



ANNUAL REPORT 2018

NITRO GAMES OYJ





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Year 2018



Highlights

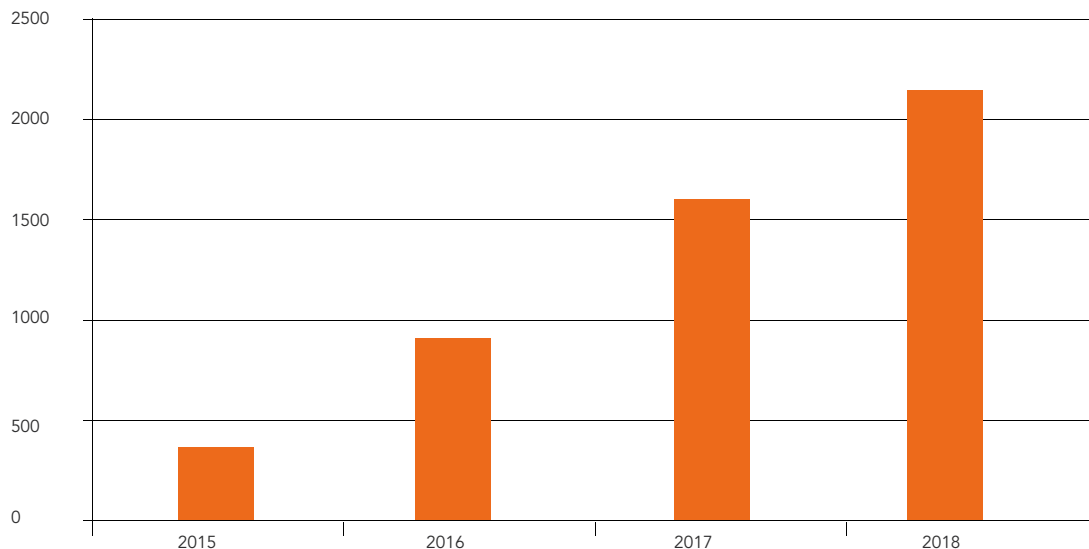
- Continued business expansion to Self-publishing
- Continued the launch of first self-published game Medals of War with new platforms and territories
- Expanded game portfolio with the launch of second self-published game Heroes of Warland
- Co-operation with Wargaming on mobile game production



Facts and Key Figures

Revenue

Thousand EUR



Note: 2015 figure is adjusted revenue (deducted changes in finished goods and work in progress)

- Revenue increased by 29 %
- 4 consecutive years of increasing revenue

2 Studios in Finland



Kotka office
Juha Vainion Katu 2
48100 Kotka Finland



Helsinki office
Kaisaniemenkatu 2b
00100 Helsinki

New Game portfolio



Full game portfolio available on company website at: <https://www.nitrogames.com/games/>

Share price development

During the financial year 2018, the share price on the First North Sweden marketplace varied between SEK 37.30 and SEK 78.80. The closing price on December 28, 2018 was SEK 39.80.





"Overall 2018 was an active but also challenging year for Nitro Games. Our revenue continued to grow, but we also accumulated losses as we invested in expanding our portfolio of games and our capabilities in self-publishing.

The year concluded in the launch of our new game Heroes of Warland, which did not yet meet our expectations in full. We have learned from this, and are now applying these learnings into our operations through cost savings with a new stronger team structure, and a solid road-map for 2019.

We are expecting these changes to help us achieve positive results in 2019 as we are seeking to continue building shareholder value. "

Jussi Tähtinen
CEO, Co-Founder



 A COMMENT FROM **CEO**
Jussi Tähtinen



A Word from Jussi Tähtinen, CEO

Active year with new game releases

We continued the execution of our strategy in 2018. Our strategy, established in 2017, 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. Our goal is to build shareholder value by seeking growth through these two key operations. We achieved solid progress on both operations during 2018.

Our focus is on making mobile games for the mid-core audience. By mid-core audience we essentially mean developing “games for gamers” who play games as a hobby. We develop our games with a free-to-play business model, which means that we’re operating games as a service and analyzing the data from our games to achieve a long lifetime for our games by providing our players with a constantly updating and improving service. Generally, the lifetime of the games in this category can be up to 5 years.

In our self-publishing business, we are developing a portfolio of games. Our first self-published game, Medals of War, was published in 2017. During 2018, we expanded the game to new platforms and territories. Our new game, Heroes of Warland, was released at the end of 2018. Heroes of Warland is a new type of team-based multiplayer game, that expands our target audience towards esports players. We are doing marketing for the game together with professional esports players. This allows us to develop the game long-term, as we increase the playerbase while we are further developing the game with our players. We believe the popularity of team-based gameplay to increase in the mobile games market, resulting in promising growth opportunities for the company.

In our service business, we continued our cooperation with Wargaming. In this project we developed a mobile game for Wargaming and received revenue based on our development efforts. We completed this project in the end of 2018. We signed a new agreement with Wargaming at the beginning of 2019 and secured the publishing rights to the game Runegate Heroes, which was developed in this project. Our goal is to continue our service business in 2019 with new projects.

During 2018, our team grew in terms of headcount, expertise and capabilities. We increased our headcount to 51 to support the Wargaming project in the service business as well as the development of our game portfolio and the self-publishing business. We have two studios in Finland, in Kotka and in Helsinki.



Our revenue has grown for four consecutive years now. Our revenues in 2018 were 2,2 million EUR, which is an increase of 29% compared to 2017. We invested in building our portfolio, team and our self-publishing capabilities during the 2018. This reflects in increased costs and resulting losses for the year 2018. We have started to streamline our cost structure at the beginning of 2019 to ensure we have a sustainable base for building our future. Moving forward, the revenues can be volatile as we are further developing our portfolio and seeking new opportunities for service business. We expect this to stabilize in the future as we seek scalability in revenues from self-publishing and expect to start new projects in service business.

The company raised SEK 62 million in new cash to the company through two share issues in 2018. This supports the development of the self-publishing business.

Overall 2018 was a challenging year for Nitro Games. We achieved a lot during the year, but we are not pleased with our achievements at the end of the year. We have learned from this, and are now applying these learnings into our operations through cost savings with a new stronger team structure, and a solid roadmap for 2019. We are expecting growth to continue as a result of this in 2019 and are looking forward to building shareholder value.



Jussi Tähtinen
CEO, Co-Founder

A red Easter egg is nestled in green grass. It features a white outline of the European Union flag (a circle of twelve stars) and the text "Leveraging the EU" in white. There are also some black ink markings on the egg, including a large 'X' and some scribbles.

Strategy and Business Model

GAMING ON THE GO!

Market

Nitro Games operates in the global games market as a developer and publisher of mobile games. Historically, the Company has operated in a variety of market segments, including PC and console games as well as mobile games. Nitro Games now focuses on operating in the mobile games market.

2018 global games market was estimated \$134,9 billion in revenues, Mobile gaming was the largest segment in 2018, totaling estimated \$63,2 billion and accounting for 47 % of the total global market. The majority of gamers in mobile segment are playing with smartphones. 2,4 billion people will play mobile games around the world in 2019.

According to industry research firm NewZoo, the global games market is expected to grow to more than \$174 billion in 2021. *Source: NewZoo 2019*

Strategy and Goals

The Company operates as a fast-moving developer and publisher in the mobile gaming market. The goal is to build up a portfolio of competitive synchronous real-time multiplayer games for the global mid-core market. By continuously prototyping and developing new games and experiences simultaneously, the Company will ensure that it always has a pipeline of games being developed for launch in the global market. This portfolio strategy also helps minimize the risks that characterize the industry while maximizing the potential. The Company recognizes that the true value in the long run is in its own gaming brands. Sustainable profitable growth can be achieved via self-publishing, hence the Company is focusing on self-publishing its own gaming brands.

The Company intends to pursue the following strategy:

- Develop and publish a portfolio of high quality free-to-play games and master user acquisition practices.
- Regularly update its best-performing games in order to keep the users engaged and keep monetizing in the long-term.
- Maximize cross-selling between the Company's games in order to achieve maximum revenue per user and savings in user acquisition costs.
- Protect, use and develop its portfolio of IPs from earlier games.
- Be on the frontline of upcoming genres in order to benefit from momentum in the market and therefore always have a good time to market.
- Utilize the proprietary technology, the NG Platform, combined with Nitro Games' MVP process, to gain a competitive edge over competitors.
- Undertake high-status, commercially viable, game development projects for other publishers as a risk mitigation tool.

