth continued throughout the year, and on 2nd half 27% of revenues on came from self-publishing business.

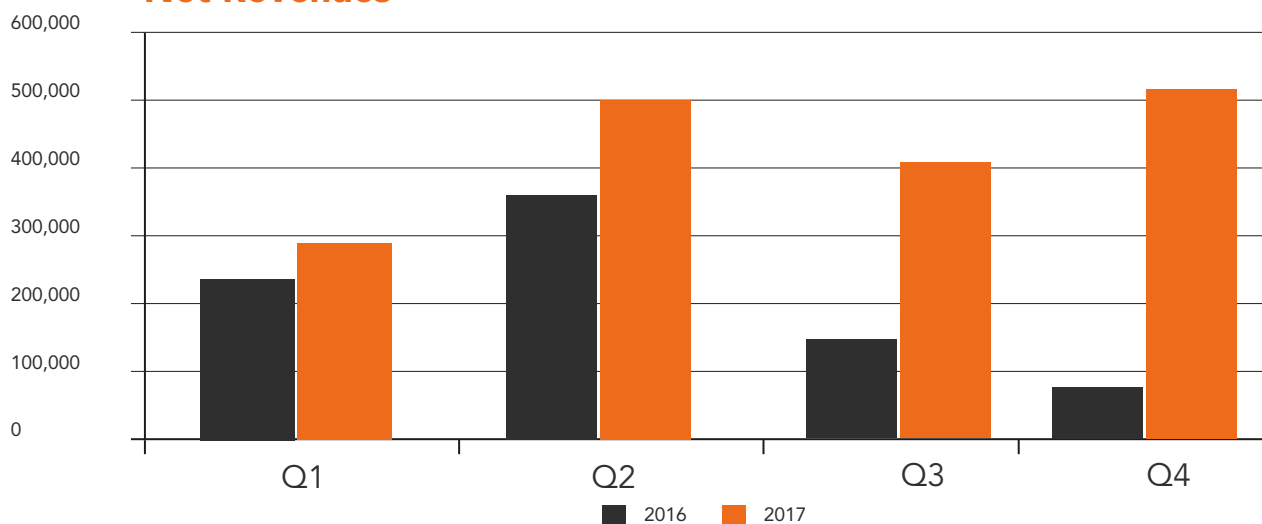
EBITDA amounted to -2,487,908.66 EUR (corresponding period 2016: -574,315.92 EUR).

Operating result before financial items amounted to -3,159,745.55 EUR (-1,233,421.63 EUR).

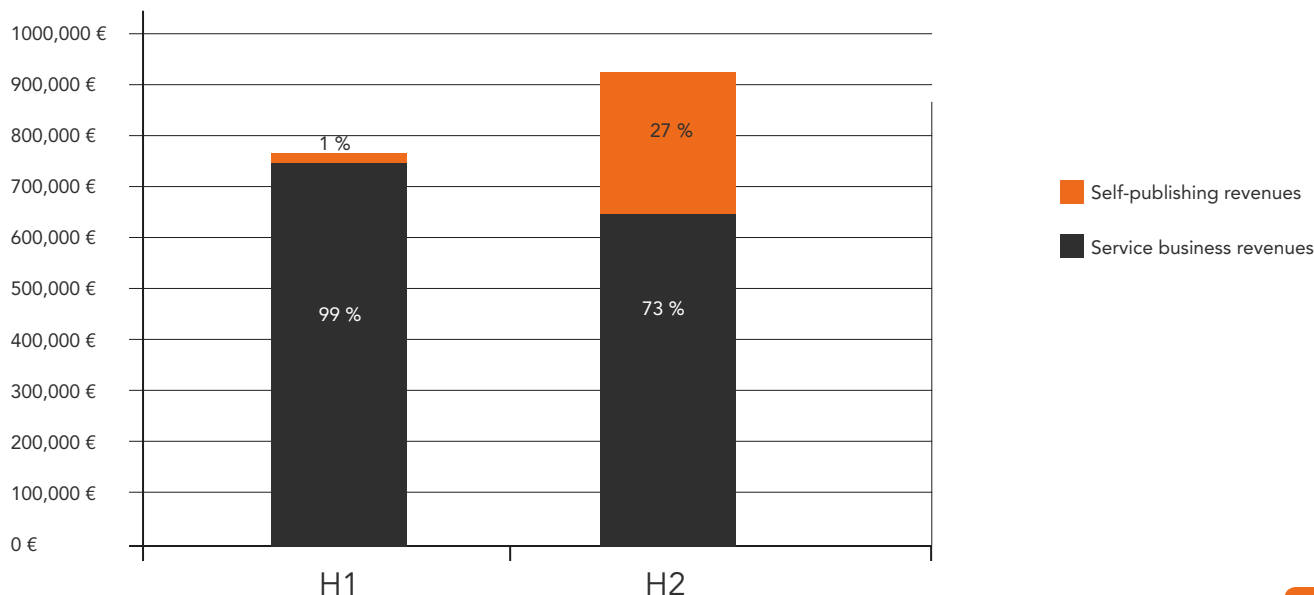
The net result for the period amounted to -3,341,181.95 EUR (-1,482,566.69 EUR).

