



**NITRO**

# ANNUAL REPORT 2019

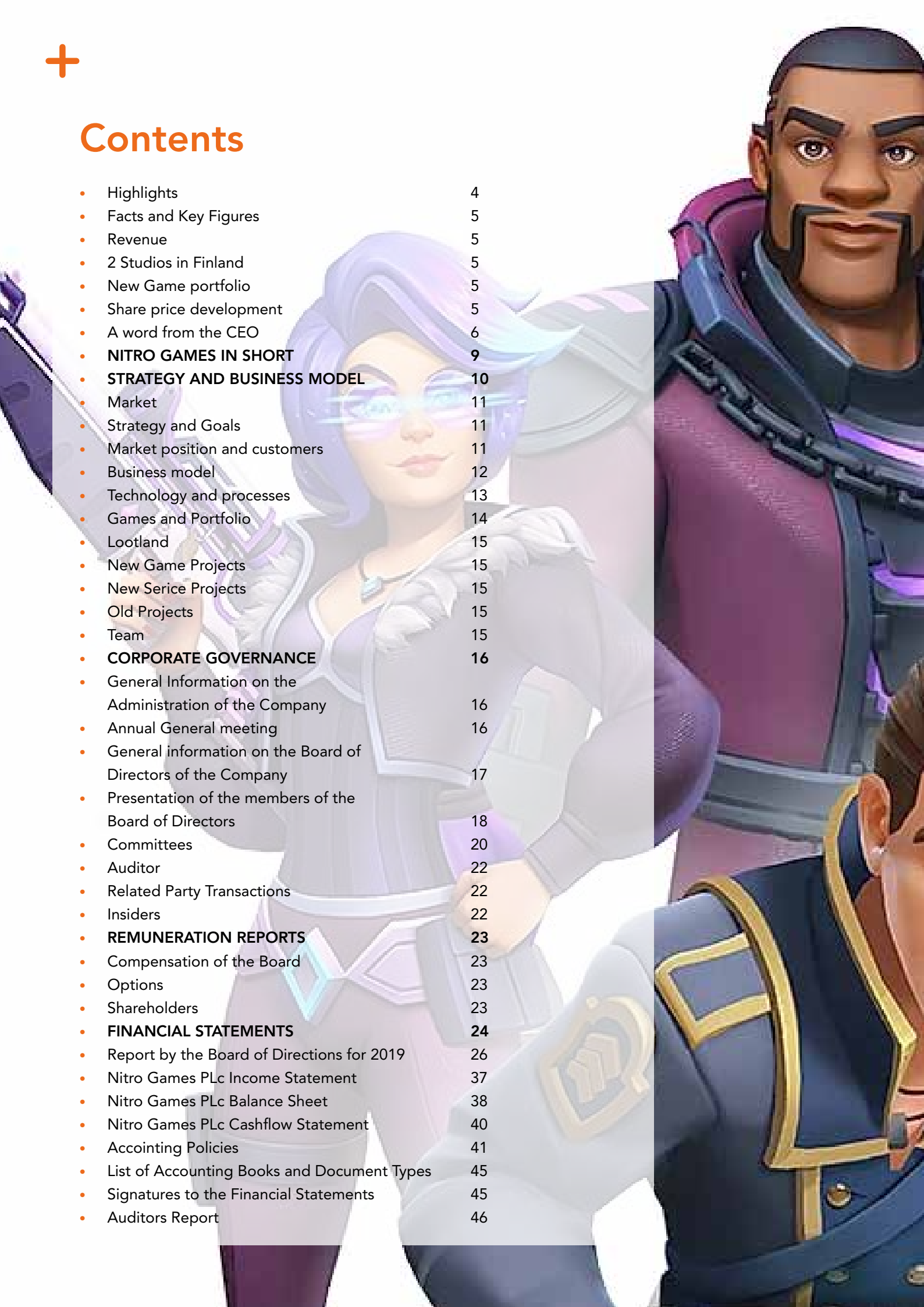
NITRO GAMES OYJ





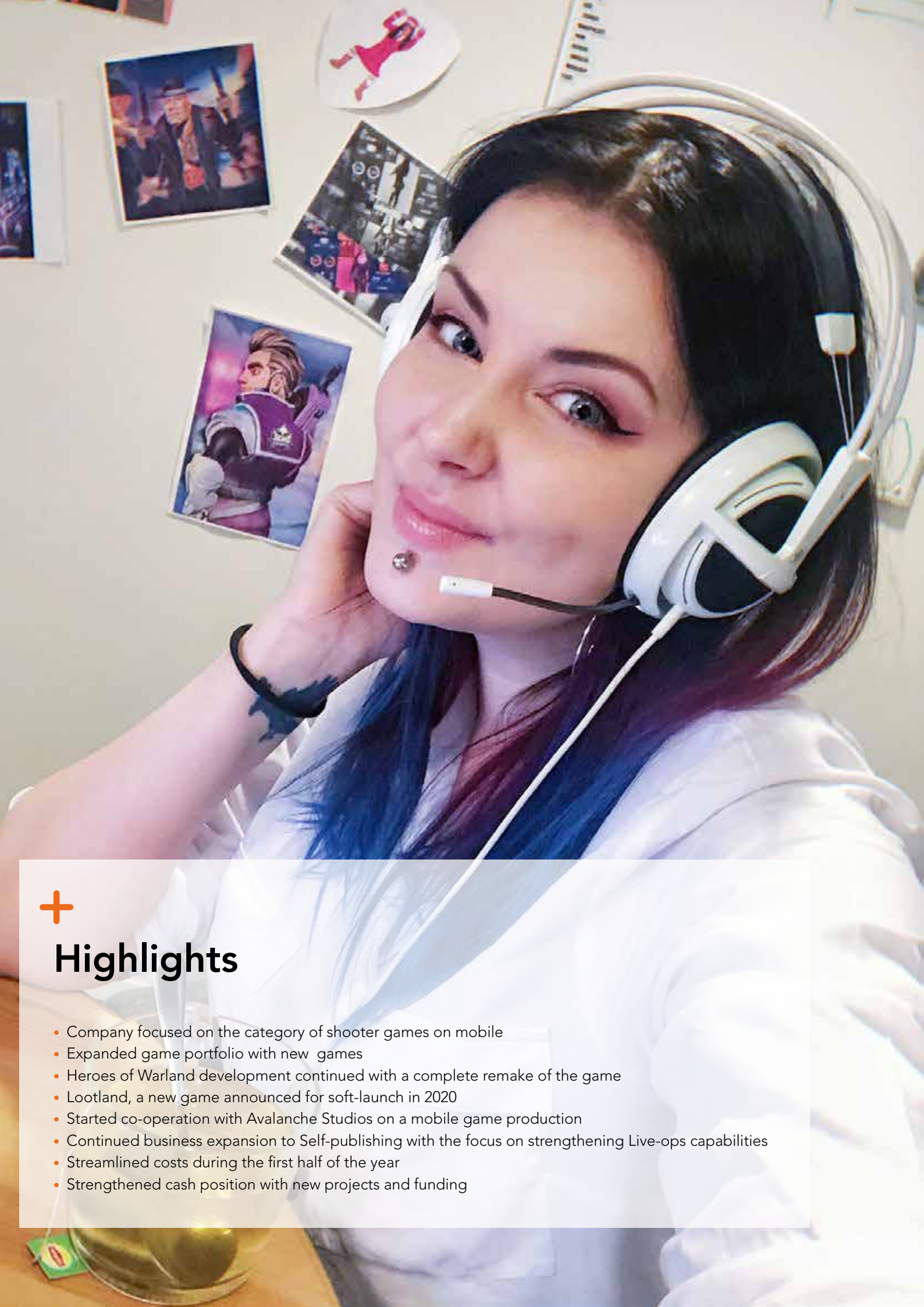
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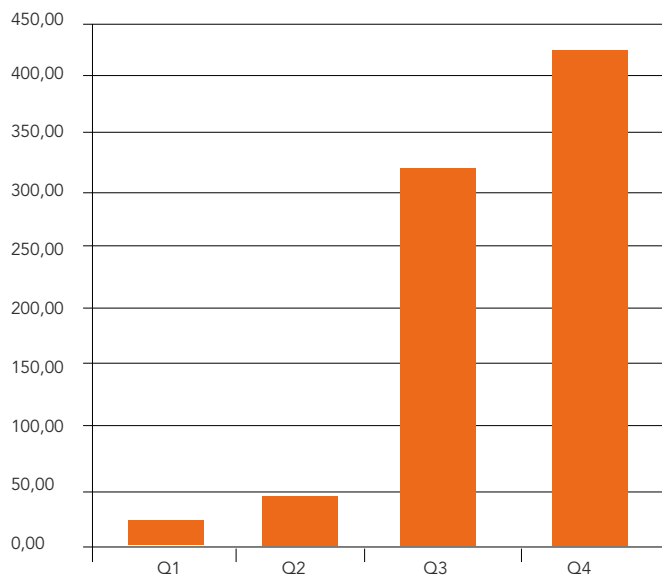
## Highlights

