

Next Games Corporation  
Half-Year Review January-June

**2021**



**NEXT GAMES**

# Highlights H1 2021

H1 2021

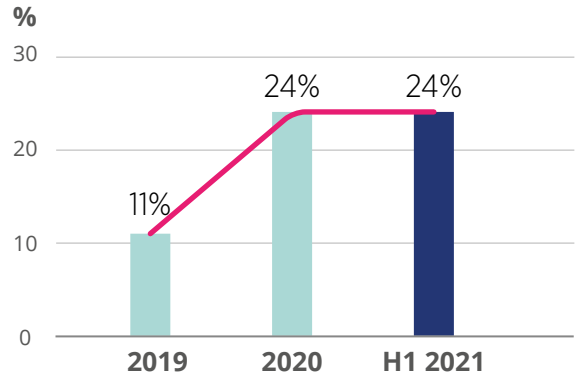
Game EBITDA %

32%  
NML

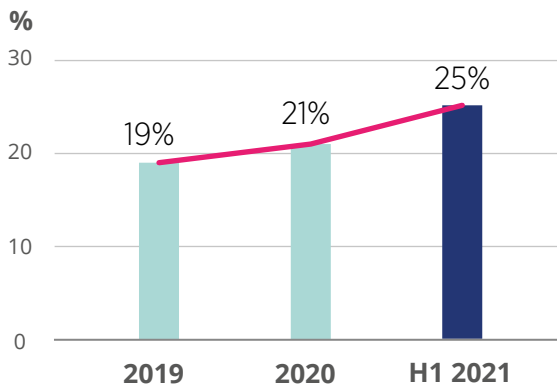
14%  
OW

PUBLISHING OPERATIONS

EBITDA

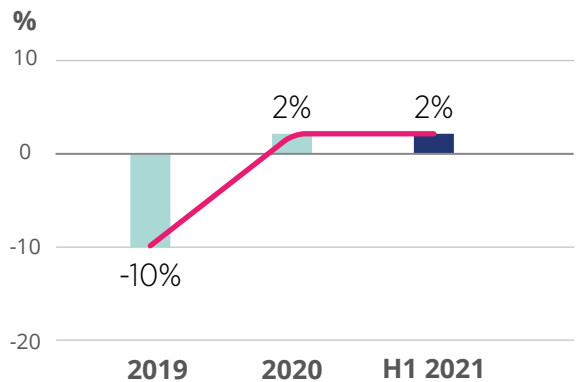


RESEARCH AND  
DEVELOPMENT OF REVENUE



COMPANY

EBITDA



Lifetime Revenue

THE  
**WALKING DEAD**

€177  
Million



Live in First Markets

**STRANGER  
THINGS**

Stranger Things  
global scale up  
second half of 2021



# Next Games Corporation

## Half-Year Review January-June 2021

### Publishing Operations' steady profitability maintains the Company's EBITDA positive

#### **JANUARY-JUNE 2021 IN SHORT**

- » Revenue was EUR 12.3 (14.4) million
- » Gross Profit was EUR 6.3 (7.5) million, 51% (52%) of revenue
- » EBITDA was EUR 0.2 (0.3) million
- » Operating Result (EBIT) was EUR -2.2 (-1.6) million
- » Adjusted Operating Result was EUR -0.3 (0.1) million
- » Publishing Operations' EBITDA was EUR 3.0 (3.4) million, 24% (24%) of revenue
- » Research & Development costs were EUR 3.1 (2.6) million, 25% (18%) of revenue
- » At the end of the reporting period, the Company had 112 (108) employees

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


CHIEF EXECUTIVE OFFICER TEEMU HUUHTANEN

## EBITDA positive, stable and predictable performance continues in the first half – it's now time for revenue growth

The first half of 2021 gives us an opportunity to showcase how our strategic focus areas and the operating initiatives we put in place, have improved our productivity as well as capabilities to scale our business and increase our revenue significantly. We remain confident in our outlook for the full year, reaching at least EUR 40 (27 in 2020) million in revenues and EBITDA positive with a global release of Stranger Things: Puzzle Tales and Blade Runner: Rogue starting in the third quarter of 2021.

Our performance continued both predictable and stable. We have remained EBITDA positive since the first quarter of 2020, while significantly increasing our investments in R&D. In March 2021, we took steps to support our future growth through a successful direct share issue to domestic and international institutional investors in order to enter into new partnerships, sign new intellectual property licenses, finance the development of new games and to support the implementation of the Company's existing strategy. During the first half we executed on that promise and doubled our investment to EUR 3.6 (1.7) million in R&D, while increasing our intangible assets by EUR 3.6 million. As of June 30, 2021 all intangible assets, including development expenses and license rights, related to The Walking Dead franchise have been fully amortized. Our current intangible asset value of EUR 14.6 (11.0) million is solely related to our technology, upcoming products and licenses related to them.

