



**NEXT GAMES™**

ANNUAL REPORT 2017





## ANNUAL REPORT 2017

NEXT GAMES IN 2017.....	3
WHO WE ARE - NEXT GAMES IN SHORT.....	10
WHAT WE DO - STRATEGY AND BUSINESS MODEL .....	14
DESCRIPTION OF CORPORATE GOVERNANCE AND CONTROL SYSTEMS.....	23
DESCRIPTION OF MANAGEMENT COMPENSATION.....	35
FINANCIAL STATEMENTS.....	38





# NEXT GAMES

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## IN 2017





# HIGHLIGHTS

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## IN 2017



## First Game Company IPO in Finland



**Kaupparehti**

**No. 1 growth company in Finland**  
selected by Kaupparehti



**Great Place to Work**  
Next Games ranked one of  
the best employers in Finland

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

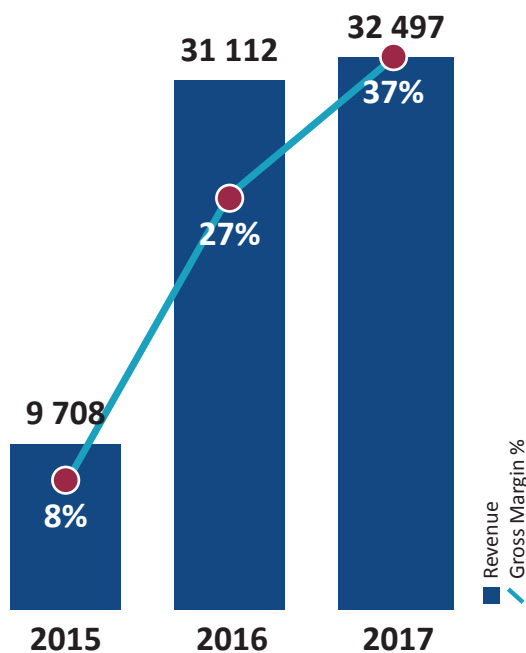


**Startup of the year in Finland**



# FACTS AND FIGURES

## Revenue & Gross Margin



Revenue grew

**4.5%**

to 32.5 million euros

Gross margin improved and was

**37%**

EBIT was

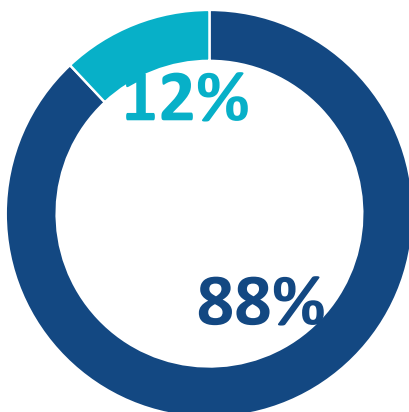
**-6.4**

million euros

EBIT was impacted by investments in new game development, business development and scaling the organization in addition to listing expenses of 1.3 million euros

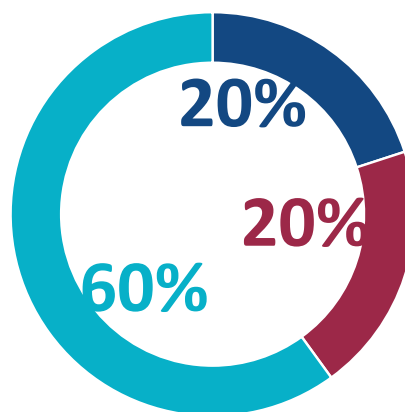
## Gross Bookings

GROSS BOOKINGS  
BY SOURCE



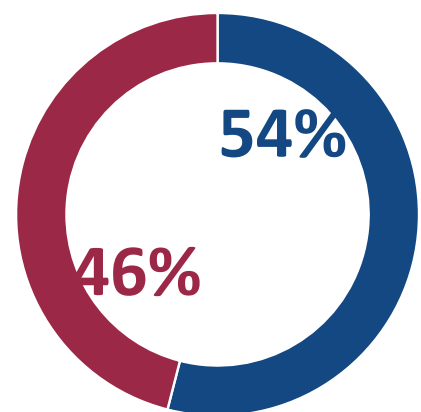
Ad Sales (AD)  
In App Purchases (IAP)

GROSS BOOKINGS  
BY GEOGRAPHY



North America  
EU-Countries  
Other

GROSS BOOKINGS  
BY PLATFORM



iOS  
Android



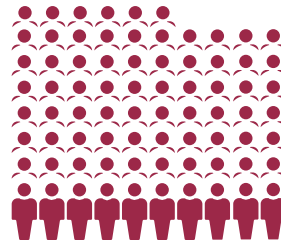
## About Staff

# 17

NATIONALITIES

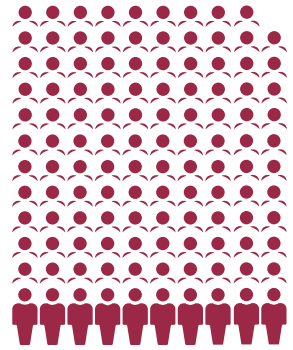


# 66



2016

# 119



2017

### AT THE END OF 2017



## 24%

was working on  
The Walking Dead:  
No Man's Land  
(2016: 64%)

## 69%

was working on  
the four new  
projects  
(2016: 29%)

## 7%

was working on  
general  
administration  
(2016: 7%)

## Key Operational Metrics

**Daily Active Users**  
**DAU**

438 000 → 432 000  
2016 2017

**Monthly Active Users**  
**MAU**

1 600 000 → 1 300 000  
2016 2017

**Average Revenue Per Daily Active User**  
**ARPDau**

0.21€ → 0.20€  
2016 2017



# Shareholders



Number of shareholders

# 4,143

67,31%	Households
9,44%	Private Companies
8,81%	Foreigners
7,64%	Financial and Insurance Institutions
6,76%	Public Sector Organizations
0,04%	Non-profit institutions serving Households

## Share price development

# +16.8 %

IPO PRICE:

23/3/2017 **7.90€**

31/12/2017 **9.23€**

# +11.6 %

Same period:

First North, Finland

EUR PI Index

## NEXT GAMES ECONOMIC FOOTPRINT IN FINLAND

Purchases from  
Finnish SME  
companies:  
**4.2 M€**

Salaries and benefits:  
**5.5 M€**

Paid withholding  
taxes:  
**1.4 M€**

Jobs created:  
**59**



# CEO'S REVIEW

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## 2017 Prepared Us for Future Growth

2017 has been a year of building the foundations for our future growth and we have successfully reached many milestones we set for ourselves this year.

An incredibly important milestone for us, but also for the whole Finnish games industry, was our IPO in March, making us the first publicly listed games company in Finland. Our listing plays a key role in supporting Next Games' growth into an even stronger mobile game company. The success of our IPO is a clear indication of the credibility of our growth strategy amongst both international and Finnish investors, as well as among our pre-IPO VC investors, all of them deciding to firmly stay onboard with Next Games.

We had two major focus areas in 2017, both directly contributing to building a strong foundation for our future growth.

We had two major focus areas in 2017, both directly contributing to building a strong foundation for our future growth. We focused on strengthening our product pipeline and invested in building our Games-as-a-Service technology platform, which all our games will rely on.

In 2017 we signed a second The Walking Dead title with AMC to create the unique location-based AR game, The Walking Dead: Our World and commenced development of a mobile game based on the Blade



Runner movie franchise with Alcon Entertainment. In addition in 2017, we signed a brand new license with a new partner, and another one in January 2018 after the reporting period, both projects we are thrilled to be working with. In total, we now have four games in our product development pipeline. To support the business development operations, we started preparing a more permanent presence in the United States and decided to set up an office in Los Angeles during the first quarter of 2018.

We are excited for the upcoming The Walking Dead: Our World launch as the game has entered the first stage of soft launch in December 2017, continued by

opening it for testing in one market in January 2018. The game is expected to launch globally during Q2 2018. The Blade Runner game will enter soft launch phase during the first half of 2018. The two yet unannounced games are in concepting and pre-production phases.

In October, our first IP-based game, The Walking Dead: No Man's Land turned two years old and continued delivering an immersive tie-in with the TV show for season 8. This game continues to spearhead how big entertainment IP transforms into a mobile game and plays a key role in creating a direct, day-to-day connection in between the franchise fans and the game. AMC also announced the renewal of The Walking Dead TV show for season 9, already during the mid-season break of season 8. The continuation of the show will provide strong support for our The Walking Dead games in the future as well.

The Walking Dead: No Man's Land has been our only product generating significant revenue in 2017, and it has sustained itself and the team developing it during the year. The Walking Dead: No Man's Land will continue to generate revenue, but currently Next Games prioritizes new games over this product when allocating the company resources in between projects. At the end of 2017 approximately 24% of our staff was working on The Walking Dead: No Man's Land (approx. 64% in 2016), the rest of the company was working on the four new projects, including The Walking Dead: Our World, except for approximately 7% of staff in general administration (approx. 7% in 2016).

As resources and focus shifted towards our future projects as a consequence, there were fewer impactful updates in The Walking Dead: No Man's Land during 2017 in comparison to 2016. This shows as a decline in our key performance indicators. Our daily active users number was down by 1.33% and monthly active users by 18.7% from 2016. The investments in our future projects is reflected as a slowing down of our year-on-year revenue growth to 4.5% and -6.4 million euro EBIT, thus Next Games is willing to forgo short term gains over long term profit.

We take  
building  
the company  
culture and values  
very seriously.

During 2017, we've also seen major developments in what goes under the hood in our games. Our Games-as-a-Service (GaaS) platform has been further iterated as we've gathered learnings from The Walking Dead: No Man's Land, and it will help secure a solid operational stability going forward. Our proprietary analytics platform has been another major technology investment in 2017. This robust analytics platform allows us to have full ownership of our data, enabling a rapid feedback loop to our game development process and keeps player feedback at the core of our decision-making.

