

THE NORDIC

ANNUAL REPORT 2017



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FINANCIAL CALENDAR

Q1, JAN-MAR	16 MAY 2018
Q2, APR-JUN	15 AUGUST 2018
Q3, JUL-SEP	14 NOVEMBER 2018
YEAR-END REPORT	13 FEBRUARY 2019

THQ NORDIC IN BRIEF

THQ Nordic group acquires, develops and publishes PC and console games for the global games market. As of 14 February 2018, the group consists of THQ Nordic and Koch Media. The group is a major player within game and partner publishing with an extensive catalogue of games, including 106 owned franchises. These include THQ Nordic franchises such as Darksiders, Titan Quest, MX vs ATV, Red Faction, Delta Force, Destroy All Humans, Aquanox, ELEX, Biomutant, Jagged Alliance, SpellForce and The Guild as well as Koch Media franchises such as Metro (licensed), Dead Island, Saints Row and Homefront.

The group has a global publishing reach within marketing, sales and distribution, both online and offline. The group is also an independent film distributor and co-producer. The company has a global presence, with its' group head office in Karlstad, Sweden and with operational offices in Vienna, Austria and Munich, Germany.

The group has ten internal game development studios based in Germany, UK, USA and Sweden and contracts with 26 external game studios in a number of different countries. The company engages 1,643 people, of which 644 are external game developers.

THE GROUP INCLUDING KOCH MEDIA, ACQUIRED AFTER THE FINANCIAL YEAR



HIGHLIGHTS OF THE YEAR

DIVERSIFIED PORTFOLIO GENERATED PROFITABLE GROWTH

One key strength of THQ Nordic is the well diversified portfolio of back catalogue products across multiple platforms and genres. The catalogue has continued to deliver growth and profitability during the year.

MAJOR RELEASE ACTIVITY

During the year, a significant number of new products were released, most of which were on owned titles. Among them, the company's first sequels on owned franchises were launched; Black Mirror and SpellForce 3. Black Mirror was released for Sony's PlayStation 4, Microsoft's Xbox One and PC/MAC/LINUX. The game was the fourth iteration in the Black Mirror universe. The owned IP sequel SpellForce 3 was launched for PC, which was developed by the company's internal development studio, Grimlore Games.

Other releases during the year included ELEX, The Guild 3 and Battle Chasers: Night War plus a large number of Asset Care releases, i.e. game versions for new platforms etc. New releases generated an increasing share of sales revenue in the year, 61% [41].

ACQUISITION OF DEVELOPMENT STUDIOS

Three more development studios were acquired; Black Forest Games based in Germany and Pieces Interactive and

Experiment 101, both based in Sweden. The acquisitions are part of THQ Nordic's focus on further increasing development capacity. These studios consist of experienced and talented game developers with a proven track record of PC- and console game development. All three studios are contributing to THQ Nordic's product development pipeline.

ACQUISITION OF FRANCHISES

The company continued its strategy to grow by acquisition of franchises, including Biomutant, one of the company's upcoming key titles. Biomutant is an open world, post-apocalyptic kung-fu fable action role-playing game. Biomutant was first announced at Gamescom in August 2017, and was well received by fans and the gaming media.

BIOMUTANT.

KEY PERFORMANCE INDICATORS, GROUP

SEK million	2017	2016	2015	2014
Net sales	507.5	301.9	212.9	178.0
EBITDA	272.6	132.4	105.1	95.2
EBIT	188.2	95.0	66.6	68.1
Profit after tax	139.2	71.9	51.2	52.2
Earnings per share, SEK	1.88	1.18	0.85	0.87
Cash flow from operating activities	179.1	99.2	109.9	60.4
Sales growth, %	68	42	20	74
EBITDA margin, %	54	44	49	53
EBIT margin, %	37	31	31	38
Net sales split:				
– Owned titles, %	77	71	76	83
– Publishing titles, %	23	29	22	17
– Other, %	-	-	2	-
Share of net sales from new releases, %	61	41	41	-
Share of net sales, digital distribution, %	50	49	51	-

Definitions: see note 36

SALES GROWTH

68%

EBITDA MARGIN

54%

EBIT MARGIN

37%



Biomutant®

INCREASING INVESTMENTS IN GAME DEVELOPMENT

Increasing investments were made in both asset care and development of sequels.

SEK 176 MILLION
COMPLETED
DEVELOPMENT

SEK 297 MILLION
GAME DEVELOPMENT
& ROYALTY ADVANCES

PROJECT PIPELINE
12 | 24
ANNOUNCED | UNANNOUNCED
PROJECTS UNDER
DEVELOPMENT

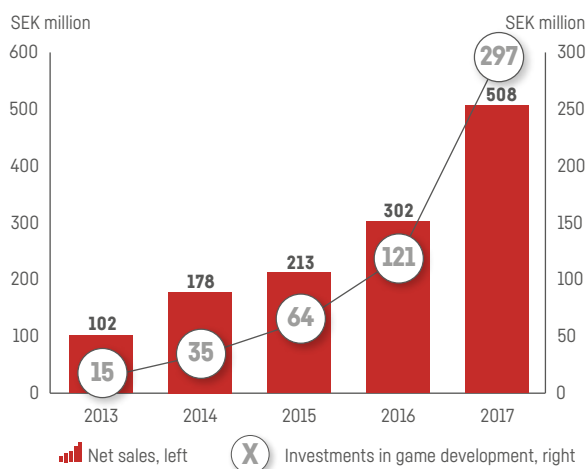
NEW SHARE ISSUE COMPLETED TO INCREASE GROWTH

The company carried out a directed new share issue of 7,203,250 Class B shares to a wide range of Swedish and international institutional investors, receiving SEK 598 million before transaction costs. The new share issue was an important step to enable financing of new acquisitions of franchises and game development studios and intensifying investments in the development of the company.

ACQUISITION OF KOCH MEDIA, AFTER THE FINANCIAL YEAR

On February 14 2018, THQ Nordic entered into an agreement to acquire Koch Media GmbH, including, the games developer and publisher Deep Silver with AAA-intellectual property rights such as Saints Row, Dead Island and exclusive license for Metro. The total consideration for Koch media was EUR 91.5 million corresponding to an enterprise value of EUR 121 million on a debt free basis. Read more about Koch Media on page 19.

NET SALES AND INVESTMENTS IN GAME DEVELOPMENT





A SOLID GROWTH STRATEGY

I'm proud of what we achieved in 2017, the best year so far for the company. We reported solid growth and improved profit margins. We had a significant release activity in the year and exceeded SEK 500 million in revenues with a 37% EBIT margin. We also took important steps towards our goal to build a significant and relevant company within the industry. We will continue to look for acquisition opportunities and improve our business performance in order to continue building shareholder value.

Our asset care strategy is performing well and we had stable back-catalogue sales all through the year. We increased our investments in development projects during the year. The past years investments paid off in a high release activity, particularly in the fourth quarter with eleven releases, of which nine on owned franchises. Among these were our first in-house developed sequels.

The sequels' overall performance matched our own expectations. Even so, we will continue to work to improve quality, performance and value for both our shareholders and consumers enjoying our products. We have gained a lot of valuable experience from our completed projects that will be used in the development of future releases. We will continue to invest in further sequels to the company's

well-established franchises as well as in our existing game portfolio.

The game portfolio is well invested with 36 projects under development, out of which 12 were announced as of 31 December 2017. I am happy to note that the revenue share from owned titles grew to 77%. New releases also generated an increasing share of sales revenue in the year.

During the year we acquired three new development studios, welcoming Pieces Interactive, Black Forest Games and Experiment 101 into the THQ Nordic Family. Experiment 101 is developing one of our upcoming key titles: Biomutant. All three development studios are contributing to our development capacity as well as to our portfolio of franchises and our pipeline of upcoming titles.

