



NEXT GAMES / ANNUAL REPORT 2020

CONTENTS

ABOUT US	3	>
Next Games as an Investment	3	>
Next Games' year 2020	4	>
From the CEO	8	>
Financial Targets	10	>
Corporate Responsibility	11	>
Information to Investors	12	>
BASIS FOR GROWTH	14	>
Market	15	>
Strategy	21	>
Strategic Focus Areas	22	>
Business Model	24	>

GOVERNANCE	28	>
Corporate Governance 2020	28	>
Remuneration Report 2020	42	>
FINANCIAL STATEMENTS	46	>
Board of Director's Report	48	>
Financial Statement	62	>
Notes to the Financial Statement	66	>

Next Games as an **INVESTMENT**



We benefit from a strong market position in the large and growing mobile gaming market

The global gaming market is projected to grow to more than \$200 billion by 2023, already larger than the film and music industry combined. Around half of this market is mobile games, and it is the fastest growing segment in gaming. Next Games has a strong market position in this growing mobile gaming market. We are one of the top 5 publishers in our own segment, such as licensed games, geolocation and mixed reality, as well as turn-based role-playing games.



We have a competitive advantage and increased profitability through games based on universally known brands

Next Games is one of the few companies that develops and publishes mobile games that are licensed under well-known brands. We are a respected partner in the gaming and entertainment industry, and a trusted partner of the world's leading film and TV series licensors. The appeal of well-known brands result in decreased paid user acquisition cost (e.g. cost per install); while it attracts new players via search and browse in the store fronts, this generates a strong organic user flow, which in turn keeps the cost of acquiring players substantially lower as compared to games without brand support. Our already published games enable a stable and profitable business.



We seek growth by expanding our product range and investing in product development, technology, intelligence and our analytics

Next Games seeks growth by entering into new license agreements, developing and launching new games, and investing heavily in product development. Product development is streamlined and accelerated by a unified infrastructure that enables the unification of shared services such as analytics and customer service, as well as the optimization of efficient game production, data processing and marketing investments.



Next Games seeks growth by entering into new license agreements, developing and launching new games, and investing heavily in product development.

This in turn enables both developing and running multiple games as a service, which is not a trivial task. The use of artificial intelligence and machine learning is also playing an increasingly strong role, for example in the development of game earning models. Revenue and profitability are further enhanced by our advanced analytics capabilities, which enables rapid growth in player numbers and continuous optimization of the game-specific customer experience, maintaining player engagement and increased in-game purchases.



Next Games' **YEAR 2020**

MISSION

Next Games defines the way franchise entertainment transforms into highly engaging mobile games played together with friends and fellow fans.

VALUES



Courage



Caring



Curiosity

VISION

To join forces with license holders to build top grossing games and become the most sought after partner for IP owners.

Year 2020 in a Nutshell

EBITDA



Revenue



- ▶ Revenue was **27.2** million euros (34.7)
- ▶ EBITDA was **0.5** million euros (-3.5)
- ▶ Publishing Operations EBITDA was **6.4** (3.8) million euros
- ▶ Research and Development **21%** (19%) of revenue

Key Operational Metrics

MAU Monthly Active Users

2019 1,400,000 > 2020 750,000

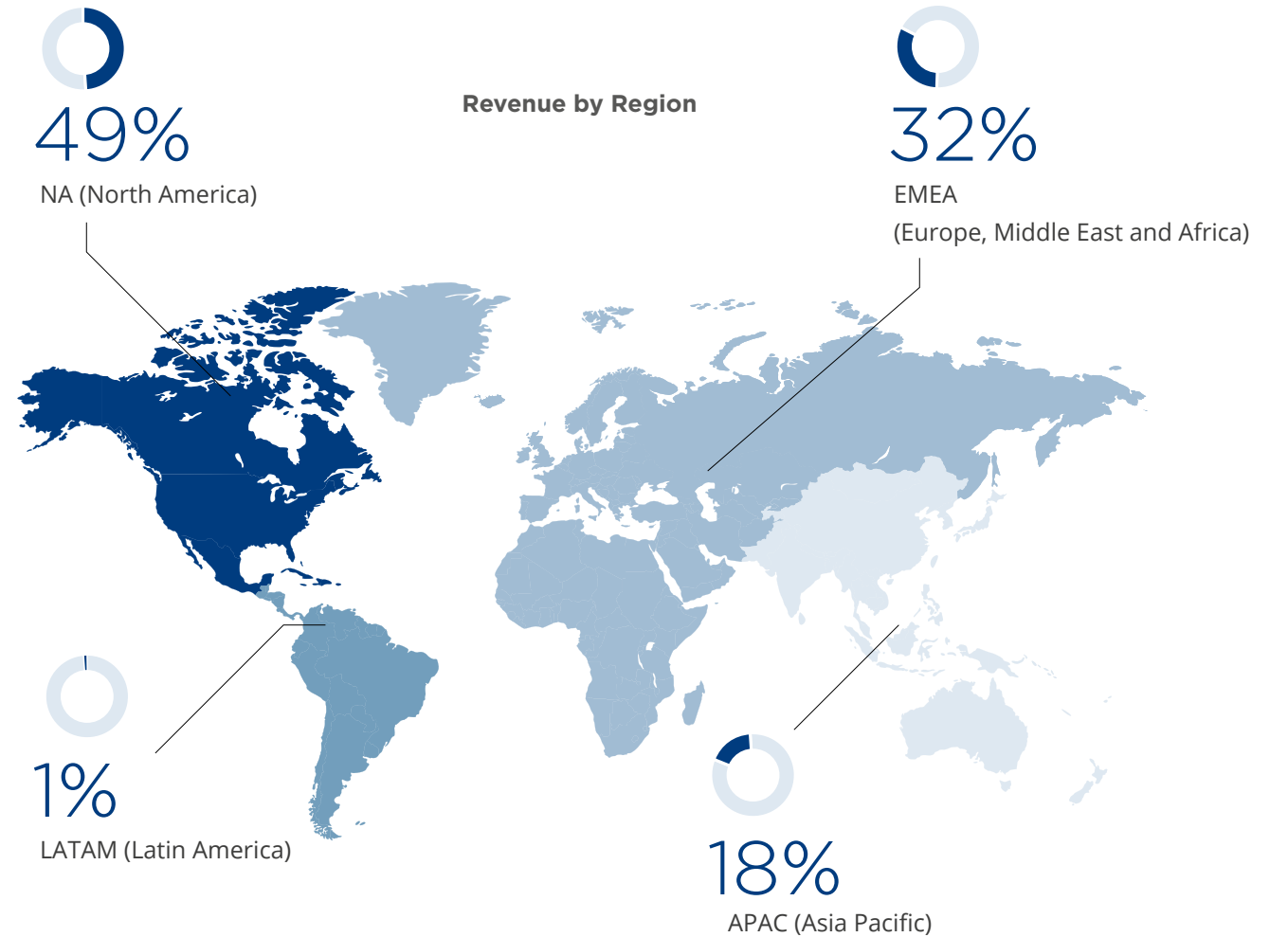
DAU Daily Active Users

2019 350,000 > 2020 250,000

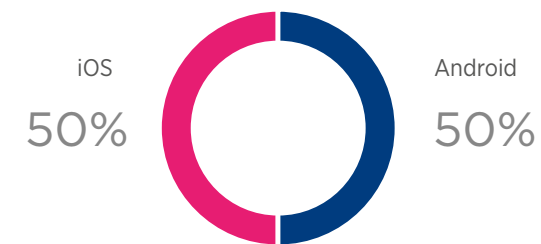
ARPPDAU Average Revenue per Daily Active User

2019 0.26€ > 2020 0.33€

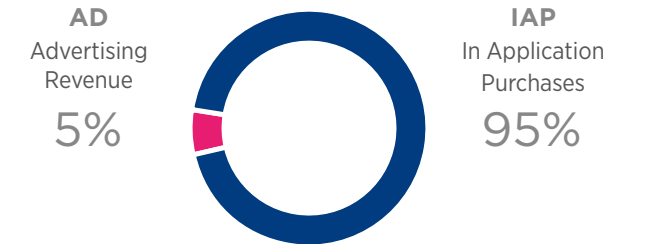
Revenue by Region



Gross Bookings by Platform



Gross Bookings by Source



Our Products

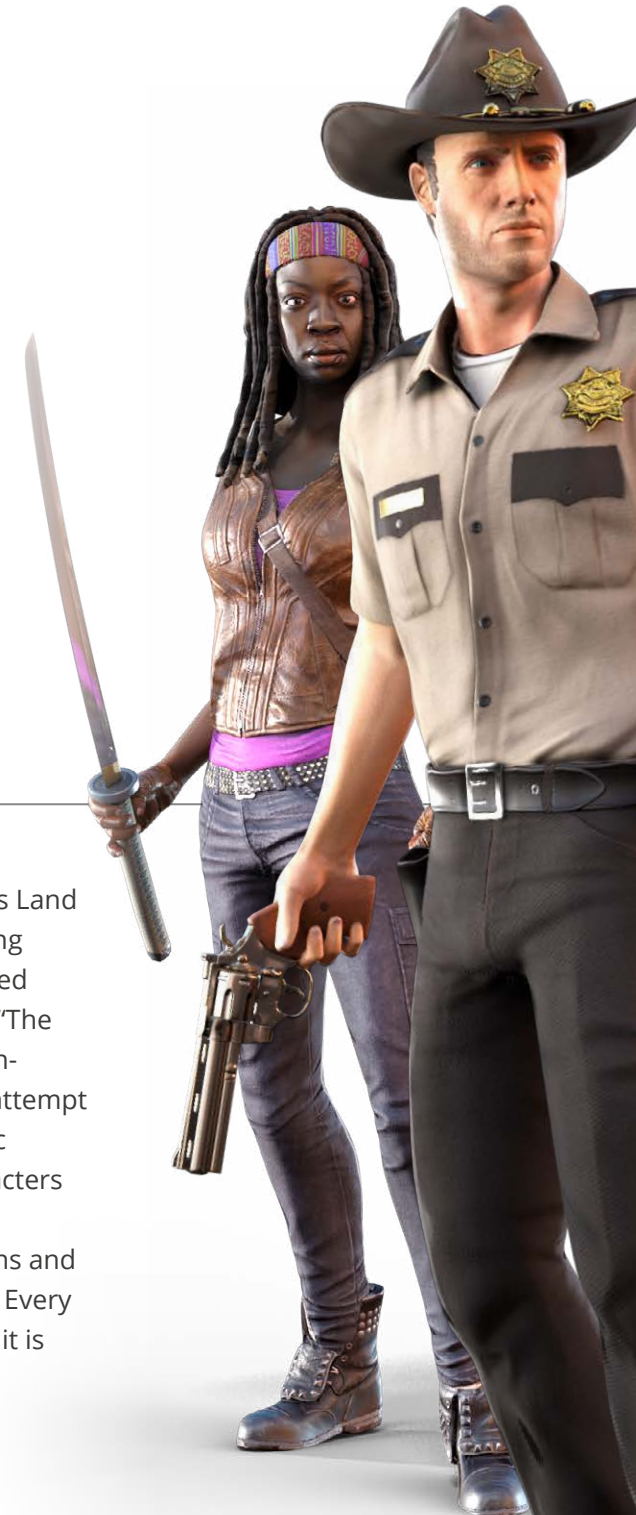
STRANGER THINGS

Stranger Things: Puzzle Tales is a genre defining story driven, easily approachable puzzle RPG 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 and Dustin! Explore familiar locations including the Palace Arcade, Starcourt Mall, the fearsome Upside Down, and more, as you take on never-before-seen enemies created by the Mind Flayer. Hawkins needs you!



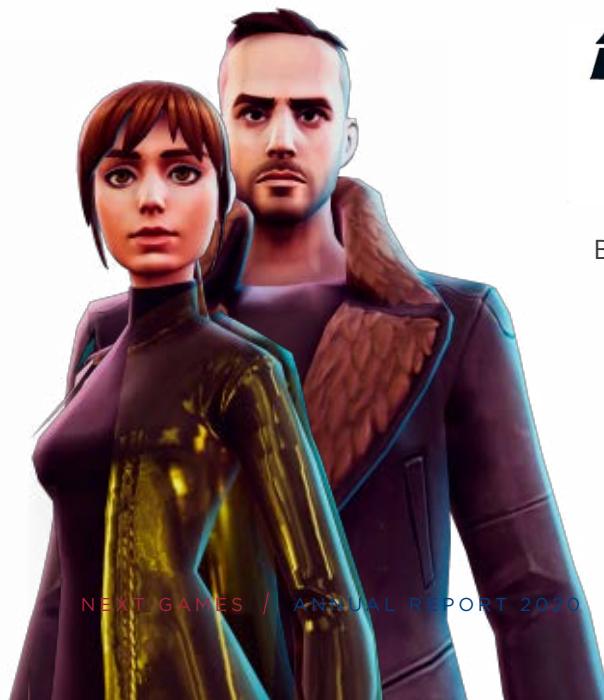
THE WALKING DEAD OUR WORLD

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!



BLADE RUNNER ROGUE

Blade Runner: Rogue is a roguelike turn-based tactical RPG set in a neo-noir, dystopian future Los Angeles. This stunning game is based on the iconic sci-fi movie "Blade Runner". While hunting down notorious rogue replicants deciding their fate, you are faced with a multi-branched path of different cases, where each choice makes a difference. To succeed, you need to collect the universe's characters and utilize them in the most optimal combination. Do you have what it takes?



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 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!

Our Team

At the end of 2020



22

Nationalities (24)



104

Employees (107)



78%

(75%)



22%

(25%)

Distribution 2020

Administration

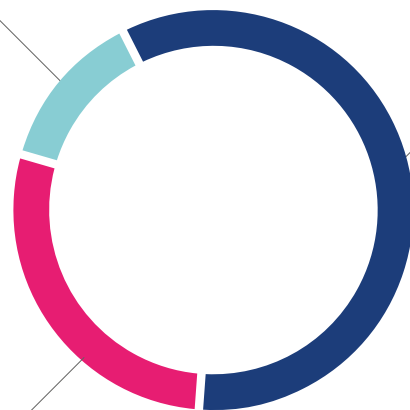
13%

(12%)

Sales & Marketing

29%

(37%)

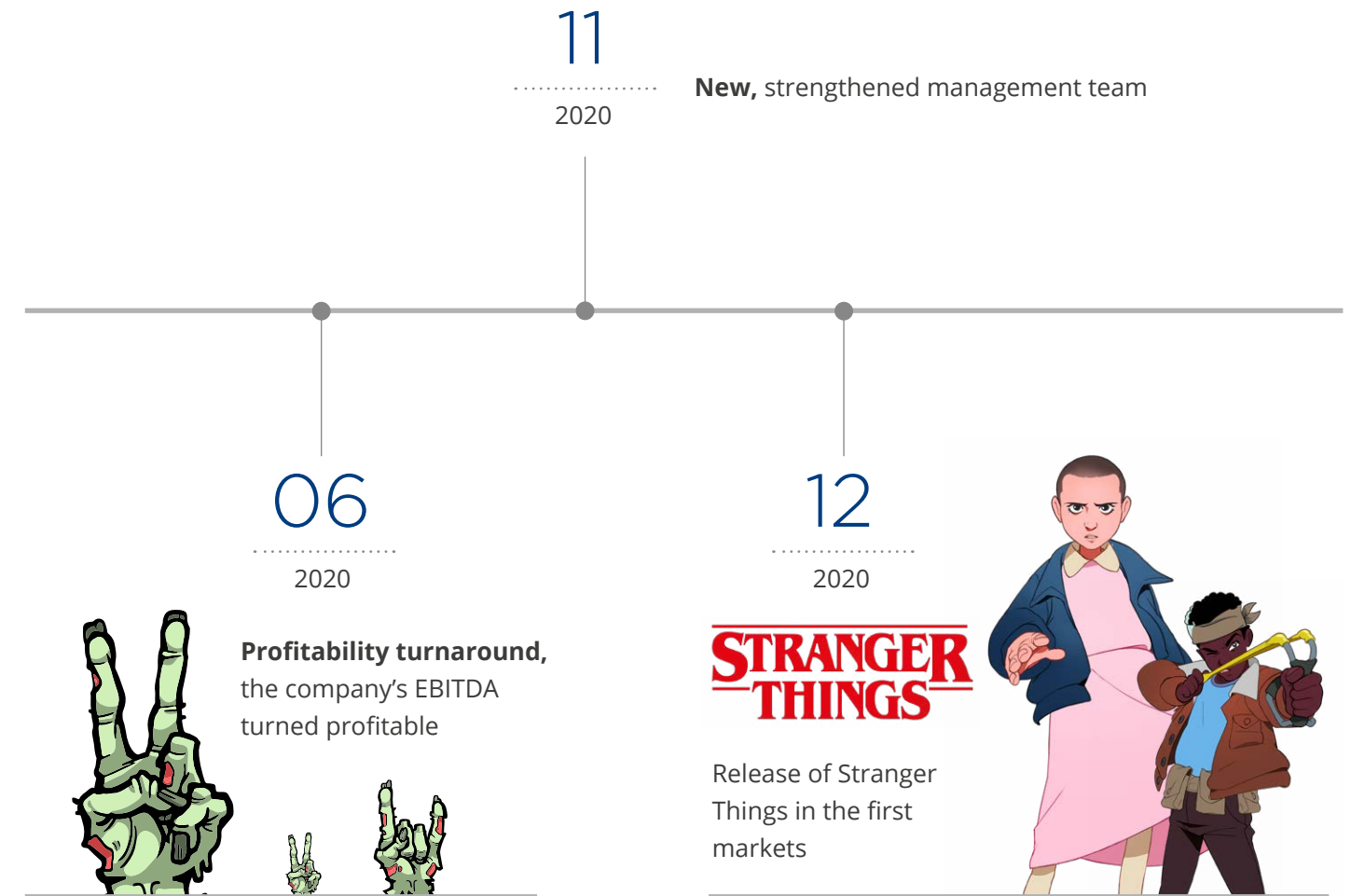


Research & Development

58%

(51%)

Important Events in 2020





Teemu Huuhtanen
CEO

FROM THE CEO

2020

– Ready for Growth

Next Games' year 2020 ended on a positive note, reaching EBITDA profitability of EUR 0.5 million. The main theme of the past year was our turnaround in profitability. Publishing Operations profitability doubled as compared to the previous year. We also held a successful Capital Market Day for investors in the fall, where we refined our strategy and announced our new, mid-term financial targets of achieving yearly revenues of EUR 250 million, reaching EBITDA of over 23% and an EBIT level of over 18%. Our growth goals are supported by our games as a service focus, and continued development and support of our full portfolio of games. The spearhead of new releases is our latest game based on the well-known brand; Stranger Things. We will grow revenues through scaling marketing investments in the upcoming year.