I'm pleased that our hard work has been recognized by esteemed industry organizations both on our home turf and internationally. To name a few, we received the international Webby Award and International Licensing Award (LIMA) for The Walking Dead: No Man's Land. I'm confident we can continue delivering authentic, fans-first gaming experiences, appreciated by the players with our future products too.

Finally, personally I was extremely happy to see how well we did in this year's Great Place to Work survey, being the only games company on the list from Finland. By building an environment of trust and sharing our potential success by including our employees into stock-option programs and bonus plan, we believe we can attract the best talent in the industry. We take building the company culture and values very seriously.





A photograph of two men in a modern office setting. The man on the left, with a beard and glasses, is wearing a light-colored shirt and is typing on a laptop. The man on the right, wearing a red hoodie and glasses, is leaning over the laptop, looking at the screen with his hands clasped. In the foreground, a wooden bowl filled with various fruits like apples, pears, and kiwis is visible. The background is blurred, showing office shelves and lights.

# WHO WE ARE

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## NEXT GAMES IN SHORT

# OUR MISSION AND VISION

## Blazing Trails with Authentic Licensed Games

Next Games is a global developer and publisher of licensed mobile games. Our mission is to define the way franchise entertainment, such as movies or TV shows transforms into highly engaging mobile games played together with friends and fellow fans. Our vision is to be the most sought after partner for license holders and in collaboration build top grossing games.

We offer mobile games as a long-term service by combining a gaming experience that is authentic to the original franchise and is supported by con-

tinuous maintenance and live operations, including content updates, offers and campaigns, and efficient player acquisition.

This translates into an active, engaged player-base that finds long-term value in the game service over a long period of time. Next Games employs a “players first” approach where providing a live, constantly evolving experience that is true to the original IP forms the basis of achieving player satisfaction, high engagement levels and eventually monetization.



## MISSION

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

## VISION

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

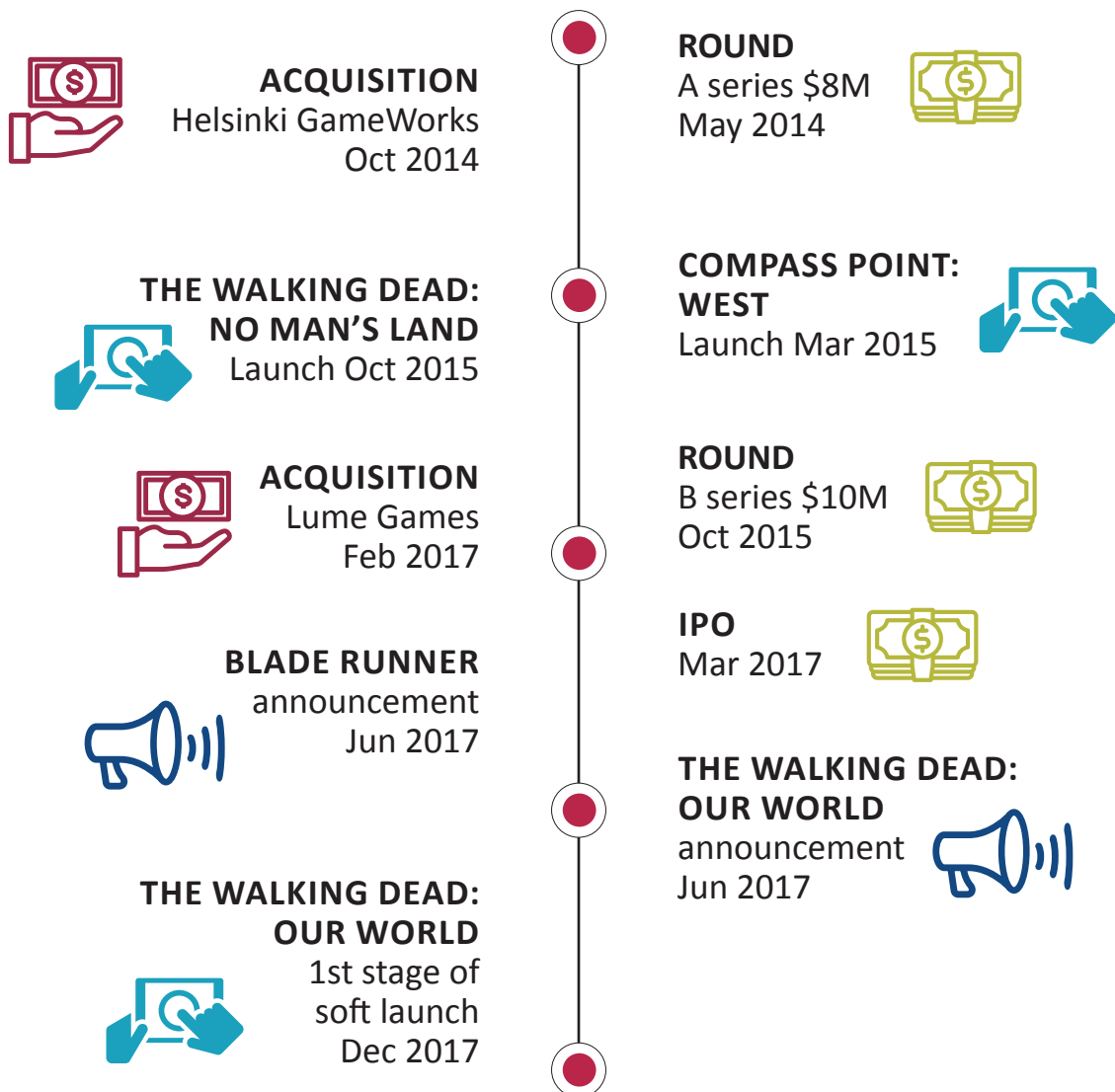


# OUR FIRST FOUR YEARS

## From a Small Startup to the First Games Company IPO in Finland



**NEXT GAMES**  
Founded May 2013



# OUR VALUES

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## What We Believe in

We have focused on fostering shared values, beliefs and practices from very early on. While the company has grown, our core values have remained the same, though they have been shaped by the

evolving organization. Our values, the “Three C’s”, Caring, Curiosity, and Courage are deeply ingrained principles that guide our decision making and act as our company culture’s cornerstones.

### CARING

Foster a culture of trust  
Put players first  
Be a good corporate citizen

### CURIOSITY

Break conventions  
Stretch your self-imposed limits  
Be bold

### COURAGE

Focus on the important  
Own your decisions  
Follow your own path







# WHAT WE DO

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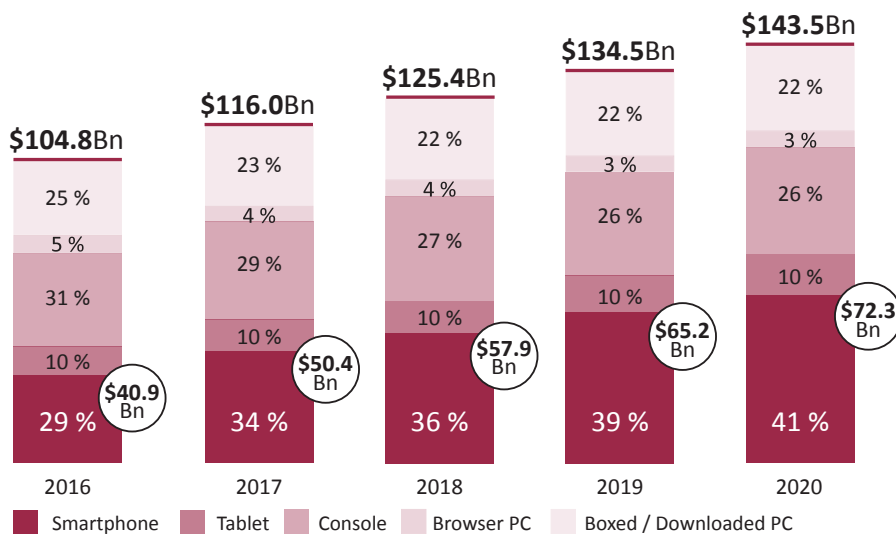
## Strategy and Business Model

# TRENDS SHAPING

## the Mobile Games Market

### 2016-2020 GLOBAL GAMES MARKET

BY 2020, MORE THAN HALF OF TOTAL REVENUES WILL BE GENERATED ON MOBILE DEVICES.



Source: ©Newzoo | Q4 2017 Update | Global Games Market Report | [newzoo.com/globalgamesreport](http://newzoo.com/globalgamesreport)

In 2018 the global games market will generate

**\$125.4Bn**

billion in game software revenues.

In 2018 mobile games will generate \$57.9Bn -

**46%**

of the global market.

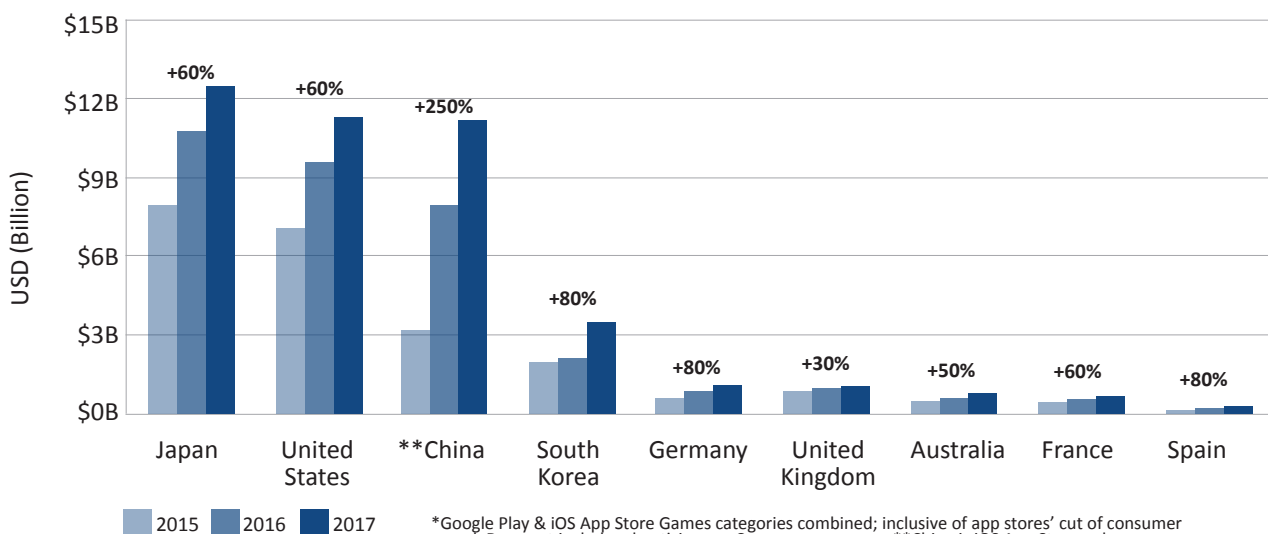
Newzoo expects the current growth of the global games market to continue with a 2016-2020 CAGR of

**+8,2%**

to reach revenues of \$143.5 billion in 2020.

