

TURNING A MOBILE GAME
FROM HIGHWAY TO HELL
INTO STAIRWAY TO HEAVEN

Sept 2017
Juha Tahvanainen
Nitro Games Plc



Interim Report

JANUARY - SEPTEMBER 2017 / NITRO GAMES OYJ





The Interim Period Jan – Sep 2017

- Revenues January - September increased by 58% to 1,199.1 KEUR (759.1 KEUR on corresponding period 2016).
- EBITDA amounted to -1,026.9 KEUR (corresponding period 2016: -317.1 KEUR).
- EBIT: Operating result before financial items amounted to -1,542.1 KEUR (-700.2 KEUR).
- Net profit: The net result for the period amounted to -1,661.1 KEUR (-710.7 KEUR).
- As of September 30, cash and cash equivalents amounted to 672.0 KEUR.

July – September 2017

- Revenues (July - September) increased by 176 % to 411.1 KEUR (149.2 KEUR on corresponding period 2016).
- EBITDA amounted to -406.0 KEUR (corresponding period 2016 (-207.5 KEUR).
- EBIT: Operating result before financial items amounted to -561.3 KEUR (-335.2 KEUR).
- Net profit: The net result for the period amounted to -564.8 KEUR (-338.8 KEUR).

Significant Events during the Interim Period

- Nitro Games ("Nitro Games" or the "Company") received a positive decision from Tekes to receive funding for the further development of the NG Platform.
- First self-published mobile game Medals of War was launched in 77 countries on September 19.
- Medals of War was featured by Apple in 18 countries, including United States in end of September.
- Nitro Games signed a Term sheet with Netmarble about introducing Medals of War to Arabic and Turkish speaking audiences.

Significant Events after the Interim Period

- Nitro Games signed 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 signed amendment with Wargaming, resulting in approximately 0.4 MEUR increased revenue.



Strong Growth continued

"We continued strong execution of our new strategy during Q3:

1. We continued our transition to self-publishing by launching Medals of War in 77 countries on iOS.
2. We continued our business where we offer our services to 3rd parties, which continued being the main revenue source for us.
3. We continued working on our key USP's NG Platform and NG MVP-process to enable future launches from our portfolio.

With this solid progress we're confident moving forward towards the end of 2017.", 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

	Jul - Sep 2017	Jul - Sep 2016	Jan - Sep 2017	Jan - Sep 2016	Full year 2016
	Unaudited	Unaudited	Unaudited	Unaudited	Audited
Revenue (EUR thousand)	411.1	149.2	1,199.1	759.1	827.9
Operating profit (loss) (EUR thousand)	-561.3	-335.2	-1,542.1	-700.3	-1,233.4
Operating margin (%)	-136.5 %	-224.6 %	-128.6 %	-92.2 %	149.0 %
EBITDA (EUR thousand)	-406.0	-207.5	-1,026.9	-317.1	-574.3
EBITDA margin (%)	-98.8 %	-139.0 %	-85.6 %	-41.8 %	-69.0 %
Net profit (loss) (EUR thousand)	-564.8	-338.8	-1,661.1	-710.7	-1,482.6
Cash flow generated from operations (EUR thousand)	-515.1	-68.6	-1,318.7	-337.1	-474.9
Equity to assets ratio (%)	86.9 %	122.1 %	70.0 %	-0.2 %	42.0 %
Average number of shares ²	1,829.328	481.959	1,179.853	481.959	580.187
Number of Share end of Period	1,829.328	481.959	1,829.328	481.959	580.187
Number of Share options ³	115.500		115.500		
Equity per share (EUR)	1.3	0.0	1.3	0.0	2.2
Earnings per share (EUR) before dilution	-0.3	-0.7	-0.9	-1.5	-2.6
Earnings per share (EUR) after dilution	-0.3		-0.9		
Net debt (EUR thousand)	453.3	55.4	320.6	3,153.8	1.642.8
Number of employees	29	20	29	20	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

A strong execution of strategy

We are moving forward with execution of our strategy, that consists of two key operations: 1) Self-publishing a portfolio of mobile games, based on our own IPs and 2) Offering our development services to other companies in the industry. During the third quarter we have had good progress on both tracks.