The main theme of the past year was our turnaround in profitability.





FROM THE CEO

Our revenue was EUR 27.2 million (34.7). Our Publishing Operations, i.e. the profitability of published games as measured by EBITDA, improved to EUR 6.4 (3.8) million and the corresponding EBITDA margin to 24% (11%). Our published games enable a stable and profitable business, as well as investments in the future.

We benefit from our strong market position in the large and growing mobile gaming market; the fastest growing segment in gaming, reaching 100 billion dollars in revenues within a few years. Interest in games is steadily growing with the global gaming market already larger than the film and music industry combined. Next Games benefits from this market development and we are already one of the largest publishers in our genres (Geolocation and Turned Based RPG) in our main market area; North America.


Our strategy to make games based on well known brands is the cornerstone of profitably growing our market share. The use of well-known brands enables

us to attract players with lower user acquisition costs compared to publishers who rely solely on user acquisition. With our advanced analytics, we are both able to scale efficiently and to optimize the in-game experience for our players.

Over the past year, we have invested heavily in our own technology platform as well as in analytics and processes, i.e. our unified infrastructure. We continue strengthening our strategic partnerships with various partners, and our product development pipeline is working on a number of promising games based on well-known international brands. More than half of our staff worked on upcoming games, and at the heart of our development is our focus on tailoring a player-centric purchase and engagement experience in our games.

We strongly believe that the best people make the best games, which is why we have invested in both international recruitment and professional development. At the end of the year, Next Games

employed more than a hundred professionals from 22 different countries. Our newly appointed (end of 2020) and strengthened management team is also a key factor in supporting and accelerating growth. In many ways the past year has been challenging for all of us, due to the concerns of the COVID-19 pandemic. However despite this challenging situation, we have been able to improve the profitability of our business as well as further the development of our new games, in accordance with our strategy. Our efforts will bear fruits in 2021, and we will continue to develop our business for long term success in the incoming years.



Our efforts will bear fruits in 2021, and we will continue to develop our business for long term success in the incoming years.

I would like to thank our whole team at Next Games, all our partners and our shareholders for the past year. In particular, I would like to thank our players for their continued commitment to our games. We will continue to invest in players first, now and in the future.

Teemu Huuhtanen
CEO

FINANCIAL **TARGETS**

Next Games Corporation has announced its mid-term financial targets in November 2020.

REVENUE

Yearly revenues to reach

250 €M

EBITDA

%

> **23**%

OPERATING RESULT

% (EBIT)

> **18**%

The financial targets defined above are intended to illustrate the ambition set by the company and its Board of Directors. They do not, however, replace the company's financial guidance on an annual basis. Shorter term financial performance may deviate from the targets.





CORPORATE RESPONSIBILITY

Our aim is to conduct responsible business by developing games that are true to the original entertainment IP. The creation of our unique game experience is powered by our thriving and talented staff, and our players are always front and center of our development process.

THRIVING AND TALENTED PERSONNEL

We employ over 100 people, representing 22 different nationalities, and we take pride in offering our staff an inspiring, appreciative, and self-development-focused working environment.

Our values – **caring, courage and curiosity** – are strongly present in our daily work and guide our decision-making.

We invest in the well-being of our personnel by offering an extensive healthcare service and health insurance package, with an emphasis on preventive care and ease of access. We also encourage our employees to focus on well-being at work by supporting voluntary hobby clubs as well as sports

and cultural activities. We also support balancing work, family, and personal life with flexible working hours, remote work options, and childcare services.

We strive to offer our employees extensive opportunities to develop their know-how, and an opportunity for internal job rotation whenever possible. We also measure the satisfaction of our employees regularly.

Operating in an environmentally aware fashion is important to us. We recycle and save energy by using motion detectors and timers in lighting and all electronic devices. We have abandoned plastic water bottles and we aim to reduce printing and the use of paper in our office. We optimize the use of our work equipment, which leads to longer life-cycles for devices

DIVERSITY, INCLUSION AND BELONGING

Equal treatment regardless of personal attributes, such as age, gender or religion, is important to us. The worldwide gaming industry, and particularly the Finnish gaming industry is homogenous. Thus Next Games believes that encouraging diversity, striving towards and taking care of a diverse workforce is particularly important. Diversity itself is not enough. We consider it equally important to focus on ensuring that each individual feels welcome and accepted at our common place of work.

Diversity refers to the characteristics that make people unique. Inclusion refers to the behaviors and cultural norms that make people feel welcome. Belonging refers to an individual sense of acceptance. All are crucial attributes of our corporate culture.

Players today come from a wide variety of backgrounds, they are diverse in identity and want to engage in games that represent diversity as well. It remains crucial that game developers everywhere and especially in Finland, also represent diversity.

PLAYER COMMUNITY AT THE CENTER OF OUR DEVELOPMENT PROCESS

We listen to player feedback closely and involve players in improving the user experience. We believe player commitment stems from creating high-quality and long-lasting mobile entertainment.

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.

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. In Finland, we are a member of Neogames, a member-based non-profit game industry organization, through which we support and participate in the development of Finland's game industry.

INFORMATION TO **INVESTORS**

NEXT GAMES IS A UNIQUE FIRST NORTH COMPANY

Next Games has since its listing on the First North exchange decided to voluntarily seek to follow good governance where applicable. The company has also moved to report in accordance with international IFRS standards as of 2018. IFRS financial statements are not a requirement for First North companies, but following standards are required of all main listed companies. This means that Next Games' financial statements and key financial figures are comparable to the main listed companies both in Finland and internationally. Comparability serves investors and makes the company more transparent.

Following our stock exchange listing, Next Games had 3,488 shareholders, and at the end of 2020 the company had 7,005 shareholders. The ownership base has doubled since the listing. Such a large number of shareholders is exceptional for a First North company. A large number of shareholders means better liquidity, and in 2020, 115 million shares were traded.



Next Games had
7,005 shareholders.

Next Games Oyj Top 20 Major Shareholders Dec 31, 2020		Shares	% of Shares
1	Ovaskainen Jari Juhani Rainer	7,378,068	26.36
2	IDG Ventures USA III, L.P.	1,188,306	4.25
3	Hiitola Kalle Johannes	971,675	3.47
4	Achrén Joakim Tomas Johan	902,901	3.23
5	Lions Gate Entertainment Inc.	806,676	2.88
6	Jumisko Jaakko Ensio	752,246	2.69
7	Achrén Mikael Jan Kennet	673,207	2.41
8	Keskinäinen työeläkevakuutusyhtiö Varma	570,000	2.04
9	Keskinäinen Eläkevakuutusyhtiö Ilmarinen	489,066	1.75
10	Danske Invest Suomi Osake	306,465	1.10
11	Vilpo Oy	286,056	1.02
12	Sr Säästöpankki Pienyhtiöt	274,438	0.98
13	Vaah Holdings Oy	266,720	0.95
14	OP-Suomi Mikroyhtiöt Esr	222,784	0.80
15	Huuhtanen Teemu Mikael	172,919	0.62
16	Hollming Toni Kristian	144,574	0.52
17	Pardon Christophe	140,916	0.50
18	Nuard Ventures Oy	140,000	0.50
19	Vartia Arvo Arnar Antero	111,841	0.40
20	Cunzi Sylvain	110,024	0.39



The ownership base has doubled.

	Shares	% of Shares
20 largest shareholders total	15,908,882	56.85
Nominee registered	6,491,700	23.20
Other shares	5,585,406	19.96
In the joint book-entry account	33,776	0.12
Total	27,985,988	100.00

Number of shares	Shareholders	%	Shares	%
1-100	2,533	36.16	120,572	0.43
101-1,000	3,559	50.81	1,256,906	4.49
1,001-10,000	820	11.71	2,282,709	8.16
10,001-100,000	69	0.99	1,993,866	7.13
100,001-1,000,000	21	0.30	8,468,463	30.26
> 1,000,000	3	0.04	13,829,696	49.42
Total	7,005	100.00	27,952,212	99.88
Nominee registered	9		6,491,700*	23.20
In the joint book-entry account			33,776	0.12
Number of shares issued			27,985,988	100.00

* AMC Network's ownership of 15.91% , ie 4,451,488 shares, is included in nominee-registered shares

Investor Relations, Contact Information

You can find more information about Next Games as an investment at our website:

nextgames.com/investors

Contact: investors@nextgames.com

Annina Salvén
CFO, investor relations
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Certified Adviser:
Alexander Corporate Finance Oy,
tel. +358 50 520 4098



BASIS FOR **GROWTH**

- Market
- Strategy
- Strategic Focus Areas
- Business Model



Mega Trends Shaping the Mobile Games Industry



Brand Loyalty

The importance of a familiar brand increases as the number of games in the market grows and consumers face an increasing number of choices.



Commitment

The average time a player spends on only one, or a handful of games, is increasing.



Usability

Mobile games are played by everyone, and usability will become an even more prominent competitive factor.



Player-centricity

Tailored and individual purchase experiences are created on the basis of different in-game purchases, subscriptions or ads.



Community

The most successful games are able to create a shared and communal player experience and create fun from playing together.



FOMO and binge

FOMO (Fear of Missing Out) and binge trends: Social media makes it possible for people to experience and participate in a real-time environment, and this trend extends to games as well. Consumers demand they consume content at their own pace, which creates a pronounced need for endless content creation



Cross Platform Gaming

Developments in technology and converging platforms enables playing anywhere, any time and on multiple devices with mobile as the entry point.

A MARKET AMIDST TRANSFORMATION

The mobile games market is undergoing a transformation, the market is maturing and the amount of new games published is decreasing. The COVID-19 pandemic brought changes and imposed severe economic constraints on millions of consumers: 39% of US consumers reported a decrease in their household income since the pandemic began. Still, spending in mobile games increased despite the decline in household income. The mobile games industry broke its estimated 68.2 billion in revenues and generated 77.2 billion in 2020, equivalent to a 13.3% growth from 2019. Since the COVID-19 pandemic began, 48% of US consumers have participated in some form of video gaming activity. In addition, 29% of US consumers say they are more likely to use their free time to play a video game than spend it on other forms of entertainment. In all gaming segments engagement and revenues increased as a result of the pandemic, with mobile games as the largest growth driver. Gaming has proven to be recession proof and is now larger than movies and music combined.

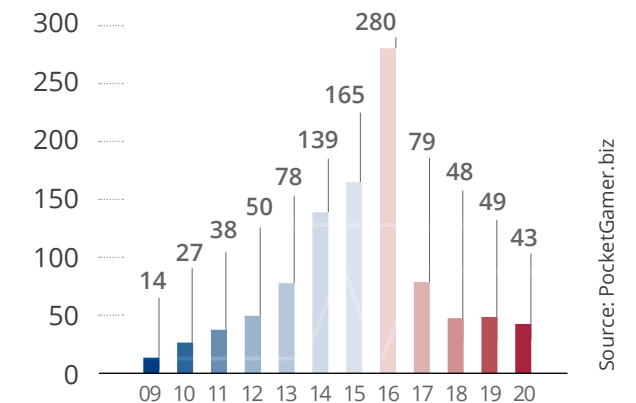
1.) US Digital Gamers, 2020–2023. eMarketer, March 2020
 2.) Facebooks Games Marketing Insights for 2021
 3.) Liftoff's 2020 Mobile Gaming Apps Report based on 555 total apps, 81.8M installs and 1.6B clicks between June 2018–May 2019.
 Source: App Annie, eMarketer, IDC, Liftoff, Newzoo, Pocket Gamer
 4.) newzoo.com/global-games-market-report

The global games market has continued to grow for several years. Previously, growth was based on growing smartphone penetration and the growing number of people playing games. Currently, the growth of the industry is especially based on the money players spend in games. It is worth noting that the growth of new players through digital channels had slowed and was estimated to settle at approximately 1 percent annual growth in the western markets.¹

However, the pandemic significantly shifted this trend, and in the United States new players increased by 28% in 2020. Those players who commenced playing after the pandemic started are both spending more time and money in games, as compared to those who were already playing before the pandemic.² Only a small proportion of recently published games will achieve considerable download numbers. The increased competition has led to a decrease in the number of games published. In 2016, the amount of new games published on Apple's and Google's stores was 280,000, whereas the amount was 43,000 in 2020, soon equivalent to the level in 2011.³ Research conducted by Facebook shows that only 23% of Americans are willing to download a game they have previously never heard of. Factors most affecting the decision to download a game are related to the publisher being well-known or the game being based on a well-known and trusted brand. These are top reasons both to download a game as well as to spend money in a mobile game.

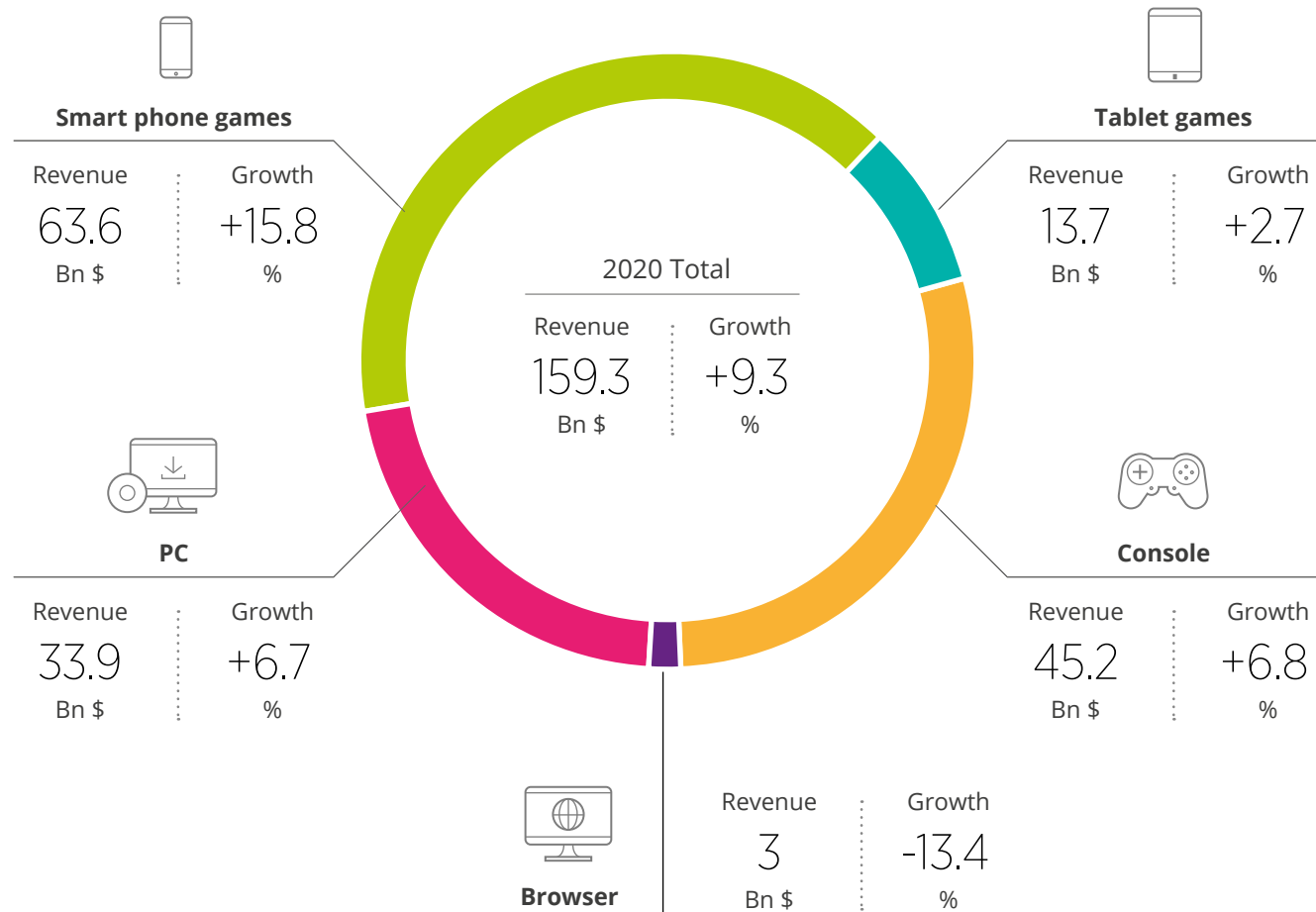
There is a long standing misconception about spending behavior for mobile gamers, in which only a few percent of gamers spend money in mobile games. However, overall there were 2.6 billion mobile gamers in 2020; of which 38% spent money in games. Of those mobile gamers that started playing after the pandemic, 41% spend money monthly. Increased spending is driving revenue growth, and by 2023, the revenue forecast is expected to break 100 billion in revenues (CAGR +9.7%), which is approximately half of the entire games market revenue.⁴

Game Submissions on
Apple App Store
(in thousands)

