



REDEFINE. TRANSFORM. PLAY.

ANNUAL REPORT 2021



REDEFINE.

Next Games redefines the way entertainment franchises transform into engaging mobile games with an authentic and social fan experience at the heart.

Daily active users in our games Jan - Dec 2021

200,000

[Read Our Products on Page 10](#)

[Read Market Overview on Page 18](#)



TRANSFORM.

Next Games aims to be the partner of choice for global entertainment businesses to craft authentic and long-lasting interactive entertainment based on the world's most beloved franchises.

Mobile gaming market revenue in 2021

\$90.7B

Read **Our Strategy** on Page 26



Read **Our Business Model** on Page 33



PLAY.

We live and breathe the entertainment franchises we work with. We always put players first and believe in the power of the game to bring people together around new experiences.

Average store ratings across all our games

4.5

[Read Our Highlights on Page 7](#)



[Read CEO Statement on Page 15](#)



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ABOUT US

FOR FANS, BY FANS

We are Next Games, an ambitious mobile gaming business based at the heart of the industry in Helsinki, Finland.

We focus on transforming the world's most-loved entertainment franchises into ground-breaking mobile games that are loved by fans and gamers alike.

We work closely with our partners to craft authentic and long-lasting interactive entertainment based on the world's most beloved franchises. Our track record speaks for itself through highly successful titles for AMC's Walking Dead and Netflix' Stranger Things.

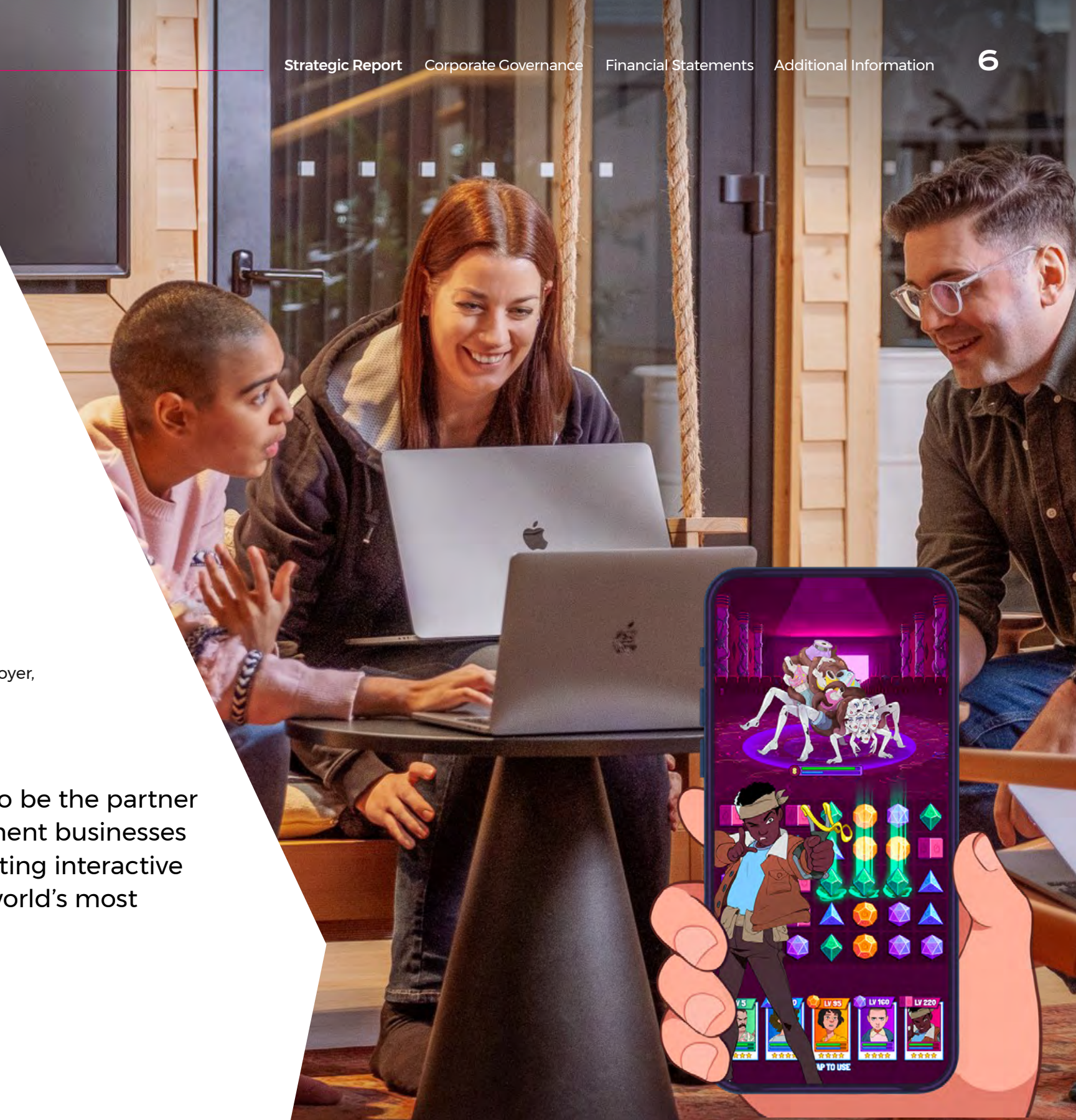
Our team is diverse with more than 100 people from 28 countries. We are united by shared values and the desire to create groundbreaking mobile entertainment. To enable this we've created a great place to work with world-class culture, technology and facilities.

We have set ambitious goals not just for our performance, but for the sort of business we want to be: setting new standards as an employer, partner and creator.

Our vision: Next Games aims to be the partner of choice for global entertainment businesses to craft authentic and long-lasting interactive entertainment based on the world's most beloved franchises.

Redefine. Transform. Play.

More about **Our Products** on Page 10 →



2021 HIGHLIGHTS

2021 IN FOCUS

We share a profound love for games, a burning desire and an ambitious strategy to develop lasting global mobile entertainment with players always at the heart.

Financial highlights

Revenue

€ 25.2M

EBITDA

€ -0.6M

Publishing Operations' EBITDA

€ 5.6M

Q1 / Accelerated Book-Building, €4.2M from existing investors



NETFLIX
STRANGER THINGS
Puzzle Tales

Q2 / Management Team re-enforced with new CTO and COO

EBITDA positive during H1

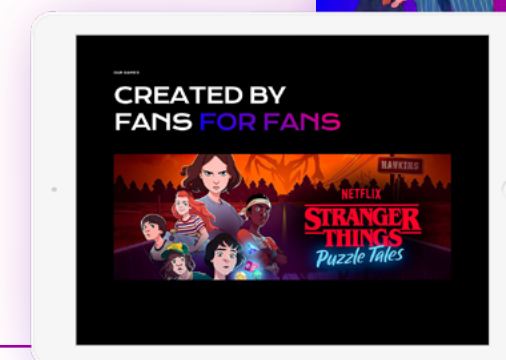
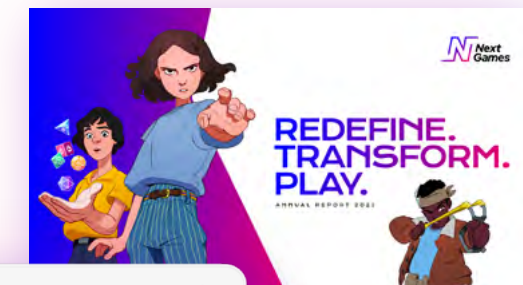
Q3 / 2nd Developer Academy Kick-Off

AMC & Next Games celebrate The Walking Dead: No Man's land 6th Anniversary

Stranger Things: Puzzle Tales launch on key markets

Q4 / Three new game teams established

New co-development agreement signed



NETFLIX

AT A GLANCE

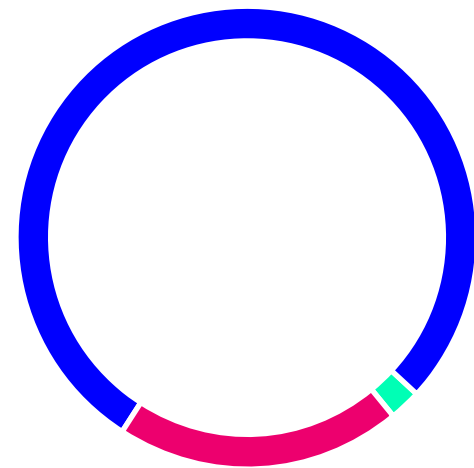
OUR TEAM

Our guiding light in growing our team is that we don't look for culture fit - We look for what each person brings to our culture and values to make them richer.

Our team

Number of our employee

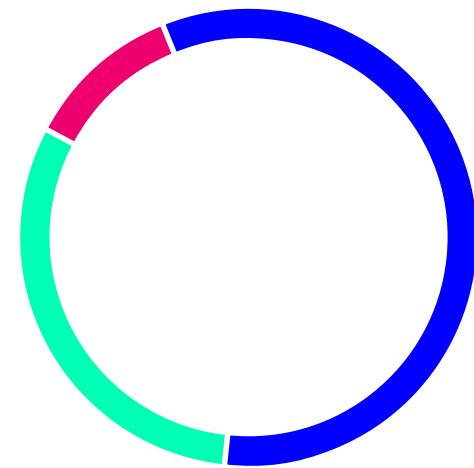
121



Female **20%**
 Male **78%**
 Other / non-binary **2%**

Nationalities

28



Administration **11%**
 Research & Development **58%**
 Sales & Marketing **31%**

Our values



CARING

We are compassionate, supportive and treat each other with respect.



COURAGE

We dare to take ownership, make decisions, and are not afraid to fail.



CURIOSITY

We never stop exploring, learning, asking questions and listening.

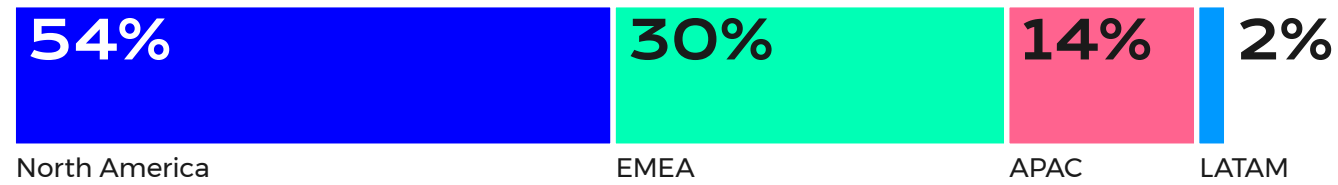


AT A GLANCE: 2021 IN SHORT
CONTINUED

The achieved publishing operations' profitability is an excellent basis to build on. Even though paid user acquisition is becoming increasingly challenging, we find ourselves well equipped to succeed owing to our licensed games strategy and active brand portfolio management.

Revenue by region

€25.2M

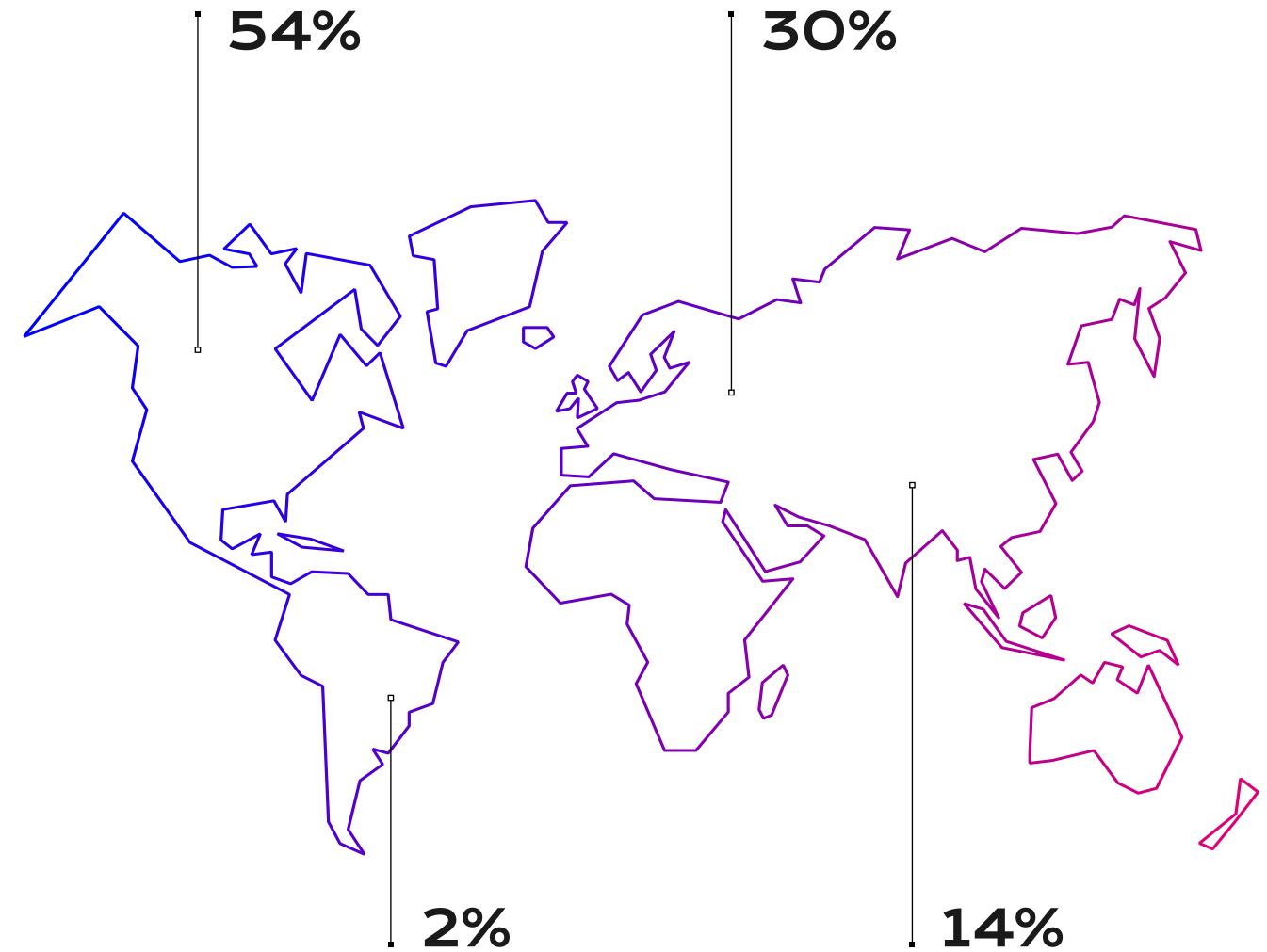


Gross bookings

By platform



By source



OUR PRODUCTS

Stranger Things: Puzzle Tales is a new type of puzzle RPG experience that reimagines Netflix's Stranger Things universe in the style of an 80's Saturday morning cartoon. Collect your favorite characters and go on adventures with Eleven, Dustin and the rest of the fan favorite characters from Stranger Things! Explore familiar locations including the Palace Arcade, Starcourt Mall, the fearsome Upside Down, and more, as you take on never-before-seen enemies. Hawkins needs you!



NETFLIX

STRANGER THINGS

Puzzle Tales

Average store rating

4.5

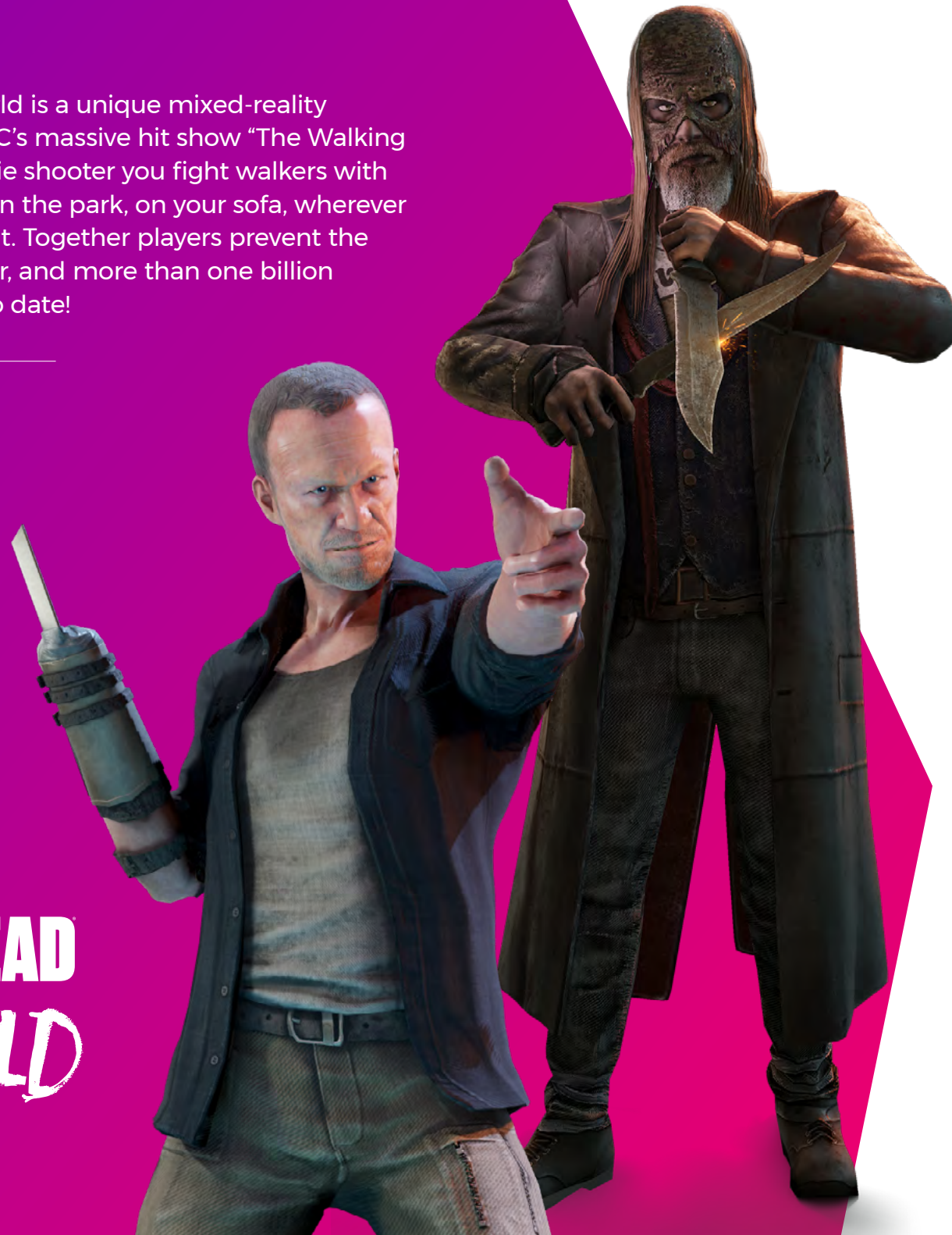
OUR PRODUCTS CONTINUED

The Walking Dead: Our World is a unique mixed-reality mobile game based on AMC's massive hit show "The Walking Dead". In this riveting zombie shooter you fight walkers with your friends on the streets, in the park, on your sofa, wherever and whenever you feel like it. Together players prevent the apocalypse from taking over, and more than one billion zombies have been killed to date!

Average rating

4.4

THE
WALKING DEAD
OUR WORLD



THE
WALKING DEAD
**NO MAN'S
LAND**

The Walking Dead: No Man's Land is our first and genre defining turn-based tactical RPG based on AMC's massive hit show "The Walking Dead". In this action-packed strategy game you attempt to survive in a post-apocalyptic world. Collect familiar characters from the series, necessary resources, powerful weapons and armor to defend your base. Every day is a fight of survival like it is your last day on earth!

Average rating

4.6



CASE STUDY

The Art of Stranger Things Puzzle Tales

Stranger Things has millions and millions of fans. Reddit buzzes with chatter about the new season every day. Pinterest and Artstation are packed with fan art featuring characters that people feel a genuine empathy towards. How do you even begin to take something so successful, and do it justice on a mobile phone screen?

Early on in the production of Stranger Things: Puzzle Tales, we were excited about the prospect of transforming Stranger Things into a game that evokes the feelings and nostalgia of watching a 1980s' Saturday morning cartoon. By crafting the residents of Hawkins and the Upside Down in this style, has enabled us to expand the Stranger Things lore in new ways that we hope will excite and surprise fans, and sometimes even make them laugh!

New Creatures from the Upside Down

Our artists have unleashed their imaginations to expand the world of Stranger Things. For example, if new terrifying creatures are breaking through from the Upside Down, what would they look like? If the Mind Flayer's powers grew even stronger, what kind of bizarre effects would this have on ordinary residents of Hawkins and their surroundings? And if the kids break into Hawkins National Labs, what kind of strange experiments and diabolical mistakes are waiting for them?

New Story

In collaboration with Netflix, we have developed a brand new story that fans will love! We decided to go the extra mile to bring the story to life, and created short animated vignettes that appear at key points in the game. These are crafted in the same traditional 'frame by frame' animation style that you would expect from an 1980s' cartoon! We have also built the game in such a way that we can add to the story with relative ease and speed. Fans of Stranger Things will have something to get their teeth into between seasons! It's an aspect of the game of which we are very proud.



NETFLIX
STRANGER THINGS
Puzzle Tales



NEXT GAMES AS AN INVESTMENT

WHY INVEST IN US

We have a solid strategy leaning on leveraging well-known entertainment brands and a strong position in a growing market. We are poised for growth with our unified infrastructure.

More about **Our Strategy** on our website



#1

Large and growing market to grab

#2

Strong position as a publisher

#3

Universally known brands boost discovery

#4

Growth from expanding product range

#5

Efficient scaling through unified infrastructure

Our Outlook for 2022

The company will aim to improve the performance of key games and continue developing new games in 2022. Next Games expects R&D and Administration costs to maintain a similar level to 2021.

NEXT GAMES AS AN INVESTMENT CONTINUED

#1

Large and growing market to grab

The global gaming market is projected to grow to more than \$200 billion by 2023, already larger than the film and music industry combined. Half of this market is mobile games, the fastest growing segment in gaming. Next Games develops and publishes mobile games that are based on well-known entertainment franchises, such as movies or TV series. Next Games benefits from its strategy as it is becoming increasingly common to expand these traditional entertainment formats with games.

#2

Strong position as a publisher

Next Games has a strong market position in the growing mobile gaming market. We are an established company in the gaming and entertainment industry and a respected partner for large global media companies such as Netflix and AMC Networks. We are an efficient one-stop-shop for our partners, whose core business is often outside of gaming, as we provide services throughout the whole value chain from game concepting and development to publishing and marketing.

#3

Universally known brands boost discovery

A strategy based on leveraging well-established and widely recognized brands to their full potential helps us break the noise in the crowded games market and better target advertising. Collaborating with large global media companies and working with recognized entertainment franchises has the potential to bring alternative marketing opportunities, higher user acquisition efficiency and increased organic uplift in comparison to competition.

#4

Growth from expanding product range

Next Games seeks growth by entering into new license agreements, developing and launching new games, and investing heavily in product development. Next Games is constantly seeking to work with the most popular and loved TV series, movies and other entertainment franchises in the world.

#5

Efficient scaling through unified infrastructure

Having in place a reliable, unified technical infrastructure that is as operationally light as possible is one of the key factors for efficient scaling. A unified infrastructure enables the use of shared services, such as marketing and analytics and the reusability of technical solutions between games to achieve higher technical quality and faster time-to-market with comparatively smaller investments over time.

CEO STATEMENT

BUILDING THE NEXT CHAPTER



Teemu Huuhtanen
Chief Executive Officer

Our mission is to redefine the way entertainment franchises transform into engaging mobile games with an authentic and social fan experience at the heart. I'm very excited to continue pushing our ambitious plans forward together with team Next Games in 2022.

Revenues grew 12% in the fourth quarter, Stranger Things: Puzzle Tales generated more than half million euros.

2021 was a year of many positive changes and new initiatives for Next Games. Together with our partners at Netflix, we launched Stranger Things: Puzzle Tales, a game crafted with care for Stranger Things fans. Our focus on securing a solid pipeline of new games in the future was also strengthened by the establishment of three new internal teams to work on our future games as well as a new framework to support new games development.

I'm also very pleased we closed an up to 16.5 million USD co-development agreement on a yet unannounced mobile game at the end of the year. The partnership is a logical continuation of Next Games' strategy to focus on building long term strategic partnerships, as well as strengthening the company's portfolio and risk position with different deal structures.

Our revenue increased in the fourth quarter by 12% to EUR 7.5 (6.7) million with the start of the co-development project and scaling Stranger Things: Puzzle Tales. In its first few months Stranger Things: Puzzle Tales has generated more than half million euros in revenue. We expect further monetization improvements during 2022, which will be a solid base for future growth. The game's impact on our overall revenue was still modest for the full year, as the game started generating revenues only towards the end of 2021. Next Games full-year revenue was EUR 25.2 (27.2) million in 2021.

Both of our The Walking Dead games, No Man's Land and Our World, improved their profitability and that combined with our newly signed co-development agreement helped us minimize loss as Stranger Things: Puzzle Tales was entering a growth phase, where all, or most of the game's revenue is invested back into user acquisition and growing the game further.

Our overall EBITDA was impacted by both increased R&D costs as well as Stranger Things: Puzzle Tales marketing investments. We originally aimed for neutral to positive EBITDA for 2021. However, we ended up at EUR -0.6 million compared to EUR 0.5 million in 2020.

CEO STATEMENT CONTINUED

Regardless, our achieved publishing operations' profitability is an excellent basis to build on. Even though paid user acquisition is becoming increasingly challenging, we find ourselves well equipped to succeed owing to our licensed games strategy and active brand portfolio management.

In March 2021, we took steps to support our future growth through a successful direct share issue to domestic and international institutional investors in order to enter into new partnerships, sign new intellectual property licenses, finance the development of new games and support the implementation of the company's existing strategy.

Our guiding light in growing our team is that we don't look for culture fit – we look for what each person brings to our culture and values to make them richer. This year we made an important and very concrete commitment to reach 50% of non-male identifying employees in our staff by 2030.

Currently, we come from a wide range of backgrounds, with 28 nationalities and 22% other than male-identifying employees, we are prepared to work hard to achieve an even more diverse Next Games.

In 2020 we also set up a special, employee-led interest group focusing on diversity, inclusion and belonging that welcomes anyone to participate across the whole company. We have also put considerable effort into ensuring equal and fair pay as well as making sure our recruitment process is free of any unintentional bias.



Our guiding light in growing our team is that we don't look for culture fit — we look for what each person brings to our culture and values to make them richer.”

2022 started off with Netflix's exciting announcement on March 2 2022 of a voluntary recommended public cash tender offer for all issued and outstanding shares in Next Games. We have had an unwavering focus to execute on our vision: To become the partner of choice for global entertainment businesses and craft authentic and long-lasting interactive entertainment based on the world's most beloved franchises.

Joining forces with the world's largest streaming service, Netflix, presents an opportunity for a logical and exciting continuation of our strategy to craft interactive experiences for the world to enjoy. Our close collaboration with Netflix on Stranger Things: Puzzle Tales has already proven that together we create a strong partnership. This is a unique opportunity to level-up the studio on all fronts and continue on our mission together.

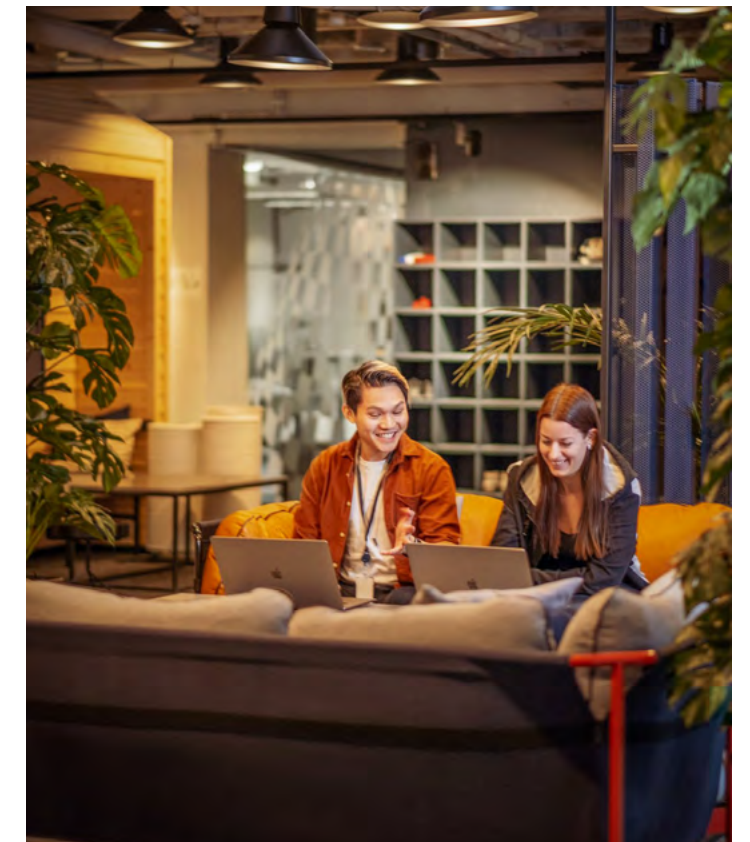
Our mission is to redefine the way entertainment franchises transform into engaging mobile games with an authentic and social fan experience at the heart. I'm very excited to continue pushing our ambitious plans forward together with team Next Games in 2022.

I would like to thank our players for keeping us grounded, our staff for the uncompromising focus to craft authentic and long-lasting interactive entertainment and our investors for their support.

Teemu Huuhtanen
Chief Executive Officer

Revenue

€25.2M



CASE STUDY

Diversity and Inclusion at Next Games

Next Games aspires to become one of the front-runners in the gaming industry on Diversity, Inclusion and Belonging topics. We don't want it to be just words on paper, but something deeply ingrained in our culture and ways of working.

We are actively working on making our staff more diverse. We don't look for culture fit – we look for what you're bringing to our culture and values. This year we published a goal of hitting 50% women or identifying as other than man workforce by 2030. It's a long play: something we're curious and eager to start building with other parties in education and the game industry. We believe the rewards will be well worth it.

We've always had women in the executive management team and other leadership roles. We actively seek to remove any unintentional bias in our hiring process, pay and promotions review process, and the manner in which we behave in everyday situations. We monitor how we are living up to this through our regular employee pulse surveys.

Next Games started our Diversity, Inclusion & Belonging Working Group in September 2020 to give this topic an even bigger focus. The group's mission is to create a workplace that brings out the best in all of us and help our company improve in all areas related to Diversity, Inclusion, and Belonging.

We strongly believe this will encourage greater and more meaningful cooperation between our colleagues, create opportunities for more voices, personalities, and life experiences to influence the games we make, increase our well-being, and ultimately, diversify the game experiences we create to the world.



2030 goal of non-male
identifying employees

50%

MARKET OVERVIEW

KEY HIGHLIGHTS

Mobile gaming total revenues

\$90.7B

Mobile gaming growth

4.4% YOY

As expected, the global games market declined by 1.1% year-on-year to a total of \$175.8 billion in 2021, as it adjusted itself back to a +8.7% CAGR (2019 to 2024) longer-term trend after the record-breaking 2020. COVID19-related operational challenges faced primarily by PC and console segments also contributed to this negative growth.

The mobile gaming segment maintained positive +4.4% year-on-year growth in 2021 and generated a total of \$90.7 billion in revenue. It now represents more than half of the entire global games market, and more than 90% of this year's global gamers play via mobile.

Major changes to the app stores ecosystem are imminent, as both Apple and Google come under legal pressure both in the US and globally. As a result, mobile game developers might find their profit margins grow, as platform commission fees go down.

The iOS 14.5 update and effective IDFA deprecation caused major disruption to mobile user acquisition and significantly impaired developers ability to target high-value players through marketing campaigns, with some companies reporting -15% to -35% revenue loss for iOS.

The Value of well-known brands in gaming is increasing, as user acquisition becomes more expensive and competition for players more fierce. Familiarity plays an important role in the decision to install a game, as less than a quarter of Americans report trying mobile games they have never heard of.

