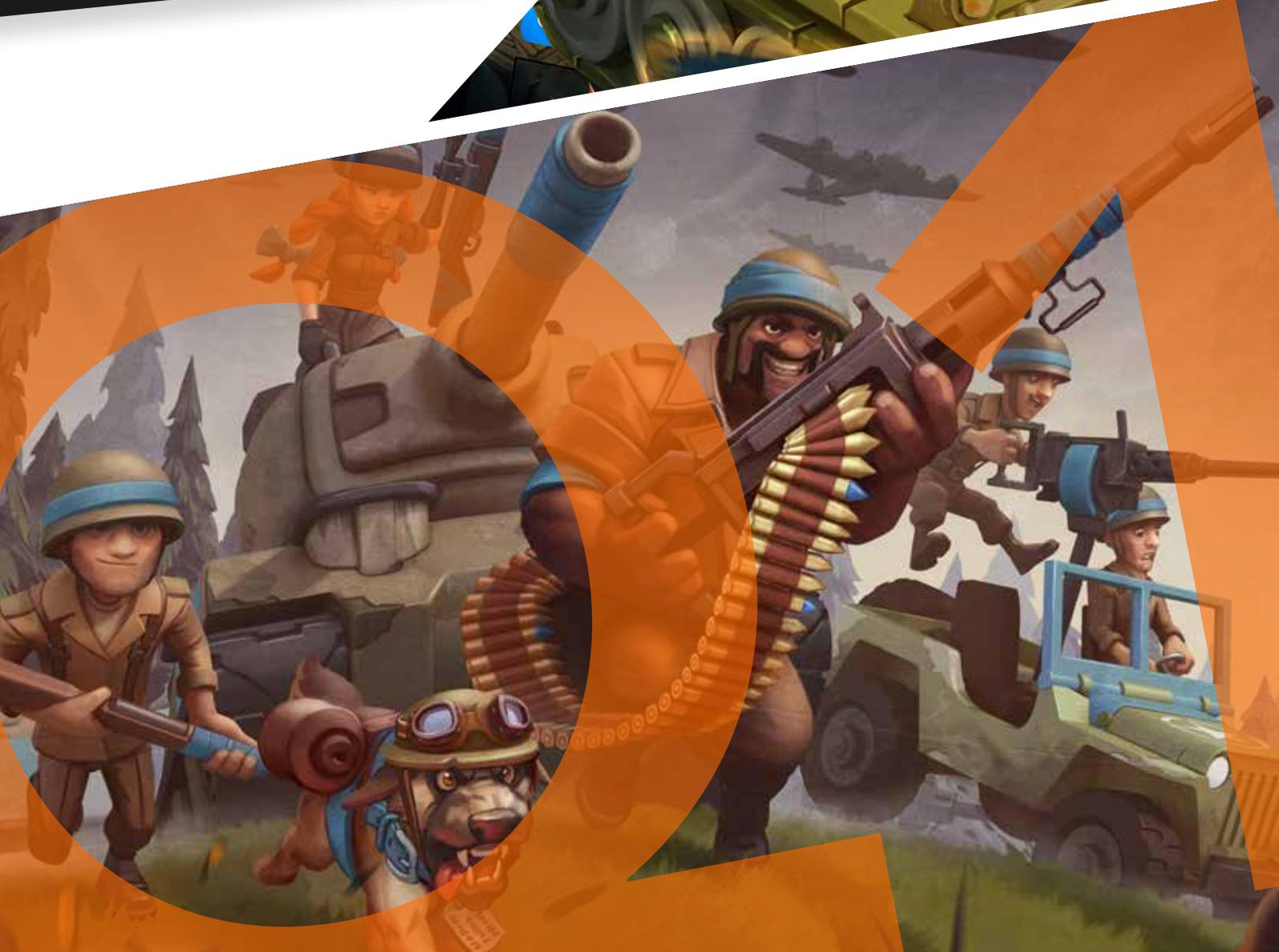




# Interim Report

JANUARY - MARCH 2018 / NITRO GAMES OYJ





## The Interim Period Jan – Mar 2018

- Revenues (January – March) increased by 98% to 571.0 KEUR (288.6 KEUR on corresponding period 2017).
- EBITDA amounted to -953.6 KEUR (corresponding period 2017: - 135.2.3 KEUR).
- EBIT: Operating result before financial items amounted to -1 110.28 KEUR (-315.1 KEUR).
- Net profit: The net result for the period amounted to -1 114.7 KEUR (-406.3 KEUR).
- As of March 31, cash and cash equivalents amounted to 1 295.1 KEUR.