### THE MONETIZATION POTENTIAL FOR GAMING IS STILL CLIMBING

GROWTH FROM 2015 TO 2017



Source: ©APP ANNIE 2017 RETROSPECTIVE



# OUR STRATEGY

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## Building Long Lasting Mobile Entertainment

### **THE CHALLENGE: FAST-MOVING, COMPETITIVE MARKET**

The global mobile games market has matured fast and is incredibly competitive today – Just like any content business such as music, film, or television. Fast advancements in technology, increased congestion in the application marketplaces and constant need for creative and gameplay innovation coupled with the competition over the most experienced game developers and marketers, means that game studios need to master both the business and creative side better than ever before.

### **THE SOLUTION: BREAKING THE BARRIER TO ENTRY WITH CREATIVE, AWARENESS AND OPERATIONS**

In this landscape, we at Next Games made the choice to exclusively develop mobile games based on global entertainment franchises. For our license partners mobile games are a compelling way of turning entertainment stories from TV shows, movies, comics and books into parts of the players' everyday lives. What we offer is continuous engagement with their franchise, instead of weekly, monthly or yearly. The opportunity to translate some of the world's most beloved narratives into mobile games is a great creative challenge for developers and something that we have been able to offer to our talented games

teams. This strategy has also enabled us to hire the best developers to strengthen our studio.

From a marketing perspective, the benefits are clear. A familiar brand allows us to break the noise to players' consciousness easier, compared to starting with a completely new IP. The brand awareness of the original entertainment product, be it a movie or a TV show, helps bring attention to our games, enables us to execute more effective targeting of our marketing activities and saves time in finding the right target group. In addition, Next Games aims to structure collaboration in a way where the license holder also provides support in marketing and PR activities directly or indirectly for example by utilizing their own social media and other digital media channels.

Our technology and service platform is the third cornerstone of our strategy, enabling efficient and data-driven operations for our games and marketing teams. We are using a mixture of system built in-house, such as our analytics platform, and the best third party service providers, such as Unity as our game engine. This setup allows us on the other hand to concentrate on making games and marketing them instead of spending years building proprietary technology, but on the other hand we own and operate the core strategic components such as our data.



# OUR BUSINESS MODEL AND VALUE CHAIN

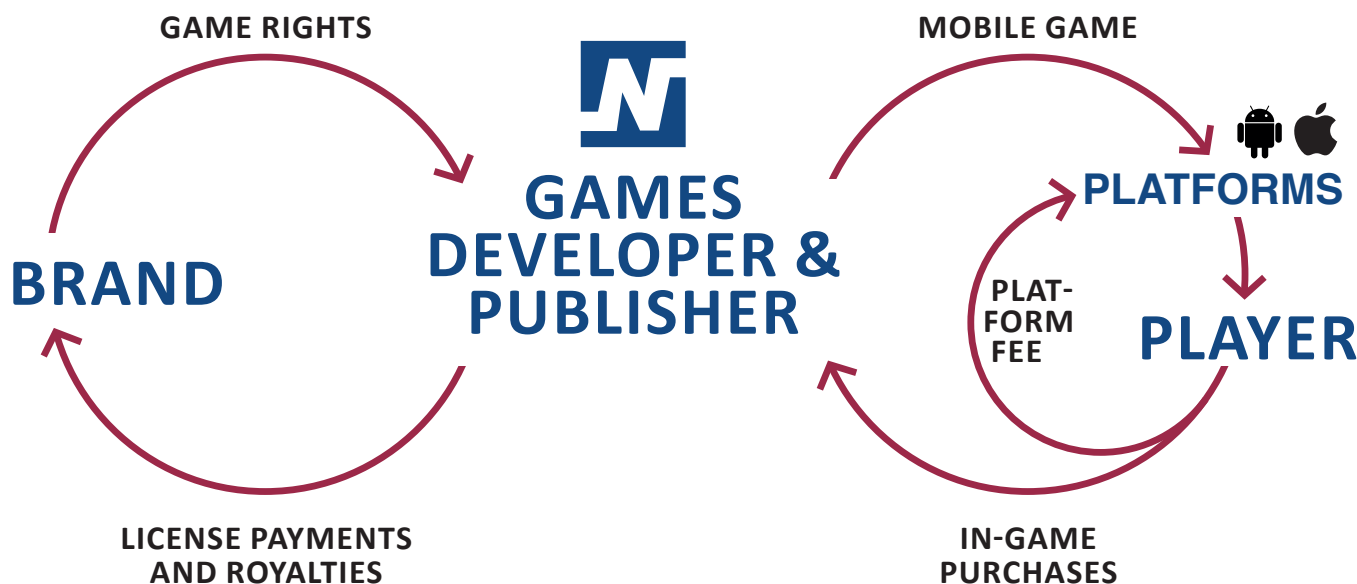
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## OUR BUSINESS MODEL

Next Games believes that there are four key hurdles to overcome in order to succeed in the mobile games market: discoverability, scale, retention and monetization. Since the launch of the App Store in 2009, the number of applications has grown from 35 000 to 2.2 million, making it increasingly difficult for publishers to break the noise. As a consequence, this puts pressure on publishers to drive scale and installs through efficient marketing tactics and reaching the masses in creative ways. Solving the discovery issue alone is not enough as the success of a game will ultimately depend on the ability to scale consistently, not through a single burst of users at launch, retaining those players and eventually monetization.

Creative, endless gameplay mechanics coupled with efficient live operations strategies will create a committed player base, which is ultimately willing to pay for their continued experience in the game. Next Games' business model is to solve the hurdles above by developing and publish mobile games based on entertainment franchises that command a significant and sustainable follower base. Next Games taps into the existing audience and brand loyalty created by the original entertainment franchise, by licensing the rights to use the brand in a mobile game. Brand loyalty is the tendency of consumers to continuously purchase one brand's products over another and the fact that consumers will continue to buy products based on a brand that has fostered a trusting relationship.



The first step in the process, is to secure a license from different entertainment partners. This license can be a movie, tv-series, comic book or book. Next Games works with major licenses, characterized by the fact that they are global i.e. not confined to being popular in one market, and recognizable i.e. they have an existing large fan base. In return for the license rights, Next Games usually pays a minimum royalty guarantee, and ultimately royalties based on sales and advertising income from the game. All license deals are unique, and thus structured differently depending on the license and the division of responsibilities in between the parties.

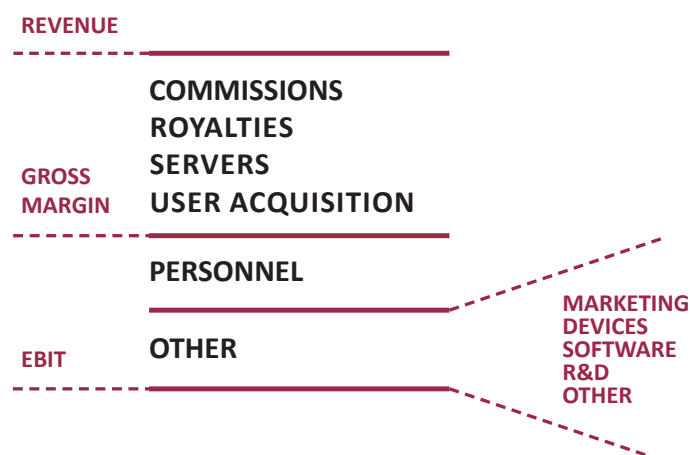
After a license is secured, Next Games develops and ultimately publishes the game on mobile platforms. Currently the major application marketplaces in the industry are Google Play for Android and App Store for Apple's iOS devices. The cost of developing games is a combination of both personnel and R&D expenses.

After the game is published on the marketplaces, Next Games markets the game towards the selected target audience utilizing a wide range of mainly digital channels such as Facebook, Google, other mobile advertising networks, influencer campaigns, TV advertising and from time to time also out-of-home advertising tactics. In addition, the license holder also provides support in marketing and PR activities directly or indirectly for example by utilizing the IP's social media and other digital media channels.

Next Games' business model is based on free-to-play, which means that the game is free of charge to download. When players start playing the game, they have the option to make in-app purchases (IAPs) to receive virtual goods such as currency or items in order to enhance their gameplay experience. Out of these IAPs, the platforms take a cut of approximately 30%, after which Next Games receives the remaining 70%. Players can also opt-in to watch advertisements, which is an additional source of revenue. The advertising business model is based on a marketplace, where the price fluctuates according to market demand and supply.

Ultimately Apple's App Store, and Google's Google Play store pay Next Games monthly for all in-app purchases, and advertising partners pay Next Games monthly for ads shown in their networks. Next Games in return pays the license holder the agreed upon royalty based on that sale on a quarterly basis.

## COST STRUCTURE





# OUR VALUE PROPOSITION

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## How We Make a Difference

In the recent years, license holders for big entertainment IP have turned to mobile game developers to create mobile games based on their brands in order to create ongoing, engaging experiences with their brand. License holders are looking for flexible, lean and committed partners to extend their brands and fan experience to mobile.

