

ANNUAL REPORT

Nitro Games Oy

Financial Statement

01.01.2016 - 31.12.2016

Unofficial translation from the Finnish original

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Group Income Statement

	1.1.2016– 31.12.2016	1.1.2015– 31.12.2015
Net revenue	827,855.51	1,877,280.46
Manufacturing for enterprise's own use	0.00	1,112,044.00
Other operating income	14,270.39	305,306.00
Change in finished goods and work in progress (+/-)		-1,465,000.00
Raw material and services		
Purchases during the financial year	-1,189.27	-317.36
Changes in inventories	0.00	0.00
External services	-56,556.85	-184,166.30
Raw material and services in total	-57,746.12	-184,483.66
Personnel expenses		
Wages and salaries	-743,294.08	-762,600.28
Social security expenses		
Pension expenses	-122,145.01	-168,344.68
Other social security expenses	-34,778.61	-34,129.83
Personnel expenses in total	-900,217.70	-965,074.79
Depreciation according to plan	-659,105.71	-594,117.19
Other operating costs	-458,478.00	-484,779.20
Operating profit (-loss)	-1,233,421.63	-398,824.38
Financial income and expenses		
Other interest and financial income	2,302.49	0.43
Interest and other financial expenses	-251,447.55	-190,400.04
Total financial income and expenses	-249,145.06	-190,399.61
Profit before financial statement transfers and taxes	-1,482,566.69	-589,223.99
Appropriations and taxes	0.00	0.00
Profit (loss) for the fiscal year	-1,482,566.69	-589,223.99

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Group Balance Sheet

	31.12.2016		31.12.2015	
Assets				
Non-current assets				
Intangible assets				
Intangible rights	6,998.37			
Other capitalised long-term expenses	2,219,251.05		1,752,106.68	
Advance payments	0.00	2,226,249.42	1,112,044.00	2,884,347.73
Tangible assets				
Machinery and equipment	3,022.52	3,022.52	4,029.92	4,029.92
Investment				
Other receivables	2,944.00	2,944.00	1,444.00	1,444.00
Non-current assets in total		2,232,215.94		2,889,821.65
Current assets				
Inventories				
Work in progress	625,000.01	625,000.01	625,000.01	625,000.01
Short-term				
Trade debtors, accounts receivables	11,279.24		82,170.01	
Other receivables	64.03		23,475.23	
Prepayments and accrued income	33,804.95	45,148.22	7,979.52	113,624.76
Cash in hand and at banks		64,379.02		36,270.12
Current assets in total		734,527.25		774,894.89
Assets in total		2,966,743.19		3,664,716.54

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	31.12.2016		31.12.2015	
Equity and liabilities				
Equity				
Shares or other comparable assets	2,500.00		2,500.00	
Reserve for invested non-restricted capital	5,862,195.74		3,823,947.73	
Retained earnings (loss)	-3,122,543.58		-2,533,319.59	
Profit (loss) for the fiscal year	-1,482,566.69	1,259,585.47	-589,223.99	703,904.15
Equity in total		1,259,585.47		703,904.15
Liabilities				
Long-term liabilities				
Convertible debentures	0.00		554,047.97	
Loans from credit institutions	335,055.76		186,573.40	
Other liabilities	448,134.77	783,190.53	447,594.77	1,188,216.14
Short-term liabilities				
Convertible debentures	0.00		600,000.00	
Loans from credit institutions	75,174.25		64,408.50	
Accounts payable	51,563.52		75,865.93	
Other liabilities	483,531.00		664,796.60	
Accruals and deferred income	313,698.42	923,967.19	367,525.22	1,772,596.25
Short-term liabilities in total		1,707,157.72		2,960,812.39
Equity and liabilities in total		<u>2,966,743.19</u>		<u>3,664,716.54</u>

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Mother Company Income Statement

