



Interim Report

JANUARY - JUNE 2017 NITRO GAMES OYJ





The Interim Period Jan – June 2017

- Revenues (Jan – June) increased by 29 % to 787.9 KEUR (corresponding period 2016: 609.9 KEUR).
- EBITDA amounted to -620.9 KEUR (corresponding period 2016: -109.6 KEUR).
- EBIT: Operating result before financial items amounted to -980.8 KEUR (-365.1 KEUR).
- Net profit: The net result for the period amounted to -1,096.3 KEUR (-372.0 KEUR).
- As of June 30, cash and cash equivalents amounted to 1,210.1 KEUR.

April – June 2017

- Revenues (April – June) increased by 36 % to 499.3 KEUR (corresponding period 2016: 366.3 KEUR) and 73 % compared to the Q1 2017.
- EBITDA amounted to -485.8 KEUR (corresponding period 2016: 0.0 KEUR).
- EBIT: Operating result before financial items amounted to -665.7 KEUR (-127.6 KEUR).
- Net profit: The net result for the period amounted to -690.1 KEUR (-129.4 KEUR).

Significant Events during the Interim Period

- On June 16 Nitro Games Oyj ("Nitro Games" or the "Company") listed its shares in an IPO at Nasdaq First North Stockholm.
- One-off costs related to the IPO amounted to 319 KEUR.
- First self-published mobile game Medals of War was soft launched in Sweden and in the Netherlands.
- New mobile game production deal with estimated value of 1.1 million EUR with Wargaming was announced.

Significant Events after the Interim Period

- Medals of War was soft launched in Ireland and in Philippines.
- The Company received a positive decision on funding from Tekes to support NG Platform development.



Strong Growth

It's been a strong first half of 2017 for us. The execution of our new strategy is moving forward very well. These three key things summarize the H1 for us:

- 1. Nitro Games' shares were listed on Nasdaq First North Stockholm on June 16th and therefore we were able to secure the funds we need to start our self-publishing operations.**
- 2. We brought Medals of War to the first markets. We're off to a good start with our self-publishing operations as the game was soft launched in Sweden and the Netherlands during the interim period.**
- 3. We've seen strong growth in our business where we offer our services to 3rd parties, which has resulted in growth in revenues.**

These three things combined mean that we're in a strong position for moving forward to the second half of 2017, says Jussi Tähtinen, CEO of Nitro Games.

About Nitro Games

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

Nasdaq First North Ticker: NITRO
Certified Adviser: Augment Partners, phone: +46 8 505 651 72
www.nitrogames.com





Key Financials

	Apr - Jun 2017	Apr - Jun 2016	Jan - Jun 2017	Jan - Jun 2016	Full year 2016
	Unaudited	Unaudited	Unaudited	Unaudited	Audited
Revenue (EUR thousand)	499.3	366.2	787.9	609.9	827.9 ¹
Operating profit (loss) (EUR thousand)	-665.7	-127.6	-980.8	-365.1	-1,233.4 ¹
Operating margin (%)	-133.3%	-34.8%	-124%	-60%	149%
EBITDA (EUR thousand)	-485.7	0.0	-620.9	-109.6	-574.3
EBITDA margin (%)	-97.3%	0.0 %	-79%	-18%	-69%
Net profit (loss) (EUR thousand)	-690.1	-129.4	-1,096.3	-372.0	-1,482.6 ¹
Cash flow generated from operations (EUR thousand)	-595.5	-160.4	-803.0	-268.0	-474.9
Equity to assets ratio (%)	73.0%	10.0%	73%	10%	42%
Average number of shares ²	1,829,328	481,959	1,829,328	481,959	580,187
Number of Share options ³	115,500		115,500		
Equity per share (EUR)	1.6	0.7	1.6	0.7	2.2
Earnings per share (EUR) before dilution	-0.4	-0.3	-0.6	-0.8	-2.6
Earnings per share (EUR) after dilution	-0.4		-0.6		
Net debt (EUR thousand)	-915.6	3,086.5	-915.6	3,086.5	1,642.8
Number of employees	25	24	25	24	23

1 Audited

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

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



A Word from Jussi Tähtinen, CEO

A strong start with new strategy

Our strategy consists of two key operations: 1) Self-publishing a portfolio of mobile games based on our own IPs and 2) Offering our development services to other companies in the industry.