Proactive and active collaboration between a game developer and the license holder can help to give the game a higher level of authenticity and a better sense of storytelling as well as a marketing boost. Next Games aims to work very closely with the license holder, creating a deep collaborative environment in order to successfully transform the original form of narrative, such as a TV show or a movie, into a mobile game.

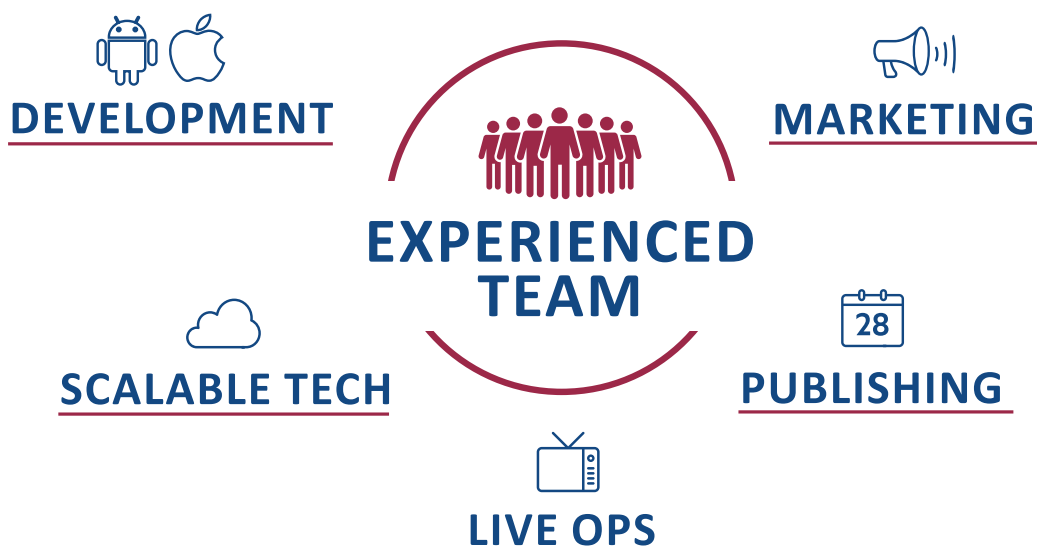
For license holders, Next Games is a full service mobile games developer and publisher: Fully equipped to develop, publish, market and operate its games. Next Games operates the whole value chain, from creating the game to operating and marketing it, rather than opting to outsource parts of it, making us an enticing partner for license partners.

For Next Games, owning the whole value chain creates flexibility to negotiate and structure deals in different ways depending on the IP and the license

holder. This also gives Next Games the ability to take care of our players and the fans from the beginning to the end - the moment they enter the game through every live event, purchase and support request.

Our scalable games-as-a-service (GaaS) platform allows our teams to concentrate on creating the best gameplay experience, with knowing that the supporting technology stack such as servers and internal tools for operating the game are developed in a scalable manner. We are using a mixture of system built in-house, such as our analytics platform, and the best third party service providers, such as Unity as our game engine. This setup allows us on the other hand to concentrate on making games and marketing them instead of spending years building proprietary technology, but on the other hand we own and operate the core strategic components such as our data.

Next Games fosters cross-functional collaboration in between game development, marketing, technology and analytics teams and considers this area as one of the key factors to success. Creating an environment for all disciplines to work together on projects as early on as possible, removes risk from the game development process and increases predictability.



# OUR STRATEGIC PRIORITIES

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We have four main strategic focus areas to gain growth. First, we focus on acquiring licenses and developing new games based on entertainment franchises; second, we continue to develop our operations, games-as-a-service (Gaas) platform and marketing with The Walking Dead: No Man's Land and other upcoming live games; third, we explore new geographical markets; and finally we continue to our advertising revenue model.

## EXPANDING OUR GAME PORTFOLIO

We maintain a constant dialogue with potential license partners to obtain the rights to create games based on major entertainment franchises and thus to create a robust pipeline of products for years to come. Our goal is to publish at least one new game each year beginning from 2018.

During 2017 we signed a second Walking Dead title with AMC to create the unique location-based AR game, The Walking Dead: Our World as well as commenced development of a mobile game based on the Blade Runner movie franchise with Alcon Entertainment. In addition, we signed one new license with a new license partner. To support the business development operations, Next Games also started preparing a more permanent presence in the United States and decided to set up an office in Los Angeles during the first quarter of 2018.

## DATA-DRIVEN OPERATIONS AND MARKETING FOR LIVE PRODUCTS SUPPORTED BY A ROBUST GAAS PLATFORM

The remarkable popularity and on-going narrative of AMC's TV series The Walking Dead has been an excellent basis for a long-term mobile game strategy. During the over two-year lifespan of the game, we have continuously brought the game closer to the events of the series, and pioneered in how to best integrate an entertainment franchise and a mobile game. Along with The Walking Dead: No Man's Land, we have developed our proprietary analytics platform allowing us to fully own our data and ensuring a rapid feedback loop from our players to development. In addition, we have continuously developed

our games-as-a-service (GaaS) platform to ensure smooth operations for our games. With these learnings, we have acquired a good foundation to build our future games' live operations.

## GROWTH FROM NEW MARKETS

In line with our growth strategy, Next Games plans on expanding to more geographical markets. Next Games' products are currently available in 153 countries. In 2017, 60% of our revenue is from North America, 20% from EU countries and 20% from the rest of the world. Three major markets Next Games does not operate in currently are China, Japan and Korea. Therefore the Asian market and potential expansion is a future growth opportunity.

Though the mobile gaming market is global, Next Games believes that for a game to truly succeed in the Asian market it requires the ability to adjust games and their supporting functions locally. We believe in entering these markets with a license that has a strong presence in that geographical area, and in order to publish, we will need local partners to support the expansion of our games to new countries. Next Games has started actively addressing the Asian expansion in 2017 and will continue during 2018 by both exploring suitable IPs, and finding potential partnerships.

## ADVERTISING REVENUE MODEL DEVELOPMENT

In-game advertising is a part of our revenue model, and we have developed proprietary technology to operate and optimize in-game advertising. Each game will be utilizing this same technology, making the implementation effortless. The revenue generated via in-game advertising will vary, as games are tailored to different types of players audiences, where some may be more suitable for in-game advertising and others rely more heavily towards in-app purchase revenue. Next Game believes that our upcoming location-based title, The Walking Dead: Our World, will be an interesting opportunity to explore opportunities in location-based advertising.

# OUR PRODUCTS

## Strong Production Pipeline in the Making



### THE WALKING DEAD: NO MAN'S LAND

Players mean the world to us. A high quality, immersive gameplay experience that is loyal to the original entertainment franchise, coupled with a smart marketing strategy has enabled the success of The Walking Dead: No Man's Land. This game has been the breadwinner for Next Games and the first proof of our ability to create both a great game experience and a financially successful product.

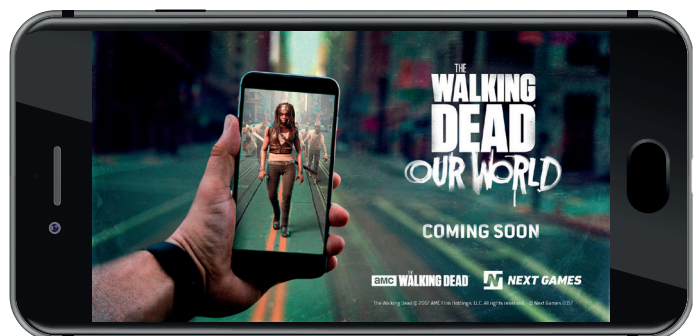
During 2017 The Walking Dead: No Man's Land has received multiple content updates and the game's live operations i.e. seasonal events, sales and offers have been running regularly. The game, which turned two years old in October 2017, has sustained itself and the team developing it during the year. As the company has invested significant resources in new business development as a consequence, there were fewer impactful updates in the game during 2017 versus 2016, which shows as a decline in the game's key performance indicators. Our daily active users number was down by 1.3% and monthly active users by 18.7% from 2016.

The Walking Dead: No Man's Land will continue to generate revenue, but currently Next Games prioritizes new launches over this product when dividing the company resources in between projects. At the end of 2017 approximately 24% of our staff was working on The Walking Dead: No Man's Land (approx. 64% in 2016), the rest of the company was working on the four new projects, except for approximately 7% of staff in general administration (approx. 7% in 2016).

### THE WALKING DEAD: OUR WORLD

The Walking Dead: Our World, the location-based augmented reality (AR) game, based on The Walking Dead TV series, has entered the first stage of the soft launch phase with closed beta tests at the end of 2017, continued by a launch in one market in January 2018. In soft launch the game will be published to a limited amount of players or certain markets for testing purposes. During soft launch, the game undergoes testing and fine-tuning of its appeal among the players, its technology and ability to monetize. The Walking Dead: Our World is thus the furthest in development out of the whole production pipeline. The game is expected to launch globally during the second quarter of 2018.

This product gives Next Games an opportunity to become one of the pioneers in developing products utilizing AR and location, as utilizing these technologies, and specifically combining the two technologies within one product, requires specific technical expertise. Therefore, there are only few noteworthy competitive products as far advanced in their product development as Next Games in this product category at the moment.