	1.1.2016– 31.12.2016	1.1.2015– 31.12.2015
Net revenue	827,754.58	412,111.27
Manufacturing for enterprise's own use	0.00	1,112,044.00
Other operating income	14,270.39	305,306.00
Raw material and services		
Purchases during the financial year	-1,189.27	-317.36
Changes in inventories		
External services	-56,556.85	-184,166.30
Raw material and services in total	-57,746.12	-184,483.66
Personnel expenses		
Wages and salaries	-743,294.08	-762,600.28
Social security expenses		
Pension expenses	-122,145.01	-168,344.68
Other social security expenses	-34,778.61	-34,129.83
Personnel expenses in total	-900,217.70	-965,074.79
Depreciation according to plan	-659,105.71	-574,417.19
Other operating costs	-456,840.59	-483,162.77
Operating profit (-loss)	-1,231,885.15	-377,677.14
Financial income and expenses		
Other interest and financial income	2,302.10	0.23
Interest and other financial expenses	0.00	
Total financial income and expenses	-251,439.55	-190,400.04
Total financial income and expenses in total	-249,137.45	-190,399.81
Profit before financial statement transfers and taxes	-1,481,022.60	-568,076.95
Appropriations and taxes	0.00	0.00
Profit (loss) for the fiscal year	-1,481,022.60	-568,076.95

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Mother Company Balance Sheet

	31.12.2016		31.12.2015	
Assets				
Non-current assets				
Intangible assets				
Intangible rights	6,998.37		20,197.05	
Other capitalised long-term expenses	2,219,251.05		1,752,106.68	
Advance payments		2,226,249.42	1,112,044.00	2,884,347.73
Tangible assets				
Machinery and equipment	3,022.52	3,022.52	4,029.92	4,029.92
Investments				
Holdings in group undertakings	5,000.00		5,000.00	
Other receivables	2,944.00	7,944.00	1,444.00	6,444.00
Non-current assets in total		2,237,215.94		2,894,821.65
Current assets				
Long-term				
Amounts owed by group member companies	<u>80,858.30</u>	<u>80,858.30</u>	<u>0.00</u>	<u>0.00</u>
Short-term				
Trade debtord, accounts receivables	10,860.15		81,750.92	
Amounts owed by group member companies	283,733.53		282,878.53	
Loan receivables	0.00		80,858.30	
Other receivables	45.76		1,206.00	
Prepayments and accrued income	33,804.95	328,444.39	30,083.52	476,777.27
Cash in hand and at banks		64,216.30		36,088.84
Current assests in total		473,518.99		512,866.11
Assets in total		2,710,734.93		3,407,687.76

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	31.12.2016		31.12.2015	
Equity and liabilities				
Equity				
Shares or other comparable assets	2,500.00		2,500.00	
Reserve for invested non-restricted capital	5,862,195.74		3,823,947.73	
Retained earnings gain or (loss)	-3,040,297.58		-2,472,220.63	
Profit (loss) for the fiscal year	-1,481,022.60	1,343,375.56	-568,076.95	786,150.15
Equity in total		1,343,375.56		786,150.15
Liabilities				
Long-term liabilities				
Convertible debentures	0.00		554,047.97	
Loans from credit institutions	335,055.76		186,573.40	
Other liabilities	1,130.00	336,185.76	590.00	741,211.37
Short-term liabilities				
Convertible debentures	0.00		600,000.00	
Loans from credit institutions	75,174.25		64,408.50	
Accounts payable	51,492.83		75,818.81	
Amounts owed to group member companies	107,277.11		107,777.11	
Other liabilities	483,531.00		664,796.60	
Accruals and deferred income	313,698.42	1,031,173.61	367,525.22	1,880,326.24
Short-term liabilities in total		1,367,359.37		2,621,537.61
Equity and liabilities in total		<u>2,710,734.93</u>		<u>3,407,687.76</u>

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Notes to the Financial Statements

The financial statements have been prepared in accordance with Chapters 2 and 3 of the Small Business Act of the Government Decree on small and micro enterprises' financial statements.

Subsidiaries:

Nitro Games Alpha Oy (2358177-5), Kotka

Nitro Games Beta Oy (2413187-3), Kotka

Valuation principles and methods

Intangible and tangible assets designated as non-current assets of the group have been valued at acquisition cost less depreciation according to plan. In software development costs project-specific payroll costs, as well as software and administrative costs, in proportion to the share of salaries in that project, have been accounted for. Grants received are recognised as a deduction for acquisition costs. The group's non-current assets have been valued at acquisition cost.

The value of the group's inventory value is valued by the salary costs incurred by the project as well as the costs and software and administrative expenses in proportion to the proportion of the salaries of the project compared to total salaries.

Account receivables and other receivables are valued at their face value or at their lower probable value.

