



NEXT GAMES™

Next Games Corporation Financial Statements Bulletin

2019



NEXT GAMES

NEXT GAMES CORP.: FINANCIAL STATEMENTS BULLETIN JANUARY-DECEMBER 2019

January-December 2019 in short

- Revenue was EUR 34.7 (35.2) million
- Gross Profit declined by three percentage points and was EUR 19.7 million, 57% of revenue (21.3; 60%)
- EBIT was EUR -7.4 (-16.9) million
- Adjusted Operating profit improved EUR 9.8 million and was EUR -4.0 (-13.8) million
- EBITDA was EUR -3.5 (-14.8) million
- The group's publishing operations turned profitable with an EBITDA of EUR 3.8 (-4.5) million
- Product development costs were EUR 6.6 (7.5) million, 19% (21%) of revenue
- The company had 107 (140) employees at the end of 2019
- Successful rights offering raised gross proceeds of EUR 8 million
- Business Finland awarded a EUR 2 million grant for a project to develop Next Games' machine learning and AI (Artificial Intelligence) capabilities

July-December 2019 in short

- Revenue was EUR 15.5 (24.8) million
- Gross profit declined by eight percentage points and was EUR 8.4 million, 54% (15.3; 62%)
- EBIT was EUR -3.9 (-12.0) million
- Adjusted Operating profit improved EUR 7.6 million and was EUR -2.2 (-9.7) million
- EBITDA was EUR -2.0 (-10.0) million
- The Groups' publishing operations was profitable, generating an EBITDA of EUR 1.5 (-5.0) million
- Product development costs were EUR -3.3 (-4.1) million, 21% (16.5%) of revenue

(Numbers in brackets refer to the corresponding year-on-year period unless otherwise mentioned)

Key Figures

EUR thousand	10- 12/2019	10- 12/2018	Change	07-12/2019	07-12/2018	Change	01- 12/2019	01- 12/2018	Change
Revenue	7,665	11,333	-48 %	15,477	24,768	-60 %	34,701	35,245	-2 %
Gross Profit	4,082	7,850	-92 %	8,418	15,260	-81 %	19,668	21,294	-8 %
EBITDA	-837	-623	26 %	-1,958	-9,936	-407 %	-3,468	-14,750	-325 %
Operating Result (EBIT)	-1,828	-1,619	11 %	-3,941	-11,961	-203 %	-7,436	-16,914	-127 %
Adjusted Operating Profit	-962	-508	47 %	-2,156	-9,706	-350 %	-3,965	-13,778	-248 %
Gross Profit %	53 %	69 %	16 ppt	54 %	62 %	8 ppt	57 %	60 %	3 ppt
EBITDA %	-11 %	-5 %	6 ppt	-13 %	-40 %	27 ppt	-10 %	-42 %	32 ppt
Operating Result Margin %	-24 %	-14 %	10 ppt	-25 %	-48 %	23 ppt	-21 %	-48 %	27 ppt
Adjusted Operating Profit %	-13 %	-4 %	9 ppt	-14 %	-39 %	25 ppt	-11 %	-39 %	28 ppt

Chief Executive Officer Teemu Huuhtanen

At Next Games, 2019 was a year of transformation and renewal. The year kicked off with the start of our three-phase turnaround plan aimed at reaching a new and lower operating cost level, renewal of our operating and product development processes, and finally securing additional funding.

I am very pleased with the swift and efficient execution of stabilizing our baseline operating cost level and the successful conclusion of the turnaround plan. This is an important achievement that enables our strategy execution and future investments. Another highlight of the year was the trust Netflix – one of the most significant companies in the entertainment business – showed us as we commenced our collaboration on the Stranger Things mobile game.

Next Games' operating profit (EBIT) improved by EUR 9.5 million from 2018, although revenues declined by 1.6%. Revenues amounted to EUR 34.7 million in 2019 and we have succeeded in consistently achieving over EUR 30 million revenue levels for four consecutive years. During 2019 we did not publish new games as the testing and development of Blade Runner Nexus continued to 2020.

Our publishing operations, i.e. revenues from published games adjusted by all expenses related to the further development of the games, marketing and customer service, turned profitable during 2019. The EBITDA of the publishing operations was EUR 3.8 million. In accordance with our strategy Next Games continued to invest in developing its technology and new, unpublished products. Due to the level of research and development costs, the returns from the company's published games did not cover all costs of product development and group-wide EBITDA was EUR -3.5 million.

In the fall, 2,015 of our existing shareholders participated in our successful rights offering and we raised EUR 8 million towards the company's future investments. I am very pleased about the commitment of our current shareholders to developing the company and the full subscription undertakings from Jari Ovaskainen and AMC Networks. I would like to thank our new and existing shareholders for their confidence in the future of the company.

At the end of 2019, Business Finland awarded in total a grant of EUR 2 million to Next Games for a project to develop its machine learning and AI capabilities. The project directly contributes to the company's strategic priorities of improving efficiency with the help of AI, among other things.

We also continued to develop both of our published The Walking Dead titles, Our World and No Man's Land. We will continue to optimize investments and resources to match the returns from these games. The combined number of daily active users for both games decreased 23.5% from 2018, whereas the average revenue per daily active user grew by 24%.

Additionally, during 2019 we further developed Blade Runner Nexus, a game based on the Blade Runner movie franchise. In the summer of 2019, we announced our collaboration with Netflix to develop a mobile game based on the hit series Stranger Things. According to our plans, we estimate the launch of the game to take place in 2020. We have continued to put effort into building a renewed product portfolio, and have succeeded in kickstarting new game projects thanks to the new product development process.

In order to decentralize the company's risk profile, we will investigate diversifying our agreement framework. Within our existing licensing agreements, the company carries a relatively high risk over a game's commercial success, which also yields the highest possible return to the company provided the product is successful. It makes sense for us to investigate adding projects with a lower risk profile or more guaranteed returns, such as so called co-development arrangements, and building our business operations on the basis of a combination of different agreement structures.

