

Next Games Corp.:
Financial Statements Bulletin
January–December

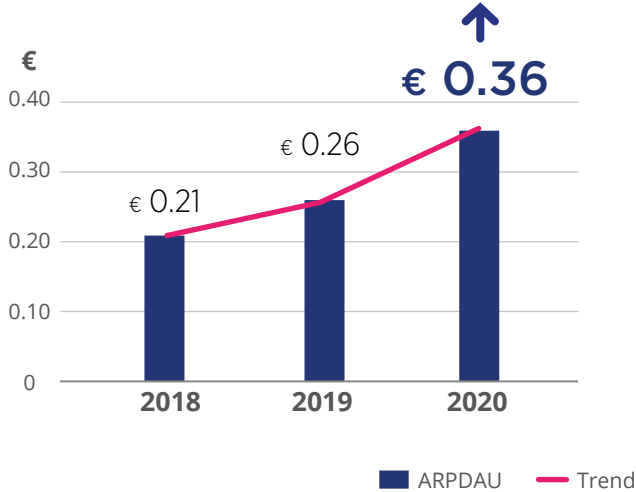
2020



NEXT GAMES.

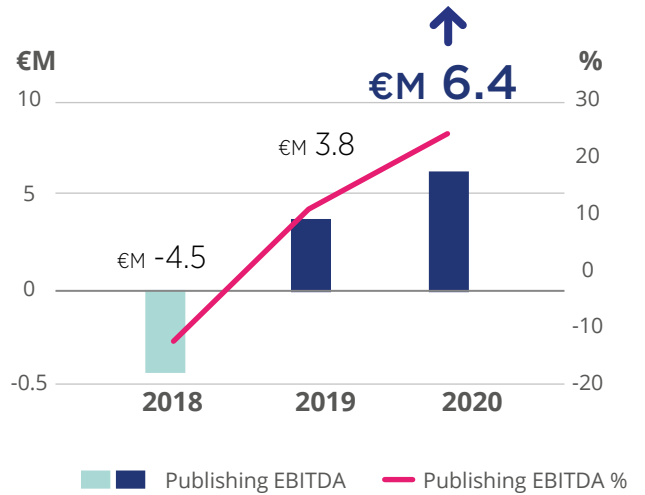
2020 Highlights

ARPDAAU



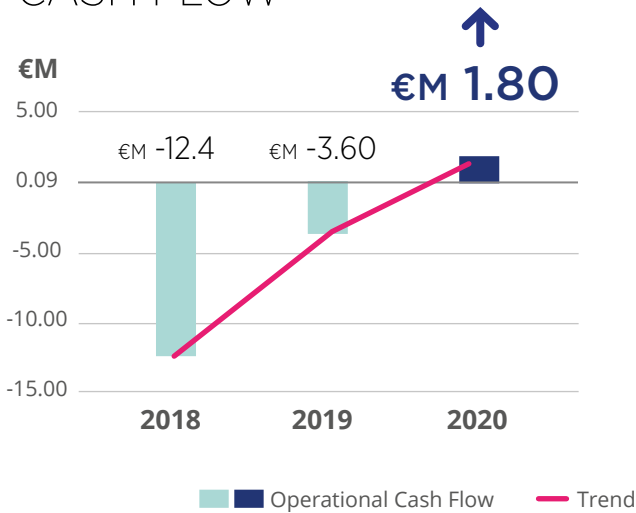
PUBLISHING OPERATIONS

EBITDA



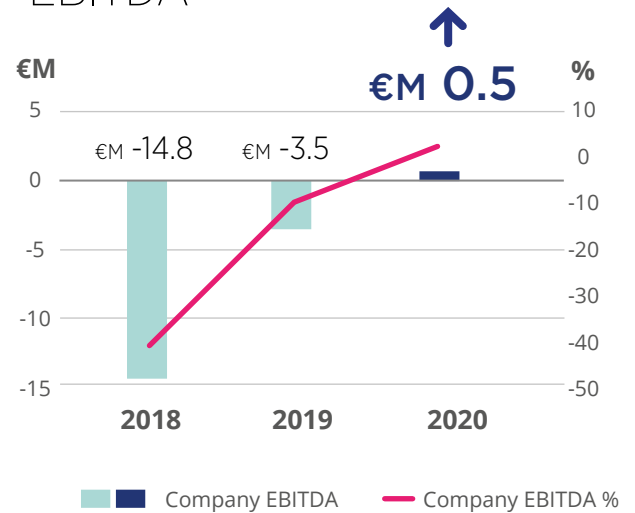
OPERATIONAL

CASH FLOW



COMPANY

EBITDA



Lifetime Revenue

THE WALKING DEAD Games

€165
Million



Live in First Markets

STRANGER THINGS

Stranger Things (TM)/(C)
Netflix Inc. 2020 Used with
permission



NEXT GAMES CORP.: FINANCIAL STATEMENTS BULLETIN JANUARY-DECEMBER 2020

Company EBITDA positive as a result of record Publishing Profitability.

JANUARY-DECEMBER IN SHORT

- » Revenue was EUR 27.2 (34.7) million
- » Gross Profit was EUR 14.3 (19.7) million, 52% (57%) of revenue
- » Operating Result (EBIT) improved EUR 4 million and was EUR -3.4 (-7.4) million
- » Adjusted Operating Result improved EUR 3.9 million and was EUR -0.1 (-4.0) million
- » EBITDA turned positive and was (EUR) 0.5 (-3.5) million
- » Publishing profitability doubled in proportion to revenue with EBITDA at EUR 6.4 (3.8) million, 24% (11%) of revenue
- » Research and Development expenses were EUR -5.6 (-6.6) million, 21% (19%) of revenue
- » The company had 104 (107) employees at the end of 2020

JULY-DECEMBER IN SHORT

- » Revenue was EUR 12.8 (15.5) million
- » Gross profit was EUR 6.7 (8.4) million, 52% (54%) of revenue
- » Operating Result (EBIT) was EUR -1.7 (-3.9) million
- » Adjusted Operating Result was EUR -0.2 (-2.2) million
- » EBITDA was EUR 0.2 (-2.0) million
- » Publishing profitability measured by EBITDA doubled to EUR 3.0 (1.5) million, 24% (10%) of revenue