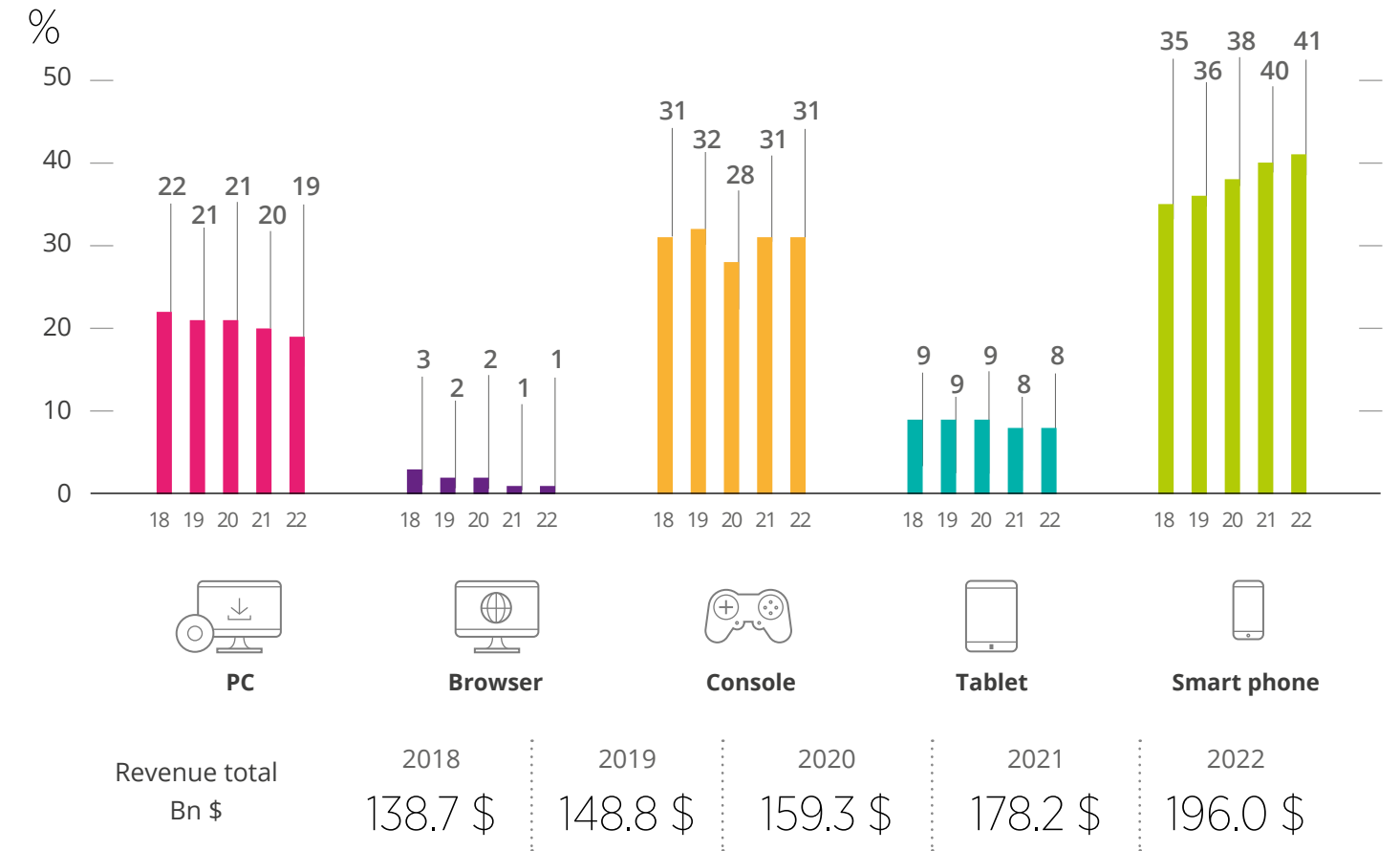


Global Games Market 2020

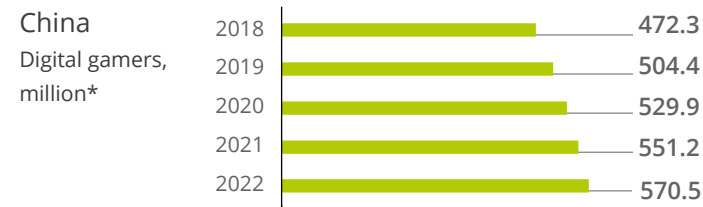
per device and segment with year-on-year growth rates



Global Games Market Revenue per Segment

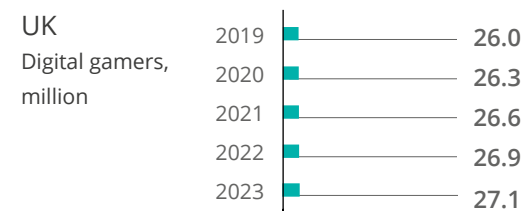


Actual and Estimated Digital Gamer Growth, pre Pandemic

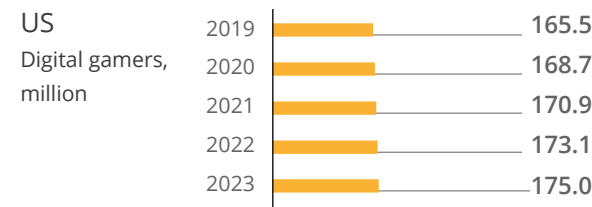


% change	2018	2019	2020	2021	2022
	10.2	6.8	5.1	4.0	3.5

*Hong Kong is excluded.



% change	2019	2020	2021	2022	2023
	1.5	1.3	1.1	1.0	0.9



% change	2019	2020	2021	2022	2023
	2.9	1.9	1.3	1.3	1.1



The numbers include Internet users of any age who play games online at least once per month via any device. This includes mobile app and browser gaming, online console gaming and gaming on social media.

The Effect of the Pandemic on Gaming Audience Growth after March 2020



In media and entertainment, the COVID-19 pandemic has accelerated many trends that were already underway. Consumers who lost income during the pandemic were more than twice as likely to cancel a streaming service because of cost compared with those whose income was unchanged. As much as 65% said they're comfortable watching ads to eliminate or reduce subscription costs. Yet, spending increased not decreased in mobile gaming. The predominant benefit in a free-to-play model during the pandemic, is the player's choice of pace to consume content and spend money. The necessity to meet player needs by tailoring purchasing experiences will continue as a major benefit in the free-to-play model.

Other critical trends in 2020 was the need for endless content and brand loyalty. 45% of US consumers say that they make a purchase decision primarily based on access to unique or original content. The market is dominated by global brands that have high brand-awareness and the commitment of large target audiences. Streaming services such as Netflix and Amazon Prime have shaped the media industry in North America by investing millions of dollars into their own original content productions. As a result, several high-quality entertainment brands that match consumer needs have emerged, which are now also opened for licensing. Increased competition and consumer demands increase the pressure to shorten production times and pay attention to better utilization of technology in the entertainment market.

The Post Pandemic World

1. REVENUES WILL CONTINUE TO GROW

The COVID-19 pandemic accelerated revenue growth, and there are no signs of slowing down. In 2021, 2.8 billion gamers worldwide will help the global games market generate revenues of \$189.3 billion.

2. GAMES ARE BECOMING THE FOCAL POINT OF SOCIAL INTERACTION

The lack of physical gatherings resulted in socializing being the #2 reason people have spent more time playing games. Gaming evolved as a result, and became a vehicle for more than gaming itself. For example marriages, and funerals took place in Animal Crossing, and Travis Scott organized a virtual concert in Fortnite. Countless brands are looking to enter the virtual experience of gaming. Future is unknown but gaming is expected to continue serving as a platform for virtual gatherings, supporting the mega trend of community.

3. EFFORTS WILL BE ENERGIZED FOR DIVERSITY IN GAMES AND IN THE GAMING INDUSTRY

This year the games industry faced a “me-too” wave of allegations of abuse and sexual harassment. In combination with the rise of the Black Lives Matter

movement, the attention on social issues will drive the industry to prioritize diversity and inclusion efforts in 2021. Research shows that half of players would like to see more diversity in characters, and expect companies to take a stance on societal issues.

4. APP STORE DISTRIBUTION WILL FACE CHALLENGERS ON ALL FRONTS

The app store monopoly was seriously challenged for the first time in 2020. Epic Games sued both app stores: both the Google Play Store and the Apple App Store and launched the #freefortnite campaign as a result of the popular Fortnite game being removed from app stores. Epic Games says in the challenge, it wants to make mobile app stores fairer for all developers. According to court documents submitted by Epic, the company is not seeking compensation or a more favorable contract for itself, but has launched a campaign focusing on consumer rights. As a response, Apple introduced the App Store Small Business Program in November, reducing its revenue cut from 30% to 15% for developers earning less than \$1 million annually from the App Store starting January 1, 2021.

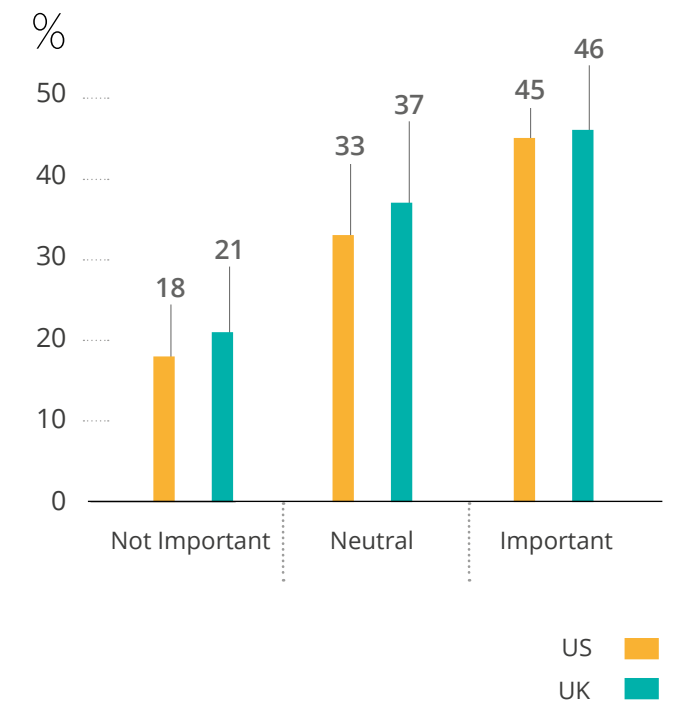
5. THE REMOVAL OF APPLE’S ADVERTISING IDENTIFIER (IDFA) MAY CHANGE THE FACE OF MOBILE MARKETING

User acquisition costs have significantly increased during the past few years as the growth of the industry is no longer based on a rising number of players, and there is a growing number of games competing for the same audience segment. The advertising market is dominated by a handful of large companies, such as Facebook and Google, whose position seems to strengthen even more. The lack of competition and the lack of transparency in the advertising functionality offered by these platforms affect user acquisition pricing.

As the pandemic began, there was discussion of lower costs of acquisition in the market. However, if discounts occurred they did not prevail, but were merely a temporary trend only lasting for a few weeks and during 2020 Facebook’s advertising prices rose yet another 15% as compared to 2019. Advertising prices on Facebook in North America quadrupled between 2016 and 2020. The cost is being paid by advertisers, such as mobile games companies.¹

1.) Facebook Annual Reports 2016–2020

Societal Issues:
Players Want Publishers to Take a Stance

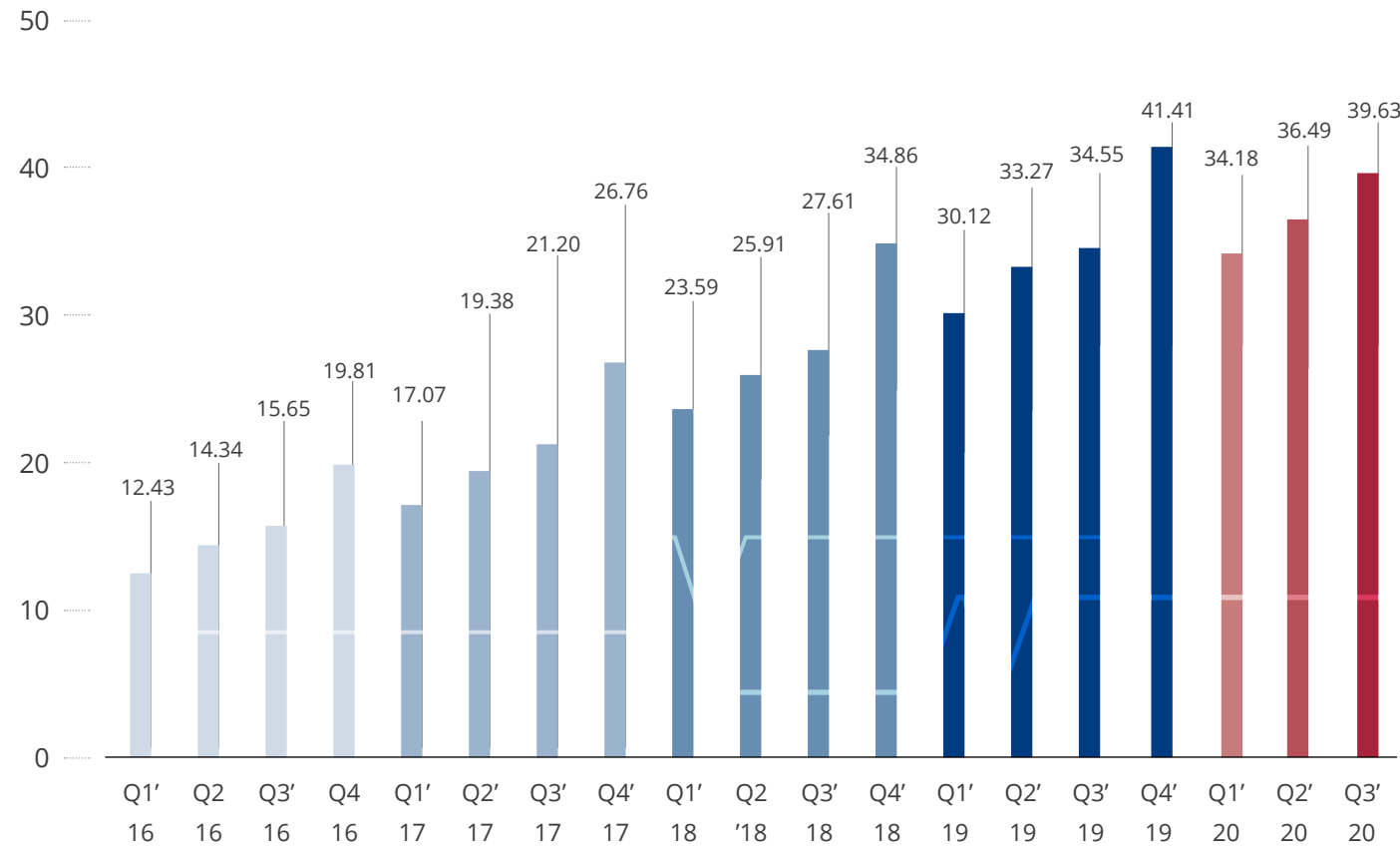




Increase of User Acquisition Prices on Facebook

(dollars)

US AND CANADA



Apple plans to restrict the sharing of IDFA in conjunction with its iOS 14 update early 2021. IDFA is a user-specific information that enables advertising services, such as Facebook, to allow advertisers to precisely target ads. Apple's IDFA deprecation has the potential to disrupt app publishers' ability to market themselves effectively and monetize through advertising. IDFA shaped current user-acquisition processes and mobile advertising platforms, so its removal will have varying impacts on publishers and other advertising stakeholders.

While it is too early to determine the changes' exact impact, short-term lower spend on user acquisition across iOS in 2021 may occur. Spend may flow into Android, web, or other channels while the industry attempts to regain its footing. Most importantly an aggressive approach to FTUE (First Time User Experience) and early user flow optimization is likely. Optimal user-registration funnels and onboarding processes will be paramount, as iOS 14's new advertising framework (SKAdNetwork) that contains complex mechanisms that will drive developers to maximize high-value event signals within the first few game sessions. Any restrictions on advertising also reinforce the importance of the existing gaming

community and fan community. The final impact of the IDFA change on the mobile gaming market is still difficult to predict. Google, Facebook, and other advertisers are likely to make big changes to their practices in the coming years.


- www.reuters.com/article/esports-business-gaming-revenues/report-gaming-revenue-to-top-159b-in-2020-idUSFLM8jkjMI
- www.slideshare.net/adobe/2020-adobe-brand-content-survey
- www.researchgate.net/publication/322424390_Binge-watching_motivates_change_Uses_and_gratifications_of_streaming_video_viewers_challenge_traditional_TV_research
- www2.deloitte.com/us/en/pages/technology-media-and-telecommunications/articles/media-and-entertainment-industry-outlook-trends.html
- newzoo.com/insights/articles/newzoos-gamer-sentiment-diversity-inclusion-gender-ethnicity-sexual-identity-disability/
- newzoo.com/insights/articles/newzoos-mobile-trends-to-watch-in-2021/
- newzoo.com/insights/articles/newzoos-games-trends-to-watch-in-2021/
- newzoo.com/insights/articles/newzoo-games-market-numbers-revenues-and-audience-2020-2023/

STRATEGY

Next Games' strategy is to develop long-term engaging games based on well-known entertainment brands and franchises. Together with its licensing partners, Next Games combines 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.

From a marketing perspective, the benefits of our strategy are clear. A strategy based on leveraging well-

established and widely recognized brands to their full potential solves the challenge of rising user acquisition costs. Building upon and expanding these brands, brings a competitive advantage with regards to users acquisition investments. This is driven by alternative marketing opportunities, higher efficiency of paid user acquisition, and most importantly an increased organic uplift (stream of free users) potential compared to competitors.



In collaboration with its partners, Next Games creates new business opportunities by providing a game experience that fits the licensor and their target audience; fans.



Strategic Focus Areas

1

STRENGTHENING STRATEGIC PARTNERSHIPS

Next Games' vision is to become the most sought after partner for global entertainment franchises. Next Games operates the whole value chain, from game concepting and development to publishing and marketing, providing a one-stop-shop service and expertise to its partners, the license holders. The company provides its partners with the comprehensive service and expertise that most brand owners need.

