



Interim Report

JANUARY - SEPTEMBER 2020 / NITRO GAMES OYJ





The Interim Period January – September 2020

- Revenues (Jan -Sep): 1 085,5 KEUR (389,7 KEUR in the corresponding period 2019).
- EBITDA: -1 449,4 KEUR (-2 103,7 KEUR).
- EBIT: -1 791,9 KEUR (-2 573,5 KEUR).
- Net profit: -1 806,8 KEUR (-2 581,5 KEUR).
- Cash and cash equivalents: 3 979,4 KEUR.

July – September 2020

- Revenues (Jul - Sep): 100,8 KEUR (317,7 KEUR in the corresponding period 2019).
- EBITDA: -819,5 KEUR (-260,2 KEUR).
- EBIT: -933,7 KEUR (-416,8 KEUR).
- Net profit: -936,7 KEUR (-419,3 KEUR).

High Level Of Activity

"We've started the second half of the year with a high level of activity, building our foundation for long-term success. Our focus is on our cornerstone game Lootland, which we are developing towards the upcoming soft-launch. In our service business, we completed our work with theHunter: Mobile for Expansive Worlds. At the same time, we have been active in business development and progressed with new titles in our MVP process to build our next opportunities. This transition period reflects in the decrease in revenues for the third quarter. As a result of the fundraising we did during the second quarter, we can now focus on the execution of our strategy towards our long-term vision.

Overall, I am feeling confident that our tight focus and high level of activity delivers us the results we're seeking. We have a clear cornerstone project in production towards soft-launch, we have more games in the MVP process, we have more activity in business development and most importantly, we have the best team ever in the history of Nitro Games. We're progressing in the right direction, well resourced, and determined to focus on doing the right thing. I am excited to continue our journey forward, with our team working hard and smart on making great games and delivering shareholder value. ", says Jussi Tähtinen, CEO of Nitro Games.