During the 1st half of 2017 we've had a strong start with both tracks. We've released our new own IP "Medals of War" in the first markets as planned. On the service side, we secured a mobile game production deal with Wargaming. These two achievements combined mean that we're in a good position to continue the execution of our strategy during the 2nd half of 2017.

One of key events during H1 was also that Nitro Games shares started trading on Nasdaq First North Stockholm as planned, on June 16. We feel this was a logical next step for us as a company helping us to successfully execute our strategy.

The global mobile games market has been forecasted to continue its growth. The total app store revenues in 2017 are expected to be \$56 Bn, with most of the growth coming from Asia-Pacific, the Middle East and Africa. North-America and Europe are expected to represent 35% of total app store revenues in 2017.

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NG Platform makes it possible for us to have several games in development simultaneously.

In mobile games, free-to-play continues to dominate as the business model. This means that consumers download the games for free and a small fraction of players are bringing in the revenues through In-App-Purchases.

This growth in revenues is largely due to the increase in the mid-core category. Ever since from our 1st game, "East India Company" on PC in 2009, we have targeted our games for this category and

understand the consumer type really well. We have since seen these consumers welcoming mobile as the gaming device, and looking for gaming experiences that suit their demand. Our target customer is a 35 years old male in North-America and Europe, for whom investing time & money into gaming is not an issue.

To successfully execute our strategy, we're relying on three key pillars in our operations: Portfolio approach, our technology NG Platform and our MVP process.

We have a portfolio approach with a goal of launching two games per year. Medals of War is the first game in our new portfolio. As we're operating in a risky entertainment business, it's vital to have a portfolio of games as not all games are successful and some might take longer time to scale up. More importantly, the portfolio approach is a way to maximize scalability and to avoid a one-hit-wonder scenario. We have a very specific focus with our portfolio as we are building real-time multiplayer games for the mid-core category on mobile with a free-to-play business model.

Our proprietary technology, the NG Platform, makes it possible for us to have several games in development simultaneously. Thanks to the modular design of the technology we are able to re-use certain features between different game products. This adds to the efficiency of our game development. The announcement after the interim period of us receiving support from Tekes to further develop our NG Platform supports the execution of our strategy.

With Nitro Games' MVP process we are able to significantly reduce the time-to-market of our games. We use this ability to our benefit by market testing several games in a very early stage and benchmarking them against each other, as well as against our previous games and industry standard data. Using this MVP process we've selected Medals of War and during Q2 launched it in Sweden and in the Netherlands. The visibility from these launches and the added visibility we received through our IPO have given us valuable feedback and data from our players.

During Q2 we signed a mobile game production deal with Wargaming. This deal matches our strategy and further strengthens our position. Even though we're moving towards self-publishing, undertaking high status, commercially viable game development projects such as this works as a great tool to mitigate the inherent risk in self-publishing.

During H1 2017 we saw an increase in revenues. Compared to H1 2016, our revenues increased 29 % from 609.9 KEUR to 787.9 KEUR. During the Q2 the revenues were 499.3 KEUR compared to 366.2 KEUR in 2016. This year we also had an increase in costs during the Q2, mostly due to the one-off costs of the IPO process.

Overall I'm really satisfied with the H1 2017 as a whole and I'm confident and excited to continue building our story moving forward.



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Overall I'm really satisfied with the H1 2017 as a whole and I'm confident and excited to continue building our story moving forward.

Jussi Tähtinen
CEO, Co-Founder



 **A COMMENT FROM CEO**
Jussi Tähtinen



Significant Events during the Interim Period

Medals of War was publicly launched on the iOS platform through Apple iTunes App Store in Sweden in May and in the Netherlands in June. A new mobile game production deal with Wargaming was signed on May 15 and started immediately. The project is expected to last roughly one year and has an approximate value of 1.1 million EUR. At the same time the company continued working with other un-announced game projects according to the Nitro Games' MVP process.

Nitro Games' started trading on June 16 at the Nasdaq First North Stockholm market place with the ticker NITRO.

The Annual General Meeting was held on March 24 at the company headquarters in Kotka. Two new Board members were elected: Ilkka Lassila and Sverker Littorin. Jacob Ehrnrooth, Juhani Taskinen, Petri Tolmunen and Antti Villanen were re-elected.