In collaboration with its partners, Next Games creates new business opportunities by providing a game experience that fits the licensor and their target audience; fans. An important part of the company's

strategy is to enter into agreements with various actors. A licence holder may have many different licenses for different target groups, so a key aspect is to expand the relationships and in the long term acquire multiple licenses from them. As the industry evolves and from the perspective of decentralizing the company's risk profile, Next Games is also constantly exploring the implementation of various contract structures. Creating long-term cooperation with a major player always requires a strategic starting point and a tailored cooperation model.

Next Games is in a very good position to partner with the most significant license holders in the world, such as AMC Networks, Netflix, and Alcon Entertainment.


2

ACTIVE BRAND PORTFOLIO MANAGEMENT


Next Games' mission is to define the way franchise entertainment transforms into highly engaging mobile games. Active brand portfolio management means the ability to build game franchises out of licenses we have. The Walking Dead brand and subsequent games relating to building upon that brand, is a good example of how brands turn into a portfolio of multiple and different games. The aim of creating multiple games within the same brand is both for growth and substitution. Different genre titles can capture a range of different audiences within the same

fandom expanding overall revenues, but new games can also serve as substitutes and prolong the same level of revenues from the franchise over multiple years and provide opportunities of cross promotion.

Further development and active live operations of released games is an essential part of the portfolio strategy in the games as a service model.



Next Games provides its partners with the comprehensive service and expertise that most brand owners need.



3

EFFICIENCY WITH A UNIFIED INFRASTRUCTURE

A primary focus in the mobile games industry is how to efficiently deliver multiple continuously evolving and updating games to the players, as a continuous service. This is no trivial task. The challenge is to create an infrastructure for operating and building games that is as light as possible but at the same time unified and reliable. A unified infrastructure enables shared services between games, such as marketing, analytics, reusability of technical solutions, and high technical quality and performance. This in turn enables a company to scale revenues, without having to scale manpower.

A unified infrastructure is crucial for efficient lifecycle management. In the development phase these shared services provide a technical foundation, modular game development, the reusability of code and functionality between games, and therefore enabling teams to focus on content. This is a direct means to responding

to the content creation challenge in the market with a development cycle that is as fast as possible. When a game is published, shared infrastructure enables shared services, which generates efficiency in running live operations. Ultimately these same shared services enable incredibly small teams to efficiently run mature titles boosting profit.

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

4

PLAYERS FIRST APPROACH

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

As new mobile gaming audiences emerge, the need for a tailored purchase experience becomes more pronounced. Next Games focuses on providing a positive customer experience during and after the

customer-centric purchase in the service based games. Next Games believes ultimately that a satisfied player will stay and engage with the game, which leads to better and more profitable business.

Achieving revenue growth necessitates a focus on a customer-centric purchase experience through personalization. Next Games plans to utilize Artificial Intelligence (AI) in developing a mixed monetization model where direct purchases and ads are offered in the game according to the player's preferences. As the average amount of time spent in a game is rising, game companies need to offer different player types a meaningful way to consume and purchase content, relevant to the different audience preferences.



Next Games believes ultimately that a satisfied player will stay and engage with the game, which leads to better and more profitable business.

BUSINESS MODEL

Next Games' Value Chain and Development Process

The prevailing business model in the market is games as a service, free-to-play, i.e. free downloadable games that include in-game purchases by choice. Next Games provides licensees with a one stop shop that includes development, release, marketing, and post-release game development and live operations. We offer continuous interaction with the brand, for the fans, through games, instead of a weekly, monthly or annual connection. We've been able to give game developers a great opportunity to work on some of the world's most beloved stories, which has helped strengthen our gaming studio.

Next Games develops free-to-play (F2P) mobile games.

IP HOLDER

- Gives IP rights
- Receives portion of sales

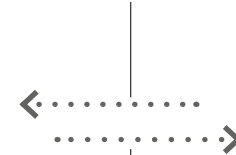


END USER

- Players and fans of the original IP

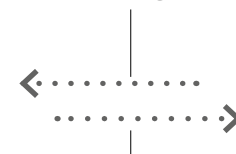


License payments and royalties



IP rights

Licensed game



In-application-purchases



NEXT GAMES.

DEVELOPER AND PUBLISHER

- Game development
- Publishing
- Live operation
- User acquisition

Licensed game

In-application-purchases



PLATFORMS

- Platform fee 30% of revenue

RESEARCH AND *DEVELOPMENT*

Phases preceding production

Market research and relationships: Ongoing research related to the developments taking place in the mass entertainment market, gathering intelligence surrounding the best opportunities in the market. Creating and fostering relationships with meaningful partners.

Recognizing and screening opportunities: Potential partnerships are evaluated through specific criteria including 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. Based on the concept and/or prototype the possibilities are evaluated together with the partner. The majority of ideas get discarded and dropped out at this phase, and a selection of ideas continue to the production phase, in accordance with the company's process.

Commercial collaboration: Negotiations with the partner about the availability of the brand as well as the commercial and other terms of the potential agreement. Signing a licensing agreement with the partner.

Phases of production and testing

Development process: Based on a concept and an approved prototype, the teams move through pre-production to actual production. 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 also tested accordingly in each phase. The earlier phases in the development process (prototyping and pre-production) incur lower costs and, as the product moves towards production, costs rise.

Testing and validation: Testing and validation are essential parts of the development process. The goal is to test performance metrics for engagement, such as retention, session length, and time spent in the game. 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. The most important task of testing and validation is to analyze if the product has progressed as expected and to identify possible change needs as early as possible.


Commercial viability testing: Commercial viability testing happens throughout development of the product. 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 marketing investments increasing.



Publishing Operations

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 consumer downloads the game for free and monetization is based on voluntary in-app purchases or ad views. Approximately 30% of revenue accrued from in-app purchases goes to the app stores. The company has separate agreements with the ad platforms for the ad sales.



Updates and additional content to the game aim to engage players in the games for a longer period of time.

Marketing and Partnerships

Marketing investments typically place the greatest strain on the profit and loss statement. In addition to the typical mobile advertising channels in the industry, the company uses other tactical marketing channels such as influencers or TV advertising. 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 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 have a higher probability of getting visibility in the App stores through search and browse, which lowers the effective cost of advertising.

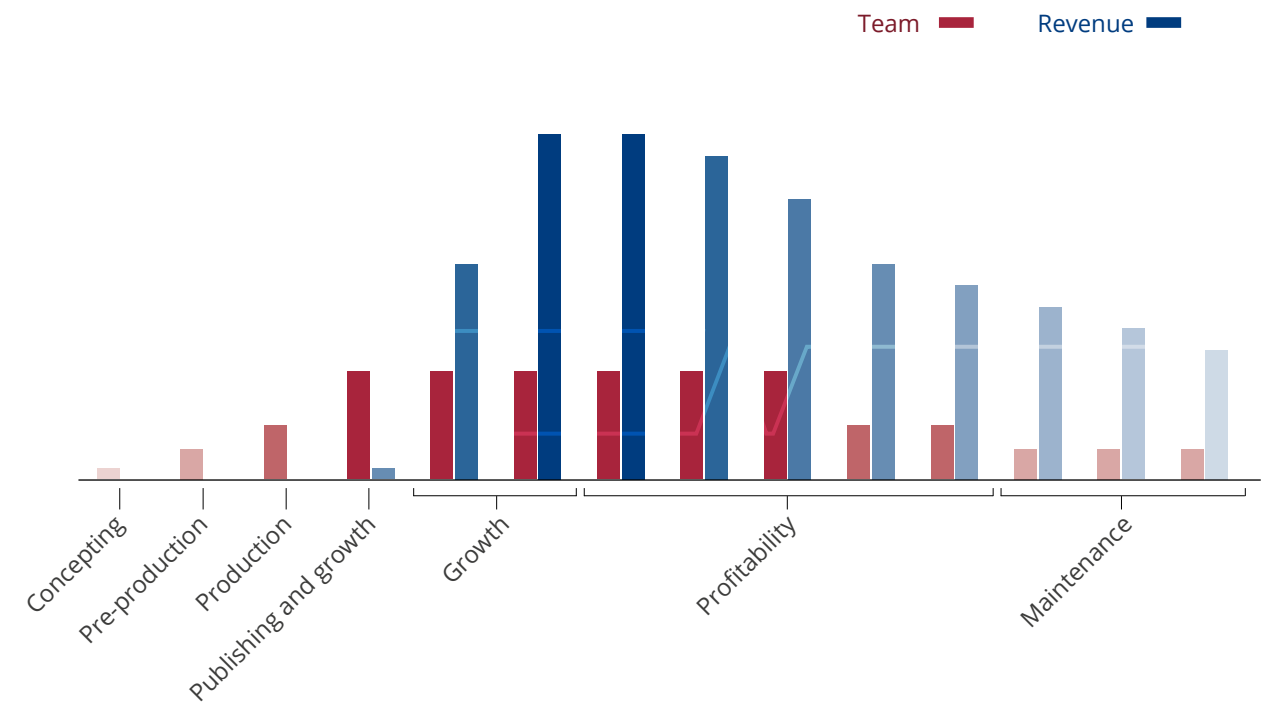
In the course of negotiating the license agreement, the company also negotiates additional support from the license holder. A partner can support the product’s marketing efforts either directly or indirectly; by utilizing the brand’s social media or other digital channels’ platforms owned by the brand to acquire users for the game. In exchange for the right to use the brand, Next Games pays a quarterly royalty on the basis of the game’s sales and advertising revenue. Agreements are unique and built in different ways depending on license and division of responsibilities between the parties. 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

As a game’s monetization is based on voluntary in-app purchases as players advance in the game, it is logical for Next Games to create as long a life-cycle as possible for its games. A game’s live life-cycle begins from release to the app stores, with the aim to sustain the game as a service for years to come. Updates and additional content to the game aim to engage players in the games for a longer period of time. This way revenues from the game becomes an annuity and

the period is far more extensive than from games with a predetermined amount of playable content. Next Games constantly evaluates the resources and investments used for game development. 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.

Illustration of the Development Life-Cycle of Mobile Games



FRAMEWORK FOR GAME LIFE-CYCLE MANAGEMENT

Growth

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

PORTFOLIO 2021:



Live Ops + Team

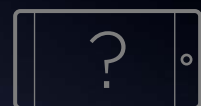
Games that have a small team developing the game further and doing mostly live-operation. Games are fairly stable in revenue or declining slowly. Most of the features have already been introduced to the game.

PORTFOLIO 2021:



Games being developed

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



Catalogue

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

PORTFOLIO 2021:





CORPORATE
GOVERNANCE
2020

Corporate Governance

Next Games applies the Finnish Companies Act, other regulation 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 marketplace. 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 marketplace.

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

The Annual General Meeting of Next Games was held on May 27, 2020 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 May 27, 2020. The Annual General Meeting elected the following members to the company's Board of Directors:

Petri Niemi

Chairman of the Board of Directors

Master of Science, Engineering

Born 1961

Finnish citizen

Chairman of the Board of Directors as of February 23, 2017

Ownership of shares and share based rights in the company and its group companies at the end of the financial period 2020: 7,000 shares and 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 2020: 0.

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–

Nicholas Seibert

Member of the Board of Directors

Bard College

Born 1990

U.S. citizen

Member of the Board of Directors as of September 25, 2019

Ownership of shares and share based rights in the company and its group companies at the end of the financial period 2020: 0 shares and 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 2020: 0.

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

Peter Levin

Member of the Board of Directors

University of Southern California

Born 1970

U.S. citizen

Member of the Board of Directors as of June 30, 2014

Ownership of shares and share based rights in the company and its group companies at the end of the financial period 2020: 53,336 shares and 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 2020: 0.

SIGNIFICANT EMPLOYMENT HISTORY:

Griffin Gaming Partners 2019–

Lionsgate, President: Interactive Ventures & Games, 2014–2019

Legendary Entertainment, Co-President Digital Strategy, 2012–2013

Nerdist 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–

Jari Ovaskainen

Member of the Board of Directors

Master of Economics, University of Turku

Born 1964

Finnish citizen

Member of the Board of Directors as of April 25, 2013

Ownership of shares and share based rights in the company and its group companies at the end of the financial period 2020: 7,378,068 shares and 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 2020: 0.

SIGNIFICANT EMPLOYMENT HISTORY:

Ibox 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–

Elina Anckar

Member of the Board of Directors

Master of Economics, University of Turku

Born 1968

Finnish citizen

Member of the Board of Directors as of May 21, 2019

Ownership of shares and share based rights in the company and its group companies at the end of the financial period 2020: 0 shares and 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 2020: 0.

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



Xenophon Lategan

Member of the Board of Directors

B.Sc. (Computer Science and Applied Mathematics), University of Cape Town
 Born 1980
 South African and the United Kingdom citizen
 Member of the Board of Directors as of May 21, 2019
 Ownership of shares and share based rights in the company and its group companies at the end of the financial period 2020: 0 shares, 11,500 option rights under the Equity Plan 2018 and 20,000 option rights under the Equity Plan 2019. 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 2020: 0.

SIGNIFICANT EMPLOYMENT HISTORY:

Next Games Corporation, Executive Advisor, 2018–2019
 Fox (Film, TV and Sports), Executive Advisor, 2018–
 Hulu LLC, Executive Advisor, 2018
 Style.com, Executive Advisor, 2017–2018
 Entrepreneur, Investor, Executive Advisor, 2013–
 News International, Chief Technology Officer, 2010–
 2012
 Google, Regional Head of Enterprise Solutions
 Engineering, 2007–2010
 Microsoft, BPM and SOA Technical Specialist for
 Microsoft UK, 2005–2007
 Accenture, Software Architect and Consultant, 2002–
 2005

POSITIONS OF TRUST:

Xineoh Technologies Inc., Member of the Board of
 Directors
 Bitcube (Pty) Ltd, Chairman of the Board of Directors
 Toshi Technologies Ltd, Director and member of the
 Board of Directors
 Ophin Ltd, Director

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 2020, the Board of Directors held 11 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 since 2017	2017	Yes	11/11
Jari Ovaskainen	Member	2013	No	11/11
Peter Levin	Member	2014	Yes	9/11
Elina Anckar	Member	2019	Yes	11/11
Xenophon Lategan	Member	2019	Yes	11/11
Nicholas Seibert	Member	2019	Yes	11/11

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 May 27, 2020 appointed the following members to the committees:

AUDIT COMMITTEE:

Elina Anckar, Chairman of the Committee
Petri Niemi, Member of the Committee

REMUNERATION COMMITTEE:

Petri Niemi, Chairman of the Committee
Jari Ovaskainen, Member of the Committee

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 2020, the Audit Committee held 3 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	3/3
Petri Niemi	Member	2017	Yes	3/3

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 at least three members. The majority of the members of the Remuneration Committee shall be independent of the company.

In 2020, the Remuneration 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
Petri Niemi	Chairman	2020	Yes	2/2
Jari Ovaskainen	Member	2020	No	2/2



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 2019 Next Games' Management Team consisted of six members. After the reorganization of the management team during November and December 2020, the management team consisted of seven members.

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



Members of the Management Team

Teemu Huuhtanen

Chief Executive Officer

Born 1971
 BBA, Preston University
 Finnish citizen
 CEO as of 2013

Ownership of shares and share based rights in the company and its group companies at the end of the financial period 2020: 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 and 140,000 option rights under the Equity Plan 2019. 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 2020: 266,720 shares.

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–
 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

Kalle Hiitola

Head of New Games

Born 1980
 Matriculation examination, Oulunkylä high school
 Finnish citizen
 Member of the Management Team as of 2013

Ownership of shares and share based rights in the company and its group companies at the end of the financial period 2020: 971,675 shares and 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 2020: 0 shares.

SIGNIFICANT EMPLOYMENT HISTORY:

Next Games, Head of New Games, 2020-
 Next Games, CTO, 2013-2020
 Superlouder Oy, Chief Digital Officer, 2011-2013
 Bongo Helsinki Oy, Partner, Online Planning Director, 2010-2011
 Academica Oy, Partner, Member of the Board, CTO, 2008-2010
 Sanoma Entertainment, Technical Project Manager (based on a consulting arrangement), 2007-2013
 Crew Media Finland Oy, Partner, Head of Media & Solutions department, 2002-2008

POSITIONS OF TRUST:

Nuard Ventures Oy, CEO, 2014-2019
 Padam Kids Oy, Deputy Member of the Board of Directors, 2013-2014
 Nuard Ventures Oy, Member of the Board of Directors, 2011-2019
 Mindlab Oy, Member of the Board of Directors, 2011-
 EcoHair Oy, Deputy Member of the Board of Directors, 2005-

Saara Bergström

Markkinointijohtaja (Chief Marketing Officer)

Born 1979
 MA, Organizational Communication; BBA, Marketing
 Finnish citizen
 Member of the Management Team as of 2014

Ownership of shares and share based rights in the company and its group companies at the end of the financial period 2020: 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 and 100,000 option rights under the Equity Plan 2019. 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 2020: 0.

SIGNIFICANT EMPLOYMENT HISTORY:

Next Games, Chief Marketing Officer, 2014-
 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-
 Rovio Entertainment Corp, Member of the Management Team 2013-2014

Annina Salvén

Chief Financial Officer

Born 1988
 M.Sc, Finance and Business Administration
 Finnish citizen
 Member of the Management Team as of 2016

Ownership of shares and share based rights in the company and its group companies at the end of the financial period 2020: 53,992 shares, 9,881 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 and 100,000 option rights under the Equity Plan 2019. 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 2020: 0.

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 Multivalu 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



Joonas Laakso

Chief People & Culture Officer

Born 1978
 BA in Arts, Media, Design Management
 Finnish citizen
 Member of the Management Team as of 2020

Ownership of shares and share based rights in the company and its group companies at the end of the financial period 2020: 0 shares, 6,793 option rights under the Equity Plan 2015 and 15,500 option rights under the Equity Plan 2018. 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 2020: 0 shares.