- Company focused on the category of shooter games on mobile
- Expanded game portfolio with new games
- Heroes of Warland development continued with a complete remake of the game
- Lootland, a new game announced for soft-launch in 2020
- Started co-operation with Avalanche Studios on a mobile game production
- Continued business expansion to Self-publishing with the focus on strengthening Live-ops capabilities
- Streamlined costs during the first half of the year
- Strengthened cash position with new projects and funding



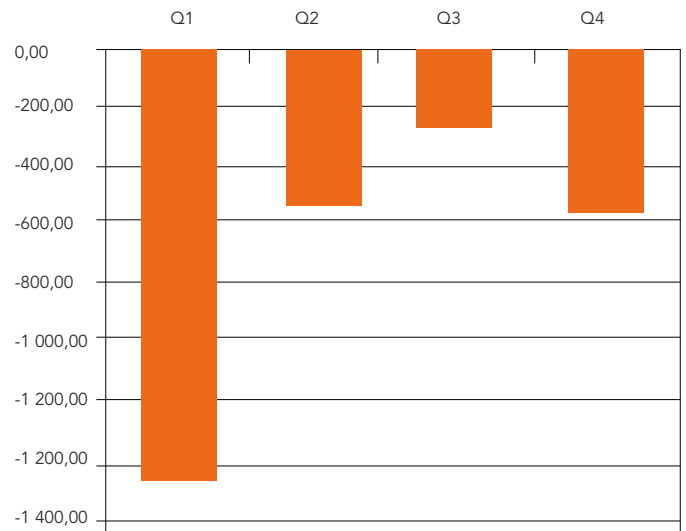
# Facts and Key Figures

## Revenue Development (KEUR)



The above graph illustrates the development of Revenue generation per quarter in 2019.

## EBITDA (KEUR)



The above graph illustrates the development of EBITDA per quarter in 2019. The company had one-off costs related to the directed share issue during the fourth quarter.

## 2 Studios in Finland



Kotka office  
Juha Vainion Katu 2  
48100 Kotka Finland



Helsinki office  
Kaisaniemenkatu 2b  
00100 Helsinki

## Expanded Shooter Game Portfolio



**HEROES  
OF WARLAND**



**LOOTLAND**



  
EXPANSIVE WORLDS

  
AVALANCHE STUDIOS

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

## Share price development

During the financial year 2019, the share price on the First North Growth Sweden marketplace varied between SEK 8,4 and SEK 41,4. The closing price on December 30, 2019 was SEK 8,92.



"Our vision is to become a household name in the category of shooter games on mobile. It seems that our focused vision, combined with the track record we achieved in 2019, has created us a solid foundation to build on.

2019 was the year when shooter games finally established themselves on mobile. We are expecting the category to continue to grow and Nitro Games is now well-positioned to take advantage of this. I am excited to continue our journey in 2020 with new releases coming up from our expanding portfolio of shooter games."

*Jussi Tähtinen*  
CEO, Co-Founder



 **A COMMENT FROM CEO**  
Jussi Tähtinen



# A Word from the CEO

## Expanding our portfolio of shooter games

Our vision is to become a household name in the shooter category. Shooter games have historically become a dominant genre on other platforms and we expect this to happen on mobile as well.

Our strategy is to build a portfolio of shooter games on mobile. We're doing this by utilizing our proprietary technology NG Platform. As a result of 2019, we now have three shooter game projects in our portfolio for 2020.

We continued the execution of our strategy in 2019. 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 in both operations during 2019.

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. During 2019, our focus was in re-working our shooter game Heroes of Warland, starting the development of a new game Lootland and further developing our technology NG Platform. Heroes of Warland is a team-based multiplayer game positioned in the category of shooter games. Lootland is a new game we announced at the end of 2019. We are expanding our portfolio of shooter games by introducing an easy to approach looter shooter game with a heavy emphasis on co-op gameplay. Lootland is currently in development and targeted for soft-launch as the next step in 2020. We have seen the popularity of team-based gameplay and shooter games to increase in the mobile games market during 2019, resulting in promising growth opportunities for the company.

In our service business, we started a new project with Avalanche Studios. They are a well-known developer and publisher of shooter games in the PC and console gaming space. In this project, we are developing a mobile game for them, based on their IP. This project is a good example of how we can utilize our expertise, technology and publishing capabilities beyond our own games. This creates strong synergies between Service business and our Self-publishing business and supports our vision and strategy. I am looking forward to continuing the co-operation long-term.



The most important value driver we have is our team. Improving our team was one of the big focus points for 2019. Nitro Games now has a strong senior team of professionals covering all the functions from game development to self-publishing, live-operations and business development.

During 2019, we streamlined our costs including our personnel costs. We decreased our headcount from 51 people to 35 during the year and strengthened our team with selected key-hires. Overall we managed to increase the seniority in our team significantly during 2019. We have two studios in Finland, in Kotka, and in Helsinki.

We decreased our losses during 2019, as part of our streamlining of costs that we did during the first half of the year. We started to generate revenues again during the third quarter, and increased revenues again during the fourth quarter, while still maintaining the new lower cost base. Moving forward, the revenues can be volatile as we are further developing our portfolio and seeking new opportunities in service business. We seek scalability in revenues from self-publishing and stability in revenues from service business.

We raised SEK 15 million in new cash to the company through a directed share issue in 2019. We also company received funding from Business Finland, which is 1,6M EUR in total, out which we raised 950,6K EUR in 2019. Both of these support the development of the self-publishing business.

Overall it seems that our focused vision combined with a recent track record in the shooter category on mobile has created us a good momentum in exploring these new opportunities now. We are also looking into non-organic growth and are determined to take action once we find the right fit.

2019 was the year when shooter games finally established themselves on mobile. We are expecting the category to continue to grow and Nitro Games is well-positioned to take advantage of this. I am excited to continue our journey in 2020 with new releases coming up from our expanding portfolio of shooter games.



*Jussi Tähtinen*  
CEO, Co-Founder





## Nitro Games in short

Nitro Games is a free-to-play mobile game developer and publisher making games for the mid-core user segment. The Company focuses on producing games with high production value 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 during the development to ensure high product quality. Nitro Games has developed games such as Heroes of Warland, Medals of War, Raids of Glory, East India Company, Commander: Conquest of the Americas, Pirates of Black Cove.

Nitro Games' shares are listed on Nasdaq First North Growth Stockholm with the ticker NITRO.





# Strategy and Business Model

GAMING ON THE GO!

## Market

2019 global games market was estimated \$152,1 billion in revenues, Mobile gaming was the largest segment in 2019, totaling estimated \$68,5 billion and accounting for 45 % of the total global market. The majority of gamers in mobile segment are playing with smartphones. 2,4 billion people played mobile games around the world in 2019.