In the future, we will focus developing our business on the foundations of our work in the past few years. Strengthening our strategic partnerships, expanding and actively managing our portfolio will play an important role. We will continue to enhance our operational efficiency through shared infrastructure. Player experience, especially tailored purchase experiences, will play a significant role in our strategy so that our solutions meet and exceed customer expectations.

I would like to extend a warm thank you to our partners, shareholders and employees for the last year. I am excited about 2020 as we are in a good position to continue executing our strategy through our improved product development model.

Teemu Huuhtanen
CEO, Next Games

Outlook 2020

In 2020, Next Games expects to achieve moderate revenue growth. The potential growth will be weighed towards the end of 2020. The company believes its publishing operations EBITDA will continue to be profitable. The company expects the revenues from already published games to continue on a flat or declining trend.

Basis for outlook

The outlook is based on an estimate that the company publishes one or two games during 2020. The revenue growth forecast is based on the company's estimate on the success of its new products.

Audiocast and phone conference

We will hold an audiocast and a phone conference in English. Next Games' 2019 review will be presented by CEO Teemu Huuhtanen and CFO Annina Salvén. The English audiocast starts on 28, February, 2020 at 11.00 EET.

You can join by using the following link: <https://nextgames.videosync.fi/2019-q4-results> or by phone.

Phone conference details:

Dial in by calling your location's phone number a couple of minutes before the start. Confirmation code: **68485030#**

Finland: +358 981 710 310

Sweden: +46 856 642 651

United Kingdom: +44 333 300 0804

United States: +1 631 913 1422

About Next Games

Next Games (Helsinki Nasdaq First North: NXTGMS) is the first publicly listed mobile game developer and publisher in Finland, specializing in games based on entertainment franchises, such as movies, TV series or books. The developers of the critically acclaimed The Walking Dead games redefines the way franchise entertainment transforms into highly engaging service-based mobile games. In summer 2018, Next Games launched The Walking Dead: Our World, which utilizes cutting edge AR technology and is powered by Google Maps. Currently Next Games is working on multiple new games based on popular entertainment franchises including, Blade Runner Nexus, for the popular Blade Runner franchise and a mobile game based on Netflix's Stranger Things. For more information head to www.nextgames.com

Next Games Corporation Financial Review January-December 2019

Market Review

According to market intelligence provider Newzoo, global revenue from the mobile games market was USD 68.2 billion in 2019. By 2022, the revenue forecast is expected to total around USD 95.4 billion (CAGR +9.7%), which is approximately half of the entire games market revenue. User acquisition costs have significantly increased during the past three years as the growth of the industry is no longer based on a rising number of players, and there is a growing number of games competing for the same audience segment.

The mobile gaming industry is shaped by a number of global trends that have a powerful impact on how game companies operate. Growing loyalty towards well-known brands, increased game performance requirements and intensifying competition, and thus longer product development times, as well as growing user acquisition costs, are key challenges in the industry. Next Games addresses these challenges with its long-term strategy – by utilizing popular franchises and global partners, and fully utilizing the company's efficient shared game development infrastructure.

Revenue and Earnings Development

In 2019, Next Games' revenue was EUR 34.7 (35.2) million, a decline of 1.6% to the previous year. In the second half of 2019, revenues amounted to EUR 15.5 (24.8) million. Next Games' comparable operating profit (EBIT) improved by EUR 9.5 million from 2018. The group's operating result in 2019 was EUR -7.4 (-16.9) million.

The group's publishing operations, i.e. revenues from published games adjusted by all expenses related to the further development of the games, marketing and customer service, turned profitable during 2019. The EBITDA of the publishing operations was EUR 3.8 (-4.5) million. As Next Games continued to invest in developing its technology and new, unpublished products, development costs remained higher than then Publishing Operations EBITDA, and the group-wide EBITDA was EUR -3.5 (-14.8) million.

Publishing Operations' Profitability

EUR thousand	Jul-Dec 2019	Jul-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
Revenue	15,477	24,769	34,701	35,245
Gross Profit	8,418	15,260	19,668	21,294
Marketing & Sales	-7,756	-21,212	-17,594	-26,776
Publishing Operations (EBIT)	662	-5,952	2,074	-5,482
Depreciations, Publishing Operations	846	961	1,693	1,030
Publishing Operations EBITDA	1,508	-4,991	3,767	-4,452

Operating profit in the comparative period was significantly affected by the worldwide release of The Walking Dead: Our World in July 2018, which resulted in significant investment in the marketing of the game. The significant improvement in operating result in 2019 was due to the efficiency measures and restructuring measures implemented during the financial year as part of the turnaround project. The company carried out a turnaround project focusing on improving operational efficiency and successfully cutting costs to a new, lower level during 2019, which resulted in improved operating profit. According to the company's assessment, it has a good opportunity to further improve its operational efficiency through better alignment of its operations and enhanced utilization of shared infrastructure.

The loss for the financial year was EUR -8.3 (-18.0) million. Financial income and expenses were EUR -0.2 (0.1) million and the share of losses of associated companies was EUR -0.2 (-0.1) million. Taxes for the period were EUR -0.5 (-1.2) million, mainly due to changes in deferred taxes. Earnings per share were EUR -0.41 (-0.99).

Cash Flow, Financing and Balance Sheet

The balance sheet total in 2019 was EUR 34.7 (36.5) million. The equity ratio improved and was 65% (63%). At the end of the financial year 2019, cash and cash equivalents increased by EUR 0.4 million to EUR 7.7 (7.3) million compared to end of financial year 2018. The company also has a fully unused credit facility of EUR 3 million.

In the second half of 2019, net cash flow from operating activities was EUR -2.9 (-7.2) million. Total net cash flow from operating activities in 2019 amounted to EUR -3.6 (-12.0) million. In addition to significant improvements in the financial result, cash flow from operating activities was positively influenced by overall improved working capital and extended payment periods.