We released "Medals of War" in 77 countries on Apple iPhone and iPad in the end of September. Our launch was supported by visibility in the Apple App Store through featuring in 18 countries, including United States. We also gained a user review score average of 4,5 / 5 stars. This means that we have had a good start for the game in the western markets. The western markets are our focus geos for self-publishing our new portfolio. Our goal is to enter other markets through territorial partners with strong expertise on those markets. We signed a term sheet, and later in October, the agreement, with Netmarble EMEA for introducing Medals of War to Turkish and Arabic speaking audiences. Netmarble also has a right of first refusal for Medals of War in Asian markets.

We have three key pillars in our operations: Portfolio approach, our proprietary technology NG Platform and our MVP-process. We have a very specific focus with our portfolio, as we are building real-time multiplayer games for the mid-core category on mobile with free-to-play business model. During the third quarter, we've continued working with our MVP-process to enable future launches from our portfolio, following Medals of War. Our goal is to launch two games yearly. We utilize our MVP-process in market testing several games at very early stages of development. We benchmark the MVP games against each other, as well as against our previous games and industry standard data. This is how we developed Medals of War. This approach is supported and made possible by our technology NG Platform. We are also receiving R&D support from Tekes to further develop our platform.

During Q3 on the service side of business, we were focused in a mobile game production we are developing with Wargaming. After the interim period we announced we have agreed on a project scope increase with Wargaming on this project, resulting in approximately 0.4 MEUR increased revenue for us.

During 2017 we've seen an increase in revenues. Compared to 1-9 / 2016, our revenues increased 58% from 759 KEUR to 1 199 KEUR. During the Q3, the revenues were 411 KEUR compared to 149 KEUR in 2016 (176 % increase).

Third quarter wasn't solely about working hard though. In September we celebrated our 10 years anniversary. I'm very proud to be part of this team that's come a long way from the beginning. We're now stronger than ever and looking forwards to another decade of awesomeness!

A portrait of Jussi Tähtinen, CEO and Co-Founder, with a beard and short hair, wearing a dark blue button-down shirt with a yellow 'X' logo on the chest. He has his arms crossed and is wearing a black watch. The background is a solid grey.

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We are moving forward with execution of our strategy, that consists of two key operations:

1) Self-publishing a portfolio of mobile games, based on our own IPs and

2) Offering our development services to other companies in the industry.

During the third quarter we have had good progress on both tracks.

Jussi Tähtinen
CEO, Co-Founder



A COMMENT FROM **CEO**
Jussi Tähtinen



Significant Events during the Interim Period

Nitro Games received a positive decision from Tekes to receive funding for the further development of the NG Platform. The work on this project started in July and continues after the interim period. The positive decision on funding from Tekes is maximum of 83 500 EUR of de minimis –based support. The funding covers maximum of 50% of the approved total costs. Tekes has approved the total cost estimate of 167 054 EUR for this project.

First self-published mobile game Medals of War was launched in 77 countries on September 19. The game was featured by Apple in 18 countries, including United States. Nitro Games signed a Term sheet with Netmarble about introducing Medals of War to Arabic and Turkish speaking audiences.

Mobile game production with Wargaming continued during the interim period. At the same time the company continued working with other un-announced game projects according to the Nitro Games' MVP process.

Significant Events after the Interim Period

Nitro Games signed 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. 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 Ehrnrooth.

Nitro Games signed amendment with Wargaming, resulting in approximately 0.4 MEUR increased revenue. Wargaming requested additional features to be introduced into the product, so the parties agreed to increase the development budget and change the schedule and payment terms accordingly.