Our **efficiency with a unified infrastructure** is starting to show. We initiated streamlining of operations in 2019, with a commitment to improve profitability permanently and not exceed 117 employees. Two years later, in the first half of 2021 alone, we have tested more than 16 different game concepts, and by Q4 we will have three teams working under our New Games umbrella. We remain EBITDA profitable with now almost 60% of our staff working on upcoming games, while our headcount has merely increased from 108 to 112 (since H1 2019). We have delivered on our promise.



Our Strategic Partnerships and outstanding reputation in the licensed games field put us at the top of the list of potential partners.

With the gaming sector flourishing during COVID-19, many entertainment companies have become very eager to penetrate the games market and forge powerful collaborations to extract additional value from their IPs. Our **Strategic Partnerships** and outstanding reputation in the licensed games field put us at the top of the list of potential partners, allowing us to continue working with the most renowned licenses.

As expected, our Walking Dead franchise continues strong: six-year-old No Man's Land and three-year-old Our World are showing longevity and continued profitability. As a result of this, in January–June 2021 our revenue was EUR 12.3 (14.4) million. Our Publishing Operations' profitability, i.e. the profitability of published games, continued with a permanently improved EBITDA margin at 24% (24%), and was EUR 3.0 (3.4) million. Our achieved relative profitability is excellent to build on and we see it as solid proof that despite paid user acquisition being increasingly challenging, we find ourselves well-suited to succeed in the new reality owing to our licensed games strategy and **active brand portfolio management**.



We talk a lot about our continued commitment to invest in **players first** and that our games are a place where players are protected from toxic behaviors such as inappropriate language, bullying, or discrimination. This starts in the workplace, in the culture we are committed to building at Next Games, of applying zero tolerance to discrimination. In the midst of continued and multiple concerning revelations within the games industry on workplace discrimination, I am proud that we have deepened our focus on **Diversity, Inclusion and Belonging**. Our board, and management are diverse in respect of gender, ethnicity and background, and we have also made key hires that lead our DIB group efforts internally. We already have safeguards in place so employees can confidentially reach out for help both within and outside the Company, and we are introducing additional ones. Ultimately our strategy is dependent on intangible assets. Our people create what we bring to our players, and their well-being, freedom of expression as well as feeling of safety is our most valuable equity and also our main focus.

Next Games is committed to a 50:50 gender balance by 2030, and thus to working towards more women and non-binary into the industry. We believe this will in the long term fix the issues we're currently witnessing in the industry. We aim to inspire other companies to follow in our footsteps for a more inclusive and diverse game industry in Finland and globally. We especially encourage open dialogue and a commitment to improve. We need to build a better industry together.

I am extremely thankful to our players for their continued commitment, our team for their relentless focus on success, and our investors for their unwavering support.

We are all looking forward to the new, exciting games to come!

### Teemu Huuhtanen

Chief Executive Office

## KEY FIGURES

EUR million	Jan-Jun 2021	Jan-Jun 2020	Change	Jan-Dec 2020
<b>Company</b>				
Revenue	12.3	14.4	-15%	27.2
Gross Profit	6.3	7.5	-16%	14.3
EBITDA	0.2	0.3	-30%	0.5
Operating Result (EBIT)	-2.2	-1.6	-33%	-3.4
Adjusted Operating Result	-0.3	-0.1	-486%	-0.1
Gross Profit %	51%	52%	1ppt	52%
EBITDA %	2%	2%	0ppt	2%
Operating Result (EBIT) %	-18%	-11%	7ppt	-12%
Adjusted Operating Result %	-2%	1%	3ppt	0%

**Publishing Operations'  
Profitability**

EBITDA	3.0	3.4	-13%	6.4
EBITDA %	24%	24%	0ppt	24%

**Research and Development Key  
Figures**

Investments	2.1	1.7	22%	3.5
Expenditure	3.8	3.3	15%	7.0

Calculation and Reconciliation of Key figures for Publishing Operations' Profitability and Research and Development can be found in subsequent sections "Publishing Operations" and "Product Development"

**KEY FIGURES PER QUARTER**

EUR million	Jan-Mar 2021	Jan-Mar 2020	Change	Apr-Jun 2021	Apr-Jun 2020	Change
<b>Revenue</b>	6.2	7.3	-15%	6.1	7.1	-14%
Gross Profit	3.2	3.8	-15%	3.1	3.8	-18%
EBITDA	0.3	-0.2	254%	-0.0	0.5	-103%
Operating Result (EBIT)	-1.0	-1.2	10%	-1.1	-0.5	-135%
Adjusted Operating Result	0.0	-0.3	103%	-0.3	0.4	-185%
Gross Profit %	52%	52%	0ppt	51%	53%	2ppt
EBITDA %	4%	-2%	6ppt	0%	7%	7ppt
Operating Result (EBIT) %	-17%	-16%	1ppt	-18%	-7%	11ppt
Adjusted Operating Result %	0%	-4%	4ppt	-5%	5%	10ppt

## 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 The Walking Dead games are expected to generate revenue on a steady or slightly declining trend. Revenue for Stranger Things is expected to increase during 2021, and Blade Runner will be released in key markets.