With consumer expectations growing exponentially more complex, the battle for their leisure time now unfolds across all entertainment mediums, as the companies begin to rethink who their true competitors are. With 80% of consumers under 40 now reporting playing video games worldwide, gaming is uniquely positioned to meet the demand for interactive entertainment.

MARKET OVERVIEW
CONTINUED

1. Games Market

With the COVID-19 outbreak causing an extreme surge in consumer demand for entertainment, and countries all over the world closing in nation-wide lockdowns, 2020 turned out to be truly remarkable for the global games market growth.

Yet, the pandemic has not fundamentally changed the market trends per se; it has only significantly accelerated them, which means that some of that unprecedented growth was partially sponsored by borrowing and frontloading part of this year's original prize pool.

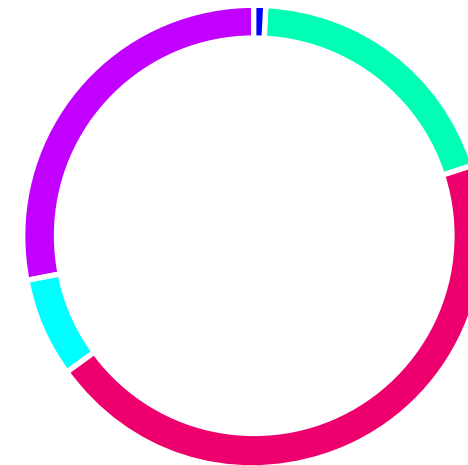
The amount of confidence the market puts in the industry speaks for itself: by the end of Q3 2021, the dollar volume for game industry deals announced or closed was already more than twice the dollar volume for the whole of 2020. [\(Drake Star Partners\)](#)

As a result, the global games market actually declined by 1.1% year-on-year to a total of \$175.8 billion in 2021, as it adjusted itself back to a more sustainable longer-term growth trajectory. Delays in production schedules, as well as the global shortage of computer chips, contributed to this year's negative growth too. [\(Newzoo Global Games Market Report 2021\)](#)

This minor setback is temporary and not indicative of a longer-term negative trend, as the global games market is projected to maintain its healthy growth at a +8.7% CAGR (2019 to 2024) to reach \$218.7 billion in 2024, surpassing the \$200-billion threshold in 2023. [\(Newzoo Global Games Market Report 2021\)](#)

“The global games market is projected to maintain its healthy growth at +8.7%.”

2021 Global Games Market



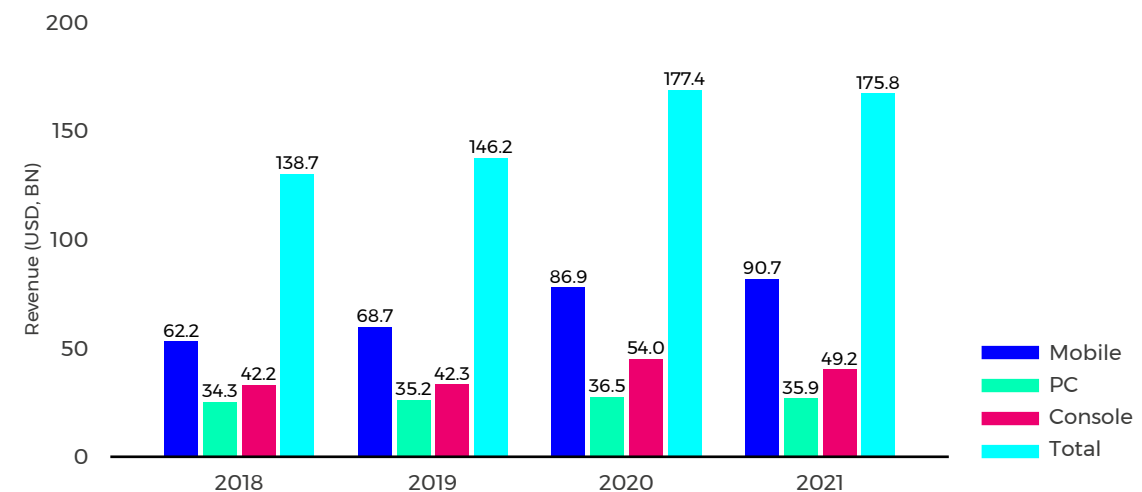
2021 Total

\$175.8B

- Browser PC Games **1% (\$2.6B)**
- Downloaded/Boxed PC Games **19% (\$33.3B)**
- Smartphone Games **45% (\$79.0B)**
- Tablet Games **7% (\$11.6B)**
- Console Games **28% (\$49.2B)**

Data source: [\(Newzoo Global Games Market Report 2021\)](#)

Global Games Market Trend

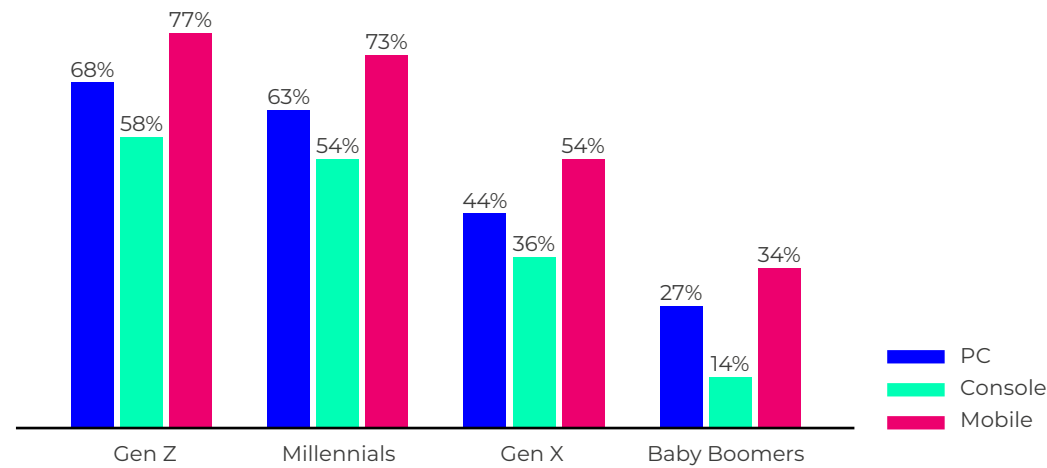


Data source: [\(Newzoo\)](#)

MARKET OVERVIEW
CONTINUED

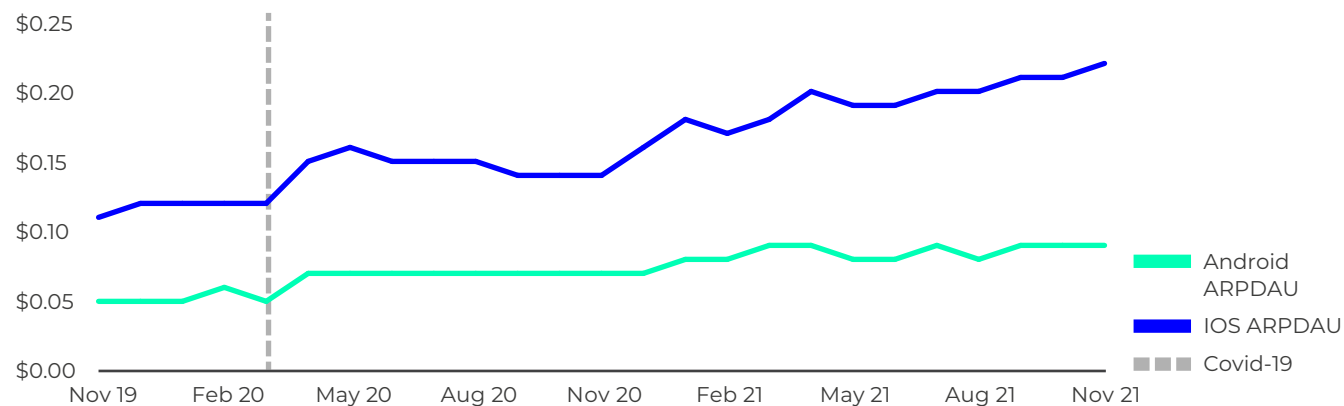
2. Mobile Games Market

% of Each Generation Playing on Different Platforms



Data source: [Newzoo Generations Report](#)

Increased spending holds post-COVID19 - US ARPDau: Pre/Post-COVID19



Data source: [SensorTower](#)

The mobile gaming market was less affected by the negative effects of COVID-19 than PC and console gaming, which allowed it to maintain positive +4.4% year-on-year growth in 2021. Having generated a total of \$90.7 billion this year, it now represents more than half of the entire global games market and is expected to continue growing at a +11.2% CAGR (2019–2024), a rate that is higher than that of other segments. ([Newzoo Global Mobile Market Report 2021](#)).

The number of smartphone users worldwide is rapidly growing and will reach 4.5 billion by the end of 2024, making mobile by far the most readily accessible gaming platform. As such, it also turned out to be the most popular one across all generations. More than 90% of this year’s global gamers play via mobile. ([Newzoo Generations Report](#)).

Even though increased engagement and spending seem to stick even as the world moves beyond the pandemic and lockdowns are gradually lifted, lower barriers to entry to mobile gaming also imply lower barriers to exit, so retaining players will be one of the key challenges faced by mobile game developers and publishers. For example, Day 30 retention within the gaming category seemed to have dropped by roughly 10% year over year between 2019 and 2021. ([AppsFlyer](#)).



Having generated a total of \$90.7 billion this year, the global gaming market represents more than half of the entire global games market.”

MARKET OVERVIEW CONTINUED

3. App Store Ecosystem

This year also saw a lot of major developments around the app stores ecosystem. In July, the White House released “*Executive Order on Promoting Competition in the American Economy*”, in which the US president, Joe Biden, ordered the Secretary of Commerce to “conduct a study ... of the mobile application ecosystem”, as well as prepare a report with “findings and recommendations for improving competition, reducing barriers to entry, and maximizing user benefit with respect to the ecosystem”. ([The White House](#)).

A month later, a bipartisan bill titled “*Open App Markets Act*” was introduced in the Senate and the House, with the goal of creating a legal avenue for third-party app stores, and barring companies such as Apple or Google from requiring app developers to use payment systems run by those companies exclusively.

However, *Epic Games v. Apple* trial was arguably the true cherry on the cake. Back in August 2020, Epic released a “hotfix” to Fortnite that triggered visibility of an alternative payment option, which was secretly introduced in a prior patch. It allowed players to purchase in-game currency directly from Epic, thus bypassing Apple’s and Google’s payment systems, and the corresponding 30% platform fees. Within hours of this hotfix going live, both Apple and Google removed Fortnite from their stores stating that Epic violated their terms of service, while Epic immediately filed separate lawsuits against both companies for antitrust and anticompetitive behavior. The *Epic Games v. Apple* trial received its first decision in September 2021, in which Apple won

nine major points under federal antitrust laws and Epic won only one in California’s antitrust law. The court could not ultimately conclude that Apple is a monopolist under either federal or state antitrust law, and that although App Store profit margins of 75% are extraordinarily high, such success was not evidence of monopoly power abuse per se.

However, the court has also concluded that Apple was violating California’s anticompetition law by forbidding app developers to communicate directly with customers about ways to pay for services outside the App Store, and gave the company until December 2021 to make changes that would support implementation of third-party payment systems for apps downloaded from the App Store.

It is important to note that contrary to the popular misconception that in-app purchases made through third parties would not be subject to the standard commission fee, the court decision does not forbid Apple from charging it. Quite the opposite, the

court believes that Apple is indeed owed some compensation for the App Store maintenance and continuous R&D investment, but it also did point out that the 30% fee Apple currently charges is rather arbitrary, and that the company offered no evidence it was justified on the basis of costs. The long-term implications of the trial are not entirely clear at this point, since both companies are going to appeal the decision. However, there are multiple immediate consequences of this.

First of all, as part of a separate class action lawsuit settlement, Apple has already removed one restrictive guideline which prohibited developers from using contact information players would share with them through apps. This opens new avenues for developers to communicate with their own player base and potentially to even monetize it further.

Secondly, as the app stores ecosystem comes under such scrutiny, including outside of the US, many believe that Apple and Google would find it more beneficial for their long-term bottom line to reconsider current commission rates, as prospects of a major government intervention become much more real. For example, Google has already announced that the company would be lowering its Google Play store fees to 15% for subscription in-app purchases, instead of charging 30% in the first year and 15% in all subsequent years. Whereas Apple introduced the App Store Small Business Program, reducing its standard commission from 30% to 15% for developers earning less than \$1 million annually from the App Store.

Finally, even though Apple is still entitled to its commission for purchases made outside of the App Store, it becomes increasingly challenging for the company to collect those fees outside of its own platform logistics-wise. Apple would also need to somehow prove that those external purchases resulted from the App Store, as opposed to consumers coming from some other developer advertisement elsewhere. Ironically, this also comes at a time when Apple has just taken a hard stance on user privacy, so it might not be even able to demand that developers track users for these purposes.

Although the *Epic Games v. Apple* legal battle technically has direct implications only for the US market, it becomes increasingly difficult for the giant to maintain so many different versions of the playbook. Thus, it is expected that any further developments will be more or less global. And based on the above, it is possible that mobile game developers will soon find themselves operating at higher profit margins, as the effective app stores commission fees decrease to 12-15%.

MARKET OVERVIEW CONTINUED

4. IDFA Depreciation

In April, Apple rolled out an iOS 14.5 update featuring its new privacy policy called App Tracking Transparency. IDFA is a static user-specific identifier used by advertising networks, such as Facebook, to allow advertisers to target specific users based on numerous data points associated with their IDFAs, including their past purchasing behavior.

Prior to that update, devices running on iOS were sharing this identifier by default, with only a small fraction of users manually turning the ad tracking off. However, now that each app has to explicitly ask its user for permission to get access to their IDFA, global opt-in rates dropped to 45% in the gaming category. [\(AppsFlyer\)](#) This means that only less than a half of newly installing players can be deterministically attributed to their acquisition source, making tracking marketing campaign performance increasingly difficult for both game developers and networks themselves. While Apple's decision to change iOS privacy settings has wiped out billions of dollars in revenues for some companies that operate as advertising networks [\(FT\)](#), it also has had and will continue to have profound impact on the mobile gaming industry itself. Some companies reported a -15% to -20% average revenue loss for iOS broad audience games and -35% revenue loss for niche audience games. [\(Consumer Acquisition\)](#).

Apart from ad revenue-dependent mobile game developers, those whose monetization strategy hinges primarily on the so-called whales – a small fraction of players who drive most of the game's revenues – were affected the most, as their ability to find and target such players depended on the availability of IDFA. In fact, the demand for trackable opted-in iOS users is so high that the advertisers are willing to pay more than double the price to reach them. [\(PubMatic\)](#) As many shifted their marketing budgets to Android, where campaign performance visibility was unaffected by Apple's update, competition for scarce high-value players on the platform intensified, driving costs of acquisition on Android up as well.

Apple did introduce an alternative advertising framework, SKAdNetwork, that was supposed to set new privacy-centric standards to how user acquisition should be run on iOS going forward. However, in



The demand for trackable opted-in iOS users is so high that the advertisers are willing to pay more than double the price to reach them.”

its current state the framework has been widely criticized for its complexity and, more importantly, its ultimate inability to effectively provide almost any visibility into iOS advertising for publishers. By design, it artificially creates a steep tradeoff between the amount of data publishers can obtain to measure their marketing campaign performance and the delay with which such data arrives.

Since data is the most useful while it is actionable, days-long delays are considered unacceptable, so game developers are adopting more aggressive approaches to first time user experience and early monetization to capture valuable indicators of user lifetime value in the first few game sessions already. Another notable approach involves the hybridization of game and monetization mechanics in pursuit of having broader appeal, as it is easier to reach relevant players when the total addressable market is large.

Some game publishers are also looking into alternative ways of finding users, or gaining a competitive edge by obtaining access to first-party data. Thus, it was not surprising to see Zynga acquire Chartboost, or AppLovin acquire Adjust and MoPub earlier this year. At the end of the day, M&A opens up the possibility for game publishers to build gigantic user bases and use cross-promotion to direct players across games within their own portfolios. This trend is likely to persist, as the market continues to consolidate both vertically and horizontally.

Although Google also made some steps this year towards preventing apps from collecting GAID, an Android equivalent of IDFA, the company is planning to bring the change with minimal disruption to targeting ability and performance visibility. Currently the odds of having yet another user acquisition apocalypse are considered to be low.

MARKET OVERVIEW

CONTINUED

5. Value of Well-Known Brands in Gaming

With targeted user acquisition becoming increasingly difficult and competition for players fiercer, game developers that are able to bring organic traffic into their games have a significant competitive advantage over their peers. Only a few games become viral enough on the global scale to enable stable organic growth, and that is usually a result of their titanic efforts to make it into top grossing charts in the first place, after which they can start benefiting from a positive self-reinforcing influx of new users. Discoverability within app stores is becoming more important than ever in times like these.

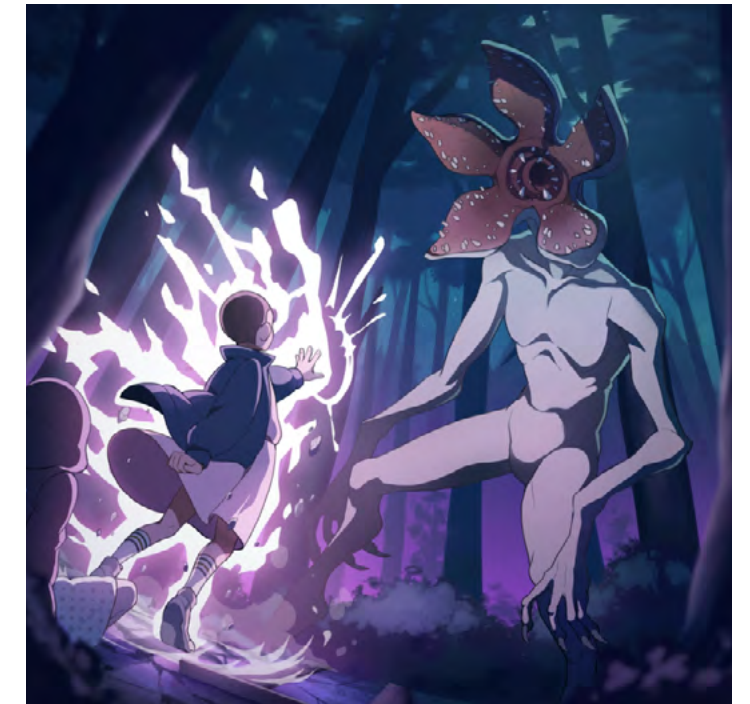
Another way of attracting significant organic traffic into a game and increasing its discoverability prospects is through basing it on a popular entertainment franchise. For example, according to Facebook ([Facebook](#)), less than a quarter of Americans report trying mobile games they have never heard of. With so many alternatives available to consumers, creating a sense of familiarity becomes paramount.

Furthermore, expecting players to download a game because it is, for example, a fun puzzle RPG may limit its potential audience only to connoisseurs of that particular sub-genre. Adding a popular brand to the game aims to expand its total addressable market, as fans of the brand become yet another potential target audience. However, in order to successfully execute on this, there are numerous considerations

that need to be taken into account and it is important to establish what kind of gaming preferences the brand audience has, so that the planned experience resonates well with the fans.

After all of the mobile marketing turmoil this year, some game publishers also found themselves considering how to expand audience reach beyond their usual channels, so more traditional advertising methods, such as TV advertising, may be back on the table. To that end, having an influential partner in that segment of the entertainment industry might prove to be particularly valuable. Depending on the agreement, brand owners may more often than not, have a direct financial interest in the success of a game. Thus, they would also be willing to use their resources to market the game.

As it turns out, modern-day brand owners are actually looking to bring their franchises to gaming platforms themselves, and with mobile being the most accessible one, it is also certainly one of their preferred choices.



MARKET OVERVIEW
CONTINUED

6. Redefining Entertainment

In the recent decades, the key decision consumers had to make in regard to their leisure was what to watch. But with the global gamer population of just under 3 billion people growing at a +5.6% CAGR (2015–2024), 80% of consumers under 40 now report playing video games, with the average playtime being 7 hours of playtime a week. ([Newzoo Global Games Market Report 2021](#) and [Newzoo Generations Report](#)).

Thus, it is not surprising that entertainment companies outside of gaming find themselves fighting off marketing myopia and seriously rethinking how to define their competitive landscape. For example, in its Long-Term View, Netflix defines video gaming as one of its main competitors. ([Netflix Investors](#)).

Gen Z respondents in the US named gaming as their favorite entertainment activity, with watching TV shows/movies at home coming only second, while Millennials are torn between the two activities. ([Deloitte](#)).

Watching TV shows and movies is still clearly important for many, making video streaming on demand a lucrative business, and as such a very competitive one too. With many subscription services available, the competition is fierce enough to have caused what is referred to as “streaming wars”.

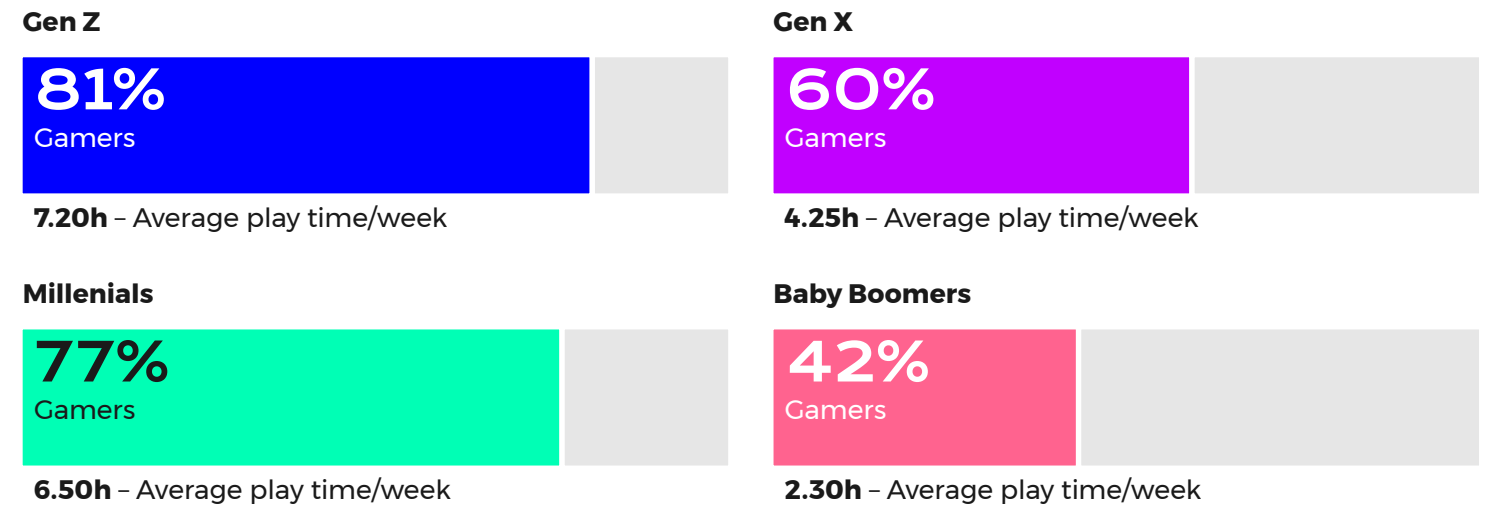
According to Kantar ([Kantar](#)), streaming growth in the US has stalled, as penetration is down 1 percentage point quarter on quarter, to 85% in Q3 this year. Although stacking (having multiple active SVoD subscriptions) continues to grow, as the

average American subscriber now has 4.2 streaming subscriptions ([Kantar](#)), price increase was named as the most likely reason to cancel video streaming subscription, so it appears that the price elasticity of demand of these services is high too. ([Deloitte](#)).

With limited prospects for further expansion, high price sensitivity, and fierce competition, it becomes quite a challenge for streaming platforms to even maintain the status quo, let alone grow revenues. It is clear that only the companies that manage to keep their viewers engaged will be able to ultimately win in this high-stacking market. Expanding into gaming is at this point rather a must, as entertainment consumption demands become exponentially more complex.

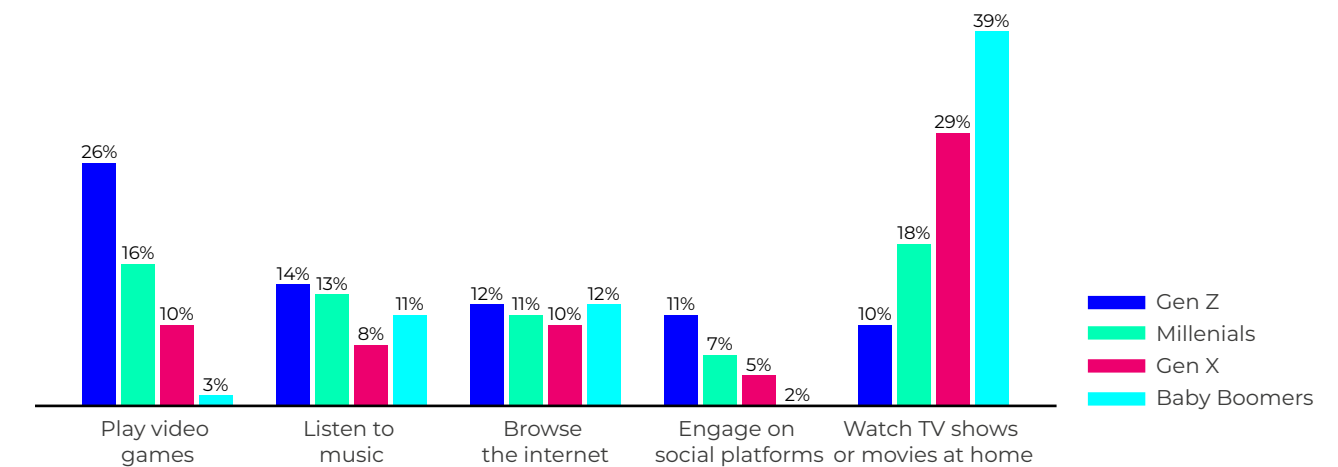
Additionally, with “metaverse” being one of the most important buzzwords of this year, it is clear that the fight for leisure time and dominance in the entertainment industry will take place across all mediums. In the era of competition for time, every movie studio, game maker, and video or even audio streaming service should consider itself as an entertainment company first and foremost.

Share of Each Generation that Played Games in the Past 6 Months



Data Source: ([Newzoo Generations Report](#))

Favorite Entertainment Activities by Generation



Data source: ([Deloitte Digital media trends, 15th edition](#))

CASE STUDY

Artificial Intelligence Harnessed for Game Development

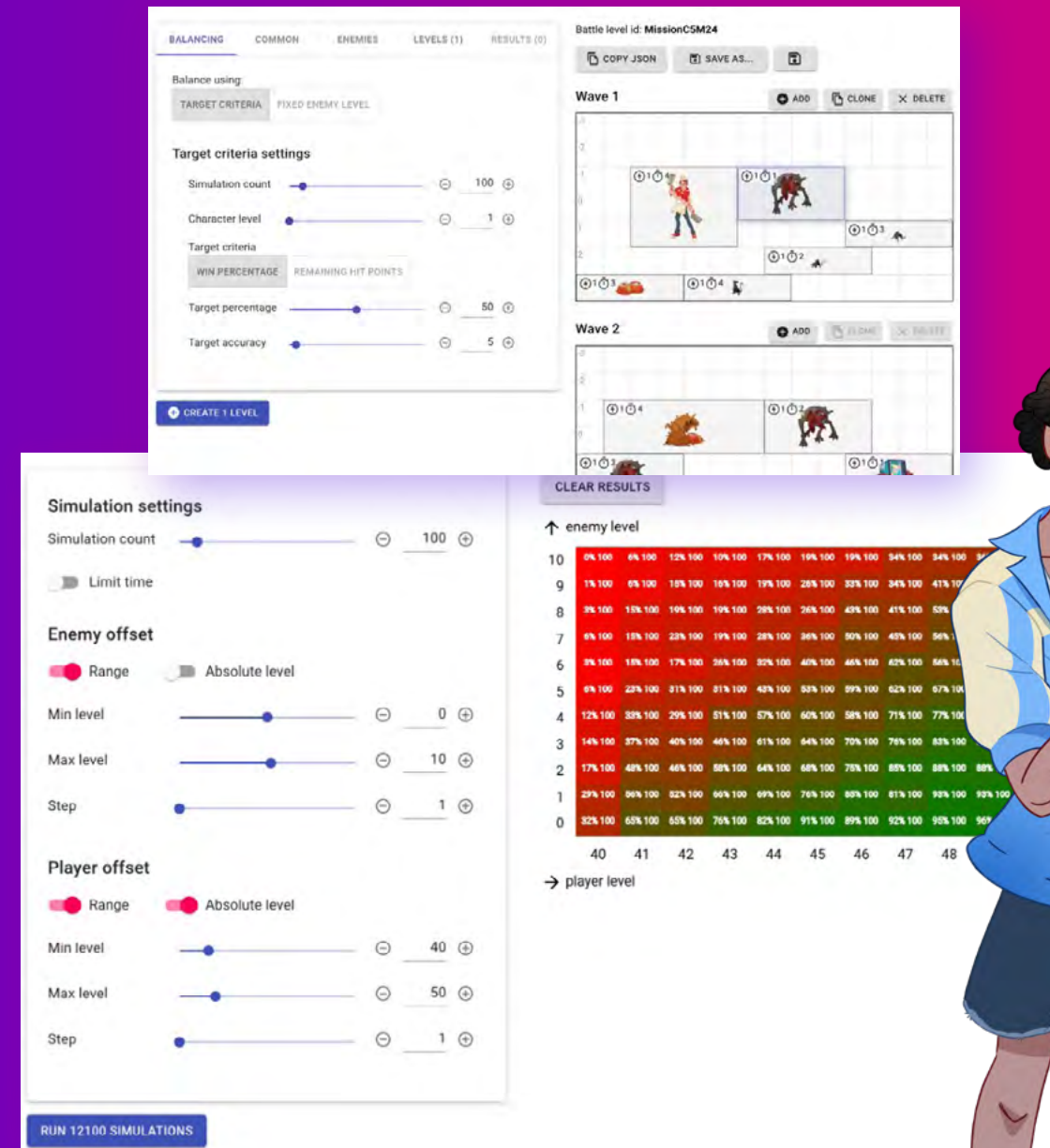
Modern mobile games are delivered as a service. This involves them being constantly updated with new content, which can create a lot of work for the game teams, since players always crave new things to do.

Stranger Things: Puzzle Tales already has nearly a thousand different levels. Each of these have the enemies selected according to the theme of the story chapter, but also their difficulty. We want the game to become progressively difficult as the players advance and collect more powerful characters.

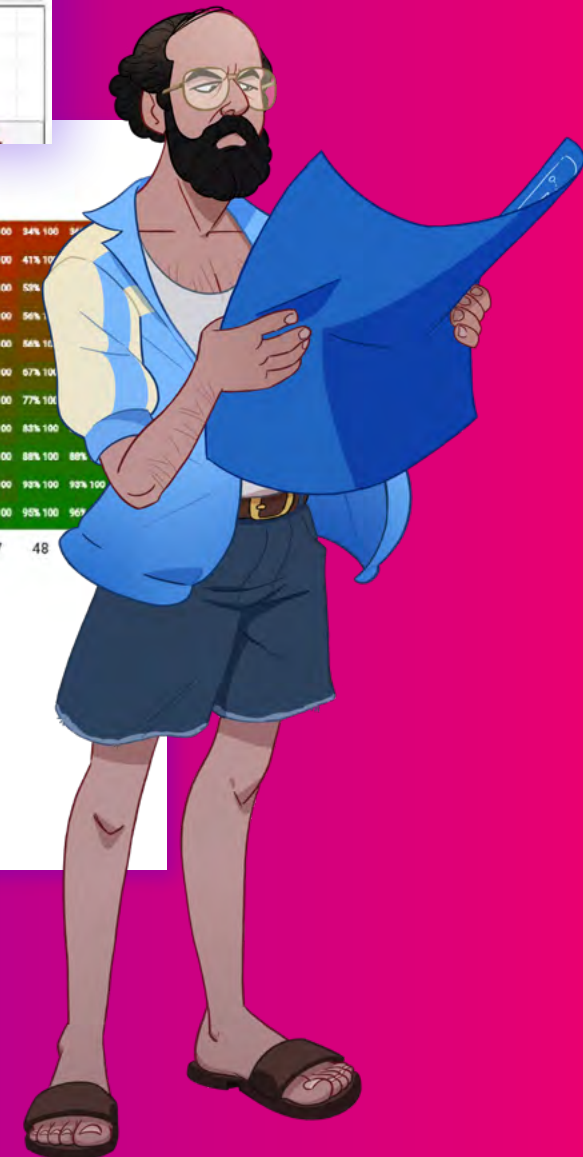
Levels are particularly tricky, because the Goldilocks principle applies to them. They may not be too hard, nor too easy, but just difficult enough. Balancing the levels is often time consuming, especially, considering there can be a huge variation of different characters the players have collected, each with their own special abilities. The impact of all these variations to each other make this a daunting task.