On April 28 the following key people received options according to Nitro Games' option plan approved by the AGM: Jussi Tähtinen, CEO, 16,000 options; Antti Villanen, Executive Chairman, 16,000 options; Matti Nikkola, CFO, 16,000 options; Mikko Kähärä, CMO, 13,500 options; Samppa Rönkä, CTO, 13,500 options; Henri Lindgren, Executive Producer, 13,500 options; Antti Ruonala, Business Development Director, 13,500 options and Simo Sylgren, Head of Design, 13,500 options.

Significant Events after the Interim Period

Medals of War was soft-launched in Ireland and in the Philippines on August 7.

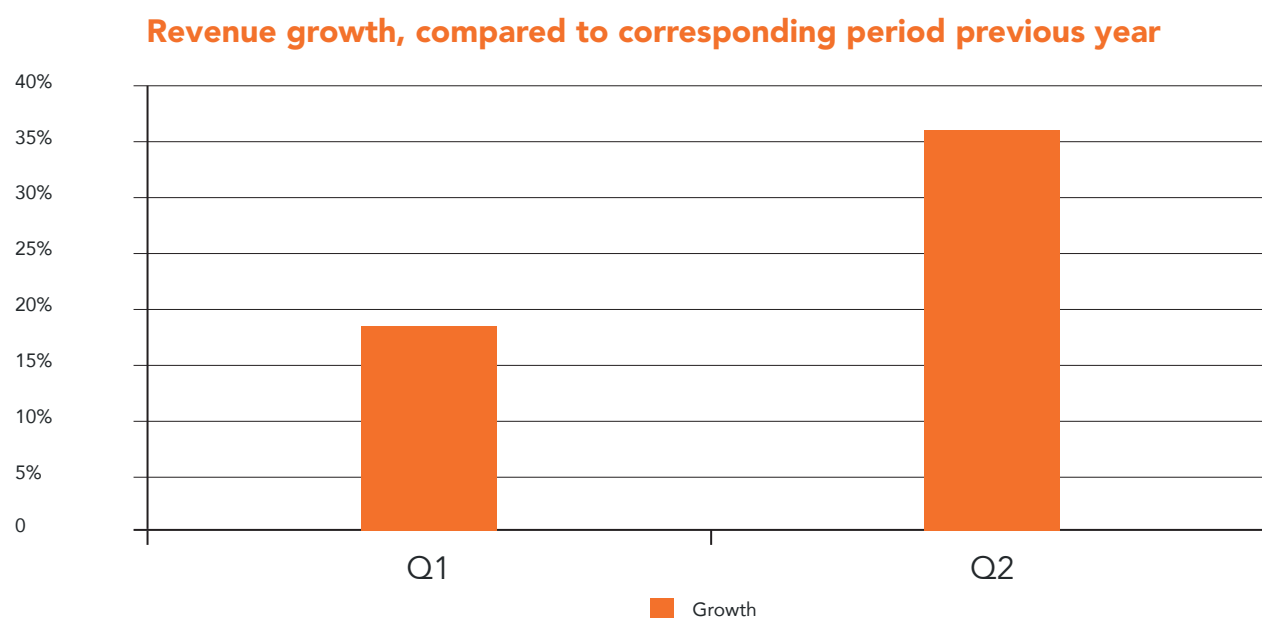
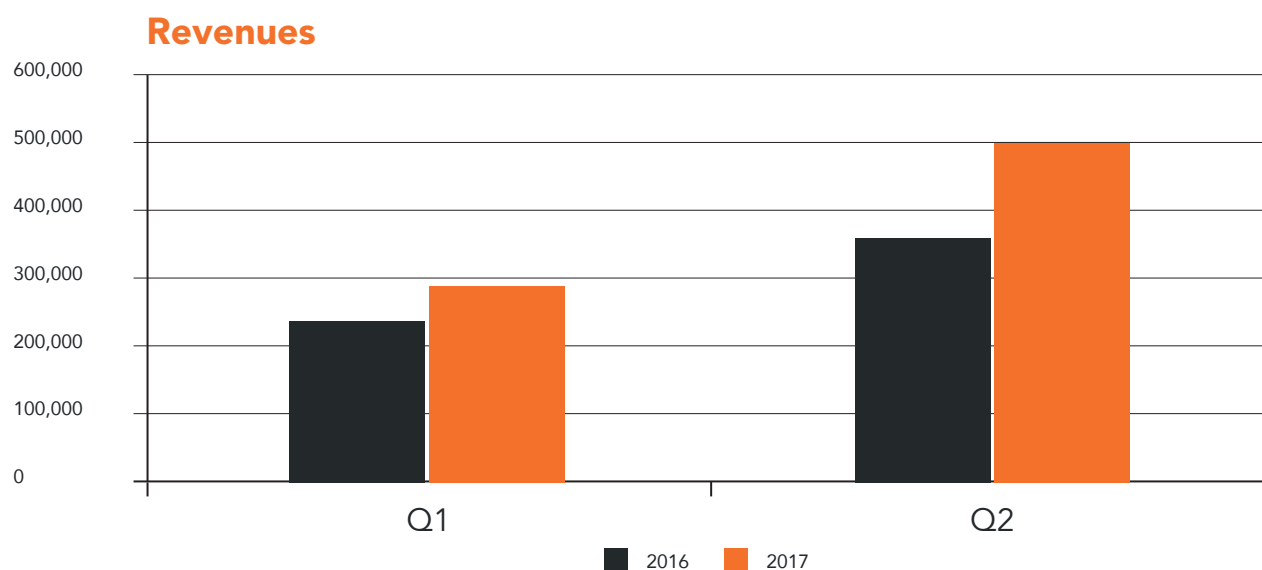
Nitro Games announced on July 3 that it has received a decision on funding from Tekes for the NG Platform development. The positive decision on funding from Tekes is maximum of 83,500 EUR of de minimis -based support. The funding covers maximum of 50 % of the approved total costs. Tekes has approved the total cost estimate of 167,054 EUR for this project.