## BLADE RUNNER

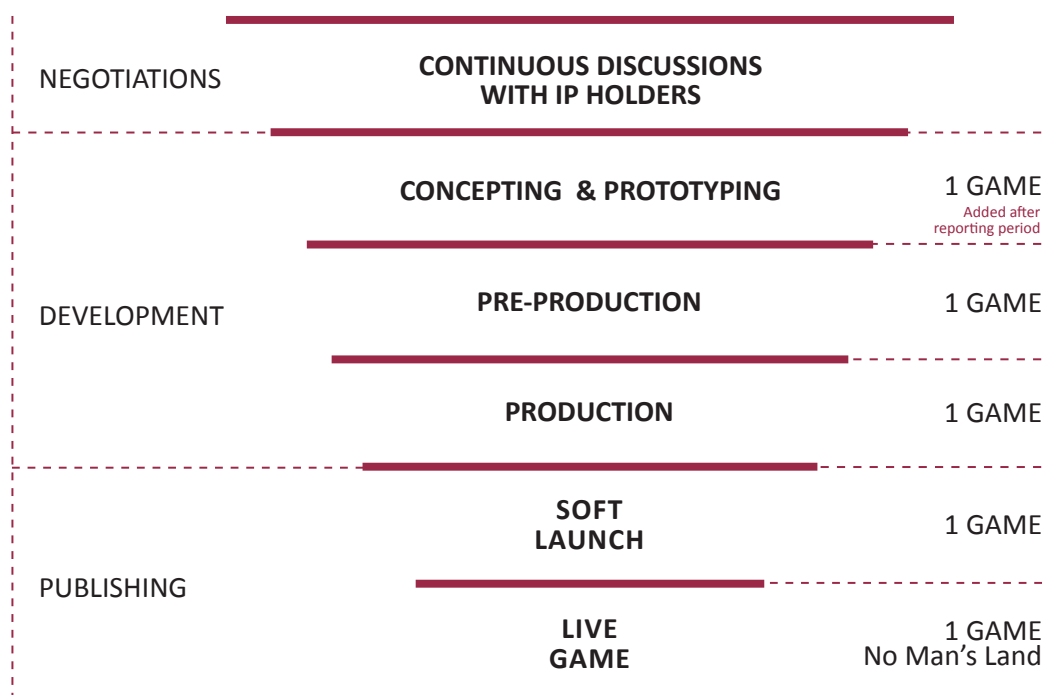
The mobile game based on the Blade Runner movie franchise proceeds according to schedule. Next Games anticipates the game to enter the soft launch phase during the first half of 2018. More details on the game and its schedule will be announced at a later date.

## UNANNOUNCED PROJECTS

During 2017 Next Games has continued to build relationships with key IP holders and, to support these efforts, plans to establish a permanent office in the United States, in Los Angeles, to be closer to the license holders. In 2017, Next Games signed a new license with a new license partner to create a yet unannounced mobile game, and, in January 2018 (after the end of the reporting period), one further license.



## FUTURE PRODUCT PIPELINE



# DESCRIPTION OF CORPORATE GOVERNANCE AND CONTROL SYSTEMS

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Next Games shares are listed on the Nasdaq First North, the company strives to follow the CG code in its operations even though it is not mandatory. Decision-making and governance at Next Games comply with the company's Articles of Association, the Finnish Companies Act and other applicable legislation.

# GENERAL MEETING

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In accordance with the Finnish Companies Act and the Company's Articles of Association, the governance and management of Next Games is divided among the shareholders, the Board of Directors and the CEO. Shareholders participate in the management and control of the Company through resolutions passed at general meetings of shareholders.

Pursuant to the Finnish Companies Act, shareholders exercise their decision-making powers at general meetings of shareholders. The general meeting decides on matters assigned to it in accordance with the Finnish Companies Act and the company's Articles of Association.

Pursuant to the Articles of Association, the annual general meeting of shareholders of the company must be held annually within six months from the end of the financial year. Matters decided on by the annual general meeting include:

- adoption of the financial statements
- distribution of dividends
- election of members of the Board of Directors and auditors and their respective remuneration
- discharge from liability of the Board of Directors and the CEO

An extraordinary general meeting of shareholders shall be held when deemed necessary or when requested in writing by the auditor or by shareholders representing at least one-tenth of all issued and outstanding shares for purposes of dealing with a specific matter.

Shareholders have the right to have a matter falling within the competence of the general meeting dealt with by the general meeting, provided that the shareholder so demands in writing from the

Board of Directors sufficiently in advance, so that the matter can be included in the meeting notice. Next Games will announce on its website a date before which shareholders must present their matter requested to be dealt with by the general meeting to the Board of Directors.

The Board of Directors convenes the general meeting. Shareholders who are registered in Next Games' shareholder register maintained by Euroclear Finland Ltd. on the record date of the general meeting are entitled to attend and vote at the general meeting of shareholders. The record date is eight business days prior to the general meeting of shareholders.

Pursuant to the Articles of Association, in order to have the right to attend and vote at a general meeting of shareholders, a shareholder must additionally notify the company thereof in the manner and no later than on the date set out in the notice, which date may not be earlier than ten days prior to the meeting.





# THE BOARD OF DIRECTORS

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The duties of the Board of Directors are determined based on the Finnish Companies Act as well as other applicable legislation. The Board of Directors has general competence to decide on all matters that are not reserved for the general meeting of shareholders or the CEO by law or under the provisions of the Articles of Association.

The general task of the Board of Directors is to duly organize Next Games' management and operations. In all situations, the Board of Directors must act in the best interest of Next Games. In addition, the Board of Directors' main duties include, among other things:

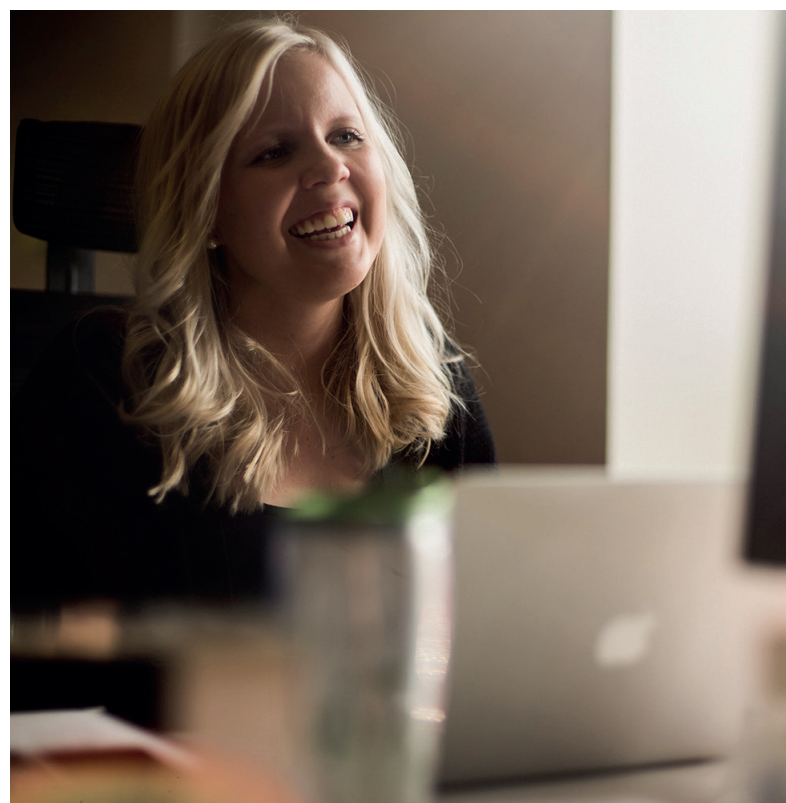
- appropriate arrangement of the control of the company's accounts and finances;
- appointing and dismissing the CEO and deciding on his or her remuneration and other terms of service;
- deciding on the strategy of Next Games;
- controlling the implementation of the strategic objectives and business plans of Next Games; and
- deciding on strategically or financially significant investments, business acquisitions and divestments, business transactions and contingent liabilities.

The Board of Directors also confirms the company's corporate governance principles and other guidelines concerning the arrangement of the company's operations.

As a rule, the Board of Directors convenes approximately every six to eight weeks, however always when necessary for the proper discharge of its du-

ties. The Board of Directors is quorate when more than half of its members are present. A decision by the Board of Directors is the opinion supported by the majority of the members present at a meeting. In the event of a tie, the chairman of the Board of Directors has the casting vote.

The Board of Directors is elected by the general meeting of shareholders. Next Games' Board of Directors is composed of four to six ordinary members and one to six deputy members. The term of office of the members and deputy members of the Board of Directors expires at the end of the first annual general meeting of shareholders following their election. The CEO of the company cannot be Chairman of the Board.



# MEMBERS OF THE BOARD OF DIRECTORS

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The members of the Board of Directors of Next Games are Petri Niemi (Chairman), Joakim Achrén, Peter Levin, Jari Ovaskainen, Paul Rehrig and Philip Sanderson. Erkki Heilakka serves as deputy member of the Board of Directors.

On the basis of an independence evaluation carried out by the Board of Directors, all members of the Board of Directors except Joakim Achrén and Jari Ovaskainen are independent of the company and its significant shareholders. Joakim Achrén is employed by the company, and Jari Ovaskainen is a major shareholder.