The Company wrote down in December old stock from sub-companies, related to obsolete past projects that were no longer producing revenue. This caused a one-off negative effect of -625.0 KEUR through Change in finished goods and work in progress.

Net Revenues



Self-publishing business growth



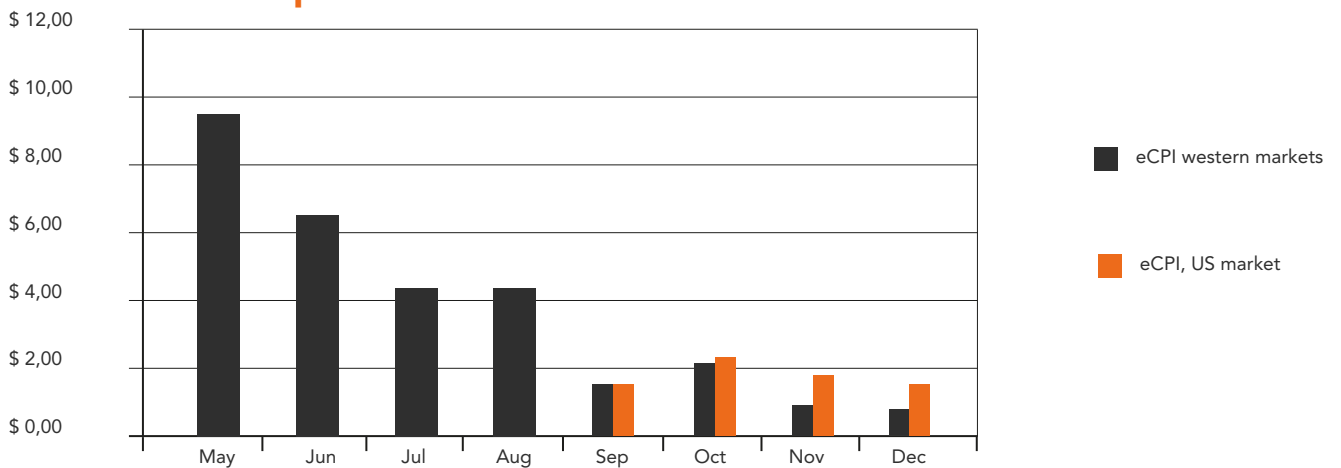


Medals of War Performance Metrics

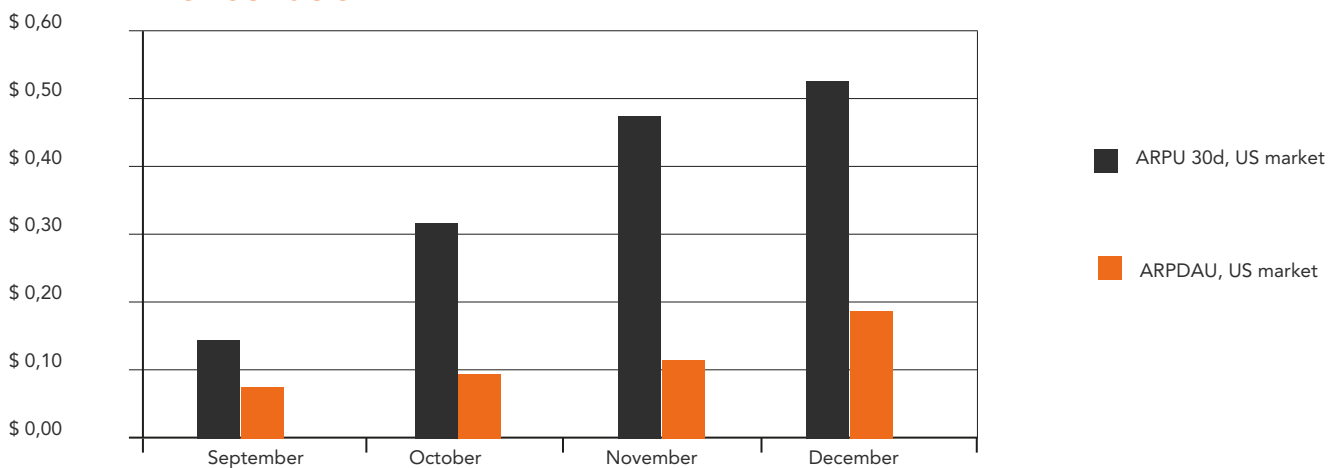
First self-published game “Medals of War” was launched in September, after initial market tests. The development of the game’s performance is measured with several metrics.

- User Acquisition Cost is measured through **eCPI** (effective Cost Per Install), which describes the average cost of a single new user installing the game over a period of 1 month.