NEW SHARE ISSUE OF SEK 598 MILLION

In September, we took the opportunity to raise SEK 598 million in a directed new share issue. With these funds we have been able to take our acquisition strategy further. In February 2018, I was happy to be able to announce the acquisition of Koch Media. During the 25 years that I have been in this business, Koch Media were always around. They have a long track record in owned games publishing, partner publishing

and film. It is an entrepreneurial driven company and there is a good fit between THQ Nordic and Koch Media.

They have a strong catalogue of owned IP:s and exclusive licenses with four AAA titles such as Metro Exodus and Dead Island 2 in development, and three larger, development studios with a solid reputation, two of which have AAA-status.

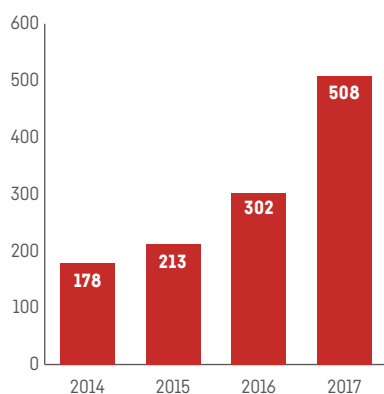
Koch Media has had a stable sales development for a long period, but experienced a well-known blow last year when a major release failed and resulted in a substantial impairment.

Our primary focus now is to deliver on the group's full release pipelines. We expect to achieve a more stable operation from the larger publishing capacity and a more flexible organization. Revenue synergies can be achieved from partnerships from both groups' franchises, assets, development capacity, distribution power and office proximity. Margin improvements can be achieved through further co-publishing, licensing and more publishing products. We will also keep evaluating additional acquisitions through each independent entity.

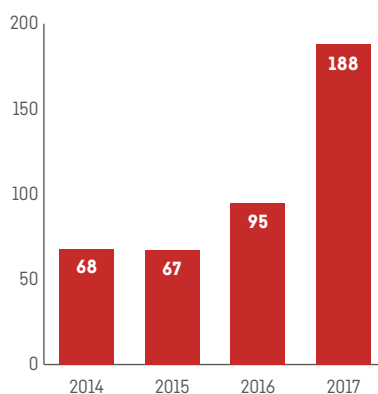
THQ Nordic has a growth strategy and a great position in the market. We will continue to work hard to develop the company in order to build sustainable value for our shareholders in the coming years. We will challenge ourselves to continuously improve and focus on the things that create value for our shareholders. Many new shareholders joined us in the past year, and I want to say thank you to all of our shareholders for your trust in THQ Nordic. In 2017 we took important steps for our future development. However, the best is yet to come.

Lars Wingefors, Founder & CEO

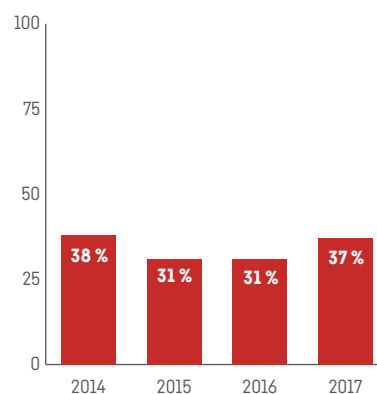
NET SALES, SEKm



EBIT, SEKm



EBIT MARGIN, %



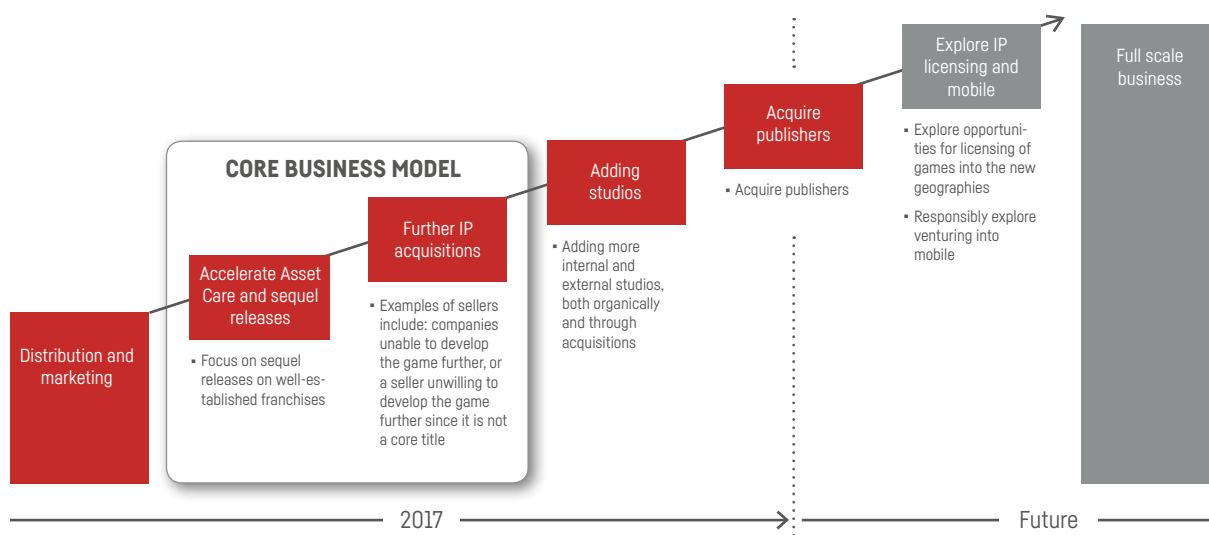
STRATEGIC PRIORITIES

PROFITABLE GROWTH AND RETURN TO SHAREHOLDERS

Since 2011, THQ Nordic has established a strong platform delivering sustainable growth and profitability. THQ Nordic's goal is to achieve significant growth in earnings per share. This growth will primarily be driven by launching of games that are currently in the company's pipeline and by executing the core business model. This means Asset Care for the existing

game portfolio, launch of sequels and continued acquisition of further intellectual property rights to integrate into the existing core business model. Acquisitions of additional studios will bring more experience, expertise and development resources to leverage the business model further. Acquisitions of partner publishers will increase marketing capacity and reach.

GROWTH MODEL OVERVIEW



ASSET CARE AND SEQUELS

THQ Nordic is committed to continuously invest in further launches of sequels to the company's already established franchises. In addition, continuous investments will be made in Asset Care thus adding value to the products and commercial performance of the existing game portfolio.

FURTHER ACQUISITIONS OF FRANCHISES

THQ Nordic will continue its current core business model based on acquiring franchises. Examples of potential sellers include companies that are unable to develop the franchise further themselves or a seller that does not intend to develop the franchise because of other priorities.

ADDING NEW DEVELOPMENT STUDIOS

The company sees growth opportunities in adding further internal and external game development studios to

its existing business. These additions may take place both organically through the company starting its owned game development studios, or by the acquisition of existing external game development studios.

ACQUISITION OF PUBLISHERS

THQ Nordic sees growth opportunities in acquiring established publishers to broaden marketing capacity and reach. This can be partner publishing businesses or publishers with their own portfolio of franchises.

EXPLORE IP LICENSING AND MOBILE

The company sees growth opportunities in exploring licensing of the company's franchises for the development of new games and to new geographical markets, for example distribution on the Asian market. In addition, the company will responsibly explore venturing into mobile.

A post-apocalyptic scene featuring a train on a track, with several large metal power line towers in the background. The scene is set in a hazy, mountainous landscape with some buildings and trees visible. The lighting is warm, suggesting a sunset or sunrise. The overall atmosphere is one of desolation and industrial decay.