The Company believes that with its current strategy it can carve out a persisting market share in the mobile games market. The goal of the Company is to become a household name in the mobile gaming market in the mid-core sector with a portfolio of games based on its own IP.

Future opportunities with the successful execution of the current strategy include acquisitions of companies and IP, 3rd-party publishing, leveraging own IP and brands in other entertainment sectors and leveraging the NG Platform technology.

Market Position and Customers

Nitro Games creates mobile games for the mid-core audience. This audience typically consists of users who play games as a hobby. Customers in this segment are often used to spending money for the games they play. The typical Nitro Games customer is a 30+-year-old male in the United States or in Europe. The Company focuses on creating mobile games, meaning users often play games with a smartphone. Since users have their smartphones with them almost all of the time, the nature of consuming these games is called "gaming on the go". This means that users typically play several short game sessions per day, in various locations.



Business Model

The Company has two business models to support its strategy:

1) Self-publishing a portfolio of mobile games, based on own IPs and 2) Offering development services to other companies in the industry as part of the Company's service business.

In self-publishing, Nitro Games seeks higher profit margins by self-publishing its games through key distribution channels. This means the company acts both as the developer and the publisher of its games and distributes its games digitally to consumers globally via app stores. The Company generates its revenue from in-game purchases as well as in-game advertising. To support self-publishing, the company may also co-operate with other game publishers in certain territories to ensure effective local market entry.



Nitro Games distributes its own games through a number of strong and established application stores. The Company focuses on the major stores Apple App Store and Google Play. Other stores (Huawei AppGallery, Samsung Galaxy Apps store, Amazon Appstore and Microsoft Windows Store) are acting as secondary distribution channels and selected case by case.

Through these stores, Nitro Games instantly reaches a global market. However, according to its strategy, the Company is focusing on so-called Western markets primarily (North America and Europe) with its self-publishing business. Other markets are to be addressed with publishing partners or self-published depending on game specific requirements.

In addition to distribution, the stores also take care of hosting the game client and processing payments from end users. The stores usually charge 30 percent of the revenue from each game, which should be compared to the cost of running and maintaining global distribution and payments services. Additionally, the stores may provide a source of organic traffic through the games' exposure on the top charts, search tools and occasional promotion of the best games. Nitro Games has historically been successful in achieving this type of visibility with its games.

Once in the market, the Company analyses users' behaviours in the game with its analytics engine, which is part of the NG Platform, and 3rd party tools. By constantly analysing the users' behaviours the Company is able to improve the existing games and its other games with the insights accrued. This makes it possible to develop and update the games regularly, making sure that the return on investments in user acquisition is maximised.

Games are digitally marketed, for example through Facebook marketing. Other means of marketing include in-app marketing as well as through various forms of social media. Engaging existing users via live operations and community activities plays a key role in increasing user retention. Moving forward, new games will be introduced to the portfolio, enabling marketing through cross-promotion to the Company's own user base.

The revenues in this model consist of in-app purchases and advertising revenue, as well as potential licensing fees and revenue share from distribution partners. In-app purchases consist of micro payments made by users to purchase digital goods. Advertising revenue consists of revenue earned from advertisements displayed within the Company's own games. Potential licensing fees and revenue share can be received from distribution partners who publish the games in selected territories. Possible additional revenues can come from eg. game related agreements, where company sells eg. Exclusivity times for release, licenses rights to auxiliary products. These type of agreements are determined on a per game basis.

In the service business, the Company offers its development services to third parties in the form of contracting work. This helps the Company minimize its risk in its self-publishing activities by providing additional revenue streams. Working with high commercial value projects with the largest companies in the industry also helps increase recognition of the Nitro Games brand.

Technology and Processes

The NG Platform is designed to minimize the amount of time and money required for a successful large-scale mobile game project. The approach, in a nutshell, is to maximize the reusability of the codebase and technology between projects, and to build a set of tools that support the products throughout their lifecycle.

Technically, the NG Platform is a cross-platform tool that works on a wide variety of platforms (mobile, browser, PC, smart TV's etc.) but currently the primary purpose of the NG Platform is mobile.

The Company uses the NG Platform in connection with the Nitro Games' MVP process. As the development and marketing costs for mobile games are increasing, the early identification of winners is becoming more important than before. Typically, working with a free-to-play business model means that the games have a continuous online connection and the games are highly data driven. The purpose of the MVP process is to ensure data driven development and self-publishing by going to a test market as early as possible.

In the MVP process, the focus is on first validating the core gameplay of a new game concept and the marketability of the game brand.

After the MVP process has provided the aforementioned satisfactory results, the selected titles go into actual production and a larger team starts working on them towards a launch. This means that the MVP process is a way of rapidly iterating in order to come up with a market-proven game concept as early as possible. The goal of this is to ensure that only games that have been validated by the market are produced. Not only does this help with reducing costs, but also reduces time to market, which is critical to the Company.

As the execution of the strategy progresses forward, each game project further develops both NG Platform – technology and the MVP-process. These combined with the cumulating knowhow in the team form a constantly developing and improving game development and publishing pipeline. This opens new business opportunities and ensures that investments to game projects are not lost, even if a single game project should fail commercially, because the technology and key assets can be reused either in own projects or when selling expertise to other companies in the service business.

In the end of 2018, NG Platform includes several “game engines” which can be used in different projects. These include eg. Shooter game engine, strategy game engine, open world engine, RPG engine etc. These game engines include the key technical modules for production of different type of games.

Games and Portfolio

First self-published game, Medals of War

The Company started the launch of Medals of War in 2017. Medals of War is the first game launch with the new strategy in which the Company seeks to self-publish its own games. Medals of War is a competitive real-time multiplayer game that is designed for the mid-core audience for short and frequent gameplay sessions. Players build their own armies and battle against other players online in short battles of a few-minutes in duration.

In 2018, the game was launched on Google Play store and in MEA region by Netmarble EMEA. Netmarble EMEA acts as the publisher for the game in the MEA region.

New self-published game, Heroes of Warland

New game Heroes of Warland was released at the end of 2018. The game was launched in four app stores; Apple AppStore, Google Play Store, Huawei AppGallery and Samsung Galaxy Apps store. Nitro Games expanded its self-publishing capabilities to new territories by self-publishing the game also in selected countries in Asia.

Heroes of Warland is a team-based competitive multiplayer game on mobile. With Heroes of Warland, Nitro Games is introducing hero-based shooter genre on mobile for the first time. The genre has been highly popular on PC. Hero-based shooter means that the game has several hero characters, each with their individual skills and abilities, offering a unique and fun team multiplayer experience previously unseen on mobile.

The game launch was supported by a reality show Heroes & Superstars. Heroes & Superstars is a new reality show, where nine gaming and three extreme sports superstars will form teams and battle for victory in Heroes of Warland. The premier of the show was synchronized with the launch of the Heroes of Warland. Heroes & Superstars is produced by Gamingzone Entertainment and consist of six episodes.

The high Cost per Install (“CPI”) is a common issue in mobile gaming, making it challenging to expand the userbase of a game via paid user acquisition. The launch strategy for Heroes of Warland was built to address this issue and to secure big enough volume of users in the initial launch stage to start building the userbase and to validate the game performance to support further development properly.

Heroes of Warland gained +650 000 downloads during the initial launch period at the end of 2018. This was achieved with a combination of User Acquisition campaigns, Youtubers posting videos about the game, featuring by Google, Heroes & Superstars premiere and through other visibility achieved. The CPI's in the key markets decreased to below 1 EUR during the launch. This is significantly lower than what the Company has seen with our earlier games and considerably below industry averages. These positive results in User Acquisition support the goals for building a long-term business case with this game.

However, the game performance as a whole was not satisfactory. Heroes of Warland suffered from technical issues during the launch, especially on Android, reflecting in poor ratings in Google Play and game performance not meeting our expectations. Based on the data, the areas that still need further development, reflecting in retention and monetization, have been identified and are being worked on in 2019. The Company seeks to improve the game retention and monetization and then expand the user base by scaling up the game. As a result of the first updates done in 2019, Heroes of Warland has improved on all key metrics, while the CPI's have remained on low levels.