- » Research and Development expenses EUR -2.9 (-3.3) million, 23% (21%) of revenue

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

KEY FIGURES

EUR million	Jul-Dec 2020	Jul-Dec 2019	Change	2020	2019	Change
Company						
Revenue	12.8	15.5	-17%	27.2	34.7	-22%
Gross Profit	6.7	8.4	-20%	14.3	19.7	-28%
EBITDA	0.2	-2.0	111%	0.5	-3.5	116%
Operating Result (EBIT)	-1.7	-3.9	56%	-3.4	-7.4	54%
Adjusted Operating Result	-0.2	-2.2	91%	-0.1	-4.0	97%
Profitability						
Gross profit %	52%	54%	2ppt	52%	57%	5ppt
EBITDA %	2%	-13%	15ppt	2%	-10%	12ppt
Operating Result (EBIT) %	-14%	-25%	11ppt	-12%	-21%	9ppt
Adjusted Operating Result %	-1%	-14%	13ppt	0%	-11%	11ppt
Publishing Operations' Profitability						
EBITDA	3.0	1.5	100%	6.4	3.8	70%
EBITDA %	24%	10%	14ppt	24%	11%	13ppt
Research and Development Key Figures						
Investments	1.9	1.0	85%	3.5	2.4	48%
Expenditure	3.7	3.6	4%	7.0	7.6	-7%

KEY FIGURES PER QUARTER

EUR million	Jul-Sept 2020	Jul-Sept 2020	Change	Oct-Dec 2020	Oct-Dec 2020	Change
Revenue	6.1	7.8	-22%	6.7	7.7	-12%
Gross Profit	3.2	4.3	-27%	3.5	4.1	-14%
EBITDA	0.2	-1.1	118%	0.0	-0.8	100%
Operating Result (EBIT)	-0.8	-2.1	63%	-1.0	-1.8	47%
Adjusted Operating Result	0.0	-1.2	104%	-0.2	-1.0	76%
Profitability						
Gross profit %	52%	56%	4ppt	52%	53%	1ppt
EBITDA %	3%	-14%	17ppt	0%	-11%	11ppt
Operating Result (EBIT) %	-13%	-27%	14ppt	-14%	-24%	10ppt
Adjusted Operating Result %	1%	-15%	16ppt	-3%	-13%	10ppt

CHIEF EXECUTIVE OFFICER TEEMU HUUHTANEN

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.


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.



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



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.