We have augmented the level design and balancing work with artificial intelligence. The designers pick the theme and other attributes. Our level generation tooling then creates one or more suggestions for the new levels based on the targets the designer sets. For example, the chapter might end with a particularly difficult boss level, which should require, on average, 10 tries with certain level characters. The level designer can then do any adjustments they want, such as make the level visually more interesting.

Changes to the game balancing or rules also can have huge effects on the existing levels. To make sure the experience stays as intended over changes, we use the AI to run simulations of the updates. This will pinpoint any unexpected effects. Without this kind of system either the designers would need to be extremely careful when making any changes to the game, or validating the changes would require an unfathomable amount of testing.



NETFLIX
STRANGER THINGS
Puzzle Tales



OUR STRATEGY

FOREWORD

Next Games develops engaging, ambitious mobile games based on world-famous entertainment franchises. Together with our licensing partners, we create compelling fans-first interactive experiences by combining the stories of well-known movies, TV series, books and comics with interesting game mechanics. At the core of development is our unwavering focus on fans.

The commercial benefits of our strategy are clear. A strategy based on leveraging well-established and widely recognized brands to their full potential helps us break through the noise in the crowded games market and better target advertising.

Collaborating with large global media companies and working with recognized entertainment franchises has the potential to bring alternative marketing opportunities, higher user acquisition efficiency and increased organic uplift in comparison to competition.



OUR STRATEGY
CONTINUED

STRATEGIC FOCUS AREAS

Our strategy is to develop long-term engaging games based on well-known entertainment brands and franchises.



Strong strategic partnerships

Our vision is to be the most sought-after partner for global entertainment franchises. We are an efficient one-stop-shop with a proven track record of partnering with some of the largest entertainment companies in the world.

[Read more on Page 28](#) →



Active brand portfolio management

Next Games has a proven ability to transform worlds from TV series into long-lasting interactive gaming experiences through years of building know-how and deep understanding over target audiences.

[Read more on Page 29](#) →



Efficient unified infrastructure

A unified infrastructure enables shared services, such as marketing and analytics and reusability of technical solutions between games to achieve higher technical quality and faster time-to-market with comparatively smaller investments over time.

[Read more on Page 30](#) →



Players always first

Next Games has a sharp focus on becoming a part of the fan experience, as close to the original media as possible, working with their release schedules and interacting with the fan base everywhere they are.

[Read more on Page 31](#) →

OUR STRATEGY
CONTINUED

Strong strategic partnerships



Next Games' vision is to be the partner of choice for global entertainment businesses.

Next Games' vision is to be the most sought-after partner for global entertainment franchises. We are an efficient one-stop-shop for our partners, whose core business is often outside of gaming, as we provide services throughout the whole value chain from game concepting and development to publishing and marketing. Next Games has a proven track-record for partnering up with some of the largest media companies in the world such as Netflix and AMC Networks.

Next Games aims to further acquire new partners and rights to create games based on new licences. We also aim to expand existing partnerships by working on multiple projects with the same partner. Creating long-term cooperation with a major player requires a strategic starting point and a tailored cooperation model. From a financial perspective Next Games constantly explores opportunities to implement varied contract structures in order to decentralize the company's risks.



Missions played
+70M

WHAT'S NEXT

Expanding the world of Stranger Things

Stranger Things has millions and millions of fans. Reddit buzzes with chatter about the new season every day. Pinterest and Artstation are packed with fan art featuring characters that people feel a genuine empathy towards. How do you even begin to take something that successful, and do it some sort of justice on a mobile phone screen?

Average rating (out of 5 stars)

4.5

OUR STRATEGY
CONTINUED

Active brand portfolio management



Next Games' mission is to define the way franchise entertainment transforms into highly engaging mobile games.

Next Games has a proven ability to transform worlds from TV series into long-lasting interactive gaming experiences through years of building know-how and deep understanding over target audiences.

We are active in building game franchises out of the licenses we have. The Walking Dead brand and subsequent games built on that brand is a good example of building a portfolio of multiple, different games on the same franchise.

The aim of creating multiple games within the same brand is done both for growth and substitution. Different genre titles can capture a range of different audiences within the same fandom expanding overall revenue. Additionally, new games can also serve as substitutes and prolong the same level of revenue from the franchise over multiple years and provide opportunities of cross promotion.



Number of downloads

23M

WHAT'S NEXT

Six years of The Walking Dead: No Man's Land

One of the key ingredients in the game's success is keeping the player community at the core of the development. The game has received over 40 content updates alone, many of them based on player feedback. The game has also seen much-loved TV show integrations, including simultaneous release of in-game content tied to the airing of new show episodes, sneak peeks to upcoming The Walking Dead episodes within the game, and fun collaborations with some of the show's fan-favorite actors and Talking Dead's Chris Hardwick.

Lifetime revenue

€135M

OUR STRATEGY
CONTINUED

Efficient unified infrastructure



One of the key challenges within the mobile games industry is how to efficiently develop and operate multiple, continuously evolving games.

Having a reliable, unified and as operationally light as possible technical infrastructure in place is one of the key factors for efficient scaling.

A unified infrastructure enables shared services, such as marketing and analytics and reusability of technical solutions between games to achieve higher technical quality and faster time-to-market with comparatively smaller investments over time.

Companies able to scale operations to run multiple titles, while focusing on content creation and adding value to the gaming experience, will be the ones who succeed in the service-based games market.

WHAT'S NEXT

New games underway

During 2021 Next Games established three new game teams as well as supporting organization around new game incubation. We also signed a co-development agreement on a mobile game with a significant, global media company. The total value of the agreement is up to 16.5 million USD. Our shared infrastructure allows game teams to focus on crafting games, rather than setting up basic infrastructure separately for each project.

OUR STRATEGY CONTINUED

Players always come first

Next Games has a sharp focus on becoming a part of the fan experience, as close to the original media as possible, working with their release schedules and interacting with the fan base everywhere they are.

Next Games has a unique understanding of creating bridges in between TV series and games to offer fans a way to stay engaged with their favorite series during off-seasons and breaks between seasons. Next Games has successfully executed day-and-date game content and TV series episodes – the only studio who has managed to pull this off outside of one-time events.

Usability, target audience understanding, meaningful utilization of the brand, as well as an emphasis on community, are important factors when building games based on well-known brands. Next Games invests in understanding the target group and tailoring the experience based on customer research and data-based analysis.



“We develop our games with ambition and care to ensure that players enjoy the captivating atmosphere of the original franchise from start to finish.”

Teemu Huuhtanen, CEO

WHAT'S NEXT

Responsible gaming

We want people to enjoy our games for the right reasons – to have fun. At Next Games we take responsible gaming seriously and want to offer a source of entertainment that people over the legal age limit can enjoy in a safe, secure and fair environment. Responsible gaming is a driving force to maintain a sustainable business.

CASE STUDY

Unified Infrastructure Supports Efficient Game Development

Game development benefits from unified infrastructure in several different ways. We have seen this in action when developing Stranger Things: Puzzle Tales.

In software development, ramping up the production typically involves several crucial early decisions. If these prove wrong, they can be very expensive to roll back and change. There is a significant overlap between these, and an existing infrastructure, which addresses them with proven ways. In effect **many risk-bearing decisions are eliminated** from the game team.

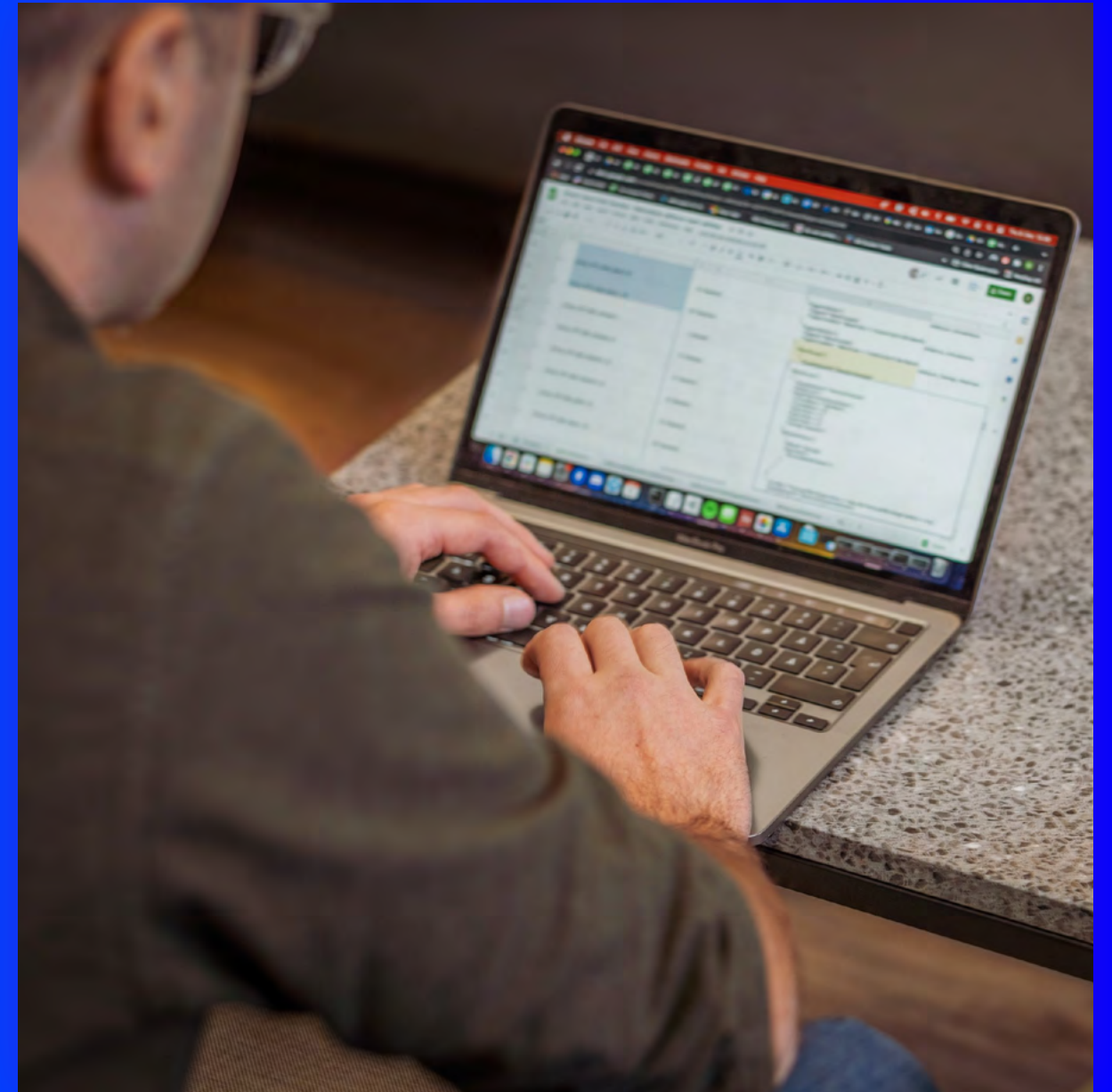
To the great credit to the game team, but also our technology platform, with Strange Things: Puzzle Tales we were able to pull off the launch without a glitch. The launch is a notoriously tricky part of the process.

Risks also are reduced by having no external dependencies and no vendor lock-in to higher order services. There are plenty of service based offerings for game backend, but they often mean

compromising between what the game needs and what can be done with them. The possibilities are substantially expanded with control over the infrastructure.

Software always affects processes, there is no way around it. But understanding this can be used for the benefit of operations. Live operations – campaigns, in-game events, player support – for modern games can be very complex. Since the infrastructure defines a way to manage this, it is significantly easier to rotate people between teams with minimum onboarding. This works also the other way around: when infrastructure level items such as processes or tooling are improved, all games benefit.

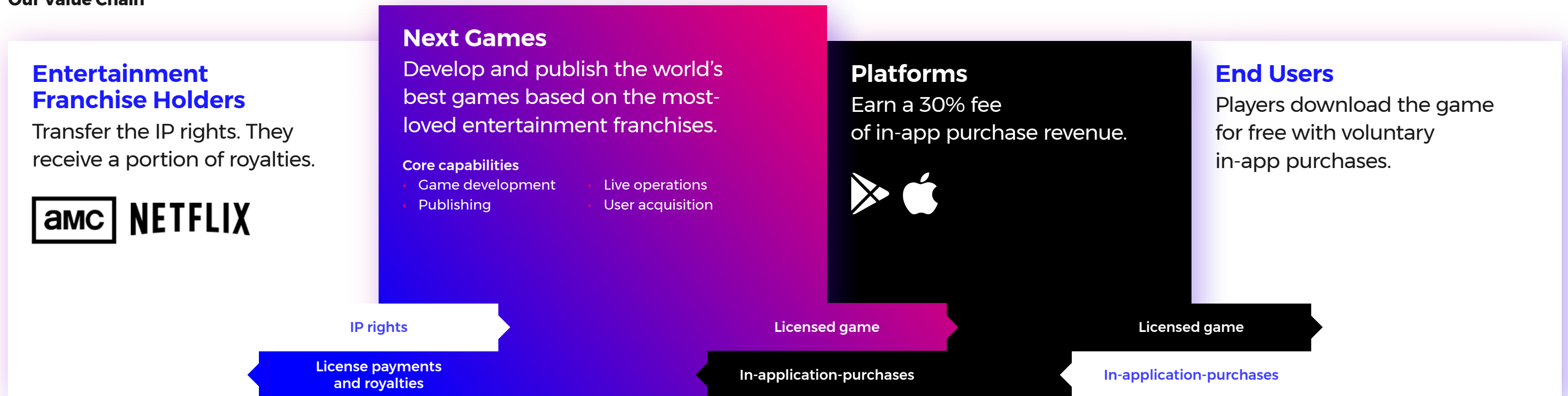
Game developers are very enthusiastic about their products and want to hone the gameplay and make the games as great and enjoyable for the players as possible. However there are many other considerations they need to take into account such as tracking financial information in the game economy. These can easily feel like chores, since there is no direct benefit to the players. The unified infrastructure takes care of many of these tasks, thus **allowing the game teams to concentrate on what they do best: creating a fun game.**



BUSINESS MODEL

FREE-TO-PLAY

Our Value Chain



Our Market

The prevailing business model in the market is free-to-play i.e. games that give players access to a significant portion of their content without paying and include voluntary in-game purchases.

Our Expertise

Next Games licenses the rights to create games on and acts as a one-stop-shop for license holders as the developer and publisher providing all the services related to game life-cycle management.

Distribution

Next Games' games are published on Apple's and Google's application stores for players to download.

Players

Players download games for free and can make in-application purchases. Platforms take a 30% cut out of these purchases.

GAME LIFE CYCLE MANAGEMENT

BRINGING GAMES TO LIFE

Development

Games that are in various phases of development. Team size grows as production proceeds.

- Market research and relationships
- Recognizing and screening opportunities
- Concept and prototyping
- Commercial collaboration
- Development process
- Testing and validation
- Commercial viability testing

Games in development

x4

Growth

Games that have a bigger team and are supported company wide. Majority of the UA investments are here.

- Distribution
- Marketing and partnerships
- Game updates

Portfolio 2022



Live Ops + Team

Games that have a small team developing the game further and doing mostly live-operation.

- Stable revenue
- Game as service
- Additional content

Portfolio 2022



Catalogue

Games that currently are not developed further and are not supported by UA.

- Distribution
- Marketing and partnerships
- Game updates

RESEARCH & DEVELOPMENT

We are an established and respected partner for large global entertainment companies such as Netflix and AMC Networks. We are an efficient one-stop-shop for our partners, providing services throughout the whole value chain from game concepting and development to publishing and marketing.

Pre-Production and Market Research

Market research

Ongoing research on the latest trends and developments in the gaming and entertainment markets. Creating and fostering relationships with meaningful partners and understanding the best opportunities in the market.

Recognizing and screening opportunities

Potential partnerships are evaluated through specific criteria such as accessibility, brand awareness, size of fan base and key market penetration.

Concepting and prototyping

Prototypes are built, tested, and concepted on the basis of potential third-party brands as well as proprietary IP. A small selection of ideas continues to the production phase.

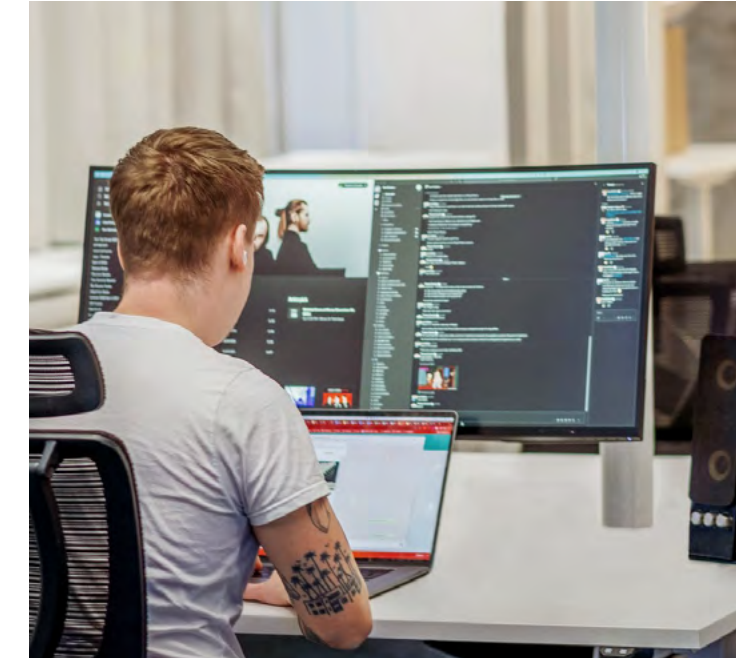
Commercial collaboration

Negotiations with the potential partner on license rights and terms. Signing a licensing agreement with the partner.

Production and testing

Development process

The product and its functionality are defined in the pre-production phase and built in the production phase. As the product moves from one phase to the next, the team size grows. The product is tested accordingly in each phase. As the product moves closer to commercial launch, costs rise.



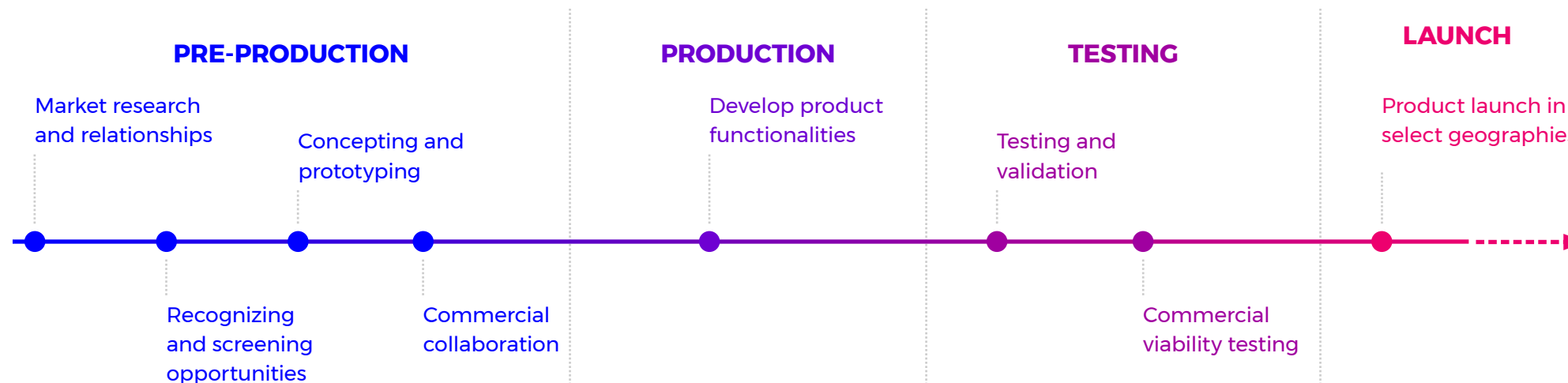
Testing and validation

The most important goal for testing and validation is to analyze if the product has progressed as expected and to identify possible change needs as early as possible. This process starts with market research and target group analysis. After this, prototypes, concepts, and game mechanics can be tested - for example, in focus groups moving on to testing performance metrics for engagement, such as retention, session length, and time spent in the game.

Commercial viability testing

Commercial viability testing happens throughout development of the product. The purpose of commercial viability tests is to verify the product's commercial potential, monetization, scalability and marketability. The game is further developed based on the results from commercial testing. After this scaling begins with increasing marketing investments.

New games development process:



PUBLISHING OPERATIONS

A strategy based on leveraging well-established and widely recognized brands to their full potential helps us break the noise in the crowded games market

Distribution

Next Games publishes its games on Apple's and Google's app stores and markets them without third-party publishers. Next Games develops service-based, i.e. free-to-play, games. The player downloads the game for free and monetization is based on voluntary in-app purchases or ad views.

Marketing and Partnerships

Next Games develops games that are based on global entertainment brands, have high brand-awareness and an existing fanbase, and which reach consumers across multiple markets. As a result, license-based games often have a higher probability of getting visibility which may lower the effective cost of advertising. Marketing investments typically place the greatest strain on the profit and loss statement. Marketing investments are adjusted in direct relation to a product's monetization, i.e. all of the company's marketing is performance-based regardless of the channel used.

Next Games' license partners can support the product's marketing efforts either directly or indirectly by utilizing the brand's social media or other digital channels' platforms owned by the brand to promote the game. Next Games pays a royalty to its license partners based on the game's revenue. Agreements are unique and built in different ways depending on license and division of responsibilities between the parties.



Updates as well as additional content aim to engage players in the games for a longer period.”



As a product nears the end of its life cycle, typically less investment is made in user acquisition, resulting in improved profitability of products due to a relative reduction in marketing costs.

Games as a Service

Next Games aims to create games that keep players engaged for years at best. This is logical as the games' monetization is based on voluntary in-app purchases which players make as they advance in the game.

Live games are constantly updated with additional content and features also after their initial release to provide new experiences for players. Team size and product development investments decrease when a significant change in the game's performance can no longer be achieved. At this point, investments are directed elsewhere – for example, in new product development.

CORPORATE RESPONSIBILITY

PEOPLE AT THE HEART

Company culture and employee well-being

Next Games grows with its people, which makes career and skill development an important focus area for us. We encourage our employees to freely explore new directions and develop new competences.

We are proactive in learning about our employees' passions and supporting efforts to acquire new skills. Each discipline directs their own training effort, going for wide and deep substance expertise in everything we do. People have changed their entire careers with us. That's something we're proud of!

Creating an environment where colleagues support each other is another area we have put effort in over the years. While we work with individuals to advance their professional journey, we are ultimately all about growing great teams, who create great games.

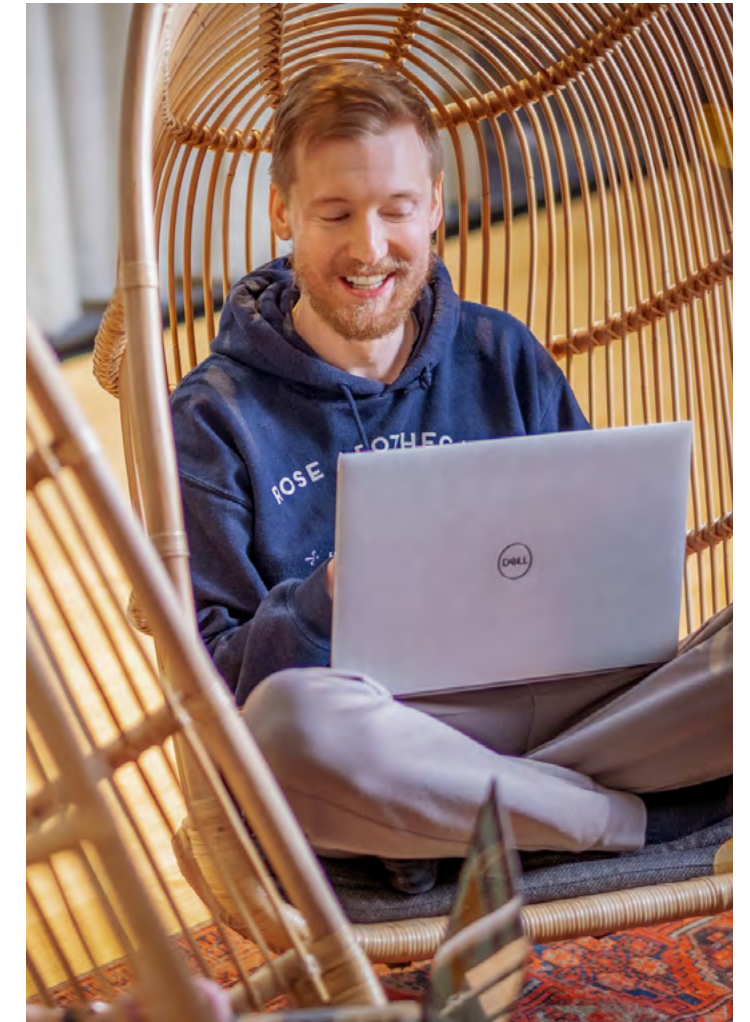
Each employee has a big role in that: how well you lift others around you is the ultimate measure of excellence.

Our guiding light in growing our team is that we don't look for a culture fit – we look for what each person brings to our culture and values to make them richer. This year we made an important and very concrete commitment to reach 50% of non-male identifying employees in our staff by 2030. It's a long road: something we are eager to start building with other parties in the industry. We believe the rewards will be well worth it.

Currently, we come from a wide range of backgrounds, with 28 nationalities and 22% other than male-identifying employees, we are prepared to work hard to achieve an even more diverse Next Games. In 2020 we also set up a special interest group focusing on diversity, inclusion and belonging that welcomes employees to participate across the whole company. We have also put considerable effort into ensuring equal and fair pay as well as ensuring our recruitment process is free of any unintentional bias.

We continue to invest in learning and development, as seen in our Game Development Academy program, now in its second year. By lowering the barrier to entry, we're bringing in a more diverse group of fresh talent, and seeing the benefits in how quickly they integrate to our production teams on graduation.

Wellbeing at work and in relation to one's personal life is so important to us that we changed our occupational healthcare provider to focus on mental health and early intervention. We don't boast about overtime, on the contrary, we're proud of tracking it and discouraging it. We're experienced enough to know that overtime doesn't work over time.



2030 goal of non-male identifying employees in workforce

50%

CORPORATE RESPONSIBILITY CONTINUED



We want people to enjoy our games for the right reasons – to have fun.”

Society and the environment

Operating in an environmentally aware fashion is important to us. We are committed to recycling our waste and saving energy wherever possible, such as by using motion detectors and timers in lighting.

We are nearly paper-free and aim to further reduce printing and the use of paper in our office. We are optimizing the use of our work equipment, which leads to longer life-cycles for devices.

We are an active contributor with an advisor board seat in Neogames, a member-based non-profit game industry organization. Through Neogames we support and participate in the development of Finland's game industry. Through Neogames we are also an associate member of Playing for the Planet Alliance, a group of gaming-companies who have made voluntary, ambitious, specific, and time-based commitments to people and the planet.

CORPORATE RESPONSIBILITY CONTINUED

Responsible gaming

We want people to enjoy our games for the right reasons – to have fun.

At Next Games we take responsible gaming seriously and want to offer a source of entertainment that people over the legal age limit can enjoy in a safe, secure and fair environment. Responsible gaming is a driving force to maintain a sustainable business.

Next Games is serious about the age appropriateness of our games. We comply with content-based rating categories set by distribution channels, and we always aim to market our games to the appropriate age audience. Our Player Support makes sure we proactively remove inappropriate language and behavior from our games to create a positive and safe environment for players.



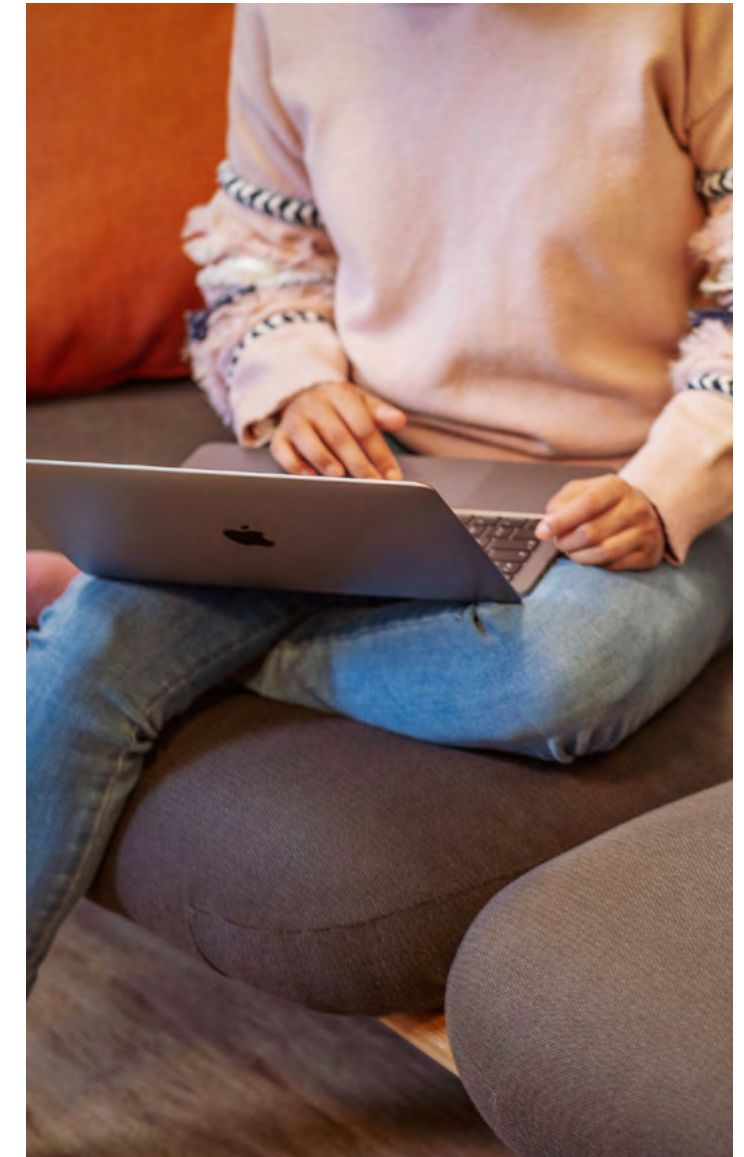
Just as with our internal practices at Next Games, we pay great attention to diversity, inclusion, and belonging within our communities. We are sensitive and alert to any form of hate speech or agenda-pushing in our spaces, and we promote diversity and inclusion through both our live events and our community policies, such as allowing players to choose their own pronouns on our chat servers.

Next Games is a member of Fair Play Alliance and part of the coalition of over 140 other gaming companies. Together we are committed to developing and sharing information to guarantee an active, safe, and fair game experience for all kinds of players.

We pay great attention to providing a responsible, safe and welcoming environments in our games and within our communities. We ensure that through:

- Instant automatic moderation of all user-generated content using state-of-the-art solutions.
- Manual moderation of discussions on our own channels, such as forums, and all the social media channels we operate.
- A clear set of community guidelines and strictly enforcing them.