“

THQ NORDIC'S GOAL IS
TO ACHIEVE SIGNIFICANT
GROWTH IN EARNINGS
PER SHARE



“

**GAMES REPRESENT ONE
OF THE LARGEST DIGITAL
ENTERTAINMENT MARKETS
GLOBALLY**

MARKET OVERVIEW

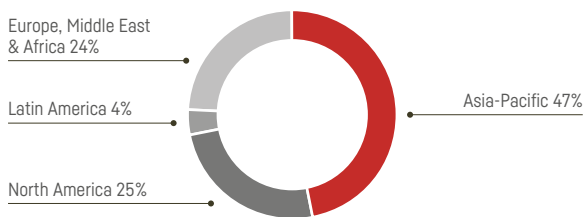
GLOBAL GAMING MARKET TRENDS

THQ Nordic operates in the global games market as a developer and publisher of PC and console games. Most of the company's end customers have historically been located in North America and Europe. These two geographical markets represent just under half of the global games market. Overall, the share of total revenues claimed by each region has remained almost unchanged since 2016.¹⁾

STEADILY GROWING MARKET

Video games represent one of the largest digital entertainment markets globally. In 2017 the total size of the games market was estimated to exceed USD 100 billion for the first time, totaling USD 109 billion, representing an annual growth of over 9% over the previous five years. Although there are structural shifts in the sales mix, the aggregate growth has been sustainable over a long period of years, thus presenting a non-cyclical pattern. It is also expected to continue a steady growth the coming years.

GLOBAL GAMES MARKET, PER REGION 2017



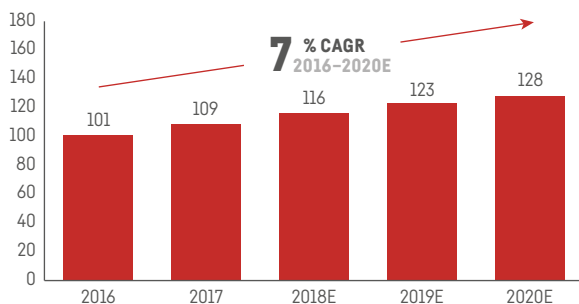
Source: Newzoo

INCREASING ENGAGEMENT TIME

Growth in the market is expected to stay strong during the coming years, whilst transformation is also playing a role. To an increasing extent, games provide consumers with a broader experience than just playing. Game companies are evolving into entertainment companies in a wider sense, as consumers' engagement time is increasing. Traditional boundaries between games, media, telecom, and sports industries are dissolving sparking new partnerships and international M&A activity.

¹⁾ The source of the figures in this chapter is: Newzoo Global Games Market Report 2017 unless otherwise stated. The comments made are the company's own.

GLOBAL GAMES MARKET, REVENUE DEVELOPMENT (USD BILLION)



Source: Newzoo



MX vs ATV All Out

GAMES MARKET SEGMENTS

The company considers the games market to be split into two segments which each have similar dynamics: PC/console games and mobile games. THQ Nordic presently operates almost exclusively in the PC and console segment, which represents slightly more than half of the global games market (54%).

There are clear differences between the two segments when it comes to which games are suited for each segment, which fans the segments attract and the type of revenue models in the different segments. The PC/console market is in a mature, stable stage, whereas the mobile games market is growing by almost 14%. The global PC/console market is estimated to amount to approximately USD 58 billion.

DEDICATED FANS

To understand the different segments a distinction is often made between the two consumer categories “hardcore gamers” and “casual players”. Games that attract hardcore gamers are usually referred to as “hardcore games” and games that attract casual players are often called “casual games”. The two groups of consumers differ in terms of the types of games they play, how much and how often they play, and in what way and how much they are prepared to pay for a game.

GAMERS WANT BROADER ENTERTAINMENT

The hardcore games often have a core of very dedicated fans. These fans are often loyal to their games, but want new content in order to keep their attention. Developing quality content is identified as a key driver for success, also in the light of the broadening of the scope of games into video and services. The shift towards global, online distribution is also a driver towards larger entities and an industry consolidation.

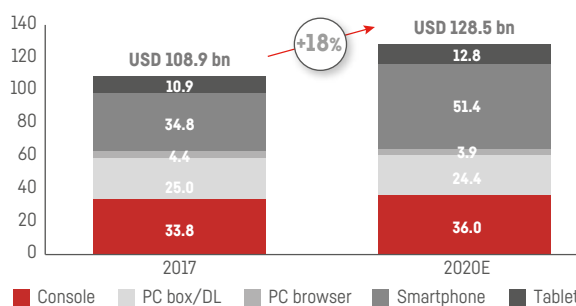
DIGITAL DISTRIBUTION INCREASING

In recent years, a clear trend towards digitalization of the distribution of PC and console games has been evident. The trend towards digital distribution is largely driven by the emergence of purely digital platforms such as Steam and the production of digital services on traditional physical distribution channels such as PlayStation® and Microsoft® Xbox Live. Despite this trend, the physical market still makes up a significant part of the total games market.

MOBILE GAMES FOR CASUAL GAMERS

In contrast to PC and console games, the mobile segment is largely made up of casual games. This type of game can usually be developed in a much shorter time and with considerably fewer resources than hardcore games within the PC and console segment. The entry barriers to this segment are thus lower than in the PC and console segment. Mobile games are by nature less advanced and not as engaging as PC and console games. Partly as a result of this, life cycles for mobile games are often shorter and the number of mobile game developers that have succeeded in repeating their success is relatively limited.

THE GLOBAL GAMES MARKET PER SEGMENT 2017–2020E



Source: Newzoo



THE GAMES MARKET'S VALUE CHAIN

The global games market's value chain can be split into three different stages before a finished game reaches the end consumer. THQ Nordic is active in all stages of the value chain. The company has increased its internal game development capacity lately. At the end of the year, it included seven internal studios that develop games sold through the publishing operations. The table above sets out the company's analysis of the different parts of the value chain and THQ Nordic's role in the global games market.

DEVELOPERS

The game developers are the creators of a game. It is often the game developers that come up with the game's concept, develop the game's characters and the story of the game, and finally it is the game developer who in purely technical terms writes the code and develops the game.

Game development studios can be either external and independent, or internal. External game development studios act independently and develop games either for a large publisher or publish the game themselves on a smaller scale. Internal game development studios are owned by a publisher and work more or less exclusively on the owning publisher's game development projects.

PUBLISHERS

The publisher's role involves financing the development project, either in full or in part, and controlling the development process, the content and the quality of the game being developed. Once the game is ready for launch, it is the publisher that markets the game and ensures that the game is distributed via the right distributors and channels.

Publishers may own all or parts of a development project, or alternatively may act solely as a publisher for a third party that owns all the IP rights.

DISTRIBUTORS

The last stage in the value chain before the game reaches the end consumer is game distribution. The distributors own the channels via which the games are distributed and/or the platforms on which the games are played. Distributors may be physical and/or digital.

Examples of physical distributors are classic retailers such as Walmart, Amazon and Gamestop. Digital distributors include Sony and Microsoft®, which also own the two biggest platforms for console games (PlayStation® and Microsoft® Xbox). The largest individual digital distribution channel for PC games is Steam, owned by Valve Corporation. Steam claims to have 67 million monthly users.