The Company seeks to continue working with Heroes of Warland during 2019.

New Game projects

Whilst working on Medals of War and Heroes of Warland, the Company has also worked on various ideas for a third game with the NG Platform and using the NG MVP process.

Service business projects

In the Service business the company focused on the co-operation project with Wargaming. The project continued from 2017. The company signed a new agreement with Wargaming for the project in May 2018. After this new agreement the game soon entered soft-launch testing on selected markets while the game was being further developed at the same time. Nitro Games delivered the last milestone at the end of 2018 and the project was completed. In 2019, Nitro Games announced it has secured the publishing rights for the game and is seeking to soft-launch a new version of the game.

Team

During 2018 Nitro Games continued strengthening its team and hired some new staff. The focus was on hiring key talent for leading positions. The company hired industry veteran Jussi Immonen as COO in spring 2018. Other notable key hires include Marketing Art Director Thomas Lundström, Game Director Leo Kihlman and Director of Development Jukka Hilvonen. At the end of 2018 the headcount average was 51 people.

The Company has two studios in Finland, in Kotka and in Helsinki. In addition to in-house teams, the Company also utilizes outsourced services from other companies, consultants and freelancers. The purpose of using outsourced services is cost efficiency and temporary scale-up potential in the development of games, but also to gain access to industry-leading talent for case-by-case purposes. The Helsinki office moved to a new address at the end of 2018.

Moving forward, the Company seeks to strengthen its expertise with key recruitments to support its growth ambitions in self-publishing.





Corporate Governance

General Information on the Administration of the Company

The Company adheres to the Finnish Companies Act and the rules of First North in the organization of its administration. The Company does not adhere direct to the Finnish or the Swedish Corporate Governance Code, as it is not justified with respect to the Company's size and extent of its business.

The administration of the Company is, in accordance with the Finnish Companies Act, divided between the Shareholder General Meeting, the Board of Directors and the Managing Director. The shareholders exercise their rights mainly in the Shareholder General Meeting, which is normally convened by the Board of Directors of the Company. The Shareholder General Meeting shall, in addition, be held if the auditor or Company shareholders, whose shares represent at least one tenth of all issued shares, which are not in the Company's possession, demand in writing that a Shareholder General Meeting be held.

Annual General Meeting

The Annual General Meeting is the supreme decision-making body of the Company. The Annual General Meeting is held once a year. The Shareholders use their voting power at the Annual General Meeting to decide on the Company's affairs. The Annual General Meeting addresses the issues stipulated by the Companies Act and the Articles of Association, such as the confirmation of the financial statements, the dividend release and amendments to the Articles of Association. The Annual General Meeting elects, and decides on the remuneration of, the Board of Directors and the Auditors. The invitation to the Annual General Meeting must be published on the Company's website, subject to the provisions of the Limited Liability Companies Act. The Board of Directors may also decide to publish the invitation by another means.

The Board of Directors summons the Annual General Meeting. Each shareholder registered in the Company shareholders' register held by Euroclear Finland Oy, on the record date of the General Meeting, has the right to participate in the Annual General Meeting. The record date is eight business days prior to the Annual General Meeting.

According to the Articles of Association, a shareholder who wants to participate in the Annual General Meeting shall register for the meeting according to the instructions and no later than the date specified in the invitation, which shall be, at the earliest, nine days before the Annual General Meeting.



General Information on the Board of Directors of the Company

The Board of Directors shall see to the administration of the Company and the appropriate organization of its operations. The Board of Directors shall be responsible for the appropriate arrangement for the control of the Company's accounts and finances.

The Shareholder General Meeting elects the members of the Board of Directors. The chairman of the Board shall be elected by the Board of Directors. The following persons were elected to the Board of Directors at the Annual General Meeting held on April 27, 2018: Antti Villanen, Jacob Ehrnrooth, Sverker Littorin, Ilkka Lassila, Juhani Taskinen and Wilhelm Taht.

The term of office of each member of the Board of Directors ends at the adjournment of the first Shareholder Annual General Meeting following the election.

The Board of Directors convened 18 times in 2018.

As of the date of this Annual Report, the Board of Directors comprises the persons set out in the table below:

Name	Position	Born	Elected	Independency ¹ from the Company and larger shareholders
Antti Villanen	Chairman of the Board	1973	2008	No, active in the Company
Jacob Ehrnrooth	Vice Chairman of the Board	1971	2014	No, large shareholder
Juhani Taskinen	Board member	1956	2014	Yes
Wilhelm Taht	Board member	1980	2018	Yes
Sverker Littorin	Board member	1955	2017	No, active in the Company
Ilkka Lassila	Board member	1978	2017	Yes

¹ Defined as not representing an owner with over 10 per cent shareholding in the Company and not working for the Company.





Presentation of the Members of the Board of Directors

Antti Villanen, born 1973, B.Sc. in Business.

Chairman of the Board since August 2008 and co-founder of Nitro Games.

Antti Villanen is a digital media and game industry executive with over 15 years of board and C-level experience from a wide range of digital companies. Before founding Nitro Games, Antti co-founded the digital media studio Nitro FX Oy, where he worked as Executive Vice President and board member during 2002-2002 and CEO during 2000-2009. Before co-founding Nitro FX Oy, Antti worked as Digital Media Director at Sarajärvi & Hellén DDB Oy during 1999-2000 and in various Sales-roles at Profectus Finland Oy during 1994-1999.

Jacob Ehrnrooth, born 1971, M.Sc. in Economics.

Member of the Board since March 2014.

Jacob Ehrnrooth has been investing in music, media and content producing companies and has over 20 years of experience of development and commercialisation of brands and IPR and is an experienced executive and board professional. He is the Chairman of Board of the radio station Oy Basso Media LTD.

Juhani Taskinen, born 1956, MBA in Business and Management.

Member of the Board since April 2014.

Juhani Taskinen is an investor through the company Luxus Micro Cap S.A., where he is the Chair-man & CEO. Before this, Juhani was the Chairman & CEO of the public company Princeton Security Technologies Inc. during 2008-2013 and Chairman & CEO of Princeton Gamma Tech Instruments Inc. Before this he acted as a Senior Adviser at Lehman Brothers, Inc, Governmental Entities. During 1983-1993 he was held various management positions at Nokia Oyj in Finland and USA.





Wilhelm Taht, born 1980, M.Sc. (Econ)
Member of the Board since April 2018.

Wilhelm Taht is best known for spearheading Rovio's turnaround as Executive Vice President of Rovio Games until 2 March 2018. Wilhelm joined Rovio in 2014 and was a member of Rovio's Leadership Team since 2016.

Primary work experience: EVP Games at Rovio Entertainment Oy 2016–2018, Head of External Products at Rovio Entertainment Oy 2015–2016, Tribe Leader, External Products at Rovio Entertainment Oy 2014–2015, Chief Operating Officer at Playground Publishing in Marseille, France 2013–2014, Various positions in marketing and general management at Digia Plc. 2010–2013, Director and Head of EMEA Marketing at RealNetworks, Inc. 2006–2010, Key Account Manager at Mr. Goodliving Ltd. 2004–2005.

Sverker Littorin, born 1955, M.Sc. in Business Administration.
Member of the Board since March 2017.

Sverker Littorin has a long experience from building corporate value and board memberships in listed and unlisted companies, and is today a board professional and advisor. His current board positions includes being Chairman of the listed companies Dividend Sweden AB, Papilly AB and Nexar Group AB as well as Chairman of private company Effekt Svenska AB. In addition to this being Board member of listed company SENS AB. Sverker is a Senior Advisor to Capillar Capital AB as well as Nordic Growth Market NGM and is an Honorary Consul of Ethiopia. Earlier assignments include Executive Vice President of Pharmadule AB, Group Vice President of Elekta AB as well as both President and Chairman of MedCap AB, Chairman of Team Olivia AB, MedLearn AB and board member of Sectra AB and PartnerTech AB.

Ilkka Lassila, born 1978, Studies in Computer Science, Software Business and Mathematics in Helsinki University since 1997. Member of the Board since March 2017.

Ilkka is experienced entrepreneur and business leader specialised in mobile technologies. He has hands on experience building and leading large international technology organisations. He is experienced business digitalisation consultant and active sports business investor.