According to industry research firm Newzoo, the global games market is expected to grow to more than \$196 billion in 2022. *Source: NewZoo 2020*

## 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 mobile 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 on 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 tools, that are part of the NG Platform, and with 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, with the goal of maximizing the return on investments in user acquisition.



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

A successful mid-core mobile game project is a large project that requires vast amounts of time and money. In a typical case, most of the project's codebase is not reusable from one project to another. This leads to companies spending more resources on projects than they ideally should.

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 2019, 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. The company is currently focusing on the category of shooter games.

## Games and Portfolio

### Heroes of Warland

Heroes of Warland is a team-based competitive multiplayer game on mobile. With Heroes of Warland, Nitro Games is delivering a hero-based shooter game to mobile games market. 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 key activities in 2019 included first developing a complete overhaul to the game, including a new shooter engine, and then starting the release of the new version during the third quarter. The new version of Heroes of Warland has been developed during 2019 and early 2020, and is being introduced as a series of updates. The company expects the roadmap of updates to be concluded during the first half of the 2020.

This new version of Heroes of Warland is a complete overhaul of the game, ranging from a new universe with stronger heroes, to new visual style, new maps, and interfaces, all powered by the new shooter engine in NG Platform that provides better performance and playability. The initial launch version of the game in 2018 suffered from performance issues and this new version is expected to address those issues and to secure a strong base to build on with future updates. The new visual style expands the game universe to a more futuristic direction. This means more variety and fun in gameplay elements, maps, hero abilities, and customization. This is expected to expand the monetization potential of the game as well.

The Company seeks to continue working with Heroes of Warland during 2020.



### Lootland

Lootland is a super-casual shooter game with an emphasis on Co-Op multiplayer. Players clear waves of enemies together, while picking up a ton of loot from the defeated monsters. Loot allows the players to upgrade their preferred weapons and armor, which helps them to advance through the more and more challenging levels.

Lootland is currently in development and is targeted for release in 2020. The development of the game follows Nitro Games’ MVP –process, where the game is being tested with live audiences during the development phase to ensure the best possible product-to-market fit.





## New Game projects

Whilst working on Heroes of Warland and Lootland, the Company has also worked on various ideas for new games to add to its portfolio, utilizing the NG Platform.

## Service business projects

In the service business, the company started a new project with Avalanche Studios. Avalanche Studios are a well-known developer and publisher of shooter games in the PC and console gaming space.

In this project Nitro Games is developing a mobile game for Swedish AAA-studio Avalanche Studios, based on their IP. The game IP has not been announced yet.

In this Service business project, Avalanche Studios pays Nitro Games a pre-agreed development fee. The initial production period was until 30 April 2020 with a development budget of 1,25M EUR. During this period the parties agreed on extending the co-operation by utilizing Nitro Games Data Stack in the production as well as utilizing Nitro Games publishing team in the upcoming soft-launch of the game.

In March 2020 Nitro Games announced that it has signed a 12 months extension to the agreement with Avalanche Studios, with est. additional 1,1M EUR budget. The company expects the project to go to soft-launch in 2020.

## Old projects

During 2019, the company decided to discontinue working on its old projects, Medals of War and Runegate Heroes. This decision was based on the financial performance of these games.

## Team

One of the big focus points in 2019 was improving the team in Nitro Games.

During the first half of the 2019 Nitro Games streamlined its costs, including personnel costs. This was done through co-operation negotiations that lasted from February to April. As a result of the cooperation negotiations 21 contracts of employment were terminated based on financial and production related grounds during the first half of 2019. This resulted in a reduction of approximately 29% on the personnel costs after the first half.

During the second half of the year, the company focused in strengthening its team with selected key hires focusing on data driven F2P development and especially Live-operations. As a result of Nitro Games now has a strong senior team of professionals covering all the functions from game development to self-publishing, live-operations and business development.

The Company has two studios in Finland, in Kotka and 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.

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



# 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 26, 2019: Antti Villanen, Jacob Ehrnrooth, Sverker Littorin, Ilkka Lassila, Johan Biehl, Oliver Kern and Wilhel 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 16 times in 2019.

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

Name	Position	Born	Nationality	Elected	Independency <sup>1</sup> from the Company and larger shareholders
Jacob Ehrnrooth	Chairman of the Board	1971	FI	2014	No, large shareholder
Antti Villanen	Board member	1973	FI	2008	No, active in the Company
Johan Biehl	Board member	1983	SE	2019	Yes
Oliver Kern	Board member	1969	DE	2019	Yes
Wilhelm Taht	Board member	1980	FI	2018	Yes
Sverker Littorin	Board member	1955	SE	2017	No, active in the Company
Ilkka Lassila	Board member	1978	FI	2017	Yes

<sup>1</sup> Defined as not representing an owner with over 10 per cent shareholding in the Company or not working for the Company.







## Presentation of the Members of the Board of Directors

**Jacob Ehrnrooth**, born 1971, M.Sc. (in Economics.)

Chairman of board since 2019 and 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 commercialization of brands and PR and is an experienced executive and board professional. He is the Chairman of Board of the radio station Oy Basso Media LTD.

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**Antti Villanen**, born 1973, B.Sc. (in Business.)

Co-founder & Member of board since 2008 and CSO of Nitro Games.

Antti Villanen is a digital media and game industry executive with 20 years of board and C-level experience from a more than 20 digital and gaming companies. Before founding Nitro Games, Antti co-founded the digital media studio Nitro FX Oy, where he worked as CEO, Executive Vice President and board member during 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 Marketing and Sales-roles at Profectus Finland Oy during 1994-1999.

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**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 VicePresident 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.

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**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 include being Chairman of the listed companies Dividend Sweden AB, Papillary 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 Meltron AB, Raybased AB and SENS AB. Sverker is a Senior Advisor to Capillary Capital AB as well as Nordic GrowthMarket 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, MedLearnAB 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 an experienced entrepreneur and business leader specialized in mobile technologies. He has hands-on experience in building and leading large international technology organizations. He is an experienced business digitalization consultant and active sports business investor. Ilkka is also the Co-Founder and Chairman of the board of Finnish Beach Volley Oy.

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**Johan Biehl**, born 1983, B.SC. (in school of business, Stockholm University).  
Member of the Board since April 2019.

Johan Biehl is an investor and has devoted the last seven years to managing his personal investments. He is a board member and Investment manager at Feat Invest AB since 2016 and board member at Zwipe AS since 2018. Johan is focused on small and micro caps and today has some ten investments in listed and unlisted companies in a variety of industries with a predominance in tech companies. Johan has a background as an equity analyst and before going into the financial industry he held several positions in B2B sales and sales management. He has studied economics and business and holds a degree in finance from Stockholm University.

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**Oliver Kern**, born 1969. Frankfurt Business School.  
Member of the Board since April 2019.

Oliver is a noted growth hacker and mobile marketing guru and has helped app companies ranging from indies to market giants like Rovio and Wargaming. In his more than 20 years in marketing and advertising, he has marketed hundreds of casual, core and MMO games in the online and mobile space. Next to his work as a consultant he is board advisor for several mobile games companies.



## 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 2019 consisted of five persons, elected by the CEO.

The following table sets forth the members of the Management Board of the Company as of the date of 2019:

Name	Position	Born	Nominated
Jussi Tähtinen	CEO	1981	2008
Matti Nikkola	CFO	1971	2009
Samppa Rönkä	CTO	1982	2014
Antti Villanen	CSO	1973	2019
Jussi Immonen	COO	1976	2018

Note: Antti Villanen was nominated as a CSO and became a member of the Management Board in 2019.





**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.

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**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 Ruuska Group Oy and in various positions at for example Valmet Oyj, Sampo Oyj, Pohjola Oy, Shell Oy and Neste Oyj.