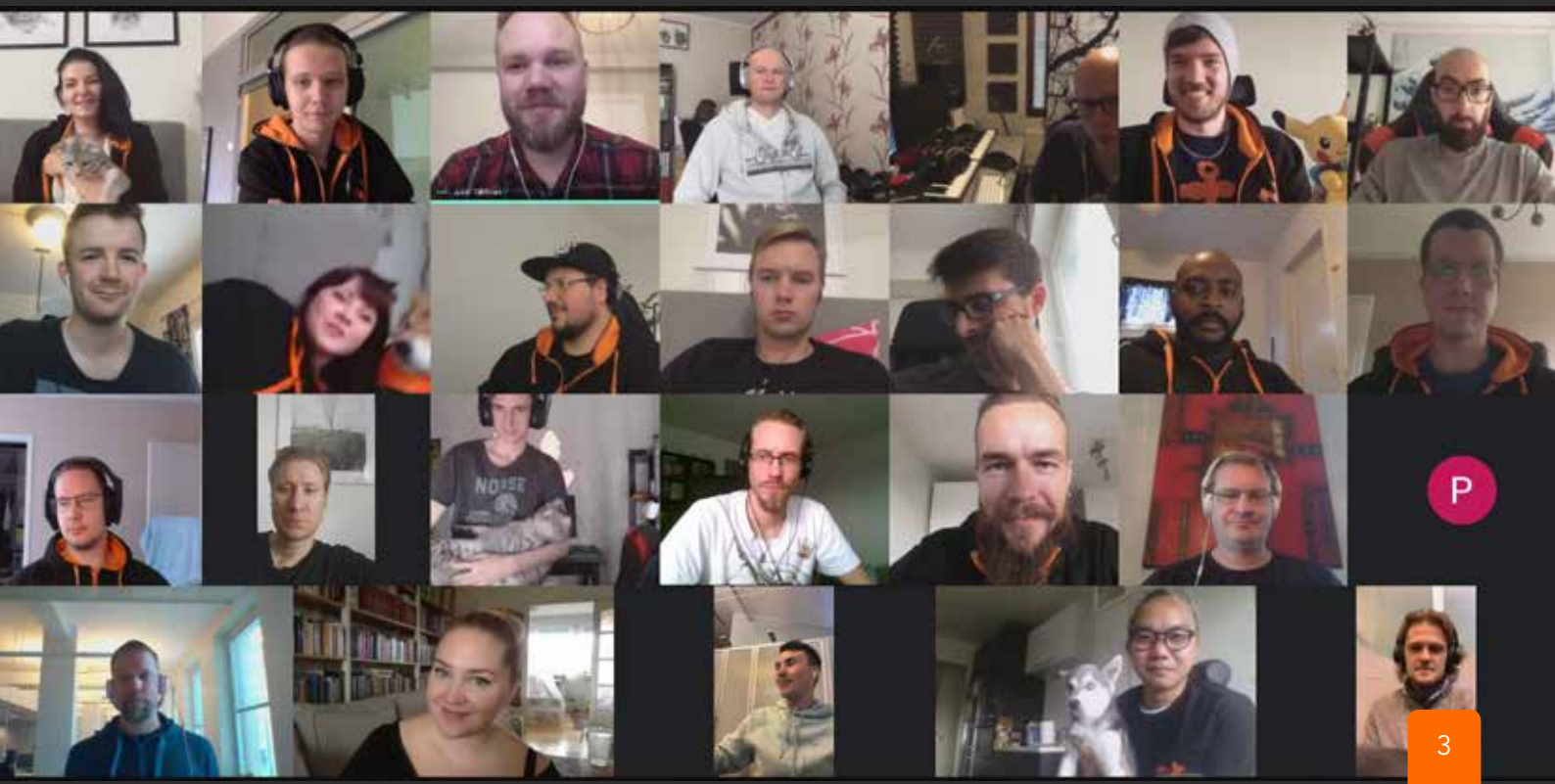
About Nitro Games

Nitro Games is a free-to-play mobile game developer and publisher. Nitro Games team is a multinational group of mobile gaming professionals that has the expertise from development to publishing to live-operations. The Company focuses on producing mobile games with high production value for mid-core audience. Nitro Games is specialized in the category of shooter games. With Nitro Games' powerful NG Platform and the NG MVP process, the Company is able to carry out market validation with its games during development. Nitro Games has developed games based on its own IP such as Lootland, Heroes of Warland, Medals of War, Raids of Glory. The company offers its services also to selected customers and has developed several successful projects to leading mobile gaming companies.

Nitro Games' shares are listed on Nasdaq First North Growth Stockholm with the ticker NITRO. The Certified Adviser is FNCA Sweden AB, info@fnca.se, +468 528 00399.

www.nitrogames.com

Finnish Business ID: FI21348196





Key Financials

	Jul-Sep	Jul-Sep	Jan-Sep	Jan-Sep	Full Year
	2020	2019	2020	2019	2019
Revenue (EUR thousand)	100,8	317,7	1 085,5	389,7	816,2
Operating profit/loss (EUR thousand)	-933,7	-416,7	-1 791,9	-2 573,5	-3 284,5
Operating profit/loss % (EBIT %)	-926,4 %	-131,2 %	-165,1 %	-660,4 %	-402,4 %
EBITDA (EUR thousand)	-819,6	-260,1	-1 449,4	-2 103,7	-2 658,3
EBITDA %	-813,1 %	-81,9 %	-133,5 %	-539,9 %	-325,7 %
Net profit /loss (EUR thousand)	-936,7	-419,3	-1 806,8	-2 581,5	-3 293,4
Cashflow generated from operations (EUR thousand)	-781,0	-507,0	-1 346,4	-2 351,5	-2 661,2
Equity ratio (%)	40,5 %	56,8 %	40,5 %	56,8 %	56,4 %
Number of shares, average	8 326 230	3 616 328	6 671 818	3 616 328	3 749 055
Number of shares at the end of the period	8 326 230	3 616 328	8 326 230	3 616 328	4 992 897
Number of Share options	1 286 236	449 368	1 286 236	449 368	459 368
Equity per share (EUR)	0,3	0,4	0,3	0,4	0,4
Earnings per share (EUR) undiluted	-0,1	-0,1	-0,2	-0,7	-0,7
Earnings per share (EUR) diluted	-0,1	-0,1	-0,2	-0,6	-0,6
Net debt (EUR thousand)	-313,4	556,9	-313,4	556,9	-159,0
Number of employees	37	33	36	42	39





A Word from Jussi Tähtinen, CEO

High level of activity

We've started the second half of the year with a high level of activity, building our foundation for long-term success. Our focus is on our cornerstone game Lootland, which we are developing towards the upcoming soft-launch. In our service business, we completed our work with theHunter: Mobile for Expansive Worlds. At the same time, we have been active in business development and progressed with new titles in our MVP process to build our next opportunities. This transition period reflects in the decrease in revenues for the third quarter. As a result of the fundraise we did during the second quarter, we can now focus on the execution of our strategy towards our long-term vision of becoming a household name in the category of shooter games on mobile.