- The Monetization of the game is measured with **ARPU** (Average Revenue Per User) and **ARPDau** (Average Revenue Per Daily Active User). ARPU is used to measure how much revenue can be expected from each player over a period of 30 days and ARPDau is used to measure how any changes made in the game, e.g. engagement campaigns, are affecting the monetization performance.
- The amount of players who are paying customers is measured with **Conversion %**. This metric describes what percentage of new players make purchases in the game.

User Acquisition Cost

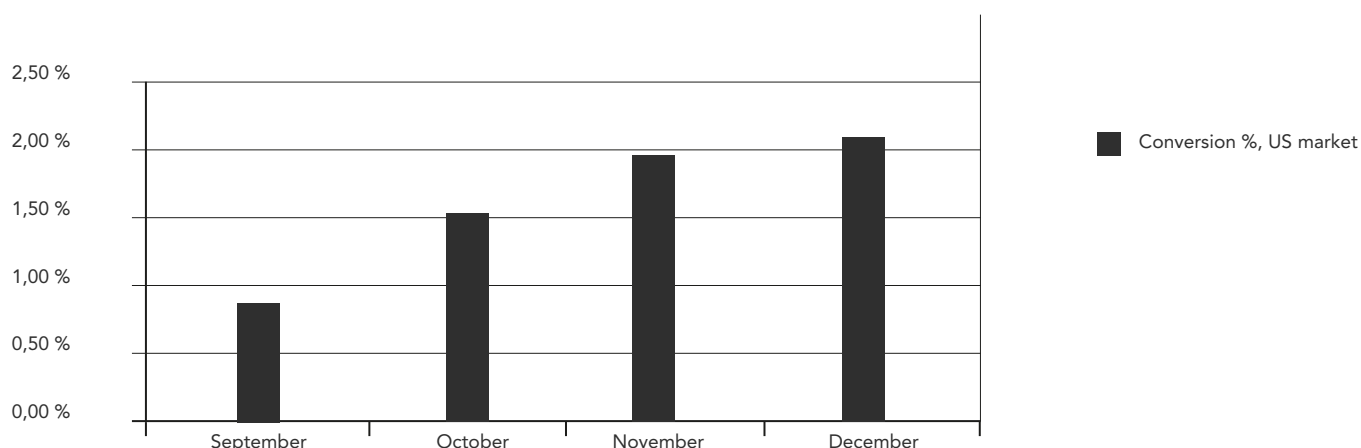


Monetization





Conversion to paying customer



Cash Flow and Financial Position

Net cash from operating activities was -2,177,987.79 EUR (-452,821.01 EUR in 2016 for corresponding period). Net cash used in financing activities was 4,477,071.67 EUR (480,929.91 EUR).