In the second half of 2019, cash flow from financing activities was EUR 7.1 (-0.4) million. For the full year 2019, the cash flow from financing activities was EUR 6.6 (-0.6) million. Cash flow from financing was mostly influenced by the company's rights issue of EUR 8.0 million in October 2019 and the IFRS 16 leasing payments of EUR -1.2 (-0.6) million.

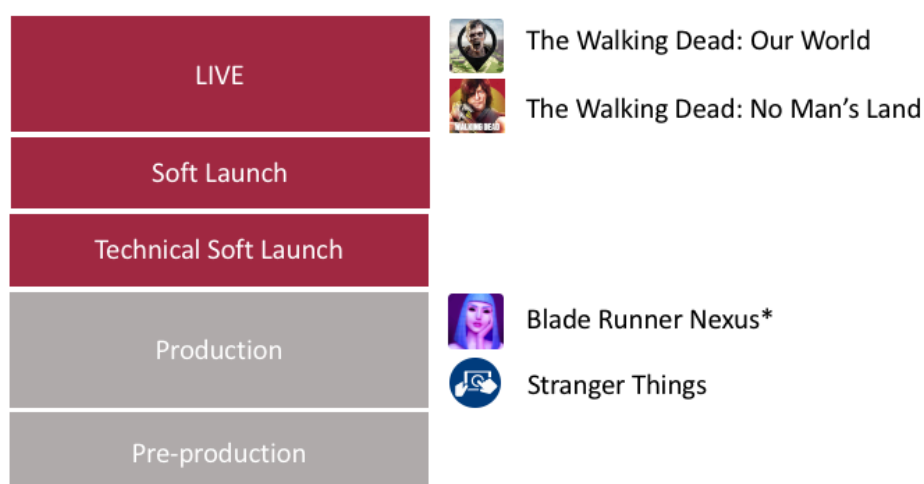
Next Games continued to invest into product development and cash flow from investing activities for the full fiscal year was EUR -2.7 (-6.7) million. In the second half of 2019, the cash flow from investing activities was EUR -1.4 (2.1) million.

In the second half of 2019, Business Finland awarded Next Games with a EUR 2 million grant for a project to develop Next Games' machine learning and AI (Artificial Intelligence) capabilities. The project started in December 2019 and is expected to end latest on September 30, 2021. The project has four phases and Business Finland will issue the grant in four stages based on submitted and approved reports on costs incurred and progression of the project.

Game Development

During 2019 Next Games had two games that generated revenue, The Walking Dead: No Man's Land and The Walking Dead: Our World. In addition, the game based on Netflix's Stranger Things series entered production phase, and Blade Runner Nexus was moved back into production during the fourth quarter of 2019. At the end of 2019, 13% of employees worked on The Walking Dead: No Man's Land (14% in 2018), 23% on The Walking Dead: Our World (24% in 2018) and 51% worked on generic Product Development (49% in 2018). About 12% of the employees worked in general administration (13% in 2018).

Game Development Pipeline December 31, 2019



* Blade Runner Nexus moved back into production during the fourth quarter of 2019

Combined Key Operational Metrics

	10-12/2019	07-09/2019	04-06/2019	01-03/2019	10-12/2018
Gross Bookings, k EUR	8,178	7,864	8,971	9,536	11,552
DAU	303,847	295,509	349,993	441,735	482,814
MAU	1,267,688	1,013,796	1,161,302	1,670,936	1,505,995
ARPDau (USD)	0.33	0.29	0.30	0.27	0.30
ARPDau (EUR)	0.29	0.27	0.29	0.24	0.27

Re-allocation of gross bookings in periods due to recognition of ad revenues and currency exchange differences. Changes do not affect revenues.

Live Games

The Walking Dead: No Man's Land

The game's average revenue per daily active user (ARPDau) grew by 6% and averaged EUR 0.22 during 2019. The number of daily active users decreased from 2018. The team succeeded in their goal to maintain the game's revenue on a stable level and maintain the game's profitability as an independent project.



TWD: No Man's Land	10-12/2019	07-09/2019	04-06/2019	01-03/2019	10-12/2018
Gross Bookings, k EUR	4,244	3,366	3,753	4,547	5,727
DAU	183,087	162,940	189,852	225,048	253,339
MAU	651,104	479,144	539,948	669,181	728,296
ARPDau (USD)	0.27	0.23	0.24	0.25	0.28
ARPDau (EUR)	0.25	0.21	0.22	0.22	0.25

The Walking Dead: Our World

Our World set a new ARPDau record, EUR 0.41 in December 2019. Despite the improved ARPDau metric, the company was unable to grow the game's user base as the game's retention was not on an optimal level. As a result, the game's marketing investments were on a higher level than the company's target relative to the game's revenue. This affected operational profitability for both the game and the company. The user cohorts acquired with the game's launch investments, had generated back their acquisition investment by August 2019, and the game has remained profitable as a stand-alone project throughout 2019. Standard video ads already implemented in No Man's Land were added to Our World in mid-June 2019.



TWD: Our World	10-12/2019	07-09/2019	04-06/2019	01-03/2019	10-12/2018
Gross Bookings, k EUR	3,906	4,473	4,849	4,961	5,793
DAU	114,367	127,078	154,936	210,693	222,943
MAU	591,469	528,751	602,486	982,345	758,542
ARPDau (USD)	0.40	0.40	0.37	0.29	0.31
ARPDau (EUR)	0.38	0.36	0.35	0.26	0.28

Our World video ads added in Q2 2019

Re-allocation of gross bookings in periods due to recognition of ad revenues and currency exchange differences. Changes do not affect revenues.

Games in Development

Blade Runner Nexus

Blade Runner Nexus was developed throughout 2019. The company targeted to launch the game in 2019, but the release was postponed due to results from the game's testing. During the fourth quarter, a decision was made to return the game to the production phase as the game did not achieve the required targets to continue soft launch at this stage. Since then, the development has focused on improving the game's features and quality with continuous testing. New test results have signalled significant improvements in the game's key metrics and the development continues.