## **PETRI NIEMI**

Chairman of the Board of Directors

Master of Science, Engineering

Born 1961

Finnish citizen

Chairman of the Board of Directors 23/2/2017

Chairman of the Audit Committee and Remuneration Committee

## **Significant employment history:**

G2 Invest Oy, CEO, 2011–

CapMan Oyj, Head of CapManTechnology, 1999–2010

## **Positions of trust:**

Detection Technology Oyj, Member of the Board of Directors, 2012–

Vincit Group Oyj, Chairman of the Board of Directors, 2016–

Insta Group Oy, Member of the Board of Directors, 2011–

Lounea Oy, Member of the Board of Directors, 2017–

Wega Advisors Oy, Chairman of the Board of Directors, 2017–

Bilot Consulting Oy, Chairman of the Board of Directors, 2016–

B10 Group Oy, Chairman of the Board of Directors, 2015–

Lounea Oy, Member of the Administrative Board, 2015–

GreenStream Network Oy, Member of the Board of Directors, 2011–

HR4 Group Oy, Member of the Board of Directors, 2011–

Vincit Group Oyj, Member of the Board of Directors, 2015–2016

Insta Care Oy, Chairman of the Board of Directors, 2014–

Eniram Oy, Chairman of the Board of Directors, 2014–2016

B10 Varainhoito Oy, Chairman of the Board of Directors, 2013–

Fondia Oyj, Chairman of the Board of Directors, 2011–2017

Wega Advisors Oy, Member of the Board of Directors, 2013–2017

Hakonen Solutions Oy, Chairman of the Board of Directors, 2013–2015

Celectus Group Oy, Chairman of the Board of Directors, 2013–2015

Siili Solutions Oyj, Chairman of the Board of Directors, 2012–2015

Siili Solutions Oyj, Member of the Board of Directors, 2011–2012, 2015–2016

Oy Lunawood Ltd, Chairman of the Board of Directors, 2010–2013

## **JOAKIM ACHRÉN**

Member of the Board of Directors

BA in Engineering, University of Applied Sciences Jyväskylä Finland

Born 1978

Finnish citizen

Member of the Board of Directors as of 14 March 2013

Member of the Remuneration Committee

## **Significant employment history:**

Next Games, Co-Founder, CPO and Chairman of the Board, 2013–

Supercell, Director of Analytics, 2011–2012

Ironstar Helsinki Oy, Founder and CEO, 2005–2011

Endero Plc, Software Specialist, 2003–2005

Adsotech, Systems Architect, 2002–2003

Orchimedia, Games Programmer, January 2001 – September 2001

## **Positions of trust:**

Big Blue Games Oy, Member of the Board of Directors and CEO, 2012–

Helsinki GameWorks Oy, Member of the Board of Directors, 2014–2015

## **PETER LEVIN**

Member of the Board of Directors

University of Southern California

Born 1970

U.S. citizen

Member of the Board of Directors as of 30 June 2014

## **Significant employment history:**

Lionsgate, President: Interactive Ventures & Games, 2014–

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

Nerdlist Industries, Chief Executive Officer, 2009–2013

## **Positions of trust:**

DEFY Media, Member of the Board of Directors, 2016–

Telltale Games, Member of the Board of Directors, 2014–

Yoshimoto Kogyo, Advisor, 2005–



**JARI OVASKAINEN**

Member of the Board of Directors

Master of Economics, University of Turku

Born 1964

Finnish citizen

Member of the Board of Directors as of 25 April 2013

**Significant employment history:**

Iobox Oy, CEO, 1999–2000

**Positions of trust:**

Preon Ventures Oy, Chairman of the Board of Directors, 2016–  
Snowprint Studios AB, Member of the Board of Directors, 2016–

900 Seconds Oy, Chairman of the Board of Directors, 2015–

PlayRaven Oy, Member of the Board of Directors, 2014–

The Button Corporation Oy, Member of the Board of Directors, 2014–

Stylewhile Oy, Chairman of the Board of Directors, 2013–2016

Boomlagoon Oy, Member of Board of Directors, 2013–2016

Miivies Oy, Chairman of the Board of Directors, 2010–

Atacama Labs Oy, Chairman of the Board of Directors, 2005–

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**PAUL REHRIG**

Member of the Board of Directors

Bachelor of Arts, Seattle Pacific University

Born 1973

U.S. citizen

Member of the Board of Directors as of 23 February 2015

**Significant employment history:**

AMC Networks, Inc., EVP, Digital & New Business, 2011–

Warner Music Group, SVP, Digital Strategy & Development, 2005–2011

AT&T Wireless, Senior Product Manager, Games, 1998–2004

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**PHILIP SANDERSON**

Member of the Board of Directors

Hamilton College, Harvard Business School

Born 1968

U.S. citizen

Member of the Board of Directors as of 30 June 2015

Member of the Audit Committee and Remuneration Committee

**Significant employment history:**

Ridge Ventures (fka IDG Ventures USA), Managing Director, 2006–

WaldenVC, General Partner, 1997–2006

Robertson Stephens, Associate, 1993–1995

Goldman Sachs, Analyst, 1990–1993

**ERKKI HEILAKKA**

Deputy member of the Board of Directors

Master of Science, Computer Science, University of Helsinki

Born 1971

Finnish citizen

Deputy member of the Board of Directors as of 30 June 2015

**Significant employment history:**

Miivies Oy, CEO, 2010–

**Positions of trust:**

Preon Ventures Oy, CEO and Member of the Board of Directors, 2016–

Snowprint Studios AB, Deputy Member of the Board of Directors, 2016–

GenomSys SA, Member of the Board of Directors, 2016–

900 Seconds Oy, Member of the Board of Directors, 2015–

Preon Capital Partners SA, Member of the Board of Directors, 2015–

PlayRaven Oy, Deputy Member of the Board of Directors, 2014–

The Button Corporation Oy, Deputy Member of the Board of Directors, 2014–

Miivies Oy, CEO, 2010–

Emporime Oy, Deputy Member of the Board of Directors, 2008–

# COMMITTEES

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On 23 February 2017, the Board of Directors decided to establish two permanent committees, an audit committee and a remuneration committee. The committees prepare matters to be decided in meetings of the Board of Directors. The committees have no independent decision making powers. The Board of Directors appoints the members of the committees, and it also has the power to dismiss members of the committees.

## AUDIT COMMITTEE

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

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

## REMUNERATION COMMITTEE

The Board of Directors defines the duties of the remuneration committee in the operating principles of the committee confirmed by it. The remuneration committee assist the Board of Directors in preparing matters relating to the remuneration of the

management team and other personnel of Next Games. In addition, the remuneration committee is tasked with preparing proposals for the nomination of members of the Board of Directors and committees of the Board of Directors, as well as with evaluating the performance of the CEO and preparing the evaluation of the performance of the members of the management team.

The remuneration committee consists of at least three members. The Board of Directors appoints the members of the remuneration committee annually. The majority of the members of the remuneration committee shall be independent of the company.



# INDEPENDENCE

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On the basis of an assessment of independence conducted by the Board of Directors, all of the members of the Board of Directors, except for Joakim Achrén and Jari Ovaskainen, are independent of the Company and its major shareholders. Joakim Achrén is in the service of the Company, and Jari Ovaskainen is a major shareholder of the Company.

# CEO AND MANAGEMENT

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Next Games' management team consists of five members. The CEO is supported by the management team. The management team is tasked with the overall management of Next Games' business.

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

The Board of Directors appoints the CEO and decides on the remuneration of the CEO and the oth-

er terms of the CEO's service agreement. The CEO is appointed until further notice. The CEO of Next Games is Teemu Huuhtanen.

The CEO is supported by the management team, the composition of which is confirmed by the Board of Directors. The management team does not hold authority or independent decision-making power based on legislation or the Articles of Association, and operates instead as an advisory and preparatory body in matters belonging to the Next Games' executive management. As a rule, the management team convenes once per week.

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





# MEMBERS OF THE MANAGEMENT TEAM

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## **CEO**

### **TEEMU HUUHTANEN**

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

#### **SIGNIFICANT EMPLOYMENT HISTORY:**

NEXT GAMES, CEO, 2013–  
ROVIO ENTERTAINMENT OY, Vice President, Mergers & Acquisitions, 2012–2013  
SULAKE CORPORATION OY, Executive Vice President, Mobile, Ad Sales, Business Development and Communications, 2011–2012  
SULAKE CORPORATION OY, Executive Vice President, Marketing and Business Development, 2006–2011  
SULAKE INC., President, 2006–2011  
SULAKE CORPORATION OY, Executive Vice President, Sales & Business Development, 2003–2006  
SMALL PLANET OY, Executive Vice President, 2002–2003  
ORCHIMEDIA GROUP OY, Co-Founder and CEO, 1998–2002

#### **POSITIONS OF TRUST:**

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



## **Chief Financial Officer**

### **ANNINA SALVÉN**

Msc. Finance  
Born 1988  
Finnish citizen  
Member of the Management Team as of 2016

#### **SIGNIFICANT EMPLOYMENT HISTORY:**

NEXT GAMES, CFO 2016–  
GREENSTEP OY, CFO Services 2012–2016  
AKTIA PANKKI PLC, investment advisor, 2008–2010 and 2011–2012

#### **POSITIONS OF TRUST:**

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



## **Chief Marketing Officer**

### **SAARA BERGSTRÖM**

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

#### **SIGNIFICANT EMPLOYMENT HISTORY:**

NEXT GAMES, Chief Marketing Officer, 2014–  
ROVIO ENTERTAINMENT, VP, Marketing & Communications, 2013–2014  
ROVIO ENTERTAINMENT, Director, Consumer Engagement, 2011–2013  
NOKIA, Marketing Manager, Community Management Lead, 2009–2011  
NOKIA, Online Marketing Manager, 2008–2009  
NOKIA, Marketing Specialist, 2007–2008  
RIGHT MANAGEMENT, Communications Consultant, 2006–2007  
FREELANCE JOURNALIST, Various publications, 2002–2005

#### **POSITIONS OF TRUST:**

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



## **Chief Technology Officer**

### **KALLE HIITOLA**

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

#### **SIGNIFICANT EMPLOYMENT HISTORY:**

SUPERLOUDER OY, Chief Digital Officer, 2011–2013  
BONGO HELSINKI OY, Partner, Online Planning Director, 2010–2011  
ACADEMICA OY, Partner, Member of the Board, CTO, 2008–2010  
SANOMA ENTERTAINMENT, Technical Project Manager  
(based on a consulting arrangement), 2007–2013  
CREW MEDIA FINLAND OY, Partner, Head of Media & Solutions department, 2002–2008

#### **POSITIONS OF TRUST:**

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



## **Head of Games**

### **SAMI NURMIO**

Matriculation examination, Sotunki high school  
Born 1974  
Finnish citizen  
Member of the Management Team as of 2014

#### **SIGNIFICANT EMPLOYMENT HISTORY:**

NEXT GAMES, Head of Games, 2014–  
REMEDY ENTERTAINMENT LTD., Director, iOS platform, 2012–2014  
BUGBEAR ENTERTAINMENT LTD., Director, Business development,  
Member of the Management Team, 2009–2012  
NOKIA, Producer/Game Director, 2003–2009  
HOUSEMARQUE, Lead Artist, 1999–2003  
HOUSEMARQUE, Graphics Artist, freelancer, 1995–1999  
BLOODHOUSE, Graphics Artist, freelancer 1993–1999

#### **POSITIONS OF TRUST:**

Remedy Entertainment Ltd., Member of the Management Team, 2013–2014

# CODE OF CONDUCT

## and Corporate Responsibility

We strive to offer games that are faithful to the original entertainment franchise and to conduct responsible business in terms of our staff, the player community, and the other stakeholders.