We've strengthened our team to support building our foundation for scalability. We hired a new Creative Director, industry veteran Giuliano Cremaschi, who has previously worked for example in Armada Interactive, Microsoft, and Crytek, bringing in a wealth of experience. Other recruitments focused on increasing our capabilities in game design and creative roles, as well as expanding our reach in business development.

Our level of activity has increased in business development, where we now have people not just in Finland, but in the US, Canada and Russia as well. This is part of our plan to mitigate the travel restrictions caused by the COVID-19, and it also allows Nitro to work on different time zones in real-time. We have 30 active cases at the moment, ranging from service business opportunities with leading companies to opportunities with IP & brands, as well as publishing for our own IP. Most of the ongoing cases are in the category of shooter games, and we are evaluating the best possible match for our long-term vision. Overall, we are seeing an increasing amount of interest in the shooter category, and are feeling confident about the pipeline we have.


Lootland is progressing well towards the soft-launch. We have successfully assigned more resources to the project and feel positive about the sequential improvements we've seen in the technical testing. Our findings so far support our product vision of introducing a unique co-op multiplayer game with an approachable portrait mode gameplay mechanics. We are excited about the upcoming soft-launch.

In our service business, we evaluated and concluded on the soft-launch results for theHunter: Mobile, together with Expansive Worlds. The game did not meet the high performance criteria we had, and therefore we have together decided not to continue forward with the game. We enjoyed the co-operation with Expansive Worlds, and are open to potential future collaboration should the opportunity with mutual interests arise sometime in the future.

In our MVP process, we have focused on creating new game concepts based on the recent market movements and customer analysis in the shooter category, combined with data & findings from our earlier games. During the quarter, out of the 20 concepts we had, a total of three games made it through pre-production to MVP testing. In addition to our in-house team, we are also using outsourcing partner studios for temporary increase in development power without increasing the fixed costs. This however, reflects in increased third party costs during the quarter. In the MVP testing phase we are measuring the marketability of the game, including the appeal of the game IP and visual theme, as well as the early retention performance of a playable version of the game. This method of continuous learning and tight focus allows us to have better shots on goal, while supporting us in being selective and identifying the winners as early as possible.

Overall, I am feeling confident that our tight focus and high level of activity delivers us the results we're seeking. We have a clear cornerstone project in production towards soft-launch, we have more games in the MVP process, we have more activity in business development and most importantly, we have the best team ever in the history of Nitro Games. We're progressing in the right direction, well resourced, and determined to focus on doing the right thing. I am excited to continue our journey forward, with our team working hard and smart on making great games and delivering shareholder value.

Jussi Tähtinen
CEO, Co-Founder



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*Jussi Tähtinen
CEO, Co-Founder*

 A COMMENT FROM CEO



Revenues & Profit / Loss

The revenues during the period January - September 2020 were 1 085,5 KEUR (389,7 KEUR in the corresponding period 2019), which is an increase of 178,6 % compared to the corresponding period 2019. The revenues during the third quarter were 100,8 KEUR (317,7 KEUR).