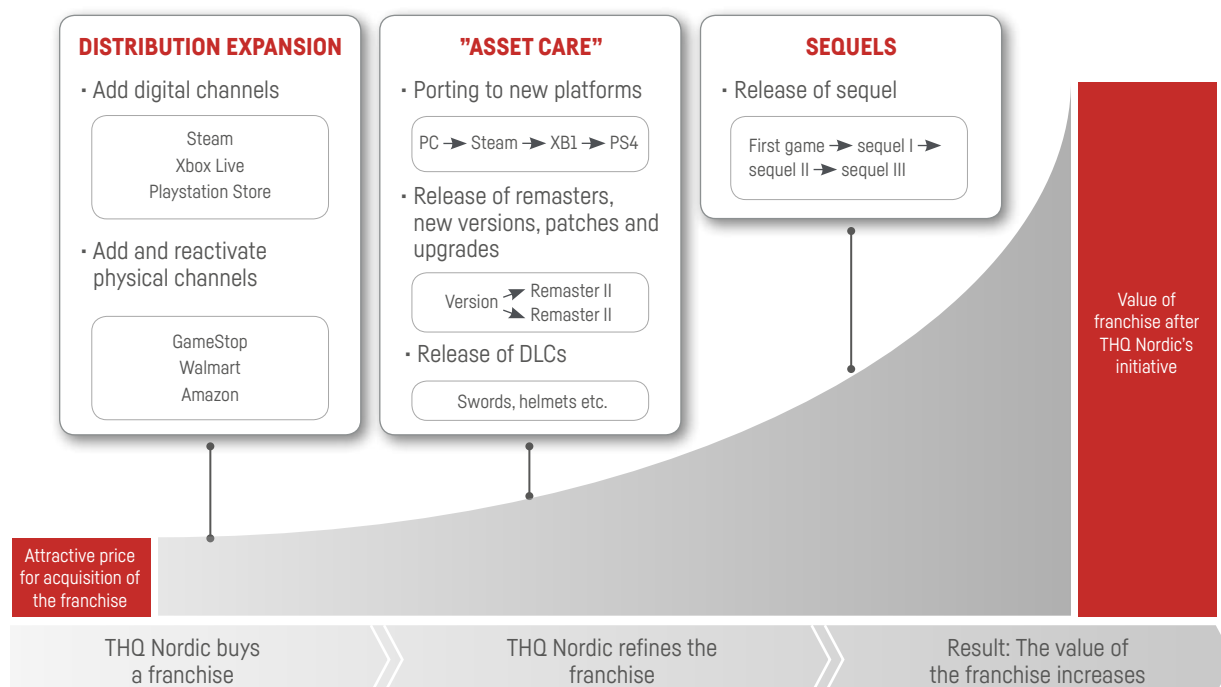
IP OWNERS

A further important part of the games market's value chain is the owner of the intellectual rights on which the game is based (the IP owner). The IP owner controls which game projects they want to be implemented based on the franchise. The IP owner could be a game development studio that has developed a game title itself, a publisher that owns a portfolio of franchises or, for example, the copyright holder of a film or book title on which a game is to be based. THQ Nordic is an example of a publisher that owns a portfolio of intellectual property (franchises) and is therefore also an IP owner.

PROVEN CORE BUSINESS MODEL

CORE BUSINESS MODEL

THQ Nordic's core business model is to acquire established franchises and then gradually refine the value of these franchises in three steps:



DISTRIBUTION EXPANSION

The first step in refining the value of an acquired franchise is to expand its distribution. This step usually takes between a few months and up to years to complete. It consists of expanding the distribution of an acquired game so that it is available to the end consumer via multiple suitable physical and digital distribution channels.

In many cases, the games acquired by the company are no longer available on the market. If it is considered appropriate at the time, the company can make the game available again via all or some of its approximately 50 digital channels, as well as via suitable physical distribution part-

ners. Once the game is available to more consumers sales can increase relatively quickly.

ASSET CARE

The second step in refining the value of an acquired franchise is what the company calls Asset Care. This means improving the game itself in various ways such as porting to new platforms, remastered versions and downloadable content (DLC).

Porting makes a game available on a new platform. For example, a game only compatible with PlayStation® 3 is developed so that it can also be played on the later generation platforms PlayStation® 4 and Microsoft® Xbox One.



Battle Chasers: Nightwar

Remastering involves graphically and/or technically polishing and upgrading an existing game. A graphical remaster might mean an HD (High Definition) version that looks better graphically, while the rest of the game's content remains unchanged. A technical remaster might consist of fixing bugs in the game or adding a new function to the game. In other respects the underlying code and the game remain unchanged.

The launch of DLC can be various types of add-ons for the existing game. Such add-ons require the gamer to already own the basic game. DLC is downloaded digitally and can be a new motorbike, a new weapon or a new track to use in the game. How suitable such peripheral sales are will depend on the type of game concerned.

DEVELOPMENT AND LAUNCH OF SEQUELS

Developing and launching brand new game titles in an already established game series is the third and final step in the process of increasing the value of an acquired franchise. Developing a sequel means using an established game concept but developing a brand new game, with new code, new action and new content.

Both the sales potential and risk is higher in the case of sequels, as the investment involved is higher compared to Asset Care and distribution enhancement. As THQ Nordic

primarily relies on developing new games based on already proven game concepts and franchises with existing fans, the risk of such projects is still lower than when developing a new game without such a history.

During 2017 the company launched its first sequels developed on owned franchises. These were launched at the end of the year, and their sales performance has so far lived up to management expectations. There is still room for improvement in order to improve performance in future cases.

COMPLEMENTARY TO THE CORE BUSINESS MODEL

The company selectively uses its publishing capacity to publish game titles for various strategic partners and independent game developers. This business model has been profitable in itself involving lower risk and also lower gross margin. It has also led to interesting business opportunities and acquisitions with additional value potential for the company.

The company's marketing strategy focuses on building relationships with leading digital distribution channels, marketing via social media and close interaction with and understanding of the fans. The company has global physical distribution capacity and extensive digital distribution capacity.

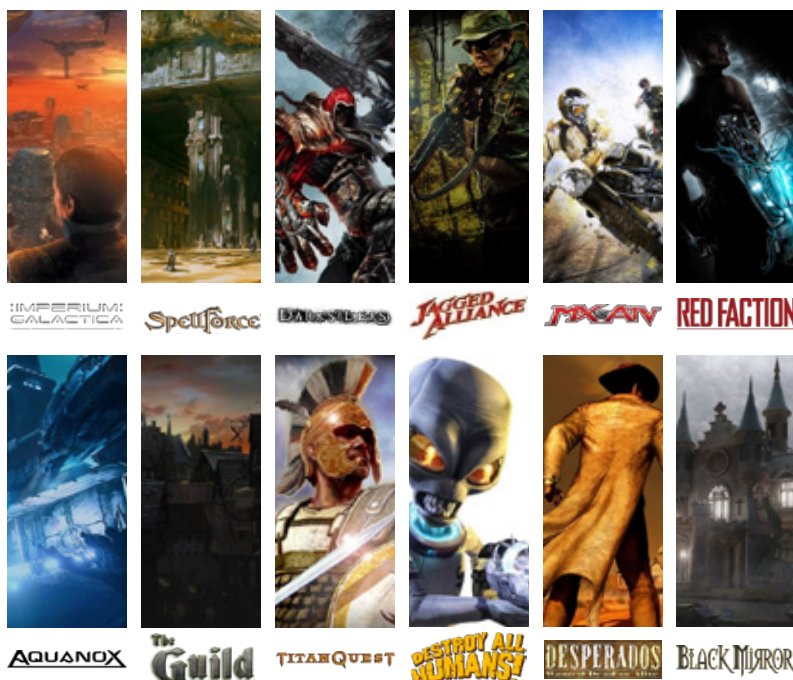
DIVERSIFIED GAMES PORTFOLIO

THQ Nordic's game portfolio can be split into owned franchises and "published titles". Owned franchises consist of game franchises that THQ Nordic itself owns all the rights to and thus itself controls how the franchise is to be developed in

the future. Published titles are game titles that THQ Nordic does not own the intellectual property rights to, but fully or partly owns the publishing rights to and thus publishes the titles for various partners.