Cash and cash equivalents at the end of interim period were 2,367,538.05 EUR.

Investments and Depreciation

The investments in games in production were expensed as costs. No capitalization of development costs was done during the interim period.

Depreciations were done according to the depreciation plan, consisting mostly of previously capitalized development costs. Depreciations amounted to a total of 671,836.54 EUR for the interim period.

Employees

The number of employees on December 31, 2017 was 36.

Market

The global games market is estimated to be a \$106.5 Bn business in 2017. Mobile games are expected to generate \$42.5 Bn in revenues, representing 40% of the global games market. There is estimated to be 2.6 billion smartphone users in 2017. This data according to Newzoo speaks of big volumes with substantial growth (+6,6% CAGR 2015-2019).

Nitro Games' strategy is to carve out a market share of this global mobile games market with its focus on free-to-play games in mid-core category. By offering high quality products to a defined target audience the company can focus on growing its own business despite the competition.



Related Party Transactions

There were no significant related party transactions during the third quarter.

The Share and Shareholders

Nitro Games' shares are traded on Nasdaq First North Stockholm since June 16, 2017.
Closing price as of December 29 was 57,50 SEK.

The largest shareholders as of December 29, 2017 were:

Shareholders	Number of shares	% of shares and votes
Jacob Ehrnrooth	408,740	17.55
Savox Investments S.A ¹	342,047	14.68
Swedbank Robur Fonder Ab	225,000	9.66
Feat Invest Ab ²	159,510	6.85
Antti Villanen	129,254	5.55
Ajoranta Group Ab ³	117,103	5.03
Luxus Micro Cap S.A ⁴	91,375	3.92
Avanza Pension försäkring Ab	91,173	3.91
Jussi Tähtinen	71,535	3.07
Carl Johan Biehl	60,538	2.60
Others	633,053	27.18
The total numbers of shares	2,329,328	100.00

¹ Savox Investments S.A is controlled by Jacob Ehrnrooth with family.

² Feat Invest Ab is controlled by Johan Biehl

³ Ajoranta Group Ab is controlled to 100% by CFO Matti Nikkola

⁴ Luxus Micro Cap S.A is controlled by Juhani Taskinen

The total number of shares as of December 29 is 2,329,328.



Accounting and Valuation Principles

The Company prepares its financial statements in accordance with the Finnish Accounting Act (31.12.1997/1336, as amended), Finnish Accounting Ordinance (31.12.1997/1337, as amended), and instructions and statements of the Accounting Board operating under the Ministry of Employment and the Economy (the "Finnish Accounting Standards", "FAS"). In applicable cases The Company capitalizes the expenses used for development of products and technology, including personnel costs and procurement, subtracted with subsidies and grants received for these, to the extent that they are expected to generate economic benefits in the future. Amortization and depreciation for intangible and tangible assets are calculated by using the estimated useful life of the asset. For tangible assets depreciation according to plan starts during the calendar month when the commodity was taken into use and for intangible assets when revenue starts to accrue from the development work, typically during the year after the development work.

The Company's capitalized development costs are amortized over a five (5) year period on a straight-line basis. For machines and equipment a 25 % expenditure residue depreciation is made yearly.

Review

This report has not been reviewed by the company's auditors.

Certified Adviser

Nitro Games' Certified Adviser is Augment Partners AB, phone: +46 8 505 651 72.

Investor Contact

The latest information on the company is published on the company's website www.nitrogames.com/investors. The company can be contacted by email jussi@nitrogames.com, or by phone +358 44 388 1071.

Financial Calendar

Interim Report, Jan-Mar 2018, 20 April 2018

Annual Report, 2017, 23 April 2018, to be published on the company's website and made available at company headquarters at Juha Vainion katu 2, 48100 Kotka, Finland.