Stranger Things

The game based on Netflix's Stranger Things series, moved to production phase in 2019. During 2019, the game team has grown to an optimal size to complete the game's development. Development and testing of the game is proceeding as planned and the goal is to release the game according to its original schedule in 2020.



Renewal of Product Development Operations

During 2019, Next Games invested in renewing its game development process as part of the company's turnaround plan. The goal for the new operating model is to decrease time to market for the company's products and reduce the risk involved in different stages of the development. One of the key goals for the new model was to increase code reusability and reutilization of various game functionality components as well as augment the shared infrastructure between the company's games. As a result from the investments made in the group's proprietary technology platform, large-scale and efficient reutilization is possible.

Using shared components in between games is an efficient way to affect not only product development times, but also production costs through a smaller development team, for example. Teams will be able to nearly fully focus on building game-specific functionality as the most common basic functionality, such as various technical integrations and communication methods needed in all games being provided out-of-the box.

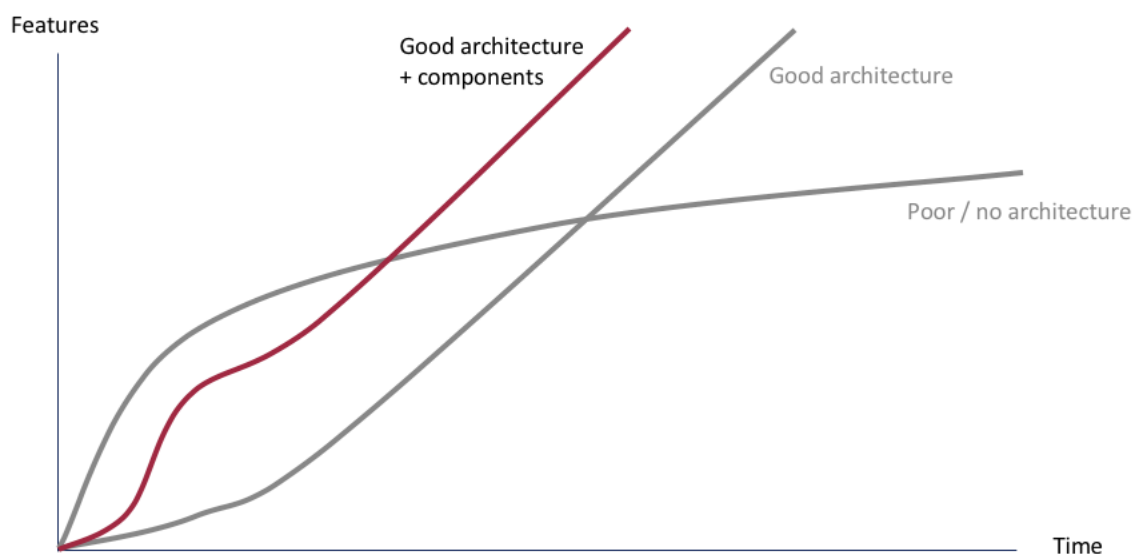
Shared components include among others:

- Technical integrations: server, analytics or app store connections, for example
- Transactions: purchase events or player progression in the game, for example
- Communications methods: chat functionality or display of the players' leaderboard ranking, for example
- Storage: player levels or reporting the amount on virtual goods or in-game currency balance, for example
- Live operations tools: tools for operating in-game sales or events, for example

During 2019, a total of 14 shared components have been produced, of which all have been used across projects. These components have primarily been utilized in newer projects, but some of them also in the live products:

- No Man's Land – 1 component
- Our World – 5 components
- Blade Runner – 5 components
- Stranger Things – 12 components
- Prototypes – 8-12 components on average

During the next two-three years, the group aims to continue producing shared components and up to doubling their amount. Over a longer time-period, it is possible to achieve considerable benefits and savings for example in development times. The way the shared components are used is game-specific, and not all games will have the opportunity to use the maximum number of components.



The effect of technical architecture and shared components on game development times.

The group's direct research and development expenses consist of salaries and outsourced product development costs. R&D expenses in 2019 were EUR 6.6 (7.5) million in total, related to both game development and technology development. In 2019, Next Games capitalized EUR 2.4 (5.0) million development costs according to IAS 38. The company's game development and other research and development activities are located in Helsinki, Finland.

Research and Development Activities

EUR thousands	Jan-Dec 2019	Jan-Dec 2018
Personnel expenses	-4,331	-4,499
Outsourcing	-467	-4,163
Depreciations	-1,341	-725
Share-based payments	-285	-718
General cost allocation	-2,522	-2,400
Capitalization	2,377	4,965
Total	-6,570	-7,541
Percentage of revenue	-19 %	-21 %

Personnel and Management

Personnel

At the end of 2019, Next Games had 107 (140) employees who represented 24 (20) different nationalities. Of Next Games employees 75% (79%) were men, and 25% (21%) were women. On average in 2019, the company employed 106 people (135).

EUR thousand	Jan-Dec 2019	Jan-Dec 2018
Salaries and wages	-5,036	-5,088
Other social expenses	-136	-137
Share-based payment expense	-527	-1,483
Pension expenses	-836	-929
Total	-6,535	-7,636

Hallituksen kokoonpano ja valiokunnat

The Annual General Meeting appointed the members of the Board of Directors. In the Extraordinary Annual General Meeting Nicholas Seibert was elected to the Board to replace Joakim Achrén.

Members of the Board of Directors:

Petri Niemi, Chairman of the Board
Jari Ovaskainen, Member of the Board
Peter Levin, Member of the Board
Xenophon Lategan, Member of the Board
Elina Anckar, Member of the Board
Nicholas Seibert, Member of the Board

The Board of Directors has evaluated the independence of its members. All Board members are independent of the company. Jari Ovaskainen owns 23.56% of the company, the other members of the Board are independent of the company's shareholders.

The Board of Directors has two committees, the Audit Committee and the Remuneration Committee. The members of the Audit Committee are Elina Anckar (Chairman) and Petri Niemi. The members of the Remuneration Committee are Petri Niemi (Chairman) and Jari Ovaskainen.