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

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.

AUDIOCAST AND PHONE CONFERENCE

We will hold an audiocast and a phone conference in English. Next Games' 2020 review will be presented by CEO Teemu Huuhtanen and CFO Annina Salvén.

English audiocast starts on 19, February, 2021 at 10.00 EET. You can join by using the following link: <https://nextgames.videosync.fi/2020-q4-results> or by phone.

PHONE CONFERENCE DETAILS:

Dial in by calling your location's phone number a couple of minutes before the start. Confirmation code: **69230062#**

Finland: +358 981 710 310

Sweden: +46 856 642 651

United Kingdom: +44 333 300 0804

United States: +1 631 913 1422

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ABOUT NEXT GAMES

Next Games (Helsinki Nasdaq First North Growth Market: NXTGMS) is the first publicly listed mobile game developer and publisher in Finland, specializing in games based on entertainment franchises, such as movies, TV series or books. Our critically acclaimed The Walking Dead games redefines the way franchise entertainment transforms into highly engaging service-based mobile games. For more information head to www.nextgames.com

Next Games Corporation Financial Review January-December 2020

MARKET REVIEW

The mobile games market is undergoing a transformation, the market is maturing and the amount of new games published is decreasing. In 2016, the amount of new games published on Apple's and Google's stores was 280,000, however in 2020 only 43,000 new games were published, soon equivalent to the level in 2011.¹

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; 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. In all gaming segments engagement and revenues increased as a result of the pandemic, with mobile games as the largest growth driver.

The amount of mobile player numbers increased by nearly 28% in the U.S. in 2020. Players who started playing during a pandemic spend both more money and time on games than those who played already before the pandemic began. Gaming has proven to be recession proof and is now larger than movies and music combined.

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. 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.²

As the pandemic began, there was discussion of lower costs of acquisition in the market. However, if discounts occurred they did not prevail, and during 2020 Facebook's advertising prices rose yet another 15% as compared to 2019.

According to research, only 23% of Americans are willing to download a game they have never heard of before. Brand awareness for the publisher or brand itself increases the probability of downloading a game, and these reasons are at the top of why gamers download and spend money in games.

Apple plans to restrict the sharing of IDFA in conjunction with its iOS 14 update early 2021. 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. There will be increased importance on mobile games companies analytics capabilities, as iOS 14's new advertising framework (SKAdNetwork) contains complex mechanisms that will drive developers to maximize on early signals within the first few game sessions. Any restrictions on advertising also reinforce the importance of the existing gaming community and fan community.

¹) Liftoff's 2019 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

²) NEWZOO.COM/GLOBAL-GAMES-MARKET-REPORT

REVENUE AND EARNINGS DEVELOPMENT

In 2020, Next Games' revenue was EUR 27.2 (34.7) million, a decline of 22% compared to the previous year. In the second half of 2020, revenues amounted to EUR 12.8 (15.5) million. 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.

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).

CASH FLOW, FINANCING AND BALANCE SHEET

The balance sheet total in 2020 was EUR 30.1 (34.6) million. Equity ratio 67% (65%). 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. In the second half of 2020 net cash flow from operating activities was EUR 0.5 (-2.9). 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 the second half of 2020, cash flow from financing activities was EUR -0.6 (7.1) million. For the full year 2020, the cash flow from financing activities was EUR -1.3 (6.6) million. 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. In the second half of 2020, the cash flow from investing activities was around half, so EUR -1.8 (-1.4) million.

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.

Publishing Operations

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.

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.

PUBLISHING OPERATIONS' PROFITABILITY

EUR million	Jul-Dec 2020	Jul-Dec 2019	Change	2020	2019	Change
Revenue	12.8	15.5	-18%	27.2	34.7	-22%
Gross Profit	6.7	8.4	-20%	14.3	19.7	-28%
Other Operating Income	-	-	0%	0.1	-	100%
Sales and Marketing costs	-4.5	-7.8	-42%	-9.5	-17.6	-46%
Publishing Operations EBIT	2.2	0.7	215%	4.8	2.1	129%
Publishing Operations Depreciations	0.8	0.8	1%	1.6	1.6	3%
Publishing Operations EBITDA	3.0	1.5	101%	6.4	3.8	70%
EBITDA %	24%	10%	14ppt	24%	11%	13ppt