OVERVIEW OF THQ NORDIC'S GAME PORTFOLIO (AS PER 2017-12-31, EXCLUDING KOCH MEDIA)

OWNED FRANCHISES



91 FRANCHISES

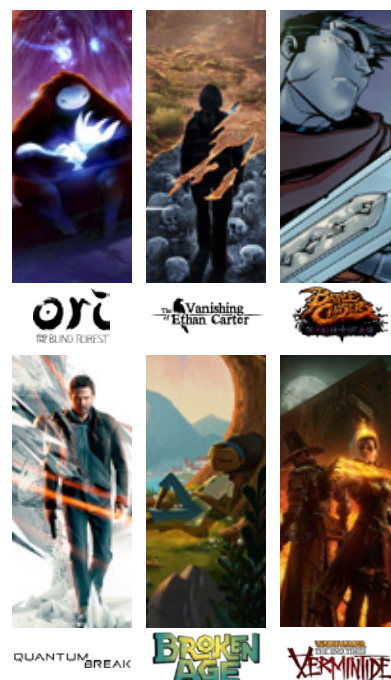


229 GAMES



35 DLCs

PUBLISHED TITLES



more than 70 PUBLISHED TITLES

EXPLANATION OF FRANCHISE, GAME AND DLC:

A franchise is a label that is used for a series of games. Several different games can be released as one franchise. Each franchise has an overarching game concept but each game has its own storyline that fits into

the overarching game concept of the franchise. For every game DLC (downloadable content) such as swords, helmets and new levels can then be developed and marketed.

STRONG AND WELL INVESTED PIPELINE

THQ Nordic has a strong and well-invested pipeline of upcoming products involving various kinds of development projects, such as sequels and remasters of owned franchises and new titles for publishing. In total by December 31, the company had 36 projects in the pipeline, 12 of which were announced and 24 unannounced. THQ Nordic sees it as one of the most

important factors for success that the projects are developed by well-reputed studios. As a starting point, the company always tries to work with all or part of the original development team and creators as developers of sequels.

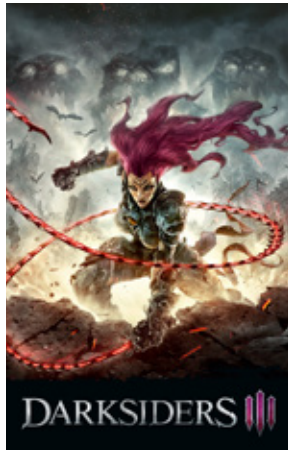
The company's most important pipeline projects at present are shown below.

SELECTION OF ANNOUNCED PIPELINE FOR 2018 AND ONWARDS



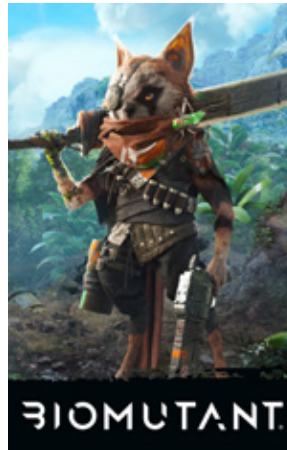
The love letter to classic JRPGs by Joe Mad, soon also available for Nintendo Switch.

Nintendo Switch



After War and Death, it is Fury's time to shine and kick some demon butt.

PC, PS4, XBI



New, beautiful, post-apocalyptic Kung Fu fable straight outta Stockholm.

PC, PS4, XBI



Under the sea... Where shooting is better, because it is wetter.

PC, PS4, XBI



There is a new sheriff in town. She is here to kick ass and chew bubble-gum, and she is all out of gum.

PC, PS4, XBI, Nintendo Switch



It's a motorsport, but not just any motorsport. It's a motorsport with attitude.

PC, PS4, XBI



The classic ARPG made its move onto consoles, and even goes handheld with its Nintendo Switch version.

PS4, XBI, Nintendo Switch



Surviving the red planet with the aid of a sledgehammer in this all new Re-Mars-tered Edition of Red Faction Guerrilla.

PC, PS4, XBI

TRUSTED TEAMS

COMMITTED EMPLOYEES IS KEY TO SUCCESS

The success of THQ Nordic is built on, and dependent on, the people's knowledge and long-standing experience in the industry. After the acquisition of Koch Media, the group engages 1,643 people, representing about 32 nationalities. One key to the success of THQ Nordic is the ability to respect and empower the creative independence, culture and characteristics of each individual in the group. Skills and experiences from different organizations and cultures contribute positively to the company's development. Every employee makes a difference in the work to create the best offering and the best customer experience. Therefore it is important to attract and retain key personnel and that our employees perceive the company as a stimulating employer.

DEVELOPERS AND STUDIOS

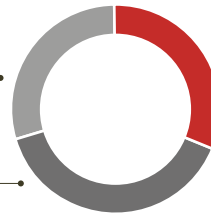
- THQ Nordic engages 403 developers in 7 internal studios and 18 external studios.
- Deep Silver engages 754 developers in 3 internal studios and 8 external studios.

ROLES IN THE THQ NORDIC GROUP

Internal publishing, sales&marketing and administration, 482

Internal development, 517

External development, 644



DEVELOPMENT STUDIOS



INHOUSE STUDIOS

FOXGLOVE - STOCKHOLM, SWEDEN - 22 EMPLOYEES

Foxglove was founded in 2016 and is based in Stockholm, Sweden. Foxglove Studios is a game developer focused on free-to-play games and mobile games. The studio is behind the titles Snipers vs Thieves and Muscle Hustle.

GRIMLORE GAMES - MUNICH, GERMANY - 32 EMPLOYEES

Grimlore Games was founded in 2013 by THQ Nordic with former Munich game developers from the Studio Coreplay. In 2017, Grimlore Games released SpellForce 3 which was well received by the SpellForce-Community.

MIRAGE - KARLSTAD, SWEDEN - 5 EMPLOYEES

Mirage Game Studios was founded 2016 in collaboration with THQ Nordic based in Karlstad, Sweden. Since founding, the studio is working on a strategy game about factories.

RAINBOW STUDIOS - PHOENIX, AZ, USA - 28 EMPLOYEES

Initially Rainbow Studios was founded in 1995 in Phoenix, Arizona. The team was best known for their MX vs ATV-titles. In 2010 the company was renamed to "THQ Digital Studios Phoenix". In August 2011 the studio was closed by THQ Inc. In 2016 the studio was re-established under the THQ Nordic ownership.

STUDIOS ACQUIRED IN 2017

BLACK FOREST - OFFENBURG, GERMANY - 56 EMPLOYEES

Black Forest Games was founded in 2012 by Andreas Speer and Adrian Goersch. The team consists of highly experienced international professionals with a proven track record of developing quality games within a wide range of genres. Black Forest Games employs most of the former Spellbound Entertainment team, once one of the longest-running independent developers in Germany.

EXPERIMENT 101 - STOCKHOLM, SWEDEN - 19 EMPLOYEES

Experiment 101 was co-founded in 2015 by Goodbye Kansas Game Invest and Swedish game development veteran Stefan Ljungqvist, a former studio art director and game director at Avalanche Studios and one of the key members on the team behind Mad Max and the Just Cause series. Experiment 101 is developing Biomutant, one of THQ Nordic's up-coming key titles.

PIECES INTERACTIVE - SKÖVDE, SWEDEN - 16 EMPLOYEES

Since its founding 2007, Pieces Interactive has released over ten titles on PC, console and mobile on owned concepts such as Puzzlegeddon, Fret Nice, Leviathan Warships and Robo Surf. Pieces Interactive worked with the expansion for Titan Quest, Titan Quest: Ragnarök, which was released in 2017.

A cinematic scene from the game Metro Exodus. The setting is a desolate, snow-covered city street. In the background, a large, rusted bus is partially buried in snow. To the left, a car is also covered in snow. In the foreground, a green, conical helmet with a visor lies on the snow, splattered with red blood. The helmet has some markings on its side, including "8110 01-08-11" and "8110 01-08-11". The overall atmosphere is bleak and cold, with a heavy snowfall or mist in the air.