Committees

The committees prepare the issues to be decided at the Board meetings. The committees have no independent decision-making power. The Board appoints committee members from amongst its members and also has the right to dismiss committee members.

Remuneration Committee

The Board has elected a Remuneration Committee from its members, consisting of the following Board members: Jacob Ehrnrooth (Chairman), Ilkka Lassila and Wilhelm Taht and Matti Nikkola.

The Remuneration Committee is responsible for, among other things, preparing matters related to the Company remuneration systems as well as compensation and other financial benefits paid to the CEO and senior management.

Management Board

The Management Board members of the Company are all under the direct supervision of the CEO, and the CEO acts as the chairman of the Management Board. The Management Board in 2018 consisted of four persons, elected by the CEO.

The following table sets forth the members of the Management Board of the Company as of the date of 2018:

Name	Position	Born	Nominated
Jussi Tähtinen	CEO	1981	2008
Matti Nikkola	CFO	1971	2009
Samppa Rönkä	CTO	1982	2014
Mikko Kähärä	CMO	1978	2017-2018
Jussi Immonen	COO	1976	2018

Note: As of April 2018, Mikko Kähärä is no longer employed by Nitro Games and is no longer a member of the Management Board. Jussi Immonen joined Nitro Games as a COO and also became a member of the Management Board.

CEO Jussi Tähtinen, born 29 March 1981, B.A. in Media Communication

Jussi Tähtinen is the CEO of Nitro Games since September 2008.

He started as a designer in Nitro FX Oy in 2004, and before becoming the CEO for the spin-off Nitro Games, he worked in various roles within design and production. During his time at Nitro Games Jussi has built up a close-knit team of gaming professionals, and been involved in over 25 different game launches. Before Nitro FX Jussi worked as technical advisor at YIT Primatel Oy.



CFO Matti Nikkola, born 1971, M.Sc. in Industrial Engineering and Management

Matti is the CFO of Nitro Games since 2017, and was before that the acting CFO since 2009.

Matti is an entrepreneur and seasoned leader with 25 years of executive level experience in trade and logistics, video and mobile games, financials and in the ICT and marketing business. Before focusing on investing and business development advisory in smaller companies through his own company, Matti worked as Development Director at B&B TOOLS Finland Oy, Development Manager at Ruus-ka Group Oy and in various positions at for example Valmet Oyj, Sampo Oyj, Pohjola Oy, Shell Oy and Neste Oyj. He has a strong experience of board working through several companies.

CTO Samppa Rönkä, born 1982, B.Eng. in Software Engineering

Samppa is the CTO of Nitro Games since 2014.

He started as an PHP Programmer at Nitro FX in 2005, and continued as an AI Programmer at Nitro Games in 2007 after it was spun-off. Samppa worked as a Lead Programmer from 2011 to 2014. During his 10 years in game development, Samppa has worked with a range of platforms (PC, iOS, Android, Windows Phone, Xbox 360, PS3 and Symbian) as well as game engines (Unity3D, Havok Vision, Alan Wake engine, Marmalade SDK and Storm 3D).

COO Jussi Immonen, born 1976, M.Sc. in Telecommunication Management

Jussi has been the COO of Nitro Games since 2018. Jussi is seasoned mobile gaming veteran who has worked in mobile games industry since 2003. Jussi has several managerial and executive positions from several mobile gaming companies including Rovio, Chat Republic Games, Nokia, RealNetworks and Mr.Goodliving. Key strengths in business strategy, portfolio and product management, business development and mobile games marketing.





Auditor

Based on the Articles of Association, the Company shall have one ordinary auditor and one deputy auditor. In the case that an auditing firm certified by the Finland Chamber of Commerce or chamber of commerce is elected as auditor, a deputy auditor does not need to be elected. The term of office of the auditors ends at the adjournment of the first Shareholder Annual General Meeting following the election.

The Shareholder Annual General Meeting held on April 27, 2018 elected auditing firm Idman Vilén Grant Thornton Oy, as the Company's ordinary auditor with KHT auditor Antti Niemistö, Authorized Public Accountant, as the auditor in charge.

Related Party Transactions

Nitro Games related parties include subsidiaries of the Company, members of the Company's Board of Directors, and the Managing Director, as well as members of the Company's management board and shareholders that have significant influence over the Company. The Company's related parties also include close family members of those persons and entities where such persons have a controlling interest. Related party transactions are described in more detail in the Notes on the Financial Statements.

Insiders

In matters relating to insiders, Nitro Games complies with the applicable legislation and FFSA standards, Nasdaq's insider guidelines and the Company's own insider guidelines, in each case as required for companies listed on the Nasdaq First North Sweden marketplace. Persons discharging managerial responsibilities at Nitro Games are subject to a so-called "closed period", which begins 30 calendar days before the announcement of an interim report, business report or financial statement bulletin or preliminary information thereon, and during which time such persons may not conduct any transactions relating to the shares or other financial instruments of Nitro Games. The closed period also applies to the Company's annual financial report. The closed period includes the day on which Nitro Games discloses the above mentioned information.

The scope of the persons subject to the closed period also includes Nitro Games employees who are involved in the preparation of Nitro Games' annual financial reports, interim year reports, business reports or financial statement bulletins, or otherwise regularly receive information regarding the contents of annual financial reports, interim reports, business reports or financial statement bulletins before they are made public.





Remuneration Reports

Compensation of the Board

The Annual General Meeting decides annually on the remuneration of the members of the Board of Directors. For a term starting April 27, 2018 and ending at the end of the next Company Annual General Meeting, members of the Board of Directors receive remuneration as follows: the annual remuneration of the members of the Board of Directors is EUR 10 thousand per member and EUR 15 thousand to the Chairman of the Board, half of which is paid in cash and the other half in the Company's new shares. During the financial year members of the Board of Directors received a total of EUR 50 thousand per annum (2017: 45 thousand euros).

No remuneration is paid to the persons who are in employment or have an employment relationship with the Company. In addition, the members of the Board of Directors receive reasonable accumulated travel expenses for the meetings in accordance with the Company travel policy

Options

The Annual General Meeting held on 27 April 2018 by Nitro Games decided to authorize the Board of Directors to decide to issue a maximum of 150 000 stock options to the company's personnel and key personnel as part of the company's stock option program 1/2018. The stock options entitle their holders to subscribe for a maximum of 150 000 new shares in the company at a price of SEK 74 (EUR 7.24) per share. The subscription price of the shares is entered in the Company's invested unrestricted equity fund. Of the stock options, 76 868 had to be issued before December 31, 2018. The Board of Directors of the Company decides on other terms, option types and their symbols. The authorization is valid until 31.12.2020.

On the basis of the authorization received at the meeting held on 19 June 2018, the Board of Directors decided to distribute 76 868 Kp. These are marked with 1 / 2018A, 1 / 2018B and 1 / 2018C. The share subscription period expires on 31.12.2022.

	Option 1/2018A	Option 1/2018B	Option 1/2018C	Total
Management	6000	1 500	2 500	10 000
Team	58 500	1 500	6 868	66 686
	64 500	3 000	9 368	76 868

The Board of Directors has decided on the basis of the authorization received at the meeting on 19 November 2018 to distribute the stock options 73 132 Kpl. This is indicated by 1 / 2018D. The options are issued to the key persons of the Company. These stock options had not yet been distributed on December 31, 2018. The share subscription period ends on 31.12.2023.

Shareholders

The Annual General Meeting of Nitro Games Oyj will be held on April 26, 2019 at 13:00 (Swedish time) at Epicenter, Stockholm, at Mäster Samuelsgatan, 36, 5th floor. The reception of persons who have registered for the meeting and the distribution of voting tickets will commence at 12.30.

Registration to the Annual General Meeting will begin on 3 April 2019 and end on 23 April 2019 at 16:00. More detailed instructions can be found on the Company's website.



Financial Statements

1.1.2018–31.12.2018

Unofficial translation from the Finnish original

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Report by the Board of Directors for 2018

Nitro Games Plc is a Finnish mobile game developer and a publisher with long experience in developing games for the global market. The headquarters is located in Kotka and the company has also an office in Helsinki. The company was listed on Nasdaq First North marketplace in Stockholm as the first Finnish mobile gaming company on June 16, 2017.