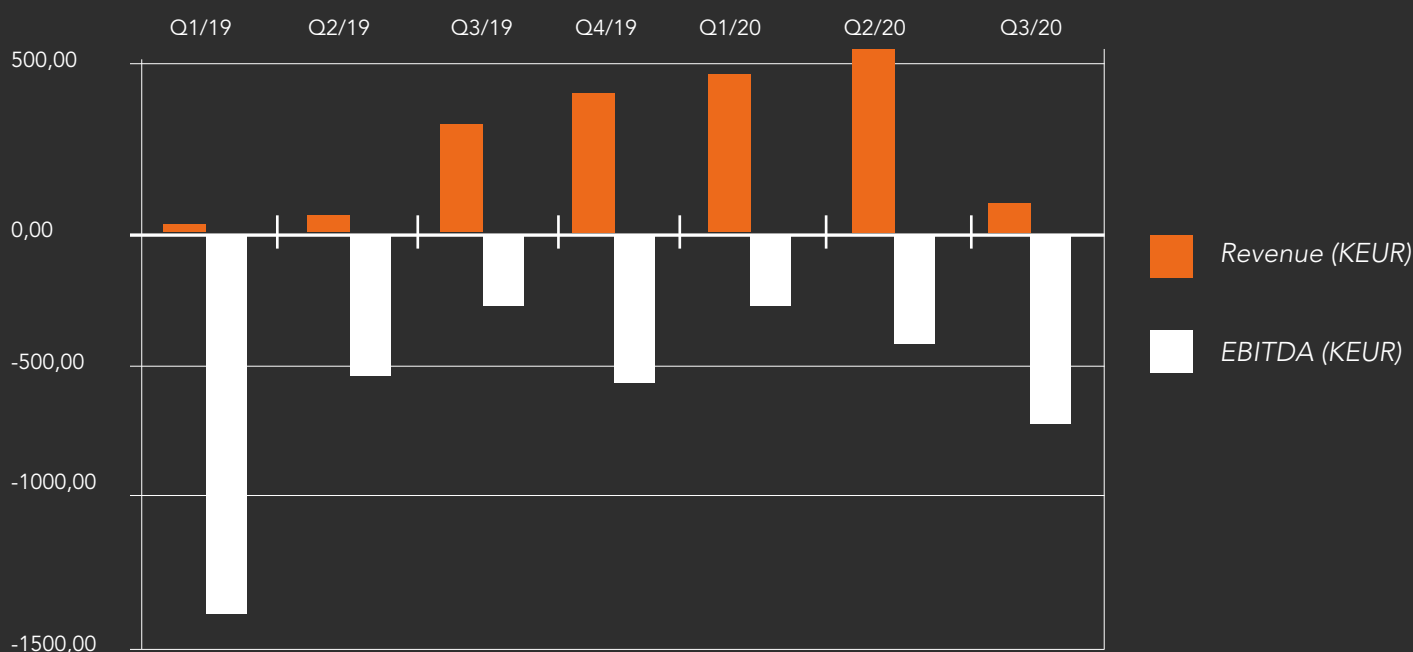
EBITDA amounted to -1 449,4 KEUR (-2 103,7 KEUR in the corresponding period 2019) during January – September 2020; and -819,6 KEUR during the third quarter (-260,1 KEUR).

EBIT: Operating result before financial items amounted to -1 791,9 KEUR (-2 573,5 KEUR) during January – September 2020; and -933,7 KEUR during the third quarter (-416,7 KEUR).

The net result for the period amounted to -1 806,8 KEUR (-2 581,5 KEUR in the corresponding period 2019) during January-September 2020; and – 936,7 KEUR during the third quarter (-419,3 KEUR).

The materials and services were -796,8 KEUR (-724,3 KEUR in the corresponding period 2019) during January-September 2020; and –299,2 KEUR during the third quarter (-226,2 KEUR). This cost includes third party costs related to game development and maintenance (outsourced services) and game marketing costs, such as user acquisition costs.

The other operating expenses were -950,4 KEUR (- 1 080,8 KEUR in the corresponding period 2019) during January-September 2020; and –328,2 KEUR during the third quarter (-290,8 KEUR). This cost includes third party costs related to accounting, legal, stock market expenses, hardware and software, travel expenses, office costs, and other costs.







Cash Flow and Financial Position

Net cash, operating activities was -1 346,4 KEUR (-2 351,5 KEUR in the corresponding period 2019) during January-September 2020, and -781,0 KEUR during the third quarter (-507,0 KEUR).

Net cash, investing activities was -829,8 KEUR (-905,9 KEUR in the corresponding period 2019) during January-September 2020, and -264,6 KEUR during the third quarter (-319,6 KEUR).

Net cash, financing activities was 4 478,1 KEUR (412,0 KEUR in the corresponding period 2019) during January-September 2020, and -3,0 KEUR during the third quarter (-30,1 KEUR).