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CREATING A EUROPEAN PLAYER OF GREAT SCALE

METRO
EXODUS

A LEADING DIGITAL ENTERTAINMENT COMPANY

ACQUISITION AFTER THE FINANCIAL YEAR

On February 14 2018, THQ Nordic entered into an agreement to acquire Koch Media GmbH, including the games developer and publisher Deep Silver with AAA-intellectual property rights such as Saints Row, Dead Island and exclusive license for Metro.

Koch Media is a leading, independent producer and marketer of digital entertainment products in Europe and North America with studios in Germany, the UK, and the US, and offices in several Central and Northern European cities. Koch Media's business consists of three business areas;

i) Games, which are mainly published under the Deep Silver label with several AAA-intellectual property rights and exclusive licenses such as Saints Row, Dead Island and Metro.

ii) Partner Publishing, which is the leading company in this business area in Europe.

iii) Film, which is a business within movies for primarily the German and Italian speaking territories.

Koch Media generated net sales of approximately SEK 2,548 million, distributed between the business areas as shown by the pie-charts below, 9 months April - December 2017. Adjusted EBIT was approximately SEK 296 million in the same period. [EBIT adjusted for non-recurring impairment of intangible assets.]

The total consideration for Koch media was EUR 91.5 million corresponding to an enterprise value of EUR 121 million on a debt free basis.

STRONG COMBINATION OF BUSINESS AREAS

<p>Games</p> 	<p>Partner publishing</p> 	<p>Film</p> 
<ul style="list-style-type: none"> • Publishing labels: Deep Silver & Ravenscourt. • Four AAA titles in development. • Major IPs and licensing rights to Dead Island, Saints Row, Metro. • Global presence. 	<ul style="list-style-type: none"> • Market leading in Europe. • 11 offices across the world. Replaces other publishers local offices in sales & marketing. • Blue-chip customers. 	<ul style="list-style-type: none"> • Independent distributor and coproducer of films. • Digital and physical sales channels – majority of revenues are non-physical. • Various niches such as "cult classics" in Germany and Horror movies in Italy.
 <p>Games 26%</p>	 <p>Partner publishing 67%</p>	 <p>Film 8%</p>
<p>~340 internal developers ~414 external developers 15 IPs 14 Game development projects</p>	<p>50+ publishing partners 11 local publishing offices</p>	<p>~1,500 titles in rightscatalogue ~250 license partners up to 10 international productions released per year</p>

DEEP SILVER STUDIOS

DEVELOPMENT STUDIOS



DEEP SILVER FISHLABS - HAMBURG, GERMANY 67 EMPLOYEES

Deep Silver Fishlabs are the creators of the multi-million downloaded mobile and console sci-fi adventure franchise Galaxy On Fire. Since their formation in 2014 the studio has gained a plethora of praise from consumers and recognition from platform holders resulting in more than 120 million downloads of their products.

DEEP SILVER VOLITION LL - CHAMPAIGN, ILLINOIS, USA 108 EMPLOYEES

Through their 22 year history Deep Silver Volition have created some of the best loved Open World Action gaming franchises including FreeSpace and Red Faction. Their most popular brand, Saints Row, follows the adventures of the Third Street Saints to world domination, selling more than 32 million copies since its first release in 2006.

DEEP SILVER DAMBUSTER STUDIOS - NOTTINGHAM, UK 148 EMPLOYEES

Deep Silver Dambuster Studios formed in 2014 following the closure of Crytek UK. Their inaugural title, First Person Shooter Homefront: The Revolution, was released in 2016. Based in Nottingham, the studio is at the forefront of the UK games development industry as one of the largest and most successful studios in the country.



OVERVIEW OF DEEP SILVER'S PIPELINE FOR 2018 AND ONWARDS



A story-driven open-world RPG that immerses you in an epic adventure in the Holy Roman Empire.

XB1, PS4, PC



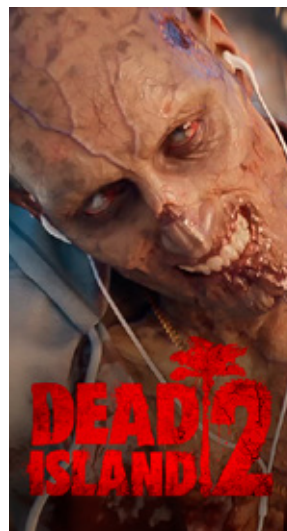
DAKAR 18 is a realistic simulation of the world's biggest off-road cross country rally!

XB1, PS4, PC



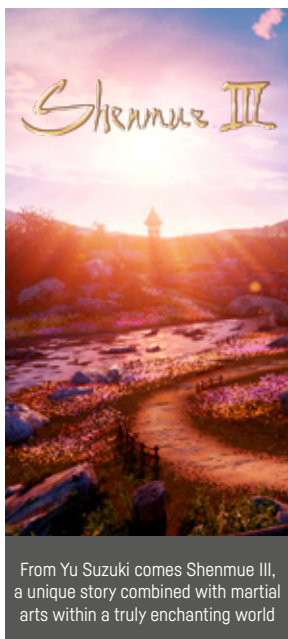
A continent spanning journey across post apocalyptic Russia

XB1, PS4, PC



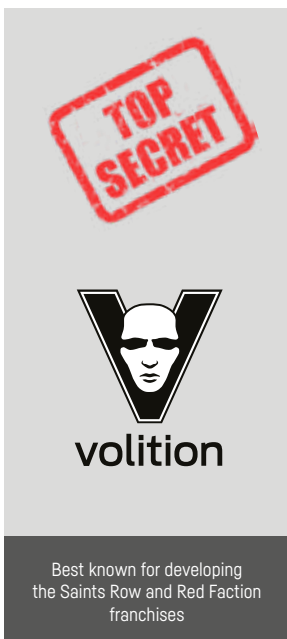
The sequel to the multi million selling Dead Island where paradise meets hell

XB1, PS4, PC

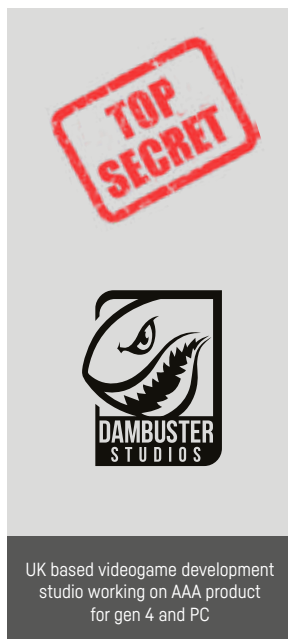


From Yu Suzuki comes Shenmue III, a unique story combined with martial arts within a truly enchanting world

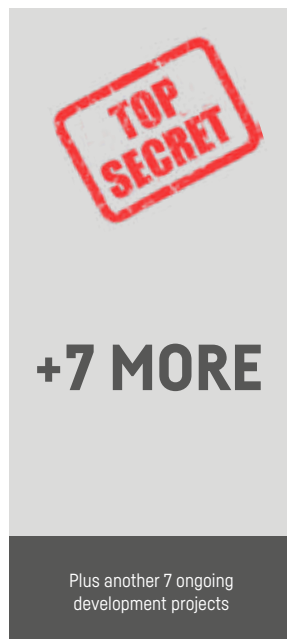
PS4, PC



Best known for developing the Saints Row and Red Faction franchises



UK based videogame development studio working on AAA product for gen 4 and PC



Plus another 7 ongoing development projects

LISTED ON NASDAQ FIRST NORTH STOCKHOLM

INFORMATION ABOUT FIRST NORTH

Nasdaq First North ("First North") is an alternative marketplace operated by the constituent exchanges of NASDAQ Stockholm. It does not have the same legal status as a regulated marketplace. Companies quoted on First North are subject to First North's rules, rather than the legal requirements set for trading on a regulated marketplace. An investment in a company trading on First North implies higher risk than one in a listed company. Companies must apply to the exchange and gain approval before trading on First North can commence. A Certified Adviser guides the company through the listing process and also ensures that the company continuously satisfies First North's standards. FNCA Sweden AB is THQ Nordic's certified adviser.