## Significant Events during the Interim Period

- New version of Medals of War featured by Apple in 73 countries
- Medals of War hard launch started on Android, available in 70 countries in 15 languages

## Significant Events after the Interim Period

- Changes in management; Jussi Immonen to join as COO, and CMO Mikko Kähärä will leave the company.
- Signed Mobile game publishing agreement with Wargaming related to the earlier game development agreement signed in May 2017.

## A Good Start for 2018

“Overall we had a good start for 2018. The new deal with Wargaming means we’re able to continue our co-operation towards launching the game. There’s also several exciting things happening in our self-publishing business throughout the year. These combined mean that we have solid opportunities for growth in 2018.” 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](http://www.nitrogames.com)**





# Key Financials

	Jan-Mar 2018	Jan-Mar 2017	Full year 2017
	Unaudited	Audited	Audited
Revenue (thousand euro)	571.0	288.6	1,716.1
Operating profit/loss (thousand euro)	-1,110.2	-315.1	-3,159.7
Operating profit/loss % (EBIT %)	-194.4 %	-109%	-184.1 %
EBITDA (thousand euro)	-953.6	-135.2	-2,487.9
EBITDA %	-167.0 %	-47%	-145.0 %
Net profit /loss (thousand euro)	-1,114.7	-406.3	-3,341.8
Cash flow generated from operations (thousand euro)	-1,048.2	-208.2	-2,178.0
Equity ratio (%)	66.4 %	26.2 %	75.6 %
Number of shares, average	2,329,328	580,187	1,431,110
Number of shares at the end of the year	2,329,328	580,187	2,329,328
Number of Share options	172,700		172,700
Equity per share (euro)	0.9	1.8	1.4
Earnings per share (euro) undiluted	-0.5	-0.7	-1.4
Earnings per share (euro) diluted	-2.2		-1.3
Net debt (thousand euro)	-215.4	2,049.2	-1,318.5
Number of employees	45	22	36

"Overall we had a good start for 2018. The new deal with Wargaming means we're able to continue our co-operation towards launching the game. "

**Jussi Tähtinen**  
CEO, Co-Founder



 **A COMMENT FROM CEO**  
Jussi Tähtinen



# A Word from Jussi Tähtinen, CEO

## Exciting start for a new year

We started this year by focusing on continuing our growth. 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 leading companies in the industry as part of our service business model. During Q1 our focus was on continuing developing our self-publishing capabilities, as well as securing new deals in the service business.

In our self-publishing business, the focus was on finalizing the Android version of Medals of War and getting that launched. Based on the data we've collected with our MVP process, we decided to rework the in-game economy model. With this updated version our goal is to increase the long-term engagement for our players, as well as to improve the monetization potential of the game. This new version of Medals of War was the biggest update to the game so far. It was also widely featured by Apple in 73 countries including our target market the United States, as well as Europe for the first time. Now after the Android version launch in March, we continue by progressing further with our launch process with Google.

Our strategy for self-publishing is that we launch our own games in the western markets, and for other markets, we sign partnerships with leading publishers that have local market expertise. We signed Medals of War for Turkey and MEA markets with Netmarble EMEA late last year. This version of the game has been in test markets so far and is also getting the new economy update before it gets released.

According to our MVP-process, we're launching Medals of War step by step and making modifications to the game based on data we collect from the game and our marketing. This approach is often called a "ladder approach". This approach allows us to build our self-publishing capabilities, especially in marketing and user acquisition, while we proceed further with the game launch step by step. The results with Medals of War continue to look promising, despite some volatility in metrics especially during February. While the team was reworking the game economy, the marketing focused on testing different audiences and scalability, which affected performance metrics in February negatively. However, since February and after the new economy update, the metrics are improving. With our continuous efforts in improving the game based on these performance indicators, we're aiming to increase the scale of these successes and the game itself by expanding on marketing activities resulting in more downloads and revenue.