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**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).

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**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.

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

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 2002-2009 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.



## 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 26, 2019 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.

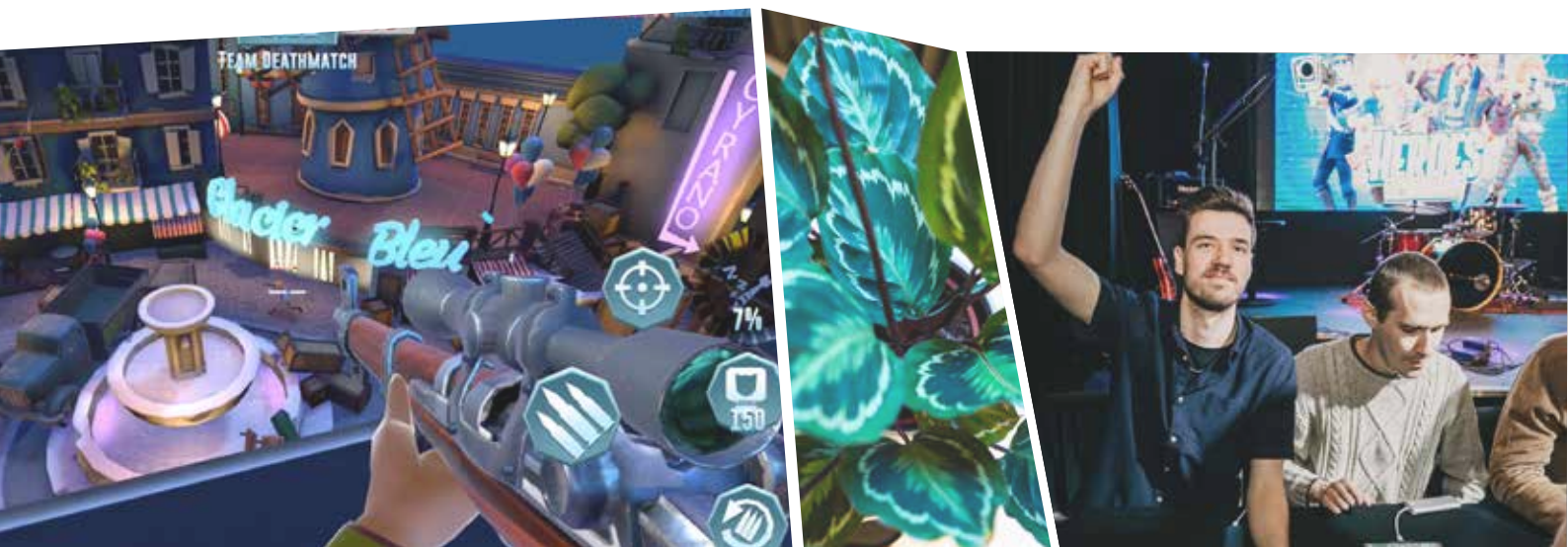
## Related Party Transactions

Nitro Games related parties include 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 on the remuneration of the members of the Board of Directors annually. For the term starting April 26, 2019 and ending at the end of the next Annual General Meeting of the company, the remuneration to members of the Board of Directors will not be paid in cash but 30 000 option rights will be distributed to Chairman of the Board and 20 500 option rights will be distributed to other members of the Board each. Subscription period for board members begins April 26, 2020 and ends April 26, 2022. (EUR 50 thousand in 2018).

In addition, the members of the Board of Directors receive reasonable travel expenses accumulated from the meetings in accordance with the company travel policy.

## Options

The Annual General Meeting held in April 26, 2019 decided to authorize Board to resolve on the issuance of option rights. The number of option rights to be issued under the authorization may not exceed 361 630 of which 153 000 option rights will be distributed for remuneration of The Board of Directors. Each option right entitles option right holder to subscribe one new share at the price per share of SEK 74. The price per share is based on the highest historical share price. Board of Company will resolve all other terms. Authorization is valid until December 31, 2021.

Based on this authorization and the decision of The Annual General meeting the members of The Board of Directors were given the following 132 500 option rights, marked with 2/2019A. Subscription period of these option rights 2/2019A starts on April 26, 2020 and ends on April 26, 2022.

Based on the authorization given in April 26, 2019 Board has right to distribute 208 630 option rights, marked with 2/2019B. These option rights were not distributed by December 31, 2019. Authorization is valid until at December 31, 2021.

## Shareholders

The Annual General Meeting of Nitro Games Corporation will be held on May 8, 2020 at 14:00 (Finnish time) at Nitro Games Oyj Kotka Office, at Juha Vainion katu 2 48100 KOTKA FINLAND.

Registration to the Annual General Meeting will begin on 17 April 2020 and end on 4 May 2020 at 16:00. More detailed instructions can be found on the Company's website.





# Financial Statements

**1.1.2019–31.12.2019**

**Unofficial translation from the Finnish original**

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# Report by the Board of Directors for 2019

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. Company was listed on Nasdaq First North Growth marketplace in Stockholm as the first Finnish mobile gaming company in June 16, 2017.

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 in 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 developing its self-publishing business in 2019. In 2019 the main focus areas were Heroes of Warland -mobile game and developing the re-utilizable technology related to it, esports-project with Business Finland and a new game product, Lootland, that was released in the end of 2019 and is aimed to be published during 2020.

In service business Company started a new co-project with Swedish Avalanche Studios. Company will develop a mobile game for Avalanche Studios based on their game concept. At the end of 2019 parties agreed upon a closer co-operation related to upcoming publishing of the game. The resulting mobile game is expected to be published in 2020.

## Operating Environment

Nitro Games operates in global gaming market as developer and publisher of mobile games. Historically Company has operated in several market segments, including PC console and mobile games. Today Nitro Games is focused on mobile gaming market.

The value of global game market in 2019 has been evaluated to be 152,1 billion USD. Mobile Gaming was the biggest segment in 2019, altogether 68,5 billion USD and 45% of global games market. Most of the players play mobile games using smart phones. 2,4 billion people throughout the world played mobile games in 2019.

According to industry analytics company Newzoo the global gaming market is expected to exceed 196 billion USD by the year 2022. *Reference: Newzoo 2020*

## Business Development, Performance and the Financial Status

Company's revenue consists of two businesses: self-publishing business and service business. Revenue in 2019 was EUR 816,2 thousand (EUR 2,2 million in 2019).

Company's operating profit (EBIT) for the fiscal year was EUR -3,28 million, compared with EUR -5,73 million in the previous fiscal year. Profit for the year was EUR -3,29 million, compared with EUR -5,73 million in the previous fiscal year.

Company's financial result was mainly impacted by substantial investment in developing its own games, own technology and self-publishing. The nonrecurring items recognized as expenses for the fiscal year had also an effect on financial result. Biggest nonrecurring item was the costs related to financing round (EUR 107 thousand).

During fiscal year 2019 Company carried out funding round, where new capital was raised approx. EUR 1,4 million (SEK 15 million).

Company's cash and bank receivables at the end of accounting period were EUR 1,68 million. (3,26 million in 31.12.2018) Equity ratio at the end of fiscal year 2019 was 56% (84% in 2018).

Company made changes in terminology used in its financial reporting in 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. User acquisition costs in 2019 were EUR -521,3 thousand (EUR -1,66 million in 2018). The comparative figures from the fiscal year 2018 have not been adjusted.