Cash and cash equivalents at the end of the period (30.9.2020) were 3 979,4 KEUR.

Investments and Depreciation

Part of the expenses from games in production were expensed as costs. Part of the costs from the development of the shooter game projects, and related technology were capitalized against expected future profits. This is visible in the Income statement under Manufacturing for the enterprise's use. The company has a tight focus in the category of shooter games and utilizes re-usable technology and game features. This allows Nitro Games to take advantage of development activities done in previous projects when working on a new game.

New development costs were capitalized from January to September by a total of 829,8 KEUR (-905,9 KEUR in the corresponding period 2019), and by a total of 264,6 KEUR (-319,6 KEUR in the corresponding period 2019) during the third quarter. This includes third party costs related to game development and maintenance (outsourced services), personnel costs, and other costs, which are directly related to the game projects. These capitalized development costs are amortized over a five (5) year period on a straight-line basis.

Depreciations were done according to the depreciation plan, consisting mostly of capitalized development costs from previous years. The depreciation amounted to a total of -342,5 KEUR (-469,8 KEUR in the corresponding period 2019) January to September, and -114,2 KEUR (-156,6 KEUR in the corresponding period 2019) during the third quarter.

Employees

The number of employees on September 30, 2020 was 37.

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.

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



Related Party Transactions

There were no significant related party transactions during the Interim Period.

The Share and Shareholders

Nitro Games' shares are traded on Nasdaq First North Growth Stockholm since June 16, 2017.

The largest shareholders as of September 30, 2020 were:

Shareholders	Number of shares	% of shares and votes
Egmont Holding Oy ¹	3 333 333	40,03
SEB AB, Luxemburg Branch	1 562 478	18,77
Avanza Pension försäkring AB	330 135	3,96
Ludvig Strigéus	232 645	2,79
Feat Invest AB ²	229 717	2,76
Antti Villanen	129 254	1,55
Coeli Wealth Management AB	120 500	1,45
Oy AjoRanta Group AB ^{3,4}	117 103	1,41
Swedfact Holding AB	112 400	1,35
OP-Suomi Microyhtiöt - erikoisrahastot	108 400	1,30
Others	2 050 265	24,62
The total number of shares	8 326 230	100,00

¹ Egmont Holding Oy represents the investment by Nordisk Film Games

² Feat Invest Ab is controlled by Johan Biehl (Chairman of Board)

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

⁴ AjoRanta Group Ab has lent 45 000 shares to Liquidity provider (Lago Kapital).



Accounting and Valuation Principles

The Company prepares its financial statements in accordance with the Finnish Accounting Act (31.12.1997/1336, as amended), Finnish Accounting Ordinance (31.12.1997/1337, as amended), and instructions and statements of the Accounting Board operating under the Ministry of Employment and the Economy (the "Finnish Accounting Standards", "FAS").

In applicable cases The Company capitalizes the expenses used for development of products and technology, including personnel costs and procurement, subtracted with subsidies and grants received for these, to the extent that they are expected to generate economic benefits in the future. Amortization and depreciation for intangible and tangible assets are calculated by using the estimated useful life of the asset. For tangible assets depreciation according to plan starts during the calendar month when the commodity was taken into use and for intangible assets when revenue starts to accrue from the development work, typically during the year after the development work.

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

Review

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

Certified Adviser

Nitro Games' Certified Adviser is FNCA Sweden AB, info@fnca.se, +468 528 00399.

Investor Contact

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

Financial Calendar

Year-End Report, Jan – Dec 2020, 15 February 2021

Annual Report 2020, 16 April 2021

Inter Report, Jan – Mar 2021, 26 April 2021

Annual General Meeting, 7 May 2021



Note

This company announcement contains information that Nitro Games Oyj is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication by contact person mentioned below on 26 October 2020 at 09:00 (EET).