Things have also progressed nicely with our second game, and it's in good shape now. We're anxious about this and the potential we see with this game. It is not a competitor to Medals of War, but an addition to our new portfolio instead. We're looking forward to announcing the game soon and starting the public soft launch process after that.

Our service business was very much a focus area during the first quarter. In this business area, we utilize our experienced team and our capabilities by offering services for industry-leading companies. This year we've focused on finalizing the mobile game production with Wargaming and secured the future for this project. This obviously required a considerable amount of our team's focus as well. We announced our new deal with Wargaming right after the interim period. Future looks good with this project, and I'm excited about our co-operation.



To support our growth ambitions and the growing demands of the projects we work on, we continued increasing our team size. This staffing up was started already last year, but some of the new team members only started early this year. Once the team was there, our focus shifted to re-structuring our marketing capabilities and management. This was crucial to support our growing needs. As part of this arrangement, we announced changes in management just after the interim period. Our new COO Jussi Immonen will help us bring our capabilities to a new level, especially in self-publishing.

During Q1 we've seen an increase in revenues, compared to Q1 last year. Our revenues were 570.9 KEUR compared to 288.6 KEUR in Q1 2017. The revenues in our self-publishing business decreased compared to end of last year, but this was expected as we decided to focus in making the big economy update in Medals of War, which was only released in the end of first quarter and the focus was very much in our service business with Wargaming. Moving forward the revenues from self-publishing business might be volatile as we are building our portfolio and our capabilities. This should stabilize in future when we introduce more games to our new portfolio.

Overall we had a good start for 2018. The new deal with Wargaming means we're able to continue our co-operation towards launching the game. There's also several exciting things' happening in our self-publishing business throughout the year. These combined mean that we have solid opportunities for growth in 2018.

Jussi Tähtinen  
CEO, Co-Founder



## Significant Events during the Interim Period

Medals of War received featuring by Apple in iTunes App Store in Best New Updates category in 73 countries, including the United States, Canada, the United Kingdom, France, Germany, Italy, Spain and Sweden. This was the widest featuring for Medals of War this far in terms of countries, meaning the game had additional visibility in Nitro Games' key markets. This also marked the first time the game got featured by Apple in Europe.

Medals of War hard launch started on Android. The game is now available on Android on the Google Play Store in 70 countries in 15 languages. With this beginning of the hard launch the company can now move forward in the launch process with Google Play and introduce the game to larger audiences.

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## Significant Events after the Interim Period

Nitro Games announced changes in management. Industry veteran Jussi Immonen joins the company as COO. Immonen has more than 15 years of experience in marketing and management positions from companies like Rovio, Nokia, RealNetworks, Mr. Goodliving and Chat-Republic Games. In his position as General Manager, Head of Rovio Stars Studio at Rovio Entertainment, Immonen was responsible for Rovio Stars publishing business and games business of externally produced titles. Nitro Games is currently re-structuring its marketing functions. As part of the re-structuring, CMO Mikko Kähärä leaves the company for personal reasons with immediate effect. Jussi Immonen will also join the Management Board of Nitro Games.

Nitro Games has signed a new deal with industry-leading free-to-play game company Wargaming World Limited ("Wargaming"). This new agreement is a natural next step after the earlier game development agreement between the parties. The estimated value of the new deal for Nitro Games is 1,35 million EUR during 2018 before the Commercial Launch. After the Commercial Launch Nitro Games will receive a profit share based on the commercial success of the game and a monthly development fee to be agreed later on between the parties.