## Key Ratios

	Full Year 2019	Full Year 2018
		Audited
Revenue (thousand euro)	816,2	2 204,2
Operating profit/loss (thousand euro)	-3 284,5	-5 734,4
Operating profit/loss % (EBIT %)	-402,4 %	-260,2%
EBITDA (thousand euro)	-2 658,3	-5 101,0%
EBITDA %	-325,7 %	-231,4%
Net profit /loss (thousand euro)	-3 293,4	-5 748,8
Cash flow generated from operations (thousand euro)	-2 661,2	-4 939,9
Equity ratio (%)	56,44 %	84,0%
Number of shares, average	3 749 055	2 668 910
Number of shares at the end of the period	4 992 897	3 616 328
Number of Share options	459 368	307 868
Equity per share (euro)	0,4	1,1
Earnings per share (euro) undiluted	-0,7	-1,6
Earnings per share (euro) diluted	-0,6	-1,5
Net debt (thousand euro)	-159,0	-2 523,8
Number of employees	39	51

## Research and development (R&D)

Company made considerable investment in development focusing on gaming products, analytics, technology and publishing processes. Company's development costs in 2019 consists personnel costs and external services.

Some of the development costs were recognized as expenses in 2019. Some of the development costs related to Heroes of Warland and re-usable technology were capitalized. This is shown in P&L account Manufacturing for own use.

New development costs capitalized between January and December 2019 were altogether EUR 1 169 400. This includes development and maintenance related costs by third parties (externals services), personnel costs and other costs allocated directly to project. The depreciation of these development costs starts in January 1, 2020 and will be performed as straight-line depreciation in five years.

In fiscal year 2019 depreciation was made on previous years' capitalized development costs totaling EUR 625,81 thousand (EUR 627,81 thousand in 2018)

Developement Cost	31.12.2019	31.12.2018
Balance Sheet value 1.1.	922 358	1 550 169
Increase	1 169 400	
Depreciations	-625 812	-627 811
Balance Sheet value 31.12.	1 465 946	922 358



## Significant risks and uncertainties

The most relevant strategy-related risks were risks related to the funding of service development, staff, and renewing of production infrastructure.

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

Each development projects bears a risk that the outcome will not provide the commercial success planned, and the investment will not pay off. Nitro Games aims to organize its's operations in a way that minimizes development risks.

Company's operations may also include risks that can be significant to Company and its share value.

## Significant events after the fiscal year-end

Significant events that affect the Financial Statements are taken into account when they occur in the time period between the day of the fiscal year close and the day of the Financial Statements is published. Publishing day means the day when the Financial Statements Release is published. As far as incidents occurring in before mentioned time period are concerned, it is considered whether the incident is an incident resulting the information given in the Financial Statements to be rectified or an incident that results the information given in the Financial Statements not to be rectified. The information given in Financial Statements is rectified by transactions that give further evidence on the situation at the moment of fiscal close.

In January 15, 2020 Nitro Games published a press release of signing a publishing services agreement in January 2020 with Expansive Worlds AB ("Avalanche Studios"). The agreement is a continuance to agreement signed earlier in June 2019 agreeing the development of mobile game for Expansive Worlds, the value of this new contract is EUR 100 thousand.

In January 28, 2020 Nitro Games published it's all time biggest update on Warland of Warland -game, expanding the game by totally new metagame. Game testing expanded to new markets such as Canada, UK, Brazil and Mexico.

In February 6, 2020 Nitro Games published a plan, anticipating 3 games to reach at least a soft-launch stage in the first half of year 2020.

In March 20, 2020 Nitro Games signs 1,1M EUR Addendum to Agreement with Expansive Worlds AB ("Avalanche Studios"). With this Agreement, Nitro Games will perform Live operations development and Live operations publishing services for Expansive Worlds AB. The agreement period covers an additional 12 months, from May 2020 – April 2021. The order value of this new agreement is est. € 1,1 million. The agreement contains a potential upside for Nitro Games in the form of a Royalty share, after recouping of costs, following industry standard structure.

The board of directors has no knowledge of other significant incidents after fiscal year close date that would have impacted the fiscal year end calculations.



## Future outlook

The Board of Directors believes that the development of Company reflects the general direction of the market. The Board estimates that revenue will increase during the fiscal year 2020, but the financial result is still expected to be a loss. The increase in revenue is highly dependent on the publishing of new game products and on their commercial success. The loss is due to Company's future investments in product development and user acquisition, in which the company builds foundation for its self-publishing business.

## Company shares and shareholders

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 Growth Sweden marketplace held by Nasdaq Stockholm AB on June 16, 2017 with the symbol of NITRO.

Company has one class of shares. The number of shares outstanding on December 31, 2019 was 4 992 897 shares (3 616 328 shares on December 31, 2018). 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 number of individual shareholders has varied between 798 and 982 shareholders in 2019.

The table below shows the changes in the number of shares during the fiscal year 2019

	1.1.2019	Issue 11/19	31.12.2019
Shares	3 616 328	3 616 328	4 992 897
Increase		1 376 569	
Total	3 616 328	4 992 897	4 992 897

## Ten largest Shareholders of the Company as at December 31, 2019

Shareholders		Number of shares	% of shares and votes
Jasperus S.A.	1	835 977	16,74
Savox S.A.	2	598 341	11,98
Swedbank Robur NY Teknik BTI		291 340	5,84
Avanza Pension försäkring Ab		273 633	5,48
Nordnet Pensions försäkring Ab		254 873	5,10
Ludvig Strigéus		232 645	4,66
Feat Invest Ab	3	229 717	4,60
Aktia Nordic Micro Cap		138 150	2,77
Antti Villanen		129 254	2,59
Ajoranta Group Ab	4	117 103	2,35
OP-Finland Micro Cap Fund		108 400	2,17
Others		1 783 464	35,72
<b>The total number of shares</b>		<b>4 992 897</b>	<b>100</b>

1 Jasperus S.A. is controlled to 100 % by Jacob Ehrnrooth.

2 Savox S.A. is controlled by Jacob Ehrnrooth with family.

3 Feat Invest Ab is controlled by Johan Biehl.

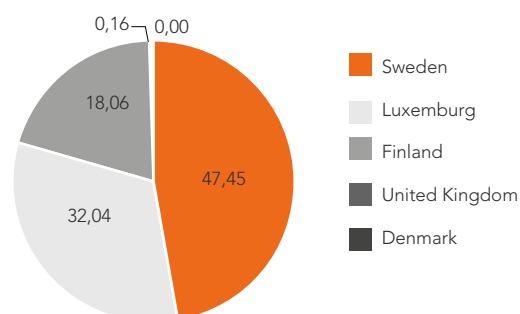
4 AjoRanta Group Ab is controlled to 100 % by CFO Matti Nikkola.



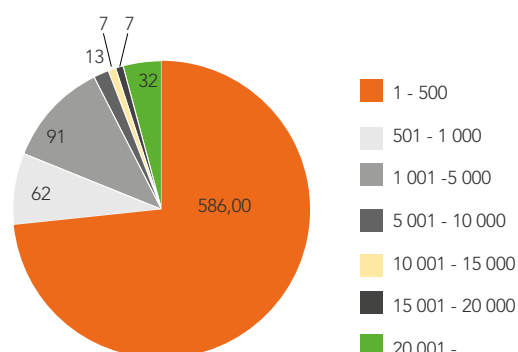


## Largest shareholders by country and by spread as at December 31, 2019

By Country (top 5)	Holdings (%)	Vote (%)
Sweden	47,45	47,45
Luxemburg	32,04	32,04
Finland	18,06	18,06
United Kingdom	0,16	0,16
Denmark	0,00	0,00
Others	2,29	2,29
	100,00	100,00



Shareholder spread	Shareholders	%
1-500	586,00	73,43
501-1 000	62,00	7,77
1 001-5 000	91,00	11,40
5 001-10 000	13,00	1,63
10 001-15 000	7,00	0,88
15 001-20 000	7,00	0,88
20 001-	32,00	4,01
	798,00	100,00



## 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:

	31.12.2019			31.12.2018	
	Shares	% Shares	Options	Shares	Options
Board	1 778 742	35,6	132 500	1 006 575	0
CEO and management*	442 717	8,9	245 500	394 901	240 500
Team	18 910	0,4	81 368	17 494	67 368
	<b>2 240 369</b>	<b>44,9</b>	<b>459 368</b>	<b>1 418 970</b>	<b>307 868</b>
Numbers of shares	4 992 368				
Number of Options	459 368				