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

Matias Ärje

Chief Technology Officer

Born 1976
 Computer Science studies, Aalto University
 Finnish citizen
 Member of the Management Team as of 2020

Ownership of shares and share based rights in the company and its group companies at the end of the financial period 2020: 74,124 shares, 9,999 option rights under the Equity Plan 2017 and 15,000 option rights under the Equity Plan 2019. 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 2020: 0 shares.

SIGNIFICANT EMPLOYMENT HISTORY:

Next Games, CTO, 2020–
 Next Games, Director of Technology 2014–2020
 Lume Games, CTO & Co-Founder, 2014–2017
 Innofactor Plc, Director (R&D), Lead Architect, 2000–2014

POSITIONS OF TRUST:

Lume Games, Member of the Board of Directors, 2014–2017
 Design Studio Who Are You Oy, Member of the Board of Directors, 2000–2018

In December 2020, Chief Operating Officer Joonas Viitala stepped down from his role to pursue new challenges outside the company.

Yiannis Alexopoulos

Chief Growth Officer

Born 1983
 MBA, Boston University Questrom School of Business
 LL.B, National & Kapodistrian University of Athens, School of Law
 Greek citizen
 Member of the Management Team as of 2020

Ownership of shares and share based rights in the company and its group companies at the end of the financial period 2020: 0 shares, 21,495 option rights under the Equity Plan 2018 and 15,000 option rights under the Equity Plan 2019. 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 2020: 0 shares.

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

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

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 his/her 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.

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 87,992 euros of statutory auditing fees. In addition, the company paid to the auditor a total of 1,905 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 14,753 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 Finland marketplace.

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

2020

Remuneration, rewards and Incentives

The main objectives of remuneration at Next Games are to promote competitiveness and long-term financial success of the company, contribute to the favourable 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 May 27, 2020, 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 2019, the Board of Directors approved a profit share plan for the year 2020. As the company made no operating profit in 2020, 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 2019 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 4,231 option rights were exercised (excluding option rights that have been cancelled or forfeited), which entitles to 16,924 shares. As at December 31, 2020 there were 82,881

outstanding option rights issued under the plan, equivalent to 331,524 shares. Subscription period ends December 31, 2021.

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 141 option rights were exercised (excluding option rights that have been cancelled or forfeited), which entitles to 141 shares. As at December 31, 2020 there were 159,863 outstanding option rights issued under the plan, equivalent to 159,863 shares. Subscription rights expire on December 31, 2023.

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 3,750 option rights were exercised (excluding option rights that have been cancelled or forfeited), which entitles to 3,750 shares. As at December 31, 2020 there were 408,458 outstanding option rights issued under the plan, equivalent to 408,458 shares. Subscription rights expire on December 31, 2023.

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. During 2019, 835,376 options were issued, and 89,624 un-issued options exist under the plan. The plan is subject to an individually agreed subscription period that is ongoing and begins 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. Each option right entitles to subscription of one share. As at December 31, 2020 there were 776,980 outstanding option rights issued under the plan, equivalent to 776,980 shares. Subscription rights expire on December 31, 2024.

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 2020, 102,782 options were issued, and 1,397,218 un-issued options exist under the plan. The plan is subject to an individually agreed subscription period that is ongoing and begins June 2021. Each option right issued under the plan entitles its holder to subscribe to one share at the subscription price of 0.96 euros. Each option right entitles to subscription of one share. 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. The subscription period of the shares did not begin on the reporting period, so no shares were subscribed by exercising option rights. As at December 31, 2020 there were 102,782 outstanding option rights issued under the plan, equivalent to 102,782 shares. Subscription rights expire on December 31, 2027.

All of Next Games employees, whose probation period ended by the end of 2020 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. 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 2020, a total of 69,764 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

No directed share issue was made during the financial year 2020.

Remuneration Report

THE FEES PAID TO THE MEMBERS OF NEXT GAMES' BOARD OF DIRECTORS 2019-2020

EUR 1,000	Fee for board work 2020	Fee for board work 2019	Option rights granted in the financial year (1,000 pcs) 2020	Option rights granted in the financial year (1,000 pcs) 2019
Petri Niemi	54	59	-	-
Jari Ovaskainen	-	-	-	-
Peter Levin	30	30	-	-
Xenophon Lategan	30	12.5	-	20
Elina Anckar	30	17.5	-	-
Nicholas Seibert	-	-	-	-

SALARIES PAID AND OPTION RIGHTS GRANTED TO THE CEO 2019-2020

EUR million	Salary 2020	Salary 2019	Option rights granted in the financial year (1,000 pcs) 2020	Option rights granted in the financial year (1,000 pcs) 2019
CEO	0.2	0.2	-	163.3

SALARIES PAID AND OPTION RIGHTS GRANTED TO OTHER MANAGEMENT 2019-2020

EUR million	Salary 2020	Salary 2019	Option rights granted in the financial year (1,000 pcs) 2020	Option rights granted in the financial year (1,000 pcs) 2019
Management team	0.7	0.6	-	489

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.



NEXT GAMES OYJ

FINANCIAL STATEMENTS AND BOARD OF DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED | DECEMBER 31, 2020



CONTENTS

BOARD OF DIRECTOR'S REPORT	48	NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT	66	4 Acquisitions and Capital Expenditure	80	6 Other Disclosures	96
CONSOLIDATED FINANCIAL STATEMENTS	62	1 Accounting Principles	66	4.1 Goodwill	80	6.1 Related Party Transactions	96
Consolidated Income Statement	62	1.1 Basis for Preparation	66	4.2 Intangible Assets	81	6.2 Commitments and Contingent Liabilities	97
Consolidated Statement of Financial Position	63	1.2 Changes in Accounting Standards	67	4.3 Tangible Assets	83	6.3 Income Tax	97
Consolidated Statement of Changes in Equity	64	1.3 New Standards	67	4.4 Depreciation and Amortization	85	6.4 Management Compensation	99
Consolidated Statement of Cash Flows	65	1.4 Principles of Consolidation	67	5 Group Capital and Risks	86	6.5 Events After the Reporting Date	99
		1.5 Segments	68	5.1 Capital Risk Management	86	PARENT COMPANY FINANCIAL STATEMENTS	100
		1.6 Accounting Estimates and Judgements	68	5.2 Financial Risk Management	87	Parent Company Profit and Loss Statement	100
		2 Operating Result	69	5.3 Shareholders' Equity	89	Parent Company Balance Sheet	101
		2.1 Revenue	69	5.4 Net Debt and Borrowings	92	Parent Company Cash Flow Statement	103
		2.2 Other Operating Income and Grants	72	5.5 Leasing	93	Parent Company Notes to the Financial Statements	104
		2.3 Costs and Expenses	72	5.6 Finance Income and Expenses	94	SIGNATURES OF THE FINANCIAL STATEMENTS AND BOARD OF DIRECTORS' REPORT	110
		3 Operating Assets and Liabilities	75	5.7 Employee Benefits	94	AUDITOR'S REPORT	112
		3.1 Deferred Revenue and Cost of Revenue	75	5.8 Cash and Cash Equivalents	95		
		3.2 Trade and Other Receivables	76				
		3.3 Trade and Other Payables	77				
		3.4 Deferred Tax Assets and Liabilities	78				

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 2020

- » Profitability turnaround
- » Release of Stranger Things in the first markets
- » New, strengthened management team

Key Figures

EUR million	2020	2019	2018
Company			
Revenue	27.2	34.7	35.2
Gross Profit	14.3	19.7	21.3
EBITDA	0.5	-3.5	-14.8
Operating Result (EBIT)	-3.4	-7.4	-16.9
Adjusted Operating Result	-0.1	-4.0	-13.8
Profitability			
Gross profit %	52%	57%	61%
EBITDA %	2%	-10%	-42%
Operating Result (EBIT) %	-12%	-21%	-48%
Adjusted Operating Result %	0%	-11%	-39%
Publishing Operations' Profitability			
EBITDA	6.4	3.8	-4.5
EBITDA %	24%	11%	-13%
Research and Development Key Figures			
Investments	3.5	2.4	5.0
Expenditure	7.0	7.6	-11.8



Outlook 2021

Next Games expects revenues to grow to at least EUR 40 million in 2021. The company is targeting profitable growth with full year EBITDA positive in 2021.

BASIS FOR OUTLOOK

The outlook is based on an estimate that Walking Dead games will generate revenue on a steady or slightly declining trend. Revenue for Stranger Things will be increased during 2021, and Blade Runner will be released in key markets.

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, 2020 were 7.5 million euros, of which EUR -6.4 million consisted of a loss for the financial year ended December 31, 2020. The Board of Directors proposes to the Annual General Meeting that the loss for the financial year ended December 31, 2020 be recognized as retained earnings and that no dividend be paid for the financial year ended December 31, 2020. 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.

FINANCIAL REVIEW 2020

In 2020, Next Games' revenue was EUR 27.2 (34.7) million, a decline of 22% compared to the previous year. Next Games EBITDA improved significantly in 2020, turned positive and was 0.5 (-3.5) million euros. Next Games' comparable Operating Result (EBIT) also improved significantly to EUR -3.4 (-7.4) million. Revenues consisted primarily of The Walking Dead: Our World and The Walking Dead: No Man's Land. The largest country in terms of revenue was the United States 45% (45%). The majority of net sales were 95% (94%) from in-game purchases and 5% (6%) from advertising revenue. There was no change in the distribution of revenue per platform compared to the previous year; revenue was evenly split between Apple's App Store and Google Play app stores, 50% of each.

The loss for the financial year was EUR -3.9 (-8.3) million. Financial income and expenses were EUR -0.5 (-0.2) million. Taxes for the period were EUR 0.2 (-0.5), due to changes in deferred taxes. Earnings per share were EUR -0.14 (-0.41).

In 2020, Business Finland paid grants equivalent to 0.3 (0.0) million as part of first stage funding. The project started in December 2019 and is expected to end latest on September 30, 2021. The project has four phases and Business Finland will issue the grant in four stages based on submitted and approved reports on costs incurred and progression of the project. In addition Business Finland paid Next Games a EUR 0.1 (0.0) million grant related to a project for Business Interruptions. The project started in the Spring of 2020 and ended in September 2020.

External factors related to the operating environment also influenced the financial development for the company. COVID-19 restrictions on movement had an effect on the capability of playing safely location-based games. This in turn had an effect on the user amounts of The Walking Dead: Our World and contributed significantly to the decline in the number of players in the early spring. However, new updates and functionalities were introduced to make the game easier to play, such as "Free Roam" enabling free

movement on the map, as well as "Survival Master Series" functionality where players battle each other. With these updates, the game took a turn in June-July, and the decline in the number of players slowed down. The company transitioned to working from home in March, but despite the exceptional circumstances 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. Despite the COVID-19 pandemic, the company has been able to continue game development as planned. The company has estimated that the second wave of the pandemic will not have a significant impact on business.

Despite the COVID-19 pandemic, the market kept on growing. The mobile games industry broke its estimated USD 68.2 billion in revenues and generated USD 77.2 billion in 2020, equivalent to a 13.3% growth from 2019. Since the COVID-19 pandemic began, 48% of US consumers have participated in some form of video gaming activity; with 29% of US consumers say they are more likely to use their free time to play a video game than spend it on other forms of entertainment.

Changes occurred also in the user acquisition environment. During 2020 Facebook user acquisition prices continued to rise, and Apple announced plans to restrict the sharing of IDFA which will affect the way mobile games companies market their games in 2021. The company has responded to these changes during 2020, by improving analytics and technology to match new ways of doing marketing to players.

Cashflow, Financing and Balance Sheet

The balance sheet total in 2020 was EUR 30.1 (34.6) million. Equity ratio 67% (65%). The terms of the company's lease have not changed, and as a result, there have been no changes to the extension or

cancellation options and the value of the lease liabilities has not changed significantly. The COVID-19 pandemic has not caused any revaluations in the company's income statement or balance sheet figures.

At the end of the financial year 2020, cash and cash equivalents decreased by EUR 3.4 million to EUR 4.3 (7.7) million.

Net cash flow from operating activities stayed positive throughout 2020. Total net cash flow from operating activities in 2020 amounted to EUR 1.8 (-3.6) million. Net cash flow from operating activities was significantly improved due to both increased profitability in Publishing Operations as well as the overall financial result in 2020.

Cash flow from financing activities was EUR -1.3 (6.6) million in 2020. In the comparison period cash flow from financing was mostly influenced by the Company's rights issue of EUR 8.0 million in October 2019. In 2020 cash flow from financing activities consisted mainly of leasing payments related to the company's offices.

Next Games continued to invest into product development and cash flow from investing activities for the full fiscal year was EUR -3.5 (-2.7) 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.

EUR million	Dec 31, 2020	Dec 31, 2019	Dec 31, 2018
Non-current assets	21.9	21.7	22.8
Current assets	8.2	12.9	13.6
Total assets	30.1	34.6	36.5
Equity	19.4	22.8	22.9
Total liabilities	10.7	11.8	13.6
Long-term liabilities	2.7	3.7	4.7
Short-term liabilities	8.0	8.1	8.9
Total equity and liabilities	30.1	34.6	36.5

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 proportionate 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. During 2020 The Walking Dead: No Man's Land and The Walking Dead: Our World generated most of the company's revenues.

The company has focused on improving the profitability of its publishing operations, as is evident by the significant improvement in the company's profitability in the fiscal year of 2020. Effective leverage of our licensed game strategy brings a strong organic user flow to the games, which allows us to attract players with lower user acquisition costs. During 2020, Publishing Operations EBITDA was EUR 6.4 (3.8) million, 24% (11%) of revenues.

COMBINED KEY OPERATIONAL METRICS OF PUBLISHED GAMES

	Oct-Dec 2020	Jul-Sep 2020	Apr-Jun 2020	Jan-Mar 2020	Oct-Dec 2019
Gross Bookings (MEUR)	6.6	6.1	6.9	7.3	8.2
DAU	207,310	215,558	232,092	250,539	303,847
MAU	672,576	717,140	725,082	810,815	1,267,688
ARPDau (USD)	0.49	0.45	0.37	0.36	0.33
ARPDau (EUR)	0.41	0.38	0.33	0.32	0.29

PUBLISHING OPERATIONS' PROFITABILITY

EUR million	2020	2019	2018
Revenue	27.2	34.7	35.2
Gross Profit	14.3	19.7	21.3
Other Operating Income	0.1	-	-
Sales and Marketing costs	-9.5	-17.6	-26.8
Publishing Operations EBIT	4.8	2.1	-5.5
Publishing Operations Depreciations	1.6	1.6	1.0
Publishing Operations EBITDA	6.4	3.8	-4.5
EBITDA %	24%	11%	-13%

Research and Development Activities

Next Games Research and Development activities consist of salaries as well as outsourced services. During 2020, the company further developed both the Blade Runner: Rogue game and the Stranger Things: Puzzle Tales game.

In total, activities amounted to EUR 5.6 (6.6) million and were related to both game and technology development. During the reporting period, the company capitalized in accordance with IAS 38 EUR 3.5 (2.4) million. 58% (51%) of employees worked in R&D developing new products. All R&D activities are in Helsinki.

RESEARCH AND DEVELOPMENT

EUR million	2020	2019	2018
Personnel expenses	-4.5	-4.3	-4.5
Outsourcing	-0.8	-0.5	-4.2
Share-based payments	-0.2	-0.3	-0.7
General cost allocation	-1.6	-2.5	-2.4
Total costs	-7.0	-7.6	-11.8
Depreciations	-2.1	-1.3	-0.7
Capitalization	3.5	2.4	5.0
Total	-5.6	-6.6	-7.5
Percentage of revenue	21%	19%	21%

OTHER THAN FINANCIAL INFORMATION

Personnel

At the end of 2020, Next Games had 104 (107) employees who represented 22 (24) different nationalities. Of Next Games employees 78% (75%)

were men, and 22% (25%) were women. On average in 2020, the company employed 109 people (106).

EUR million	2020	2019	2018
Salaries and Wages	4.6	5.0	5.1
Other Social Security Expenses	0.1	0.1	0.1
Share-based Payments	0.4	0.5	1.5
Pension Expenses	0.7	0.8	0.9
Total	5.8	6.5	7.6

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 May 27, 2020. The meeting approved the financial statements for the financial period ended December 31, 2019 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, 2019. 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. 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.

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, 2020, the authorization remains fully unused.

On September 25, 2019, the Extraordinary General Meeting resolved to authorize the Board of Directors to decide on a share issue and/or issue of option

rights entitling to shares in accordance with the Board of Director's proposal. Pursuant to the authorization, a maximum of 1,500,000 shares may be issued in one or more tranches, corresponding to approximately 8.1% of all registered shares in the company on the date of the notice convening the General Meeting. The share issue and/or issue of option rights can be carried out in deviation from the shareholders' pre-emptive subscription right (directed issue). Under the authorization, shares and/or option rights can be issued for the implementation of the company's incentive schemes. Under the authorization, the Board of Directors may issue either new shares or treasury shares. The Board of Directors would be authorised to decide on all other conditions of the issuance of shares and/or option rights. The authorization 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, 2019, the authorization remains fully unused. As at December 31, 2020 a total of 102,782 shares from the authorisation has been used, and 1,397,218 shares remain.

On May 27, 2020, the General Meeting authorised 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. The shares shall be repurchased using the company's unrestricted equity, on a multilateral trading facility in trading organised 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 authorisation and the maximum price, correspondingly, is the highest market price quoted on the multilateral trading facility during the term of validity of the authorisation. Shares can be purchased for the purpose of improving the company's capital structure, carrying out corporate or financing transactions, implementing the company's incentive schemes, or to be otherwise transferred or cancelled. The authorisation is valid until November 30, 2021. As at December 31, 2020, the authorization remains fully unused.