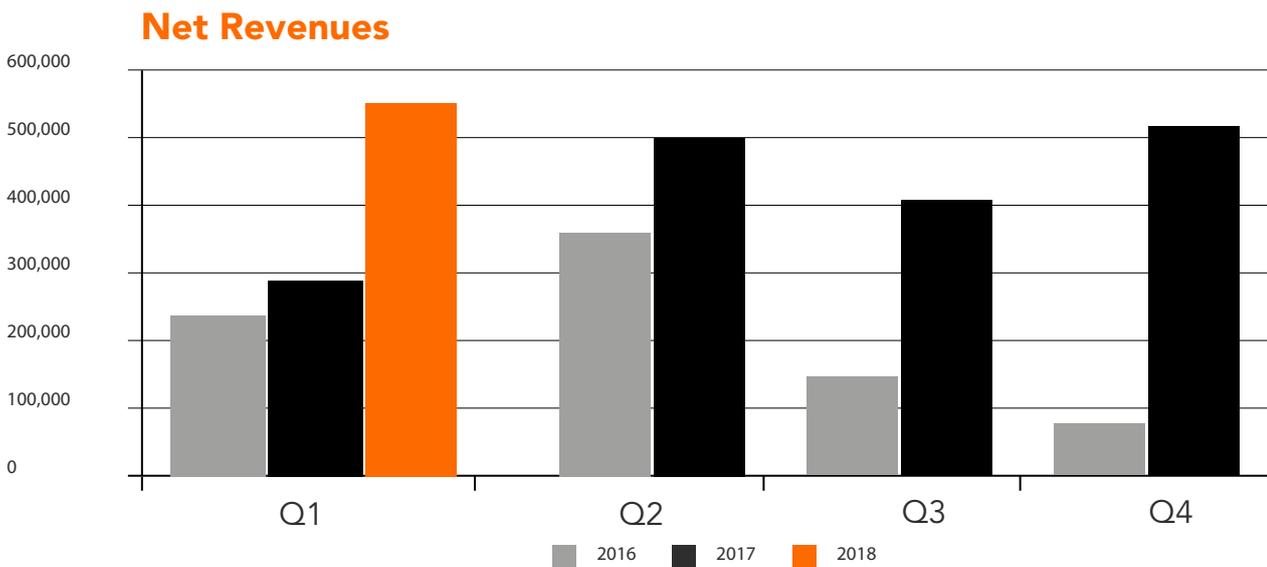
With this agreement, Wargaming has the exclusive rights to publish the game, including marketing and promotion. Nitro Games acts as the developer of the game and delivers live operation content. The agreement term is 5 years from Commercial Launch. The Soft Launch is aimed to start summer 2018, and the Commercial Launch of the game is expected to happen after that on a date to be determined by Wargaming.



# Revenues & Profit / Loss

Revenues during the interim period January – March 2018 where 570,964.10 EUR (corresponding period 2017: 288,620.45 EUR), which is an increase of 98% compared to the corresponding period 2017. The Revenues came mainly from the service business as the company focused on the co-operation with Wargaming.

EBITDA amounted to -953,558.70 EUR (corresponding period 2017: -135,177.00 EUR).  
Operating result before financial items amounted to -1,110,200.60 EUR (-315,125.00 EUR).  
The net result for the period amounted to -1,114,734.61 EUR (-406,284.45 EUR).