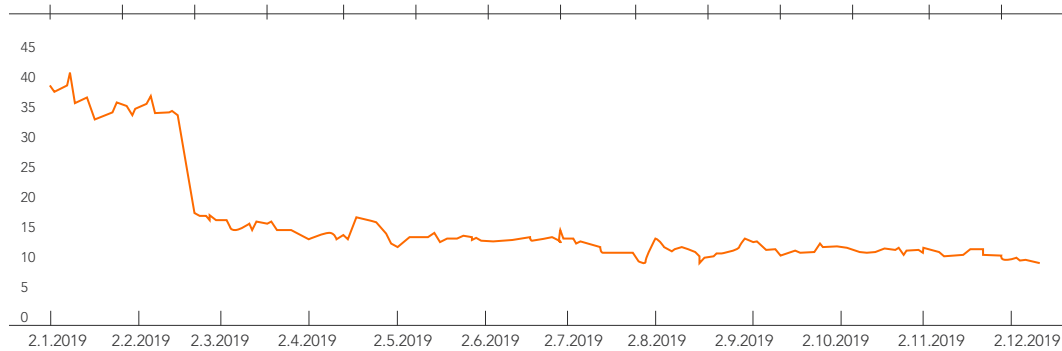
\* Antti Villanen shares and stock options included in the management team.  
He is also a member of the board.



## Share trading

During fiscal year 2019 the share price in First North Sweden –marketplace ranged between SEK 8,4 ja SEK 41,4. At the end of the year (28.12.2019) share price stood at SEK 8,92.

## Average price (SEK)



Reference: <http://www.nasdaqomxnordic.com/aktier/microsite?Instrument=SSE139711&name=Nitro%20Games&ISIN=FI4000242961>

## Annual General Meetings

The Annual General Meeting was held in April 26, 2019. General Meeting dealt issues according the company by-laws and decided to authorize the Board to resolve on the issuance of maximum of 361 630 option rights of which 153 000 option rights is reserved for remuneration of Board members. Authorization is valid until December 31, 2021.

The Extraordinary General Meeting of Nitro Games was held on November 20, 2019. General Meeting considered and decided to authorize Board to resolve on share issues. The number of shares to be issued under the authorization may not exceed 1 376 569 shares. Authorization will be used to carry out the directed share issue published in October 29, 2019.

## Structural and financial arrangements

### Authorizing the Board of Directors to resolve on share issue

The Extraordinary General Meeting of Nitro Games held in November 20, 2019 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 1 376 569. Shares may be issued in deviation from the shareholders' pre-emptive subscription right (directed issue) to implement the planned share issue published in October 29, 2019. The Board of Directors resolves on all terms and conditions of the share issue, and has also the right to decide on changes to the terms of the share issue published on October 29, 2019. The authorization is valid until December 31, 2019.



## Share issues

### Directed share issue

On November 20, 2019, based on the authorization received at the Annual General Meeting held in April 27, 2018, the board decided on a directed share issue of 1 376 569 new shares. The subscription price of the share issue was SEK 10,90 per share. The share issue was subscribed in full 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 26, 2019 decided to authorize Board to resolve on the issuance of option rights. The number of option rights to be issued under the authorization may not exceed 361 630 of which 153 000 option rights will be distributed for remuneration of The Board of Directors. Each option right entitles option right holder to subscribe one new share at the price per share of SEK 74. The price per share is based on the highest historical share price. Board of Company will resolve all other terms. Authorization is valid until December 31, 2021.

### Based on this authorization and the decision of The Annual General meeting the members of The Board of Directors were given the following option rights, marked with 2/2019A:

- Jacob Ehrnrooth (chair) 30 000 option rights
- Ilkka Lassila 20 500 option rights
- Sverker Littorin 20 500 option rights
- Oliver Kern 20 500 option rights
- Johan Biehl 20 500 option rights
- Wilhelm Taht 20 500 option rights
- Antti Villanen notified that he will not receive the given option rights.

**Total: 132 500 option rights.**

Subscription period of these option rights 2/2019A starts on April 26, 2020 and ends on April 26, 2022.

Based on the authorization given in April 26, 2019 Board has right to distribute 208 630 option rights, marked with 2/2019B. These option rights were not distributed by December 31, 2019. Authorization is valid until at December 31, 2021.

## Personnel, management and auditors

### Personnel and Developing Know-How

#### Personnel

Average number of the personnel at the end of the year 2019 was 39 (51 employees in 2018). 13 % of personnel were women (15% in 2018) and 23 % of personnel were foreign (27% in 2018). Average age was 34 years (33 in 2018). Most of the employees at Nitro Games Plc are fulltime employees and personnel costs are mainly fixed costs. Company monitors the industry's overall wage level and competitive position in determining salaries.

The table below shows the indicators for personnel development in 2018-2019.

	31.12.2019	31.12.2018
Personell on average	39	51
Salaries and wages during the financial year	2 139 919	2 355 285





## Know-How Development

Know-how, motivation and wellbeing of the personnel are essential factors in Company's success. One of the strategic goals in Nitro is to be the best working place for gaming talents. Substantial investments in personnel's occupational skills, managerial training and workplace wellbeing were made according to strategy.

Nitro sees, that the mental working capability is essential for work endurance and for work motivation. Workplace wellbeing was considered in many ways, for instance taking in consideration personnel's wishes, asking them to take part in conversations and in decision making and surveying their proposals in developing wellbeing. Nitro also provides vast occupational healthcare services as well as many sports and culture benefits and possibilities for hobbies.

Several changes and development actions in working spaces were implemented in 2019. Office spaces were changed into activity based office, achieving better office space efficiency. Average use of office space is 14,5 m<sup>2</sup>/person. The goal for renovations is together with the personnel to create inspiring working environment that also supports different work profiles.

All permanent personnel are within the option scheme. In 2019 Nitro Games granted options to all new employees, who's trial period ended before December 2019. Company plans to use options schemes in intending it's all permanent employees in Company.

## CEO

CEO directs Company's daily operations targeting to ensure remarkable and continuing growth in company value. The CEO prepares matters to be dealt with by the Board of Directors, develops the company according to targets agreed with The Board of Directors and ensures that the decisions of Board are implemented properly. CEO has also the liability to ensure that the Company's actions are in compliance with the law.

CEO has the right to urge summoning the Board of Directors, attend Board meetings and use the right to speak in them, unless Board decides otherwise in specific cases. CEO has the right to get his differing opinion recorded in board meeting minutes.

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.

According to company by-laws The General Annual Meeting annually elects the Board of Directors with three to eight members. Until April 26, 2019 the members of the Board of Directors were Antti Villanen (chair), Jacob Ehrnrooth, Sverker Littorin, Ilkka Lassila, Wilhelm Taht ja Juhani Taskinen.

The General Annual Meeting in April 26, 2019 elected the Board: Jacob Ehrnrooth, Antti Villanen, Sverker Littorin, Ilkka Lassila, Wilhelm Taht and, as a new member, Oliver Kern and Johan Biehl. The Board elected Jacob Ehrnrooth as Chairman among its members.

During the fiscal year 2019, the Board of Directors met 22 times, 16 of which convened by the new board. The average attendance rate was 97%. 55% of the meetings were regular meetings attended personally by the members 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 26, 2019 and ending at the end of the next Annual General Meeting of the company, the remuneration to members of the Board of Directors will not be paid in cash but 30 000 option rights will be distributed to Chairman of the Board and 20 500 option rights will be distributed to other members of the Board each. Subscription period for board members begins April 26, 2020 and ends April 26, 2022. (EUR 50 thousand in 2018)

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 2019, appointed the 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 Taht and member outside Board Matti Nikkola.