On May 27, 2020, the General Meeting authorised 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 authorisation, 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 authorisation 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 authorisation is valid until April 30, 2025. As at December 31, 2020, the authorization remains fully unused.

Composition of the Board and its Committees

The Annual General Meeting May 27, 2020 appointed the members of the Board of Directors:

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

The Board of Directors has evaluated the independence of its members. All Board members are independent of the company. Jari Ovaskainen owns 26.36% of the company, the other members of the Board are independent of the company's shareholders.

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

Audit

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

Group Composition

There were no changes in the group structure in 2020. 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 2020:

- » Teemu Huuhtanen, Chief Executive Officer
- » Annina Salvén, Chief Financial Officer
- » Saara Bergström, Chief Marketing Officer
- » Kalle Hiitola, Head of New Games
- » Joonas Laakso, Chief People and Culture Officer (Appointed 25th of November 2020)
- » Yiannis Alexopoulos, Chief Growth Officer (Appointed November 25, 2020)
- » Matias Ärje, Chief Technology Officer (Appointed November 25, 2020)

In November 2020, Joonas Laakso, Chief People and Culture Officer, Yiannis Alexopoulos, Chief Growth Officer, and Matias Ärje Chief Technology Officer, were appointed to the Management Team. Chief Operating Officer and member of executive management Joonas Viitala, moved on to other duties outside the company in December 2020.

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 Finland Growth Market maintained by Nasdaq Helsinki Oy. The shares belong to the book-entry system maintained by Euroclear Finland Oy. As at December 31, 2019, Next Games' registered share capital amounted to EUR 80,000 and the number of registered shares was 27,985,988 (27,916,224 at the end of 2019). 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 2020 was 27,944,968 (20,346,171 in 2019).

During 2020 a total number of 69,764 (114,480) 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 entire subscription price of EUR 19,059.84 was recorded in the reserve for invested unrestricted equity and the company's share capital has remained unchanged.

As at December 2020, the company had 7,005 (5,165) registered shareholders. 23.2% (27.1%) of all shares are nominee registered. In 2020, the highest share price was EUR 2.67 (2.02) and the lowest price was EUR 0.55 (0.79) per share. At the end of 2020 the share closing price was EUR 2.24 (0.89) and the market value was approximately EUR 63 (25) million. The number of shares traded on Nasdaq First North Growth Market was 11.5 (7.9) million.

TREASURY SHARES

During 2020, 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 0.05% (0.05%) of its own shares.

SHARE BASED COMPENSATION

Since 2014 Next Games has issued a yearly share-based incentive (option) program, which includes all of its staff. The company had five (5) share-based incentive programs in use during 2020. 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 two live games, which generated approximately 100 percent of the revenue for the company in 2020. Revenue growth and the success of the company is dependent on future game releases. Next Games might fail to develop and publish new games on time or at all, as well as further developing its existing games, which would have a material negative effect on the business of Next Games. Delays in the development of games could lead to, among other things, the delay of expected revenue or termination of the license agreement related to the games.

Next Games may experience fluctuations in its profit over time due to a number of factors, such as the

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

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

FINANCIAL RISKS

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

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

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

UNCERTAINTIES AND 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

No significant events after the reporting period.

Annual General Meeting 2021

Next Games' Annual General Meeting is scheduled for Wednesday, March 31, 2020. The company's Board of Directors has issued a separate notice of the Annual General Meeting on March 9, 2021.

Financial Calendar 2021

Next Games' Half-year review for January–June 2021 will be released on Friday, August 13, 2021.

The financial statements and the report of the Board of Directors for the financial year 2020 as well as the Half-year review for January–June 2021 are published as a company bulletin and on the company's website at www.nextgames.com/fi/reports

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. 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. 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.

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.

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

RECONCILIATION OF ALTERNATIVE PERFORMANCE MEASUREMENTS

EUR million	2020	2019	2018
Operating Result (EBIT)	-3.4	-7.4	-16.9
Depreciations	3.9	4.0	2.2
EBITDA	0.5	-3.5	-14.8
Operating Result (EBIT)	-3.4	-7.4	-16.9
Other than IFRS 16 Depreciations	2.9	3.0	1.6
IFRS 2 cost recording	0.4	0.5	1.5
Adjusted Operating Result	-0.1	-4.0	-13.8
Revenue	27.2	34.7	35.2
Cost of Revenue	-12.9	-15.0	-14.0
Gross Profit	14.3	19.7	21.3
Other Operating Income	0.1	0.0	0.0
Marketing & Sales	-9.5	-17.6	-26.8
Publishing Operations EBIT	4.8	2.1	-5.5
Depreciations, Publishing Operations	1.6	1.7	1.0
Publishing Operations EBITDA	6.4	3.8	-4.5
Revenue	27.2	34.7	35.2
Changes in Deferred Revenue	-0.2	-0.5	0.6
Gross Bookings	27.0	34.2	35.8

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

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 = Publishing Operations EBIT adjusted by depreciations.

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

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

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 INCOME STATEMENT

EUR million	Note	2020	2019
Revenue	2.1	27.2	34.7
Cost of revenue	2.3	-12.9	-15.0
Gross profit		14.3	19.7
Other operating income	2.2	0.7	0.0
Research and development	2.3	-5.6	-6.6
Sales and Marketing	2.3	-9.5	-17.6
Administrative	2.3	-3.2	-3.0
Operating result (EBIT)		-3.4	-7.4
Finance income	5.6	0.0	0.1
Finance costs	5.6	-0.5	-0.3
Finance costs, net		-0.5	-0.2
Share of associates' result		-0.2	-0.2

EUR million	Note	2020	2019
Profit before taxes		-4.1	-7.8
Current income taxes	6.3	-	-0.1
Change in deferred tax	6.3	0.2	-0.4
Total income tax expense		0.2	-0.5
Result for the period		-3.9	-8.3
Total comprehensive result for the period		-3.9	-8.3
Result attributable to the owners of the parent		-3.9	-8.3

Shares	Note	2020	2019
Result per share for profit attributable to the owners of the parent			
Non-Diluted earnings per share, EUR	5.3	-0.14	-0.41
Diluted earnings per share, EUR	5.3	-0.14	-0.41
Average number of shares during the accounting period	5.3	27,944,968	20,346,171
Number of shares at the end of accounting period	5.3	27,985,988	27,916,224

The notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR million	Note	Dec 31, 2020	Dec 31, 2019
Assets			
Non-current assets			
Goodwill	4.1	3.3	3.3
Intangible assets	4.2	12.1	10.6
Property, plant and equipment	4.3	3.9	5.3
Shares of associates		-	0.2
Other long term receivables	3.2	1.1	1.1
Deferred tax assets	3.4	1.5	1.2
Total non-current assets		21.9	21.7
Current assets			
Trade receivables and other receivables	3.2	3.9	5.2
Cash and cash equivalents	5.8	4.3	7.7
Total current assets		8.2	12.9
Total assets		30.1	34.6

EUR million	Note	Dec 31, 2020	Dec 31, 2019
Equity and liabilities			
Equity			
	5.3		
Share capital		0.1	0.1
Reserve for invested unrestricted equity		61.7	61.7
Retained earnings		-38.5	-30.6
Profit (loss) for the period		-3.9	-8.3
Total equity		19.4	22.8
Liabilities			
Long-term liabilities			
Loan from public administration	5.4	0.5	0.5
Lease liabilities	5.5	2.1	3.2
Total non-current liabilities		2.7	3.7
Short-term liabilities			
Governmental agency loan	5.4	0.1	0.2
Lease liabilities	5.5	1.1	1.0
Deferred income	3.0	1.2	1.0
Trade payables	3.3	2.0	3.7
Other liabilities	3.3	0.2	0.1
Accrued liabilities	3.3	3.4	2.2
Total current liabilities		8.0	8.1
Total liabilities		10.7	11.8
Total equity and liabilities		30.1	34.6

The notes are an integral part of these consolidated 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, 2019		0.1	53.9	-31.1	22.9
Result for the period		-	-	-8.3	-8.3
Total comprehensive result for the period		-	-	-8.3	-8.3
Transactions with owners:					
Share issues based on stock options	5.3	-	0.1	-	0.1
Purchase of treasury shares	5.3	-	-	-	-
Share-based payments	5.3	-	-	0.5	0.5
Dividends paid	5.3	-	-	-	-
Offering of shares	5.3	-	8.0	-	8.0
Costs of offering of shares	5.3	-	-0.3	-	-0.3
Equity at Dec 31, 2019		0.1	61.7	-38.9	22.8

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

The notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

EUR million	Note	2020	2019
Cash flows from operating activities			
Profit before taxes		-4.1	-7.8
Adjustments for:			
Depreciation, amortization and impairments	4.4	3.9	4.0
Other non-cash adjustments			
Change in deferred revenue		-0.1	-0.3
Share-based payments	5.3	0.4	0.5
Other adjustments		0.3	-0.1
Finance costs, net		0.2	0.3
Share of loss/(profit) from associates		0.2	0.2
Changes in working capital:			
Change in trade and other receivables		1.3	0.2
Change in trade and other payables		-0.3	-0.3
Interests paid	5.6	-0.1	-0.1
Interests received	5.6	0.0	0.0
Income taxes paid	6.3	-	-0.1
Net cash flows from operating activities		1.8	-3.6

EUR million	Note	2020	2019
Cash flows from investing activities			
Purchases of property, plant and equipment	4.3	0.0	0.0
Payments of intangible assets	4.2	-3.5	-2.7
Net cash flows from investing activities		-3.5	-2.7
Cash flows from financing activities			
Proceeds from issuance of shares, less costs		0.0	7.8
Repayment of long-term loans		-	0.0
Repayment of short-term loans		-0.1	-
Acquisition of treasury shares		-	-
Dividends paid		-	-
Lease payments		-1.2	-1.2
Other		-0.1	-
Net cash used in financing activities		-1.3	6.6
Net decrease/increase in cash and cash equivalents			
Translation differences		-0.3	0.1
Cash and cash equivalents as of January 1	5.8	7.7	7.3
Cash and cash equivalents as of December 31		4.3	7.7

The notes are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

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 Helsinki First North 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, 2020. The Financial Statements have been authorized for issue by The Board of Directors March 11, 2021.

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 2020. Amendments to standards that came into effect 2020 did not have a material effect on the Group's results for the financial year, financial position or the presentation of financial statements.

Next Games prematurely adopted IFRS 16 at the time of conversion January 1, 2016, which came into effect January 1, 2019.

In 2019 the Group changed its accounting policy relating to the classification of development costs for published products. Previously all game development costs, both for published and unpublished games, were reported under the Research and Development function. In the future development activities relating to published games are reported as part of the Group's Marketing and Sales function, and only costs related to unpublished games will be reported under the Research and Development function. The accounting policy change does not affect Group-level revenues, EBIT, or balance sheet reporting. The changes and effects have been published in a separate bulletin and can be found from the Company's website.

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.

Investments in associates in which Next Games has a significant influence but not control are accounted for 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.

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, 2020 is the following:

- » Next Games GmbH, 100% owned

In addition the group had one Associated Company that sought bankruptcy September 22, 2020.

- » Armada Interactive Oy, 11.79% ownership

ASSOCIATED COMPANIES

Next Games had classified Armada Interactive Oy to be an associated company of the Group. Next Games' ownership of Armada Interactive Oy was 11.79%. In addition, Next Games was represented on the board of Armada Interactive Oy, deemed a triggering event when determining significant influence on decision making of Armada Interactive Oy. As a result of the bankruptcy, the remaining balance of EUR -0.2 million was written off from the consolidated statement of financial position.

The Company has no other associated companies.

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 JUDGEMENTS

The preparation of Consolidated Financial Statements requires management to make estimates and judgements that affect the application of accounting policies and the recognized amounts of assets, liabilities, income and expenses. These estimates and judgements 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)
- » Measurement of intangible assets identified and recognized in business combinations (4.2)
- » Share-based payment arrangements (5.3)

In addition management applies judgement 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). Next Games derives the vast majority of its revenue from customers located in North America and Europe. Revenues are split almost evenly between the two platforms (iOS and Android) e.g. the main digital storefronts: Apple App Store and Google Play Store.

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 Appstore 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 or income from the production of other game related assets.

DISAGGREGATION OF REVENUE

REVENUE BY CATEGORY OF ACTIVITY

EUR million	2020	Percentage of revenue %	2019	Percentage of revenue %
Revenue by Category of Activity	27.2	100%	34.7	100%
In App Purchases (IAP)	25.2	95%	32.7	94%
Advertising (ADS)	1.5	5%	2.0	6%

During 2019 and 2020 there were no sales categorized as “other”

REVENUE BY PLATFORM

EUR million	2020	Percentage of revenue %	2019	Percentage of revenue %
Revenue by Platform	27.2	100%	34.7	100%
iOS	13.5	50%	17.4	50%
Android	13.7	50%	17.4	50%

REVENUE BY REGION

EUR million	2020	Percentage of revenue %	2019	Percentage of revenue %
Revenue by Region	27.2	100%	34.7	100%
North America	13.2	49%	16.7	48%
EU	8.0	29%	9.7	28%
Finland	0.2	1%	0.3	1%
Other	5.8	21%	8.0	23%

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.

ACCOUNTING PRINCIPLES

REVENUE RECOGNITION

Next Games utilizes a five step model framework in revenue recognition. The Company identifies contracts both between its players and between advertising networks.

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 creates a contract between Next Games and the advertising network, as the consideration is paid is by the advertising network.

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, continue 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 both 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).

KEY JUDGEMENT AND ESTIMATES

DEFERRED REVENUE

Revenue recognition requires management to make key judgements 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 continuously 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

OTHER OPERATING INCOME

EUR million	2020	2019
Profit on sale Intangible assets and of property, plant and equipment	–	0.0
Subsidies and government grants	0.7	–
Other	0.0	0.0
Total	0.7	0.0

Most of Next Games' other operating income in 2020 consisted of grants awarded by Business Finland. The grants are related to two different projects. The smaller grant of EUR 0.1 million was a grant for business disruption, which was used in its entirety for the location based game The Walking Dead: Our World. In order to ensure safe and easy playing during movement restrictions, Free Roam (movement on the map without physical movement) and story based missions were introduced. The grant has been received and accounted for in full.

income, grants and other similar income not classified to revenue. Grants are directed to specific projects, and are recognized when expenses occur.

The other conditional grant amounts to a total of EUR 2.0 million. In 2020 the Company recorded EUR 0.6 million in grant, of which EUR 0.3 million was paid during 2020. The aim of the project is amongst others to enhance game features, tailor in game advertising and user acquisition via machine learning and AI. During the project research will be conducted to increase both learning and capabilities of Next Games technology platform to support the use of AI and machine learning. Goals of this project is in line with the Company's strategic focus area: Streamlining operations and shortening game production times. The duration of the project is at least until November 30, 2021. In total the Company recorded EUR 0.7 million in government grants, of which EUR 0.4 million was paid during 2020.

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.

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	2020	2019
Platform commissions, royalties and other	-11.8	-13.9
Amortizations of intangible assets	-1.2	-1.2
Total	-12.9	-15.0

Cost of Revenue includes platform cuts (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 amortisation of license acquisitions.

RESEARCH AND DEVELOPMENT COSTS

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

Expenses allocated to Next Games' 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	2020	2019
Personnel expenses	-2.3	-2.5
Outsourcing	-0.8	-0.8
Share-based payments	-0.1	-0.2
General cost allocation	-1.5	-1.8
Sales and Marketing costs	-4.8	-12.4
Total	-9.5	-17.6
Percentage of revenue, %	-35%	-51%

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	2020	2019
Personnel expenses	-1.7	-1.3
Share-based payments	-0.1	-0.1
General cost allocation	-0.6	-0.6
Other admin expenses	-0.9	-1.0
Total	-3.2	-3.0
Percentage of revenue, %	-12%	-9%

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.



AUDIT FEES

EUR million	2020	2019
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	2020	2019
Deferred revenue Jan 1	1.0	1.5
Released to the statement of profit or loss	-1.0	-1.5
Deferred during the year	1.2	1.0
Deferred revenue Dec 31	1.2	1.0

DEFERRED COST OF REVENUE

EUR million	2020	2019
Deferred cost of revenue Jan 1	0.4	0.6
Recognized as an expense during the year	-0.4	-0.6
Deferred during the year	0.3	0.4
Deferred cost of revenue Dec 31	0.3	0.4

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 in a manner equivalent to the accrual basis.

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.

NON-CURRENT ASSETS

EUR million	Dec 31, 2020	Dec 31, 2019
Rent guarantees	0.4	0.4
Receivables from licensing agreements	0.3	0.7
Other non-current assets	0.3	-
Total	1.1	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.

CURRENT ASSETS

EUR million	Dec 31, 2020	Dec 31, 2019
Trade and other receivables		
Trade receivables	1.5	2.9
Prepayments and accrued income	2.3	2.2
Other current receivables	0.1	0.2
Total	3.9	5.2
Material items under prepaid expenses		
Receivables from licensing agreements	1.4	1.3
Items relating to purchases (including revenue deferral receivables)	0.3	0.4
Marketing campaign accruals	0.3	0.4
Other	0.3	0.1
Total	2.3	2.2
Material items under other current receivables		
VAT receivables	0.1	0.2
Other current receivables	0.0	0.0
Total	0.1	0.2

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, 2020	Dec 31, 2019
Trade and other payables		
Trade payables	2.0	3.7
Accruals and deferred income	3.4	2.2
Other current liabilities	0.2	0.1
Deferred revenue	1.2	1.0
Total	6.8	7.0
Material items under accruals		
Accrued personnel expenses	1.7	1.0
Accrued interests	0.0	0.0
Other liabilities	1.7	1.2
Total	3.4	2.2

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 JUDGEMENTS AND ESTIMATES

DEFERRED TAX ASSETS AND LIABILITIES

Management judgement 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 decided not to recognize deferred tax assets for losses incurred after September 2017, but management estimates that deferred tax assets recognized for previously accumulated losses will be available for use to offset future profits. In 2020, 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 35.5 (33.1) million in 2020, including estimates of the tax losses during the reporting period. These losses will expire at various times by the end of 2030.