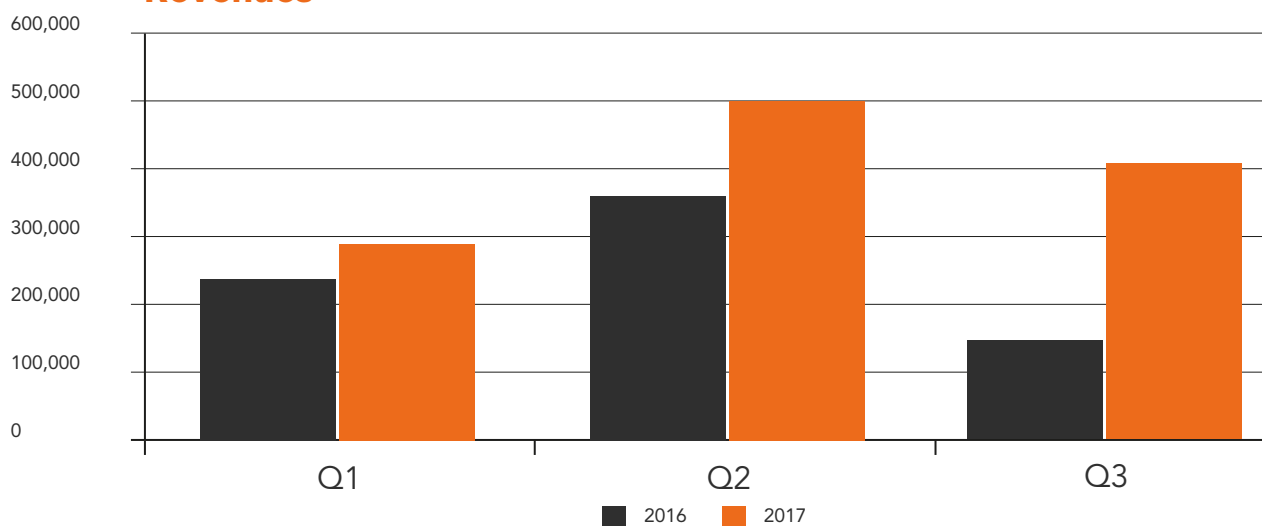


Revenues & Profit / Loss

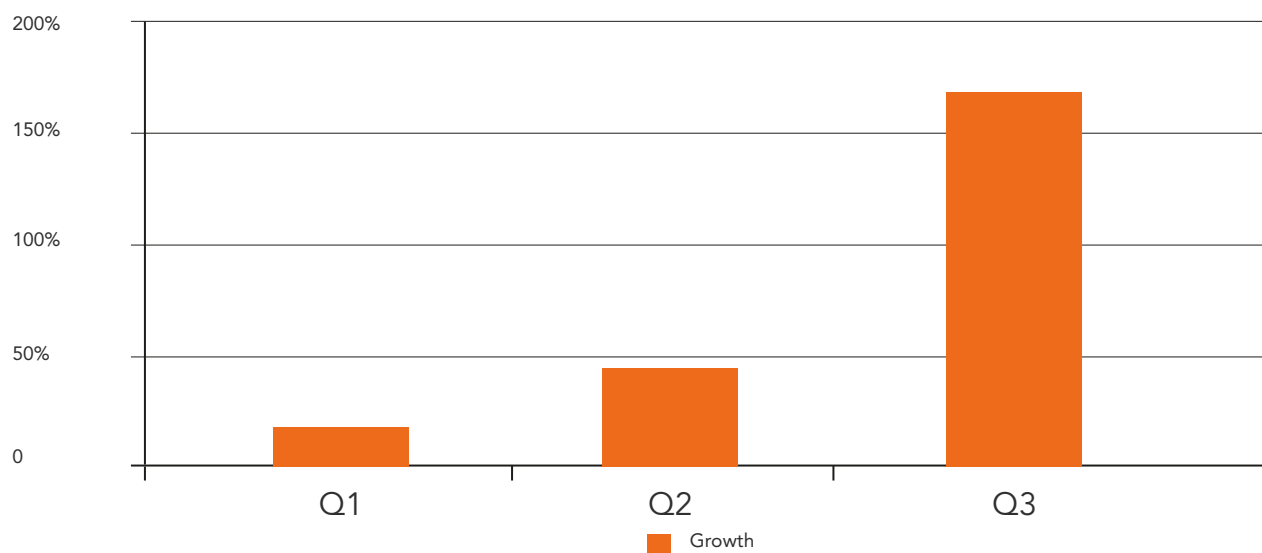
Revenues during the interim period were 1,199,053.12 EUR (corresponding period 2016: 759,100.98 EUR), which is an increase of 58 % compared to the corresponding period 2016. The Revenues came mainly from the service business as the company focused on development of it's own IP and Medals of War was launched in the end of interim period on September 19.

EBITDA amounted to -1,026,932.84 EUR (corresponding period 2016: -317,137.03 EUR).
Operating result before financial items amounted to -1,542,127.38 EUR (-700,262.26 EUR).
The net result for the period amounted to -1,661,130.23 EUR (-710,724.44 EUR).

Revenues



Revenue growth, compared to corresponding period previous year





Cash Flow and Financial Position

Net cash from operating activities was -1,318,683.39 EUR (-314,971.11 EUR in 2016 for corresponding period).

Net cash used in financing activities was 1,926,312.06 EUR (315,539.85 EUR).