CEO and Group Executive Management

The Group's executive management consisted of the following members in 2019

Teemu Huuhtanen, Chief Executive Officer

Annina Salvén, Chief Financial Officer

Joonas Viitala, Chief Operating Officer

Saara Bergström, Chief Marketing Officer

Kalle Hiitola, Chief Technology Officer

Chief Product Officer, Emmi Kuusikko, moved on to other duties in February 2019.

Share and Shareholders

During 2019, the company did not redeem any treasury shares. During 2018, the company redeemed 13,410 treasury shares at a price of EUR 0.4925 per share. At the end of 2019, the company held as many treasury shares as in the comparison period: 13,410 (0.007%) of its own shares.

As at December 31, 2019, Next Games' registered share capital amounted to EUR 80,000 and the number of registered shares was 27,916,224 (18,503,314 at the end of 2018). Shares do not have nominal value. The weighted average of shares in 2019 was 20,346,171 shares (18,363,428 shares in 2018). In the second half of 2019, the weighted average of shares was 22,151,967 (18,482,729 in 2018). The company has one class of shares. Each share entitles its shareholder to one (1) vote in the general meeting.

The rights issue of Next Games Corporation was completed in October 2019. A total of 9,298,430 new Next Games shares were offered in connection with the issue. The subscription price was EUR 0.86 per share. As a result of the subscription of the 2019 stock options, a total of 114,480 new company shares were registered in the Trade Register of which 79 114 were subscribed for during the second half of 2019. The subscription price of the shares was determined in accordance with the individually applicable equity plan and option agreement.

As at December 2019, the company had 5,165 registered shareholders. Twenty-seven percent of all shares are nominee registered. In 2019, the highest share price was EUR 2.02 and the lowest price was EUR 0.79 per share. At the end of 2019 the share closing price was EUR 0.89 and the market value was approximately EUR 25 million. The number of shares traded on Nasdaq First North was 7.9 million.

Next Games Corporation 10 Largest Shareholders as at December 31, 2019

Shareholders	Shares	% of Shares
1 Ovaskainen Jari Juhani Rainer	6,578,068	23.56
2 IDG Ventures USA III, L.P.	1,188,306	4.26
3 Hiitola Kalle Johannes	971,675	3.48
4 Achrén Joakim Tomas Johan	941,698	3.37
5 Jumisko Jaakko	830,246	2.97
6 Ilmarinen Mutual Pension Insurance Company	819,336	2.94
7 Achrén Mikael Jan Kennet	811,367	2.91
8 Varma Mutual Pension Insurance Company	570,000	2.04
9 Nuurd Ventures Oy	364,000	1.30
10 Danske Invest Finnish Small Cap Fund	306,465	1.10

Share-based Incentive Plans

During 2019 the company had five (5) share-based incentive plans: Equity plan 2014, Equity plan 2015, Equity plan 2017, Equity plan 2018 and Equity plan 2019. During 2019 Next Games' board approved changes to Equity plans 2017 and 2018. Strike price of the options were decreased from 7,90€ (2017 option plan) and 6,17€ (2018 option plan) to 1,14€ per share. In addition, four-year vesting period of options restarted from modification date. Those modifications will be treated as adjustments to current equity plans.

The equity plans have a vesting period of minimum of 12 months and maximum of 48 months. Options are issued in several instalments and the Board of Directors define the subscription price for the shares in each equity plan and therefore the subscription price may vary. The options can be issued to current and future employees of Next Games, external consultants and members of management of the company and its group companies. Granting of options always requires the Board of Directors' decision. The company intends to continue granting options to all new employees at the end of their probation period as a long-term incentive. The Board of Directors has issued option rights to recipients free of charge, and the subscription price for the shares is defined in each equity plan.

Changes During the Reporting Period 2019

Program	Number of Shares		Redeemed	Exercised	Expired	Forfeited	Remaining 31/12/2019
	31/12/2018	Granted					
2014	32,433			-22,856	-9,014	-563	
2015	156,189			-20,265		-43,430	92,494
2017	307,369	270,391				-369,327	208,433
2018	355,500	711,500	-562,094				504,906
2019		835,376					835,376
Total	851,491	1,817,267	-562,094	-43,121	-9,014	-413,320	1,641,209

Program	Exercise price per option	2019		2018
		Weighted average exercise price per share	Weighted average exercise price per share	Weighted average exercise price per share
2014	0.01 € - 1.97 €		0.21€	0.12€
2015	2.66 € - 5.10 €		0.72€	0.86€
2017	1.14 € - 7.90 €		-	-
2018	1.14 € - 6.17 €		-	-
2019	0.85 € - 1.38 €		-	-
Yhteensä	0.01 € - 7.90 €		0.45€	0.22€

Each option right issued under equity plans 2014 and 2015 entitles its holder to subscribe for four new shares.

Risks and Uncertainties

Next Games is exposed to risks that may arise from the company's operations or changes in the business environment. The risks described below may have an adverse effect on the business or financial condition, and thus on the company value. The below risks are the most important, but the list does not cover all possible risks. In the future, other significant risks than those described below may occur.

Risks Related to Business Operations or the Industry

Next Games is dependent on the sales generated by two live games, which generated approximately 100 percent of the revenue for the company in 2019. Revenue growth and the success of the company is dependent on future game releases. Next Games might fail to develop and publish new games on time or at all, as well as further developing its existing games, which would have a material negative effect on the business of Next Games. Delays in the development of games could lead to, among other things, the delay of expected revenue or termination of the license agreement related to the games.

Next Games may experience fluctuations in its profit over time due to a number of factors, such as the popularity of games, ability to maintain and increase the number of its players who purchase a large amount of virtual products inside the game and the revenue generated by all players, which make Next Games' future results difficult to predict. Next Games spends a significant portion of its cash flow from operations on player acquisition and marketing relating to its games which will not necessarily result in revenue, so that if such marketing and player acquisition efforts are not effective, Next Games' business could be harmed.