The company adopted a new business strategy in 2017 aiming for growth in self-publishing of its own game products. In line with the new strategy the business operations are divided into two areas: in the service business, the company will continue the sales of game development services for the international game publishers while at the same time in the new self-publishing business the company is getting ready for publishing and marketing its own games.

According to its strategy Company continued publishing its mobile game Medals of War to new platforms and the game was published in Turkey, Middle East, and Africa with Netmarble EMEA. At the end of the year 2018, the Company published its new mobile game, Heroes of Warland.

In the service business the Company continued its cooperation with Wargaming, and in May a new agreement was signed resulting in an increase of EUR 1,35 million for the project revenue for 2018.

Subsidiaries (Nitro Games Alpha Oy and Nitro Games Beta Oy, both 100 % owned by Nitro Games Plc) were merged into the parent company on December 31, 2018. The Company recognized EUR 39 thousand as merger profit for the fiscal year 2018, booked under Other operating income.

The Development and Performance of the Business and the Financial Situation

The revenues consist of two businesses: self-publishing and service business. Revenues in 2018 were EUR 2,20 million. Revenues increased EUR 488,19 thousand (28,5%) in reference to the year 2017 when revenue was EUR 1,72 million.

The operating profit (EBIT) for the fiscal year was EUR -5,73 million, compared to EUR -3,16 million for the previous fiscal year. Profit for the year was EUR -5,75 million, compared to EUR -3,34 million for the previous fiscal year.

The changes in the Company's financial result were primarily due to the strong investments in developing new games, in the development of personnel and in the self-publishing. The Company has recognized the costs (EUR -1,66 million) of game development and user acquisition as expenses for the fiscal year. Furthermore, the result was affected by the nonrecurring items recognized as expenses for the fiscal year, with the costs related to the financing rounds (EUR 344,69 thousand) being the largest nonrecurring items.

During the fiscal year 2018, the company executed two financing rounds, where a total of EUR 5,93 million new capital was raised. The Company's cash and bank receivables at the end of the accounting period were EUR 3,26 million. The equity ratio at the end of the fiscal year was 84% (76% in 2017).



Key Ratios

	Full Year 2018 Nitro Games Oyj	Full Year 2017 Nitro Group Audited
Revenue (thousand euro)	2 204,2	1,716.1
Operating profit/loss (thousand euro)	-5 734,4	-3,159.7
Operating profit/loss % (EBIT %)	-260,2%	-184.1%
EBITDA (thousand euro)	-5 101,0%	-2,487.9
EBITDA %	-231,4%	-145.0%
Net profit /loss (thousand euro)	-5 748,8	-3,341.8
Cash flow generated from operations (thousand euro)	-4 939,9	-2,178.0
Equity ratio (%)	84,0%	75.6%
Number of shares, average	2 668 910	1,431.110
Number of shares at the end of the period	3 616 328	2,329.328
Number of Share options	307 868	172.700
Equity per share (euro)	1,1	1.4
Earnings per share (euro) undiluted	-1,6	-1.4
Earnings per share (euro) diluted	-1,5	-1.3
Net debt (thousand euro)	-2 523,8	-1,318.5
Number of employees	51	36

(When comparing information to previous fiscal year's information, previous fiscal year is the consolidated group figures, including parent company Nitro Games Plc and its subsidiaries Nitro Games Alpha Oy and Nitro Games Beta Oy. Subsidiaries have merged to parent company in 31.12.2018.)

Research and development (R&D)

The R&D relates to the development of game products, analytics, technology and publishing processes. The majority of the R&D costs were personnel expenses. During the year 2018 Company also purchased external services as part of its development operations. Company recognized game development cost as expenses during the fiscal year 2018.

Depreciations were made on the capitalized development costs from the previous years, totaling EUR 633,38 thousand (EUR 671,84 thousand in FY 2017)

Significant risks and uncertainties

The most relevant risks are related to the financial performance, ongoing development, and maintenance of the so-called top game of the Company. The risks in the investments to user acquisition are related to the accuracy of predicting the yield models and the resulting impact on the profit for the company. New games from competitors and changes in the competitive landscape can also affect how the company's games succeed and thus, also reflect on revenues, profit and the amount of the investments into user acquisition. The ability to develop and improve its current games, as well as the ability to create new games to publish on mobile markets, are essential in the Company's business. Delays in game development and publishing may affect negatively on the company's operations and cash flow.

The Company operations may include risks that can be significant to the Company and the value of its share. The Board of Directors of the Company evaluates the risks as a part of the planning process for the strategy and the business.

The Company has covered its business with typical business interruption and property insurances. Risks and uncertainties other than those described above may also have an effect in the Company's business.



Significant events after the fiscal year

Significant events that affect the Financial Statements have been taken into account from a time period between the closing day of the fiscal year and the day of publishing of the Financial Statements. The day of publishing means the date when the Financial Statements are published. Regarding significant events during the above mentioned time period, it is considered whether the event results in the information given in the Financial Statements to be rectified or if the event results in the information given in the Financial Statements not to be rectified. The information given in Financial Statements is rectified by such events that provide further evidence on the status at the closing of the fiscal year.

At the end of January 2019, the Company signed a contract with Wargaming World Limited, giving Nitro Games Plc the publishing rights to Runegate Heroes. Runegate Heroes is a good addition to the Company game portfolio. The Agreement does not include any prepayments from Company to Wargaming, but the Company will pay royalties to Wargaming against the upcoming sales of the game. This agreement allows Nitro Games to further develop the game. The soft-launch for the game started during the first quarter and does not require significant investments. The plans for the further development of the game are decided based on the results of the soft-launch.

The company started cooperation negotiations on February 25, aiming to reduce its operating expenses. The possible reduction of personnel expenses resulting from the cooperation negotiations is part of a cost savings program that the Company initiated at the beginning of 2019. The result of the negotiations is aimed to support the Company operations and gets determined by the development of the Company business during the first quarter.

These events, however, have no effect on the results for the fiscal year 2018.

The Board of Directors has no knowledge of any other significant events after the fiscal year closing date that would have an impact on the results for the fiscal year.

Future outlook

The Board of Directors believes the development of the company to follow the general direction of the market. The Board of Directors estimates revenues to increase during the fiscal year 2019, but with the financial result still expected to show losses. The losses are due to the future investments in product development and user acquisition, that are part of building the foundation for the self-publishing business.

The company will make changes in terminology used in its financial reporting at the beginning of 2019. In the past years, the cost of user acquisition has been booked under Other operating expenses. Starting from 2019, these costs will be moved under External services.

Company shares and shareholders

Company has one class of shares. The number of shares on December 31, 2018 was 3 616 328 shares (2 329 328 shares on December 31, 2017). Shares are in one class and each share has one vote at the Annual General Meeting. The company does not own any of its own shares.

The company shares have been incorporated into the book-entry system maintained by Euroclear on May 2, 2017 and entered into multilateral trading on the First North Sweden marketplace held by Nasdaq Stockholm AB on June 16, 2017 with the symbol of NITRO.

There has been positive development in the Company's shareholders during the year 2018. The number of shareholders has increased up to 982 shareholders (compared to 577 shareholders in 31.12.2017).



The table below shows the changes in the number of shares during the fiscal year 2018.

	1.1.2018	Directed free share issue without consideration 5/2018	Directed share issue 6/2018	Directed share issue 10/2018	31.12.2018
Shares	2 329 328	2 329 328	2 335 083	2 618 328	3 616 328
Increase		5 755	283 245	998 000	
Total	2 329 328	2 335 083	2 618 328	3 616 328	3 616 328

Ten largest Shareholders of the Company as at December 31, 2018

Shareholders		Number of shares	% of shares and votes
Jasperus S.A.	1	555 545	15.36
Savox Investments S.A	2	433 412	11.98
Swedbank Robur NY Teknik BTI		348 667	9.64
Feat Invest Ab	3	194 429	5.38
Ludvig Strigéus		168 425	4.66
Avanza Pension försäkring Ab		148 844	4.12
Aktia Nordic Micro Cap		138 150	3.82
Antti Villanen		129 254	3.57
Ajoranta Group Ab	4	117 103	3.24
OP-Finland Micro Cap Fund		108 400	3.00
Others		1 274 099	35.23
The total number of shares		3 616 328	100.00

- 1 Jasperus S.A. is controlled to 100% by Jacob Ehrnrooth.
- 2 Savox Investments S.A. is controlled by Jacob Ehrnrooth with family.
- 3 Feat Invest Ab is controlled by Johan Biehl.
- 4 AjoRanta Group Ab is controlled to 100% by CFO Matti Nikkola





Largest shareholders by country and by spread as at December 31, 2018.