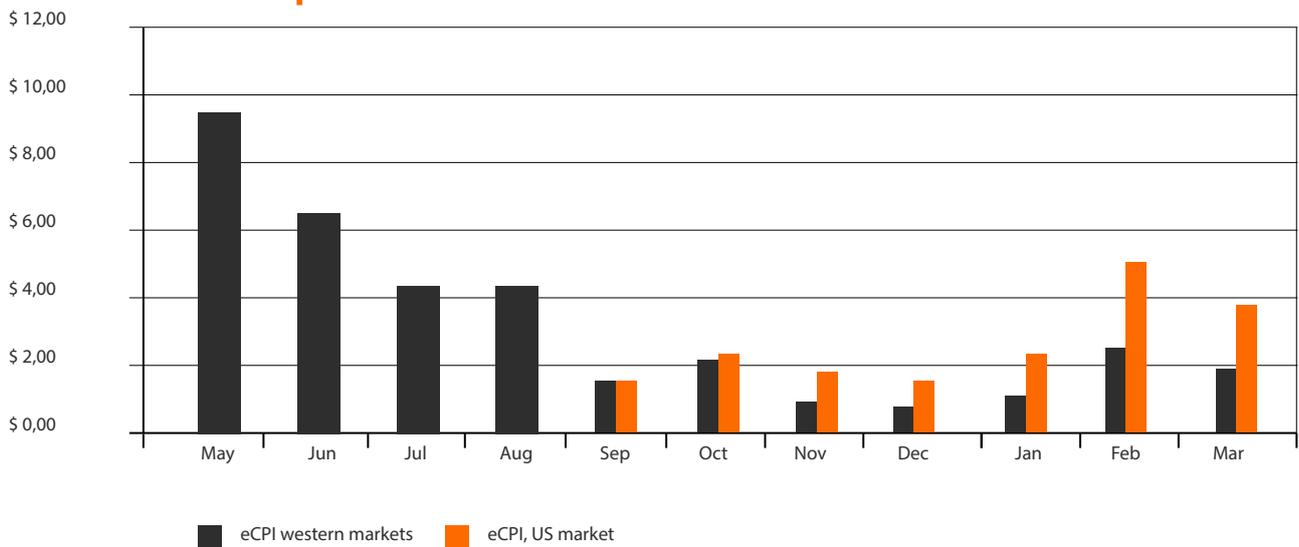


# Medals of War Performance Metrics

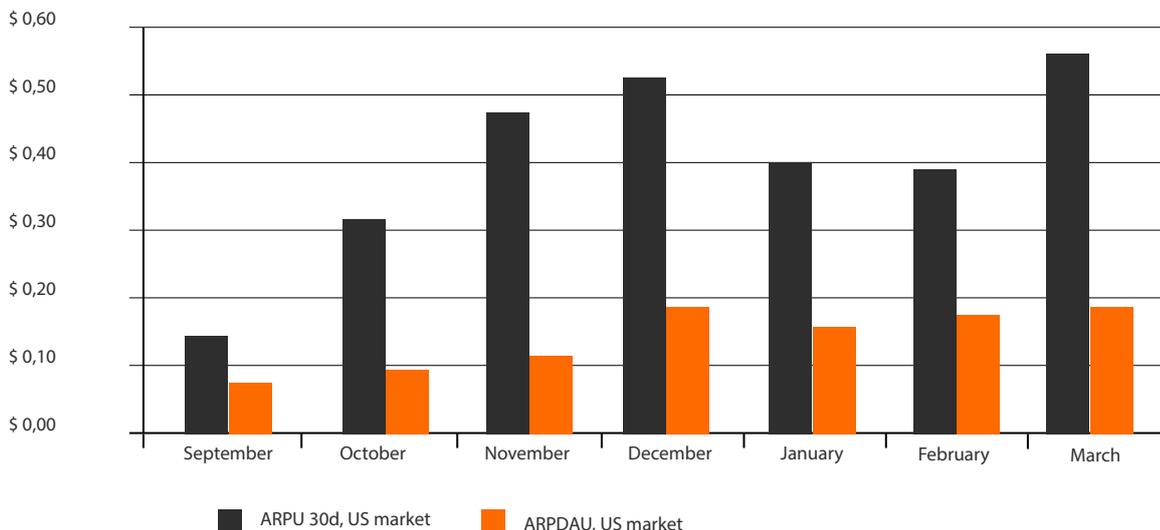
First self-published game Medals of War was launched in September 2017, after initial market tests. The development of the game's performance is measured with several metrics.

- User Acquisition Cost is measured through eCPI (effective Cost Per Install), which describes the average cost of a single new user installing the game over a period of 1 month.
- The Monetization of the game is measured with ARPU (Average Revenue Per User) and ARPDAU (Average Revenue Per Daily Active User). ARPU is used to measure how much revenue can be expected from each player over a period of 30 days and ARPDAU is used to measure how any changes made in the game, e.g. engagement campaigns, are affecting the monetization performance.
- The amount of players who are paying customers is measured with Conversion %. This metric describes what percentage of new players make purchases in the game.