Next Games' business is subject to a variety of regulations worldwide, such as laws and regulations concerning data protection and data security, which may be unclear and still developing. As a result, the failure of Next Games or its platform distributors to follow regulations or the increase of regulations could harm Next Games' business.

Financial Risks

Next Games has incurred significant losses in the past, and it may not be able to turn its business profitable or cash flow positive. According to Next Games, the risks associated with funding its operations and cash position are essential to implement its strategy and continuity of business.

Next Games has activated game development costs to its balance sheet, which have uncertain profits in the future. In addition, Next Games has made in its balance sheet, in accordance with International Financial Reporting Standards (the IFRS), estimates related to goodwill and other assets, which carry a depreciation risk in case future profits of Next Games do not actualize as expected.

New licensing agreements may include advance payments, which are deductible from future royalty payments, but if a project related to the new licensing agreements is canceled Next Games must record write-downs with respect to the advance payments.

Uncertainties and Risks Related to Unexpected Events

The termination of significant license agreements or other unfavorable decisions made by licensors may materially negatively affect the business of Next Games.

If Next Games is unable to maintain good relationships with third-party distribution platforms, such as Apple App Store and Google Play; if the contractual terms concerning them are altered; or if Next Games violates or it is alleged that Next Games violates the platform provider's terms and conditions, such factors, if materialized, may have an adverse effect on Next Games' business.

Any failure or significant interruption in Next Games' technological infrastructure, possible coding errors or flaws, or problems with third party technologies the company uses, could negatively impact the popularity of its games, harm their operations, diminish the scalability of technology and harm Next Games' business.

Decisions of Annual General Meeting

Both, the Annual General Meeting and the Extraordinary General Meeting, authorized the Board of Directors to decide on the repurchase of the company's own shares, on the issuance of new shares and on the issuance of option rights entitling to shares.

Extraordinary General Meeting

Next Games Corporation's Extraordinary General Meeting, held on September 25, 2019, elected Nicholas Seibert to the Board of Next Games Corporation to replace Joakim Achrén.

On September 25, 2019, the Extraordinary General Meeting resolved to authorize the Board of Directors to decide on the issuance of shares in accordance with the Board of Directors' proposal. Pursuant to the authorization, a maximum of 10,000,000 shares may be issued in one or more tranches, corresponding to approximately 53.7% of all registered shares in the company. Under the authorization, the Board of Directors may issue either new shares or treasury shares. The share issue would be carried out in accordance with the shareholders' pre-emptive subscription right, i.e. new shares would be offered for subscription by the company's shareholders pro rata to their existing shareholding in the company. The Board of Directors would be authorized to decide on all other conditions of the issuance of shares. The authorization is valid at most until the end of the next Annual General Meeting. The authorization does not revoke prior authorizations of the Board of Directors to decide on the issuance of shares and/or option rights entitling to shares. As at December 31, 2019, 9,298,430 shares have been issued and 701,570 shares remain unused.

On September 25, 2019, the Extraordinary General Meeting resolved to authorize the Board of Directors to decide on a share issue and/or issue of option rights entitling to shares in accordance with the Board of Director's proposal. Pursuant to the authorization, a maximum of 1,500,000 shares may be issued in one or more tranches, corresponding to approximately 8.1% of all registered shares in the company on the date of the notice convening the General Meeting. The share issue and/or issue of option rights can be carried out in deviation from the shareholders' pre-emptive subscription right (directed issue). Under the authorization, shares and/or option rights can be issued for the implementation of the company's incentive schemes. Under the authorization, the Board of Directors may issue either new shares or treasury shares. The Board of Directors would be authorised to decide on all other conditions of the issuance of shares and/or option rights. The authorization would be valid until 25 September 2024. The authorization does not revoke prior authorizations of the Board of Directors to decide on the issuance of shares and/or option rights entitling to shares. As at December 31, 2019, the authorization remains fully unused.

Annual General Meeting

The Annual General Meeting of Next Games Corporation on May 21, 2019 approved the financial statements for 2018. The Annual General Meeting released the Board of Directors and the CEO from liability for the financial period January 1-December 31, 2018. The Annual General Meeting elected the members of the Board of Directors and the auditor. It approved the monthly remuneration of the Chairman of the Board of Directors to be EUR 4,500 and other members of the Board to be EUR 2,500. In addition, each Audit Committee and Remuneration Committee member will be paid EUR 1,000 for each committee meeting. The Annual General Meeting resolved, as proposed by the Board of Directors, that no dividend be paid for 2018.

On May 21, 2019, the Annual General Meeting authorized the Board of Directors to decide on the issuance of shares and/or option rights to entitling to shares for example for carrying out corporate or financing transactions, in consideration for new licenses, for creating strategic partnerships, for implementing the company's incentive schemes, or for other purposes decided by the Board of Directors. Pursuant to the authorization, the Board of Directors may decide to issue a maximum of 1,800,000 shares in one or several tranches. However, a maximum of 925,000 shares may be issued for the purpose of implementing the company's incentive schemes. The authorization includes the right to decide on issues of shares and/or option rights in deviation from the shareholders' pre-emptive rights (directed issue). The Board of Directors may decide to issue either new shares or treasury shares. The authorization is valid until 21 November 2020. As at December 31, 2019, 835,376 shares have been issued and 964,624 shares remain unused.

On May 21, 2019, the Annual General Meeting authorized the Board of Directors to decide on the purchase of a maximum of 1,800,000 the company's own shares in one or several instalments. Shares can be purchased for the purpose of improving the company's capital structure, carrying out corporate or financing transactions, implementing the company's incentive schemes, or to be otherwise transferred or cancelled. The authorization is valid until November 21, 2020. As of December 31, 2019, the authorization remains fully unused.