The Annual General Meeting decided on the allowance for members of the possible board committees to be paid as follows: chair EUR 1 000 per meeting and members EUR 500 per meeting.

## Environmental factors

Nitro Games aims to act as an example and forerunner in gaming production and aims to contribute sustainable growth in all its operations. Goal is to minimize operations' environmental strain to be as little as possible.

The biggest strain for environment is caused by the electricity consumption of IT equipment, servers and gaming as well as flying. Efficiency of space utilization in offices is in good level.

Nitro Games develops its purchasing practices towards taking environmental factors in consideration already when planning purchases, during use and at the end of life-cycle.

## Insider Administration

Board of Directors of Company has to ensure, that adequate practices for controlling insider issues are always in use in the Company. Insider rules must be in compliance with Finnish law and the good governance. They also have to be in line with the rules and regulations of NASDAQ and Financial Supervisory Authority. Board of Directors has authorized CEO to make practical arrangements and maintaining register.

In compliance with Market Abuse Regulation (MAR) Nitro Games has determined that members of Board of Directors and members of Management Group are insiders with reporting obligation. In addition to insiders with reporting obligation Nitro Games establishes separate, case-by-case list of insiders for remarkable insider events. Insider event means an arrangement that is prepared confidentially and, upon realizing, can have significant impact on the value of Nitro Games financial instruments.

Every employee and insider at Nitro Games is personally responsible for not breaking the laws and regulations on using insider information.

Nitro Games follows a 30-day closed window period before publishing its quarterly reports or financial statements. During this period, trading on Nitro Games' shares is forbidden for Nitro Games' insiders i.e. insiders with reporting obligation and persons, who participate in preparing the quarterly reports and financial statements, as well as other persons determined by the CEO.

## Certified Adviser

Company's shares are subject to multilateral trading at First North Growth -marketplace in Stockholm. First North Growth 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 Growth. In addition, the Certified Adviser continually monitors the company's compliance with the First North Growth 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 Growth market, was Augment Partners AB.



## Auditors

According to company by-laws Company has to have at least one responsible auditor and one deputy auditor. In case an audit firm is elected the responsible auditor, it is not necessary to elect deputy auditor.

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 2019 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 -3 293 425,94 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 May 8, 2020. Nitro Games Plc. will publish the call for Annual General Meeting on April 17, 2020 in its official internet pages.

December 31, 2019  
Board of Directors  
Nitro Games Plc.

## Definitions of Key Ratios

<b>Operating profit (EBIT)</b>	revenue + other operating income – operating costs – depreciation
<b>EBITDA</b>	Operating profit + depreciation, amortization and impairments
<b>EBITDA %</b>	$\frac{\text{EBITDA}}{\text{Revenue}} \times 100$
<b>Equity ratio %</b>	$\frac{\text{Total Equity}}{\text{Assets-advances received}} \times 100$
<b>Earnings per share (EPS), undiluted</b>	Profit (loss) for the financial year divided by the average number of outstanding shares during the financial year.
<b>Earnings per share (EPS), diluted</b>	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).
<b>Net debt</b>	Liabilities – Cash in hand and at banks





# Nitro Games PLC Income Statement

	1.1.2019–31.12.2019	1.1.2018–31.12.2018
<b>Revenues</b>	<b>816 220,35</b>	<b>2 204 249,35</b>
Manufacturing for enterprise's own use	1 169 400,33	0,00
Other operating income	9 021,60	68 954,39
Materials and services		
Materials and equipment	-530 598,68	-3 499,98
Purchases during the financial year	-530 598,68	-3 499,98
External services	-420 787,51	-1 405 796,98
<b>Materials and services total</b>	<b>-951 386,19</b>	<b>-1 409 296,96</b>
Personnel expenses		
Salaries and wages	-1 770 143,88	-1 953 312,46
Social security expenses	-369 774,69	-401 972,22
Pension expenses	-322 817,82	-358 940,79
Other statutory employee expenses	-46 956,87	-43 031,43
<b>Personnel expenses total</b>	<b>-2 139 918,57</b>	<b>-2 355 284,68</b>
Depreciation according to plan	-626 237,34	-633 377,34
Other operating expenses	-1 561 603,23	-3 609 601,83
<b>OPERATING PROFIT (LOSS)</b>	<b>-3 284 503,05</b>	<b>-5 734 357,07</b>
<b>Financial income and expenses</b>		
Other interest income and other financial income		
Interest income and other financial income	-8 922,89	-14 449,36
<b>Financial income and expenses total</b>	<b>-8 922,89</b>	<b>-14 449,36</b>
<b>PROFIT (LOSS) BEFORE APPROPRIATIONS AND TAXES</b>	<b>-3 293 425,94</b>	<b>-5 748 806,43</b>
<b>PROFIT (LOSS) OF THE FINANCIAL YEAR</b>	<b>-3 293 425,94</b>	<b>-5 748 806,43</b>



# Nitro Games PLc Balance Sheet

	31.12.2019		31.12.2018	
<b>ASSETS</b>				
<b>NON-CURRENT ASSETS</b>				
Intangible assets				
Intangible rights				
Development costs	1 465 945,74	1 465 945,74	922 357,65	922 357,65
Tangible assets				
Machinery and equipment	1 275,31	1 275,31	1 700,41	1 700,41
<b>NON-CURRENT ASSETS TOTAL</b>		<b>1 467 221,05</b>		<b>924 058,06</b>
<b>CURRENT ASSETS</b>				
Long-term debtors				
Equity loan receivables				
Other debtors, long	27 654,80	27 654,80	33 594,80	33 594,80
Short-term debtors				
Accounts receivable	143 785,78		151 474,89	
Other debtors	86 761,69		184 657,62	
Prepayments and accrued income	82 987,82	313 535,29	42 884,14	379 016,65
Cash in hand and at banks		1 677 484,86		3 260 130,03
<b>CURRENT ASSETS TOTAL</b>		<b>2 018 674,95</b>		<b>3 672 741,48</b>
<b>ASSETS TOTAL</b>		<b>3 485 896,00</b>		<b>4 596 799,54</b>



# Nitro Games PLc Balance Sheet

	31.12.2019		31.12.2018	
<b>EQUITY AND LIABILITIES</b>				
<b>EQUITY</b>				
Share capital	80 000,00		80 000,00	
Invested unrestricted equity reserve	18 469 382,79		17 068 985,12	
Retained earnings (loss)	-13 288 561,92		-7 539 755,49	
Profit (loss) of the financial year	-3 293 425,94	1 967 394,93	-5 748 806,43	3 860 423,20
<b>EQUITY TOTAL</b>		<b>1 967 394,93</b>		<b>3 860 423,20</b>
<b>LIABILITIES</b>				
Non-current				
Loans from financial institutions	986 089,76		129 648,76	
Other non-current liabilities	910,00	986 999,76	910,00	130 558,76
Current				
Loans from financial institutions	94 119,00		94 119,00	
Accounts payable	228 758,91		259 340,14	
Other current liabilities	39 162,61		47 687,47	
Accruals and deferred income	169 460,79	531 501,31	204 670,97	605 817,58
<b>LIABILITIES TOTAL</b>		<b>1 518 501,07</b>		<b>736 376,34</b>
<b>EQUITY AND LIABILITIES TOTAL</b>		<b>3 485 896,00</b>		<b>4 596 799,54</b>