- Focusing on creating supportive communities where players help each other and treat each other as friends.
- Treating and serving all players equally regardless of their level of engagement with our games.
- We help to get refunds for accidental purchases made by our players when reported to us. We also resolve cases related to unwanted purchases in favor of our players when possible (e.g. through swapping items in their inventory for others ones of similar value).
- We are fully compliant with GDPR regulations i.e. every player is able to quickly and easily get the information on the data we collect and process about them, and they can make a request to permanently delete all their data from our servers.
- We have a self-harm prevention policy in place and cooperate closely with local and foreign authorities when needed to protect our players from any potential physical harm.



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CORPORATE GOVERNANCE

C O R P O R A T E G O V E R N A N C E 2 0 2 1

Next Games applies the Finnish Companies Act, other regulations concerning public listed companies, Next Games' Articles of Association as well as the rules and regulations of Nasdaq Helsinki Ltd applicable to companies with their shares listed on the Nasdaq First North Growth Market Finland. Though Next Games strives to comply with the recommendations of the Finnish Corporate Governance Code, effective as of January 1 2018, the company does not report deviations from the Finnish Corporate Governance Code, as compliance with the Code is not mandatory for Next Games. The Finnish Corporate Governance Code is publicly available on the website of the Securities Market Association at www.cgfinland.fi.

This Corporate Governance Statement has been issued as a separate report and the Audit Committee of Next Games has reviewed it. The Statement has been published on the company's website at www.nextgames.com.

Deloitte Oy, Authorized Public Accountants, as the company's auditor has checked that the Statement has been issued and that the description of the main features of the internal control and risk management system in relation to the financial reporting process are consistent with the financial statements.

General

Next Games' administrative bodies and officers with the greatest decision-making power are the General Meeting of Shareholders, the Board of Directors and the CEO. Next Games does not have a supervisory board. At the Annual General Meeting of Shareholders, the shareholders approve the financial

statements, decide on the distribution of profits, select the members of the Board of Directors and the auditor and determine their remuneration, as well as decide on amendments to the Articles of Association if necessary.

Next Games' shares are listed on the Nasdaq First North Growth Market Finland.

Shareholder's Meetings

Next Games' Annual General Meeting is convened by the Board of Directors. According to the Articles of Association, the Annual General Meeting of Shareholders shall be held within six months from the expiry of the financial period on a date decided by the Board of Directors. The Annual General Meeting will be organized in Next Games' registered domicile, Helsinki, Finland. The notice to the General Meeting shall be published on the company's website no earlier than three (3) months and no later than three (3) weeks prior to the meeting, however always at least nine (9) days prior to the record date of the General Meeting. A shareholder wishing to attend the meeting shall register in advance in the manner and no later than on the date set out in the notice, which date may not be earlier than ten (10) days prior to the meeting.

Annual General Meeting 2021

Next Games' Annual General Meeting was held on Wednesday, March 31 2021 in Helsinki.

BOARD OF DIRECTORS AND BOARD COMMITTEES

Composition and Term of the Board of Directors

The members of the Board of Directors are elected in the Annual General Meeting of the company.

The term of office of the members of the Board of Directors expires at the end of the next annual general meeting following the election.

Next Games' major shareholders propose the composition of the Board of Directors. The proposal takes into account the company's business operations, their development and the strategy of the company. The main objective hereby is to ensure that the composition of the Board of Directors supports the company's business operations and strategic priorities in the optimal manner. Diversity of the Board of Directors is essential for the aforementioned objective. Diversity of the Board of Directors is reviewed from different perspectives, including gender and age diversity. The progress in achieving the objective is reviewed regularly. The Director elected to the Board of Directors shall have the required competence for the position, and sufficient amount of time to attend to the duties of the position.

Next Games' Annual General Meeting was held on March 31 2021. The Annual General Meeting elected the following members to the company's Board of Directors:

Petri Niemi

Chairman of the Board of Directors

Born: 1961

Nationality: Finnish

Education: Master of Science, Engineering

Appointed to the Board: February 23 2017

Significant employment history:

- G2 Invest Oy, CEO, 2011-
- CapMan Oyj, Head of CapManTechnology, 1999-2010

Positions of Trust:

- Detection Technology Oyj, Member of the Board of Directors, 2012-
- Insta Group Oy, Member of the Board of Directors, 2011-
- Lounea Oy, Member of the Board of Directors, 2017-
- Leaddesk Oy, Chairman of the Board of Directors, 2017-
- Autori Oy, Chairman of the Board of Directors, 2018-
- Clausion Oy, Chairman of the Board of Directors, 2018-
- Wega Advisors Oy, Chairman of the Board of Directors, 2017-
- Bilot Consulting Oy, Chairman of the Board of Directors, 2016-
- B10 Group Oy, Chairman of the Board of Directors, 2015-

Shares ownership:

Ownership of shares and share based rights in the company and its group companies at the end of the financial period 2021:

- 7,000 shares
- 1,400 option rights under the Equity Plan 2017

Shares and share based rights of the corporation over which the Director exercises control in the company and its group companies at the end of the financial period 2021: 0.

Nicholas Seibert

Member of the Board of Directors

Born: 1990

Nationality: U.S.

Education: Bard College

Appointed to the Board: September 25 2019

Significant employment history:

- AMC Networks, VP - Corporate Development, 2017- GAMCO Investors, Inc., Analyst, 2014-2017
- Bank of America Merrill Lynch, Investment Banking - Mergers & Acquisitions, 2012-2014

Shares ownership:

Ownership of shares and share based rights in the company and its group companies at the end of the financial period 2021:

- 0 shares
- 0 option rights

Shares and share based rights of the corporation over which the Director exercises control in the company and its group companies at the end of the financial period 2021: 0.

Peter Levin

Member of the Board of Directors

Born: 1970

Nationality: U.S.

Education: University of Southern California

Appointed to the Board: June 30 2014

Significant employment history:

- Griffin Gaming Partners 2019-
- Lionsgate, President: Interactive Ventures & Games, 2014-2019
- Legendary Entertainment, Co-President Digital Strategy, 2012-2013
- Nerdlist Industries, Chief Executive Officer, 2009-2013

Positions of Trust:

- DEFY Media, Member of the Board of Directors, 2016- Telltale Games, Member of the Board of Directors, 2014-
- Yoshimoto Kogyo, Advisor, 2005-

Shares ownership:

Ownership of shares and share based rights in the company and its group companies at the end of the financial period 2021:

- 53,336 shares
- 0 option rights

Shares and share based rights of the corporation over which the Director exercises control in the company and its group companies at the end of the financial period 2021: 0.

BOARD OF DIRECTORS AND BOARD COMMITTEES

CONTINUED

Jari Ovaskainen

Member of the Board of Directors

Born: 1964

Nationality: Finnish

Education: Master of Economics, University of Turku

Appointed to the Board: April 25 2013

Significant employment history:

- Iobox Oy, CEO, 1999–2000

Positions of Trust:

- Preon Ventures Oy, Chairman of the Board of Directors, 2016–
- Snowprint Studios AB, Member of the Board of Directors, 2016–
- 900 Seconds Oy, Chairman of the Board of Directors, 2015–
- PlayRaven Oy, Member of the Board of Directors, 2014–
- The Button Corporation Oy, Member of the Board of Directors, 2014–
- Stylewhile Oy, Chairman of the Board of Directors, 2013–2016
- Boomlagoon Oy, Member of Board of Directors, 2013–2016
- Miivies Oy, Chairman of the Board of Directors, 2010–
- Atacama Labs Oy, Chairman of the Board of Directors, 2005–

Shares ownership:

Ownership of shares and share based rights in the company and its group companies at the end of the financial period 2021:

- 8,578,068 shares
- 0 option rights

Shares and share based rights of the corporation over which the Director exercises control in the company and its group companies at the end of the financial period 2021: 0.

Elina Anckar

Member of the Board of Directors

Born: 1968

Nationality: Finnish

Education: Master of Economics, University of Turku

Appointed to the Board: May 21 2019

Significant employment history:

- Marimekko Oyj, Chief Financial Officer, 2015– A-lehdet Oy, Chief Financial Officer, 2013–2015
- Teliasonera Oy, Broadband Services, VP, Head of Business Control, 2012–2013
- Sodexo Oy, Chief Financial Officer, 2007–2012
- H&M Hennes & Mauritz Oy, Country Controller, 2002–2007
- Nokia Oyj, Controller, 1999–2002
- Cultor Oy, Controller, 1995–1999

Positions of Trust:

- Kalevala Koru Oy, Member of the Board of Directors, 2014–
- Finnish Design Shop Oy, Member of the Board of Directors 2013–2015

Shares ownership:

Ownership of shares and share based rights in the company and its group companies at the end of the financial period 2021:

- 0 shares
- 0 option

Shares and share based rights of the corporation over which the Director exercises control in the company and its group companies at the end of the financial period 2021: 0.

Riikka Tieaho

Member of the Board of Directors

Born: 1975

Nationality: Finnish

Education: LL.M, University of Helsinki;

LL.M, New York University School of Law

Appointed to the Board: March 31 2021

Significant employment history:

- WoltEnterprises Oy, General Counsel, 2020 –
- Nokia Oyj, VP, General Counsel, Mobile Networks and Global Services, 2017–2020
- Nokia Oyj, VP, Global Head of Corporate Legal, Secretary to the Board of Directors and leadership team, 2011–2017
- Nokia South Africa (Pty) Ltd, Johannesburg, South Africa, Senior Legal Counsel for sub-Saharan Africa and MEA, 2010–2011
- Nokia Oyj, various corporate and business legal roles, 2004–2009 and 1999–2002
- Cleary, Gottlieb, Steen & Hamilton, New York, International Lawyer, 2003

Shares ownership:

Ownership of shares and share based rights in the company and its group companies at the end of the financial period 2021:

- 0 shares
- 0 option rights

Shares and share based rights of the corporation over which the Director exercises control in the company and its group companies at the end of the financial period 2021: 0.

BOARD OF DIRECTORS AND BOARD COMMITTEES

CONTINUED

The Board evaluates the independence of its members annually in accordance with the Corporate Governance recommendations. On the basis of the independence evaluation carried out by the Board of Directors, all members of the Board of Directors except Jari Ovaskainen are independent of the company and its significant shareholders. Jari Ovaskainen is a major shareholder of the company.

Description of the operations of the Board of Directors

The Finnish Companies Act sets the ground for the operations of the Board of Directors. According to the Finnish Companies Act, The Board of Directors is responsible for the proper organization of the company's administration and operations. The CEO is responsible for the day-to-day management and development of the company in accordance with the instructions and orders of the Board of Directors.

The Board reviews all matters that are significant to or that have long-term effects on Next Games' business operations. The Board of Directors' main duties include, among other things:

- Appropriate arrangement of the control of the company's accounts and finances;
- Appointing and dismissing the CEO and deciding on his or her remuneration and other terms of service;
- Deciding on the strategy of Next Games;
- Controlling the implementation of the strategic objectives and business plans of Next Games; and
- Deciding on strategically or financially significant investments, business acquisitions.

In 2021, the Board of Directors held 16 meetings. The members of the Board attended the meetings as follows.

	Position	Board member since	Independent of the company and its significant shareholders	Attendance
Petri Niemi	Chairman	2017	Yes	16/16
Jari Ovaskainen	Member	2013	No	16/16
Peter Levin	Member	2014	Yes	12/16
Elina Anckar	Member	2019	Yes	16/16
Xenophon Lategan*	Member	2019	Yes	6/6
Nicholas Seibert	Member	2019	Yes	15/16
Riikka Tieaho**	Member	2021	Yes	10/10

*Xenophon Lategan was a Member of the Board until March 2021

**Riikka Tieaho was elected as a Member of the Board in March 2021

Right of the Board of Directors to Receive Information

The company has ensured that all directors have received sufficient information on the company's business operations, operating environment, and financial position and that the possible new directors have been properly introduced to the operations of the company.

Board committees

On February 23 2017, the Board of Directors decided to establish two permanent committees, an Audit Committee and a Remuneration Committee. The Board of Directors has not established other committees.

The committees prepare matters to be decided in meetings of the Board of Directors. The committees have no independent decision making powers. The Board of Directors annually appoints the members of the committees from among the members of the Board of Directors. The Board of Directors also has the power to dismiss members of the committees.

The Board of Directors elected by the Annual General Meeting on March 31 2021 appointed the following members to the committees:

Audit Committee:

Elina Anckar, Chairman of the Committee

Petri Niemi, Member of the Committee

Riikka Tieaho, Member of the Committee

Remuneration Committee:

Petri Niemi, Chairman of the Committee

Jari Ovaskainen, Member of the Committee

BOARD OF DIRECTORS AND BOARD COMMITTEES

CONTINUED

Audit Committee

The Board of Directors has defined the duties of the Audit Committee in the operating principles of the committee confirmed by it. The duties of the Audit Committee consist of, among others, supervising the efficiency of the company's accounting and financial reporting system as well as monitoring the company's statutory audit. The committee is also in charge of supervision of the matters and practices relating to corporate governance and, where necessary, it shall propose to the Board of Directors any required measures to develop corporate governance.

The Audit Committee consists of at least two and at most five members. The members of the Audit Committee shall be independent of the company and at least one member shall be independent of significant shareholders. The members of the Audit Committee shall have the qualifications necessary to perform the responsibilities of the committee, and at least one member shall have expertise specifically in accounting, bookkeeping or auditing.

In 2021, the Audit Committee held 2 meetings.

The members of the Board attended the meetings as follows.

	Position	Committee member since	Independent of the company and its significant shareholders	Attendance
Elina Anckar	Chairman	2019	Yes	2/2
Petri Niemi	Member	2017	Yes	2/2
Riikka Tieaho*	Member	2021	Yes	1/1

*Riikka Tieaho was elected as a Member of the Board in March 2021

Remuneration Committee

The Board of Directors has defined the duties of the Remuneration Committee in the operating principles of the committee confirmed by it. The Remuneration Committee assists the Board of Directors in preparing matters relating to the remuneration of the Management Team and other personnel of Next Games.

The Remuneration Committee consists of two members. In 2021, the Remuneration Committee held 1 meeting. The members of the Board attended the meetings as follows.

In 2021, the Remuneration Committee held 1 meeting. The members of the Board attended the meetings as follows.

	Position	Committee member since	Independent of the company and its significant shareholders	Attendance
Petri Niemi	Chairman	2020	Yes	1/1
Jari Ovaskainen	Member	2020	No	1/1

Chief Executive Officer

The CEO manages the daily operations of Next Games according to strategic principles and objectives confirmed by the Board of Directors. The CEO prepares matters on which decisions are to be made by the Board of Directors of the company, ensures that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner. The CEO also chairs the Management Team and manages and oversees the other members of the Management Team.

The Board of Directors appoints the CEO and decides on the remuneration of the CEO and the other terms of the CEO's service agreement. The CEO is appointed until further notice. The CEO of Next Games is Teemu Huuhtanen.

Management Team

The CEO is supported by the Management Team, the composition of which is confirmed by the Board of Directors. The Management Team does not hold authority or independent decision-making power based on legislation or the Articles of Association, and operates instead as an advisory and preparatory body in matters belonging to the Next Games' executive management. In the beginning of 2021 Next Games' Management Team consisted of six members. After the reorganization of the management team during the year, the management team consisted of seven members at the end of 2021.

The company has designated the Chief Financial Officer to receive market soundings on behalf of the company.

MANAGEMENT TEAM

**Teemu HUUHTANEN**

Chief Executive Officer

Born: 1971**Nationality:** Finnish**Education:** BBA, Preston University**Member of the Management Team as of:** 2013**Significant employment history:**

- Next Games, CEO, 2013–
- Rovio Entertainment Oy, Vice President, Mergers & Acquisitions, 2012–2013
- Sulake Corporation Oy, Executive Vice President, Mobile, Ad Sales, Business Development and Communications, 2011–2012
- Sulake Corporation Oy, Executive Vice President, Marketing and Business Development, 2006–2011
- Sulake Inc., President, 2006–2011
- Sulake Corporation Oy, Executive Vice President, Sales & Business Development, 2003–2006
- Small Planet Oy, Executive Vice President, 2002–2003
- Orchimedia Group Oy, Co-Founder and CEO, 1998–2002

Positions of Trust:

- Dark May Oy, Deputy Member of the Board of Directors, 2016–
- Armada Interactive Oy, Member of the Board of Directors, 2016–2020
- Rabbit Films Oy, Member of the Board of Directors, 2016–
- MAG Interactive, Member of the Board of Directors, 2014–
- Vaah Holdings Oy, Member of the Board of Directors, 2013–
- Helsinki GameWorks Oy, Deputy Member of the Board of Directors, 2014–2015
- Pilke Helsinki Oy, Member of the Board of Directors, 2012–2013

Shares ownership:

Ownership of shares and share based rights in the company and its group companies at the end of the financial period 2021:

- 172,919 shares
- 30,000 option rights under the Equity Plan 2015
- 844 option rights under the Equity Plan 2017
- 22,500 option rights under the Equity Plan 2018
- 140,000 option rights under the Equity Plan 2019
- 250,000 option rights under the Equity Plan 2020

Shares and share based rights of the corporation over which the Director exercises control in the company and its group companies at the end of the financial period 2021: 266,720 shares.

**Annina SALVÉN**

Chief Financial Officer

Born: 1988**Nationality:** Finnish**Education:** M.Sc, Finance and Business Administration**Member of the Management Team as of:** 2016**Significant employment history:**

- Next Games, CFO 2016–
- Greenstep Oy, CFO Services 2012–2016
- Aktia Pankki Plc, investment advisor, 2008–2010 and 2011–2012

Positions of Trust:

- Oy Multivalue Development Ab, Deputy Member of the Board of Directors, 2016–
- Brittingham Viking Organization, Chairman of the Board of Directors, 2015–2017
- Ab Djupsundsbygga Oy, Member of the Board of Directors, 2014–2017
- Ostinato Oy, Member of the Board of Directors, 2013–2016

Shares ownership:

Ownership of shares and share based rights in the company and its group companies at the end of the financial period 2021:

- 67,656 shares
- 7,965 option rights under the Equity Plan 2015
- 12,074 option rights under the Equity Plan 2017
- 49,129 option rights under the Equity Plan 2018
- 100,000 option rights under the Equity Plan 2019
- 150,000 option rights under the Equity Plan 2020

Shares and share based rights of the corporation over which the Director exercises control in the company and its group companies at the end of the financial period 2021: 0.

MANAGEMENT TEAM

CONTINUED



Saara Bergström

Chief Communications Officer

Born: 1979

Nationality: Finnish

Education: MA, Organizational Communication; BBA, Marketing

Member of the Management Team as of: 2014

Significant employment history:

- Next Games, Chief Communications Officer, 2021-
- Next Games, Chief Marketing Officer, 2014-2021
- Rovio Entertainment, VP, Marketing & Communications, 2013-2014
- Rovio Entertainment, Director, Consumer Engagement, 2011-2013
- Nokia, Marketing Manager, Community Management Lead, 2009-2011
- Nokia, Online Marketing Manager, 2008-2009
- Nokia, Marketing Specialist, 2007-2008
- Right Management, Communications Consultant, 2006-2007
- Freelance Journalist, Various publications, 2002-2005

Positions of Trust:

- Finnish Marketing Association, Board member 2017-2020
- Neogames, Advisor 2017- 2020
- Rovio Entertainment Corp, Member of the Management Team 2013-2014

Shares ownership:

Ownership of shares and share based rights in the company and its group companies at the end of the financial period 2021:

- 19,596 shares
- 19,726 option rights under the Equity Plan 2015
- 500 option rights under the Equity Plan 2017
- 60,500 option rights under the Equity Plan 2018
- 100,000 option rights under the Equity Plan 2019.
- 50,000 option rights under the Equity Plan 2020

Shares and share based rights of the corporation over which the Director exercises control in the company and its group companies at the end of the financial period 2021: 0.



Joonas Laakso

Chief People & Culture Officer

Born: 1978

Nationality: Finnish

Education: BA in Arts, Media, Design Management

Member of the Management Team as of: 2020

Significant employment history:

- Next Games, Chief People & Culture Officer, 2020-
- Next Games, Development Director, 2019-2020
- Next Games, Executive Producer, The Walking Dead: No Man's Land, 2016-2019
- Next Games, Production Lead, 2015-2016
- Remedy Entertainment, Producer, 2013-2015
- Bugbear Entertainment, Producer, 2008-2013
- Canon Oy, New Media Coordinator, 2007-2008
- Zeeland Oy, Project Manager, 2005-2007

Shares ownership:

Ownership of shares and share based rights in the company and its group companies at the end of the financial period 2021:

- 0 shares
- 6,793 option rights under the Equity Plan 2015
- 15,500 option rights under the Equity Plan 2018
- 100,000 option rights under the Equity Plan 2020

Shares and share based rights of the corporation over which the Director exercises control in the company and its group companies at the end of the financial period 2021: 0 shares.

MANAGEMENT TEAM

CONTINUED



Yiannis Alexopoulos

Chief Growth Officer

Born: 1983

Nationality: Greek

Education: MBA, Boston University Questrom School of Business

LL.B, National & Kapodistrian University of Athens, School of Law

Member of the Management Team as of: 2020

Significant employment history:

- Next Games, Chief Growth Officer, 2020–
- Next Games, Games Marketing Director, 2020–2020
- Next Games, Performance Marketing Director, 2018–2020
- Spil Games, Director of User Acquisition, 2017–2018
- Spil Games, Head of User Acquisition, 2015–2017
- Unalis Corporation, Marketing Manager, 2014–2015
- Appier, Business Development Manager, 2012–2014

Positions of Trust:

- Reducept, Advisor, 2020–
- Spil Games, Member of the Leadership Team, 2017–2018

Shares ownership:

Ownership of shares and share based rights in the company and its group companies at the end of the financial period 2021:

- 0 shares
- 21,495 option rights under the Equity Plan 2018
- 15,000 option rights under the Equity Plan 2019
- 100,000 option rights under the Equity Plan 2020

Shares and share based rights of the corporation over which the Director exercises control in the company and its group companies at the end of the financial period 2021: 0 shares.



Juha Matikainen

Chief Operating Officer

Born: 1980

Nationality: Finnish

Education: MSc. in Economics and Business Administration

Member of the Management Team as of: 2021

Significant employment history:

- Next Games, Chief Operating Officer, 2021–
- Next Games, Production Director, 2020–2021
- Remote Control Productions, Operations Director, 2018–2020
- Armada Interactive, COO, 2015–2018
- Seriously Digital Entertainment, General Manager, 2013–2015
- Grey Area, CFO, 2011–2013

Positions of Trust:

- Armada Interactive, Member of the Board of Directors, 2015–2018
- Dreamloop Games, Chairman of the Board of Directors, 2018–2021
- Remote control productions Finland, Chairman of the Board of Directors, 2018–2020

Shares ownership:

Ownership of shares and share based rights in the company and its group companies at the end of the financial period 2021:

- 0 shares
- 74,599 option rights under the Equity Plan 2020

Shares and share based rights of the corporation over which the Director exercises control in the company and its group companies at the end of the financial period 2021: 0 shares.

MANAGEMENT TEAM

CONTINUED



Tero Teelahti

Chief Technology Officer

Born: 1971

Nationality: Finnish

Education: Master of Science, Economics and Business Administration

Member of the Management Team as of: 2021

Significant employment history:

- Next Games, Chief Technology Officer, 2021–
- Next Games, Technology Director, 2020–2021
- Armada Interactive, CEO and co-founder, 2018–2020
- Armada Interactive, CTO and co-founder, 2015–2018
- Basware, Chief architect, 2012–2015
- Avanade, Manager, 2010–2012
- Avanade, Senior Consultant, 2007–2010
- VBS Net, Consultant, 1998–2007

Positions of Trust:

- Armada Interactive, Member of the Board of Directors, 2018–2020
-

Shares ownership:

Ownership of shares and share based rights in the company and its group companies at the end of the financial period 2021:

- 0 shares
- 65,000 option rights under the Equity Plan 2020

Shares and share based rights of the corporation over which the Director exercises control in the company and its group companies at the end of the financial period 2021: 0 shares.

CONTROL SYSTEMS

Next Games Board of Directors has approved the principles of internal control, risk management and internal auditing to be followed by the company. Internal Control Principles.

Internal Control Principles

The goal of Next Games internal control system is to ensure that the company's operations are efficient and profitable, that its business risk management is adequate and appropriate, and that the information created is reliable. The control system also makes it possible to oversee that the determined operating principles, given instructions and possible related party transactions are followed.

The company has no separate internal audit unit, and does not conduct internal audits. In practice, internal control is done by the Financial Department under the supervision of the CFO. The Audit Committee oversees the activities, and conducts a review of the finance department's performance based on the feedback of external auditors in conjunction with the Board of Directors. The goal is to make sure that the company minimizes risk by applying division of power within the financial process. This includes, but is not limited to, approval limits for management members, CEO and CFO as well as Chairman of the Board. Requirements of a minimum of two approvals for invoices, separation of payment and approval rights, limitations on access to view and edit financials, automated payment prevention for suspicious or duplicate invoicing, as well as general administration and accountancy policies which include monthly reviews on outsourcing activities and all significant partners.

Risk Management

Risk Management at Next Games coordinates and develops a systematic assessment of risks and opportunities within core business planning and decision-making processes. The company has defined a risk management policy that describes the objectives and principles, responsibilities and practices of risk management at Next Games.

The objective of Next Games' risk management is to ensure and support the strategic direction of the company, profitable performance, shareholder value, implementation of responsible operating practices and continuity of operations.

Next Games applies a business-oriented and comprehensive approach to risk assessment and management. This means that key risks are systematically identified, assessed, managed, monitored and reported as part of business operations in the company. The following principles are applied to the Next Games' risk management:

- Objectives are set taking business possibilities and risks into account.
- Continuity of operations is maintained by safeguarding critical functions and the resources they require.
- Information on risks and risk management is provided to stakeholders in accordance with Next Games' corporate governance principles.
- Opportunities for misconduct or any fraudulent activities are minimized.

This risk management model is used in the identification and management of risks which

threaten Next Games' objectives. Risk identification is based on business objectives and opportunities and the defined risk appetite in order to limit excessive risk taking. Risks are prioritized on the basis of their significance by assessing the impact and likelihood of their materialization and the level of risk management actions.

The members of management are responsible for the execution of the company's risk management strategy. Every Next Games employee must know and manage the risks of their responsibility area. The Management team members guide and develop the company's risk management and support operations in the execution of risk management and in risk reporting.

The Management Team regularly monitors the execution of risk management actions and reports to the Audit Committee and Board of Directors on the risks and the progress of risk management responses. The sufficiency and effectiveness of the responses are assessed as part of the monitoring of business operations. Any corrective actions are taken as necessary.

Risks and management responses are reported in accordance with Next Games' reporting responsibilities. The Management Team reviews and updates risk reporting on a bi-annual basis, or on a quarterly basis, if needed. The risk map, the most significant risks and uncertainties, as well as material changes in and responses to them are reported to the Next Games Board of Directors.

Financial Reporting

Financial reporting is governed by a set of common principles. Correct financial reporting for Next Games means that its financial statements give a true and fair view of the operations and the financial position of the company and that such statements do not include intentional or unintentional misstatements or omissions both in respect of the figures and level of disclosure. The internal control framework is built and based on reporting processes and frameworks as described here, as well as company values, a culture of honesty and high ethical standards. Such a framework is promoted by proper training, a positive and disciplined work attitude and by the hiring and promoting of suitable employees.

Next Games has previously applied FAS accounting standards, but as of 2018 has moved into IFRS reporting standards. The CFO at Next Games has drawn up guidelines and internal control process documentation which is updated as needed, at least once a year, which covers the content of financial reporting and the dates which reporting must take place.

The company utilizes a cloud based accounting software and has outsourced bookkeeping, payroll and invoicing. Internal company functions include analytics software, analysts, financial controller and CFO.

The company continuously identifies significant items affecting the P&L and sets up systems and processes to ensure their completeness, existence and accuracy.

CONTROL SYSTEMS

CONTINUED

Planning and performance reporting

Next Games sets and monitors financial targets both for the long term and the short term. Long term targets are defined to match the overall mission, vision and strategy of the company. Short term targets are set as part of the annual planning cycle and progress in achieving these targets is monitored on a monthly basis.

Budgets are updated every six months, and projections on how sales and cash-flow are expected to develop over the remaining reporting period is updated on a monthly basis.

The company utilizes a roadmap model to identify key features and their expected impact on the games performance to be developed over the financial year for published games. The same roadmap model is utilized to plan and execute product development for new games. Roadmaps include both timelines, deadlines, financial targets as well as gates the games have to go through in order to move to the next stage in development.

Next Games' financial reporting is based on the monthly management reporting process. This process includes in-depth analyses of deviations between actual performance, budgets, prior year performance and latest forecasts for the business. The process covers financial information as well as key performance indicators that measure the operational performance on a business unit and corporate level. The process is designed to ensure that any deviations from plans, in terms of financial or operating performance and financial management policies are identified, communicated and reacted upon efficiently, in a harmonized and timely manner.

Auditing of accounts

Pursuant to the Articles of Association, the company shall as its auditor elect an auditing firm registered in the auditor register maintained by the Finnish Patents and Registration Office. The auditor's term of office expires at the end of the next annual general meeting following the election.

The Auditor of Next Games is Deloitte Oy. Mikko Lahtinen, APA, acts as the Auditor with principal responsibility.

Next Games paid a total of 67,500 euros of statutory auditing fees. In addition, the company paid to the auditor a total of 7,500 euros for assignments as described in Chapter (1141/2015) 1, 1§, section 2 of the Auditing Act, and fees for other consulting services in total of 30,450 euros.

Insider Management

In matters regarding insiders, Next Games complies with the applicable legislation and FFSA standards, the insider guidelines of Nasdaq Helsinki Ltd and the company's own insider guidelines, in each case as required from companies listed on the Nasdaq First North Growth Market Finland.

Persons discharging managerial responsibilities at Next Games are subject to a so called "closed period", which begins 30 calendar days before the announcement of a half year report, business report or financial statement bulletin or preliminary information thereon and during which time such persons may not conduct any transactions relating to the shares or other financial instruments of Next Games. The closed period also applies to the

company's annual financial report. The closed period includes the day on which Next Games has disclosed the above mentioned information.

The scope of the persons subject to the closed period includes also Next Games employees who are involved in the preparation of Next Games' annual financial reports, half year reports, business reports or financial statement bulletins, or otherwise regularly receive information regarding the contents of annual financial reports, half-year reports, business reports or financial statement bulletins before they are made public.

Management of the Related Parties

Next Games' related parties include its subsidiaries, associated company, the members of the Board of Directors, CEO, the members of the Management Team as well as shareholders with significant influence over the company. Related parties also include the close family members of these individuals and entities that are controlled or jointly controlled by a person identified as a related party. Transactions between the company and related parties are allowed, provided that they promote the purpose of the company and are conducted under prevailing market terms and in the interests of the company from the company's business perspective, as well as in compliance with effective regulations.

The Board of Directors monitors, evaluates and decides on any related party transactions that are not a part of the company's normal business. Any related party transactions are detailed in the notes to the financial statement.

REMUNERATION REPORT 2021

The main objectives of remuneration at Next Games are to promote competitiveness and long-term financial success of the company, contribute to the favorable development of shareholder value and increase the commitment of the company's key persons.

Remuneration of the members of the Board of Directors

The Annual General Meeting decides on the remuneration payable to the Board of Directors. The Remuneration Committee of the Board of Directors prepares the matters related to the remuneration payable to the Board of Directors.

On March 31 2021, the Annual General Meeting resolved that the annual remuneration payable to the members of the Board be as follows:

- Chairman of the Board of Directors – 4,500 euros per month,
- Other members of the Board of Directors – 2,500 euros per month, and
- Chairman and members of the Audit and Remuneration Committees – 1,000 euros per committee meeting.

The remuneration is payable in cash.

Given that certain members of the Board of Directors may under applicable internal policies of their respective employers be restricted from receiving personal remuneration for their service as members of the Board of Directors, remuneration is paid only to those members of the Board of Directors who have notified the company of their willingness to receive remuneration.