SHARE PRICE DEVELOPMENT AND SHARE TURNOVER



OWNERS AS OF DECEMBER 31. 2017

NAME	CLASS A SHARES	CLASS B SHARES	SHARE OF CAPITAL, %	SHARE OF VOTES, %
Lars Wingefors through company ¹⁾	6,501,467	29,523,732	45.5	59.0
Erik Stenberg through company ²⁾	1,407,724	6,392,600	9.8	12.8
Swedbank Robur Funds ³⁾		6,826,979	8.6	4.3
Handelsbanken Funds ⁴⁾		4,899,700	6.2	3.2
Mikael Brodén through company ⁵⁾	483,378	2,195,063	3.4	4.4
Didner & Gerge Funds		1,857,673	2.3	1.2
Pelle Lundborg with family through company ⁶⁾	289,966	1,105,121	1.8	2.5
Familjen Olsson, trust		1,290,000	1.6	0.8
RAM One Funds		1,275,396	1.6	0.8
Chalex/Martin Larsson		1,270,944	1.6	0.8
Lundström Family		1,265,000	1.6	0.8
Avanza Pension		1,157,130	1.5	0.7
Klemens Kreuzer through company ⁷⁾	201,784	916,321	1.4	1.8
Life Insurance Skandia		854,312	1.1	0.5
Reinhard Pollice through company ⁸⁾	115,681	655,524	1.0	1.1
Fondita Funds		692,000	0.9	0.4
Michael Knutsson		600,000	0.8	0.4
Skandia Funds		435,509	0.5	0.3
Nordnet Pension Insurance		216,244	0.3	0.1
CM-CIC Asset Management		161,175	0.2	0.1
TOTAL TOP 20	9,000,000	63,590,423	91.6	96.0
OTHER		6,645,327	8.4	4.0
TOTAL	9,000,000	70,235,750	100.0	100.0

1) Lars Wingefors AB, controlled to 100% by CEO Lars Wingefors

2) Xagonus AB, controlled to 100% by CFO Erik Stenberg

3) Swedbank Robur consists of three funds; Småbolagsfond Sverige, Småbolagsfond Norden and Ny Teknik

4) Handelsbanken Funds consists of five funds; Sverige, Svenska Småbolag, Bosparfond Bostadsrätterna, Nordiska Småbolag and MicroCap

5) CMB Holding AB, controlled to 100% by Mikael Brodén, co-founder of THQ Nordic

6) Lumarisimo AB, controlled by Pelle Lundborg with family, co-founder of THQ Nordic

7) Gerado AB, controlled to 100% by Klemens Kreuzer, MD THQ Nordic GmbH

8) Galgalomaniac Holding AB, controlled to 100% by Reinhard Pollice, Director of Business Development and Production, THQ Nordic GmbH.



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**WE BELIEVE IN
BUILDING TRUST BY
DELIVERING RESULTS**

CORPORATE GOVERNANCE

BOARD OF DIRECTORS

THQ Nordic's board consists of five ordinary elected board members, including the Chairman, which all have been elected until the end of the annual meeting in 2018. Board members, their position, when they were elected for the first time and if they are regarded as independent in relation to the company, senior executives and in relation to the major shareholders are presented in the table below.

OVERVIEW BOARD OF DIRECTORS AND INDEPENDENCE

NAME	POSITION	MEMBER SINCE	INDEPENDENT IN RELATION TO:	
			THE COMPANY AND THE COMPANY MANAGEMENT	MAJOR SHAREHOLDERS
Kicki Wallje Lund	Board member (Chairman)	2016	Yes	Yes
Lars Wingefors	Member of the board	2002	No	No
Erik Stenberg	Member of the board	2002	No	No
Maria Segolsson	Member of the board	2016	Yes	Yes
Pia Rosin	Member of the board	2016	Yes	Yes

KICKI WALLJE LUND

Born: 1953

Chairman of the board

Education/background: Kicki Wallje Lund has experience in business development from a variety of international companies, especially in the IT sector. She has held leading positions in companies like NCR, Digital Equipment, AT & T, Philips, ICL and Unisys.

Current assignments: Board member and CEO of Wellnet AB. Board member of C-Rad AB (publ) and Betsson AB (publ).

Holdings in the Company: Kicki Wallje Lund holds 15,200 class B shares in THQ Nordic AB (publ).

LARS WINGEFORS

Born: 1977

Founder of THQ Nordic. Board member and CEO

Education/background: Lars Wingefors is founder and CEO of THQ Nordic-group. Lars Wingefors started his first company at the age of thirteen. He has a broad and long experience in entrepreneurship and business management.

Current assignments: He is a board member and CEO of Lars Wingefors AB and subsidiaries..

Holdings in the Company: Lars Wingefors holds, via companies, 6,501,467 class A shares and 29,523,732 class B shares in THQ Nordic AB (publ).

ERIK STENBERG

Born: 1963

Co-founder, board member and CFO

Education/background: Erik Stenberg has a Degree of Master of Science in Business and Economics from Högskolan Karlstad (today Karlstad University) and a long and solid experience in business management.

Current assignments: Erik Stenberg is a board member of Xagonus Aktiebolag.

Holdings in the Company: Erik Stenberg holds, via companies, 1,407,724 class A shares and 6,392,600 class B shares in THQ Nordic AB (publ).

MARIA "MIA" SEGOLSSON

Born: 1968

Board member

Education/background: Maria Segolsson has a three-year financial education and an education in advertising and marketing from Bergh's School of Communication. Maria Segolsson has more than 15 years of experience from the international music industry both as a marketing manager and as General Manager.

Current assignments: Maria Segolsson is General Manager at Polar Music International AB and a board member of Ma & Ma Consulting AB and Stiftelsen ABBA The Museum.

Holdings in the Company: Maria Segolsson 15,000 holds class B shares in THQ Nordic AB (publ).

PIA ROSIN

Born: 1976

Board member

Education/background: Pia Rosin has a master's degree in economics from the University of Lund. She has many years of experience in financial communication of listed companies, including the Kinnevik Group, the defence company Saab and an IT company listed on Nasdaq First North. Pia Rosin is currently vice President of Corporate Communications at Betsson AB.

Holdings in the Company: Pia Rosin 5,000 holds class B shares in THQ Nordic AB (publ).

AUDITOR

The auditor of THQ Nordic is Ernst & Young AB with Ulrich Adolfsson (born in 1965) as auditor-in-charge. He has held this position since the 2006 annual general meeting. Ulrich Adolfsson is an authorized auditor at Ernst & Young AB and member of FAR.

SENIOR EXECUTIVES



LARS WINGEFORS

Born: 1977

Founder of THQ Nordic. Board member and CEO of THQ Nordic.
See "Board of Directors" above.



ERIK STENBERG

Born: 1963

Board member and Financial Director (CFO).
See "Board of Directors" above.



REINHARD POLLICE

Born: 1988

Co-founder and Director of Business Development and Production, THQ Nordic GmbH.
Education/background: Reinhard Pollice has a Bachelor degree in Project Management and IT from the University of Applied Sciences BFI in Vienna.



KLEMENS KREUZER

Born: 1976

Co-founder and Managing director of THQ Nordic GmbH
Education/background: Klemens Kreuzer has a Masters degree in Business Administration from the Vienna University of Economics and Business.