## Webcast

We will hold a webcast in English. Next Games' H1 2021 review will be presented by CEO Teemu Huuhtanen and CFO Annina Salvén.

The English webcast starts on 13 August 2021 at 10:00 a.m. EEST. You can join by using the following link:  
<https://nextgames.videosync.fi/2021-q2-results>

The webcast recording will be available at [www.nextgames.com/reports](http://www.nextgames.com/reports) on the same day.

### NEXT GAMES IN SHORT

Next Games is the first publicly listed mobile game developer and publisher in Finland, specializing in games based on entertainment franchises, such as movies, TV series or books. The developers of the critically acclaimed The Walking Dead games redefine the way franchise entertainment transforms into highly engaging service-based mobile games.

Currently Next Games is working on multiple new games based on popular entertainment franchises, including Blade Runner: Rogue for the popular Blade Runner franchise and a mobile game based on Netflix's Stranger Things. For more information head to [www.nextgames.com](http://www.nextgames.com)

# Next Games Corporation Financial Review January-June 2021

## MARKET OVERVIEW

In 2020 the games market experienced dramatic growth as the result of surge in consumer demand for entertainment, essentially frontloading part of this year's projected growth. In 2021 the global games market is projected to decline by 1.1% year-on-year to a total of \$175.8 billion in 2021. This temporary decline mainly affects consoles and PCs and can be explained by the global disruption caused by COVID-19 outbreak. Delays in production schedules, as well as the global shortage of computer chips, are going to further contribute to the negative growth for PC and console. Nevertheless, the games market is still on track to surpass a major milestone of \$200 billion by 2023.

Mobile gaming is still expected to grow by 4.4% year-on-year to a total of \$90.7 billion in 2021, with the segment expected to maintain its player growth achieved during the pandemic. Even though increased engagement and spending are expected to stick after the pandemic ends, lower barriers to entry to mobile gaming also imply lower barriers to exit, so retaining players in 2021 will be one of the key challenges faced by mobile developers and publishers.

In April, Apple rolled out the expected iOS 14.5 update featuring its new privacy policy called App Tracking Transparency. This framework effectively signifies the end of the hyper-targeted user acquisition, previously enabled through the use of IDFA. IDFA is a static user-specific identifier used by advertising networks, such as Facebook, to allow advertisers to target specific users based on numerous data points associated with their IDFAs, including their past purchasing behaviour. Following Apple's suite, Google has also announced its plans to deprecate GAID, an Android equivalent of IDFA, by the end of this year. It is too early to properly assess the impact of these changes yet, but IDFA and GAID deprecation is widely regarded as a major disruption to the game publishers' ability to market their products effectively and monetize through advertising.

It is important to note that Next Games' ability to generate revenues remains unimpaired, as our games do so predominantly through in-app purchases, not ads, and new users are driven by organic uplift e.g. they find our games through searching and browsing their favorite IPs in the App Store and Play Store.

(Source: @Newzoo 2021 Global Games Market Report)

## REVENUE AND EARNINGS DEVELOPMENT

Next Games revenues were EUR 12.3 (14.4) million during the reporting period, and EBITDA positive at EUR 0.2 (0.3) million. Positive EBITDA was maintained due to the continued high profitability of the Company's publishing operations, while keeping the cost structure stable.

Operating Profit (EBIT) declined EUR 0.6 million and was EUR -2.2 (-1.6) million.

Operating profit was negatively affected, as compared to the comparison period, by a one time write off of EUR 0.3 million. The Company increased investments in product development during the reporting period, and R&D amounted to EUR 3.1 (2.6) million.

Loss for the period amounted to EUR -2.0 (-1.8) million. Financial income and expenses were EUR -0.0 (-0.2) million. Taxes for the period were EUR 0.1 (0.1) million, due to changes in deferred taxes. Earnings per share were EUR -0.07 (-0.06).

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



## CASH FLOW, FINANCING AND BALANCE SHEET

The Company's Balance Sheet declined during the reporting period and was EUR 31.5 (33.1) million. Cash and Cash Equivalents decreased EUR 1.6 million and were EUR 4.9 (6.5) million.

Net cash flow from operating activities remained positive and was EUR 0.6 (1.3) million, but was negatively affected by outstanding receivables from Business Finland of EUR 0.9 million and Unity Ads of EUR 0.5 million.