In addition, the company has paid out expense reimbursements to the members of the Board of Directors in accordance with the company's policy from time to time. The members of the Board of Directors have no supplementary voluntary pension plans with the company. There are no agreements based on which the members of the Board of Directors would be entitled to any additional benefits upon termination of their service.

Remuneration of the CEO

The Board of Directors decides on the remuneration and other benefits payable to the CEO as well as on the other terms of the CEO's service relationship.

Remuneration of other management

The CEO decides on the remuneration payable to the other members of the Management Team.

Upon termination of their service or employment relationship, the members of the Management Team are entitled to receive their salary for the duration of the applicable notice period. There are no agreements based on which the members of the Management Team would be entitled to any additional benefits upon termination of their service or employment relationship. The pensions of the members of the Management Team are arranged using statutory pension insurances, and the members of the Management Team have no supplementary voluntary pension plans with the company.

Incentive schemes

Profit Share Plan

The Board of Directors annually approves a profit share plan for the company. The Remuneration Committee prepares matters related to the terms of the profit share plan. The profit share plan encompasses all staff and the members of the Management Team. The profit share plan consists of set sales and profitability targets, both of which must be met, in order to trigger payouts. Payouts differ depending on applicable tiered sales and profitability levels. Sales and profitability targets are determined at a company level, as Next Games believes it takes the efforts and commitment of all staff, at all levels and disciplines to grow the company. Personnel is rewarded on a personal level depending on how long they have been with the company, as continued commitment is highly valued. Payouts can never exceed 12 months of salary for any individual, nor can the total bonus pool exceed 1/4 of pre-bonus operating profit.

In 2020, the Board of Directors approved a profit share plan for the year 2021. As the company made no operating profit in 2021, there were no payouts based on the profit share plan.

Share-based incentive plans

Next Games issues yearly share-based incentive plans, which includes the entire staff. During 2021 the company had five (5) share based incentive plans. Based on the equity plans, current and future employees of, consultants acting in a key role for and members of management of the company and its group companies are eligible, as separately decided by the Board of Directors, to receive option rights entitling to subscribe to shares in the company. The Remuneration Committee prepares matters related to allocation of option rights based on the equity plans.

Equity Plan 2015

In October 2015, the shareholders of the company approved the company's 2015 equity plan. Pursuant to the authorization, the number of options granted to be issued under the plan was up to 183,182. Issuance of options under the program has ended. The plan is subject to an individually agreed subscription period, which began in October 2016. Each option right issued under the plan entitles its holder to subscribe for four new shares at the subscription price of 2.66–5.10 euros (implied per share subscription price 0.67–1.28 euros). During the reporting period 3,496 option rights were exercised (excluding option rights that have been canceled or forfeited), which entitles to 13,984 shares. As at December 31 2020 there were 75,398 outstanding option rights issued under the plan, equivalent to 301,592 shares. The Board of Directors approved a prolonged subscription period, and the new subscription period ends December 31 2025.

REMUNERATION REPORT 2021

CONTINUED

Equity Plan 2017

In February 2017, the shareholders of the company approved the company's 2017 equity plan. Pursuant to the authorization, the number of shares can be increased in the aggregate by a maximum of 350,000. Issuance under the program has ended. The plan is subject to an individually agreed subscription period that is ongoing and began July 2018. Each option right issued under the plan entitles its holder to subscribe to one share at the subscription price of 1.14–7.90 euros. The Board of Directors reserves the right to adjust the subscription price four times a year, if necessary, such that it is never more than 50% below market price at the date of issuance. During the reporting period 4,648 option rights were exercised (excluding option rights that have been canceled or forfeited), which entitles to 4,648 shares. As at December 31 2021 there were 113,469 outstanding option rights issued under the plan, equivalent to 113,469 shares. The Board of Directors approved a prolonged subscription period, and the new subscription period ends December 31 2027.

Equity Plan 2018

In July 2018, the shareholders of the company approved the company's 2018 equity plan. Pursuant to the authorization, the number of shares can be increased in the aggregate by a maximum of 730,000. Issuance under the program ended January 15 2019. The plan is subject to an individually agreed subscription period that is ongoing and began July 2019. Each option right issued under the plan entitles its holder to subscribe to one share at the subscription price of 1.14–6.17 euros. During the reporting period 7,500 option rights were exercised (excluding option rights that have been canceled

or forfeited), which entitles to 7,500 shares. As at December 31 2021 there were 318,010 outstanding option rights issued under the plan, equivalent to 318,010 shares. The Board of Directors approved a prolonged subscription period, and the new subscription period ends December 31 2028.

Equity Plan 2019

In July 2019, the shareholders of the company approved the company's 2019 equity plan. Pursuant to the authorization, the number of shares can be increased in the aggregate by a maximum of 925,000. Issuance under the program ended November 21 2020. The plan is subject to an individually agreed subscription period that is ongoing and began July 2020. Each option right issued under the plan entitles its holder to subscribe to one share at the subscription price of 0.85–1.38 euros. The Board of Directors reserves the right to adjust the subscription price four times a year, if necessary, such that it is never more than 50% below market price at date of issuance. During the reporting period 15,650 options rights were exercised (excluding option rights that have been canceled or forfeited), which entitles to 15,650 shares. As at December 31 2021 there were 591,985 outstanding option rights issued under the plan, equivalent to 591,985 shares. The Board of Directors approved a prolonged subscription period, and the new subscription period ends December 31 2029.

Equity Plan 2020

In February 2020, the shareholders of the company approved the company's equity plan for the years 2020 & 2021. Pursuant to the authorization, the number of shares can be increased in the aggregate

by a maximum of 1,500,000. Issuance under the program is active until December 31 2022. During 2021, 1,290,020 options were issued, and 107,198 un-issued options exist under the plan. The plan is subject to an individually agreed subscription period that is ongoing and began June 2021. Each option right issued under the plan entitles its holder to subscribe to one share at the subscription price of 0.96–2.29 euros. The Board of Directors reserves the right to adjust the subscription price four times a year, if necessary, such that it is never more than 50% below market price at date of issuance. During the reporting period 3,450 options rights were exercised (excluding option rights that have been canceled or forfeited), which entitles to 3,450 shares. As at December 31 2021 there were 1,362,053 outstanding option rights issued under the plan, equivalent to 1,362,053 shares. The Board of Directors approved a prolonged subscription period, and the new subscription period ends December 31 2030.

All of Next Games employees, whose probation period ended by the end of 2021 are option holders. The company intends to continue granting options to all new employees at the end of their probation period as a long term incentive.

Unless otherwise decided by the Board of Directors, option rights are issued to recipients free of charge, and the subscription price for the shares is defined in each equity plan. The company has typically applied a schedule where the option rights entitle to share subscription in annual installments of 25% each, starting from one full year following the grant date is applied, subject in each case to the recipient

continuously providing services to the company as an employee, consultant, member of the Board of Directors or Management team (excluding CEO). If a recipient's services with Next Games ceases for any reason (a "termination"), all unexercised options rights that do not yet entitle to share subscription automatically terminate and are forfeited to the company. If a recipient whose service with Next Games has terminated holds options rights that entitle to share subscription, he or she is entitled to exercise such option rights within 30 days from the date of termination, at which point the option rights that remain unexercised automatically terminate and are forfeited to the company.

As a result of exercises of option rights during 2021, a total of 57,807 new shares in the company were registered with the Finnish Trade Register. The subscription price for the shares was determined individually for each subscriber in accordance with the applicable equity plan and stock option agreement.

Directed Share Issue for Personnel

No directed share issue for personnel was made during the financial year 2021.

REMUNERATION REPORT 2021

CONTINUED

The fees paid to the members of next games' board of directors 2020–2021

EUR1,000	Fee for board work 2021	Fee for board work 2020	Option rights granted in the financial year (1,000 pcs) 2021	Option rights granted in the financial year (1,000 pcs) 2020
Petri Niemi	54	54	-	-
Jari Ovaskainen	-	-	-	-
Peter Levin	30	30	-	-
Xenophon Lategan	7.5	30	-	-
Elina Anckar	30	30	-	-
Nicholas Seibert	-	-	-	-
Riikka Tieaho	-	-	-	-

Salaries paid and option rights granted to the CEO 2020–2021

EUR million	Salary 2021	Salary 2020	Option rights granted in the financial year (1,000 pcs) 2021	Option rights granted in the financial year (1,000 pcs) 2020
CEO	0.4	0.2	250	-

Salaries paid and option rights granted to other management 2020–2021

EUR million	Salary 2021	Salary 2020	Option rights granted in the financial year (1,000 pcs) 2021	Option rights granted in the financial year (1,000 pcs) 2020
Management team (excluding CEO)	0.9	0.7	415	-

The salaries of the CEO and the Management team includes the following: fixed salary, variable remuneration components such as financial benefits based on short- and long-term incentive schemes, fixed and variable remuneration components, supplementary pension contributions and other financial benefits such as fringe benefits, signing bonuses, retention bonuses or severance packages.

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BOARD OF DIRECTOR'S REPORT

Next Games, founded in 2013, is a Finnish developer and publisher of license-based, free-to-play mobile games. The company became the first listed game company in Finland (Nasdaq First North Growth Market Finland). The group's business operations are run by its parent company, which operates the full game development and publishing life-cycle from game development to publishing, marketing and sales. The games are available to consumers on Apple's and Google's app stores and are based on third-party brands or global entertainment franchises, such as movies, TV-series or books.

Important Events in 2021

Q1

Accelerated Book-Building, EUR 4.2 million from existing investors

Q2

Management Team re-enforced with new CTO and COO
EBITDA positive during H1

Q3

2nd Developer Academy Kick-Off
AMC & Next Games celebrate The Walking Dead: No Man's land 6th Anniversary
Stranger Things: Puzzle Tales Launch on key markets

Q4

Three new game teams established
New co-development agreement signed

Key Figures

EUR million	2021	2020	2019
Company			
Revenue	25.2	27.2	34.7
Gross Profit	13.5	14.3	19.7
EBITDA	-0.6	0.5	-3.5
Operating Result (EBIT)	-5.6	-3.4	-7.4
Adjusted Operating Result	-1.2	-0.1	-4.0

Gross profit %	54%	52%	57%
EBITDA %	-3%	2%	-10%
Operating Result (EBIT) %	-22%	-12%	-21%
Adjusted Operating Result %	-5%	0%	-11%
Publishing Operations' Profitability			
EBITDA	5.6	6.4	3.8
EBITDA %	22%	24%	11%
Research and Development Key Figures			
Investments	5.5	3.5	2.4
Expenditure	9.4	7.0	7.6

Outlook 2022

The company will aim to improve the performance of key games and continue developing new games in 2022. Next Games expects R&D and Administration costs to maintain a similar level to 2021.

Basis for outlook

The company's decision to not issue a revenue or profitability outlook for 2022 is based on the uncertainty of predicting revenues for new titles. The company will revisit giving an outlook once one can be reliably given.

Dividend Policy

Next Games does not have a defined dividend policy. All shares carry equal rights to dividends and other distributions of the company after the shares have been registered in the Trade Register.

Dividend Proposal

The parent company's distributable funds on December 31 2021 were EUR 1.9 million, of which EUR -9.9 million consisted of a loss for the financial year ended December 31 2021. The Board of Directors proposes to the Annual General Meeting that the loss for the financial year ended December 31 2021 be recognized as retained earnings and that no dividend be paid for the financial year ended December 31 2021. 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.

BOARD OF DIRECTOR'S REPORT

CONTINUED

Financial Review 2021

In 2021, Next Games' revenue was EUR 25.2 (27.2) million, a decline of 7% compared to the previous year. In the second half of 2021, revenues amounted to EUR 12.9 (12.8) million with revenues growing in the fourth quarter by 12% in comparison to fourth quarter 2020. Next Games EBITDA decreased in 2021, and was -0.6 (0.5) million euros. Next Games' comparable operating profit (EBIT) decreased to EUR -5.6 (-3.4) million.

Revenues consisted primarily of The Walking Dead: Our World and The Walking Dead: No Man's Land. In the second half of the year Stranger Things: Puzzle Tales was released to the market. As expected games require higher proportional marketing investments in the beginning, which affect publishing profitability for the fourth quarter of 2021. During 2021, Publishing Operations' EBITDA was EUR €5.6M (6.4) million, 22% (24%) of revenues.

The largest country in terms of revenue was the United States 51% (45%). The majority of net sales were 87% (95%) from in-game purchases, 6% (5%) from advertising revenue and a new revenue stream from Co-Development deals consisting of 7% of sales. There was a slight change in the distribution of revenue per platform compared to the previous year; revenue on iOS was impacted by IDFA as targeting shifted towards Android, and Google Play revenues were 51%, iOS 42%, when previously revenues have been evenly split between Apple's App Store and Google Play app stores (50%). In addition, co-development revenues are 7% (-%), which is outside platform-specific sales.

The loss for the financial year was EUR -5.3 (-3.9) million. Financial income and expenses were EUR -0.0 (-0.5) million. Taxes for the period were EUR 0.3 (0.2), due to changes in deferred taxes. Earnings per share were EUR -0.18 (-0.14).

In 2021, Business Finland paid grants equivalent to EUR 0.6 (0.3) million as part of second and third stage funding. Funding is related to Next Games "MINERAL" project. The project started in December 2019 and is expected to end in May 2022. The project aims at increasing the efficiency of the company's games' functionalities, in-game advertising and user acquisition by utilizing machine learning and AI. Through research, the goal is to enhance understanding as well as produce practical technical implementations on Next Games technology platform that support efficient utilization of machine learning and AI. 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.

The company transitioned to working from home in 2020, which continued throughout 2021. Despite the exceptional circumstances Next Games was able to continue game development in a normal fashion. The effects of the COVID-19 pandemic have been minor on the company's gaming business, as a result of which there have been no changes in the timing of revenue recognition, goodwill, capitalization of the development costs or impairments. Recognition of revenue has been impacted by seasonal player behavior

which is typical during the reporting period. The company has estimated that the continued pandemic will not have a significant impact on business.

As expected, the global games market declined by 1.1% year-on-year to a total of \$175.8 billion in 2021, as it adjusted itself back to a +8.7% CAGR (2019 to 2024) longer-term trend after the record-breaking 2020. COVID-19-related operational challenges faced primarily by PC and console segments also contributed to this negative growth. Mobile gaming maintained positive +4.4% year-on-year growth in 2021 and generated a total of \$90.7 billion in revenues. It now represents more than half of the entire global games market, and more than 90% of this year's global gamers play via mobile. iOS 14.5 update and effective IDFA deprecation caused major disruption to mobile user acquisition and significantly impaired developers' ability to target high-value players through marketing campaigns, with some companies reporting -15% to -35% revenue loss for iOS. Value of IP in gaming increases, as user acquisition becomes more expensive and competition for players fiercer. Familiarity plays an important role in the decision to install a game, as less than a quarter of Americans report trying mobile games they have never heard of.

Cashflow, Financing and Balance Sheet

The balance sheet total in 2021 was EUR 33.5 (30.1) million and equity ratio was 57% (67%). The terms of the company's lease changed during the period, and as a result Right of Use assets increased by EUR 1.7 million with liabilities increasing EUR 2.1 million.

EUR million	Dec 31 2021	Dec 31 2020	Dec 31 2019
Non-current assets	26.3	21.9	21.7
Current assets	7.2	8.2	12.9
Total assets	33.5	30.1	34.6
Equity	18.6	19.4	22.8
Total liabilities	14.9	10.7	11.8
Long-term liabilities	4.9	2.7	3.7
Short-term liabilities	10.0	8.0	8.1
Total equity and liabilities	33.5	30.1	34.6

At the end of the financial year 2021, cash and cash equivalents decreased by EUR 2.1 (3.4) million to EUR 2.2 (4.3) million.

BOARD OF DIRECTOR'S REPORT

CONTINUED

Net cash flow from operating activities turned negative in 2021. Total net cash flow from operating activities in the reporting period amounted to EUR -0.9 (1.8) million. Net cash flow from operating activities was affected by scaling of Stranger Things: Puzzle Tales, which required upfront marketing investments.

Cash flow from financing activities was EUR 4.1 (-1.3) million in 2021. In the reporting period cash flow from financing was mostly influenced by the Company's directed share issue of EUR 4.2 million in March 2021.

Next Games continued to invest into product development and cash flow from investing activities for the full fiscal year was EUR -5.5 (-3.5) million. The Group finances its operations mainly with equity financing and revenue from business operations. The company has also received Business Finland grants and loans, and a related party loan.

Business Review

Publishing

Next Games publishing operations include revenues and expenses directly attributable to its published games, in addition to an allocated share of the company's general expenses proportional to the number of employees working on published games. Publishing activities represent the profitability of the company's business, without the costs associated with the product development of unpublished games.

In 2021 the company maintained its improved profitability of publishing operations with both No Man's Land and Our World as flagships of profitability. In the second half of the year Stranger Things: Puzzle Tales was released to the market. As expected games require higher proportional marketing investments in the beginning, which affect publishing profitability for the fourth quarter of 2021. The publishing profitability was also affected by the start of the co-development project during the fourth quarter of 2021. During 2021, Publishing Operations EBITDA was EUR €5.6M (6.4) million, 22% (24%) of revenues.

COMBINED KEY OPERATIONAL METRICS OF PUBLISHED GAMES

	Oct-Dec 2021	Jul-Sep 2021	Apr-Jun 2021	Jan-Mar 2021	Oct-Dec 2020
Gross Bookings (MEUR)	7.5	5.3	5.8	6.1	6.6
DAU	208,733	174,741	188,707	205,424	207,310
MAU	893,919	559,683	612,328	688,366	672,576
ARPPDAU (USD)	0.36	0.37	0.38	0.39	0.49
ARPPDAU (EUR)	0.31	0.31	0.32	0.32	0.41

PUBLISHING OPERATIONS' PROFITABILITY

EUR million	2021	2020	2019
Revenue	25.2	27.2	34.7
Gross Profit	13.5	14.3	19.7
Other Operating Income	-	0.1	-
Sales and Marketing costs	-9.9	-9.5	-17.6
Publishing Operations EBIT	3.6	4.8	2.1
Publishing Operations Depreciations	2.0	1.6	1.6
Publishing Operations EBITDA	5.6	6.4	3.8
EBITDA %	22%	24%	11%

Research and Development Activities

Next Games Research and Development activities consist of salaries as well as outsourced services. Research and Development activities increased during 2021. In total, activities amounted to EUR 6.7 (5.6) million and were related to both game and technology development.

During the reporting period, the company capitalized in accordance with IAS 38 EUR 5.5 (3.5) million. 61% (58%) of employees worked in R&D developing new products. During the last quarter of the year 2020 Next Games organized all the new game project initiatives under one unified umbrella unit called New Games. The goal of the newly formed New Games unit is to work as an internal incubator and accelerator for Next Games' new game initiatives. As of Q4 2021 there are four different game teams under the New Games umbrella.

RESEARCH AND DEVELOPMENT COSTS

EUR million	2021	2020	2019
Personnel expenses	-5.7	-4.5	-4.3
Outsourcing	-1.9	-0.8	-0.5
Share-based payments	-0.3	-0.2	-0.3
General cost allocation	-1.5	-1.6	-2.5
Total costs	-9.4	-7.0	-7.6
Depreciations	-2.8	-2.1	-1.3
Capitalization	5.5	3.5	2.4
Total	-6.7	-5.6	-6.6
Percentage of revenue	27%	21%	19%

BOARD OF DIRECTOR'S REPORT

CONTINUED

Other than Financial Information

Personnel

At the end of 2021, Next Games had 121 (104) employees who represented 28 (22) different nationalities. Of Next Games employees 78% (78%) were male identifying, 20% (22%) were female identifying, and 2% (1%) identified as other or non-binary. On average in 2021, the company employed 113 (109) people.

EUR million	2021	2020	2019
Salaries and Wages	3.6	4.6	5.0
Other Social Security Expenses	0.1	0.1	0.1
Share-based Payments	0.5	0.4	0.5
Pension Expenses	0.6	0.7	0.8
Total	4.8	5.8	6.5

Annual General Meetings

The Annual 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. For more information, see Authorizations.

Annual General Meeting

The annual general meeting of Next Games Corporation was held in Helsinki on March 31 2021. The meeting approved the financial statements for the financial period ended December 31 2020 and granted discharge from liability to all members of the board of directors and the managing director. In accordance with the proposal of the board of directors, the general meeting resolved not to distribute any dividends for the financial period ended on December 31 2020. The General Meeting authorized the Board of Directors to decide on the repurchase of the company's own shares, on the issuance of shares and/or the issuance of option rights and other special rights entitling to shares.

The annual general meeting confirmed the board of directors and the company's auditor. Appointed members of the Board of Directors were: Petri Niemi, Jari Ovaskainen, Peter Levin, Elina Anckar, Nicholas Seibert ja Riikka Tieaho. Audit firm Deloitte Oy was elected auditor of the company, with Authorised Public Accountant Mikko Lahtinen serving as the responsible auditor of the company.

The general meeting decided to support the presented remuneration policy for governing bodies. The general meeting approved a monthly compensation of EUR 4,500 for the chairman of the board of directors and EUR 2,500 for other members of the board of directors. In addition, a compensation of EUR 1,000 will be paid to the members of the remuneration committee and the audit committee for each committee meeting.

Furthermore, the travel expenses of the members of the board of directors will be compensated in accordance with the company's travel policy.

Valid Authorizations

On February 23 2017, the company's shareholders resolved unanimously to authorize the Board of Directors to decide on one or more directed share issues against consideration. By virtue of this authorization, the number of new shares issued based on the authorization shall not exceed 1,900,000 shares. Under the authorization, the Board of Directors may decide on a directed share issue in deviation from the shareholders' preemptive rights, provided that there is a weighty financial reason from the company's perspective, including the issue of shares for executing potential acquisitions or other corporate transactions, or for acquiring new licenses against the share consideration. Under the authorization, the Board of Directors has the right to decide on the other terms and conditions of a share issue. The authorization is valid for five years from the date it was granted, i.e. until February 23 2022. As at December 31 2021, the authorization remains fully unused. The authorization has expired February 23 2022.

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 authorized to decide on all other conditions of the issuance of shares and/or option rights. The authorization is valid until September 25 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 2021 a total of 1,365,503 shares from the authorization have been used, and 134,497 shares remain.

On May 27 2020, the General Meeting authorized the board of directors to decide on the issuance of shares and/or option rights or other special rights entitling to shares e.g. 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 2,700,000 shares in one or several tranches. However, a maximum of 1,396,000 shares may be issued for the purpose of implementing the company's incentive schemes. The authorization includes the right to decide on issuances of shares and/or option rights in deviation from the shareholders' preemptive rights (directed issue). The board of directors may decide to issue either new shares or treasury shares. December 31 2021 a total of 2,020,000 shares from the authorization has been used, and 680,000 shares remain.

BOARD OF DIRECTOR'S REPORT

CONTINUED

On March 31 2021, the General Meeting authorized the board of directors to decide on the repurchase and/or acceptance as pledge of a maximum of 1,800,000 own shares in one or more tranches. This authorization annuls the previous authorization, given by the Annual General Meeting on May 25 2020, on the repurchase and/or acceptance as pledge. The shares shall be repurchased using the company's unrestricted equity, on a multilateral trading facility in trading organized by Nasdaq Helsinki Ltd, due to which the repurchase will take place in a directed manner. The price paid for the shares shall be based on the price of the company's share on the multilateral trading facility, such that the minimum price of purchased shares is the lowest market price of the share quoted on the multilateral trading facility during the term of validity of the authorization and the maximum price, correspondingly, is the highest market price quoted on the multilateral trading facility during the term of validity of the authorization. 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 canceled. The authorization is valid until the end of the company's next Annual General Meeting, however not longer than June 30 2022. As at December 31 2021, the authorization remains fully unused.

On March 31 2021, the General Meeting authorized the board of directors to decide on the issuance of shares and/or option rights or other special rights entitling to shares e.g. 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 2,700,000 shares in one or several tranches. The authorization includes the right to decide on issuances of shares and/or option rights in deviation from the shareholders' preemptive rights (directed issue). The board of directors may decide to issue either new shares or treasury shares. The authorization does not annul any previous authorizations given to decide on the issuance of shares and/or option rights or other special rights entitling to shares. The authorization is valid until the end of the company's next Annual General Meeting, however not longer than June 30 2022. As at December 31 2021, the authorization remains fully unused.

Composition of the Board and its Committees

The Annual General Meeting March 31 2021 appointed the members of the Board of Directors. Members of the Board of Directors:

- Petri Niemi, Chairman of the Board
- Jari Ovaskainen, Member of the Board
- Peter Levin, Member of the Board
- Elina Anckar, Member of the Board

- Nicholas Seibert, Member of the Board
- Riikka Tieaho, 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 28.53% 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), Riikka Tieaho and Petri Niemi. The members of the Remuneration Committee are Petri Niemi (Chairman) and Jari Ovaskainen.

Audit

The annual general meeting confirmed the company's auditor. Audit firm Deloitte Oy was elected as the auditor of the company, with Authorized Public Accountant Mikko Lahtinen serving as the responsible auditor of the company.

Group Composition

There were no changes in the group structure in 2021. Further information on the structure of Next Games Group can be found in the notes to the financial statements, section 1.4.

CEO and Group Executive Management

The Group's executive management consisted of the following members at the end of 2021:

- Teemu Huuhtanen, Chief Executive Officer
- Annina Salvén, Chief Financial Officer
- Saara Bergström, Chief Communications Officer
- Joonas Laakso, Chief People and Culture Officer
- Yiannis Alexopoulos, Chief Growth Officer
- Tero Teelahti, Chief Technology Officer (Appointed June 2021)
- Juha Matikainen, Chief Operating Officer (Appointed June 2021)

In June 2021, Tero Teelahti, Chief Technology Officer and Juha Matikainen Chief Operating Officer, were appointed to the Management Team. Kalle Hiitola (New Games) and Matias Ärje (Chief Technology Officer) decided to step down from executive management but continued their employment within the company.

BOARD OF DIRECTOR'S REPORT

CONTINUED

Corporate Governance

A separate Corporate Governance Statement has been published in connection with the Board of Directors' Report. The statement is available on the Next Games website at: www.nextgames.com. The statement includes descriptions of the compliance with the Corporate Governance code and risk management principles.

Shares and Shareholders

Next Games share (NXTGMS), ISIN code FI4000233267, is listed on the Nasdaq First North Growth Market Finland maintained by Nasdaq Helsinki Oy. The shares belong to the book-entry system maintained by Euroclear Finland Oy. As at December 31 2021, Next Games' registered share capital amounted to EUR 80,000 and the number of registered shares was 30,063,795 (27,985,988). The company has one class of shares. Each share entitles its shareholder to one (1) vote in the general meeting. The shares have no nominal value. The weighted average share amount in 2021 was 30,047,359 (27,944,968).

Next Games Corporation completed a share issue to institutional investors in March 2021. A total of 2,020,000 new Next Games shares were offered in connection with the issue. The subscription price was EUR 2.10 per share. The entire subscription price of EUR 4,242,000 was recorded in the reserve for invested unrestricted equity.

During 2021 a total number of 57,807 (69,764) new shares subscribed for with stock options were registered. The share subscription price was determined in accordance with the individually applicable equity plan and option agreement. These shares have been entered into the trade register, as of which time the new shares carry equal shareholder rights with the company's existing shares. The subscription price of EUR 42,409.98 (19,059.84) paid for shares subscribed with stock options during the reporting period was recorded in the reserve for invested unrestricted equity and the company's share capital has remained unchanged.

As at December 2021, the company had 8,369 (7,005) registered shareholders. 21.6% (23.2%) of all shares are nominee registered. In 2020, the highest share price was EUR 3.30 (2.67) and the lowest price was EUR 0.91 (0.55) per share. At the end of 2021 the share closing price was EUR 1.14 (2.24) and the market value was approximately EUR 34 (63) million. The number of shares traded on Nasdaq First North Growth Market Finland was 14.7 (11.5) million.

Treasury Shares

During 2021, the company did not redeem or dispose of any treasury shares and held as many treasury shares as in the comparison period: 13,410 (13,410) equivalent to 0.04% (0.05%) of its own shares.

Share Based Compensation

Since 2014 Next Games has issued share-based incentive (option) programs, which include all of its staff. The company had five (5) share-based incentive programs in use during 2021. More details on the programs can be found in the Remuneration Report and from section 5.3 of the notes to the financial statements.

Assessment of Most Significant Risks

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 its free to play games, at present three games are revenue generating. Revenue growth and the success of the company is dependent on future revenue growth. 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, 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.

BOARD OF DIRECTOR'S REPORT

CONTINUED

Next Games has capitalized 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 may be required to record write-downs with respect to the advance payments.

Uncertainties and Risk 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.

Events After the Reporting Period

Netflix, Inc. announced on March 2 2022 a voluntary recommended public cash tender offer for all issued and outstanding shares in Next Games Corporation.

Next Games reached an agreement with its partner Alcon Entertainment to discontinue the Blade Runner Rogue game project after the reporting period in February 2022. The game did not meet the mutually agreed targets. The game will be immediately removed from Apple App Store and Google Play store, but will remain online for existing players until June 2022.

Annual General Meeting 2022

Next Games' Annual General Meeting is scheduled for Thursday, April 28 2022. The company's Board of Directors will issue a separate notice of the Annual General Meeting later.

Financial Calendar 2022

Next Games' Half-year review for January-June 2022 will be released on Friday, August 19 2022.

The financial statements and the report of the Board of Directors for the financial year 2021 as well as the Half-year review for January-June 2022 are published as a company bulletin and on the company's website at <https://www.nextgames.com/reports>.

Related Party Transactions

Next Games' related parties include its subsidiaries, associated companies, the members of the Board of Directors, CEO, the members of the Management Team, as well as shareholders having significant influence over the company. Related parties also include the close family members of these individuals and entities that are controlled or jointly controlled by a person identified as a related party. Transactions with related parties were made on an arm's length basis. Next Games related party transactions include normal business transactions with license partners (AMC). Transactions are normal in Next Games business model and are following arm's length principle. In addition the Company has received a related party loan from its largest shareholder during fiscal year 2021. Information about related party transactions can be found in note 6.1 to the financial statements.

Mergers and Acquisitions

There were no mergers or acquisitions during the reporting period.

BOARD OF DIRECTOR'S REPORT

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Definitions and Reconciliation 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.

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

RECONCILIATION OF ALTERNATIVE PERFORMANCE MEASUREMENTS

EUR million	2021	2020	2019
Operating Result (EBIT)	-5.6	-3.4	-7.4
Depreciations	5.0	3.9	4.0
EBITDA	-0.6	0.5	-3.5

EUR million	2021	2020	2019
Operating Result (EBIT)	-5.6	-3.4	-7.4
Other than IFRS 16 Depreciations	3.9	2.9	3.0
IFRS 2 cost recording	0.5	0.4	0.5
Adjusted Operating Result	-1.2	-0.1	-4.0

EUR million	2021	2020	2019
Revenue	25.2	27.2	34.7
Cost of Revenue	-11.7	-12.9	-15.0
Gross Profit	13.5	14.3	19.7
Other Operating Income	-	0.1	-
Marketing & Sales	-9.9	-9.5	-17.6

Publishing Operations EBIT	3.6	4.8	2.1
Depreciations, Publishing Operations	2.0	1.6	1.7
Publishing Operations EBITDA	5.6	6.4	3.8
EUR million	2021	2020	2019
Revenue	25.2	27.2	34.7
Changes in Deferred Revenue	-0.1	-0.2	-0.5
Gross Bookings	25.0	27.0	34.2

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.

EBITDA = Operating Result (EBIT) adjusted with depreciations.

Adjusted Operating Result = Operating Result (EBIT) is adjusted with IFRS 2 share based payments and depreciations. However, depreciations of premises, falling under IFRS 16 standard, are not adjusted from EBIT.

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.

Publishing Operation's EBITDA = Publishing Operations EBIT adjusted by depreciations.