By Country (top 5)	Holdings (%)	Vote (%)	Shareholder spread	Shareholders	%
Sweden	52,0	52,0	1-500	781	79,5
Luxemburg	29,9	29,9	501-1000	83	8,5
Finland	17,7	17,7	1001-5000	78	7,9
United Kingdom	0,2	0,2	5001-10 000	10	1,0
Ireland	0,2	0,2	10 001-15 000	4	0,4
	100,0	100,2	15 001-20 000	2	0,2
			20 001-	24	2,4

Management's holdings and option rights

Shares and option rights held by Company's Board of Directors, Management Group, Team and their related parties are presented in table below:

	Shares		Options	
	pce	%	pce	%
Board	1 229 439	34,00	32 500	10,56
CEO and Management	265 647	7,35	208 000	67,56
Team	17 494	0,48	67 368	21,88
	1 512 580	41,83	307 868	100
Number of Shares	3 616 328			
Number of Options			307 868	

Share Trading

During FY 2018 the share price in First North Sweden –marketplace ranged between SEK 37,30 and SEK 78,80. At the end of the year (28.12.2018) share price stood at SEK 39,80.

Structural and Financial Arrangements

Changes in company structure in 2018

Company carried out an internal corporate transaction on December 31, 2018, where subsidiaries (Nitro Games Alpha Oy and Nitro Games Beta Oy), 100 % owned by Nitro Games Plc, were merged into the parent company.

A merger profit of EUR 39,22 thousand was recognized under Other operating income for FY 2018. The merger was performed to simplify the company structure.

Authorizing the Board of Directors to resolve on share issues

The Annual General Meeting of Nitro Games held on April 27, 2018 decided to authorize the Board of Directors to resolve on share issues. The number of shares to be issued under the authorization may not exceed 289,000. The Board of Directors resolves on all terms and conditions of the share issue. Shares may be issued in deviation from the shareholders' pre-emptive subscription right (directed issue). The authorization is valid until June 30, 2019.

The Extraordinary General Meeting of Nitro Games held on October 24, 2018 decided to authorize the Board of Directors to resolve on share issues. The number of shares to be issued under the authorization may not exceed 998 000. The Board of Directors resolves on all terms and conditions of the share issue. Shares may be issued in deviation from the shareholders' pre-emptive subscription right (directed issue). The authorization is valid until December 31, 2018.



Share Issues

Share issue without consideration

Following the resolution of Annual General Meeting held on April 27, 2018 the Board decided to distribute 5 755 Company's new shares as compensation for the Board work to the Members of Board. This resolution was based on the decision of the Annual General Meeting on Board remuneration for the period of 2018.

Directed share issue

On April 27, 2018, based on the authorization received at the Annual General Meeting held in April 27, 2018, the board decided on a directed share issue of 283 245 new shares. The subscription price of the share issue was SEK 50,00. The share issue was fully subscribed and the subscription price was recorded to the Company's invested unrestricted equity fund.

Directed share issue

On October 25, 2018, based on the authorization received at the Extraordinary General Meeting held in October 24, 2018, the board decided on a directed share issue of 998 000 new shares. The subscription price of the share issue was SEK 47,50. The share issue was fully subscribed and the subscription price was recorded to the Company's invested unrestricted equity fund.

Options and other special rights

The Annual General Meeting held in April 27, 2018 decided to authorize the Board to resolve on the issuance of maximum of 150 000 option rights to Company's personnel and key employees as part of Company's option scheme 1/2018. The option rights entitle their holders to subscribe altogether for a maximum of 150 000 new shares at the price per share of SEK 74 (EUR 7,24). Subscription price is recorded in the Company's Invested unrestricted equity fund. 76 868 of the option rights were to be given before December 31, 2018. The Board of Directors of the Company will resolve other terms, option types and markings. Authorization is valid until December 31, 2020.

Based on the authorization received at the meeting held in June 19, 2018, the Board has resolved to distribute 76 868 options rights to Company's key persons. These are marked with 1/2018A, 1/2018B and 1/2018C. The share subscription period ends at December 31, 2022.

	Option 1/2018A	Option 1/2018B	Option 1/2018C	Total
Management	6000	1 500	2 500	10 000
Teams	58 500	1 500	6 868	66 686
	64 500	3 000	9 368	76 868

Based on the authorization received at the meeting held in November 19, 2018, the Board has resolved to distribute 73 132 options rights. These are marked with 1/2018D. Options are given to the key employees of the Company. These option rights have not yet been distributed at the December 31, 2018. The share subscription period ends at December 31, 2023.



Personnel, Management and Auditors

Personnel

The average number of the personnel at the end of the year 2018 was 51 (36 employees in 2017). Most of the employees at Nitro Games Plc are fulltime employees and personnel costs are mainly fixed costs. The company monitors the industry's overall wage level and competitive position in determining salaries.

The table below shows the indicators for personnel development in 2017-2018.

	31.12.2018	31.12.2017
Personell on average	51	36
Salaries and wages during the financial year	2 355 285	1,281.854

CEO

The CEO directs Company's daily operations in accordance with the strategy and budget approved by the Board of Directors. The CEO prepares matters to be dealt with by the Board of Directors, ensures that the Company's accounting is in compliance with the law and that the financial management of the Company is arranged in a reliable manner.

The CEO acts as Chairman of the Management Team and guides and supervises the operations of other members of the Management Group.

The board appoints the CEO and decides on the remuneration to be paid to the CEO and on the other terms and conditions of the CEO agreement. CEO is appointed for the time being.

Company's CEO is Jussi Tähtinen.

The Board of Directors

The main responsibility of the Board of Directors is to guide Company's strategy implementation so that it can achieve its objectives in the long term and produce the highest possible value for shareholders, while also taking into account the expectations of other key stakeholders. The Board of Directors is responsible for the Company's administration and proper organization of operations. The Board of Directors decides on matters which have a significant impact on the business taking into account the scope of the company's operations. According to the Articles of Association, the term of the Board expires at the end of the next Annual General Meeting.

The General Annual Meeting in April 27, 2018 elected the Board: Antti Villanen, Jacob Ehrnrooth, Sverker Littorin, Ilkka Lassila, Juhani Taskinen and, as a new member, Wilhelm Taht. The Board elected Antti Villanen as Chairman and Jacob Ehrnrooth as Vice Chairman among its members.

During the fiscal year 2018, the Board of Directors met 18 times, 13 of which convened by the new board. The average attendance rate was 96%. About 61% of the meetings were regular meetings and the remainder was held by telephone or by other means.



The Annual General Meeting decides on the remuneration of the members of the Board of Directors annually. For the term starting April 27, 2018 and ending at the end of the next Annual General Meeting of the company, the annual remuneration to members of the Board of Directors is EUR 10 thousand per member and EUR 15 thousand to the Chairman of the Board. Half of the remuneration was paid in cash and other half as Company's new shares. During the fiscal year, members of Board of Directors received a total of EUR 50 thousand (2017: EUR 45 thousand).

No remuneration is paid to the persons who are in employment or employment relationship with Company. In addition, the members of the Board of Directors receive reasonable travel expenses accumulated from the meetings in accordance with the company travel policy.

Board committees

The committees assist the Board of Directors by preparing the issues to be decided at the board meetings. The board holds responsibility of the assignments given to the committees. Committees have no independent decision-making power, so the board makes decisions together. The Committees report their work to the Board. The Board may appoint or call specialists outside the Board of Directors as members of Committees.

The meeting for board to come in order, held after Annual General Meeting in 2018, appointed the Remuneration Committee.

The Board of Directors may found temporary committees from its midst. These Committees report to the Board. In 2018 The Board of Directors founded IR Committee which members were Sverker Littorin, Antti Villanen and Jussi Tähtinen as a called member.