# Nitro Games PLC Statement of Cash Flows

	31.12.2019	31.12.2018
(EUR thousand)		
<b>Cash flows, operating activities:</b>		
Net profit (loss) before taxation, and extraordinary items	-3 293,4	-5 748,8
Adjustments for:		
Depreciation according to plan	626,2	633,4
Other non-cash items (+/-)	0,0	-39,2
Financial income and expenses (+/-)	8,9	14,4
Other adjustments (+/-)	0,0	0,0
Operating profit before working capital changes	-2 658,3	-5 140,2
Working capital changes:		
Increase (-) or decrease (+) in long-term trade and other receivables	5,9	-17,0
Increase (-) or decrease (+) in trade and other receivables	65,5	-24,0
Increase (-) or decrease (+) in inventories	0,0	0,0
Increase (+) or decrease (-) in trade payables	-74,3	241,3
Cash generated from operations	-2 661,2	-4 939,9
<b>Net cash, operating activities (A)</b>	<b>-2 661,2</b>	<b>-4 939,9</b>
<b>Cash flows, investing activities:</b>		
Purchase of tangible and intangible assets (-)	-1 169,4	0,0
<b>Net cash, investing activities (B)</b>	<b>-1 169,4</b>	<b>0,0</b>
<b>Cash flows, financing activities:</b>		
Proceeds from issuance of share capital	1 400,4	5 954,7
Repayment of short-term borrowings (-)	0,0	-8,6
Proceeds from long-term borrowings	950,6	0,0
Repayment of long-term borrowings (-)	-94,1	-98,4
Interest paid and contributions from financial expenses (-)	-8,9	-15,3
Dividends (-)	0,0	0,0
Taxes	0,0	0,0
<b>Net cash, financing activities (C)</b>	<b>2 247,9</b>	<b>5 832,4</b>
<b>Net increase/decrease in cash and cash equivalents (A + B + C)</b>	<b>-1 582,6</b>	<b>892,6</b>
Cash and cash equivalents at beginning of period	3 260,1	2 367,5
<b>Cash and cash equivalents at end of period</b>	<b>1 677,5</b>	<b>3 260,1</b>





# Accounting Policies

## **The principal accounting policies of the consolidated financial statements**

The 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 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 (UA) has been booked under Other operating Expenses. Starting from 2019, these costs will be moved under Material and Services. UA costs in 2019 were -521 277,84 EUR (-1 657 714,75 EUR on corresponding period 2018). The comparative figures 2018 have not been changed.

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.

Part of the expenses from games in production were expensed as costs. Part of the expenses from them development of the re-worked new version of Heroes of Warland, and related technology were capitalized during the period against expected future profits. This is visible in the Income statement under Manufacturing for the enterprise's own use.

This development costs were capitalized from January - December by a total of 1 169 400,33 EUR. This includes third party costs related to the game development and maintenance (outsourced services), personnel costs, and other costs, which are directly related to the project. These capitalized development costs are amortized over a five (5) year period on a straight-line basis starting 1.1.2020.

Depreciations were done according to the depreciation plan, consisting mostly of capitalized development costs and ICT equipments from previous years. The depreciations amounted to a total of - 626 237,34 EUR (-633 377,34 EUR).

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.



## Notes to the Income Statement

	31.12.2019	31.12.2018
<b>Revenue</b>		
<b>Revenue from operations</b>	816 220	2 204 250
Self-publishing	95 582	267 750
Service business	720 638	1 936 500
<b>Revenue per market area</b>	816 220	2 204 249
EU	788 341	1 991 963
North America	7 304	190 072
Other	20 576	22 214
<b>Other operating income</b>	9 022	68 954
Rental income	9 022	14 770
Government grants		14 961
Other operating income		
Fusion difference		39 223
<b>Materials and Services</b>	951 386	1 409 297
User acquisition	521 278	0
Others costs	430 108	1 409 297
<b>Other operating expenses</b>	1 561 603	3 609 602
Marketing expenses (user acquisition)	4 980	1 664 091
Listing- and funding expenses	106 571	344 693
Voluntary employee benefits	86 922	120 555
Equipment and software	315 274	250 151
Travel expenses	137 519	185 834
Office expenses	161 119	122 681
Stock Exchange expenses	183 392	195 147
Impairments loss, intra-group receivables		
Legal and advisory services	356 194	385 616
Other expenses	209 630	340 834
<b>Audit fees</b>	<b>17 435</b>	<b>19 426</b>
Statutory audit	13 895	13 208
Services according to Auditing Act 1.1.2 §	1 350	3 043
Tax advisory	1 260	170
Other fees	930	3 005

## Notes to the Personnel and Boards

Average number of employees during the year	39	51
Personnel expenses	2 139 918	2 355 284
Wages and salaries	1 770 144	1 953 312
Pension costs	322 818	358 941
Other social security costs	46 957	43 031
Salaries and remuneration paid to the management		
CEO and members of the Board	84 000	135 000

## Notes to total assets/Balance Sheet

	31.12.2019	31.12.2018
<b>Breakdown on non-current assets</b>		
Intangible assets		
Balance sheet value 1.1.		6 998
Depreciations		-6 998
Balance sheet value 31.12.		
Development costs		
Balance sheet value 1.1.	922 358	1 548 170
Increase	1 169 400	
Depreciations	-625 812	-625 812
Balance sheet value 31.12.	1 465 946	922 358
Machinery and equipment		
Balance sheet value 1.1.	1 700	2 267
Depreciations	-425	-567
Balance sheet value 31.12.	1 275	1 700

## Notes to Equity and Liabilities/Balance Sheet

	31.12.2019	31.12.2018
<b>Capital and reserves</b>		
<b>Breakdown of capital and reserves</b>		
Share capital 1.1.	80 000	80 000
Reserve increase		
Share capital 31.12.	80 000	80 000
<b>Tied equity total</b>	<b>80 000</b>	<b>80 000</b>
Reserve for invested equity 1.1.	17 068 985	11 114 304
Reserve increase in share capital		
Share issues	1 400 398	5 954 681
Reserve for invested equity 31.12.	18 469 383	17 068 985
Retained earnings 1.1.	-13 288 562	-7 539 755
Retained earnings 31.12.	-13 288 562	-7 539 755
Profit (loss) of the financial year	-3 293 426	-5 748 806
<b>Non-tied equity total</b>	<b>1 887 395</b>	<b>3 780 424</b>
<b>Total equity</b>	<b>1 887 395</b>	<b>3 860 424</b>



	31.12.2019	31.12.2018
<b>Distributable funds</b>		
Reserve for invested unrestricted equity	18 469 383	17 068 985
Retained earnings	-13 288 562	-7 539 755
Profit (loss) of the financial year	-3 293 426	-5 748 806
Capitalized development costs	-1 465 946	-922 358
<b>Total</b>	<b>421 449</b>	<b>2 858 066</b>
<b>Group loans</b>		
Other loans	0	0

## Contingencies

	31.12.2018	31.12.2018
<b>Operating leases</b>		
Maturity during the next financial period	36 234	61 247
Maturity later	28 594	75 118
	64 828	136 365
<b>Loans secured with mortgages or pledges</b>		
Loans from financial institutions	129 649	223 768
Mortgage on company assets	190 000	190 000
<b>Guarantees on behalf of own commitments</b>		
Rental security deposits	27 655	33 595
Other guarantees	21 327	21 309
	48 982	54 904

## 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 2019 the company has purchased services for management consulting, project management, financial management, funding and IR advisor services under normal commercial terms with 258 250 euros (2018 the amount being 266 162).





# Signatures to the Financial Statements

Kotka, 25.3.2020

**Jacob Ehrnrooth**  
Chairman of the Board

**Sverker Littorin**  
Board member

**Ilkka Lassila**  
Board member

**Antti Villanen**  
Board member

**Wilhelm Taht**  
Board member

**Oliver Kern**  
Board member

**Johan Biehl**  
Board member

**Jussi Tähtinen**  
CEO

## Auditor's note

A report on the audit performed has been issued today

in Kotka, 2.4.2020

Idman Vilén Grant Thornton Oy,  
Authorised Public Accountants  
Antti Niemistö

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## 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, 2019. The financial statements comprise the balance sheet, the income statement, the cash flow statement 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.

Kotka, 2. April 2020

Idman Vilén Grant Thornton Oy,  
Authorised Public Accountants

Antti Niemistö  
Authorised Public Accountant



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