Revenues & Profit / Loss

Revenues during the interim period were 787,918.35 EUR (corresponding period 2016: 609,870.47 EUR), which is an increase of 29 % compared to the corresponding period 2016. Revenues came mainly from the service business as the company focused on development of it's own IP.

EBITDA amounted to -620,903.57 EUR (corresponding period 2016: -109,637.87 EUR). Operating result before financial items amounted to -980,799.51 EUR (-365,054.69 EUR). The net result for the period amounted to -1,096,346.03 EUR (-371,971.53 EUR). One-off costs of the IPO process increased the costs during the interim period (- 318,839.74 EUR).





Cash Flow and Financial Position

Net cash from operating activities was -803,638.43 EUR (-246,369.05 EUR in 2016 for corresponding period).

Net cash used in financing activities was 1,949,387.48 EUR (252,917.54 EUR).

Cash and cash equivalents at the end of interim period were 1,210,128.07 EUR.

Investments and Depreciation

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

Depreciations were done according to the depreciation plan, consisting mostly of previously capitalized development costs. Depreciations amounted to a total of 359,895.94 EUR for the interim period.

Employees

The number of employees on June 30, 2017 was 25.

Market

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

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



Related Party Transactions

Loans and interest from the following shareholders were paid back or used in the share issue as a payment against new shares, as described in the table below:

Related Party Transactions	Loan (KEUR)	Interest (KEUR)	Paid (KEUR)	Converted (KEUR)	New shares
Villanen Antti	76.8	56.9		133.3	32,122
Tähtinen Jussi	0.0	1.1		1.1	261
Petri Tolmunen	62.5	13.5		75.9	18,295
Nikkola Matti	188.1	42.0		229.9	55,391
Oy AjoRanta Group AB	60.5	50.7		110.9	26,725
Jacob Ehrnrooth	127.0	14.2		140.9	33,948
Savox Investments S.A	43.0	4.3		47.3	11,397
Luxus Micro Cap S.A	14.5	1.5		15.9	3,843
Kiinteistö Oy Sillankaari	40.0	37.9	77.9		
			77.9	755.2	181,982

There were no other significant related party transactions during the interim period.