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

Earnings per share (EPS), undiluted = Profit (loss) for the financial year divided by the average number of outstanding shares during the financial year.

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.

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statement of Comprehensive Income

EUR million	Note	2021	2020
Revenue	2.1	25.2	27.2
Cost of revenue	2.3	-11.7	-12.9
Gross profit		13.5	14.3
Other operating income	2.2	0.8	0.7
Research and development	2.3	-6.7	-5.6
Sales and Marketing	2.3	-9.9	-9.5
Administrative	2.3	-3.2	-3.2
Operating result (EBIT)		-5.6	-3.4
Finance income	5.6	0.3	0.0
Finance costs	5.6	-0.3	-0.5
Finance costs, net		-0.0	-0.5
Share of associates' result		-	-0.2
Profit before taxes		-5.6	-4.1
Current income taxes	6.3	-	-
Change in deferred tax	6.3	0.3	0.2
Total income tax expense		0.3	0.2
Result for the period		-5.3	-3.9
Total comprehensive result for the period		-5.3	-3.9
Result attributable to the owners of the parent		-5.3	-3.9
Shares	Note	2021	2020
Result per share for profit attributable to the owners of the parent			
Non-Diluted earnings per share, EUR	5.3	-0.18	-0.14
Diluted earnings per share, EUR	5.3	-0.18	-0.14
Average number of shares during the accounting period	5.3	30,047,359	27,944,968
Number of shares at the end of accounting period	5.3	30,063,795	27,985,988

Consolidated Balance Sheet - Assets

EUR million	Note	Dec 31 2021	Dec 31 2020
Assets			
Non-current assets			
Goodwill	4.1	3.3	3.3
Intangible assets	4.2	16.1	12.1
Property, plant and equipment	4.3	4.2	3.9
Other long term receivables	3.2	0.9	1.1
Deferred tax assets	3.4	1.7	1.5
Total non-current assets		26.3	21.9
Current assets			
Trade receivables and other receivables	3.2	5.0	3.9
Cash and cash equivalents	5.8	2.2	4.3
Total current assets		7.2	8.2
Total assets		33.5	30.1

The notes are an integral part of these financial statements.

CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

Consolidated Balance Sheet - Equity and Liabilities

EUR million	Note	Dec 31 2021	Dec 31 2020
Equity and liabilities			
Equity			
Share capital		0.1	0.1
Reserve for invested unrestricted equity		65.8	61.7
Retained earnings		-41.9	-38.5
Profit (loss) for the period		-5.3	-3.9
Total equity		18.6	19.4
Liabilities			
Long-term liabilities			
Governmental agency loan	5.4	0.3	0.5
Lease liabilities	5.5	3.1	2.1
Other financial liabilities	5.4	1.0	-
Total non-current liabilities		4.4	2.7
Short-term liabilities			
Governmental agency loan	5.4	0.3	0.1
Lease liabilities	5.5	1.1	1.1
Other financial liabilities	5.4	0.5	-
Deferred income	3.0	0.8	1.2
Trade payables	3.3	2.5	2.0
Other liabilities	3.3	0.2	0.2
Accrued liabilities	3.3	5.1	3.4
Total current liabilities		10.5	8.0
Total liabilities		14.9	10.7
Total equity and liabilities		33.5	30.1

The notes are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

EUR million	Note	Share capital	Reserve for invested unrestricted equity	Retained earnings	Total
Equity at Jan 1, 2020		0.1	61.7	-38.9	22.8
Result for the period		-	-	-3.9	-3.9
Total comprehensive result for the period		-	-	-3.9	-3.9
Transactions with owners:					
Share issues based on stock options	5.3	-	0.0	-	0.0
Purchase of treasury shares	5.3	-	-	-	-
Share-based payments	5.3	-	-	0.4	0.4
Dividends paid	5.3	-	-	-	-
Offering of shares	5.3	-	-	-	-
Costs of offering of shares	5.3	-	-	-	-
Equity at Dec 31, 2020		0.1	61.7	-42.4	19.4
Equity at Jan 1, 2021		0.1	61.7	-42.4	19.4
Result for the period				-5.3	-5.3
Total comprehensive result for the period				-5.3	-5.3
Transactions with owners:					
Share issues based on stock options	5.3	-	0.0	-	0.0
Purchase of treasury shares	5.3	-	-	-	-
Share-based payments	5.3	-	-	0.5	0.5
Dividends paid	5.3	-	-	-	-
Offering of shares	5.3	-	4.2	-	4.2
Costs of offering of shares	5.3	-	-0.2	-	-0.2
Equity at Dec 31, 2021		0.1	65.8	-47.2	18.6

The notes are an integral part of these financial statements.

CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

Consolidated Statement of Cash Flows

EUR million	Note	2021	2020
Cash flows from operating activities			
Profit before taxes		-5.6	-4.1
Adjustments for:			
Depreciation, amortization and impairments	4.4	5.0	3.9
Change in deferred revenue		-0.1	-0.1
Share-based payments	5.3	0.5	0.4
Other adjustments		-0.2	0.3
Finance costs, net		0.2	0.2
Share of loss/(profit) from associates		-	0.2
Changes in working capital:			
Change in trade and other receivables		-2.6	1.3
Change in trade and other payables		2.0	-0.3
Interests paid	5.6	-0.1	-0.1
Interests received	5.6	0.0	0.0
Income taxes paid	6.3	-	-
Net cash flows from operating activities		-0.9	1.8
Cash flows from investing activities			
Purchases of property, plant and equipment	4.3	-0.0	-0.0
Payments of intangible assets	4.2	-5.5	-3.5
Net cash flows from investing activities		-5.5	-3.5
Cash flows from financing activities			
Proceeds from issuance of shares, less costs		4.1	0.0
Repayment of long-term loans		-0.1	-0.1
Repayment of short-term loans		-	-
Acquisition of treasury shares		-	-
Withdrawals of long-term loans		1.0	-
Dividends paid		-	-

Lease payments	-0.9	-1.2
Other	-	-0.1
Net cash used in financing activities	4.1	-1.3
Net decrease/increase in cash and cash equivalents		
Translation differences	0.2	-0.3
Cash and cash equivalents as of January 1	5.8	7.7
Cash and cash equivalents as of December 31	2.2	4.3

The notes are an integral part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Accounting Principles

In this section

- Basis for Preparation
- Changes in Accounting Standards
- New Standards
- Principles of Consolidation
- Segments
- Accounting Estimates and Judgements

1.1 Basis for Preparation

These are the consolidated financial statements of Next Games Oyj (“the Company”) and its subsidiaries (together “the Group” or “Next Games”). The shares of Next Games Corporation are listed for trading on Nasdaq First North Growth Market Finland. Next Games is a developer and publisher of mobile games focusing on licensed games. The Company’s games are developed for mobile devices and are available to download for free, while players can make actual cash purchases of in-game virtual items. The Company develops the games in close cooperation with the owners of immaterial property rights (the “IP”) to ensure a close tie between the games and the underlying IP. The most significant geographic markets for Next Games are North America and Europe, and the games of the Company are distributed through the Apple App Store and the Google Play platforms. The Company is domiciled in Helsinki at the registered address Aleksanterinkatu 9A, Helsinki, Finland.

These Consolidated Financial Statements by Next Games have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS as adopted by the European Union. The notes to the Consolidated Financial Statements also comply with the Finnish accounting and corporate legislation complementing the IFRS standards. The consolidated financial statements have been prepared for the accounting period of 12 months from January 1 to December 31 2021. The Financial Statements have been authorized for issue by The Board of Directors March 11 2022.

The Group’s Consolidated Financial Statements are presented in millions of euros and are based on the actual cost of the transactions, unless otherwise stated in the accounting principles, and the figures have been rounded from the exact figures. Therefore, the sum of individual figures may deviate from the total presented. Key figures have been calculated using exact figures. Finance costs are recorded at the point of transaction. Assets and liabilities are measured at cost, except for certain financial assets and liabilities, which are measured at fair value.

The Company’s functional currency is euro, which is also the presentation currency of the Company and the Group. Items included in the financial statements of each group subsidiary are measured using the currency of the primary economic environment in which the subsidiary operates. Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the date of transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized in income statements. Next Games records foreign exchange differences relating to ordinary business operations within the appropriate line item above operating profit and those relating to financial items are presented separately in finance income and costs.

1.2 Changes in Accounting Standards

Next Games applies interpretations and standards that came into force during the fiscal year to its financial statements. No new standards were adopted during 2021. Amendments to standards that came into effect in 2021 did not have a material effect on the Group’s results for the financial year, financial position or the presentation of financial statements.

1.3 New Standards

There are no standards that are not yet in effect that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

1.4 Principles of Consolidation

These consolidated accounts include the parent company and those companies in which the parent company held, directly or indirectly, more than 50% of the voting power control at the end of the accounting period. In addition to these holdings, the consolidated accounts include possible holdings that are of a controlling-right nature. Next Games controls an entity when Next Games is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date of acquisition, being the date on which Next Games obtains control, and continue to be consolidated until the date such control ceases.

The acquisition method of accounting is used to eliminate intra-corporate shareholdings to account for business combinations by Next Games. The acquisition consideration, including deferred and contingent consideration, as well as the identifiable assets acquired and liabilities assumed, is measured at the acquisition date fair values. Acquisition-related costs are accounted for as expenses in the period which they are incurred. All intercompany transactions, balances and unrealized gains and losses on transactions between group companies are eliminated using the equity method. Significant influence usually exists when the group holds over 20% of the voting power of the entity or when the group otherwise has significant influence but not control.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

Group Structure

The Group's business activities are run by the parent company and the subsidiary had no material effect on the financial development of the reporting period.

Subsidiary belonging to the Group as at December 31 2021 is the following:

- Next Games GmbH, 100% owned

In addition the group had one Associated Company that sought bankruptcy September 22 2020. This had no effect on the financial statements in 2021.

- Armada Interactive Oy, 11.79% ownership

1.5 Segments

Next Games has determined that it has a single operating segment 'Mobile Gaming' and as such its profitability is presented as one single entity. Due to the Company's business model and nature of operations, governance is structured so that the CEO is the Chief Operating Decision Maker (CODM), supported by the executive management. The CEO looks at the Group on a consolidated basis when evaluating financial performance and when making decisions on resource allocation. Next Games CEO is responsible for allocating resources of the Group and continuous evaluation of the Group's results and therefore its operations as a whole. Next Games' CEO is regularly reviewing discrete financial information of the Group. Financial information includes group level revenue development, profitability analysis and review of monthly cash flow changes.

1.6 Accounting Estimates and Judgments

The preparation of Consolidated Financial Statements requires management to make estimates and judgments that affect the application of accounting policies and the recognized amounts of assets, liabilities, income and expenses. These estimates and judgments are continually evaluated, they are based on historical experience and other factors, including expectations on future events that may have a financial impact on the entity, thus the financial statements, and that are believed to be reasonable under given circumstances.

Estimates are reviewed if circumstances change, new information or experience is gained that would alter them. Due to the inherent uncertainty associated with the estimates, the outcome may differ from estimates that can result in additional revenue or costs in the income statement.

Areas involving significant estimates, associated with uncertainty are:

- Timing of revenue recognition (2.1)
- Deferred taxes (3.4)
- Impairment testing of goodwill (4.1)
- Valuation of intangible assets (4.2)
- Share-based payment arrangements (5.3)
- Extension and termination options of lease agreements (5.5)

In addition management applies judgment concerning the following relevant accounting areas:

- Capitalization of development costs (4.2)
- Classification of durables (2.1)

2. Operating Result

In this section

- Revenue
- Other Operating Income and grants
- Cost and Expenses
 - Cost of Revenue
 - Research and Development Costs
 - Sales and Marketing Costs
 - Administrative Costs

2.1 Revenue

Revenue from contracts with customers constitutes as ordinary sales from business activities, and is recognized when a customer obtains control of promised services e.g. the service requirement has been fulfilled. The term "Gross bookings" is used as industry standard terminology to describe purchase behavior by players in a given period but does not fulfill the requirements of IFRS 15 to be recognized as revenue. Gross bookings are based on the virtual currency and commodities purchased by a player in a given period, as well as the consideration received for displaying ads. Revenue is recorded in the Company's income statement.

Next Games generates revenue primarily through the sale of virtual items to users (In Application Purchases, IAP). Next Games also generates revenue from in-game advertising (Ad Sales, ADS), and Co-Development sales. Next Games derives the vast majority of its revenue from customers located in North America and Europe. Revenue is split by platform (iOS and Android). Google Play Store revenues were 51% (50%) and Apple App Store revenues were 42% (50%). In addition, co-development revenues are 7% (-%), which is outside platform-specific sales.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

Income from Main Revenue Streams; Games as a Service

Games as a service refers to a business model where the Company's games are available to download for free to customers in digital storefronts, and the player can enhance their own experience by watching ads, or by purchasing the Company's virtual products in the game. In return, the Company maintains the service and further develops the game by bringing new content to the game. The maintenance of the service is continuous, the Company's games have remained in app stores for years.

1. Games: In Application Purchases from Digital Storefronts

Next Games' customers (users) can purchase virtual items to enhance and expand their game experience. Next Games sells its products through digital storefronts: Apple App Store and Google Play Store. Revenue share from digital storefronts "Platform Cut" is presented as cost of revenue (2.3).

There are two different kinds of in-application purchases in Next Games' games: consumables and durables. Consumables benefit the user immediately, while benefits from durables last across user lifetime and are usually more expensive than consumables.

Consumables and durables can be bought directly or indirectly via using virtual currency. Virtual currency can only be redeemed for virtual items and cannot be withdrawn. Virtual currency purchased in one of the games cannot be used in another game.

2. Games: Advertising Revenues

Advertising revenues are generated by displaying advertisements during gameplay. Advertising networks pay CPM based (Cost Per Mille, cost per one thousand shown impressions).

3. Games: Other Revenues

Next Games classifies revenues from other than in-application-purchases and advertising as "Other". Revenues falling into this category is for example sales from generating prototypes, income from the production of other game related assets or income from Co-Development deals.

Disaggregation of Revenue

REVENUE BY CATEGORY OF ACTIVITY

EUR million	2021	Percentage of revenue %	2020	Percentage of revenue %
Revenue by Category of Activity	25.2	100%	27.2	100%
In App Purchases (IAP)	21.8	87%	25.2	95%
Advertising (ADS)	1.6	6%	1.5	5%
Co Development	1.8	7%	-	-

During 2020 there were no sales categorized as "Co-Development".

REVENUE BY PLATFORM

EUR million	2021	Percentage of revenue %	2020	Percentage of revenue %
Revenue by Platform	25.2	100%	27.2	100%
iOS	10.5	42%	13.5	50%
Android	12.9	51%	13.7	50%
Co Development	1.8	7%	-	-

REVENUE BY REGION

EUR million	2021	Percentage of revenue %	2020	Percentage of revenue %
Revenue by Region	25.2	100%	27.2	100%
North America	13.7	54%	13.2	49%
EU	7.0	28%	8.0	29%
Finland	0.1	0%	0.2	1%
Other	4.4	17%	5.8	21%

Regional revenue is determined by the Customer's location. Next Games' customer base consists of a large number of customers in several market areas and no individual customer represents a material share of its sales.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

Accounting Principles: Revenue Recognition

Next Games utilizes a five step model framework in revenue recognition. The Company identifies contracts between its players, advertising networks and Co-development partners.

Identification of contract. Next Games does not recognize the initial download of its free to play game from a digital storefront as a creation of contract in accordance with IFRS 15, because of the lack of commercial substance. As the initial downloading of the game is free of charge, a contract between Next Games and the customer occurs as the separate election by the player to make an in-application purchase. The consideration promised in a contract with a customer may include fixed amounts, variable amounts, or both. Advertising revenues create a contract between Next Games and the advertising network, as the consideration is paid by the advertising network. The Co-development deal creates a contract between Next Games and the other party.

Identification of performance obligation. Games- as-a-service business model encompasses a single combined performance obligation which is to make the game and the ongoing game related services available. This is further defined as the provision of ongoing game related services such as hosting of game play, storage of customer content, maintaining of virtual currency, continuing displaying and providing access to purchased virtual goods, and reasonable service or content updates. For advertising revenue, the performance obligation is fulfilled after the advertisement has been shown.

Determination of transaction price. The transaction price is the amount of consideration to which Next Games expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties (for example, some sales taxes). An alternative transaction price is the price an advertiser is willing to pay per 1000 shown impressions (eCPM).

Allocation of transaction price to the performance obligation. In the games-as-a-service business model, the transaction price is allocated entirely to the single combined performance obligation. Service obligation to a customer is fulfilled at different points in time for different products, and Next Games uses in accordance with industry standards player life time estimates in recognizing the point at which the service obligation has been fulfilled.

When determining deferral periods Next Games follows industry standards by applying Kaplan-Meier survival model to estimate the average playing period “lifetime” for paying users (customers). This statistical model analyzes time duration until one or more events happens and is commonly used in various industries for estimating lifespans. The lifetime for each title is determined by analyzing the historical behavior patterns of paying users. The model requires classification of user data into active and inactive monetizing users on a per title basis.

Active users are those who are active in the game for the past rolling 14 days as of the evaluation date. The remaining users are considered inactive and deemed to have churned from the game. These users are treated mathematically differently in the model than those who are still active. A distribution curve is then fit to the user data to estimate the average playing period of paying users on a per title basis. A threshold of 120 days from the commercial launch of a title is deemed as the minimum number of days of data required for this model. For new titles with less than 120 days of data that share similar attributes with an existing title and/or prequel titles, the average playing period is determined based on the average playing period of that existing title or prequel title, as applicable.

Recognition of revenue. Digital storefronts pay Gross Bookings for the period on a monthly basis. Next Games recognizes revenue when (or as) the entity satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset. When (or as) a performance obligation is satisfied, Next Games recognizes as revenue the amount of the transaction price that is allocated to that performance obligation.

When calculating revenue for the period, the Company defers gross bookings generated from virtual durable items to future periods based on the estimated lifetime of the player, item or item group in each game (“Deferred Revenue”). Unrecognized revenue is booked on the balance sheet as an advance received and is periodized on a straight line basis to revenue based on the estimated lifetime. Details on deferred revenues can be found in the notes section 3.1. Consumables satisfy the performance obligation “at a point in time” and are recognized at the point of purchase.

Revenue from the sale of virtual currency is treated as a prepayment, deferred and recognized when the player uses the virtual currency to purchase a virtual item. The turnover rate of the virtual currency is calculated by comparing the amount of virtual currency used in the game with purchased virtual currency. The purchased virtual currency is always used first. The remaining value of currency is deferred to the balance sheet. Currency turnover of games is less than 30 days, and so the Company has no virtual currency inventory on the balance sheet. Used currency is recognized to revenue based on the proportion of durables and consumable items it has been used for.

Advertising revenue is recognized net, in the month of impression delivered (“at a point in time”), based on revenue reports from the ad network indicating the number of impressions delivered, price per impression and payables due to Next Games. Simultaneously to sending the revenue report, the advertisement network also commits to paying the money to Next Games, and collection can be reasonably assured. Next Games also defer Cost of Revenues that are derived from contracts with customers. Deferred Cost of Revenue includes platform cuts (revenue shares paid to digital storefronts), license fees (revenue share that is paid to license owners), and server and hosting expenses (revenue shares paid to technology providers).

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Revenue recognition from Co-development is based on contracts and revenues related to them are recorded on an accrual basis.

Key Judgment and Estimates: Deferred Revenue

Revenue recognition requires management to make key judgments relating to the classification of durable items. In identifying durable items the economics of each individual game, as well as the usage of customers (paying users) virtual currency and durable products, is analyzed and considered.

In preparation of the Consolidated Financial Statements, management is also required to make estimates over what period of time revenue is to be deferred. While management believes estimates to be reasonable based on available game player information, they contain risk and uncertainties.

Estimates are continuous and have historically been revised when performance or user characteristics change. Changes in estimates of the player lifetime, or classification of what to defer in a certain title may result in revenue being recognized on a basis different from prior periods' and may cause operating results to fluctuate. Such events may include serious technical problems causing players being unable to access the game for a period of time. Pandemics and other situations hindering the capability of free movement may also impact location based games.

2.2 Other Operating Income and Grants

Other operating income includes income other than that associated with the sale of goods or services, such as gain on disposal or sale of fixed assets, rental income, grants and other similar income not classified to revenue. Grants are directed to specific projects, and are recognized when expenses occur.

OTHER OPERATING INCOME

EUR million	2021	2020
Subsidies and government grants	0.8	0.7
Other	0.0	0.0
Total	0.8	0.7

Most of Next Games' other operating income in 2021 consisted of grants awarded by Business Finland. In 2021 the Company recorded EUR 0.8 million in grants, of which EUR 0.6 million was paid during 2021. During 2020 the Company received a grant of EUR 0.1 million for business disruption from Business Finland.

2.3 Costs and Expenses

Next Games utilizes a function based income statement. The Company identifies three functions: Research and Development, Marketing and Sales as well as Administration. The Company allocates personnel to each function based on the nature of work they perform. Research and Development includes personnel working on unreleased games as well as those working on generic infrastructure development such as technology.

To Sales and Marketing, personnel that work with published games are allocated, and Administration includes personnel from finance, legal, human resource and office management.

Accounting Principles: Costs and Expenses

Directly attributable costs are allocated to each function, and in addition to this a general cost allocation is applied. Next Games calculates the general cost allocation by summing together all generic overhead not directly attributable to functions and allocating this cost in proportion to each function's headcount. Share based payments are allocated in proportion to the functions personnel expenses.

Research and development. A significant portion of the Group's Research and Development expenditure is directly or indirectly related to the development of new products, and business models. Expenditure on research activities is recognized as an expense in the period which it incurred. Development expenses consist of salaries and outsourced services. Depending on the nature and phase of the development, relevant costs are either treated as operational expenses or capital expenditure, capitalized on the balance sheet and amortized over time. For development activities, the Company has generally identified the point in time when a project moves to the production phase as the moment when the criteria for capitalization is met, and therefore costs incurred after this moment are capitalized. Costs incurred before the production phase are treated as research expenditure, and those are recognized in the income statement as an expense when incurred. The Company capitalizes employee expenses as well as relevant other and general costs, directly attributable to the project. In addition to the above mentioned items, the function also includes depreciations, amortizations related to research and development, share based payments and a general cost allocation.

Marketing and sales. Includes employee expenses related to the promotion, further development and maintenance of published games. Expenses related to performance enhancing updates and general maintenance updates for published games are not capitalized. Sales and marketing also includes direct media buy and marketing expenses such as user acquisition costs which are recorded at the time of realization. The function also includes other directly attributable expenses such as analytics and tools required for maintenance. In addition to the above mentioned items, the function also includes depreciations, amortizations, share based payments and a general cost allocation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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Administration. Administrative costs are recorded as expenses as they occur. Costs include employee expenses, general cost allocation, as well as outsourced services directly related to any administrative department such as legal, finance and human resources. In addition to the above mentioned items, the function also includes depreciations, amortizations, share based payments and a general cost allocation.

Cost of revenue. Are variable costs by nature, recorded by using the accrual method.

COST OF REVENUE

EUR million	2021	2020
Platform commissions, royalties and other	-10.1	-11.8
Amortizations of intangible assets	-1.6	-1.2
Total	-11.7	-12.9

Cost of Revenue includes distribution fees (revenue shares paid to digital storefronts), license fees (revenue share that is paid to license owners), server and hosting expenses (revenue shares paid to technology providers) and amortization of license acquisitions.

RESEARCH AND DEVELOPMENT COSTS

EUR million	2021	2020
Personnel expenses	-5.7	-4.5
Outsourcing	-1.9	-0.8
Share-based payments	-0.3	-0.2
General cost allocation	-1.5	-1.6
Total costs	-9.4	-7.0
Depreciations	-2.8	-2.1
Capitalization	5.5	3.5
Total	-6.7	-5.6
Percentage of revenue	-27%	-21%

Expenses allocated to Next Game's R&D function include all those generated directly by game, technology and analytics development. These costs include employee expenses (wages, pensions, social security), outsourcing expenses, amortization, in addition to a general cost allocation.

SALES AND MARKETING COSTS

EUR million	2021	2020
Personnel expenses	-1.7	-2.3
Outsourcing	-0.6	-0.8
Share-based payments	-0.1	-0.1
General cost allocation	-1.1	-1.5
Sales and Marketing costs	-6.4	-4.8
Total	-9.9	-9.5
Percentage of revenue	-39%	-35%

Next Games' Sales and marketing expenses includes all expenses related to maintenance and further development of the groups published games, including user acquisition and marketing purchases, employee expenses of the function, a general cost allocation and other marketing related costs.

ADMINISTRATIVE COSTS

EUR million	2021	2020
Personnel expenses	-1.9	-1.7
Share-based payments	-0.1	-0.1
General cost allocation	-0.5	-0.6
Other admin expenses	-0.8	-0.9
Total	-3.2	-3.2
Percentage of revenue	-13%	-12%

The administrative function includes the Finance Department, Legal Department, general administration, human resources and management. In addition, all the expenses related to the Company's initial or subsequent public offerings, finance services and audit fees are deemed to be administrative expenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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AUDIT FEES

EUR million	2021	2020
Audit of financial statements	0.1	0.1
Auditor statements	0.0	0.0
Other services	0.0	0.0
Total	0.1	0.1

Audit fees are included in the Administrative expenses

3. Operating Assets and Liabilities

In this section

- Deferred Revenue and Cost of Revenue
- Trade and Other Receivables
- Trade and Other Payables
- Deferred Tax Assets and Liabilities

3.1 Deferred Revenue and Cost of Revenue

Accounting Principles: Deferred Revenue and Cost of Revenue

Deferral of revenue relates to the in-application purchases of durable items, the sale of which are recognized as revenue over time. Thus, deferred revenue is defined as purchases made by players, not yet recognized as revenue. Cost of revenue is periodized in accordance with how related revenue is recognized over time. Deferred revenue may also contain prepayments from ad revenue. For additional details related to revenue recognition, see note 2.1 Revenue Recognition.

DEFERRED REVENUE

EUR million	2021	2020
Deferred revenue Jan 1	1.2	1.0
Released to the statement of profit or loss	-1.2	-1.0
Deferred during the year	0.8	1.2
Deferred revenue Dec 31	0.8	1.2

DEFERRED COST OF REVENUE

EUR million	2021	2020
Deferred cost of revenue Jan 1	0.3	0.4
Recognized as an expense during the year	-0.3	-0.4
Deferred during the year	0.3	0.3
Deferred cost of revenue Dec 31	0.3	0.3

3.2 Trade and Other Receivables

Receivables represent amounts the Group expects to collect from other parties in the ordinary course of business. Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days. Accrued income and other receivables, are payments made during this or previous financial years, for expenses yet to be incurred in the future on an accrual basis or accrued income for the financial year, to which payment will be received in future financial periods.

Accounting Principles: Trade and Other Receivables

Accounts receivable are recognized when the right to consideration becomes unconditional and are recognized initially at fair value and subsequently according to the business model at amortized costs. The Group's policy is to recognize a provision for trade receivables which have been found to involve credit loss risk. Major counterparts, such as Apple, Google, and Unity have not been found to be associated with significant credit loss risk, based on the counterparty's credit rating, historical payment behavior and the short term of payment (approximately 30 days) of the receivables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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NON-CURRENT ASSETS

EUR million	Dec 31, 2021	Dec 31, 2020
Rent guarantees	0.4	0.4
Receivables from licensing agreements	-	0.3
Other non-current receivables	0.5	0.3
Total	0.9	1.1

Long-term debtors balance consist mainly of the Company's security deposits, related to leasing agreements, as well as receivables for license agreements. Other non-current receivables include EUR 0.5 (0.3) million loan receivable from the CEO. Details can be found in the notes 6.1.

CURRENT ASSETS

EUR million	Dec 31, 2021	Dec 31, 2020
Trade and other receivables		
Trade receivables	3.2	1.5
Prepayments and accrued income	1.6	2.3
Other current receivables	0.2	0.1
Total	5.0	3.9
Material items under prepaid expenses		
Receivables from licensing agreements	-	1.4
Items relating to purchases (including revenue deferral receivables)	0.3	0.3
Marketing campaign accruals	0.3	0.3
Government grant accruals	0.8	*
Other	0.2	0.3
Total	1.6	2.3
Material items under other current receivables		
VAT receivables	0.1	0.1
Other current receivables	0.0	0.0
Total	0.2	0.1

*2020 Government grants included in Other.

Next Games has not had any past due trade or other receivables at each period reported.

3.3. Trade and Other Payables

Trade and other payables represent liabilities for goods and services provided to Next Games prior to the end of financial year which are unpaid. Trade payables are non-interest bearing and generally have a 30-90 day payment term.

Accounting Principles: Trade and Other Payables

Trade payables are recognized according to the invoiced amount. This is considered to correspond to fair value due to their short maturity. Trade and other payables are presented as current liabilities unless payment is extended beyond 12 months after the reporting period. They are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.

TRADE AND OTHER PAYABLES

EUR million	Dec 31, 2021	Dec 31, 2020
Trade and other payables		
Trade payables	2.5	2.0
Accruals and deferred income	5.1	3.4
Other current liabilities	0.2	0.2
Deferred revenue	0.8	1.2
Total	8.7	6.8
Material items under accruals		
Accrued personnel expenses	2.3	1.7
Accrued interests	0.0	0.0
Other liabilities	2.9	1.7
Total	5.1	3.4

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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3.4 Deferred Tax Assets and Liabilities

Next Games has evaluated the nature and classification of deferred tax assets. Based on the evaluation, deferred tax assets and liabilities levied by the same taxing authority are netted. The deferred tax assets and liabilities are shown net on the balance sheet.

Accounting Principles: Deferred Tax Assets and Liabilities

Deferred tax is calculated based on temporary differences between carrying amounts and taxable value of assets and liabilities and for tax loss carry-forwards to the extent that it is probable that these can be utilized against future taxable profits. Deferred tax is determined using tax rates and laws that have been enacted or substantially enacted by the end of the reporting period.

Key Judgments and Estimates: Deferred Tax Assets and Liabilities

Management judgment is required in assessing whether certain deferred tax assets and deferred tax liabilities are recognized on the balance sheet. Deferred tax assets are recognized only where it is considered probable that they will be recovered, which is dependent on the generation of sufficient future taxable profits. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. Estimates of these future cash flows are dependent on the management's estimates that relate among others to the amount of future net sales, operating costs, finance costs and taxes. The Group's ability to generate taxable income depends also on factors related to general economy, finance, competitiveness and regulations that the Group is unable to control. These estimates and assumptions are subject to risk and uncertainty, hence it is possible that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognized on the balance sheet and the amount of temporary differences.

Management has estimated that the company will have taxable income to utilize unused tax losses and has recognized a deferred tax asset of EUR 2.8 million related to the losses. In 2021, no new deferred tax assets were recognized. Losses, for the use of which is uncertain and therefore no deferred tax asset has been recognized, amounted to EUR 39.6 (35.5) million in 2021, including estimates of the tax losses during the reporting period. These losses will expire at various times by the end of 2031.

TAX LOSSES: DEFERRED TAX ASSETS AND LIABILITIES

EUR million	2021	2020
Confirmed losses, unrecognized tax assets	39.6	35.5
Confirmed losses on the basis of which a tax asset has been recognized	14.3	14.3
Total tax losses	53.9	49.8
Recognized deferred tax asset	2.8	2.8
Unrecognized deferred tax assets	7.9	7.1
Total tax assets	10.8	9.9

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DEFERRED TAX ASSETS AND LIABILITIES

EUR million	Jan 1, 2020	Change	Dec 31, 2020
2020			
Deferred tax assets			
Tax losses	2.8	-	2.8
IPO cost recognition	0.0	-0.0	-
Other items	0.0	0.0	0.1
Total	2.9	-0.0	2.9
Deferred tax liabilities			
Capitalized intangible assets	1.7	-0.3	1.5
Total	1.7	-0.3	1.5
Deferred tax assets, net	1.2	0.2	1.5
2021			
Deferred tax assets			
Tax losses	2.8	-	2.8
Other items	0.1	0.1	0.1
Total	2.9	0.1	3.0
Deferred tax liabilities			
Capitalized intangible assets	1.5	-0.2	1.2
Total	1.5	-0.2	1.2
Deferred tax assets, net	1.5	0.3	1.7

4. Acquisitions and Capital Expenditure

In this section

- Goodwill
- Intangible Assets
- Tangible Assets
- Depreciation and Amortization

4.1 Goodwill

Accounting Principles: Goodwill

Goodwill represents the consideration Next Games has paid when acquiring a business in excess of the fair value of the assets and liabilities acquired. Goodwill is carried at cost less any accumulated impairment losses and is considered as having an indefinite useful life. At the time of acquisition, goodwill is allocated to those cash generating units which are considered to benefit from the acquisition. Goodwill is not subject to annual amortization.