Our actions are based on our values: caring, courage, and curiosity. We believe in improving the Next Games' business with by strong and professional leadership in order for the company to be able to operate in a responsible way.

### THE WELL-BEING OF OUR STAFF

Caring about one another is one of Next Games' core values. To us, caring is a part of our daily working culture, the way we treat each other and the players, and the way we view our work.

The well-being and professionalism of our staff is a prerequisite for us to be able to offer lively and constantly evolving game experiences to our players. This is why we strive to provide our staff with such tasks and duties that they perceive as interesting and extensive opportunities for improving their skills.

### THE PLAYERS

Next Games sets out to offer players gripping game experiences on worlds already familiar from entertainment franchise. That's why we listen to the players carefully and engage them to the development of the game experience. We believe that by producing high-quality and long-term mobile entertainment we can also keep players spending time with our games.

In the monetization of free-to-play games, we aim to offer a high-quality and entertaining experience in exchange for the money spent by the players. The worlds of our games are rich in details, and offer an additional dimension to the original IP.

Next Games is serious about the age appropriateness of games. We comply with content based rating categories set by our distribution channels as we always aim to market the games to the right age audience.





## AUDIT

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

The Auditor of Next Games is PricewaterhouseCoopers Oy, with Tuomas Honkamäki, APA, as the Auditor with principal responsibility.

A total of 6 thousand euros was paid in audit fees, and 29.1 thousand euros in fees for additional engagements referred to in the Auditing Act, 1.1,2 §. The company also utilized tax consulting for a total of 11.5 thousand euros, as well as other consulting fees paid to auditors related to the listing of 330.3 thousand euros.

## RELATED PARTY TRANSACTIONS

Next Games' related parties include its subsidiaries, the members of the Board of Directors, CEO, the members of the Management Team as well as shareholders with significant influence over the company. Related parties also include the close family members of these individuals and entities that are controlled or jointly controlled by a person identified as a related party.

Any related party transactions are detailed in the notes to the financial statement.

## INSIDER ADMINISTRATION

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

Persons discharging managerial responsibilities at Next Games are subject to a so called "closed period", which begins 30 calendar days before the announcement of a half year report, business report or financial statement bulletin or preliminary

information thereon and during which time such persons may not conduct any transactions relating to the shares or other financial instruments of Next Games. The closed window also applies to the company's annual financial report. The closed period includes the day on which Next Games has disclosed the above mentioned information.

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

## RISK MANAGEMENT PRINCIPLES

Risk management, internal control, related operating practices and Next Games' values are a key element of Next Games' good corporate governance. The company has defined a risk management policy that describes the objectives and principles, responsibilities and practices of risk management at Next Games.

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

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

The following principles are applied to the Next Games' risk management:

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

This risk management model is used in the identification and management of risks which threaten Next Games' objectives. Risk identification is based on business objectives and opportunities and the defined risk appetite. Risks are prioritized on the basis of their significance by assessing the impact and likelihood of their materialization and the level of risk management actions. All risks cannot or need not be managed.

The company management is responsible for the execution of risk management. Every Next Games employee must know and manage the risks of his/her responsibility area. The nominated management team members guide and develop the company's risk management and supports operations in the execution of risk management and in risk reporting.

Management regularly monitor the execution of risk management actions and report on the risks and the progress of risk management responses. The sufficiency and effectiveness of the responses are assessed as part of the monitoring of business operations. Any corrective actions are taken as necessary.

Risks and management responses are reported in accordance with Next Games' reporting responsibilities. The management team reviews and updates risk reporting on a bi-annual basis, or on a quarterly basis, if needed.

The risk map, the most significant risks and uncertainties, as well as material changes in and responses to them are reported to the Next Games Board of Directors.

## PLANNING AND PERFORMANCE REPORTING

Next Games sets and monitors financial targets both for the long term and the short term.

Long term targets are defined to match the overall mission, vision and strategy of the company. Short term targets are set as part of the annual planning cycle and progress in achieving these targets is monitored on a monthly basis.

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

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

## ACCOUNTING PRINCIPLES

Financial reporting is governed by a set of common principles. Next Games applies FAS accounting standards, but is in the process of moving in to IFRS standards during 2018. The CFO at Next Games has drawn up guidelines and internal control process documentation which is updated as needed, at least once a year, which covers the content of financial reporting and the dates which reporting must take place.

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

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



# DESCRIPTION OF MANAGEMENT COMPENSATION





## BOARD COMPENSATION

*The general meeting of shareholders decides on the remuneration payable to the members of the Board of Directors. The Board of Directors has approved the general principles for the remuneration of the company's management and personnel and the procedures applicable thereto. The Board of Directors decides on the remuneration payable to the CEO.*

For the term of office beginning on 23 February 2017 and ending at the close of the next annual general meeting of shareholders, the members of the Board of Directors will receive the following remuneration:

- The Chairman of the Board of Directors EUR 4,500 per month
- Each Member of the Board of Directors EUR 2,500 per month
- In addition, EUR 1,000 per Committee meeting is paid to the Chairmen and Members of the Audit Committee and Remuneration Committee

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

The remuneration may, if so requested by an individual member of the Board of Directors, be paid, partially or in full, in shares of the company by acquiring such shares from the market on behalf and in the name of the members of the Board of Directors. The company will pay any expenses related to such acquisition of shares.

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

## EXECUTIVE COMPENSATION

The Board of Directors decides on the remuneration and other benefits payable to the CEO as well as on the other terms of the CEO's service relationship. The remuneration payable to the CEO consists of a fixed monthly salary, a housing benefit, as well as other fringe benefits such as mobile phone and lunch benefits.

The CEO decides on the remuneration payable to the other members of the management team. The remuneration payable to the other members of the management team consists of a fixed monthly salary as well as fringe benefits such as mobile phone and lunch benefits.

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

## INCENTIVE PLANS

Next Games approved an incentive plan in 2017, which will be implemented 2018. Incentive plans are approved yearly. The incentive plan encompasses all staff and executive management. The plan consist of set sales and profitability targets, both of which must be met, in order to trigger payouts. Payouts will differ depending on applicable tiered sales and profitability levels. Sales and profitability targets are determined at a company level, as Next Games believes it takes the efforts and commitment of all staff, at all levels and disciplines to grow the company. Personnel is rewarded at a personal level depending on how long they have been with the company, as continued commitment is highly valued.

Payouts can never exceed 12 months of salary for any individual, nor can the total bonus pool exceed 1/4 of pre-bonus operating profit.

## OPTION PLANS

Next Games has three share-based incentive schemes: Equity Plan 2014, Equity Plan 2015 and Equity Plan 2017.

Options can be granted to the company's, or its subsidiaries, current and future employees, consultants, management and board of directors upon decision of the board of directors.

All of Next Games employees hired prior to 2017 are option holders. During 2017 Next Games granted options to all new employees whose probation period ended by 06/2017. The company intends to continue granting options to all employees at the end of probationary periods as a long term incentive.

Unless otherwise decided by the Board of Directors, option rights are issued to recipients free of charge, and the subscription price of options is defined in each program. The company has typically applied a schedule where 25 percent of the option rights granted to a recipient become eligible for share subscription upon the first anniversary of the end

of the grant date or, alternatively the the anniversary of the end of an employee's probation period, and the remaining 75 percent become eligible for share subscription in monthly installments over a period of the following 36 months, subject in each case to the recipient continuously providing services to the company as an employee, consultant, member of the Board of Directors or Management. If a recipient's services with Next Games ceases for any reason (a "termination"), all unexercised options rights that do not yet entitle to share will automatically terminate and be forfeited to the company. If a recipient whose service with Next Games has terminated holds options rights that entitle to share subscription, he or she is entitled to exercise such option rights within 30 days from the date of termination, at which point the option rights that remain unexercised automatically terminate and be forfeited to the company.

The company also aims to issue a directed share issue to employees each year after annual financial statements release.





A close-up photograph of a person's hands holding a white smartphone. The phone's screen displays a game interface with various icons, numbers, and character portraits. Overlaid on the screen in large, white, bold, sans-serif capital letters is the text "FINANCIAL STATEMENTS". A thin white horizontal line is positioned below the text. The background is blurred, showing some fruit and a dark surface with a small white circular object.

# FINANCIAL STATEMENTS



# REPORT OF THE BOARD OF DIRECTORS

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## for Financial year 2017

Next Games is a Finnish developer and publisher of mobile games founded in 2013. The Company was listed as the first mobile games company in Finland on Nasdaq First North Helsinki on March 24th 2017.

The company has so far published two critically acclaimed games, Compass Point: West in March 2015 and The Walking Dead: No Man's Land in October 2015. The company also had three additional

games in development during 2017: The Walking Dead – Our World, Blade Runner, and a third licensed based title.

The company's headquarters are in Helsinki Finland, with a registered subsidiary in Germany. As of 31.12.2016 the German subsidiary had no employees and no activity. During financial year 2017 Next Games acquired Lume Games Oy, which was merged with the company January 2018.

## KEY METRICS

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### for Operations, Financial Position and Financial Results

#### JANUARY - DECEMBER 2017 IN SHORT

- Revenue grew 4.5% to 32.5 million euros (31.1 million euros)
- Gross margin improved and was 37% (27%)
- EBIT was -6.4 million euros (-1.6 million euros)
- EBIT was impacted by investments in new game development, business development and scaling the organization in addition to listing expenses.
- Product development costs were 3.4 million euros (0.5 million euros), of which 2.3 million euros were employee expenses and purchased outsourced services amounted to 1.1 million euros. Next Games does not capitalize its R&D expenses related to game development
- Listing expenses amounted to 1.3 million euros
- The company has succeeded in recruiting new talent. The organization grew to 119 people (66)

(January-December 2016 comparison in brackets)

# KEY FINANCIAL FIGURES (\*)

Revenue increased EUR 1.4 million to EUR 32.5 million in 2017 (from EUR 31.1 million in 2016). Increase in revenue was mainly due to the continued development of The Walking Dead: No Man's Land.