## User Acquisition Cost



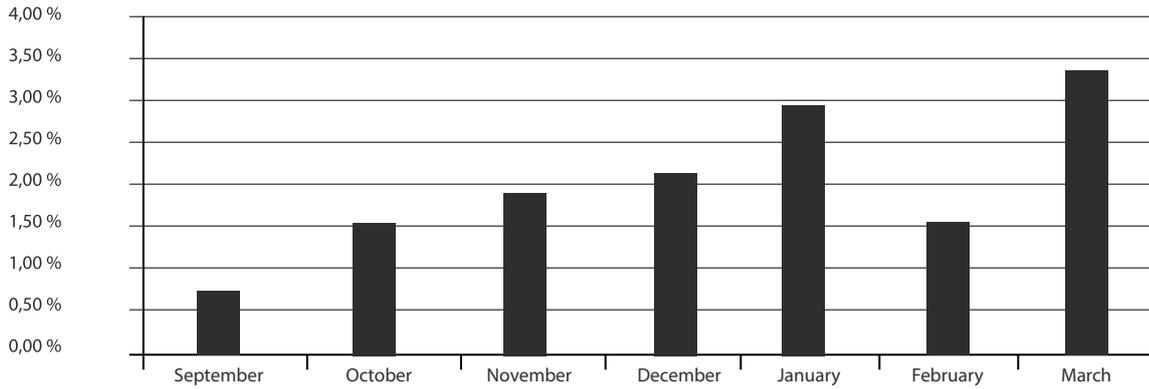
## Monetization





## Conversion to paying customer

■ Conversion %, US market



## Cash Flow and Financial Position

Net cash from operating activities was -1,048,242.67 EUR (-208,154.29 EUR in 2017 for corresponding period).

Net cash used in financing activities was -23,779.75 EUR (494,535.04 EUR).

Cash and cash equivalents at the end of interim period were 1,295,106.42 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 -156,641.88 EUR for the interim period.

## Employees

The number of employees on March 31, 2018 was 45.

## 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.

2017 was the landmark in the history of the games market, with revenues totaling \$109 billion. Mobile gaming is the largest segment in 2017, totaling \$46 billion and accounting for 42% of the total global market. The segment also has the most gamers with 2.1 billion, the majority of whom are gaming on smartphones.

According to industry research firm NewZoo, games are rapidly becoming the world's favourite pastime. Consumers are spending more time than ever on games, and this is especially true for the millennial generation. The reason for this is that games now cater to a much wider variety of interests.

Nitro Games' strategy is to carve out a market share of this global mobile games market with its 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 its own business despite the competition.



# Related Party Transactions

There were no significant related party transactions during the third quarter.

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## The Share and Shareholders

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

The largest shareholders as of March 29, 2018 were:.

Shareholders		Number of shares	% of shares and votes
Jasperus S.A.	1	408,740	17.55
Savox Investments S.A	2	342,047	14.68
Swedbank Robur Fonder Ab		225,000	9.66
Feat Invest Ab	3	181,181	7,78
Antti Villanen		129,254	5.55
Ajoranta Group Ab	4	117,103	5.03
Luxus Micro Cap S.A	5	91,375	3.92
Avanza Pension försäkring Ab		82,122	3,53
Jussi Tähtinen		71,535	3.07
Carl Johan Biehl		68,117	2,92
Others		612,854	26,31
<b>The total numbers of shares</b>		<b>2,329,328</b>	<b>100.00</b>

<sup>1</sup> Jasperus S.A. is controlled to 100 % by Jacob Ehrnrooth.

<sup>2</sup> Savox Investments S.A. is controlled by Jacob Ehrnrooth with family.

<sup>3</sup> Feat Invest Ab is controlled by Johan Biehl.

<sup>4</sup> AjoRanta Group Ab is controlled to 100 % by CFO Matti Nikkola.

<sup>5</sup> Luxus Micro Cap S.A. is controlled by Juhani Taskinen.



# 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.

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## Review

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

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## Certified Adviser

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

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## Investor Contact

The latest information on the company is published on the company's website [www.nitrogames.com/investors](http://www.nitrogames.com/investors). The company can be contacted by email [jussi@nitrogames.com](mailto:jussi@nitrogames.com), or by phone +358 44 388 1071 or Sverker Littorin by email [sverker.littorin@nitrogames.fi](mailto:sverker.littorin@nitrogames.fi), or by phone +46 70 875 53 09

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## Financial Calendar

Annual Report, 2017, 20 April 2018, to be published on the company's website and made available at company headquarters at Juha Vainion katu 2, 48100 Kotka, Finland.