Impairment of Assets: Goodwill

Goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that goodwill might be impaired. For the purpose of impairment testing, goodwill is allocated to the Group's cash generating unit (CGU). Next Games management has evaluated that the Group consists of one cash generating unit, and therefore, goodwill is tested for impairment at the Group level. In assessing the recoverable amount, estimated future cash flows are discounted to their present value. Cash flow estimates are based on operative managerial estimates for future growth in net sales and EBITDA over a five year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. Calculations are based on internal game-specific and under development game forecasts which also take into account historical performance. Discount rate used is the weighted average cost of capital (WACC). The discount rates reflect current assessments of the time value of money with relevant market risk premiums reflecting risks and uncertainties specific in Next Games business and the industry as a whole for which the future cash flow estimates have not been adjusted. Any impairment loss of goodwill is recognized immediately as an expense and is not subsequently reversed.

Key Judgments and Estimates: Impairment Testing of Goodwill

Impairment testing of goodwill requires estimation and judgment in determining the components of the recoverable amount calculation, including the discount rate, the terminal growth rate and development of the net sales and EBITDA (which is for impairment testing purposes defined as earnings before interest, taxes and depreciation and amortization) as well as the general development of the industry.

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Goodwill Allocation and Impairment

Goodwill is tested for impairment at the Group level. Next Games' management has done an impairment testing of goodwill at the Group level annually based on the situation on December 31 2021. Pre-tax discount rate used in the testing was 16.2% (19.3%) and the long term growth rate was 2.0% (2.0%). Based on the impairment testing of goodwill, the probability for impairment losses was very low for reporting periods 2021 and 2020.

The impairment testing process includes a sensitivity analysis in which key estimates used in the cash flow estimates were changed. In addition, management has assessed that no reasonably possible change in a key assumption of the impairment calculations would have resulted in a goodwill impairment. A summary of the balance sheet values of goodwill and the discount rates used are presented below.

GOODWILL AND IMPAIRMENT OF ASSETS

EUR million	2021	2020
Carrying amount Jan 1	3.3	3.3
Acquisitions	-	-
Carrying amount Dec 31	3.3	3.3

4.2 Intangible Assets

Next Games intangible assets consist mainly of acquired game licenses, and capitalized development costs. Intangible assets also include patents, trademarks and software licenses. The Group does not currently hold intangible assets with indefinite useful lives. Details on goodwill can be found in notes 4.1.

Accounting Principles: Intangible Assets

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period, or whenever there is an indication a change may have occurred. Changes in the expected useful life are considered to modify either the amortization period or method. The amortization of the intangible assets with finite lives is recognized in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets. The group amortized intangible assets with a finite useful life using the straight-line method. Estimated useful lives of intangible assets with finite lives are as follows:

- IT-software, 3 years
- Capitalized development costs, 3-5 years
- Other intangible assets, 3-5 years

Costs related to an intangible asset are capitalized only if it can be demonstrated that the asset will generate future economic benefit, the Group controls the asset in question, there are enough financial, technical and other resources available to complete the asset, and the cost of the asset can be measured reliably. All other expenditure is recognized as an expense incurred. Further information on the capitalization of development expenditure can be found in the notes in section 2.3.

Capitalized development costs are recorded as intangible assets and amortized from the point at which the asset is ready for use and generates an economic benefit. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognized.

Impairment of Intangible Assets

Intangible assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash generating units). An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. Other intangible assets than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period. An impairment loss previously recognized in the income statement is reversed if there has been a significant change in the estimates used to determine the recoverable amount. However, the value after reversal of the impairment shall not exceed the value that the asset would have had without the accumulated depreciation of previous years. Principles related to impairment of goodwill are disclosed in notes 4.1.

Key Judgments and Estimates: Capitalization of Development Costs

The Group capitalizes development costs for a project in accordance with its accounting principles disclosed in notes 2.3. Initial capitalization of costs is based on management's judgment that technological and economic feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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INTANGIBLE ASSETS

EUR million	Goodwill	Capitalized development costs	Other intangible assets	Total
2020				
Acquisition cost as of Jan 1	3.3	9.9	5.0	18.2
Transactions	-	-	-	-
Additions	-	3.5	0.4	4.0
Decreases	-	-	-	-
Acquisition cost as of Dec 31	3.3	13.4	5.4	22.1
Accumulated depreciation and impairment Jan 1	-	-1.7	-2.5	-4.3
Depreciation	-	-1.2	-1.3	-2.4
Impairment losses	-	-	-	-
Accumulated depreciation and impairment Dec 31	-	-2.9	-3.8	-6.7
Net book value as of Jan 1	3.3	8.1	2.4	13.9
Net book value as of Dec 31	3.3	10.5	1.5	15.4
2021				
Acquisition cost as of Jan 1	3.3	13.4	5.4	22.1
Transactions	-	-	-	-
Additions	-	5.5	2.1	7.6
Decreases	-	-	-	-
Acquisition cost as of Dec 31	3.3	18.9	7.5	29.7
Accumulated depreciation and impairment Jan 1	-	-2.9	-3.8	-6.7
Depreciation	-	-1.0	-2.5	-3.5
Impairment losses	-	-	-	-
Accumulated depreciation and impairment Dec 31	-	-3.9	-6.3	-10.2
Net book value as of Jan 1	3.3	10.5	1.5	15.4
Net book value as of Dec 31	3.3	15.0	1.2	19.5

Other intangible assets consist of licensing agreements, IT software and trademarks.

4.3 Tangible Assets

Next Games tangible assets mainly include buildings: a right of use asset for a leased office facility, leasehold improvements related to that office facility, and machinery and equipment. Other tangible assets items are not significant.

Accounting Principles: Tangible Assets

Tangible assets are measured at cost less accumulated depreciation and any impairment losses, if applicable. Applicable borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset. Gains and losses on sales and disposals of items of property, plant, and equipment are presented under other operating income and other operating expenses respectively. The subsequent costs related to tangible assets are capitalized only if the future economic benefits exceed the originally assessed level of performance. All other expenditure on repairs and maintenance of tangible assets is recognized as expense when incurred. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets.

Residual values and expected useful lives are reassessed at least at each financial year-end and, if necessary, are adjusted to reflect changes in the expected future economic benefits. The estimated useful lives are as follows:

- Buildings
 - Right of use asset, 2-5 years
 - Leasehold improvements of buildings, 2-5 years
- Machinery and Equipment, 3-5 years

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TANGIBLE ASSETS

EUR million	Buildings	Machinery and equipment	Total
2020			
Acquisition cost as of Jan 1	8.0	0.6	8.6
Additions	0.1	-	0.1
Business combinations	-	-	-
Disposals and other changes	-	-	-
Acquisition cost as of Dec 31	8.1	0.6	8.7
Accumulated depreciation and impairment at Jan 1	-2.9	-0.4	-3.3
Depreciation	-1.4	-0.1	-1.5
Impairment	-	-	-
Accumulated depreciation and impairment at Dec 31	-4.3	-0.5	-4.8
Net book value as of Jan 1	5.1	0.2	5.3
Net book value as of Dec 31	3.8	0.1	3.9

EUR million	Buildings	Machinery and equipment	Total
2021			
Acquisition cost as of Jan 1	8.1	0.6	8.7
Additions	1.7	0.0	1.8
Business combinations	-	-	-
Disposals and other changes	-	-	-
Acquisition cost as of Dec 31	9.9	0.6	10.5
Accumulated depreciation and impairment at Jan 1	-4.3	-0.5	-4.8
Depreciation	-1.4	-0.1	-1.4
Impairment	-	-	-
Accumulated depreciation and impairment at Dec 31	-5.7	-0.6	-6.3
Net book value as of Jan 1	3.8	0.1	3.9
Net book value as of Dec 31	4.2	0.0	4.2

4.4 Depreciation and Amortization

DEPRECIATION AND AMORTIZATION

EUR million	2021	2020
Accumulated amortizations	-3.5	-2.4
Accumulated depreciations	-1.4	-1.5
Total	-5.0	-3.9

FUNCTIONAL BASED AMORTIZATION AND DEPRECIATIONS

EUR million	2021	2020
Research and development	-2.8	-2.1
Sales and Marketing	-2.0	-1.6
Administrative	-0.2	-0.2
Total	-5.0	-3.9

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5. Group Capital and Risks

In this section

- Capital Risk Management
- Financial Risk Management
- Shareholder's Equity
- Net Debt and Borrowings
- Leasing
- Finance Income and Expenses
- Employee Benefits
- Cash and Cash Equivalents

5.1 Capital Risk Management

The purpose of capital management for the Group is to secure ongoing operations during varied market conditions and to support long term strategic development. This is achieved by guaranteeing access to internally generated funds, in addition to guarantee access to external funds (debt or equity) timely and at a reasonable cost. In order to secure access to necessary funding Next Games follows and monitors approved guidelines. Funding for the Group is controlled by the parent company within the limits of the Treasury policy; the balance of short and long term debt must be within approved guidelines. The aim is to keep the Group's solidity above 50%. The Group should not be dependent on only one source of financing but have several counterparties. The Board of Directors monitor the Group's capital structure regularly.

NET DEBT

EUR million	Dec 31 2021	Dec 31 2020
Cash and cash equivalents	2.2	4.3
Loans - repayable within one year	-1.8	-1.2
Loans - repayable after one year	-4.4	-2.7
Net debt	-4.0	0.4
Cash and cash equivalents	2.2	4.3
Gross debt - fixed interest rates	-6.2	-3.9
Net debt	-4.0	0.4

CHANGE IN NET DEBT

EUR million	Cash	Leases due within 1 year	Leases due after 1 year	Borrowings due within 1 year	Borrowings due after 1 year	Total
Net debt as of Jan 1st, 2020	7.7	-1.0	-3.2	-0.2	-0.5	2.7
Cash flows	-3.0	-	-	-	-	-3.0
Acquisitions - finance leases and lease incentives	-	1.2	-	-	-	1.2
Foreign exchange adjustments	-0.3	-	-	-	-	-0.3
Other changes	-	-1.3	1.0	0.1	0.0	-0.2
Net debt as of Dec 31st, 2020	4.3	-1.1	-2.1	-0.1	-0.5	0.4

EUR million	Cash	Leases due within 1 year	Leases due after 1 year	Borrowings due within 1 year	Borrowings due after 1 year	Total
Net debt as of Jan 1st, 2021	4.3	-1.1	-2.1	-0.1	-0.5	0.4
Cash flows	-2.3	-	-	-	-	-2.3
Acquisitions - finance leases and lease incentives	-	0.9	-	-	-	0.9
Foreign exchange adjustments	0.2	-	-	-	-	0.2
Other changes	-	-0.9	-1.0	-0.7	-0.8	-3.3
Net debt as of Dec 31st, 2021	2.2	-1.1	-3.1	-0.8	-1.3	-4.0

5.2 Financial Risk Management

The aim of the financial risk management is to secure the business operation's profitability and continuity of identifying, and controlling of financial risks and protection from relevant financial risks when needed. Next Games Corporation's financial risk management has been carried out by the Management team. The Group Management team consists of the CEO and other C-level management (CFO, CTO, CPCO, CCO, CGO, COO), and has been operating under guidelines provided by the Board of Directors. Internal control is done by the Finance Department. The overall objective of the Group's Treasury policy is to protect equity and future profits to be affected from unpredictability in the financial markets. For the purpose of this policy only risk with both uncertainty of events and exposure, should be mitigated. Furthermore, the objective is to attempt to secure access to liquidity and financing at all times, to a reasonable cost.

Market Risk

Market risk is defined as risk related to a change in value of financial instruments or future cash flows due to market price fluctuations. Key market risks for the Group relate to foreign exchange risk, interest rates, and price risk in relation to user acquisition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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1. Foreign Exchange Risk

The Group operates globally and is exposed to transaction and translation foreign exchange risks. The major currency to which Next Games Corporation is exposed to is the United States Dollar. The objective of foreign exchange risk management is to mitigate adverse impacts from foreign exchange fluctuations on the Group profitability and cash flows. Transaction risk arises from liabilities together with foreign currency denominated future cash flows. Significant exposure related to transactions can be hedged under the treasury policy. The Group holds USD in currency accounts. Transaction risk occurs when converting balances from foreign currency accounts into the base currency.

EFFECT OF FOREIGN CURRENCY TRANSLATIONS

EUR million	2021	2020
Exchange rate gain	0.3	0.0
Exchange rate loss	-0.1	-0.3
Total	0.2	-0.3

2. Interest Rate Risk

Interest rate risk is defined as the uncertainty of Next Games Corporations value, profit and loss due to changes in interest rates. The objective of interest rate risk management is to minimize the impact of fluctuations arising from interest rate changes on the Group's profit. The Group is exposed to interest rate risk through its interest-bearing loans (excluding financial leases). During the reporting period market interest rate has been below 4%, in combination with low amounts of outstanding interest-bearing loans, interest rate risk is currently not significant. The company has a Nordea overdraft limit of EUR 0.9 million (interest 3-month Euribor +2.7% + 1.7% limit interest) valid until July 2022. At the end of the reporting period EUR 0.5 million had been used. In addition the company received a related party loan by Jari Ovaskainen, amounting to EUR 3.0 million. The interest rate on the loan is 6%. At the end of the reporting period EUR 1.0 million had been used.

INTEREST RATE RISK AND NOMINAL VALUES ON LOANS

EUR million	2021	2020
Business Finland, 1% interest	0.6	0.7
Related Party loan, 6% interest	1.0	-
Nordea - overdraft limit, 3 months euribor + 2.7% + 1.7% limit interest	0.5	-
Total	2.1	0.7

3. Risk Related to User Acquisition

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.

Competition in digital marketing channels has toughened as there is an increasing number of advertisers buying media through the same channels. The advertising market is dominated by a handful of large companies, such as Facebook and Google, and it seems their position will only continue to strengthen. The lack of competition and the lack of transparency in the advertising functionality offered by these platforms affect user acquisition pricing.

For example, advertising prices on Facebook in North America have risen over 200% from 2016 to 2021. The cost is being paid by advertisers, such as mobile games companies. This unpredictable price increase can affect Next Games profitability for current games, as well as influence requirements towards future game performance (ARPPDAU, retention). Though Next Games cannot directly influence or control prices, the Company aims to tackle increasing user acquisition prices by its license strategy. The License strategy both enables use of alternative marketing methods and channels, in addition to increasing the probability of players to organically find a game. Both methods can decrease the total price of acquiring players.

Possible restrictions on targeted advertising are typical in the mobile games market and changes in advertising, and thus user acquisition, are constant. Apple's decision to restrict sharing of IDFA data in connection with its new iOS14 update is one such relevant restriction. IDFA is user-specific information that enables advertising services, such as Facebook, to allow advertisers to precisely target ads. Disabling or restricting IDFA prevents advertisers, such as gaming companies, from targeting user acquisition as precisely as before. This modification has prompted concerns in the market about the future profitability of advertising. As a result of the IDFA change, the Company expects Google, Facebook and other advertisers to possibly implement major changes in the future. While the full impact of the IDFA change is still difficult to predict, Next Games believes its marketing strategy will work well in the future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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Credit and Counterparty Risk

Next Games has minimal exposure to counterparty risk, e.g. the risk that the Group's counterparties fail to meet its obligation. Next Games is exposed to counterparty risk through its accounts receivables: To ad networks in relation to advertising revenue, and to digital storefronts for revenues related to in application purchases. As at December 31 2021, Apple and Google represent 95% of entities accounts receivables. Next Games' major counterparties such as Apple, Google, and Unity have not been found to be associated with significant credit risk. Next Games finance department continuously assesses credit and counterparty risk, as at December 31 2021 no significant credit risk has been associated with its partners.

Credit and Counterparty Impairment

The Company has not recorded any credit losses and has not had a credit loss provision in the financial years 2021 and 2020.

Liquidity risk

The focus of liquidity management is to safeguard Next Games ability to meet short term obligations and to ensure that the liquidity always is used in the most optimal manner. Furthermore, liquidity management should aim to achieve acceptable returns on surplus liquidity, and to safeguard against negative interest rates within the limits of the Group's risk policy. In order to achieve the most optimal cash management, the entity monitors liquidity position and follows approved group guidelines to maintain a sufficient liquidity level. As at December 31 2020 Next Games cash and cash equivalents totaled EUR 4.3 million. The following tables present the entity's financial liabilities classified into relevant maturity groupings based on their contractual maturities for all non-derivative financial liabilities.

MATURITY OF FINANCIAL LOANS

EUR million	1-3 months	4-12 months	1-5 years	Over 5 years	Total
December 31 2020					
Non-current governmental agency loan	-	0.1	0.5	-	0.6
Trade payables	2.0	-	-	-	2.0
Lease liabilities	0.3	0.8	2.1	-	3.2

EUR million	1-3 months	4-12 months	1-5 years	Over 5 years	Total
December 31 2021					
Nordea - overdraft limit	-	0.5	-	-	0.5
Related Party loan	-	-	1.0	-	1.0
Non-current governmental agency loan	0.2	0.1	0.3	-	0.6
Trade payables	2.5	-	-	-	2.5
Lease liabilities	0.3	1.1	2.9	-	4.2

5.3 Shareholders' Equity

Next Games Oyj's share capital, paid in its entirety and registered in the trade register remained unchanged at EUR 0.1 (0.1) million in 2021. The Company has one class of shares. Shares have no nominal value. Each share entitles its shareholder to one (1) vote in the general meeting and shares have equal rights to dividends. All shares subscribed for with option-rights, rights offering, and payments have in its entirety been recorded to the Company's unrestricted equity.

RETAINED EARNINGS

EUR million	2021	2020
At January 1	-42.4	-38.9
Profit (loss) for the year	-5.3	-3.9
Dividends paid	-	-
Share-based payments	0.5	0.4
At December 31	-47.2	-42.4

Share and Share Issuance

SHARE SUBSCRIPTIONS

Shares	2021	2020
Number of shares at January 1	27,985,988	27,916,224
Option subscriptions	57,807	69,764
Rights offering	2,020,000	-
Number of shares at December 31	30,063,795	27,985,988

The Company holds 13,410 (13,410) treasury shares.

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CHANGES IN UNRESTRICTED EQUITY DURING THE REPORTING PERIOD

EUR million	2021	2020
Share issues based on stock options	0.0	0.0
Offering of shares	4.2	-
Costs of offering of shares	-0.2	-
Total	4.1	0.0

Earnings Per Share

Earnings per share is calculated by dividing the profit attributable to owners of the parent company by the weighted average number of ordinary shares outstanding during the financial year and excluding treasury shares. Diluted earnings per share is calculated on the same basis as basic earnings per share except including the impact of any potential commitments the Group has to issue shares in the future. Next Games has stock option plans, which are explained in more detail in the section 5.3. Share-based payments.

EUR	2021	2020
Profit operations attributable to the owners of the Company (EUR thousand)	-5.3	-3.9
Weighted average number of shares outstanding during the period	30,047,359	27,944,968
Diluted and non-diluted earnings per share (EUR)	-0.18	-0.14

Dilution impact is not taken into account in 2021 and 2020 because the effect is anti-dilutive (ie. It would decrease loss per share).

Dividends and Distributable Equity

The Board of Directors proposes to the Annual General Meeting that no dividend be distributed for the financial year 2021. The general meeting resolved not to distribute any dividend for the financial year ended December 31 2020. The report of the Board of Directors is signed before it is presented to the Annual General Meeting.

DISTRIBUTABLE EQUITY

EUR million	2021	2020
Reserve for invested unrestricted equity	65.7	61.4
Retained earnings (loss)	-53.9	-47.6
Profit (loss) for the financial year	-9.9	-6.4
Retained earnings, total	1.9	7.5
Total	1.9	7.5

Share-based Payments

Next Games has five share-based incentive schemes: Equity Plan 2015, Equity Plan 2017, Equity Plan 2018, Equity Plan 2019 and Equity Plan 2020. All of Next Games employees, whose probation period ended by the end of 2021 are option holders. The Company intends to continue granting options to all new employees at the end of their probation period as a long-term incentive. Unless otherwise decided by the Board of Directors, option rights are issued to recipients free of charge, and the subscription price for the shares is defined in each Equity Plan.

For the Equity Plan 2015, individual terms and conditions are applied to the subscription period for each eligible employee.

For the Equity Plan 2017 a subscription period where 25% of the option rights entitle to share subscription exactly one year following the grant, and the remaining 75% of the option rights entitle to share subscription in regular monthly installments over a period of 36 months from the date when exactly one year has passed since the option grant is applied.

For the Equity Plans 2018-2020 a subscription period where the option rights entitle to share subscription in annual installments of 25% each, starting from one full year following the grant date is applied. The options are granted in multiple batches, and for each batch the Board of Directors decides on the subscription price. Therefore, there are multiple different subscription prices inside these Equity Plans.

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In all instances, the right to share subscription requires that the recipient of the option rights is continually in service with Next Games as an employee, consultant, member of the management team or member of the Board of Directors. If a recipient's service relationship with Next Games ceases for any reason, all unexercised option rights that do not yet entitle to share subscription automatically terminate and are forfeited to the Company without separate compensation. If a recipient whose service relationship with Next Games has terminated holds option rights that entitle to share subscription, he or she is entitled to exercise such option rights within 30 days from the date of termination, at which point the option rights that remain unexercised automatically terminate and are forfeited to the Company without separate compensation.

Equity Plans 2017-2020 are published after the split of the share, and for these Equity Plans the shares can be subscribed for at the ratio of 1:1. Previous Equity Plans were published before the split of the share, and for these plans the shares can be subscribed for at the ratio of 4:1, meaning that one (1) option right entitles to the subscription of four (4) shares. The Company can grant options to the current or future employees of the Company or its subsidiaries, external consultants, management and the members of the Board of Directors. Granting of options requires the decision of the Board of Directors in every instance. The Company is planning to commit each full-time employee to the Company via the Equity Plans.

Next Games has used its own shares for business transactions, such as license acquisition deals and business acquisitions. Expenses for the post-combination compensation element of transactions have been recorded over a vesting period of two years.

Accounting Principles: Share-based Payments

Employees and key staff employed by Next Games are entitled to receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions). The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model, Black-Scholes. That cost is recognized in employee benefits expense, together with a corresponding increase in equity (retained earnings) over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest.

The expense or credit in the statement of comprehensive income for a period represents the movement in cumulative expense recognized as at the beginning and end of that period. Service conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately

vest. No expense is recognized for awards that do not ultimately vest because service conditions have not been met. When the terms of an equity-settled award are modified, the minimum expense recognized is the grant date fair value of the unmodified award, provided the original terms of the award are met. An additional expense, measured as at the date of modification, is recognized for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee. Where an award is canceled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through statement of comprehensive income.

Key Judgments and Estimates: Share-based Payments

Next Games uses the Black-Scholes pricing model to value share-based payments. All parameters used in the calculation are presented in the tables below. The fair value of Next Games' shares prior to the IPO was determined by an independent third party.

OPTION PRICING MODEL

Equity plan	Issued during 2021	Issued during 2020	Issued during 2019	
	2020	2020	2019	2017 & 2018
Valuation model	Black-Scholes	Black-Scholes	Black-Scholes	Black-Scholes
Fair value at December 31	1.26€	0.85€	0.58€	0.78€
Expected volatility	75%	0.79	42%	31%
Share price at the valuation date	1.80€	1.15€	1.47€	1.78€
Weighted average share price during the period	1.62€	1.52€	1.27€	1.27€
Exercise price	1.74€	0.96€	1.16€	1.14€
Expected dividend yield	-€	-€	-€	-€
Risk free interest rate	-0.30%	-0.32%	-0.22%	-0.17%
Forfeiture rate	12%	12%	12%	12%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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CHANGES DURING THE 2020 REPORTING PERIOD

Equity plan	Jan 1, 2020 Outstanding number of options	Granted	Redeemed	Exercised	Expired	Forfeited	Dec 31, 2020 Outstanding number of options
2015	94,294			-4,231		-7,182	82,881
2017	208,433			-141		-48,429	159,863
2018	504,906			-3,750		-92,698	408,458
2019	835,376					-58,396	776,980
2020		102,782					102,782
Total	1,643,009	102,782	-	-8,122	-	-206,705	1,530,964

CHANGES DURING THE 2021 REPORTING PERIOD

Equity plan	Jan 1, 2021 Outstanding number of options	Granted	Redeemed	Exercised	Expired	Forfeited	Dec 31, 2021 Outstanding number of options
2015	82,881	-	-	-3,496	-	-3,987	75,398
2017	159,863	-	-	-4,648	-	-41,746	113,469
2018	408,458	-	-	-7,500	-	-82,948	318,010
2019	776,980	-	-	-15,650	-	-169,345	591,985
2020	102,782	1,290,020	-	-3,450	-	-27,299	1,362,053
Total	1,530,964	1,290,020	-	-34,744	-	-325,325	2,460,915

SUBSCRIPTION PRICE

Equity plans	Issued price per option	2021 Weighted average share price	2020 Weighted average share price
2015*	2.66€ - 5.10€	0.85€	0.86€
2017	1.14€ - 7.90€	1.14€	1.14€
2018	1.14€ - 6.17€	1.14€	1.14€
2019	0.85€ - 1.38€	0.85€	-
2020	0.96€ - 2.29€	0.96€	-
Total	0.85€ - 7.90€	0.96€	1.00€

* One (1) option right entitles to the subscription of four (4) shares.

COST EFFECT OF SHARE BASED INCENTIVE PLAN

EUR million	2021	2020
Costs related to equity plan - share-based payment	0.5	0.4
Costs related to the equity plan, total	0.5	0.4

ALLOCATION OF SHARE BASED INCENTIVES

EUR million	2021	2020
Research and Development	0.3	0.2
Sales and Marketing	0.1	0.1
Administration	0.1	0.1
Total	0.5	0.4

5.4 Net Debt and Borrowings

Accounting Principles

The Group's interest bearing debt is categorized as other financial liabilities. Interest-bearing debt from financial institutions are recorded at fair value net of transaction costs at the point of acquisition. In determining fair value future cash outflows are discounted using market rates adjusted for relevant risk premiums. Loans from governmental agencies with a below-market rate of interest generate a benefit between the de facto below market-rate and true market rate of interest which is treated as a government grant and recognized as deferred income. Government grants are recognized in the income statement on a systematic basis over the periods in which related costs are recognized as expenses.

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BORROWINGS

EUR million	Currency	Fair value	Final due date	Net book value	
				2021	2020
Borrowings					
Business Finland - Valtionkonttori 1	EUR	0.2	March 13 2023	0.2	0.2
Business Finland - Valtionkonttori 2	EUR	0.4	August 31 2024	0.3	0.4
Nordea - overdraft limit (used)	EUR	0.5	July 15 2022	0.5	-
Related Party loan (used)	EUR	1.0	December 1 2029	1.0	-
Total		2.1		2.0	0.6
Non-current liabilities					
EUR million					
				2021	2020
Non-current liabilities					
Non-current governmental agency loan				0.3	0.5
Related Party loan (used)				1.0	-
Total non-current liabilities				1.3	0.5
Current liabilities					
Current governmental agency loan				0.3	0.1
Nordea - overdraft limit (used)				0.5	-
Total current liabilities				0.8	0.1
Total liabilities				2.0	0.6

5.5 Leasing

The Group has entered into various agreements concerning property, plant and equipment classified as financial leases. Lease terms are negotiated on an individual basis and contain different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Accounting Principles: Leasing

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in the income statement. Short-term leases are leases with a lease term of 12 months or less. Next Games has used short-term exemption to its interim head office lease, and low-value exemption to

its IT-equipment. Leases are recognized as a right-of-use asset and corresponding liability at the date of which leased asset is available for use by the Group. Assets and liabilities arising from a lease are measured on a present value basis.

Lease liabilities include fixed lease payments (including in-substance fixed payments) and also any implied expected amounts payable relating to residual value guarantee and exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option. The lease payments are discounted using interest rate implicit in the lease, if that rate can be determined, or using incremental borrowing rate. Certain property lease payments are linked to an inflation index. Variable lease payments based on an index are part of the lease liability and are measured initially using the index at the commencement date. Future changes of the index are considered in measurement at the point in time in which lease payments change.

Right-of-use assets are measured at cost comprising the amount of the initial measurement of lease liability, any lease payments made at or before the commencement date, any initial direct costs, and restoration costs.

Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. IFRS 16 related lease payments and interest payments are presented as part of financing cash flow in the Company's cash flow statement.

Key Judgments and Estimates: Leasing

Next Games' management periodically assess the need for its current and future premises and, on that basis, make an assessment of any new leases or possible terminations of leases.

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LEASE CONTRACTS

EUR million	2021	2020
Right-of-use asset		
Buildings	3.7	3.0
Total Right-of-Use Asset	3.7	3.0
EUR million	2021	2020
Lease liabilities		
Current	1.1	1.1
Non-current	3.1	2.1
Total lease liabilities	4.2	3.2
EUR million	12.31.2021	12.31.2020
Financial statement includes the following costs related to the lease contracts		
Amortization and impairment	1.0	1.1
Financial expenses	0.1	0.1
Costs from low value underlying assets	0.5	0.5
Total	1.6	1.7
Total cash flows from lease payments	0.9	1.2

5.6 Finance income and expenses

The Company's financial income mainly consists of interest income on the Company's bank deposits as well as foreign exchange gains. Finance costs consist of interest expenses on loans and foreign exchange losses on financing activities. Other finance expenses comprise deposit fees of bank savings and collateral fees. Other finance expense items are insignificant.

INTEREST INCOME AND EXPENSES

EUR million	2021	2020
Finance income and other finance income		
Interest income	0.0	0.0
Exchange rate gain	0.3	0.0
Interest income and other finance income total	0.3	0.0
Interest expense and other finance cost		
Interest expense	-0.2	-0.2
Exchange rate loss	-0.1	-0.3
Other finance cost	-0.0	-0.0
Interest expense and other finance cost total	-0.3	-0.5
Finance costs, net	-0.0	-0.5

Accounting Principles: Finance Income and Expenses

Transaction costs related to loans are expensed in profit or loss using an effective interest rate method. The effective interest rate is the rate that discounts the estimated future payments through the expected life of a loan to the net carrying amount of the financial liability. The calculation includes all fees paid by the contracting parties and transaction costs. Interest income is recognized using the effective interest rate, unless the receipt of interest is uncertain. In such cases the interest income is accounted for on a cash basis. Foreign exchange gains and losses on financing activities are recognized within finance income or costs.

5.7 Employee Benefits

Employee benefits include short-term employee benefits, benefits paid upon termination and post employee benefits. Short-term employee benefits include salaries and fringe benefits, annual holidays and bonuses. Next Games also has multiple Equity plans, which costs are recorded to employee expenses according to IFRS 2 principles. Benefits are classified into defined contribution and defined benefit plans. The Group has no defined benefit based pension plans. Benefits paid upon termination refer to benefits arising from termination of employment, not performance of work. Post-employment benefits consist of benefits paid after employment, such as healthcare.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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Accounting Principles: Employee Benefits

Liabilities arising from short-term benefits are recognized in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Incentive plans are approved annually. The Group utilizes defined contribution pension plans under which the Group pays fixed contributions into a separate entity with no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. Contributions to the defined contribution plans are charged directly to the statement of comprehensive income in the year to which these contributions relate.