Explanation of the grounds of depreciation according to plan and their changes

The acquisition cost of non-current assets is depreciated according to the pre-defined plan. Depreciation according to plan has been calculated according to the EVL reducing-balance percentage method.

Planned depreciation has been calculated on the basis of the economic life of the asset as follows:

Intangible rights	Straight-line 5 and 3 years
Other capitalised long-term expenses	Straight-line 5 years
Machinery and equipment	Reducing balance method 25%

Information corresponding to the Activity Report

Accounting policies for the consolidated financial statements

All the companies included in the group have been consolidated into the consolidated financial statements. The consolidated financial statements have been prepared using the acquisition cost method. Intragroup transactions, mutual receivables and liabilities have been eliminated.

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Notes regarding balance sheet assets

Receivables from companies in the group	1.12.2016	31.12.2015
Short-term		
Accounts receivable	282,878.53	282,878.53
Other receivables	81,713.30	80 858,30
All in total	364,591.83	363,736.83

Liabilities to companies in the group	1.12.2016	31.12.2015
Short-term		
Other liabilities	107,277.11	107,277.11
All in total	107,277.11	107,277.11

Long-term liabilities

	Group		Mother	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Loans maturing in more than 5 years				
Loans from financial institutions	415,658.40	250,981.90	415,658.40	250,981.90
Convertible debenture	0.00	1,154,047.97	0.00	1,154,047.97
Business mortgage	130,000.00	130,000.00	130,000.00	130,000.00

Guarantees and contingent liabilities

Other guarantees given for own account	31.12.2016	31.12.2015
Investments' other receivables, rental guarantee	2,944.00	1,444.00
Accrued income	0.00	6,882.00
In total	2,944.00	8,326.00

Other contingent liabilities

	Group		Mother	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Amounts payable on leasing contracts				
Payable during next financial year	14,675.52	19,121.64	14,675.52	19,121.64
Payable later	0.00	0.00	0.00	0.00
	14,675.52	19,121.64	14,675.52	19,121.64

Information about subsidiaries

Nitro Games Alpha Oy (2358177-5), Kotka

Nitro Games Beta Oy (2413187-3), Kotka

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Notes regarding personnel

Average personnel during the financial year

	Group		Mother	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015
Personnel	23.00	19.00	23.00	19.00
	23.00	19.00	23.00	19.00

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Information corresponding to the Activity Report

The company's shares

The company has 580,187 shares. The shares are divided as follows: 547,852 series A shares (94.43 %) and 32,335 series B-shares (5.57 %). Each share has one vote. According to the Articles of Association a larger dividend can be distributed to series A shares than to series B shares by decision of the Annual General Meeting.

Share arrangements during the financial year:

The company has issued 98,288 new series A shares. The shareholders have by unanimous decision on 3 November 2016 decided on a directed share issue. The Board of Directors of the company proposes a directed issue, which deviates from the shareholder pre-emptive rights by way of offering new series A shares to current shareholders Jacob Ehrnrooth and Savox Investments S.A. There was a weighty financial reason for deciding on the directed share issue, since the company needed to strengthen its equity.

98,228 new series A shares were subscribed for. Investment totalled 2,038,248.00 euro. The investments were fully booked to the unrestricted equity fund. The total impact on the number of shares is approximately 17 %. The shares were entered in the Trade Register on 28 November 2015.

Options and other special rights

During the financial year the following open option rights were removed as useless:

Removed special rights according to an earlier shareholder decision (options and other special rights P002, registered 3 October 2013).

Removed special rights according to an earlier shareholder decision (options and other special rights P003, registered 15 October 2013).

Removed special rights according to an earlier shareholder decision (options and other special rights P005, registered 22 April 2015).

Removed special rights according to an earlier shareholder decision (options and other special rights P006, registered 17 July 2015).

New shares can no longer be subscribed for according to above option rights.

Other financing arrangements

The company executed a directed share issue on 3 November 2016, where according to the issue resolution a part of the subscription price (339,634 euro) was paid with apport property (capitalised or capitalizable interest) against which 16,368 new series A shares were issued.

The remainder of the subscription price was paid in cash, by converting loans given by investors to the company amounting to 1,698,614 euro for 81,860 series A shares. Due to this the long-term loans of the company decreased by 1,698,614 euros.