Next Games invested heavily in R&D. During the reporting period cash flow from investing activities was EUR -3.6 (-1.7) million. The majority of investing activities related to game development and license fee minimum guarantees paid during the reporting period, causing higher capital expenditure.

Cash flow from financing activities was EUR 3.5 (-0.7) million. Cash was positively affected by the capital raise in March increasing the Company's equity, and negatively affected by leasing payments.

During the reporting period the Company signed a EUR 0.9 million credit line which was fully unused at the end of the reporting period. The terms of the credit line allow for it to be doubled for scaling purposes.

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

## 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 proportional to the number of employees working on published games.

Publishing represents 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 and permanent improvement in the Company's profitability. The improvement in profitability serves as an important stepping stone in accelerating growth.

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 the reporting period, Publishing Operations' EBITDA was EUR 3.0 (3.4) million, 24% (24%) of revenue.

The definition and calculations of the profitability of publishing operations can be found in the section "Definitions and calculation formulas of key figures".

**PUBLISHING OPERATIONS' PROFITABILITY**

<b>EUR million</b>	<b>Jan-Jun 2021</b>	<b>Jan-Jun 2020</b>	<b>Jan-Dec 2020</b>
Revenue	12.3	14.4	27.2
Gross Profit	6.3	7.5	14.3
Other Operating Income	-	0.1	0.1
Sales and Marketing Costs	-4.3	-5.0	-9.5
<b>Publishing Operations' EBIT</b>	<b>2.0</b>	<b>2.6</b>	<b>4.8</b>
Publishing Operations' Depreciations	0.9	0.8	1.6
<b>Publishing Operations' EBITDA</b>	<b>3.0</b>	<b>3.4</b>	<b>6.4</b>
EBITDA %	24%	24%	24%

**COMBINED KEY OPERATIONAL METRICS OF PUBLISHED GAMES**

<b>Combined Key Operational Metrics</b>	<b>Apr-Jun 2021</b>	<b>Jan-Mar 2021</b>	<b>Oct-Dec 2020</b>	<b>Jul-Sep 2020</b>	<b>Apr-Jun 2020</b>	<b>Jan-Mar 2020</b>
Gross Bookings (MEUR)	5.8	6.1	6.6	6.1	6.9	7.3
DAU	188,707	205,424	207,310	215,558	232,092	250,539
MAU	612,328	688,366	672,576	717,140	725,082	810,815
ARPPDAU (USD)	0.38	0.39	0.49	0.45	0.37	0.36
ARPPDAU (EUR)	0.32	0.32	0.41	0.38	0.33	0.32

(This table includes figures from Compass Point: WEST)

### The Walking Dead: No Man's Land

Throughout the reporting period, The Walking Dead: No Man's Land continued to see highly profitable and stable monthly performance. No Man's Land is consistently performing EBITDA above 30% and continued to do so during the latest reporting period. At the end of the reporting period 13% (12%) of the Company worked on The Walking Dead: No Man's Land.

The team had 3 major releases, and focus remained on live operations and bringing in content from the TV-show. This resulted in a positive response and high engagement from our players.

Additionally, a significant amount of our production efforts was dedicated into building completely new features, such as a new game mode and character type, in order to expand our offering to players. The game continues to excel still, six years in.

<b>TWD: NO MAN'S LAND</b>	<b>Jan-Jun 2021</b>	<b>Jan-Jun 2020</b>	<b>Jan-Dec 2020</b>
Revenue	7.7	7.7	15.5
EBITDA	2.4	2.3	4.7
EBITDA %	32%	29%	30%



### The Walking Dead: Our World

Our World's profitability continues to improve, reaching 14% EBITDA for the reporting period. 15% (23%) of the Company worked on The Walking Dead: Our World. The Walking Dead: Our World team scale down started in the reporting period and will continue during the second half of the year, with a goal of reaching 20% EBITDA.

During the reporting period TWD: Our World continued delighting loyal fans with the Guild Board competition, Survivor Master Series, and several new events. Operations were focused on keeping high profitability levels and optimizing operations in order to run cost effective Live Ops in the future with a small team.

At the beginning of June we delivered to the players a new mission type, improvements in the onboarding stage of newcomers, and on the social side. The game also went one step further into tackling restrictions on movement by offering the option to new players of enjoying the game without the need of using the device GPS.

<b>TWD: OUR WORLD</b>	<b>Jan-Jun 2021</b>	<b>Jan-Jun 2020</b>	<b>Jan-Dec 2020</b>
Revenue	4.6	6.3	11.6
EBITDA	0.6	1.1	1.7
EBITDA &	14%	18%	15%



## Product Development Activities

Next Games Research and Development activities consist of salaries as well as outsourced services. In total, activities amounted to EUR 3.1 (2.6) million and were related to both game and technology development. During the reporting period, the Company capitalized in accordance with IAS 38 EUR 2.1 (1.7) million. 59% (52%) of employees worked in R&D developing new products.