For Further Information, Please Contact:

Jussi Tähtinen, CEO, Co-founder

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jussi@nitrogames.com

Board Declaration

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

Kotka, Finland, 26, October 2020

Johan Biehl, Chairman

Antti Villanen

Mikkel Weider

Pim Holfve

Jussi Tähtinen, CEO



Key Financials

	Jul-Sep	Jul-Sep	Jan-Sep	Jan-Sep	Full Year
	2020	2019	2020	2019	2019
Revenue (EUR thousand)	100,8	317,7	1 085,5	389,7	816,2
Operating profit/loss (EUR thousand)	-933,7	-416,7	-1 791,9	-2 573,5	-3 284,5
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EBITDA (EUR thousand)	-819,6	-260,1	-1 449,4	-2 103,7	-2 658,3
EBITDA %	-813,1 %	-81,9 %	-133,5 %	-539,9 %	-325,7 %
Net profit /loss (EUR thousand)	-936,7	-419,3	-1 806,8	-2 581,5	-3 293,4
Cashflow generated from operations (EUR thousand)	-781,0	-507,0	-1 346,4	-2 351,5	-2 661,2
Equity ratio (%)	40,5 %	56,8 %	40,5 %	56,8 %	56,4 %
Number of shares, average	8 326 230	3 616 328	6 671 818	3 616 328	3 749 055
Number of shares at the end of the period	8 326 230	3 616 328	8 326 230	3 616 328	4 992 897
Number of Share options	1 286 236	449 368	1 286 236	449 368	459 368
Equity per share (EUR)	0,3	0,4	0,3	0,4	0,4
Earnings per share (EUR) undiluted	-0,1	-0,1	-0,2	-0,7	-0,7
Earnings per share (EUR) diluted	-0,1	-0,1	-0,2	-0,6	-0,6
Net debt (EUR thousand)	-313,4	556,9	-313,4	556,9	-159,0
Number of employees	37	33	36	42	39

Income Statement

These unaudited financial statements report for the period 1.1.- 30.9.2020 have been prepared according to Finnish Accounting Standards (FAS) and Nasdaq First North Growth marketplace rules and regulations.

EUR thousand	Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019	Full Year 2019
Revenue	100,8	317,7	1 085,5	389,7	816,2
Manufacturing for enterprise's own use	264,6	319,6	829,8	905,9	1 169,4
Other operating income	2,6	2,0	75,2	6,9	9,0
Materials and services	-299,2	-226,2	-796,8	-724,3	-951,4
Personnel expenses	-560,1	-382,5	-1 692,8	-1 601,1	-2 139,9
Depreciation and reduction to plan	-114,2	-156,6	-342,5	-469,8	-626,2
Other operating expenses	-328,2	-290,8	-950,4	-1 080,8	-1 561,6
Operating profit (loss)	-933,7	-416,7	-1 791,9	-2 573,5	-3 284,5
Financial income and expenses	-3,0	-2,6	-14,9	-8,0	-8,9
Profit before taxes and appropriations	-936,7	-419,3	-1 806,8	-2 581,5	-3 293,4
Appropriations and taxes	0,0	0,0	0,0	0,0	0,0
Financial statement transfers	0,0	0,0	0,0	0,0	0,0
Profit (loss) for the fiscal year	-936,7	-419,3	-1 806,8	-2 581,5	-3 293,4



Balance Sheet

EUR thousand	30 Sep 2020	30 Sep 2019	Full Year 2019 (Audited)
ASSETS			
Non-current assets			
Intangible assets	1 953,5	1 358,9	1 465,9
Tangible assets	1,0	1,3	1,3
Non-current assets total	1 954,6	1 360,2	1 467,2
Current assets			
Long - term debtors	27,7	27,7	27,7
Short-term debtors	202,1	448,0	313,5
Cash in hand and at banks	3 979,4	414,7	1 677,5
Current assets total	4 209,1	890,4	2 018,7
ASSETS TOTAL	6 163,7	2 250,5	3 485,9
EQUITY AND LIABILITIES			
Equity			
Shares capital	80,0	80,0	80,0
Invested unrestricted equity reserve	20 806,5	17 069,0	18 469,4
Retained earnings (loss)	-16 582,0	-13 288,6	-13 288,6
Profit (loss) for the fiscal year	-1 806,8	-2 581,5	-3 293,4
Equity total	2 497,7	1 278,9	1 967,4
LIABILITIES			
Non-current			
Convertible debentures	1 869,7	0,0	0,0
Loans from credit institutions	1 267,0	549,6	986,1
Other creditors	0,7	0,9	0,9
Non-current total	3 137,4	550,5	987,0
Current			
Loans from credit institutions	99,7	94,1	94,1
Accounts Payables	189,9	152,5	228,8
Other creditors	35,7	28,6	39,1
Accruals and deferred income	203,3	145,8	169,5
CURRENT TOTAL	528,6	421,1	531,5
Liabilities total	3 666,0	971,6	1 518,5
EQUITY AND LIABILITIES TOTAL	6 163,7	2 250,5	3 485,9