During the financial year of 2016 the company has raised a corporate loan of 200,000 euros from Kymenlaakso's cooperative bank, with Finnvera and main shareholders as guarantors.

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The R&D of the company and its extent

During the financial year 2016 no eligible product development costs were accumulated (In 2015 the capitalization of R&D in the company totalled 1,112,044 euro, in 2014 they totalled 1,277,583 euro and in 2013 they totalled 739,434 euro). Depreciation in 2016 totalled 659,105.71 euro (574,417.19 euro in 2015, 236,092.47 euro in 2014 and 236,689.45 euro in 2013).

Exceptional separate notes

The company's other operating income include 14,270 euro from rental income, which have accumulated due to the subleasing of premises.

Significant events after the financial year

The company is planning a financial arrangement designed to secure the company's business development. The financing is supposed be implemented during the financial year 2017. The arrangement has a weighty financial reason, since the company needs funds for both the development of the business as well as for strengthening the equity.

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Equity

Changes in equity and the Board's proposal on the use of distributable free equity

	Group		Mother	
Share capital	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Share capital 1.1	2,500.00	2,500.00	2,500.00	2,500.00
Share capital 31.12	2,500.00	2,500.00	2,500.00	2,500.00
Unrestricted equity fund 1.1	3,823,947.73	3,315,149.73	3,823,947.73	3,315,149.73
Share issue	2,038,248.01	508,798.00	2,038,248.01	508,798.00
Unrestricted equity fund 31.12	5,862,195.74	3,823,947.73	5,862,195.74	3,823,947.73
Loss for earlier financial years 1.1	-2,533,319.59	-1,631,553.75	-2,472,220.63	-1,597,952.00
Transfer of earnings/losses	-589,223.99	-901,765.84	-568,076.95	-874,268.63
Loss for earlier financial years 31.12	-3,122,543.58	-2,533,319.59	-3,040,297.58	-2,472,220.63
Earnings/losses for the financial year	-1,482,566.69	-589,223.99	-1,498,348.02	-568,076.95
Equity in total 31.12	1,259,585.47	703,904.15	1,326,050.14	786,150.15

Proposal by the Board of Directors on company earnings:

	Mother 31.12.2016
Unrestricted equity fund	5,862,195.74
Loss for earlier financial years	-3,122,543.58
Loss for the financial year	-1,482,566.69
Equity in total	<u>1,257,085.47</u>

The distributable funds are 1,257,085.47. The company's financial position after the end of the financial year has not changed substantially.

The Board of Directors proposes to the Annual General Meeting to use the distributable funds as follows: No dividend will be distributed and the loss for the financial year will be moved to the retained earnings.

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List of accounts and records

The company's accounting is done in an accounting system called Procountor.

Financial statements		Separately tied / electronic
Diary and main book		Electronic archive
Accounts ledger specification		Electronic archive
Bank receipts	Bank statement	Electronic archive
Purchase invoices	Purchase invoices	Electronic archive
Sales invoices	Sales invoices	Electronic archive
Wages accounting receipts	Wages	Electronic archive
Memo receipts	Memo	Electronic archive

The original invoice receipts received on paper are kept by the accounting responsible on paper. If the invoice on the paper is scanned, the invoice is only kept in an electronic paperless archive. The original receipts attached to travel and expense invoices are kept by the accounting responsible on paper. If the invoice on the paper is scanned, the invoice is only kept in an electronic paperless archive.

In connection with the reform of the Accounting Act 2 Section 8 on 30.12.2015 the requirement for the catalogue of accounting books and receipt types included in the financial statements has been repealed. Under the new Accounting Act 2 Section 7 a the accountable has to have a catalogue of the accounting books, receipts and other accounting records on which the financial statements are based, which shows their interconnections and storage methods.

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Signature of the Financial Statements

Location, date

Jussi Tähtinen
CEO

Antti Villanen
Chairman of the Board of Directors

Matti Nikkola
Board member

Jacob Ehrnrooth
Board member

Petri Tolmunen
Board member

Juhani Taskinen
Board member

Auditor's note

An auditor's report based on the audit performed has been given today.

Kotka

Idman Vilén Grant Thornton Oy, Authorised Public Accountants

Date: 5 March 2017

Antti Niemistö

Authorised Public Accountant