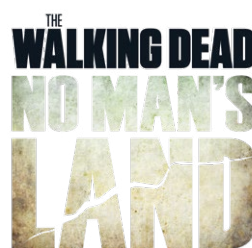
Definition and calculations of Publishing Operations profitability can be found in section "Definitions and Calculations of Alternative Performance Measurements and Key Financial Figures"

COMBINED KEY OPERATIONAL METRICS OF PUBLISHED GAMES

	Oct-Dec 2020	Jul-Sept 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
ARPPDAU (USD)	0.49	0.45	0.37	0.36	0.33
ARPPDAU (EUR)	0.41	0.38	0.33	0.32	0.29

The Walking Dead: No Man's Land

During 2020, The Walking Dead: No Man's Land continued its strong performance. Continuous ARPDAU improvements throughout the year resulted in a stable revenue stream and strong profitability. The team continued releasing relevant TV-show related content, while adding more features and deepening the gameplay. The game's average revenue per daily user (ARPDAU) was record breaking in the second half of the year.



TWD: NO MAN'S LAND	Oct-Dec 2020	Jul-Sept 2020	Apr-Jun 2020	Jan-Mar 2020	Oct-Dec 2019
Gross Bookings (MEUR)	4.1	3.4	4.0	3.9	4.2
DAU	142,168	146,085	157,645	162,145	183,087
MAU	428,789	455,736	463,028	482,730	651,104
ARPDAU (USD)	0.37	0.39	0.31	0.30	0.27
ARPDAU (EUR)	0.31	0.34	0.28	0.27	0.25

The Walking Dead: Our World

The Walking Dead: Our World reached a new, permanent and improved ARPDAU level in 2020. During the year the team focused on retention improvements, as well as implementing a longer-term strategy to stabilize revenue, improve profitability and ultimately reduce team size to the level of Man's Land during 2021. As a result of the COVID-19 pandemic new 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. The pandemic contributed significantly to the decline in the number of players in the early spring, but with the new functionalities introduced to the game took a turn in June-July, and the decline in the number of players slowed down.



TWD: OUR WORLD	Oct-Dec 2020	Jul-Sept 2020	Apr-Jun 2020	Jan-Mar 2020	Oct-Dec 2019
Gross Bookings (MEUR)	2.5	2.7	2.9	3.4	3.9
DAU	61,949	65,703	70,093	83,362	114,367
MAU	231,433	245,716	246,170	309,333	591,469
ARPDAU (USD)	0.51	0.50	0.51	0.50	0.40
ARPDAU (EUR)	0.43	0.43	0.46	0.45	0.38

Product Development

Next Games Research and Development activities consist of salaries as well as outsourced services. 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.

RESEARCH AND DEVELOPMENT

EUR million	Jul-Dec 2020	Jul-Dec 2019	Change	2020	2019	Change
Personnel expenses	-2.5	-2.0	29%	-4.5	-4.3	5%
Outsourcing	-0.4	-0.2	78%	-0.8	-0.5	51%
Share-based payments	-0.1	-0.2	-56%	-0.2	-0.3	-30%
General cost allocation	-0.8	-1.3	-38%	-1.6	-2.5	-37%
Total costs	-3.7	-3.6	4%	-7.0	-7.6	-7%
Depreciations	-1.0	-0.7	56%	-2.1	-1.3	60%
Capitalization	1.9	1.0	85%	3.5	2.4	48%
Total	-2.9	-3.3	-11%	-5.6	-6.6	-15%
Percentage of revenue	-23%	-21%	2ppt	-21%	-19%	2ppt



Blade Runner Rogue

Blade Runner Rogue (previously Blade Runner Nexus) was moved back to production late 2019, and the game has actively been developed during 2020. The game has been actively tested and updated during the reporting period in several different markets, including Canada. The game is slated for release to its major market, the United States, in the beginning of 2021. 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".

Stranger Things: Puzzle Tales

The development of the Stranger Things mobile game proceeded as planned throughout 2020. The game was in production for most of 2020 and it was tested extensively all year. The game was released to its first selected markets in December 2020. Stranger Things Puzzle Tales is a genre defining, easy to approach, story driven puzzle RPG that reimagines Netflix's Stranger Things universe in the style of an 80's Saturday morning cartoon.