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

### RESEARCH AND DEVELOPMENT

EUR million	Jan-Jun 2021	Jan-Jun 2020	Jan-Dec 2020
Personnel Expenses	-2.5	-2.0	-4.5
Outsourcing	-0.5	-0.4	-0.8
Share-Based Payments	-0.1	-0.1	-0.2
General Cost Allocation	-0.7	-0.8	-1.6
<b>Total Costs</b>	<b>-3.8</b>	<b>-3.3</b>	<b>-7.0</b>
Depreciations	-1.4	-1.0	-2.1
Capitalization	2.1	1.7	3.5
<b>Total</b>	<b>-3.1</b>	<b>-2.6</b>	<b>-5.6</b>
Percentage of Revenue, %	-25%	-18%	-21%

## BLADE RUNNER ROGUE



### Blade Runner Rogue

Blade Runner: Rogue was released in the UK, reaching the top-10 charts in the role-playing game (RPG) genre in that market. The team continues to deliver incremental improvements with several releases, and are step by step getting ready for a full release in the US during the third quarter of 2021. By then, the game will have a strong value proposition, reinforcing the cooperative gameplay, more depth in the game economy and well structured LiveOps, including an event-based player versus player (PvP) mode.

### Stranger Things: Puzzle Tales

The development of the Stranger Things mobile game continued during the first half of 2021. Additional markets were opened and the game has been available to play in selected markets since December 2020. The game is a puzzle RPG that reimagines the Stranger Things universe in the style of an 80s Saturday morning cartoon and is suitable for players of different skill levels. The game is expected to be released globally in the third quarter of 2021.

## STRANGER THINGS



### New Games

During the last quarter of 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 New Games business unit saw strong resourcing and investment during the reporting period, with one team kick starting their project in the first half of 2021, and two more teams to start in the second half. Three teams will be working on separate projects while supporting each other and sharing learnings. Each team can work on multiple different concepts and prototypes, executing on our strategy of blending mobile games and most popular IPs into interactive experiences that bring value to the IP holders and delight both mobile game players and IP fans.

## Our People, Leadership and Culture

Next Games introduced a Diversity Inclusion and Belonging (DIB) group early 2020 with a goal to make us a leader in Finnish DIB initiatives and employee well-being. 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, how we think about our employees and how we create games. Next Games is a member of Fair Play Alliance and part of the coalition of over 140 other gaming companies and as such committed to developing and sharing information to guarantee an active, safe, non-discriminatory, diverse and fair game experience for all players.

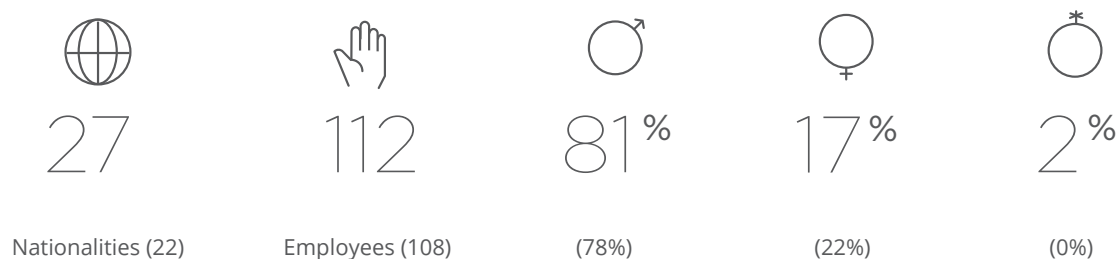
At the end of the reporting period, Next Games had 112 (108) employees representing 27 (22) nationalities. 81% (78%) of the employees identify as men, 17% (22%) identify as women and 2% (0%) identify as non-binary. The average number of employees at Next Games during the reporting period was 110 (110). Of the employees, 29% (35%) worked in publishing operations, 59% (52%) in product development and 12% (13%) in administrative positions.

According to Playfinland the Finnish Games industry employed 3600 people by the end of 2020. Out of 134 companies surveyed, the share of women was 22.7% a mere rise of 2 percentage points since 2018. The total share of non-Finnish employees working in Finnish studios in Finland was 28%. The majority (78%) of non-Finnish employees work in companies with more than 50 employees. As many as 40 out of 134 (30%) companies did not employ any non-Finnish person.

At the end of the reporting period on 30 June 2021, Next Games' Management Team consisted of the following persons: 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), Yiannis Alexopoulos (Chief Growth Officer), Tero Teelahti (Chief Technology Officer) and Juha Matikainen (Chief Operating Officer).

Chief Technology Officer and member of executive management Matias Ärje moved to other duties within the Company in April 2021. The members of the Management Team report to the CEO.