TAX LOSSES: DEFERRED TAX ASSETS AND LIABILITIES

EUR million	Dec 31, 2020	Dec 31, 2019
Confirmed losses, unrecognized tax assets	35.5	33.1
Confirmed losses on the basis of which a tax asset has been recognized	14.3	14.3
Total tax losses	49.8	47.4
Recognized deferred tax asset	2.8	2.8
Unrecognized deferred tax assets	7.1	6.6
Total tax assets	9.9	9.4

DEFERRED TAX ASSETS AND LIABILITIES

EUR million	Jan 1, 2019	Change	Dec 31, 2019
2019			
Deferred tax assets			
Tax losses	2.8	-	2.8
IPO cost recognition	0.2	-0.2	0.0
Other items	0.0	0.0	0.0
Total	3.1	-0.2	2.9
Deferred tax liabilities			
Capitalized intangible assets	1.5	0.2	1.7
Accumulated depreciation differences	0.0	-	0.0
Other items	0.0	-0.0	0.0
Total	1.5	0.2	1.7
Deferred tax assets, net	1.6	-0.4	1.2

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	0.0
Other items	0.0	-	0.0
Total	2.9	-0.0	2.9
Deferred tax liabilities			
Capitalized intangible assets	1.7	-0.3	1.5
Accumulated depreciation differences	0.0	-	0.0
Other items	0.0	-	0.0
Total	1.7	-0.3	1.5
Deferred tax assets, net	1.2	0.2	1.5

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 amortisation.

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 targets in addition to 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 JUDGEMENTS 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.

TESTING

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, 2020. Pre-tax discount rate used in the testing was 19.3% (20.7%) 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 2020 and 2019.

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	2020	2019
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 amortisation and accumulated impairment losses. The amortisation period and the amortisation 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 amortisation period or method. The amortisation 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

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 JUDGEMENTS 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.

INTANGIBLE ASSETS

EUR million	Goodwill	Capitalized development costs	Other intangible assets	Total
2019				
Acquisition cost as of Jan 1	3.3	7.5	4.6	15.5
Transactions	-	-	-	-
Additions	-	2.4	0.3	2.7
Translation differences	-	-	0.0	0.0
Decreases	-	-	-	-
Acquisition cost as of Dec 31	3.3	9.9	5.0	18.2
Accumulated depreciation and impairment Jan 1	-	-0.6	-1.2	-1.8
Depreciation	-	-1.2	-1.3	-2.5
Translation differences	-	-	-	-
Impairment losses	-	-	-	-
Accumulated depreciation and impairment Dec 31	-	-1.7	-2.5	-4.3
Net book value as of Jan 1	3.3	6.9	3.4	13.7
Net book value as of Dec 31	3.3	8.1	2.4	13.9

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
Translation differences	-	-	-	-
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
Translation differences	-	-	-	-
Impairment losses	-	-	-	-
Accumulated depreciation and impairment Dec 31	3.3	-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

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

TANGIBLE ASSETS

EUR million	Buildings	Machinery and equipment	Total
2019			
Acquisition cost as of Jan 1	8.0	0.6	8.6
Additions	0.0	-	0.0
Business combinations	-	-	-
Disposals and other changes	-0.0	-	-0.0
Acquisition cost as of Dec 31	8.0	0.6	8.6
Accumulated depreciation and impairment at Jan 1	-1.6	-0.3	-1.8
Depreciation	-1.4	-0.1	-1.5
Impairment	-	-	-
Accumulated depreciation and impairment at Dec 31	-2.9	-0.4	-3.3
Net book value as of Jan 1	6.4	0.3	6.7
Net book value as of Dec 31	5.1	0.2	5.3

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



4.4 DEPRECIATION AND AMORTIZATION

DEPRECIATION AND AMORTIZATION

EUR million	2020	2019
Accumulated amortizations	-2.4	-2.5
Accumulated depreciations	-1.5	-1.5
Total	-3.9	-4.0

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, and the ability to when necessary transfer assets to value creating investments, 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 such as the external 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. Next Games monitors its capital based on gearing (the ratio of interest-bearing net liabilities to equity). Interest bearing net liabilities consist of the loans less cash and cash equivalents. The current level of gearing is distinctly lower than the limit determined by the Board of Directors. During business cycles, net gearing is likely to fluctuate but the overall objective is to retain a sufficient strong capital structure to secure the Group's financing needs. The Board of Directors monitor the Group's capital structure regularly.

NET DEBT

EUR million	Dec 31, 2020	Dec 31, 2019
Cash and cash equivalents	4.3	7.7
Loans - repayable within one year	-1.2	-1.2
Loans - repayable after one year	-2.7	-3.7
Net debt	0.4	2.7
Cash and cash equivalents	4.3	7.7
Gross debt - fixed interest rates	-3.9	-4.9
Net debt	0.4	2.7

CHANGE IN NET DEBT

EUR million	Cash	Leases due within 1 year	Leases due after 1 year	Borrowings due within 1 year	Borrowings due within 1 year	Total
Net debt as of Jan 1st, 2019	7.3	-1.0	-4.1	-0.2	-0.5	1.4
Cash flows	0.3	-	-	-	-	0.3
Acquisitions - finance leases and lease incentives	-	1.2	-	-	-	1.2
Foreign exchange adjustments	0.1	-	-	-	-	0.1
Other changes	-	-1.2	0.9	0.0	0.0	-0.3
Net debt as of Dec 31st, 2019	7.7	-1.0	-3.2	-0.2	-0.5	2.7
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

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, CMO, CGO), 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 relates to foreign exchange risk, interest rates, and price risk in relation to user acquisition.

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 foreign currency denominated assets and

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 IN FINANCE INCOME AND COSTS

EUR million	2020	2019
Exchange rate gain	0.0	0.1
Exchange rate loss	-0.3	0.0
Total	-0.3	0.1

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 had a Danske Bank overdraft limit of EUR 3.0 million (interest 1-month Euribor +2.5%) valid until June 2020.

INTEREST RATE RISK AND NOMINAL VALUES ON LOANS

EUR million	2020	2019
Business Finland, 1% interest	0.7	0.8
Total	0.7	0.8

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 200% from 2016 to 2019. 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 (ARPDau, 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 would prevent 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.

CREDIT AND COUNTERPARTY RISK

The objective of the Group's credit risk management is to minimize losses in the event one of the Group's counterparties fails to meet its obligation. The Group's finance department is responsible for managing credit and counterparty risk. 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. The Group has concentration risk in accounts receivables through two large counterparties, Apple and Google. Other receivables are divided amongst ad networks. As at December 31, 2020, Apple and Google represent 100% of entities accounts receivables. In order to mitigate credit and counterparty risk the Group uses different measures to mitigate it such as clearance of all counterparties, thorough credit reviews for any new customers, through advance payments and regular monitoring of customers payment behavior. In turn, Next Games has exposure against these platforms in terms of payables

from player acquisition activities. At year end any impairment of receivables from material customers is analyzed individually based on their probability of default and loss given default at the reporting date. In addition, minor receivables with similar credit characteristics are grouped and assessed together for impairment. Next Games' major counterparties, such as Apple, Google, and Unity have not been found to be

associated with significant credit risk or significant increase in credit risk since issuance of the receivable, based on the counterparty's credit rating, historical payment behavior and the short-term (ca. 30 days) nature of these receivables. Next Games continuously assesses credit and counterparty risk, as at December 31, 2020 no significant credit risk has been associated with its partners.

CREDIT AND COUNTERPARTY IMPAIRMENT

EUR million	2020	2019
At January 1	0.0	0.0
Provision for impairment recognized during the year	-	0.0
Receivable written off during the year as uncollectible	-	-
Unused amounts reversed	-	0.0
At December 31	0.0	0.0

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 31st, 2019					
Non-current governmental agency loan	0.1	0.2	0.4	-	0.7
Trade payables	3.7	-	-	-	3.7
Lease liabilities	0.2	0.7	3.2	-	4.1
December 31st, 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

5.3 SHAREHOLDERS' EQUITY

Next Games Oyj's share capital, paid in its entirety and registered in the trade register was 0.1 million euros 2020 (0.1 million euros 2019). The Company has one class of shares. Shares have no nominal value. At the end of the financial period 2020 the Company had

27,985,988 shares outstanding (27,916,224 in 2019). Each share entitles its shareholder to one (1) vote in the general meeting and shares have equal rights to dividends. The Company holds 13,410 (13,410) treasury shares.

RETAINED EARNINGS

EUR million	2020	2019
At January 1	-38.9	-31.1
Profit (loss) for the year	-3.9	-8.3
Dividends paid	-	-
Share-based payments	0.4	0.5
At December 31	-42.4	-38.9

SHARE AND SHARE ISSUANCE

In 2020 69,764 (114,480) shares were subscribed for with option-rights. During 2019, Next Games conducted a rights issue totaling 9,298,430 shares.

SHARE SUBSCRIPTIONS

Shares	2020	2019
Share subscriptions by option rights	69,764	114,480
Rights offering	-	9,298,430
Number of shares	27,985,988	27,916,224

UNRESTRICTED EQUITY

All shares subscribed for with option-rights, rights offering and payments totaling 19,059.48 euros in 2020, have in its entirety been recorded to the Company's unrestricted equity, and the Company's equity did not change due to this.

EUR million	2020	2019
Share issues based on stock options	0.0	0.1
Offering of shares	-	8.0
Costs of offering of shares	-	-0.3
Total	0.0	7.8

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.

EARNINGS PER SHARE

	2020	2019
Profit operations attributable to the owners of the Company (EUR million)	-3.9	-8.3
Weighted average number of shares outstanding during the period	27,944,968	20,346,171
Diluted and non-diluted earnings per share (EUR)	-0.14	-0.41

Dilution impact is not taken into account in 2020 and 2019 because the effect is anti-dilutive (ie. It would decrease loss per share).

DIVIDENDS AND DISTRIBUTABLE EQUITY

At December 31, 2020, the parent company's distributable equity totaled EUR 7.5 million, of which EUR -6.4 million consisted of a loss for the financial year 2020. The Board of Directors proposes to the Annual General Meeting that no dividend be

distributed for the financial year 2020. The general meeting resolved not to distribute any dividend for the financial year ended December 31, 2019. The report of the Board of Directors is signed before it is presented to the Annual General Meeting.

DISTRIBUTABLE EQUITY

EUR million	2020	2019
Reserve for invested unrestricted equity	61.4	61.4
Retained earnings (loss)	-47.6	-38.1
Profit (loss) for the financial year	-6.4	-9.5
Retained earnings, total	7.5	13.8
Total	7.5	13.8

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 2020 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.

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 cancelled 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 JUDGEMENTS 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 2020		Issued during 2019	
	2020	2019	2017 & 2018	
Valuation model	Black-Scholes	Black-Scholes	Black-Scholes	
Fair value at Dec 31	0.85€	0.58€	0.78€	
Expected volatility	79%	42%	31%	
Share price at the valuation date	1.15€	1.47€	1.78€	
Weighted average share price during the period	1.52€	1.27€	1.27€	
Exercise price	0.96€	1.16 €	1.14€	
Expected dividend yield	- €	- €	- €	
Risk free interest rate	-0.32%	-0.22%	-0.17%	
Forfeiture rate	12%	12%	12%	

CHANGE IN OUTSTANDING STOCK OPTIONS

CHANGES DURING THE REPORTING PERIOD 2019

Equity plan	Jan 1, 2019 Outstand- ing number of options	Granted	Redeemed	Exercised	Expired	Forfeited	Dec 31, 2019 Outstand- ing number of options
2014	32,433	-	-	-22,856	-9,014	-563	-
2015	156,189	-	-	-20,265	-	-41,630	94,294
2017	307,369	270,391	-	-	-	-369,327	208,433
2018	355,500	711,500	-562,094	-	-	-	504,906
2019	-	835,376	-	-	-	-	835,376
Total	851,491	1,817,267	-562,094	-43,121	-9,014	-411,520	1,643,009

CHANGES DURING THE REPORTING PERIOD 2020

Equity plan	Jan 1, 2020 Outstand- ing number of options	Granted	Redeemed	Exercised	Expired	Forfeited	Dec 31, 2020 Outstand- ing 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

SUBSCRIPTION PRICE

Equity plans	Issued price per option	2020 Weighted average share price	2019 Weighted averageshare price
2014	0.01€–1.97€	-	0.21€
2015	2.66€–5.10€	0.86€	0.72€
2017	1.14€–7.90€	1.14€	-
2018	1.14€–6.17€	1.14€	-
2019	0.85€–1.38€	-	-
2020	0.96€	-	-
Total	0.01€–7.90€	1.00€	0.45€

COST EFFECT OF SHARE BASED INCENTIVE PLAN

EUR million	2020	2019
Costs related to equity plan - share-based payment	0.4	0.5
Costs related to the equity plan, total	0.4	0.5

ALLOCATION OF SHARE BASED INCENTIVES

EUR million	2020	2019
Research and Development	0.2	0.3
Sales and Marketing	0.1	0.2
Administration	0.1	0.1
Total	0.4	0.5

5.4 NET DEBT AND BORROWINGS

ACCOUNTING PRINCIPLES

NET DEBT AND BORROWINGS

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.

NET DEBT AND BORROWINGS

EUR million	Currency	Fair value	Final due date	Net book value	
				2020	2019
Borrowings					
Business Finland - Valtionkonttori 1	EUR	0.3	March 13, 2023	0.2	0.3
Business Finland - Valtionkonttori 2	EUR	0.4	August 31, 2023	0.4	0.4
Total		0.7		0.6	0.7

EUR million	Dec 31, 2020	Dec 31, 2019
Non-current liabilities		
Non-current governmental agency loan	0.5	0.5
Total non-current liabilities	0.5	0.5
Current liabilities		
Current governmental agency loan	0.1	0.2
Total current liabilities	0.1	0.2
Total liabilities	0.6	0.7

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.

LEASE CONTRACTS

EUR million	Dec 31, 2020	Dec 31, 2019
Right-of-use asset		
Buildings	3.0	3.9
Total right-of-use asset	3.0	3.9
Lease liabilities		
Current	1.1	1.0
Non-current	2.1	3.2
Total lease liabilities	3.2	4.1
Financial statement includes the following costs related to the lease contracts		
Amortization and impairment	1.1	1.1
Financial expenses	0.1	0.2
Costs from low value underlying assets	0.5	0.8
Total	1.7	2.1
Total cash flows from lease payments	1.2	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 Business Finland loans, bank

overdrafts 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	2020	2019
Finance income and other finance income		
Interest income	0.0	0.0
Exchange rate gain	0.0	0.1
Interest income and other finance income total	0.0	0.1
Interest expense and other finance cost		
Interest expense	-0.2	-0.2
Exchange rate loss	-0.3	-0.1
Interest expense and other finance cost total	-0.5	-0.3
Finance costs, net	-0.5	-0.2

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

trans-action 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. Benefits paid upon termination refer to benefits arising from termination of employment, not performance of work. Post-employment benefits

comprise benefits paid after employment, such as healthcare. 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.

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	2020	2019
Salaries and wages	4.6	5.0
Other social expenses	0.1	0.1
Share-based payment expense	0.4	0.5
Pension expenses	0.7	0.8
Total	5.8	6.5

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

EMPLOYEE BENEFITS BY FUNCTION

EUR million	2020	2019
Research and Development	1.6	2.5
Sales and Marketing	2.4	2.6
Administration	1.7	1.4
Total	5.8	6.5

GENERAL INFORMATION ON EMPLOYEES

Average personnel employed	2020	2019
Research and Development	60	75
Sales and Marketing	34	18
Administration	14	13
Total	109	106
As of Dec 31	104	107

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, 2020	Dec 31, 2019
Cash in hand and at bank	4.3	7.7
Total	4.3	7.7

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	2020	2019
Transactions with members of the Board of directors or parties they are representing:	-	-
Licensing fees and marketing services	2.4	2.0
Other	0.3	-

BALANCES WITH RELATED PARTIES

EUR million	2020	2019
Loans from board member	-	-
Loan to CEO	0.3	0.0
Other payables to related party entity	0.8	0.7

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 0.3 million loan receivable from the Company's CEO. As January, 2021 loan has been amortized by EUR 0.1 million. Annual loan repayments begin on December 1, 2024. Loan's annual interest is 12-month Euribor added with 1.6%. Securing collateral has been received for the loan.

6.2 COMMITMENTS AND CONTINGENT LIABILITIES

Next Games had a Finnish state-owned financing company Finnvera's guarantee of 70% on its overdraft limit of 3 million euros. The overdraft limit and related guarantee expired in June 2020.

COMMITMENTS AND CONTINGENT LIABILITIES

EUR million	2020	2019
Loans secured by mortgages		
Loans	-	-
Amount of mortgages given as collateral	-	1.0
Low value leasing asset commitment	0.7	0.9
Within a year	0.3	0.4
Over one year	0.4	0.5

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 JUDGEMENTS AND ESTIMATES

INCOME TAX

Key estimates and judgements referring to tax deferrals can be found from note's section 3.4.

INCOME TAX

EUR million	2020	2019
Current tax on profit for the period	-	-
Other direct taxes	-	-0.1
Income tax relating to previous financial years	-	-
Total	-	-0.1
Deferred tax		
Change in deferred tax assets	-0.0	-0.2
Change in deferred tax liabilities	0.3	-0.2
Total deferred tax expense	0.2	-0.4
Income tax expense	0.2	-0.5

RECONCILIATION OF INCOME TAX EXPENSE

EUR million	2020	2019
Profit before taxes	-4.1	-7.8
Tax calculated at Finnish tax rate 20%	0.8	1.6
IFRS 2 expenses, tax effect	-0.1	-0.1
Expenses not deductible for tax purposes	-0.1	-0.1
Depreciations for capitalizations not deducted in taxation	0.1	-0.4
Unrecognized deferred tax assets on tax losses	-0.5	-1.3
Other adjustments	-	-
Share of profits of associates, net of tax	0.0	0.0
Other direct taxes	-	-0.1
Income tax expense	0.2	-0.5

Reconciliation of the income tax expense recognized in the consolidated income statement to the taxes calculated using the Finnish tax rate (20% for all periods). Other immediate taxes include Japan WHT at 10%.