Annual General Meeting 2018, 27 April 2018

Proposed Allocation of Profit

The Annual General Meeting of Nitro Games Oyj will be held on 27 April 2018. The Board of Directors proposes to the Annual General Meeting that the loss for the financial year (EUR -3,341,181.95) be transferred to the profit/loss account of previous periods and no dividend be distributed.



Note

This company announcement contains information that Nitro Games Oyj is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication by contact person mentioned below on 12 February 2018 at 09:00 (EET).

For further information, please contact:

Jussi Tähtinen, CEO

+358 44 388 1071

jussi@nitrogames.com

Sverker Littorin, Board member

+46 70 875 53 09

sverker.littorin@momentor.se

Board Declaration

The Board of Directors and the Chief Executive Officer hereby certify that this Interim Report gives a true and fair view of the company's and the group's operations, financial position and results of operations, and describes significant risks and uncertainties faced by the company and the companies in the group.

Kotka, Finland, February 12 2018

Antti Villanen, Chairman

Jacob Ehrnrooth

Ilkka Lassila

Sverker Littorin

Juhani Taskinen

Petri Tolmunen

Jussi Tähtinen, CEO



Income Statement, Group

These unaudited financial statements report for the period 1.1.–31.12.2017 have been prepared according to Finnish Accounting Standards (FAS) and Nasdaq First North marketplace rules and regulations.

EUR thousand	Oct - Dec 2017	Oct - Dec 2016	Full year 2017	Full year 2016
	Unaudited	Unaudited	Unaudited	Audited
Revenue	517.0	68.8	1,716.1	827.9
Other operating income	4.5	3.2	75.3	14.3
Change in finished goods and working in progress	-625.0		-625.0	
Raw materials and services	-316.6	-9.1	-708.2	-57.8
Personnel expenses	-465.0	-198.6	-1,281.9	-900.2
Depreciation and reduction in value	-156.6	-276.0	-671.8	-659.1
Other operating charges	-576.0	-121.4	-1,664.3	-458.5
Operating profit (-loss)	-1,617.7	-533.1	-3,159.8	-1,233.4
Financial income and expenses	-62.4	-238.7	-181.4	-249.2
Profit before taxes and appropriations	-1,680.1	-771.8	-3,341.2	-1,482.6
Appropriations and taxes	0	0	0	0
Financial statement transfers in total	0	0	0	0
Profit (loss) for the fiscal year	-1,680.1	-771.8	-3,341.2	-1,482.6



Balance Sheet, Group

EUR thousand	Dec 31 2017	Dec 31 2016
	Unaudited	Audited
Assets		
Non-current assets		
Intangible assets	1,555.1	2,226.3
Tangible assets	2.3	3.0
Investments	0.0	2.9
Total Non-current assets	1,557.4	2,232.2
Current assets		
Inventories	0.0	625.0
Receivables		
Long-term debtors	16.6	0.0
Short-term debtors	355.5	45.1
Total receivables	372.1	45.1
Cash in hand and at banks	2,367.5	64.4
Total Current assets	2,739.6	734.5
Assets in total	4,297.0	2,966.7
Liabilities		
Capital and reserves		
Share capital	80.0	2.5
Reserve for invested non-restricted capital	11,114.3	5,862.2
Profit (loss) for previous fiscal years	-4,605.1	-3,122.5
Profit (loss) for the fiscal year	-3,341.1	-1,482.6
Total Capital and Reserves	3,248.0	1,259.6
Creditors		
Long-term liabilities		
Convertible debentures	0.0	0.0
Loans from credit institutions	228.9	335.1
Other creditors	447.0	448.1
Total Long-term liabilities	675.9	783.2
Creditors Short-term		
Convertible debentures	0.0	0.0
Loans from credit institutions	102.7	75.2
Accounts payable	67.3	51.6
Other creditors	24.4	483.5
Accruals and deferred income	178.7	313.7
Total Creditors Short-term	373.1	924.0
Total Creditors	1,049.0	1,707.2
Liabilities in total	4,297.0	2,966.7