Petri Niemi, Elina Anckar, Nicholas Seibert, Peter Levin and Jari Ovaskainen were re-elected as members of the Board of Directors and Riikka Tieaho was elected as a new member, replacing Xenophon Lategan.



## Shares and Shareholders

On 30 June 2021, Next Games' share capital amounted to EUR 80,000 (80,000) and the number of registered shares was 30,049,745 (27,978,748 at June 30th 2020). The Company did not redeem or dispose of any treasury shares during the reporting period and held as many treasury shares as in the comparison period: 13,410 (0.04%) of its own shares. The weighted average share amount during the reporting period was 29,093,601 (27,923,438). 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.

In March 2021 the Company issued 2,020,000 shares in an accelerated bookbuilding to institutional investors. The subscription price in the Share Issue was EUR 2.10 per Issue Share, amounting to total proceeds of EUR 4.2 million before the commissions and expenses paid by the Company.

During the reporting period a total number of 50,997 (62,524) 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 29,325.98 was recorded in the reserve for invested unrestricted equity and the Company's share capital has remained unchanged.

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

### NEXT GAMES OYJ TOP 20 MAJOR SHAREHOLDERS

	Shareholder	Shares	% Of Shares
1	Ovaskainen Jari Juhani Rainer	8,578,068	28.55
2	IDG Ventures USA III, L.P.	1,095,377	3.65
3	Hiitola Kalle Johannes	971,6755	3.23
4	Achrén Joakim Tomas Johan	881,901	2.93
5	Jumisko Jaakko Ensio.	715,246	2.38
6	Achrén Mikael Jan Kennet	643,754	2.14
7	Lions Gate Entertainment Inc.	628,441	2.09
8	Varma Mutual Pension Insurance Company	620,000	2.06
9	Ilmarinen Mutual Pension Insurance Company	589,066	1.96
10	Danske Invest Finnish Equity Fund	406,465	1.35
11	Säästöpankki Small Cap Mutual Fund	312,420	1.04
12	OP-Finland Micro Cap	272,784	0.91
13	Vaah Holdings Oy	266,720	0.89
14	VISIO Allocator Fund	192,264	0.64
15	Huhtanen Teemu Mikael	172,919	0.58
16	Vilpo Oy	150,000	0.50
17	Ikola Ville Antero	146,000	0.49
18	Hollming Toni Kristian	144,574	0.48
19	Pardon Christophe	133,666	0.44
20	Nuard Ventures Oy	130,000	0.43
<b>20 largest shareholders total</b>		<b>17,051,340</b>	<b>56.74</b>

Nominee registered	6,254,090	20.81
Other shares	5,585,406	19.96
In the joint book-entry account	33,776	0.11
<b>Total</b>	<b>30,049,745</b>	<b>100.00</b>

Supplied by © Euroland.com

## Share-based Incentive Schemes

During the reporting period the Company had five 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.

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. Options can be issued to current and future employees of Next Games, external consultants and members of management of the Company and its group companies. Granting of options always requires the Board of Directors' decision. The Company intends to continue granting options to all new employees at the end of their probation period as a long term incentive. The Board of Directors has issued option rights to recipients free of charge, and the subscription price for the shares is defined in each equity plan.

## Risks and Uncertainties

Next Games is exposed to risks that may arise from the Company's operations or changes in the business environment. The Company estimates that no significant changes in risks and uncertainties have occurred during the reporting period. The most important risks relating to Next Games are disclosed in the Company's Annual Report and Notes to the Financial Statements and can be found at [www.nextgames.com/reports](http://www.nextgames.com/reports)



## Resolutions passed by the Annual General Meeting and the Board of Directors of Next Games Corporation

The Annual General Meeting of Next Games Corporation was held in Helsinki on 31 March 2021. The meeting approved the financial statements for the financial period ended 31 December 2020 and granted discharge from liability to all members of the Board of Directors and the Managing Director. In accordance with the proposal of the Board of Directors, the general meeting resolved not to distribute any dividends for the financial period ending on 31 December 2020. The general meeting decided to support the presented remuneration policy for governing bodies. Petri Niemi, Elina Anckar, Nicholas Seibert, Peter Levin and Jari Ovaskainen were re-elected as members of the Board of Directors and Riikka Tieaho was elected as a new member, replacing Xenophon Lategan.

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 a member of the Remuneration Committee. Petri Niemi is independent of both the Company and its significant shareholders. Jari Ovaskainen is independent of the Company.

The resolutions are available in their entirety at [www.nextgames.com/news](http://www.nextgames.com/news)

## 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 result of the ongoing 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 changed as a result of the pandemic, and an increased liability and revaluation of tangible assets is expected during the second half of the year. The terms of the new lease did not affect valuation on the balance sheet during the first half of the year.

The Company has estimated that the COVID-19 pandemic has not caused any need for re-valuations to the income statement or balance sheet.

## Significant Events After the Reporting Period

No significant events.