Remuneration Committee

The remuneration committee is responsible for preparing matters related to CEO, senior management and other financial benefits and Company's compensation systems. In addition it prepares a suggestion of the count of Board members, persons and their remuneration.

The board appointed Remuneration Committee consisting of the Board members Jacob Ehrnrooth (chair), Ilkka Lassila, Wilhelm That and member outside Board Matti Nikkola.

Certified Advisor

Company's shares are subject to multilateral trading at First North -marketplace in Stockholm. First North provides the infrastructure needed for trading and distribution of share information. Each company admitted to trading must have an agreement with Certified Adviser. Certified Adviser, on the other hand, has signed an agreement with the stock exchange. Certified Adviser ensures that the company meets both the requirements for admission to trading and the ongoing obligations that are related to trading on First North. In addition the Certified Adviser continually monitors the company's compliance with the First North rules and reports any violations it detects immediately to the stock exchange.

During the fiscal year the Certified Adviser, required by the rules of the First North market, was Augment Partners AB.



Auditors

Annual General Meeting elects the auditor for a fiscal year at a time. The Board of Directors annually submits to the Annual General meeting a proposal on the election or re-election of an auditor after assessing the qualifications and independence of the proposed auditor.

Auditors of the Company in the fiscal year 2018 have been the audit firm Idman Vilen Grant Thornton Oy and Antti Niemistö, Authorized Public Accountant, as the responsible auditor.

Board's proposal concerning the disposal of profits

The Board's proposal to the Annual General Meeting is that the loss of the period EUR -5 748 806,43 will be transferred to the previous years' profit/loss account and no dividend will be distributed.

The Annual General Meeting

The Board decided to call Annual General Meeting to be held on April, 26. 2019. Nitro Games Plc. publishes the call for Annual General Meeting on April 3, 2019.

31 December 2018
Board of Directors
Nitro Games Plc

Definitions of Key Ratios

Operating profit (EBIT)	revenue + other operating income – operating costs – depreciation
EBITDA	Operating profit + depreciation, amortization and impairments
EBITDA %	$\frac{\text{EBITDA}}{\text{Revenue}} \times 100$
Equity ratio %	$\frac{\text{Equity total}}{\text{Total assets - Advance payments received}} \times 100$
Earnings per share (EPS), undiluted	Profit (loss) for the financial year divided by the average number of outstanding shares during the financial year.
Earnings per share (EPS), diluted	Profit (loss) for the financial year divided by the average number of outstanding shares during the financial year after adding the number of shares with potential dilution effect (option rights).
Net debt	Total liabilities - cash in hand at banks.



Nitro Games PLC Income Statement

	1.1.2018–31.12.2018	1.1.2017–31.12.2017
REVENUES	2 204 249,35	1 716 030,56
Other operating income	68 954,39	75 297,23
Materials and services		
Materials and equipment	-3 499,98	-7 934,28
Purchases during the financial year	-3 499,98	-7 934,28
External services	-1 405 796,98	-700 225,51
Materials and services total	-1 409 296,96	-708 159,79
Personnel expenses		
Salaries and wages	-1 953 312,46	-1 064 007,12
Social security expenses	-401 972,22	
Pension expenses	-358 940,79	-194 813,53
Other statutory employee expenses	-43 031,43	-23 032,90
Personnel expenses total	-2 355 284,68	-1 281 853,55
Depreciation according to plan	-633 377,34	-671 836,54
Other operating expenses	-3 609 601,83	-1 966 492,68
OPERATING PROFIT (LOSS)	-5 734 357,07	-2 837 014,77
Financial income and expenses		
Other interest income and other financial income		
Interest income and other financial income	-14 449,36	-181 420,54
Financial income and expenses total	-14 449,36	-181 420,54
PROFIT (LOSS) BEFORE APPROPRIATIONS AND TAXES	-5 748 806,43	-3 018 435,31
PROFIT (LOSS) OF THE FINANCIAL YEAR	-5 748 806,43	-3 018 435,31



Nitro Games PLc Balance Sheet

	31.12.2018		31.12.2017	
ASSETS				
NON-CURRENT ASSETS				
Intangible assets				
Intangible rights			6 998,33	
Development costs	922 357,65	922 357,65	1 548 169,89	1 555 168,22
Tangible assets				
Machinery and equipment	1 700,41	1 700,41	2 267,18	2 267,18
Investments				
Other receivables				
NON-CURRENT ASSETS TOTAL		924 058,06		1 557 435,40
CURRENT ASSETS				
Long-term debtors				
Other debtors	33 594,80	33 594,80	16 623,90	16 623,90
Short-term debtors				
Accounts receivable	151 474,89		248 183,49	
Amounts owed by group undertakings	82,052.21		64.03	
Other debtors	184 657,62		82 009,96	
Prepayments and accrued income	42 884,14	379 016,65	24 794,18	354 987,63
Cash in hand and at banks		3 260 130,03		2 366 798,34
CURRENT ASSETS TOTAL		3 672 741,48		2 738 409,87
ASSETS TOTAL		4 596 799,54		4 295 845,27



Nitro Games PLC Balance Sheet

	31.12.2018		31.12.2017	
EQUITY AND LIABILITIES				
EQUITY				
Share capital	80 000,00		80 000,00	
Invested unrestricted equity reserve	17 068 985,12		11 114 304,29	
Retained earnings (loss)	-7 539 755,49		-4 521 320,18	
Profit (loss) of the financial year	-5 748 806,43	3 860 423,20	-3 018 435,31	3 654 548,80
EQUITY TOTAL		3 860 423,20		3 654 548,80
LIABILITIES				
Non-current				
Loans from financial institutions	129 648,76		227 767,76	
Other non-current liabilities	910,00	130 558,76	1 160,00	228 927,76
Current				
Loans from financial institutions	94 119,00		102 703,00	
Accounts payable	259 340,14		67 249,68	
Liabilities to Group companies	0,00		39 314,10	
Other current liabilities	47 687,47		24 447,27	
Accruals and deferred income	204 670,97	605 817,58	178 654,66	412 368,71
LIABILITIES TOTAL		736 376,34		641 296,47
EQUITY AND LIABILITIES TOTAL		4 596 799,54		4 295 845,27

Nitro Games PLC Cashflow Statement

	31.12.2018	31.12.2017
(thousand euro)		
Cash flows from operating activities:		
Net profit (loss) before taxation, and extraordinary items (+/-)	-5 748,8	-3 018,4
Adjustments for:		
Depreciation according to plan	633,4	671,8
Unrealised foreign exchange wins and losses (+/-)		
Other non-cash items (+/-)	-39,2	
Financial income and expenses (+/-)	14,4	181,4
Other adjustments (+/-)	0.0	0.0
Operating profit before working capital changes	-5 140,2	-2 165,2
Working capital changes:		
Increase (-) or decrease (+) in long-term trade and other receivables	-17,0	
Increase (-) or decrease (+) in trade and other receivables	-24,0	9,2
Increase (-) or decrease (+) in inventories		
Increase (+) or decrease (-) in trade payables	241,3	-17,5
Cash generated from operations	-4 939,9	-2 173,4
Interest paid (-)		
Interest received		
Dividends received		
Income taxes paid (-)		
Cash flow before extraordinary items	-4 939,9	-2 173,4
Cash flow from extraordinary items (+/-)		
Net cash from operating activities (A)	-4 939,9	-2 173,4
Cash flows from investing activities:		
Net cash used in investing activities (B)		
Cash flows from financing activities:		
Proceeds from issuance of share capital	5 954,7	5 252,1
Purchase of own shares (-)		0,0
Proceeds from sale of own shares		0,0
Proceeds from short-term borrowings		635,0
Preceeds from short-term receivables		
Repayment of short-term borrowings (-)		
Proceeds from long-term borrowings		0,0
Repayment of long-term borrowings (-)	-98,4	-107,3
Intrest paid and contributions from financial ex- penses (-)	-14,5	-286,6
Dividends (-)	0.0	0.0
Taxes	60,7	60,7
Net cash used in financing activities (C)	5 833,2	4 476,0
Net increase/decrease in cash and cash equivalents (A + B + C)	893,3	2 302,6
Cash and cash equivalents at beginning of period	2 366,8	64,2
Cash and cash equivalents at end of period	3 260,1	2 366,8



Accounting Policies

The principal accounting policies of the consolidated financial statements

The consolidated financial statements of Nitro Games Oyj have been prepared according to Finnish Accounting Standards (FAS).