EMPLOYEE BENEFITS

EUR million	2021	2020
Salaries and wages	3.6	4.6
Other social expenses	0.1	0.1
Share-based payment expense	0.5	0.4
Pension expenses	0.6	0.7
Total	4.8	5.8

Details on Share-Based payments can be found in the notes section 5.3.

EMPLOYEE BENEFITS BY FUNCTION

EUR million	2021	2020
Research and Development	1.0	1.6
Sales and Marketing	1.8	2.4
Administration	2.0	1.7
Total	4.8	5.8

GENERAL INFORMATION ON EMPLOYEES

Average personnel employed	2021	2020
Research and Development	70	60
Sales and Marketing	30	34
Administration	13	14
Total	113	109
As of December 31	121	104

5.8 Cash and Cash Equivalents

Cash and cash equivalents consist of cash at hand and deposits held at call with banks which all are non-restricted. Foreign currency cash and cash equivalents are translated into EUR by using the currency rate of fiscal year end. The Group uses official currency rates of the Bank of Finland for translation. Used bank overdrafts are included in other current liabilities.

CASH AND CASH EQUIVALENTS

EUR million	Dec 31 2021	Dec 31 2020
Cash in hand and at bank	2.2	4.3
Total	2.2	4.3

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6. Other Disclosures

In this Section

- Related Party Transactions
- Commitments and Contingent Liabilities
- Income Tax
- Management Compensation
- Events After the Reporting Period

6.1 Related Party Transactions

Next Games' related parties include its subsidiaries, associated company, the members of the Board of Directors, CEO, the members of the Management Team, as well as shareholders having significant influence over the Company. Related parties also include the close family members of these individuals and entities that are controlled or jointly controlled by a person identified as a related party. Transactions with related parties were made on an arm's length basis.

RELATED PARTY TRANSACTIONS

EUR million	2021	2020
Licensing fees and marketing services	-2.1	-2.4
Loans from board member	-1.0	-
Loan to CEO	0.2	0.3

OPEN BALANCES WITH RELATED PARTIES

EUR million	Dec 31 2021	Dec 31 2020
Licensing fees and marketing services	-1.1	-0.8
Loans from board member	-1.0	-
Loan to CEO	0.5	0.3

Next Games related party transactions include normal business transactions with license partners (AMC). Transactions are normal in Next Games business model and are following arm's length principle. Details related to management compensation are disclosed in notes 6.4. A related party loan was granted to the CEO as part of an equity compensation plan for 2019. Company had at the end of the reporting period EUR 0.5 million loan receivable from the Company's CEO. EUR 0.1 million loan repayment was made in February 2022. Annual loan repayments begin on December 1 2024. Loan's annual interest is 12-month Euribor added with 1.6%. CEO's shares of the Company have been received as securing collateral for the loan and at the end of reporting period

the total value of the shares was EUR 0.2 million. Board Member and related party Jari Ovaskainen granted a EUR 3.0 million loan to the Company. The loan carries interest of 6%. At the end of the reporting period the Company had withdrawn EUR 1.0 million. After the reporting period in February 2022 the Company withdrew an additional EUR 0.5 million and EUR 1.5 million remains available.

6.2 Commitments and Contingent Liabilities

Next Games has a Finnish state-owned financing company Finnvera's guarantee of 50% on its overdraft limit of 0.9 million euros, for which the company has given a 1.0 million euro business mortgage. The terms of the credit line allow for it to be doubled for scaling purposes. Overdraft limit expires July 15 2022.

COMMITMENTS AND CONTINGENT LIABILITIES

EUR million	2021	2020
Loans secured by mortgages		
Nordea - overdraft limit	0.5	-
Amount of mortgages given as collateral	1.2	-
Low value leasing asset commitment	0.6	0.7
Within a year	0.3	0.3
Over one year	0.2	0.4

6.3 Income Tax

Income tax expenses comprise of taxes from the current and previous periods, as well as deferred tax and other immediate taxes.

Accounting Principles: Income Tax

Income tax expense is recognized in income statements except to the extent that it relates to items recognized directly in equity or in other comprehensive income, in which case it is recognized directly in equity or in other comprehensive income respectively. Next Games has not recognized any income taxes in other comprehensive income. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of the previous year. Details on deferred taxes are available in notes 3.4. Key estimates and judgments referring to tax deferrals can be found from note's section 3.4.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

INCOME TAX

EUR million	2021	2020
Current tax on profit for the period	-	-
Other direct taxes	-	-
Income tax relating to previous financial years	-	-
Total deferred tax expense	0.3	0.2
Income tax expense	0.3	0.2

RECONCILIATION OF INCOME TAX

EUR million	2021	2020
Profit before taxes	-5.6	-4.1
Tax calculated at Finnish tax rate 20%	1.1	0.8
IFRS 2 expenses, tax effect	-0.1	-0.1
Expenses not deductible for tax purposes	0.0	-0.1
Depreciations for capitalizations not deducted in taxation	0.0	0.1
Unrecognized deferred tax assets on tax losses	-0.8	-0.5
Other adjustments	-	-
Share of profits of associates, net of tax	-	0.0
Other direct taxes	-	-
Income tax expense	0.3	0.2

Reconciliation of income tax recognized in the consolidated income statement is calculated using the Finnish tax rate (20% for all periods).

6.4 Management Compensation

The Board of Directors decides on the remuneration and criteria of the CEO and the members of the Management Team. Compensation consists of a monthly salary and bonus. The Board of Directors decides the terms of bonuses annually based on individual and company wide performance criteria. Management is subject to the same Equity plans as other personnel.

MANAGEMENT COMPENSATION

EUR million	2021	2020
CEO remuneration (cash based)		
Salary, other remuneration and benefits (1, 2 & 4)	0.4	0.2
Pension costs - defined contribution plan (3)	0.1	0.0
Total	0.5	0.2
Management team remuneration (excluding CEO, cash based)		
Salary, other remuneration and benefits (1, 2 & 4)	0.9	0.7
Pension costs - defined contribution plans	0.1	0.1
Total	1.0	0.8
The Board of Directors remuneration (cash based)	0.1	0.1
Management share-based payments (5)	0.1	0.0
Total of key management and the Board of Directors	1.7	1.2

The CEO is entitled to the statutory pension and the age of retirement is determined in accordance with the statutory employee pension system. Termination period for the CEO's employment contract is six months, and he is entitled to the salary for the termination period as well as the performance bonus until the termination date. If the CEO decides to resign from the Company or his employment is terminated during the bonus period (the fiscal year) or before the payment of the possible bonus is made, the CEO will not be entitled to receive any payment for the period in question. In case of retirement, the bonus is paid for the period of active employment. In case the notice of termination is given to the CEO, a severance pay of 12 months' base salary will be paid in addition to the salary for six months' notice period. If the CEO gives a notice of termination to the Company, no severance pay will be paid in addition to the salary for the notice period.

1.) Salary is the monetary compensation paid by the Group to its Management, including any bonus payments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

- 2.) Other benefits include customary benefits such as lunch and mobile phone.
- 3.) Pension contribution is based on the statutory employee pension system, the Group has no voluntary or additional pension plans in place.
- 4.) Option benefits are not monetary compensations from the Group to its Management. The benefit achieved is calculated as the difference between price paid per share and prevailing share price at the point of exercising. This amount is treated as a taxable benefit as per the Finnish tax code. True monetary benefits from programs are unknown and realized at the point of share liquidation. Benefits are based on programs issued between 2015 and 2021. Exercising options does not impact the Group's cash position, or profit and loss statement.
- 5.) IFRS 2 share based payments are expenses recorded to the Profit and Loss statement based on options granted and vested by management members.

6.5 Events After the Reporting Date

Netflix, Inc. announced on 2 March 2022 a voluntary recommended public cash tender offer for all issued and outstanding shares in Next Games Corporation.

Next Games reached an agreement with its partner Alcon Entertainment to discontinue the Blade Runner Rogue game project after the reporting period in February 2022. The game did not meet the mutually agreed targets. The game will be immediately removed from Apple App Store and Google Play store, but will remain online for existing players until June 2022.

PARENT COMPANY FINANCIAL STATEMENTS

PROFIT AND LOSS STATEMENT

EUR	Parent 1.1.2021-12.31.2021	Parent 1.1.2020-12.31.2020
REVENUE	25,181,192.66	27,181,654.80
Other operating income	790,085.08	700,276.32
Raw materials and services		
External services	-16,987,267.20	-17,274,818.73
Raw materials and services total	-16,987,267.20	-17,274,818.73
Personnel expenses		
Wages and salaries	-7,721,627.86	-7,159,051.30
Social security expenses		
Pension expenses	-1,313,030.46	-1,127,436.97
Other social security expenses	-250,880.06	-182,229.11
Personnel expenses total	-9,285,538.38	-8,468,717.38
Depreciation, amortization and write-offs		
Depreciation and amortization according to plan	-2,318,709.40	-2,166,850.45
Impairment in non-current assets	-775,352.01	0.00
Depreciation, amortization and write-offs total	-3,094,061.41	-2,166,850.45
Other operating expenses	-6,398,069.78	-5,883,502.08
OPERATING PROFIT (LOSS)	-9,793,659.03	-5,911,957.52
Financial income and expenses		
Other interest income and financial income		
From others	280,486.32	17,228.59
Reduction in value of investments held as non-current assets	0.00	-62,605.40
Other interest expenses and other financial expenses		
To others	-351,705.09	-398,561.86
PROFIT (LOSS) BEFORE APPROPRIATIONS AND TAXES	-9,864,877.80	-6,355,896.19
Income taxes		
Income taxes for the financial year	0.00	0.00
PROFIT (LOSS) FOR THE FINANCIAL YEAR	-9,864,877.80	-6,355,896.19

BALANCE SHEET

EUR	Parent 12.31.2021	Parent 12.31.2020
ASSETS		
NON-CURRENT ASSETS		
Intangible assets		
Intangible rights	1,032,385.34	1,272,436.98
Other intangible assets	800,189.59	1,487,624.07
Intangible assets total	1,832,574.93	2,760,061.05
Tangible assets		
Machinery and equipment	127,338.29	161,711.29
Tangible assets total	127,338.29	161,711.29
Investments		
Holdings in group undertakings	27,500.00	27,500.00
Investments total	27,500.00	27,500.00
NON-CURRENT ASSETS TOTAL	1,987,413.22	2,949,272.34
CURRENT ASSETS		
Long-term debtors		
Loan receivables	489,081.48	321,729.05
Other debtors	395,200.00	395,200.00
Prepayments and accrued income	6,612.00	343,199.00
Deferred tax assets	2,849,791.40	2,849,791.40
Long-term debtors total	3,740,684.88	3,909,919.45
Short-term debtors		
Trade debtors	3,201,148.12	1,508,045.72
Other debtors	165,453.51	128,540.36
Prepayments and accrued income	1,592,924.87	2,281,295.68
Short-term debtors total	4,959,526.50	3,917,881.76
Cash in hand and at banks	2,209,639.93	4,311,872.52
CURRENT ASSETS TOTAL	10,909,851.31	12,139,673.73
ASSETS TOTAL	12,897,264.53	15,088,946.07

PARENT COMPANY FINANCIAL STATEMENTS

CONTINUED

EUR	Parent 12.31.2021	Parent 12.31.2020
EQUITY AND LIABILITIES		
EQUITY		
Share capital	80,000.00	80,000.00
Other reserves		
Invested unrestricted equity reserve	65,713,073.03	61,428,663.05
Other reserves total	65,713,073.03	61,428,663.05
Retained earnings (loss)	-53,928,849.17	-47,572,952.98
Profit (loss) for the financial year	-9,864,877.80	-6,355,896.19
EQUITY TOTAL	1,999,346.06	7,579,813.88
LIABILITIES		
Non-current liabilities		
Loans from credit institutions	331,500.00	553,250.00
Other creditors	1,000,000.00	0.00
Non-current liabilities total	1,331,500.00	553,250.00
Current liabilities		
Loans from credit institutions	276,625.00	109,750.00
Other financial liabilities	486,277.89	0.00
Advances received	776,320.92	1,193,688.55
Trade creditors	2,539,699.37	2,034,806.85
Amounts owed to group undertakings	18,939.61	18,939.61
Other creditors	200,105.27	224,004.56
Accruals and deferred income	5,268,450.41	3,374,692.62
Current liabilities total	9,566,418.47	6,955,882.19
LIABILITIES TOTAL	10,897,918.47	7,509,132.19
EQUITY AND LIABILITIES TOTAL	12,897,264.53	15,088,946.07

PARENT COMPANY FINANCIAL STATEMENTS

CONTINUED

CASH FLOW STATEMENT

EUR	Parent 1.1.2021-12.31.2021	Parent 1.1.2020-12.31.2020
Cash flow from operating activities		
Profit (loss) before appropriations and taxes	-9,864,877.80	-6,355,896.19
Adjustments:		
Depreciation according to plan	2,318,709.40	2,166,850.44
Impairment in non-current assets	775,352.01	62,605.40
Unrealized foreign exchange gains and losses	-173,821.09	293,544.65
Other non-cash items	-75,803.25	-95,297.85
Financial income and expenses	234,434.33	62,806.82
Cash flow before working capital changes	-6,786,006.40	-3,865,386.73
Working capital changes:		
Increase/decrease in trade and other short-term interest free receivables (-)/(+)	-2,614,571.08	1,310,083.81
Increase/decrease in short-term interest-free liabilities (+)/(-)	2,129,779.20	-302,606.50
Working capital changes total	-484,791.88	1,007,477.31
Operating cash flow before financing items and taxes	-7,270,798.28	-2,857,909.42
Paid interest and other financial expenses relating to operating activities	-229,117.77	-72,814.62
Interest received relating to operating activities	878.00	252.98
Income taxes paid	0.00	0.00

Cash flow from operating activities (A)	-7,499,038.05	-2,930,471.06
Cash flow from investments		
Purchase of tangible and intangible items	-8,070.00	0.00
Cash flow from investments (B)	-8,070.00	0.00
Cash flow from financing activities		
Proceeds from issuance of equity	4,296,392.82	11,242.93
Repayment of long-term borrowings	-54,875.00	-67,000.00
Repayment of short-term borrowings	0.00	0.00
Withdrawals of long-term loans	1,000,000.00	0.00
Paid interest expenses and other financial expenses (*)	0.00	-50,662.50
Cash flows from financing activities (C)	5,241,517.82	-106,419.57
Effect of exchange rate differences on cash and cash equivalents	163,357.64	-318,526.45
Change in cash and cash equivalents	-2,102,232.59	-3,355,417.08
Cash and cash equivalents at beginning of period	4,311,872.52	7,667,289.60
Cash and cash equivalents at end of period	2,209,639.93	4,311,872.52

(*) Includes share issue expenses: legal services, consulting services, and bank fees. Corresponding acquisition cost have been capitalized to other intangible assets in balance sheet.

PARENT COMPANY NOTES TO THE FINANCIAL STATEMENTS

Notes to the Preparation of the Financial Statements

Valuation principles and methods

Company's intangible and tangible assets have been valued to the acquisition cost less planned, accumulated depreciation. The tangible assets that have an economic useful life of under three years or an acquisition cost less than 850 euros have been expensed during the financial year.

Trade receivables, loan receivables, other receivables, prepayments and accrued income booked as receivables have been valued to net value or a lower probable value.

Debts have been valued to net value or a higher value based on the comparison criterium.

Investments have been recognized to the acquisition cost or a lower probable value.

Depreciation principles and methods

Trademarks	5-year straight-line depreciation
Copyrights	3-year straight-line depreciation
Capital expenses from rented office spaces	5-year straight-line depreciation
IT softwares	3-year straight-line depreciation
Licenses	3-year straight-line depreciation
Merger loss	5-year straight-line depreciation
IPO related expenses	3-year straight-line depreciation
Share issue expenses	18 month straight-line depreciation
Machinery and equipment	Reducing balance method of 25% per year

Depreciations start when the asset is available for use.

Revenue recognition

Company generates revenue from three categories:

1. Games, in which services, virtual currencies and products are sold (IAP)
2. Advertising revenue
3. Other revenue

The company develops games for mobile devices, available to download for free but players can buy virtual items in the game with real currency. Next Games also receives revenue from ads placed in the game. Purchased virtual items can be divided in to durables and consumables. Durable items are deferred over the lifetime of a player, product, or group of products, whereas consumable items are recognized immediately as revenue.

Company defers revenue from the games based on an estimate on how the players use the services and virtual goods that they buy in the game. For the revenue recognition, the company calculates an estimated life-time for the players, individual products or product groups, and defers the payments received based on this estimate. The company's current games, as well as any future games, are different. Using the same principle, the life-time of the products and players may differ between the games, hence the deferred revenue differs for each game. Advertising revenue is recognized when the advertisement has been shown. Revenue recognition from Co-development, that belongs into category Other revenue, is based on contracts and revenues related to them are recorded on an accrual basis.

The direct expenses (commissions and license fees directly relating to sales) have been deferred based on the same principles as the revenue. Revenue deferral is shown under Advances received, and the corresponding commission- and license-expenses are shown under Prepayments and accrued income.

Social influencer marketing costs are accrued and expensed over their expected useful lives. TV and radio marketing costs are expensed on an accrual basis.

Description of purchased services

Purchased services includes hosting costs, user acquisition costs, platform commissions, other outsourced services, and license fees.

Accounting for pensions

The company's pension liabilities have been covered through a pension insurance company. All pension arrangements are defined contribution arrangements, and the related costs are entered in the income statement for the financial year in which they were incurred.

Recognition of deferred tax

Deferred taxes are calculated for temporary differences between tax bases and book values using the tax rate for future years that has been confirmed at the balance sheet date. Deferred tax assets are measured according to the conservatism principle.

PARENT COMPANY NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

IPO expenses

Company has capitalized IPO related expenses to other intangible assets. Capitalized amount includes legal and consulting services, bank fees, and insurance expenses. Management has estimated that the IPO has had a positive effect on the company's estimated future financial performance. Due to this IPO expenses have been capitalized and will be depreciated over the expected useful life.

External services

Company's licensing contracts have several terms that can have an effect, depending on the game's lifecycle, on the amount of licensing fees payable.

NOTES TO THE PROFIT AND LOSS STATEMENT

EUR	Parent 1.1.-12.31.2021	Parent 1.1.-12.31.2020
Revenue		
By category of activity		
Games	25,181,192.66	27,181,654.80
By geographical markets		
North America	13,706,430.59	13,223,828.43
EU	6,964,774.06	7,977,348.78
Finland	121,926.39	173,052.27
Other	4,388,061.62	5,807,425.32
Other operating income		
Grants received	788,317.65	673,099.32
Gain from disposals, other intangible and tangible assets	1,731.18	3,066.93
Other	36.25	24,110.07
Total	790,085.08	700,276.32

EUR	Parent 1.1.-12.31.2021	Parent 1.1.-12.31.2020
Other operating expenses		
Marketing expenses	344,294.13	137,418.20
Outsourced development and testing services	1,767,805.58	753,544.62
IT software and hardware expenses	1,559,809.05	1,720,990.81
Legal and consulting expenses	658,016.75	786,497.90
Travel expenses	38,688.43	25,756.23
Office space expenses	1,232,656.50	1,647,104.85
Other expenses	796,799.34	812,189.42
Total	6,398,069.78	5,883,502.03
Auditor's fees		
Audit of financial statements	67,500.00	87,991.71
Engagements referred to in the Auditing Act, 1.1,2 §	7,500.00	1,905.00
Tax consulting	30,450.00	7,691.00
Other fees	0.00	7,062.50
Total	105,450.00	104,650.21

PARENT COMPANY NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

NOTES TO THE PERSONNEL AND MEMBERS OF THE BOARD OF DIRECTORS

	Parent 1.1.-12.31.2021	Parent 1.1.-12.31.2020
Average headcount during the financial year	113	109
Wages, salaries and other remuneration of directors and management		
CEO	387,620.91	202,170.32
Members of the Board of Directors	121,500.00	144,000.00

MANAGEMENT OPTIONS

	Option rights 12.31.2021
Petri Niemi, Chairman of the Board	1,400
Teemu Huuhtanen, CEO	443,344
Saara Bergström, Management member	230,726
Annina Salvén, Management member	319,168
Ioannis Alexopoulos, Management member	136,495
Joonas Laakso, Management member	122,293
Juha Matikainen, Management member	74,599
Tero Teelahti, Management member	65,000
Total	1,393,025

More information on option programs are presented in the Board of Directors' report.

PARENT COMPANY NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

NOTES TO THE BALANCE SHEET ASSETS

EUR	Parent 12.31.2021	Parent 12.31.2020
Specification of the assets in the balance sheet		
Intangible rights		
Acquisition cost at 1.1.	4,064,572.26	3,657,107.26
Additions	2,124,132.28	407,465.00
Acquisition cost at 12.31.	6,188,704.54	4,064,572.26
Accumulated depreciation and impairment at 1.1.	2,792,135.28	1,698,038.45
Depreciation for the financial year	1,588,831.91	1,094,096.83
Impairment	775,352.01	0.00
Accumulated depreciation and impairment at 12.31.	5,156,319.20	2,792,135.28
Carrying amount at 12.31.	1,032,385.34	1,272,436.98
Other intangible assets		
Acquisition cost at 1.1.	7,275,052.78	7,275,052.78
Additions	0.00	0.00
Disposals	7,275,052.78	7,275,052.78
Accumulated depreciation and impairment at 1.1.	5,787,428.71	4,768,579.10
Depreciation for the financial year	687,434.48	1,018,849.61
Accumulated depreciation and impairment at 12.31.	6,474,863.19	5,787,428.71
Carrying amount at 12.31.	800,189.59	1,487,624.07
Machinery and equipment		
Acquisition cost at 1.1.	579,787.35	579,787.35
Additions	8,070.00	0.00
Acquisition cost at 12.31.	587,857.35	579,787.35

Accumulated depreciation and impairment at 1.1.	418,076.06	364,172.06
Depreciation for the financial year	42,443.00	53,904.00
Accumulated depreciation and impairment at 12.31.	460,519.06	418,076.06
Carrying amount at 12.31.	127,338.29	161,711.29
Holdings in group undertakings		
Acquisition cost at 1.1.	27,500.00	27,500.00
Acquisition cost at 12.31.	27,500.00	27,500.00
Accumulated impairment 1.1.	0.00	0.00
Accumulated impairment 12.31.	0.00	0.00
Carrying amount at 12.31.	27,500.00	27,500.00
Other shares and similar rights of ownership		
Acquisition cost at 1.1.	1,073,968.91	1,073,968.91
Acquisition cost at 12.31.	1,073,968.91	1,073,968.91
Accumulated impairment 1.1.	1,073,968.91	1,011,363.51
Impairment	0.00	62,605.40
Accumulated impairment 12.31.	1,073,968.91	1,073,968.91
Carrying amount at 12.31.	0.00	0.00

Armada Interactive Oy has filed a bankruptcy as of 22.9.2020. Company has recognized an impairment for its shareholding in Armada Interactive Oy during 2020.

PARENT COMPANY NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

EUR	Parent 12.31.2021	Parent 12.31.2020
Ownership in other companies		
Group companies		
Next Games GmbH	100% ownership	
All group companies have been consolidated in to the parent company's consolidated financial statements.		
Associate companies		
Armada Interactive Oy (filed a bankruptcy as of 22.9.2020)	11.79% ownership	
Prepayments and accrued income		
Long-term		
Prepayments	0.00	340,924.00
Other	6,612.00	2,275.00
Short-term		
Grant Receivables	1,045,021.97	256,704.32
Prepayments and marketing expense accruals	279,248.64	1,697,380.56
Accrued cost of sales	268,654.26	326,977.80
Other	0.00	233.00
Total	1,599,536.87	2,624,494.68

Deferred taxes

Recognized deferred tax assets from the parent company's tax losses in the financial statements amounted to 2,849,791.40 euros. Recognition is based on management's assessment that the company is able to utilize the tax benefit generated by the tax losses. Tax losses from which deferred tax assets are recognized expire during years 2023-2031.

NOTES TO BALANCE SHEET EQUITY AND LIABILITIES

EUR	Parent 12.31.2021	Parent 12.31.2020
Equity		
Breakdown of equity		
Share capital 1.1.	80,000.00	80,000.00
Share capital 12.31.	80,000.00	80,000.00
Total restricted equity 12.31.	80,000.00	80,000.00
Invested unrestricted equity 1.1.	61,428,663.05	61,409,603.21
Share issue	4,242,000.00	0.00
Exercise of options	42,409.98	19,059.84
Invested unrestricted equity 12.31.	65,713,073.03	61,428,663.05
Retained earnings 1.1.	-53,928,849.17	-47,572,952.98
Retained earnings 12.31.	-53,928,849.17	-47,572,952.98
Loss for the year	-9,864,877.80	-6,355,896.19
Unrestricted equity 12.31.	1,919,346.06	7,499,813.88
Total equity 12.31.	1,999,346.06	7,579,813.88
Group liabilities		
Other liabilities	18,939.61	18,939.61
Accruals and deferred income		
Accrual for other direct cost of sales	1,170,848.00	988,201.00
Staff expenses	2,265,068.46	1,632,431.62
Other	1,832,533.95	754,060.00
Total	5,268,450.41	3,374,692.62

PARENT COMPANY NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

COMMITMENTS AND CONTINGENT LIABILITIES

EUR	Parent 12.31.2021	Parent 12.31.2020
Lease agreement liabilities		
During next financial year	321,094.38	347,114.12
Later	243,842.98	353,951.77
Total	564,937.36	701,065.88
Deposits and commitments from office spaces		
Rental deposits from office spaces: 395,200 euros (other long-term receivables).		
During next financial year	1,418,944.92	1,390,471.56
Later	3,902,098.53	2,549,197.86
Total	5,321,043.45	3,939,669.42

Rent commitments excluding 24% VAT.

Investments in real estate

Company is liable to remeasure its VAT deductions from the real estate investment completed during the financial year 2018 if the taxable usage of the real estate decreases during the revision period. Total remeasurement liability is 238,644.25 euros and the final remeasurement year is 2027.

Other commitments

The company has outstanding license agreements which may trigger further off balance sheet commitments during the following years including minimum guarantees, minimum development budgets and marketing spend. These possible commitments are off-balance sheet items.

Checking account credit limit

Next Games has a credit limit of 900,000.00 euros, for which the company has given a 1,000,000.00 euros business mortgage. Credit limit in use as of 12.31.2021: 486,277.89 euros. The account limit and the related Finnvera's 50% guarantee expire on July 15 2022.

CALCULATION OF DISTRIBUTABLE FUNDS

EUR	Parent 12.31.2021	Parent 12.31.2020
Distributable unrestricted equity	1,919,346.06	7,499,813.88
Invested unrestricted equity	65,713,073.03	61,428,663.05
Retained earnings (loss)	-53,928,849.17	-47,572,952.98
Profit (loss) for the financial year	-9,864,877.80	-6,355,896.19

Related Party Disclosures

Company have had transactions with the related parties during the financial year: 2,060,120.70 euros (2020: 2,356,930.24 euros). Transactions with the related parties includes licensing fees and purchased marketing services.

Control over the entity or significant influence over the entity's financial and operating decision-making processes are requirements when deciding company's related parties. During year 2019, company has traded with one of its related party: AMC, license holder for The Walking Dead.

In addition, the company has a loan receivable of 489,081.48 euros (as of 12.31.2021) (2020: 321,729.05) from the company CEO. 0.1 million loan repayment was made in February 2022. Contractual annual loan repayments begin at 1.12.2024. Loan's annual interest is 12-month Euribor added with 1.6%. CEO's shares of the Company have been received as securing collateral for the loan and at the end of reporting period the total value of the shares was 197,127.66 euros.

In addition, the company has a loan of 1,000,000.00 euros from a shareholder. Contractual annual loan repayments begin at 1.12.2023. The loan carries interest of 6%. No securing collateral has been given for the loan.

COVID-19 Pandemic

The effects of the COVID-19 pandemic have been minor on the company's business operations. More information on the impact of the COVID-19 pandemic on the company's operations is presented in the Board of Directors' report.

SIGNATURES OF THE FINANCIAL STATEMENTS AND BOARD OF DIRECTORS' REPORT

Helsinki, March 11 2022

Teemu HUUHTANEN
CEO

Petri NIEMI
Chairman of the Board

Nicholas SEIBERT
Board member

Peter LEVIN
Board member

Jari OVASKAINEN
Board member

Elina ANCKAR
Board member

Riikka TIEAHO
Board member

AUDITOR'S NOTE

A report on the audit performed has been issued today.

Helsinki, March 11 2022

Deloitte Oy
Audit Firm

Mikko Lahtinen
Authorized Public Accountant (KHT)

AUDITOR'S REPORT

To the Annual General Meeting of Next Games Oyj

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Next Games Oyj (business identity code 2536072-3) for the year ended December 31 2021. The financial statements comprise the consolidated statement of comprehensive income, balance sheet, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company's income statement, balance sheet, statement of cash flows and notes.

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position, financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the

laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required

AUDITOR'S REPORT

CONTINUED

to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Other Reporting Requirements

Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

Helsinki, March 11 2022

Deloitte Oy

Audit Firm

Mikko Lahtinen

Authorized Public Accountant (KHT)

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ADDITIONAL INFORMATION

INFORMATION TO INVESTORS

Next Games has an exceptionally large shareholder base for a First North company, with 8,369 shareholders at the end of 2021.

This is an 140% increase since the company's initial public offering in 2017. A large shareholder base ensures better liquidity and in 2021 14.7 million shares were traded.

Next Games has since its listing decided to voluntarily seek to follow stricter governance than what is required on the First North exchange to offer investors additional transparency as well as comparability to other companies internationally. The company's reporting has been in accordance with international IFRS standards as of 2018.

Investor Relations Contact Information

You can find more information about Next Games as an investment at our website: nextgames.com/investors
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Alexander Corporate Finance Oy,
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Top 20 Shareholders

Next Games Oyj Top 20 Major Shareholders Dec 31, 2021			Shares	% of Shares
1	Ovaskainen Jari Juhani Rainer		8,578,068	28.53
2	Hiitola Kalle Johannes		971,675	3.23
3	Achrén Joakim Tomas Johan		877,901	2.92
4	Jumisko Jaakko Ensio		690,246	2.30
5	Keskinäinen työeläkevakuutusyhtiö Varma		620,000	2.06
6	Keskinäinen Eläkevakuutusyhtiö Ilmarinen		589,066	1.96
7	Achrén Mikael Jan Kennet		533,549	1.77
8	Lions Gate Entertainment Inc.		524,461	1.74
9	Sr Säästöpankki Pienyhtiöt		279,678	0.93
10	OP-Suomi Mikroyhtiöt Esr		272,784	0.91
11	Vaah Holdings Oy		266,720	0.89
12	Vartia Arvo Arnar Antero		262,995	0.87
13	Huhtanen Teemu Mikael		172,919	0.58
14	Ikola Ville Antero		162,000	0.54
15	Nuard Ventures Oy		150,000	0.50
16	Vilpo Oy		150,000	0.50
17	Hollming Toni Kristian		144,574	0.48
18	Danske Invest Suomi Osake		139,094	0.46
19	Cunzi Sylvain Gérard Lionel		110,024	0.37
20	Pardon Christophe		107,637	0.36

	Shares	% of Shares
20 largest shareholders total	15,603,391	51.90
Nominee registered	6,481,041	21.56
Other shares	7,979,363	26.54
In the joint book entry account	33,776	0.11
Total	30,063,795	100.00

Number of shares	Shareholders	%	Shares	%
1-100	3,208	38.33	145,703	0.49
101-1,000	3,978	47.53	1,473,611	4.90
1,001-10,000	1,040	12.43	2,962,144	9.85
10,001-100,000	119	1.42	3,435,153	11.43
100,001-1,000,000	22	0.26	8,242,023	27.42
> 1,000,000	2	0.02	13,771,385	45.81
Total	8,369	100.00	30,030,019	99.89
Nominee registered	9		6,481,041*	21.56
In the joint book-entry account			33,776	0.11
Number of shares issued			30,063,795	100.00

* AMC Network's ownership of 14.81%, i.e. 4,451,488 shares, is included in nominee-registered shares.



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Visit us at emperor.works