Cash Flow Statement, Group

EUR (thousand)	Oct-Dec 2017	Oct-Dec 2016	Full year 2017	Full year 2016
Cash flows from operating activities:				
Net profit (loss) before taxation and extraordinary items (+/-)	-1.680.0	-771.8	-3,341.2	-1,482.6
Adjustments for:	0.0	0.0	0.0	0.0
Depreciation according to plan	156.6	275.9	671.8	659.1
Unrealised foreign exchange wins and losses (+/-)	0	0	0	0
Other non-cash items (+/-)	0	0	0	0
Financial income and expenses (+/-)	62.4	238.7	181.4	249.1
Other adjustments (+/-)	0.0	0.0	0.0	0.0
Operating profit before working capital changes	-1,460.98	-257.2	-2,487.9	-574.3
Working capital changes:	0.0	0.0	0.0	0.0
Increase (-) or decrease (+) in trade and other receivables	574.2	-77.2	327.4	0.7
Increase (-) or decrease (+) in inventories	0	0	0	0
Increase (+) or decrease (-) in trade payables	27.5	196.5	-17.5	98.7
Cash generated from operations	-859.3	-137.9	-2,177.9	-474.9
Cash flow before extraordinary items	-859.3	-137.9	-2,177.9	-474.9
Cash flow from extraordinary items (+/-)	0.0	0.0	0.0	22.1
Net cash from operating activities (A)	-859.3	-137.9	-2,177.9	-452.8
Cash flows from investing activities:				
Net cash from investing activities (B)	0.0	0.0	0.0	0.0
Cash flows from financing activities:				
Proceeds from issuance of share capital	2,614.6	2,038.2	5,252.1	2,038.2
Purchase of own shares (-)	0	0	0	0
Proceeds from sale of own shares	0	0	0	0
Proceeds from short-term borrowings	0.0	75.00	636.1	505.8
Preceeds from short-term receivables	0	0	0	0
Repayment of short-term borrowings (-)	-27.5	-1,198.6	-1,077.9	-1,277.6
Proceeds from long-term borrowings	0	0	0	0
Repayment of long-term borrowings (-)	-51.6	-663.9	-103.2	-699.3
Intrest paid and contributions from financial expenses (-)	0.0	-286.3	-286.6	-298.9
Dividends (-)	0.0	0.0	0.0	0.0
Taxes	19.3	-1.0	60.7	12.7
Net cash from financing activities (C)	2,554.8	-36.7	4,481.1	480.9
Net increase/decrease in cash and cash equivalents (A + B + C)	1,695.5	-174.6	2,303.2	28.1
Cash and cash equivalents at beginning of period	672.0	36.8	64.4	36.3
Cash and cash equivalents at end of period	2,367.5	-137.7	2,367.5	64.4



Statement of Equity Changes

A summary report showing changes in equity during the financial half-yearly period, including comparative figures for the same period during the previous financial year.

EUR thousand	Share capital	Invested unrestricted equity reserve	Retained earnings (loss)	Profit (loss) for the financial year	Total equity
Equity 1 Oct 2017	80	8,500	-4,605	-1,661	2,341
Shares issued		2,615			2,615
Profit(loss) for the financial year				-1,680	-1,680
Equity 31 Dec 2017	80	11,114	-4,605	-3,341	3,248
Equity 1 Oct 2016	3	3,824	3,123	-722	-8
Shares issued		2,038			
Profit(loss) for the financial year				-772	-772
Equity 30 Dec 2017	3	5,862	-3,123	-1,483	1,260
Equity 1 Jan 2017	3	5,862	-4,605		1,260
Share capital increase	78	-78			0
Shares issued		5,330			5,330
Profit(loss) for the financial year				-3,341	-3,341
Equity 30 Dec 2017	80	11,114	-4,605	-3,341	3,248
Equity 1 Jan 2016	3	3,824	-3,123		704
Shares issued		2,038			2,038
Profit(loss) for the financial year				-1,483	-1,483
Equity 31 dec 2016	3	5,862	-3,123	-1,483	1,260



Nitro Games Oyj
www.nitrogames.com/investors

Kotka office:
Juha Vainion katu 2
48100 Kotka
Finland

Helsinki office:
Salomonkatu 17 D, 2nd floor
00100 Helsinki
Finland

VAT: FI21348196