On May 21, 2019, the Annual General Meeting re-elected PricewaterhouseCoopers Oy with Jukka Karinen (APA) as the principal auditor was re-elected as auditor of the company

Dividend Proposal

On December 31, 2019, distributable funds of the parent company totaled EUR 13.8 million, of which EUR -9.5 million consisted of a loss for the financial year ended December 31, 2019. The Board of Directors proposes to the Annual General Meeting that the loss for the financial year ended December 31, 2019 be recognized as retained earnings and that no dividend be paid for the financial year ended December 31, 2019. The Board of Directors Report will be signed before it is presented to the Annual General Meeting and a proposal will be made at the AGM.

Events After the Reporting Period

After the reporting period, Next Games applied a change in Accounting Policy Related to Publishing and Product Development Functions which affected Financial Statements 2018 and interim reports 2019. Full disclosure on changes issued in a separate release on February 28, at 07:58 a.m. EET

Annual General Meeting 2020

Next Games' Annual General Meeting is scheduled for Wednesday, May 20, 2020.

Financial Calendar 2020

Next Games publishes financial reports twice a year. Next Games' Half-year review for January-June 2019 will be released on Friday, August 28, 2020

Helsinki February 28, 2020

Board of Directors
Next Games Corporation

Statements are made in this report, which describe, inter alia, the current beliefs and expectations of the management of Next Games regarding the future plans and objectives concerning future activities and goals of Next Games. All such statements involve risks and uncertainties, which may cause the achievements of Next Games to differ materially from what has been expressed or implied in such statements.

TABLES

*After the reporting period, Next Games applied a change in its Accounting Policy. The company issued a separate statement detailing the change: "Next Games Corp.: Change in Accounting Policy Related to Publishing and Product Development Functions "

Consolidated Statement of Comprehensive Income Jan-Dec 2019

EUR thousand	Jan-Dec 2019	*Adjusted Jan-Dec 2018
Revenue	34,701	35,245
Cost of Revenue	-15,033	-13,952
Gross Profit	19,668	21,294
Other Operating Income	11	71
Research and Development	-6,570	-7,541
Sales and Marketing	-17,594	-26,776
Administrative	-2,952	-3,963
Operating Result (EBIT)	-7,436	-16,914
Finance Income	128	757
Finance Cost	-302	-608
Finance Cost, net	-174	149
Share of associate's result	-163	-122
Result before taxes	-7,773	-16,887
Current income taxes	-129	-143
Change in deferred tax	-392	-1,008
Total income tax expense	-521	-1,150
Result for the period	-8,294	-18,037
Total comprehensive result for the period	-8,294	-18,037
Result attributable to the owners of the parent	-8,294	-18,037
Result per share for profit attributable to the owners of the parent	Jan-Dec 2019	Jan-Dec 2018
Non-Diluted earnings per share, EUR	-0.41	-0.99
Diluted earnings per share, EUR	-0.41	-0.99

Consolidated Statement of Comprehensive Income Jul-Dec 2019

EUR thousand	Jul-Dec 2019	*Adjusted Jul-Dec 2019
Revenue	15,477	24,769
Cost of Revenue	-7,059	-9,509
Gross Profit	8,418	15,260
Other Operating Income	2	27
Research and Development	-3,286	-4,060
Sales and Marketing	-7,756	-21,212
Administrative	-1,320	-1,975
Operating Result (EBIT)	-3,941	-11,961
Finance Income	100	35
Finance Cost	-113	-141
Finance Cost, net	-13	-106
Share of associate's result	-78	-5
Result before taxes	-4,032	-12,072
Current income taxes	-56	-143
Change in deferred tax	-164	-275
Total income tax expense	-220	-418
Result for the period	-4,252	-12,490
Total comprehensive result for the period	-4,252	-12,490
Result attributable to the owners of the parent	-4,252	-12,490
Result per share for profit attributable to the owners of the parent		
Non-Diluted earnings per share, EUR	-0.19	-0.68
Diluted earnings per share, EUR	-0.19	-0.68

Consolidated Balance Sheet

EUR thousand	31st Dec 2019	31st Dec 2018
Assets		
Non-Current Assets		
Goodwill	3,344	3,344
Intangible assets	10,563	10,347
Property, plant and equipment	5,285	6,734
Shares of associates	225	388
Long-term debtors	1,088	395
Deferred tax assets	1,229	1,621
Non-Current Assets	21,734	22,829
Current Assets		
Trade and other receivables	5,240	6,340
Cash and Cash Equivalents	7,667	7,306
Current Assets Total	12,907	13,646
Total Assets	34,641	36,475

EUR thousand	31st Dec 2019	31st Dec 2018
Equity and Liabilities		
Shareholders' Equity		
Share Capital	80	80
Invested non-restricted equity reserve	61,651	53,925
Retained earnings	-30,601	-13,091
Result for the period	-8,294	-18,037
Shareholders' Equity	22,837	22,876
Liabilities		
Non-Current Liabilities		
Governmental Agency Loans	517	518
Lease Liabilities	3,152	4,145
Non-Current Liabilities Total	3,669	4,663
Current Liabilities		
Governmental Agency Loans	177	222
Lease Liabilities	992	992
Deferred Revenue	955	1,458
Trade Payables	3,667	2,731
Other Liabilities	144	204
Accruals and Deferred Income	2,201	3,329
Current Liabilities Total	8,135	8,936
Liabilities Total	11,804	13,599
Equity and Liabilities total	34,641	36,475

Consolidated Statement of Cash Flows

EUR thousand	Jan-Dec 2019	Jan-Dec 2018
Net cash flows from operating activities	-3,565	-12,004
Net cash flows from investing activities	-2,734	-6,736
Net cash flows from financing activities	6,572	-555
Net change in cash and cash equivalents (-) / (+)	360	-19,295
Cash and cash equivalents at beginning of the period	7,306	26,377
Foreign exchange rate differences	88	224
Cash and cash equivalents at the end of the period	7,666	7,306