Cash Flow Statement

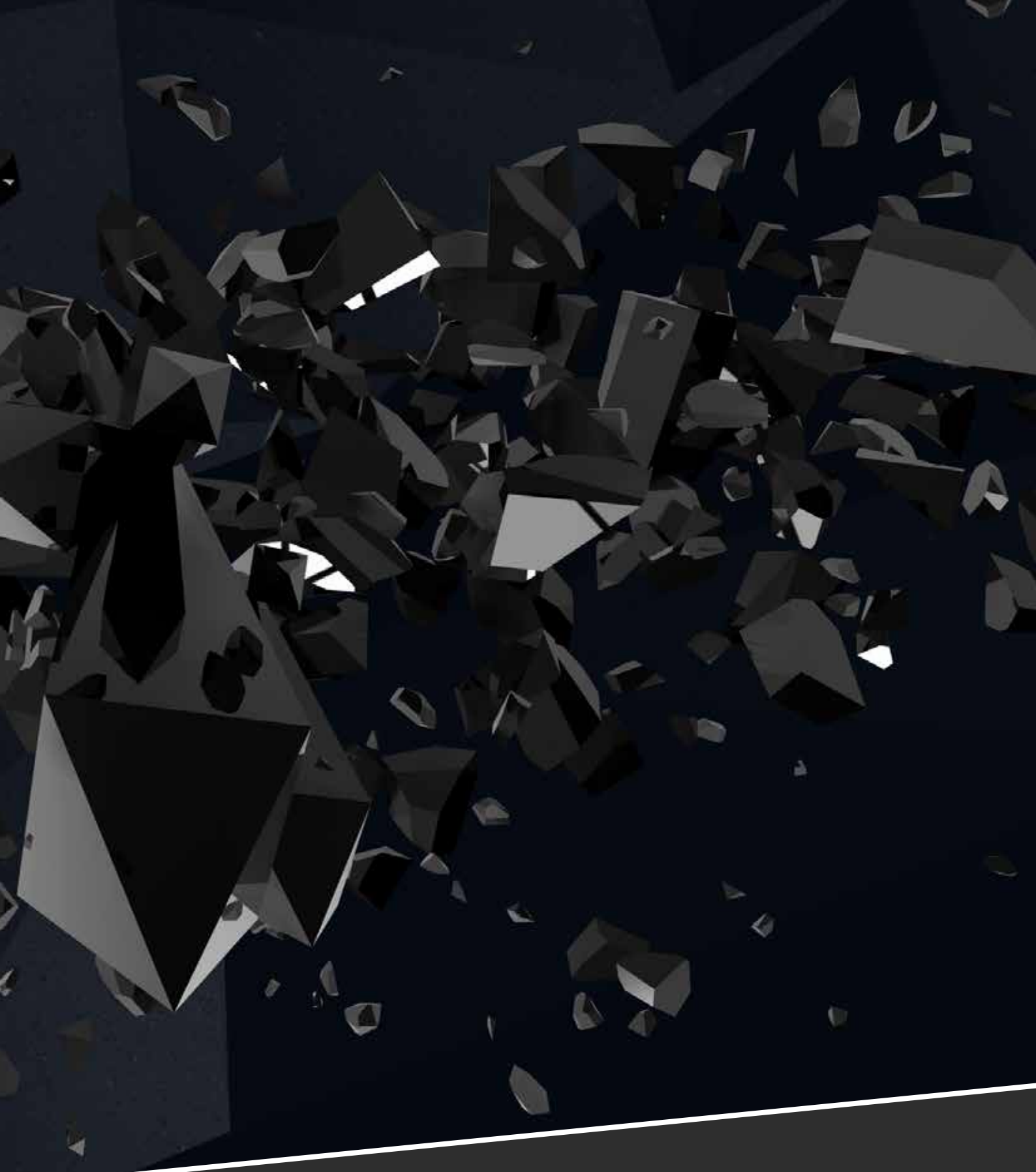
EUR thousand	Jul-Sep 2010	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019	Full Year 2019
Cash flows, operating activities:					
Net profit (loss) before taxation, and extraordinary items (+/-)	-936,7	-419,3	-1 806,8	-2 581,5	-3 293,4
Adjustments for:					
Depreciation according to plan	114,2	156,6	342,5	469,8	626,2
Other non-cash items (+/-)	0,0	0,0	0,0	-586,3	0,0
Financial income and expenses (+/-)	3,0	2,6	14,9	8,0	8,9
Other adjustments (+/-)	0,0	0,0	0,0	586,3	0,0
Operating profit before working capital changes	-819,6	-260,1	-1 449,4	-2 103,7	-2 658,3
Working capital changes:					
Increase (-) or decrease (+) in long-term trade and other receivables	0,0	0,0	0,0	5,9	5,9
Increase (-) or decrease (+) in trade and other receivables	133,3	-255,6	111,5	-69,0	65,5
Increase (+) or decrease (-) in trade payables	-94,8	8,7	-8,5	-184,7	-74,3
Cash generated from operations	-781,0	-507,0	-1 346,4	-2 351,5	-2 661,2
Cash flow before extraordinary items	-781,0	-507,0	-1 346,4	-2 351,5	-2 661,2
Cash flow, extraordinary items (+/-)	0,0	0,0	0,0	0,0	0,0
Net cash, operating activities (A)	-781,0	-507,0	-1 346,4	-2 351,5	-2 661,2
Cash flows, investing activities:					
Purchase of tangible and intangible assets (-)	-264,6	-319,6	-829,8	-905,9	-1 169,4
Net cash, investing activities (B)	-264,6	-319,6	-829,8	-905,9	-1 169,4
Cash flows, financing activities:					
Proceeds from issuance of share capital	0,0	0,0	2 337,1	0,0	1 400,4
Proceeds from long-term borrowings	5,6	0,0	2 185,3	490,6	950,6
Repayment of long-term borrowings (-)	-5,6	-27,5	-29,3	-70,6	-94,1
Intrest paid and contributions from financial expenses (-)	-3,0	-2,6	-14,9	-8,0	-8,9
Net cash, financing activities (C)	-3,0	-30,1	4 478,1	412,0	2 247,9
Net increase/decrease in cash and cash equivalents (A + B + C)	-1 048,6	-856,7	2 301,9	-2 845,4	-1 582,6
Cash and cash equivalents at beginning of period	5 028,0	1 271,5	1 677,5	3 260,1	3 260,1
Cash and cash equivalents at end of period	3 979,4	414,8	3 979,4	414,7	1 677,5