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 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	2020	2019
CEO remuneration (cash based)		
Salary, other remuneration and benefits ^{1, 2 & 4}	0.2	0.2
Pension costs – defined contribution plan ³	0.0	0.0
Total	0.2	0.3
Management team remuneration (excluding CEO, cash based)		
Salary, other remuneration and benefits ^{1, 2 & 4}	0.7	0.6
Pension costs – defined contribution plans ³	0.1	0.1
Total	0.8	0.7
The Board of Directors remuneration (cash based)	0.1	0.2
Management share-based payments ⁵	0.0	0.0
Total of key management and the Board of Directors	1.2	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
- 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 2014 and 2020. Exercising of 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

No material events after the reporting period.

PARENT COMPANY FINANCIAL STATEMENTS

PARENT COMPANY PROFIT AND LOSS STATEMENT

EUR	Jan-Dec 2020	Jan-Dec 2019
REVENUE	27,181,654.80	34,701,207.95
Other operating income	700,276.32	11,166.08
Raw materials and services		
External services	-17,274,818.73	-26,498,918.02
Raw materials and services total	-17,274,818.73	-26,498,918.02
Personnel expenses		
Wages and salaries	-7,159,051.30	-6,768,487.40
Social security expenses		
Pension expenses	-1,127,436.97	-1,106,975.72
Other social security expenses	-182,229.11	-203,501.03
Personnel expenses total	-8,468,717.38	-8,078,964.15
Depreciation, amortisation and write-offs		
Depreciation and amortisation according to plan	-2,166,850.45	-2,842,256.20
Depreciation, amortisation and write-offs total	-2,166,850.45	-2,842,256.20
Other operating expenses	-5,883,502.08	-6,611,982.36

EUR	Jan-Dec 2020	Jan-Dec 2019
OPERATING PROFIT (LOSS)	-5,911,957.52	-9,319,746.70
Financial income and expenses		
Other interest income and financial income		
From others	17,228.59	127,792.08
Reduction in value of investments held as non-current assets	-62,605.40	0.00
Other interest expenses and other financial expenses		
To others	-398,561.86	-136,613.27
PROFIT (LOSS) BEFORE APPROPRIATIONS AND TAXES	-6,355,896.19	-9,328,567.89
Income taxes		
Income taxes for the financial year	0.00	-128,713.88
PROFIT (LOSS) FOR THE FINANCIAL YEAR	-6,355,896.19	-9,457,281.77

PARENT COMPANY BALANCE SHEET

EUR	Dec 31, 2020	Dec 31, 2019
ASSETS		
NON-CURRENT ASSETS		
Intangible assets		
Intangible rights	1,272,436.98	1,959,068.81
Other intangible assets	1,487,624.07	2,506,473.68
Intangible assets total	2,760,061.05	4,465,542.49
Tangible assets		
Machinery and equipment	161,711.29	215,615.29
Tangible assets total	161,711.29	215,615.29
Investments		
Holdings in group undertakings	27,500.00	27,500.00
Other shares and similar rights of ownership	0.00	62,605.40
Investments total	27,500.00	90,105.40
NON-CURRENT ASSETS TOTAL	2,949,272.34	4,771,263.18

EUR	Dec 31, 2020	Dec 31, 2019
CURRENT ASSETS		
Long-term debtors		
Loan receivables	321,729.05	23,129.94
Other debtors	395,200.00	395,200.00
Prepayments and accrued income	343,199.00	692,479.29
Deferred tax assets	2,849,791.40	2,849,791.40
Long-term debtors total	3,909,919.45	3,960,600.63
Short-term debtors		
Trade debtors	1,508,045.72	2,891,896.72
Loan receivables	0.00	1,640.07
Other debtors	128,540.36	156,863.78
Prepayments and accrued income	2,281,295.68	2,194,745.21
Short-term debtors total	3,917,881.76	5,245,145.78
Cash in hand and at banks	4,311,872.52	7,667,289.60
CURRENT ASSETS TOTAL	12,139,673.73	16,873,036.01
ASSETS TOTAL	15,088,946.07	21,644,299.19

PARENT COMPANY BALANCE SHEET

EUR	Dec 31, 2020	Dec 31, 2019
EQUITY AND LIABILITIES		
EQUITY		
Share capital	80,000.00	80,000.00
Other reserves		
Invested unrestricted equity reserve	61,428,663.05	61,409,603.21
Other reserves total	61,428,663.05	61,409,603.21
Retained earnings (loss)	-47,572,952.98	-38,115,671.21
Profit (loss) for the financial year	-6,355,896.19	-9,457,281.77
EQUITY TOTAL	7,579,813.88	13,916,650.23
LIABILITIES		
Non-current liabilities		
Loans from credit institutions	553,250.00	553,250.00
Non-current liabilities total	553,250.00	553,250.00
Current liabilities		
Loans from credit institutions	109,750.00	176,750.00
Advances received	1,193,688.55	954,614.01
Trade creditors	2,034,806.85	3,672,513.85
Amounts owed to group undertakings	18,939.61	25,746.89
Other creditors	224,004.56	144,265.66
Accruals and deferred income	3,374,692.62	2,200,508.55
Current liabilities total	6,955,882.19	7,174,398.96
LIABILITIES TOTAL	7,509,132.19	7,727,648.96
EQUITY AND LIABILITIES TOTAL	15,088,946.07	21,644,299.19

PARENT COMPANY CASH FLOW STATEMENT

EUR	Jan-Dec 2020	Jan-Dec 2019
Cash flow from operating activities		
Profit (loss) before appropriations and taxes	-6,355,896.19	-9,328,567.89
Adjustments:		
Depreciation according to plan	2,166,850.44	2,842,256.20
Impairment in non-current assets	62,605.40	0.00
Unrealised foreign exchange gains and losses	293,544.65	-71,456.54
Other non-cash items	-95,297.85	-326,273.22
Financial income and expenses	62,806.82	96,885.41
Cash flow before working capital changes	-3,865,386.73	-6,787,156.04
Working capital changes:		
Increase/decrease in trade and other short-term interest free receivables (-)/(+)	1,310,083.81	189,783.07
Increase/decrease in short-term interest-free liabilities (+)/(-)	-302,606.50	-300,817.15
Working capital changes total	1,007,477.31	-111,034.08
Liiketoiminnan rahavirta ennen rahoituseriä ja veroja	-2,857,909.42	-6,898,190.12
Paid interest and other financial expenses relating to operating activities	-72,814.62	-97,349.59
Interest received relating to operating activities	252.98	386.79
Income taxes paid	0.00	-125,927.45

EUR	Jan-Dec 2020	Jan-Dec 2019
Cash flow from operating activities (A)	-2,930,471.06	-7,121,080.37
Cash flow from investments		
Purchase of tangible and intangible items	0.00	-335,775.77
Cash flow from investments (B)	0.00	-335,775.77
Cash flow from financing activities		
Proceeds from issuance of equity	11,242.93	8,072,418.29
Repayment of short-term borrowings	-67,000.00	-45,000.00
Paid interest expenses and other financial expenses ¹	-50,662.50	-297,472.22
Cash flows from financing activities (C)	-106,419.57	7,729,946.07
Effect of exchange rate differences on cash and cash equivalents	-318,526.45	88,059.93
Change in cash and cash equivalents	-3,355,417.08	361,149.86
Cash and cash equivalents at beginning of period	7,667,289.60	7,306,139.74
Cash and cash equivalents at end of period	4,311,872.52	7,667,289.60

1.) 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 two categories:
1. Games, in which services, virtual currencies and products are sold (IAP)
 2. Advertising 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 recognised when the advertisement has been shown.

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.

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	Jan-Dec 2020	Jan-Dec 2019
Revenue		
By category of activity		
Games	27,181,654.80	34,701,207.95
By geographical markets		
North America	13,223,828.43	16,656,579.82
EU	7,977,348.78	9,716,338.23
Finland	173,052.27	347,012.08
Other	5,807,425.32	7,981,277.83
Other operating income		
Grants received	673,099.32	0.00
Gain from disposals, other intangible and tangible assets	3,066.93	9,112.00
Other	24,110.07	2,054.08
Total	700,276.32	11,166.08

EUR	Jan-Dec 2020	Jan-Dec 2019
Other operating expenses		
Marketing expenses	137,418.20	235,166.36
Outsourced development and testing services	753,544.62	868,996.03
IT software and hardware expenses	1,720,990.81	2,206,232.54
Legal and consulting expenses	786,497.90	789,829.44
Travel expenses	25,756.23	200,984.45
Office space expenses	1,647,104.85	1,582,285.68
Other expenses	812,189.42	728,487.86
Total	5,883,502.03	6,611,982.36
Auditor's fees		
Audit of financial statements	87,991.71	80,361.00
Engagements referred to in the Auditing Act, 1.1,2 §	1,905.00	4,625.00
Tax consulting	7,691.00	0.00
Other fees	7,062.50	31,251.50
Total	104,650.21	116,237.50

Auditor's fees 2020 include fees paid to the predecessor audit firm (PricewaterhouseCoopers Oy) and to the current audit firm (Deloitte Oy). Deloitte Oy was appointed as the company's auditor in the AGM on May 27, 2020.

NOTES TO THE PERSONNEL AND MEMBERS OF THE BOARD OF DIRECTORS

EUR	Jan-Dec 2020	Jan-Dec 2019
Average headcount during the financial year	109	106
Wages, salaries and other remuneration of directors and management (cash based)		
CEO	202,170.32	236,430.97
Members of the Board of Directors	144,000.00	176,500.00
		Option rights
EUR		Dec 31, 2020
Management options		
Petri Niemi, Chairman of the Board		1,400
Xenophon Lategan, Member of the Board		31,500
Teemu Huuhtanen, CEO		193,344
Saara Bergström, Management member		180,726
Annina Salvén, Management member		171,084
Kalle Hiitola, Management member		1,400
Ioannis Alexopoulos, Management member		36,495
Joonas Laakso, Management member		22,293
Matias Ärje, Management member		24,999
Total		663,241

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

NOTES TO THE BALANCE SHEET ASSETS

EUR	Dec 31, 2020	Dec 31, 2019
Specification of the assets in the balance sheet		
Intangible rights		
Acquisition cost at Jan 1	3,657,107.26	3,340,748.59
Additions	407,465.00	316,358.67
Acquisition cost at Dec 31	4,064,572.26	3,657,107.26
Accumulated depreciation and impairment at Jan 1	1,698,038.45	600,789.53
Depreciation for the financial year	1,094,096.83	1,097,248.92
Accumulated depreciation and impairment at Dec 31	2,792,135.28	1,698,038.45
Carrying amount at Dec 31	1,272,436.98	1,959,068.81

NOTES TO THE BALANCE SHEET ASSETS

EUR	Dec 31, 2020	Dec 31, 2019
Other intangible assets		
Acquisition cost at Jan 1	7,275,052.78	6,907,500.96
Additions	0.00	367,551.82
Acquisition cost at Dec 31	7,275,052.78	7,275,052.78
Accumulated depreciation and impairment at Jan 1	4,768,579.10	3,095,443.54
Depreciation for the financial year	1,018,849.61	1,673,135.56
Accumulated depreciation and impairment at Dec 31	5,787,428.71	4,768,579.10
Carrying amount at Dec 31	1,487,624.07	2,506,473.68

Acquisition cost for capitalized IPO costs have been 2,705,209.25 euros from which a depreciation of 150,292.41 euros (2019: 901,736.40 euros) have been recognized during the financial year 2020.

EUR	Dec 31, 2020	Dec 31, 2019
Machinery and equipment		
Acquisition cost at Jan 1	579,787.35	579,787.35
Acquisition cost at Dec 31	579,787.35	579,787.35
Accumulated depreciation and impairment at Jan 1	364,172.06	292,300.34
Depreciation for the financial year	53,904.00	71,871.72
Accumulated depreciation and impairment at Dec 31	418,076.06	364,172.06
Carrying amount at Dec 31	161,711.29	215,615.29
Holdings in group undertakings		
Acquisition cost at Jan 1	27,500.00	27,500.00
Acquisition cost at Dec 31	27,500.00	27,500.00
Accumulated impairment Jan 1	0.00	0.00
Accumulated impairment Dec 31	0.00	0.00
Carrying amount at Dec 31	27,500.00	27,500.00

EUR	Dec 31, 2020	Dec 31, 2019
Other shares and similar rights of ownership		
Acquisition cost at Jan 1	1,073,968.91	1,073,968.91
Acquisition cost at Dec 31	1,073,968.91	1,073,968.91
Accumulated impairment Jan 1	1,011,363.51	1,011,363.51
Impairment	62,605.40	0.00
Accumulated impairment Dec 31	1,073,968.91	1,011,363.51
Carrying amount at Dec 31	0.00	62,605.40

Armada Interactive Oy has filed a bankruptcy as of September 22, 2020. Company has recognized an impairment for its shareholding in Armada Interactive Oy.

OWNERSHIP IN OTHER COMPANIES

	Dec 31, 2020
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 September 22, 2020)	11.79% ownership
Associate company has been consolidated in to the parent company's consolidated financial statements. Next Games corporation had a significant influence on the associate company's operational and financial decision making.	

EUR	Dec 31, 2020	Dec 31, 2019
Prepayments and accrued income		
Long-term		
Prepayments	340,924.00	692,475.00
Other	2,275.00	4.29
Short-term		
Grant receivables	256,704.32	0.00
Prepayments and marketing expense accruals	1,697,380.56	1,669,522.01
Accrued cost of sales	326,977.80	482,482.20
Other	233.00	42,741.00
Total	2,624,494.68	2,887,224.50

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 prudent assessment that the company is able to utilize the tax benefit generated by the tax losses. Tax losses expire during 2023–2030.

NOTES TO BALANCE SHEET EQUITY AND LIABILITIES

EUR	Dec 31, 2020	Dec 31, 2019
Equity		
Share capital Jan 1	80,000.00	80,000.00
Share capital Dec 31	80,000.00	80,000.00
Total restricted equity Dec 31	80,000.00	80,000.00
Invested unrestricted equity Jan 1	61,409,603.21	53,335,359.79
Share issue	0.00	7,996,649.80
Excercise of options	19,059.84	77,593.62
Invested unrestricted equity Dec 31	61,428,663.05	61,409,603.21
Retained earnings Jan 1	-47,572,952.98	-38,115,671.21
Retained earnings Dec 31	-47,572,952.98	-38,115,671.21
Loss for the year	-6,355,896.19	-9,457,281.77
Total unrestricted equity Dec 31	7,499,813.88	13,836,650.23
Total equity Dec 31	7,579,813.88	13,916,650.23
Group liabilities		
Other liabilities	18,939.61	25,746.89
Accruals and deferred income		
Accrual for other direct cost of sales	988,201.00	514,297.00
Staff expenses	1,632,431.62	962,264.59
Other	754,060.00	723,946.96
Total	3,374,692.62	2,200,508.55

COMMITMENTS AND CONTINGENT LIABILITIES

EUR	Dec 31, 2020	Dec 31, 2019
Lease agreement liabilities		
During next financial year	347,114.12	398,491.39
Later	353,951.77	532,726.62
Total	701,065.88	931,218.01

Deposits and commitments from office spaces

Rental deposits from office spaces: 395,200 euros (other long-term receivables).

EUR	2020	2019
Rent commitments (excluding 24% VAT)		
During next financial year	1,390,471.56	1,388,700.12
Later	2,549,197.86	3,934,650.34
Total	3,939,669.42	5,323,350.46

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 278,418.19 euros and the final remeasurement year is 2027.

Overdraft contracts

The company had a Danske Bank overdraft limit of 3,000,000.00 euros valid until June 2020, to which there was a business mortgage of 1,000,000.00 euros

used as collateral. The limit was not in use at the end of the previous reporting period at December 31, 2019.

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.

CALCULATION OF DISTRIBUTABLE FUNDS

EUR	Dec 31, 2020	Dec 31, 2019
Distributable unrestricted equity	7,499,813.88	13,836,650.23
Invested unrestricted equity	61,428,663.05	61,409,603.21
Retained earnings (loss)	-47,572,952.98	-38,115,671.21
Profit (loss) for the financial year	-6,355,896.19	-9,457,281.77

RELATED PARTY DISCLOSURES

Company have had transactions with the related parties during the financial year: 2,356,930.24 euros (2019: 1,991,161.10 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 321,729.05 euros (as of December 31, 2020) from the company CEO. Loan receivable has been repaid 88,069.90 euros in January 2021. Contractual annual loan repayments begin at December 1, 2024. Loan's annual interest is 12-month Euribor added with 1.6%. Securing collateral has been received 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, 11th March, 2021

Teemu Huuhtanen
CEO

Nicholas Seibert
Board member

Jari Ovaskainen
Board member

Xenophon Lategan
Board member

Petri Niemi
Chairman of the Board

Peter Levin
Board member

Elina Anckar
Board member



Auditor's Note

Our auditor's report has been issued today

Helsinki, 11th March, 2021

Deloitte Oy
Audit Firm

Mikko Lahtinen
Authorized Public Accountant (KHT)

Auditor's Report

(Translation of the Finnish Original)

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 31 December 2020. 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 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, 11 March 2021

Deloitte Oy
Audit Firm

Mikko Lahtinen
Authorized Public Accountant (KHT)

NEXT GAMES / ANNUAL REPORT 2020



NEXT GAMES

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