EUR thousand	Jul-Dec 2019	Jul-Dec 2018
Net cash flows from operating activities	-2,878	-7,195
Net cash flows from investing activities	-1,339	-2,087
Net cash flows from financing activities	7,125	-360
0		
Net change in cash and cash equivalents (-) / (+)	2,908	-9,642
Cash and cash equivalents at beginning of the period	4,661	16,940
Foreign exchange rate differences	97	8
Cash and cash equivalents at the end of the period	7,666	7,306

Consolidated Statement of Changes in Equity

	EUR thousand	Share Capital	Reserve for invested unrestricted equity	Retained Earnings	Total
Equity at Jan1, 2018		80	53,866	-14,574	39,372
Result for the period				-18,037	-18,037
Total comprehensive result for the period				-18,037	-18,037
Transactions with owners:					
Issue of shares subscribed for by options		-	65		65
Acquisition of treasury shares		-	-7		-7
Share-based payments		-		1,483	1,483
Dividends					
Equity at Dec 31, 2018		80	53,925	-31,128	22,876
Equity at Jan1, 2019		80	53,925	-31,128	22,876
Result for the period				-8,294	-8,294
Total comprehensive result for the period				-8,294	-8,294
Transactions with owners:					
Issue of shares subscribed for by options			78		78
Acquisition of treasury shares					
Share-based payments				527	527
Dividends					
Rights offering			7,997		7,997
Costs related to Rights Offering			-348		-348
Equity at Dec 31, 2019		80	61,651	-38,894	22,837

	EUR thousand	Share Capital	Reserve for invested unrestricted equity	Retained Earnings	Total
Equity Jul 1, 2019		80	53,978	-34,957	-19,101
Result for the period				-4,252	-4,252
Total comprehensive result for the period				-4,252	-4,252
Transactions with owners:					
Issue of shares subscribed for by options			25		25
Acquisition of treasury shares					0
Share-based payments				315	315
Dividends					0
Rights offering			7,997		7,997
Costs related to Rights Offering			-348		-348
Equity 31 Dec, 2019		80	61,651	-38,894	22,837

Definitions and Calculations of Alternative Performance Measurements and Key Financial Figures

Key Operational Metrics Defined

DAU (Daily Active Users). A user is counted as a daily active user if they sign into the game at least once during a 24-hour period in UTC. Average DAU is calculated by adding the total number of active players as of the end of each day in a given period and dividing by the number of days in the period. DAU is a key measure for player network engagement.

MAU (Monthly Active Users). A user is counted as a monthly active user if they sign into the game at least once during a 30-day period. Average MAU is calculated by adding the total number of active players as of the end of each month in a given period and dividing by the number of months in the period. MAU is a key measure of the overall size of the player network.

ARPDau (Average Revenue Per Daily Active User). ARPDau is calculated by dividing daily gross bookings by daily active users (DAU). ARPDau is an important measure of monetization as it places sales in relation to player volume.

Reconciliation of Alternative Performance Measurements

Gross Bookings

EUR thousand	Jan-Dec 2019	Jan-Dec 2018
Revenue	34,701	35,245
Changes in Deferred Revenue	-503	544
Gross Bookings	34,198	35,789

EBITDA

EUR thousand	Jan-Dec 2019	Jan-Dec 2018
Operating Result (EBIT)	-7,436	-16,915
Depreciations	3,968	2,165
EBITDA	-3,468	-14,750

Adjusted Operating Result

EUR thousand	Jan-Dec 2019	Jan-Dec 2018
Operating Result (EBIT)	-7,436	-16,915
IFRS 16 Depreciations	-1,024	-512
Other Depreciations	3,968	2,166
IFRS 2 adjustment	527	1,483
Adjusted Operating Result	-3,965	-13,778

Publishing Operations EBITDA

EUR thousand	Jan-Dec 2019	Jan-Dec 2018
Revenue	34,701	35,245
Gross Profit	19,668	21,294
Marketing and Sales	-17,594	-26,776
Depreciations, Publishing Operations	1,693	1,030
Publishing Operations EBITDA	3,767	-4,452

Publishing Operations EBIT

EUR thousand	Jan-Dec 2019	Jan-Dec 2018
Revenue	34,701	35,245
Gross Profit	19,668	21,294
Marketing and Sales	-17,594	-26,776
Publishing Operations EBIT	2,074	-5,482

Calculation of Key Financial Ratios

Gross Bookings = A non-IFRS Financial Measure, defined as the total amount paid by our users for virtual items in a given reporting period. It does not include deferrals, and thus it is revenue-adjusted with the change (+/-) in deferred revenue.

Gross Profit = Revenue adjusted for (+/-) server expenses, expenses and depreciations related to royalties and license fees, as well as platform cut.

Publishing Operation's EBITDA = Revenues generated by the company's published games, adjusted by the costs and investments related to game's maintenance, further development, marketing, customer support, adding back depreciation.

Publishing Operation's EBIT = Revenues generated by the company's published games, adjusted by the costs and investments related to game's maintenance, further development, marketing and customer support.

Adjusted Operating Profit Operating profit (EBIT) is adjusted for depreciations for capitalized items relating to product developments and licenses according to IAS 38. However, depreciations of premises, falling under IFRS 16 standard, are not adjusted from EBIT.

$$\text{Equity Ratio} = \frac{\text{Capital and reserves total}}{\text{Total Assets - Advances Received}} \times 100$$

Earnings per share (EPS), undiluted = Profit (loss) for the financial year divided by the average number of outstanding shares during the financial year. The indicator has been calculated using the adjusted number of shares after the share issue without consideration to the company's shareholders. The Board of Directors of the company decided on the share issue on February 23, 2017 in connection with the arrangements relating to the listing

Earnings per share (EPS), diluted = Profit (loss) for the financial year divided by the average number of outstanding shares during the financial year after adding the number of shares with potential dilution effect. The indicator has been calculated using the adjusted number of shares after the share issue without consideration to the company's shareholders. The Board of Directors of the company decided on the share issue on February 23, 2017 in connection with the arrangements relating to the listing.



NEXT GAMES™