Helsinki, 13 August 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.

## 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.

## 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** = EBIT adjusted with depreciations and amortization.

**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 Operations' 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 Operations' EBITDA** = 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 reporting period divided by the average number of outstanding shares during the reporting period.

**Earnings per share (EPS), diluted** = Profit (loss) for the reporting period divided by the average number of outstanding shares during the reporting period after adding the number of shares with potential dilution effect.

## RECONCILIATION OF ALTERNATIVE PERFORMANCE MEASUREMENTS

### EBITDA

EUR million	Jan-Jun 2021	Jan-Jun 2020	Jan-Dec 2020
Operating Result (EBIT)	-2.2	-1.6	-3.4
Depreciations	2.3	2.0	3.9
<b>EBITDA</b>	<b>0.2</b>	<b>0.3</b>	<b>0.5</b>

### ADJUSTED OPERATING RESULT

EUR million	Jan-Jun 2021	Jan-Jun 2020	Jan-Dec 2020
Operating Result (EBIT)	-2.2	-1.6	-3.4
Other than IFRS 16 Depreciations	1.7	1.5	2.9
IFRS 2 Cost Recording	0.1	0.3	0.4
<b>Adjusted Operating Result</b>	<b>-0.3</b>	<b>0.1</b>	<b>-0.1</b>

### PUBLISHING OPERATIONS' PROFITABILITY

EUR million	Jan-Jun 2021	Jan-Jun 2020	Jan-Dec 2020
Revenue	12.3	14.4	27.2
Cost of Revenue	-6.0	-6.8	-12.9
Gross Profit	6.3	7.5	14.3
Other Income	-	0.1	0.1
Sales and Marketing Costs	-4.3	-5.0	-9.5
<b>Publishing Operations' EBIT</b>	<b>2.0</b>	<b>2.6</b>	<b>4.8</b>
Publishing Operations' Depreciations	0.9	0.8	1.6
<b>Publishing Operations' EBITDA</b>	<b>3.0</b>	<b>3.4</b>	<b>6.4</b>

# Half Year Financial Figures Jan-Jun 2021

Next Games applies International Financial Reporting Standards (IFRS). This unaudited half-year review does not apply IAS 34 requirements for interim reports that does not concern First North companies.

## **BASIS OF PREPARATION**

The Consolidated Financial Statements 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. Notes to the Consolidated Financial Statements also comply with the Finnish accounting and corporate legislation complementing the IFRS standards.

The preparation of Consolidated Financial Statements requires management to make estimates and assumptions that affect the application of accounting policies and the recognized amounts of assets, liabilities, income and expenses. Areas involving significant estimates or judgements are:

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

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 and that are believed to be reasonable under the circumstances.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR million	Jan-Jun 2021	Jan-Jun 2020	Jan-Dec 2020
<b>Revenue</b>	<b>12.3</b>	<b>14.4</b>	<b>27.2</b>
Cost of Revenue	-6.0	-6.8	-12.9
<b>Gross Profit</b>	<b>6.3</b>	<b>7.5</b>	<b>14.3</b>
Other Operating Income	0.4	0.4	0.7
Research and Development	-3.1	-2.6	-5.6
Sales and Marketing	-4.3	-5.0	-9.5
Administrative	-1.5	-1.9	-3.2
<b>Operating Result (EBIT)</b>	<b>-2.2</b>	<b>-1.6</b>	<b>-3.4</b>
Finance Income	0.2	0.0	0.0
Finance Costs	-0.2	-0.2	-0.5
<b>Finance cost, net</b>	<b>-0.0</b>	<b>-0.2</b>	<b>-0.5</b>
Share of Associates' Result	-	-0.1	-0.2
<b>Profit before Taxes</b>	<b>-2.2</b>	<b>-1.9</b>	<b>-4.1</b>
Current Income Taxes	-	-	-
Change in Deferred Tax	0.1	0.1	0.2
<b>Total Income Tax Expenses</b>	<b>0.1</b>	<b>0.1</b>	<b>0.2</b>
<b>Result for the Period</b>	<b>-2.0</b>	<b>-1.8</b>	<b>-3.9</b>
<b>Total Comprehensive Result for the Period</b>	<b>-2.0</b>	<b>-1.8</b>	<b>-3.9</b>
<b>Result Attributable to the Owners of the Parent</b>	<b>-2.0</b>	<b>-1.8</b>	<b>-3.9</b>
<b>Result per Share for Profit Attributable to the Owners of the Parent</b>			
Non-Diluted Earnings per Share, EUR	-0.07	-0.06	-0.14
Diluted Earnings per Share, EUR	-0.07	-0.06	-0.14