STRANGER THINGS



New Games

During the last quarter of the year 2020 Next Games organized all the new game project initiatives under one unified umbrella unit called New Games. The goal of the newly formed New Games unit is to work as an internal incubator and accelerator for Next Games' new game initiatives. The goal of the new games unit is consolidating efforts of creativity for prototyping and concepting. The New Games unit has already been engaged with four different game initiatives and multiple other opportunities.

Personnel and Management

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).

SALARIES AND WAGES

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



COMPOSITION OF THE BOARD AND ITS COMMITTEES

The Annual General Meeting 27th of May 2020 appointed the members of the Board of Directors.

Members of the Board of Directors:

- » Petri Niemi, Chairman of the Board
- » Jari Ovaskainen, Member of the Board
- » Peter Levin, Member of the Board
- » 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.

CEO AND GROUP EXECUTIVE MANAGEMENT

The Group's executive management consisted of the following members at then end of 2020:

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

Chief Operating Officer and member of executive management Joonas Viitala, moved on to other duties outside the company in December 2020.

Share and Shareholders

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.

During 2020 a total number of 69,764 new shares subscribed for with stock options were registered, of which 7,240 were registered during the second half of the year. 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.

The weighted average share amount in 2020 was 27,944,968 (20,346,171 in 2019). In the second half of 2020, the weighted average of shares was 27,968,180 (22,151,967 in 2019). During 2020, the company did not redeem any treasury shares and held as many treasury shares as in the comparison period: 13,410 (0.05%) of its own shares.

As at December 2020, the company had 7,005 registered shareholders. 23.2% (27.06%) 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.

NEXT GAMES OYJ TOP 20 MAJOR SHAREHOLDERS, 31 DECEMBER 2020

Shareholders		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	Varma Mutual Pension Insurance Company	570,000	2.04
9	Ilmarinen Mutual Pension Insurance Company	489,066	1.75
10	Danske Invest Finnish Equity Fund	306,465	1.10
11	Vilpo Oy	286,056	1.02
12	Säästöpankki Small Cap Mutual Fund	274,438	0.98
13	Vaah Holdings Oy	266,720	0.95
14	OP-Finland Micro Cap	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
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

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

Share-based Incentive Plans

During 2020 the company had five (5) share-based incentive plans: Equity plan 2015, Equity plan 2017, Equity plan 2018, Equity plan 2019 and Equity plan 2020. The equity plans have a vesting period of minimum of 12 months and maximum of 48 months. The 2014 and 2015 equity plans entitle the holder to subscribe for four (4) shares against each stock option. Other plans entitle the holder to subscribe for one (1) share against each stock option.

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

CHANGES DURING THE REPORTING PERIOD

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

The 2014 and 2015 equity plans entitle the holder to subscribe for four (4) shares against each stock option. Other plans entitle the holder to subscribe for one (1) share against each stock option. The 2014 equity plan ended in 2019.

SUBSCRIPTION PRICES

Equity plans	Issued price per option	2020 Weighted average share price	2019 Weighted average share 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 €

Risks and Uncertainties

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

RISKS RELATED TO BUSINESS OPERATIONS OR THE INDUSTRY

Next Games is dependent on the sales generated by two live games, which generated approximately 100 percent of the revenue for the company in 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.

Decisions of The Annual General Meeting

The annual general meeting of Next Games Corporation was held in Helsinki on 27 May 2020. The meeting approved the financial statements for the financial period ended 31 December 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 31 December 2019.

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.

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' pre-emptive rights (directed issue). The board of directors may decide to issue either new shares or treasury shares. The authorisation is valid until 30 April 2025.

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 30 November 2021.

At its constitutional meeting held after the general meeting, the board of directors appointed Petri Niemi as the chairman from among its members. Elina Anckar was elected as chairman and Petri Niemi as member of the audit committee. Both are independent of both the company and its significant shareholders. Petri Niemi was elected as chairman and Jari Ovaskainen as member of the remuneration committee. Petri Niemi is independent of both the company and its significant shareholders. Jari Ovaskainen is independent of the company.

Dividend Proposal

On December 31, 2019, distributable funds totaled EUR 7.5 million, 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, 2019 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.