The Share and Shareholders

Nitro Games' shares are traded on Nasdaq First North Stockholm since June 16, 2017. Closing price as of June 30 was 37.90 SEK. The largest shareholders as of June 16, 2017 are:

Shareholders	Number of shares	% of shares and votes
Jacob Ehrnrooth	368,740	20.16
Savox Investments S.A	302,047	16.51
Villanen Antti	129,254	7.07
Oy AjoRanta Group AB	117,103	6.40
Luxus Micro Cap S.A	101,375	5.54
Total	1,018,519	55.68

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



Accounting and Valuation Principles

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

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

Review

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

Certified Adviser

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

Investor Contact

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

Financial Calendar

Annual General Meeting 2018, April 27 2018
Interim Report, third quarter 2017, October 30 2017

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 August 21 2017 at 09:00 (EEST).



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Board Declaration

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

Kotka, Finland, August 21 2017

Antti Villanen, Chairman

Jacob Ehrnrooth

Ilkka Lassila

Sverker Littorin

Juhani Taskinen

Petri Tolmunen

Jussi Tähtinen, CEO



Income Statement, Group

These unaudited financial statements report for the period January 1 – June 30 2017 has been prepared according to Finnish Accounting Standards (FAS) and Nasdaq First North marketplace rules and regulations.

EUR thousand	Apr - Jun 2017	Apr - Jun 2016	Jan - Jun 2017	Jan - Jun 2016	Full year 2016
	Unaudited	Unaudited	Unaudited	Unaudited	Audited
Revenue	499.3	366.2	787.9	609.9	827.9
Other operating income	3.1	4.1	7.1	7.0	14.3
Raw materials and services	-148.9	-12.1	-159.0	-29.0	-57.7
Personnel expenses	-286.3	-240.3	-540.6	-457.2	-900.2
Depreciation and reduction in value	-179.9	-127.6	-359.9	-255.4	-659.1
Other operating charges	-553.0	-118.0	-716.3	-240.2	-458.5
Operating profit (-loss)	-665.7	-127.6	-980.8	-365.1	-1,233.4
Financial income and expenses	-24.4	-1.8	-115.5	-6.9	-249.1
Profit before taxes and appropriations	-690.1	-129.4	-1,096.3	-372.0	-1,482.6
Appropriations and taxes	0.0	0.0	0.0	0.0	0.0
Financial statement transfers in total	0.0	0.0	0.0	0.0	0.0
Profit (loss) for the fiscal year	-690.1	-129.4	-1,096.3	-372.0	-1,482.6



Balance Sheet, Group

EUR thousand	June 30 2017	June 30 2016	Dec 31 2016
	Unaudited	Unaudited	Audited
Assets			
Non-current assets			
Intangible assets	1,866.7	2,629.4	2,226.2
Tangible assets	2.6	3.5	3.0
Investments	1.5	2.9	2.9
Total Non-current assets	1,870.9	2,635.9	2,232.2
Current assets			
Inventories	625.0	625.0	625.0
Receivables	0.0	0.0	0.0
Long-term debtors	4.3	0.0	0.0
Short-term debtors	245.2	157.5	45.1
Total receivables	249.6	157.5	45.1
Cash in hand and at banks	1,210.1	42.8	64.4
Total Current assets	2,084.7	825.3	734.5
Assets in total	3,955.6	3,461.2	2,966.7
Liabilities			
Capital and reserves			
Share capital	80.0	2.5	2.5
Reserve for invested non-restricted capital	8,499.7	3,823.9	5,862.2
Profit (loss) for previous fiscal years	-4,605.1	-3,122.5	-3,122.5
Profit (loss) for the fiscal year	-1,096.3	-372.0	-1,482.6
Total Capital and Reserves	2,878.2	331.9	1,259.6
Creditors			
Long-term liabilities			
Convertible debentures	0.0	554.0	0.0
Loans from credit institutions	306.9	176.5	335.1
Other creditors	447.9	448.0	448.1
Total Long-term liabilities	754.9	1,178.5	783.2
Creditors Short-term			
Convertible debentures	0.0	600.0	0.0
Loans from credit institutions	75.2	64.4	75.2
Accounts payable	108.8	62.4	51.6
Other creditors	-12.6	873.4	483.5
Accruals and deferred income	151.2	350.5	313.7
Total Creditors Short-term	322.5	1,950.7	924.0
Total Creditors	1,077.4	3,129.3	1,707.2
Liabilities in total	3,955.6	3,461.2	2,966.7