# CONSOLIDATED BALANCE SHEET

EUR million	30 Jun 2021	30 Jun 2020	31 Dec 2020
<b>Assets</b>			
<b>Non-Current Assets</b>			
Goodwill	3.3	3.3	3.3
Intangible Assets	14.6	11.0	12.1
Property, Plant and Equipment	3.2	4.7	3.9
Shares of Associates	-	0.1	-
Other Long Term Receivables	0.8	1.1	1.1
Deferred Tax Assets	1.6	1.3	1.5
<b>Total Non-Current Assets</b>	<b>23.4</b>	<b>21.6</b>	<b>21.9</b>
<b>Current assets</b>			
Trade Receivables and Other Receivables	3.1	5.0	3.9
Cash and Cash Equivalents	4.9	6.5	4.3
<b>Total Current Assets</b>	<b>8.0</b>	<b>11.5</b>	<b>8.2</b>
<b>Total Assets</b>	<b>31.5</b>	<b>33.1</b>	<b>30.1</b>

EUR million	30 Jun 2021	30 Jun 2020	31 Dec 2020
<b>Equity and Liabilities</b>			
<b>Equity</b>			
Share Capital	0.1	0.1	0.1
Reserve for Invested Unrestricted Equity	65.8	61.7	61.7
Retained Earnings	-42.3	-38.6	-38.5
Profit (Loss) for the Period	-2.0	-1.8	-3.9
<b>Total Equity</b>	<b>21.6</b>	<b>21.3</b>	<b>19.4</b>
<b>Liabilities</b>			
<b>Non-Current Liabilities</b>			
Loan from Public Administration	0.4	0.5	0.5
Lease Liabilities	1.6	2.8	2.1
<b>Total Non-Current Liabilities</b>	<b>2.0</b>	<b>3.3</b>	<b>2.7</b>

<b>Current Liabilities</b>			
Governmental Agency Loan	0.2	0.1	0.1
Lease Liabilities	1.1	1.0	1.1
Deferred Income	0.7	2.0	1.2
Trade Payables	1.7	2.1	2.0
Other Liabilities	0.1	0.1	0.2
Accrued Liabilities	4.0	3.0	3.4
<b>Total Current Liabilities</b>	<b>8.0</b>	<b>8.5</b>	<b>8.0</b>
<b>Total Liabilities</b>	<b>9.9</b>	<b>11.7</b>	<b>10.7</b>
<b>Total Equity and Liabilities</b>	<b>31.5</b>	<b>33.1</b>	<b>30.1</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR million	Share Capital	Reserve for Invested Unrestricted Equity	Retained Earnings	Total
<b>Equity on Jan 1st 2020</b>	<b>0.1</b>	<b>61.7</b>	<b>-38.9</b>	<b>22.8</b>
Result for the Period	-	-	-1.8	<b>-1.8</b>
Total Comprehensive Result for the Period	-	-	-1.8	<b>-1.8</b>
<b>Transactions with Owners:</b>				
Rights Offering	-	-	-	-
Share Issues Based on Stock Options	-	0.0	-	<b>0.0</b>
Purchase of Treasury Shares	-	-	-	-
Share-Based Payments	-	-	0.3	<b>0.3</b>
<b>Equity at June 30th 2020</b>	<b>0.1</b>	<b>61.7</b>	<b>-40.4</b>	<b>21.3</b>



EUR million	Share Capital	Reserve for Invested Unrestricted Equity	Retained Earnings	Total
<b>Equity on Jan 1st 2021</b>	<b>0.1</b>	<b>61.7</b>	<b>-42.2</b>	<b>19.4</b>
Result for the Period	-	-	-2.0	<b>-2.0</b>
Total Comprehensive Result for the Period	-	-	-2.0	<b>-2.0</b>
<b>Transactions with Owners:</b>				
Rights Offering	-	4.1	-	<b>4.1</b>
Share Issues Based on Stock Options	-	0.0	-	<b>0.0</b>
Purchase of Treasury Shares	-	-	-	-
Share-Based Payments	-	-	0.3	<b>0.3</b>
<b>Equity at June 30th 2021</b>	<b>0.1</b>	<b>65.8</b>	<b>-44.3</b>	<b>21.6</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS

EUR million	Jan-Jun 2021	Jan-Jun 2020	Jan-Dec 2020
Net Cash Flows from Operating Activities	0.6	1.3	1.8
Net Cash Flows from Investing Activities	-3.6	-1.7	-3.5
Net Cash Used in Financing Activities	3.5	-0.7	-1.3
Net Decrease/Increase in Cash and Cash Equivalents	0.6	-1.1	-3.4
Cash and Cash Equivalents as of January 1st	4.3	7.7	7.7
Translation Differences	0.1	0.0	-0.3
<b>Cash and Cash Equivalents as of June 30th</b>	<b>4.9</b>	<b>6.5</b>	<b>4.3</b>

## Related Party Transactions

Next Games' related parties include its subsidiaries, associates 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



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