Cash and cash equivalents at the end of interim period were 672,007.69 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 -515,194.66 EUR for the interim period.

Employees

The number of employees on September 30, 2017 was 29.

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 it's 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 it's 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 September 29 was 40,30 SEK.

The largest shareholders as of September 15, 2017 were:

Shareholders	Number of shares	% of shares and votes
Jacob Ehrnrooth	368,740	20.16
Savox Investments S.A ¹	302,047	16.51
Antti Villanen	129,254	7.07
Ajoranta Group AB ²	117,103	6.40
Luxus Micro Cap S.A	91,375	5.00
Jussi Tähtinen	71,535	3.91
Avanza Pension försäkring Ab	62,327	3.41
Petri Tolmunen	56,627	3.10
Matti Nikkola	55,491	3.03
Nordnet Pension försäkring Ab	52,150	2.85
Others Shareholders	522,679	28.57
The total numbers of shares	1,829,328	100.00

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

² Ajoranta Group Ab is controlled to 100% by CFO Matti Nikkola.

The total number of shares as of September 30 is 1,829,328.



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-Dec 2017, 12 February 2018

Annual Report, 2017, 23 April 2018

Annual General Meeting 2018, 27 April 2018

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 30 October 2017 at 09:00 (EEST).



For further information, please contact:

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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, October 30 2017

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.-30.9.2017 have been prepared according to Finnish Accounting Standards (FAS) and Nasdaq First North marketplace rules and regulations.

EUR thousand	Jul - Sep 2017	Jul - Sep 2016	Jan - Sep 2017	Jan - Sep 2016	Full year 2016
	Unaudited	Unaudited	Unaudited	Unaudited	Audited
Revenue	411.1	149.2	1,199.1	759.1	827.9
Other operating income	63.7	4.1	70.8	11.1	14.3
Raw materials and services	-232.6	-19.6	-391.6	-48.6	-57.8
Personnel expenses	-276.3	-244.4	-816.9	-701.6	-900.2
Depreciation and reduction in value	-155.3	-127.7	-515.2	-383.1	-659.1
Other operating charges	-371.9	-96.8	-1,088.3	-337.1	-458.5
Operating profit (-loss)	-561.3	-335.2	-1,542.1	-700.2	-1,233.4
Financial income and expenses	-3.5	-3.6	-119.0	-10.5	-249.2
Profit before taxes and appropriations	-564.8	-338.8	-1,661.1	-710.7	-1,482.6
Appropriations and taxes	0.0	0.0	0.0	0.0	0.0
Financial statement transfers in total	0.0	0.0	0.0	0.0	0.0
Profit (loss) for the fiscal year	-564.8	-338.8	-1,661.1	-710.7	-1,482.6



Balance Sheet, Group

EUR thousand	Sep 30 2017	Sep 30 2016	Dec 2016
	Unaudited	Unaudited	Audited
Assets			
Non-current assets			
Intangible assets	1,711.6	2,502.0	2,226.3
Tangible assets	2.5	3.3	3.0
Investments	0.0	2.9	2.9
Total Non-current assets	1,714.1	2,508.2	2,232.2
Current assets			
Inventories	625.0	625.0	625.0
Receivables	0.0	0.0	0.0
Long-term debtors	11.7	0.0	0.0
Short-term debtors	283.2	13.8	45.1
Total receivables	294.9	13.8	45.1
Cash in hand and at banks	672.0	36.8	64.4
Total Current assets	1,591.9	675.6	734.5
Assets in total	3,305.9	3,183.8	2,966.7
Liabilities			
Capital and reserves			
Share capital	80.0	2.5	2.5
Reserve for invested non-restricted capital	8,499.6	3,823.9	5,862.2
Profit (loss) for previous fiscal years	-4,605.1	-3,122.5	-3,122.5
Profit (loss) for the fiscal year	-1,661.1	-710.7	-1,482.6
Total Capital and Reserves	2,313.4	-6.8	1,259.6
Creditors			
Long-term liabilities			
Convertible debentures	0.0	554.1	0.0
Loans from credit institutions	283.4	151.2	335.1
Other creditors	448.2	448.0	448.1
Total Long-term liabilities	731.6	1,153.3	783.2
Creditors Short-term			
Convertible debentures	0.0	600.0	0.0
Loans from credit institutions	75.2	64.4	75.2
Accounts payable	86.8	20.2	51.6
Other creditors	-23.9	996.3	483.5
Accruals and deferred income	122.9	356.4	313.7
Total Creditors Short-term	261.0	2,037.3	924.0
Total Creditors	992.6	3,190.7	1,707.2
Liabilities in total	3,305.9	3,183.9	2,966.7