FINANCIAL SUMMARY

KEY PERFORMANCE INDICATORS, GROUP

FINANCIAL METRICS DEFINED OR SPECIFIED PURSUANT TO

SWEDISH ACCOUNTING STANDARDS BOARD STANDARDS (BFNAR)

	Full year 2017	Full year 2016
Net sales, SEK 000's	507,526	301,878
Operating profit, SEK 000's	188,201	95,015
Profit before tax, SEK 000's	182,012	92,896
Profit after tax, SEK 000's	139,169	71,957
Number of shares at end of period, thousands	79,236	72,032
Average number of outstanding shares, thousands	73,927	61,121
Average number of full-time employees in the period	143	68
Number of employees at the end of the period	193	85

* Original number of shares was 1,000, a bonus issue of 499,000 shares was executed in 2016 and in end of 2016 a split were performed there 1 old share gave 120 new shares. All periods are restated as if these transactions had been executed as of 1 January 2015. In November 2016 there was a new share issue of 12,032,500 shares.

ALTERNATIVE KEY PERFORMANCE INDICATORS

NOT DEFINED OR SPECIFIED PURSUANT TO BFNAR

	Full year 2017	Full year 2016
Net sales growth, %	68	42
EBITDA, SEK 000's	272,617	132,369
EBITDA margin, %	54	44
EBIT, SEK 000's	188,201	95,015
EBIT margin, %	37	31
Amortization of IP rights, SEK 000's	-14,114	-13,039
Equity/assets ratio, %	81	74
Earnings per share, SEK	1.88	1.18
Dividend per share, SEK	-	-

Derivation of the alternative KPIs and EBITDA

EBIT, SEK 000's	188,201	95,015
Depreciation and amortization, SEK 000's	84,416	37,354
EBITDA, SEK 000's	272,617	132,369

DEFINITIONS OF ALTERNATIVE KPIs

THQ Nordic's definitions of a number of alternative KPIs used in this Report are stated below. Net sales growth is reported by the Company because it regards this KPI as contributing to investor understanding of the Company's historical progress. EBITDA and EBITDA margin are reported because these are metrics commonly used by certain investors, financial analysts and other stakeholders to measure the Company's financial results. The equity/assets ratio is stated because the Company regards this as a metric commonly used by certain investors, financial analysts and other stakeholders to measure the Company's financial position. Dividend per share is stated in the Report to illustrate the dividend yield the Company's previous shareholders received.

DEFINITIONS OF KPIs, GROUP

Earnings per share	Profit after tax divided by the average number of shares in the period
EBIT margin	EBIT as a percentage of net sales
EBITDA	Earnings before interest taxes, depreciation and amortization
EBITDA margin	EBITDA as a percentage of net sales
Equity/assets ratio	Equity as a percentage of total capital
Net sales growth	Net sales for the current period divided by net sales for the corresponding period of the previous year

CONSOLIDATED INCOME STATEMENT

SEK 000	Full year 2017	Full year 2016
Net sales	507,526	301,878
Work performed by the Company for its own use and capitalized	79,556	36,199
Other operating income	2,697	8,747
Total operating income	589,779	346,824
Operating expenses		
Goods for resale	-147,678	-118,828
Other external expenses	-75,159	-42,825
Personnel expenses	-94,101	-52,315
Depreciation, amortization and impairment of property, plant and equipment and intangible assets	-84,416	-37,354
Other operating expenses	-224	-487
Total operating expenses	-401,578	-251,809
Operating profit	188,201	95,015
<i>Profit from financial items</i>		
Other interest income, etc	11	1
Other interest expenses, etc	-6,200	-2,120
Total financial items	-6,189	-2,119
Profit after financial items	182,012	92,896
Profit before tax	182,012	92,896
Tax	-42,843	-20,939
Net profit for the period	139,169	71,957
<i>Attributable to:</i>		
Equity holders of the parent	139,169	71,957
Non-controlling interests	-	-
Earnings per share, SEK	1.88	1.18
Average number of outstanding shares	73,927	61,121

* Original number of shares was 1,000, a bonus issue of 499,000 shares was executed in 2016 and in end of 2016 a split were performed there 1 old share gave 120 new shares.

All periods are restated as if these transactions had been executed as of 1 January 2015. In November 2016 there was a new share issue of 12,032,500 shares.

CONDENSED CONSOLIDATED BALANCE SHEET

SEK 000	31 Dec 2017	31 Dec 2016
Intangible assets	571,063	228,699
Property, plant and equipment	8,102	3,592
Financial assets	2,781	194
Inventories	30,103	18,430
Current receivables	90,206	46,576
Cash and bank balance	626,523	167,445
Total assets	1,328,778	464,936
Share capital	660	600
Other capital reserves	811,120	226,945
Recognized profit including profit for the period	261,452	117,543
Provisions	40,737	11,460
Current liabilities	214,809	108,388
Total liabilities and equity	1,328,778	464,936
Interest-bearing assets amount to	626,523	167,445
Interest-bearing liabilities amount to	109,762	28,752
Pledged assets	256,300	100,000
Contingent liabilities	None	None

CONSOLIDATED STATEMENT OF EQUITY

SEK 000	Share capital	Other paid-up capital	Other equity including net profit	Consolidated equity
Amount as of 1 January 2017	600	226,945	117,543	345,088
Translation difference			4,740	4,740
Rights issue*	60	584,175		584,235
Net profit			139,169	139,169
Amount as of 31 December 2017	660	811,120	261,452	1,073,232

* Rights issue consist of rights issue SEK 597.810 m, cost for raising new equity SEK -17.480 m and tax effect of the cost SEK 3.846 m.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

SEK 000	Full year 2017	Full year 2016
Cash flow from operating activities before changes in working capital	249,495	107,896
Change in working capital	-70,395	-8,660
Cash flow from operating activities	179,100	99,236
Cash flow from investing activities	-375,401	-159,732
Cash flow from financing activities	654,743	201,960
Cash flow for the period	458,442	141,464
Cash and cash equivalents at beginning of period	167,446	25,606
Translation difference in cash and cash equivalents	635	375
Cash and cash equivalents at end of period	626,523	167,445

PARENT COMPANY INCOME STATEMENT

SEK 000	Full year 2017	Full year 2016
Net sales	244,915	121,036
Other operating income	3,332	8,031
Total operating income	248,247	129,067
Operating expenses		
Goods for resale	-	-523
Other external expenses	-8,280	-3,792
Personnel expenses	-4,165	-1,348
Depreciation, amortization and impairment of property, plant and equipment and intangible assets	-69,074	-33,812
Other operating expenses	-	-45
Total operating expenses	-81,519	-39,520
Operating profit	166,728	89,547
Result from participations in group companies	-1,400	-905
Interest income, etc.	15,643	413
Interest expenses, etc.	-6,073	-2,092
Total financial income/expenses	8,170	-2,584
Profit after financial items	174,898	86,963
Appropriations	-45,127	-18,792
Profit before tax	129,771	68,171
Tax	-28,930	-15,272
Net profit for the period	100,841	52,899

CONDENSED PARENT COMPANY BALANCE SHEET

SEK 000	31 Dec 2017	31 Dec 2016
Intangible assets	171,336	51,447
Property, plant and equipment	18	71
Financial assets	240,104	712
Current receivables	225,898	177,734
Cash and bank balance	571,850	147,984
Total assets	1,209,206	377,948
Equity	971,314	286,238
Untaxed reserves	91,748	51,960
Provisions	3,600	-
Current liabilities	142,544	39,750
Total liabilities and equity	1,209,206	377,948





THQ NORDIC AB (PUBL)
ÄLVGATAN 1

SE-652 25 KARLSTAD
SWEDEN

WWW.THQNORDIC.COM
WWW.THQNORDIC-INVESTORS.COM