Change in Equity

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

EUR thousand	Share capital	Invested unrestricted equity reserve	Retained earnings (loss)	Profit (loss) for the financial year	Total equity
Equity 1 Jul 2020	80	20 807	-16 582	-870	3 434
Shares issued					0
Profit (loss) for the financial period				-937	-937
Equity 30 Sep 2020	80	20 807	-16 582	-1 807	2 498
Equity 1 Jul 2019	80	17 069	-13 289	-2 162	1 698
Shares issued					0
Profit (loss) for the financial period				-419	-419
Equity 30 Sep 2019	80	17 069	-13 289	-2 581	1 279
Equity 1 Jan 2020	80	18 469	-16 582	0	1 967
Shares issued		2 337			2 337
Profit (loss) for the financial period				-1 807	-1 807
Equity 30 Sep 2020	80	20 807	-16 582	-1 807	2 498
Equity 1 Jan 2019	80	17 069	-13 289	0	3 860
Shares issued					0
Profit (loss) for the financial period				-2 581	-2 581
Equity 30 Sep 2019	80	17 069	-13 289	-2 581	1 279
Equity 1 Jan 2019	80	17 069	-13 289	0	3 860
Shares issued		1 400			1 400
Profit (loss) for the financial period				-3 293	-3 293
Equity 31 Dec 2019	80	18 469	-13 289	-3 293	1 967



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