Annual General Meeting 2018, 27 April 2018

Interim Report, April - June 2018, 20 April 2018



## Note

This company announcement contains information that Nitro Games Oyj is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication by contact person mentioned below on 20 April 2018 at 09:00 (EEST).

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## For further information, please contact:

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+358 44 388 1071

jussi@nitrogames.com

**Sverker Littorin, Board member, IR advisor**

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sverker.littorin@nitrogames.fi

## 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, April 20 2018

Antti Villanen, Chairman

Jacob Ehrnrooth

Ilkka Lassila

Sverker Littorin

Juhani Taskinen

Petri Tolmunen

Jussi Tähtinen, CEO



# Income Statement, Group

These unaudited financial statements report for the period 1.1.- 31.3.2018 have been prepared according to Finnish Accounting Standards (FAS) and Nasdaq First North marketplace rules and regulations.

EUR thousand	Jan -Mar 2018	Jan-Mar 2017	Full year 2017
	Unaudited	Audited	Audited
<b>Revenue</b>	<b>517.0</b>	<b>288.6</b>	<b>1,716.1</b>
Other operating income	3.6	4.0	75.3
Change in finished goods and working in progress	0.0	0.0	-625.0
Raw materials and services	-337.0	-10.1	-708.2
Personnel expenses	-534.4	-254.4	-1 281.9
Depreciation and reduction in value	-156.6	-179.9	-671.8
Other operating charges	-656.7	-163.3	-1,664.3
<b>Operating profit (-loss)</b>	<b>-1,110.2</b>	<b>-315.1</b>	<b>-3,159.7</b>
Financial income and expenses	-4.5	-91.2	-181.4
<b>Profit before taxes and appropriations</b>	<b>-1,114.7</b>	<b>-406.3</b>	<b>-3,341.2</b>
Appropriations and taxes	0.0	0.0	0.0
Financial statement transfers in total	0.0	0.0	0.0
<b>Profit (loss) for the fiscal year</b>	<b>-1,114.7</b>	<b>-406.3</b>	<b>-3,341.2</b>



# Balance Sheet, Group

EUR thousand	Mar 31 2018	Mar 31 2017	Dec 31 2017
	Unaudited	Audited	Audited
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets in total	1 398.7	2 046.5	1 555.2
Tangible assets in total	2.1	2.8	2.3
Investments in total	0.0	1.5	0.0
<b>Non-current assets in total</b>	<b>1 400.8</b>	<b>2 050.8</b>	<b>1 557.4</b>
<b>Current assets</b>			
Inventories	0.0	625.0	0.0
Receivables			
Long-term debtors	12.3	4.3	16.6
Short-term debtors	504.8	222.3	355.4
Total receivables	517.1	226.6	372.1
Cash in hand and at banks	1 295.1	350.8	2 367.5
<b>Total Current assets</b>	<b>1 812.2</b>	<b>1 202.4</b>	<b>2 739.6</b>
<b>Assets in total</b>	<b>3 213.0</b>	<b>3 253.2</b>	<b>4 297.0</b>
<b>Equity and Liabilities</b>			
<b>Equity</b>			
Shares capital	80.0	2.5	80.0
share capital issued, not registered		77.5	
Invested unrestricted equity reserve	11,114.3	5,784.7	11,114.3
Retained earnings (Loss)	-7,946.3	-4,605.1	-4 605.1
Profit (loss) for the financial year	-1,114.7	-406.3	-3,341.2
<b>Equity total</b>	<b>2,133.3</b>	<b>853.3</b>	<b>3,248.0</b>
<b>Liabilities</b>			
Non-current			
Loans from credit institutions	204.2	335.1	227.8
Other non-current liabilities	447.9	447.9	448.2
Non-current total	652.2	783.0	675.9
Current			
Loans from financial institutions	102.7	75.2	102.7
Accounts Payables	85.1	68.0	67.3
Other current liabilities	29.7	1,086.4	24.4
Accruals and deferred income	210.1	387.4	178.7
Current total	427.6	1,617.0	373.1
<b>Liabilities total</b>	<b>1,079.7</b>	<b>2,399.9</b>	<b>1,049.0</b>
<b>Equity and Liabilities total</b>	<b>3,213.0</b>	<b>3,253.2</b>	<b>4,297.0</b>