Increased Management Judgement

The preparation of financial statements requires management to make decisions, estimates and assumptions that affect the application of accounting policies and the recognized amounts of assets, liabilities, income and expenses. Uncertainty about future developments has increased as a result of the COVID-19 pandemic, and areas of significant discretionary assessments include:

- » Timing of revenue recognition
- » Deferred tax assets
- » Measurement of intangible assets identified and recognized in business combinations
- » Impairment testing of goodwill
- » Capitalization of development costs
- » Share-based payment arrangements
- » Extension and termination options of lease agreements

Items requiring consideration are assessed on an ongoing basis. Estimates are based on a number of factors, including expected future events that may have a significant business impact on the Company. These include, for example, changing player acquisition prices in the market, money and time players spend in our games, the ability to move outdoors, and many other factors such as the company's ability to complete game projects and publish them during a pandemic. The effects of the COVID-19 pandemic have been minor in the company's gaming business, as a result of which there have been no changes in the timing of revenue recognition, goodwill, capitalization of the development costs or impairments. Recognition of revenue has been impacted by seasonal player behavior which is typical during the reporting period.

The 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 company has estimated that a possible second wave of the pandemic will not have a significant impact on business.

As a result of management's assessment, the COVID-19 pandemic has not resulted in revaluations to the company's income statement or balance sheet figures.

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 will issue a separate notice of the Annual General Meeting later.

Financial Calendar 2021

The financial statements and the report of the Board of Directors for the financial year 2020 will be published in week 10/2021.

Next Games' Half-year review for January-June 2019 will be released on Friday, August 13, 2020

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

Helsinki 19.2.2021

Board of Directors

Next Games Oyj

This review presents statements that describe, among other things, the current views and expectations of Next Games management regarding plans and goals for the future operations of Next Games. All such statements involve risks and uncertainties that could cause Next Games' performance to differ materially from that set forth in the statements.

Tables

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR million	Jul-Dec 2020	Jul-Dec 2019	2020	2019
Revenue	12.8	15.5	27.2	34.7
Cost of revenue	-6.1	-7.1	-12.9	-15.0
Gross Profit	6.7	8.4	14.3	19.7
Other Operating income	0.3	0.0	0.7	0.0
Research and Development	-2.9	-3.3	-5.6	-6.6
Sales and Marketing	-4.5	-7.8	-9.5	-17.6
Administrative	-1.3	-1.3	-3.2	-3.0
Operating Result (EBIT)	-1.7	-3.9	-3.4	-7.4
Finance income	0.0	0.1	0.0	0.1
Finance costs	-0.4	-0.1	-0.5	-0.3
Finance cost, net	-0.4	0.0	-0.5	-0.2
Share of associates' result	-0.1	-0.1	-0.2	-0.2
Profit before taxes	-2.2	-4.0	-4.1	-7.8
Current income taxes	-	-0.1	-	-0.1
Change in deferred tax	0.1	-0.2	0.2	-0.4
Total income tax expenses	0.1	-0.2	0.2	-0.5
Result for the period	-2.1	-4.3	-3.9	-8.3
Total comprehensive result for the period	-2.1	-4.3	-3.9	-8.3
Result attributable to the owners of the parent	-2.1	-4.3	-3.9	-8.3
Result per share for profit attributable to the owners of the parent				
Non-Diluted earnings per share, EUR	-0.08	-0.19	-0.14	-0.41
Diluted earnings per share, EUR	-0.08	-0.19	-0.14	-0.41

CONSOLIDATE BALANCE SHEET

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

CONSOLIDATED STATEMENT OF CASH FLOWS

EUR million	Dec 31 2020	Dec 31 2019
Equity and liabilities		
Equity		
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		
Non-Current liabilities		
Loan from public administration	0.5	0.5
Lease liabilities	2.1	3.2
Total non-current liabilities	2.7	3.7
Current liabilities		
Governmental agency loan	0.1	0.2
Lease liabilities	1.1	1.0
Deferred income	1.2	1.0
Trade payables	2.0	3.7
Other liabilities	0.2	0.1
Accrued liabilities	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

CONSOLIDATED STATEMENT OF CASH FLOWS

EUR million	Jan-Dec 2020	Jan-Dec 2019
Net cash flows from operating activities	1.8	-3.6
Net cash flows from investing activities	-3.5	-2.7
Net cash used in financing activities	-1.3	6.6
Net decrease/increase in cash and cash equivalents	-3.4	0.4
Cash and cash equivalents as of January 1st	7.7	7.3
Translation differences	-0.3	0.1
Cash and cash equivalents as of Dec 31st	4.3	7.7