During the financial year, the company has implemented a merger in which the company's 100% -owned subsidiaries Nitro Games Alfa (2358177-6) Oy and Nitro Games Beta Oy (2413187-3) were merged with the parent company on 31 December 2018.

The financial statements have been prepared using the cost method.

Valuation principles

Depreciation according to plan are deducted from the acquisition costs of intangible and tangible assets marked in the balance sheet.

Depreciation according to plan are deducted from the acquisition costs of intangible and tangible assets marked in the balance sheet. The development costs are recognized as expenses in the income statement in the year they incurred. The amount of development costs that have been capitalized in the balance sheet in the previous financial years is totalling to 922 358 euros (2017: 1 548 170 euros).

Depreciation is already deducted from this amount.

Receivables are valued on their nominal value, however maximum being the real value.

Investments in the non-current asset are recognised at their acquisition cost or at the probable value below this.

Transactions in foreign currencies are translated into euros at the rates of exchange prevailing on the dates of the transactions.

Principles for depreciation according to plan

Development costs 5 years straight-line depreciation

Machinery and equipment 25 % reducing balance method of depreciation

Revenue recognition

The revenue comprises of two business areas; self-publishing business and service business.

Revenue from service business is recognized after the service has been rendered to the customer.

Revenue from self-publishing business is recognized on that month during which the end user has bought merchandises within the games.

Purchased services

Purchased services include hosting of games, application store commissions and other external services that have been purchased for game development and maintenance. The costs are recognized for the month they incurred.



	Nitro Games Oyj	Nitro Games Oyj
	31.12.2018	31.12.2017
Revenue		
Revenue from operations	2 204 250	1 716 031
Self-publishing	267 750	273 281
Service business	1 936 500	1 442 750
Revenue per market area	2 204 249	1 716 031
EU	1 991 963	1 442 750
North America	190 072	73 327
Other	22 214	200 000
Other operating income	68 954	75 297
Rental income	14 770	14 866
Government grants	14 961	58 400
Other operating income		2 031
Fusion difference	39 223	
Other operating expenses	3 609 602	1 966 493
Marketing expenses (user acquisition)	1 664 091	349 313
Listing Listing- and funding expenses	344 693	389 806
Voluntary employee benefits	120 555	56 320
Equipment and software	250 151	175 623
Travel expenses	185 834	84 304
Office expenses	122 681	124 309
Stock Exchange expenses	195 147	42 848
Impairments loss, intra-group receivables		309 328
Legal and advisory services	385 616	294 526
Other expenses	340 834	140 116

	Nitro Games Oyj	Nitro Games Oyj
Audit fees	19 426	6 373
Statutory audit	13 208	5 533
Services according to Auditing Act 1.1.2 §	3 043	250
Tax advisory	170	250
Other fees	3 005	340

Notes to personnel and boards

	Nitro Games Oyj	Nitro Games Oyj
	31.12.2017	31.12.2016
Average personnel	51	36
Personnel expenses	2 355 284	1 281 854
Wages and salaries	1 953 312	1 064 007
Pension costs	358 941	194 814
Other social security costs	43 031	23 033
Salaries and remuneration paid to the management		
CEO and members of the Board*	135 000	130 000

*(Half of the board members' remuneration were paid through the new company shares according the AGM decision).

Notes to total assets/balance sheet	Nitro Games Oyj	Nitro Games Oyj
	31.12.2018	31.12.2017
Breakdown on non-current assets		
Intangible assets		
Balance sheet value 1.1.	6 998	6 998
Depreciations	-6 998	
Balance sheet value 31.12.		6 998
Development costs		
Balance sheet value 1.1.	1 548 170	2 219 251
Increase		
Depreciations	-625 812	-671 081
Balance sheet value 31.12.	922 358	1 548 170
Machinery and equipment		
Balance sheet value 1.1.	2 267	3 022
Depreciations	-567	-755
Balance sheet value 31.12.	1 700	2 267
Other shares		
Balance sheet value 1.1.		5 000
Reduction in value		-5 000
Balance sheet value 31.12.		

Notes to equity and liabilities/balance sheet

	Nitro Games Oyj	Nitro Games Oyj
Capital and reserves		
Breakdown of capital and reserves		
Share capital 1.1.	80 000	2 500
Reserve increase		77 500
Share capital 31.12.	80 000	80 000
Tied equity total	80 000	80 000
Reserve for invested equity 1.1.	11 114 304	5 862 196
Reserve increase in share capital		-77 500
Share issues	5 954 681	5 329 608
Reserve for invested equity 31.12.	17 068 985	11 114 304
Retained earnings 1.1.	-7 539 755	-4 521 320
Retained earnings 31.12.	-7 539 755	-4 521 320
Profit (loss) of the financial year	-5 748 806	-3 018 435
Non-tied equity total	3 780 424	3 574 549
Total equity	3 860 424	3 654 549



	Nitro Games Oyj 31.12.2018	Nitro Games Oyj 31.12.2017
Distributable funds		
Reserve for invested unrestricted equity	17 068 985	11 114 304
Retained earnings	-7 539 755	-4 521 320
Profit (loss) of the financial year	-5 748 806	-3 018 435
capitalized development costs	-922 358	-1 548 169
Total	2 858 066	2 026 380
Group loans		
Other loans		39 314

	Nitro Games Oyj 31.12.2018	Nitro Games Oyj 31.12.2017
Contingencies		
Operating leases		
Maturity during the next financial period	61 247	44 394
Maturity later	75 118	76 178
	136 365	120 572
Loans secured with mortgages or pledges		
Loans from financial institutions	223 768	321 886
Mortgage on company assets	190 000	190 000
Guarantees on behalf of own commitments		
Rental security deposits	33 595	16 624
Other guarantees	21 309	21 309
	54 904	37 933

RELATED PARTIES

Parties are considered to be related parties if a party is able to exercise control over the other or substantially influence its decision-making concerning its finances and business operations.

Related parties do not have any loans from the company.

During the financial year 2018 the company has purchased services for management consulting, project management, financial management and IR advisor services under normal commercial terms with 266 162 euros (2017 the amount being 221 300).



Signatures to the Financial Statements

Kotka 5.4.2019

Antti Villanen
Chairman of the Board

Sverker Littorin
Board member

Ilkka Lassila
Board member

Jacob Ehrnrooth
Board member

Wilhelm Taht
Board member

Juhani Taskinen
Board member

Jussi Tähtinen
CEO

Auditor's note

A report on the audit performed has been issued today

Kotka 9.4.2019

Idman Vilén Grant Thornton Oy, Authorised Public Accountants

Antti Niemistö
Authorised Public Accountant

List of Accounting Books and Document Types

The accounting has been performed by using Procountor accounting software.

Financial statements	Hard copy / electronic
Journal and general ledger	Electronic file
Accounts payable and receivable	Electronic file
Bank receipts	Electronic file
Purchase invoices	Electronic file
Sales invoices	Electronic file
Payroll accounts	Electronic file
Memo vouchers	Electronic file

Original purchase invoices received in a paper format will be stored on a paper by the accountable

If the paper invoice has been scanned it will be stored only in an electronic form in a paperless archive.



Auditor's Report (Translation of Finnish original)

To the Annual General Meeting of Nitro Games Oyj

Report of the Audit of Financial Statements

Opinion

We have audited the financial statements of Nitro Games Oyj (business identity code 2134819-6) for the year ended 31 December, 2018. The financial statements comprise the balance sheets, the income statements, the cash flow statements and notes.

In our opinion, the financial statements give a true and fair view of the company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report. We are independent of the company in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other 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 opinion.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the company's ability to continue as going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the company or cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities in the Audit of Financial Statements

Our objectives are to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice 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 financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Other Reporting Requirements

Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information available to us at the auditor's report date comprises information included in the report of the Board of Directors. Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the information included in the report of the Board of Directors and, in doing so, consider whether the information included in the report of the Board of Directors is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. Our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

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

9.4.2019

Idman Vilén Grant Thornton Oy, Authorised Public Accountants

Antti Niemistö

Authorised Public Accountant



For Further information, please contact:

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