# Cash Flow Statement, Group

EUR (thousand)	Jan-Mar 2018	Jan-Mar 2017	Full year 2017
<b>Cash flows from operating activities:</b>			
Net profit (loss) before taxation and extraordinary items (+/-)	-1,114.7	-406.3	-3,341.2
Adjustments for:			
Depreciation according to plan	156.6	179.9	671.8
Unrealised foreign exchange wins and losses (+/-)			
Other non-cash items (+/-)			
Financial income and expenses (+/-)		91.2	181.4
Other adjustments (+/-)			
Operating profit before working capital changes	-958.1	-135.2	-2,487.9
Working capital changes:	0.0	0.0	0.0
Increase (-) or decrease (+) in long-term trade and other receivables	4.3		
Increase (-) or decrease (+) in trade and other receivables	-148.9	-103.2	-297.6
Increase (-) or decrease (+) in inventories			625.0
Increase (+) or decrease (-) in trade payables	54.5	30.2	-17.5
Cash generated from operations	-1,048.2	-208.2	-2,177.9
Interest paid (-)			
Interest received			
Dividends received			
Income taxes paid (-)			
Cash flow before extraordinary items	-1,048.2	-208.2	-2,177.9
Cash flow from extraordinary items (+/-)			
<b>Net cash from operating activities (A)</b>	<b>-1,048.2</b>	<b>-208.2</b>	<b>-2,177.9</b>
<b>Cash flows from investing activities:</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Net cash from investing activities (B)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Cash flows from financing activities:</b>			
Proceeds from issuance of share capital			5,252.1
Purchase of own shares (-)			
Proceeds from sale of own shares			
Proceeds from short-term borrowings		635.1	636.1
Proceeds from short-term receivables		-110.5	
Repayment of short-term borrowings (-)		-35.0	-1 077.9
Proceeds from long-term borrowings			
Repayment of long-term borrowings (-)	-23.8		-103.2
Interest paid and contributions from financial expenses (-)		-4.2	-286.6
Dividends (-)			
Taxes		9.1	60.7
<b>Net cash from financing activities (C)</b>	<b>-23.8</b>	<b>494.5</b>	<b>4,481.1</b>
<b>Net increase/decrease in cash and cash equivalents (A + B + C)</b>	<b>-1,072.0</b>	<b>286.4</b>	<b>2,303.2</b>
Cash and cash equivalents at beginning of period	2,367.5	64.4	64.4
<b>Cash and cash equivalents at end of period</b>	<b>1,295.1</b>	<b>350.8</b>	<b>2,367.5</b>



# Change in Equity, Group

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
<b>Equity 1 Jan 2018</b>	<b>80</b>	<b>11,114</b>	<b>-7,946</b>		<b>3,248</b>
Shares issued					
Profit(loss) for the financial year				-1,115	-1,115
<b>Equity 31 March 2018</b>	<b>80</b>	<b>11,114</b>	<b>-7,946</b>	<b>-1,115</b>	<b>2,133</b>
<b>Equity 1 Jan 2017</b>	<b>3</b>	<b>5,862</b>	<b>-4,605</b>	<b>-1,483</b>	<b>-224</b>
Shares issued					0
share capital issued, not registered	78	-78			0
Profit(loss) for the financial year				-406	-406
<b>Equity 31 March 2017</b>	<b>80</b>	<b>5,785</b>	<b>-4,605</b>	<b>-406</b>	<b>854</b>
<b>Equity 1 Jan 2017</b>	<b>3</b>	<b>5,862</b>	<b>-4,605</b>		<b>1,260</b>
Share capital increase	78	-78			
Shares issued		5,330			5,330
Profit(loss) for the financial year				-3,341	-3,341
<b>Equity 30 Dec 2017</b>	<b>80</b>	<b>11,114</b>	<b>-4,605</b>	<b>-3,341</b>	<b>3,248</b>



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