EUR million	Jan-Dec 2020	Jan-Dec 2019
Net cash flows from operating activities	0.5	-2.9
Net cash flows from investing activities	-1.8	-1.3
Net cash used in financing activities	-0.6	7.1
Net decrease/increase in cash and cash equivalents	-2.3	2.9
Cash and cash equivalents as of January 1st	6.5	4.7
Translation differences	-0.3	0.1
Cash and cash equivalents as of Dec 31st	4.3	7.7

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR million	Share capital	Reserve for invested unrestricted equity	Retained earnings	Total
Equity on Jan 1st, 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	-	0.1	-	0.1
Purchase of treasury shares	-	-	-	-
Share-based payments	-	-	0.5	0.5
Dividends	-	-	-	-
Rights Offering	-	8.0	-	8.0
Cost related to Rights Offering	-	-0.3	-	-0.3
Equity on Dec 31, 2019	0.1	61.7	-38.9	22.8
Equity on Jan 1st, 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	-	0.0	-	0.0
Purchase of treasury shares	-	-	-	-
Share-based payments	-	-	0.4	0.4
Equity on Dec 31, 2020	0.1	61.7	-42.4	19.4

EUR million	Share capital	Reserve for invested unrestricted equity	Retained earnings	Total
Equity on 1st of July, 2019	80.0	54.0	-35.0	-19.1
Result for the period	-	-	-4.3	-4.3
Total comprehensive result for the period	-	-	-4.3	-4.3
Transactions with owners:	-	-	-	-
Share issues based on stock options	-	0.0	-	0.0
Purchase of treasury shares	-	-	-	-
Share-based payments	-	-	0.3	0.3
Rights Offering	-	8.0	-	8.0
Cost related to Rights Offering	-	0.3	-	0.3
Equity on 31st of Dec, 2019	80.0	61.7	-38.9	22.9
Equity on 1st of July, 2020	0.1	61.7	-40.4	21.3
Result for the period	-	-	-2.1	-2.1
Total comprehensive result for the period	-	-	-2.1	-2.1
Total comprehensive result for the period	-	-	-	-
Share issues based on stock options	-	0.0	-	0.0
Purchase of treasury shares	-	-	-	-
Share-based payments	-	-	0.1	0.1
Equity on 31st of Dec, 2020	0.1	61.7	-42.4	19.4

Definitions and Reconciliation of Alternative Performance Measurements and Key Financial Figures

KEY OPERATIONAL METRICS DEFINED

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

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

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

RECONCILIATION OF ALTERNATIVE PERFORMANCE MEASUREMENTS

GROSS BOOKINGS

EUR million	2020	2019
Revenue	27.2	34.7
Changes in Deferred Revenue	-0.2	-0.5
Gross Bookings	27.0	34.2

EBITDA

EUR million	Jul-Dec 2020	Jul-Dec 2019	2020	2019
Operating Result (EBIT)	-1.7	-3.9	-3.4	-7.4
Depreciations	2.0	2.0	3.9	4.0
EBITDA	0.2	-2.0	0.5	-3.5

ADJUSTED OPERATING RESULT

EUR million	Jul-Dec 2020	Jul-Dec 2019	2020	2019
Operating Result (EBIT)	-1.7	-3.9	-3.4	-7.4
Other than IFRS 16 Depreciations	1.4	1.5	2.9	3.0
IFRS 2 cost recording	0.1	0.3	0.4	0.5
Adjusted Operating Result	-0.2	-2.2	-0.1	-4.0

PUBLISHING OPERATIONS' PROFITABILITY

EUR million	Jul-Dec 2020	Jul-Dec 2019	2020	2019
Revenue	12.8	15.5	27.2	34.7
Cost of Revenue	-6.1	-7.1	-12.9	-15.0
Gross Profit	6.7	8.4	14.3	19.7
Other Operating Income	-	-	0.1	-
Marketing & Sales	-4.5	-7.8	-9.5	-17.6
Publishing Operations EBIT	2.2	0.7	4.8	2.1
Depreciations, Publishing Operations	0.8	0.8	1.6	1.7
Publishing Operations EBITDA	3.0	1.5	6.4	3.8

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 EBITDA = Publishing Operations EBIT adjusted by depreciations.

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

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

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.

Related Party Transactions

Next Games' related parties include its subsidiaries, associate and 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.

Mergers and Acquisitions

There were no mergers or acquisitions during the reporting period



NEXT GAMES

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