Cash Flow Statement, Group

EUR (thousand)	Apr - Jun 2017	Apr - Jun 2016	Jan - Jun 2017	Jan - Jun 2016	Full year 2016
Cash flows from operating activities:					
Net profit (loss) before taxation. and extraordinary items (+/-)	-690.1	-129.4	-1,096.3	-372.0	-1,482.6
Adjustments for:					
Depreciation according to plan	179.9	127.6	359.9	255.4	659.1
Unrealised foreign exchange wins and losses (+/-)	0.0	0.0	0.0	0.0	0.0
Other non-cash items (+/-)	0.0	0.0	0.0	0.0	0.0
Financial income and expenses (+/-)	24.4	1.8	115.5	6.9	249.1
Other adjustments (+/-)	0.0	0.0	0.0	-0.0	0.0
Operating profit before working capital changes	-485.7	0.0	-620.9	-109.6	-574.3
Working capital changes:					
Increase (-) or decrease (+) in trade and other receivables	-135.8	-105.8	-239.0	-104.2	0.7
Increase (-) or decrease (+) in inventories	0.0	0.0	0.0	0.0	0.0
Increase (+) or decrease (-) in trade payables	26.0	-54.6	56.2	-54.6	98.7
Cash generated from operations	-595.5	-160.4	-803.6	-268.5	-474.9
Cash flow before extraordinary items	-595.5	-160.4	-803.6	-268.5	-474.9
Cash flow from extraordinary items (+/-)	0.0	0.0	0.0	22.1	22.1
Net cash from operating activities (A)	-595.5	-160.4	-803.6	-246.4	-452.8
Cash flows from investing activities:					
Net cash from investing activities (B)	0.0	0.0	0.0	0.0	0.0
Cash flows from financing activities:					
Proceeds from issuance of share capital	2,715.0	0.0	2,715.0	0.0	2,038.2
Increase in share capital	-77.5	0.0	-77.5	0.0	0.0
Proceeds from short-term borrowings	1.0	200.7	636.1	295.7	505.9
Preceeds from short-term receivables	110.5	0.0	0.0	0.0	0.0
Repayment of short-term borrowings (-)	-1,015.4	0.0	-1,050.4	-44.0	-1,277.6
Proceeds from long-term borrowings	0.0	0.0	0.0	0.0	200.0
Repayment of long-term borrowings (-)	-28.1	-6.1	-28.1	-10.1	-699.3
Interest paid and contributions from financial expenses (-)	-279.7	-2.9	-283.9	-5.5	-299.0
Dividends (-)	0.0	0.0	0.0	0.0	0.0
Taxes	29.1	2.9	38.2	16.8	12.7
Net cash from financing activities (C)	1,454.9	194.7	1,949.4	252.9	480.9
Net increase/decrease in cash and cash equivalents (A + B + C)	859.4	34.3	1,145.7	6.5	28.1
Cash and cash equivalents at beginning of period	350.8	8.5	64.4	36.3	36.3
Cash and cash equivalents at end of period	1,210.1	42.8	1,210.1	42.8	64.4



Change in Equity, Group

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

EUR thousand	Share capital	Invested unrestricted equity reserve	Retained earnings (loss)	Profit (loss) for the financial year	Total equity
Equity Apr 1 2017	3	5,863	-5,011		854
Share capital increase	78	-78			
Shares issued		2,715			
Profit(loss) for the financial year				-691	-691
Equity Jun 30 2017	80	8,500	-5,011	-691	2,878
Equity Apr 1 2016	3	3,824	-3,365		461
Shares issued					
Profit(loss) for the financial year				-129	-129
Equity Jun 30 2016	3	3,824	-3,365	-129	332
Equity Jan 1 2017	3	5,862	-4,605		1,260
Share capital increase	78	-78			
Shares issued		2,715			
Profit(loss) for the financial year				-1,096	
Equity Jun 30 2017	80	8,500	-4,605	-1,096	2,878
Equity Jan 1 2016	3	3,824	-3,123		704
Shares issued					
Profit(loss) for the financial year				-372	
Equity Jun 30 2016	3	3,824	-3,123	-372	332
Equity Jan 1 2016	3	3,824	-3,123		704
Shares issued		2,038			
Profit(loss) for the financial year				-1,483	-1,483
Equity Dec 31 2016	3	5,862	-3,123	-1,483	1,260



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