Cash Flow Statement, Group

EUR (thousand)	Jul - Sep 2017	Jul - Sep 2016	Jan - Sep 2017	Jan - Sep 2016	Full year 2016
Cash flows from operating activities:					
Net profit (loss) before taxation. and extraordinary items (+/-)	-564.8	-338.8	-1,661.1	-710.7	-1,482.6
Adjustments for:	0.0	0.0	0.0	0.0	0.0
Depreciation according to plan	155.3	127.7	515.2	383.1	659.1
Unrealised foreign exchange wins and losses (+/-)	0.0	0.0	0.0	0.0	0.0
Other non-cash items (+/-)	0.0	0.0	0.0	0.0	0.0
Financial income and expenses (+/-)	3.5	3.5	119.0	10.5	249.1
Other adjustments (+/-)	0.0	0.0	0.0	0.0	0.0
Operating profit before working capital changes	-406.0	-207.5	-1,026.9	-317.1	-574.3
Working capital changes:	0.0	0.0	0.0	0.0	0.0
Increase (-) or decrease (+) in trade and other receivables	-7.8	182.1	-246.7	77.8	0.7
Increase (-) or decrease (+) in inventories	0.0	0.0	0.0	0.0	0.0
Increase (+) or decrease (-) in trade payables	-101.2	-43.2	-45.0	-97.8	98.7
Cash generated from operations	-515.0	-68.6	-1,318.7	-337.1	-474.9
Cash flow before extraordinary items	-515.0	-68.6	-1,318.7	-337.1	-474.9
Cash flow from extraordinary items (+/-)	0.0	0.0	0.0	22.1	22.1
Net cash from operating activities (A)	-515.0	-68.6	-1 318.7	-315.0	-452.8
Cash flows from investing activities:					
Net cash from investing activities (B)	0.0	0.0	0.0	0.0	0.0
Cash flows from financing activities:					
Proceeds from issuance of share capital	0.0	0.0	2,637.5	0.0	2,038.2
Purchase of own shares (-)	0.0	0.0	0.0	0.0	0.0
Proceeds from sale of own shares	0.0	0.0	0.0	0.0	0.0
Proceeds from short-term borrowings	0.0	135.2	636.1	430.9	505.9
Preceeds from short-term receivables	0.0	0.0	0.0	0.0	0.0
Repayment of short-term borrowings (-)	0.0	-35.0	-1,050.4	-79.0	-1,277.6
Proceeds from long-term borrowings	0.0	0.0	0.0	0.0	0.0
Repayment of long-term borrowings (-)	-23.5	-25.2	-51.6	-35.3	-699.3
Intrest paid and contributions from financial expenses (-)	-2.7	-7.2	-286.6	-12.6	-299.0
Dividends (-)	0.0	0.0	0.0	0.0	0.0
Taxes	3.2	-5.2	41.4	11.6	12.7
Net cash from financing activities (C)	-23.1	62.6	1,926.3	315.5	480.9
Net increase/decrease in cash and cash equivalents (A + B + C)	-538.1	-6.0	607.6	0.6	28.1
Cash and cash equivalents at beginning of period	1,210.1	42.8	64.4	36.3	36.3
Cash and cash equivalents at end of period	672.0	36.8	672.0	36.8	64.4



Change in Equity, Group

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 Jul 2017	80	8,500	-4,605	-1,096	2,879
Share capital increase					
Shares issued					
Profit(loss) for the financial year				-565	-565
Equity 30 Sep 2017	80	8,500	-4,605	-1,661	2,314
Equity 1 Jul 2016	3	3,824	-3,123	-372	331
Shares issued					
Profit(loss) for the financial year				-338	-338
Equity 30 Sep 2016	3	3,824	-3,123	-710	-7
Equity 1 Jan 2017	3	5,862	-4,605		1,260
Share capital increase	78	-78			0
Shares issued		2,715			2,715
Profit(loss) for the financial year				-1,661	-1,661
Equity 30 Sep 2017	80	8,500	-4,605	-1,661	2,314
Equity 1 Jan 2016	3	3,824	-3,123		704
Shares issued					
Profit(loss) for the financial year				-710	-710
Equity 30 Sep 2016	3	3,824	-3,123	-710	-7
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



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