## REVENUE AND EARNINGS DEVELOPMENT

Operating result of Next Games Group was EUR -6.4 million in 2017 (EUR -1.6 million in 2016). Other operating income amounted EUR 22k in 2017 (EUR 1.2 million in 2016). During 2016 the Company received a non-recurring capital gain of 1 million from a transfer of IP rights, in addition to Tekes funding. The company had no Tekes funding during fiscal year 2017.

Loss for the financial period was EUR -6.4 million (from EUR 0.8 million in 2016). Gross margin improved ten percentage points and was 37 % (27 % in 2016) however profitability was mainly impacted by staff expenses as average employees increased to 93 in 2017 (69 in 2016), development expenses of EUR 1.1 million (EUR 0.5 million in 2016) in addition to listing expenses of EUR 1.3 million.

## SCOPE AND OVERVIEW OF RESEARCH AND DEVELOPMENT ACTIVITIES

The company's game development and all other Research and Development efforts are based in its Helsinki offices. The company has invested significantly in Research and Development during 2017.

Majority of Research and Development related costs are salaries. During 2017 the company utilized outsourcing for specific parts of game development. Next Games does not capitalize its R&D expenses related to game development.

During the financial period product development activities amounted to a total of EUR 3.4 million (€0.5M), of which EUR 2.3 million was employee expenses and purchased outsourced services amounted to EUR 1.1 million.

(EUR 1000)	01-12/2017	01-12/2016
Revenue	32 497	31 112
Gross bookings	30 930	33 593
Gross margin	11 950	8 252
Operating profit (-loss) (EBIT)	-6 379	-1 582
EBITDA	-4 827	-1 155
Adjusted EBITDA	-5 168	-709
Earnings per share, undiluted (€)	-0.37	0.06
Earnings per share, diluted (€)	-0.35	0.06
<b>As percentage of revenue</b>		
Gross margin (%)	37%	27%
EBITDA margin (%)	-15%	-4%
Operating result (%)	-20%	-5%
<b>As percentage of gross bookings</b>		
Adjusted EBITDA margin (percent)	-17%	-2%

\* 2017 Key Financial Figures are calculated based on Next Games Group figures. In 2016, Next Games was not required to prepare consolidated financial statement and figures presented are Next Games Oyj parent company figures.

Gross Bookings does not include deferrals related to sales

Adjusted EBITDA is defined as operating profit, adjusted for depreciations, deferrals related to sales, licenses and commissions, as well as adjusted for listing expenses.

	1-12/2017	1-12/2016
DAU	432 241	438 068
MAU	1 326 318	1 633 052
ARPDau (USD)	0.22	0.23
ARPDau (EUR)	0.20	0.21

## INVESTMENTS AND ACQUISITIONS

During fiscal year ended 31 December 2017, Next Games acquired all of the outstanding shares in Lume Games Oy. The merger of Lume Games Oy with and into Next Games was completed on 1 January 2018. Total additions of non-current assets during the fiscal year was 7.8 million euros. Besides the acquisition of Lume Games Oy, additions mainly included investments in license rights and capitalization of IPO costs.

## CASH FLOW AND FINANCING

Cash in hand and at banks of the company increased EUR 22.7 million and were EUR 26.4 million as at 31 December 2017 and EUR 3.6 million as at 31 December 2016. The increase in cash in hand and at banks was primarily due to increased equity of EUR 34 million as a result of a successful listing. The group's equity ratio at the end of reporting period was 87% (45%).

The company finances its operations primarily by equity financing and cash flow from operating activities. To date, the company has funded its operations with equity financing from its shareholders, gross bookings from the sale of in-game virtual items and in-game advertising. The company has also received funding from Tekes in the form of governmental grants and loans. As at 31 December 2017, the company had loans from Tekes, a governmental institution, amounting to EUR 0.8 million. In addition the company had a credit line of EUR 1.0 million which was fully unused as at 31st of December 2017.

During 2017 Next Games converted EUR 13.0 million in to USD 15.4 million to hedge against negative interest rates and currency fluctuation.

## ASSESSMENT OF MOST SIGNIFICANT RISKS AND UNCERTAINTIES

Next Games' revenue in 2017 was almost solely related to The Walking Dead: No Man's Land, a licensed game developed by the company. It is essential for the business of Next Games that the company is able to develop its current and future

games as well as improve its games so that the players will continue to play its games and make purchases within them. Delays in game development may affect cash flow negatively.

Fluctuations in the USD - EUR currency rates has an impact to Next Games' financial results which is reported in Euros. Currency fluctuations may also affect liquidity as the company has receivables and liabilities in both currencies. Currency risk is managed with currency denominated bank accounts.

The company has recognized a deferred tax asset for its tax loss carryforwards. There is a risk of impairment related to the deferred tax assets if Next Games is not able to utilize the tax losses.

The company has entered into multiple license deals during 2017 which require upfront minimum guarantee payments, some of which are recoupable through royalties. If such game projects are terminated there is a risk of write-off related to the original minimum guarantee payment.

The company has insured its business with customary insurances for business interruption and property.

Risks other than those described above may impact the Next Games' business.

## PERSONNEL

A clear majority of Next Games' employees are full-time employees and personnel expenses are mainly fixed in nature. The personnel expenses have increased mainly because of the growth of the employee base. In order to retain its competitiveness, Next Games follows general industry standards when adjusting salaries. The table below outlines certain key figures related to personnel during the years 2016-2017.

	1 January - 31 December	
	2017	2016
Average personnel employed	93	69
Salaries and benefits during fiscal year (EUR thousand)	5 468	3 864



## PROPOSAL BY THE BOARD FOR THE TREATMENT OF PROFIT FOR THE FINANCIAL YEAR AND FOR THE POTENTIAL DISTRIBUTION OF OTHER UNRESTRICTED EQUITY

The table below sets out the parent company's distributable equity as at 31 December 2017 compared to 31 December 2016. The total distributable equity as at 31 December 2017 amounts to EUR 36.8 million, of which EUR -6.1 million is the loss for the fiscal year ended 31 December 2017.

	1 January - 31 December	
	2017	2016
Distributable unrestricted equity	36 799	5 406
Invested unrestricted equity	53 277	15 783
Retained earnings (loss)	-10 377	-11 133
Profit (loss) for the financial year	- 6 100	756

Board of Directors has proposed that the loss for the financial year ending 31 December 2017 will be transferred to retained earnings and no dividend shall be paid out from the financial year 01/2017-12/2017.

## THE COMPANY'S SHARES AND SHAREHOLDERS

As at 31 December 2016 the Company's registered share capital amounted to EUR 2,500. As at December 31 2017 registered share capital amounted to EUR 80,000 and the number of registered shares was 18,218,782

As at 31 December 2016 shares were divided into three classes: class A, class B and class C. The shares were entered into the Finnish book-entry securities system on March 10 2017 and their ISIN codes FI4000233267 (A), FI4000233275 (B) and FI4000233283 (C) respectively.

On the 1 of March 2017, the company executed a direct share issue without consideration to existing shareholders in proportion to their holdings (share split). A total of 5 503 053 A-series shares, 1 880 379 B-series shares and 2 628 078 C-series shares were issued.

On 23 February 2017, the shareholders of the Company decided unanimously on the 1:1 conversion into class A shares of all issued class B and class C shares, as well as corresponding amendments to the Articles of Association. The conversion was registered with the Finnish Trade Register following completion of the offering, after which the Company no longer has separate share classes.

	31 Dec 2017 Post-Split	31 Dec 2016 Pre-Split
Class A shares	-	1 822 589
Class B shares	-	626 793
Class C shares	-	876 026
Total	18 218 782*	3 325 408

\*Following the completion of the offering, after which the Company no longer has separate share classes

## NEXT GAMES CORPORATION 15 LARGEST SHAREHOLDERS AS AT 31 DECEMBER 2017 \*

	SHAREHOLDERS	SHARES	% OF SHARES	MONTHLY CHANGE	MONTHLY CHANGE %
1	Ovaskainen Jari Juhani Rainer	3,093,110	16.98	0	0.00
2	IDG Ventures USA III, L.P.	1,188,306	6.52	0	0.00
3	Hiitola Kalle Johannes	942,896	5.18	0	0.00
4	Achrén Joakim Tomas Johan	940,818	5.16	0	0.00
5	Achrén Mikael Jan Kennet	935,896	5.14	0	0.00
6	Jumisko Jaakko Ensio	935,896	5.14	0	0.00
7	Ilmarinen Mutual Pension Insurance Company	482,520	2.65	0	0.00
8	Varma Mutual Pension Insurance Company	380,000	2.09	0	0.00
9	Nuard Ventures Oy	364,000	2.00	0	0.00
10	Vaah Holdings Oy	266,720	1.46	0	0.00
11	OP-Finland Value Fund	251,667	1.38	0	0.00
12	OP-Finland Small Firms Fund	211,667	1.16	0	0.00
13	Danske Invest Finnish Small Cap Fund	210,000	1.15	0	0.00
14	Säästöpankki Small Cap Mutual Fund	203,039	1.11	0	0.00
15	Odesangel Ab	197,488	1.08	0	0.00

\*Next Games has nominee registered shareholders, including AMC Networks. With 3,270,189 shares, the total share of the nominee registered shareholders is 17.95 %.

## STRUCTURAL AND FINANCIAL REORGANIZATION

### OPTION RIGHTS

On 22 January 2014, the shareholders of the company approved by unanimous written resolution the terms and conditions of the company's 2014 equity plan (the "Equity Plan 2014"). Each option right issued under the Equity Plan 2014 entitles its holder to subscribe for four new shares during a share subscription period that is ongoing and expires on 31 December 2019, subject to individually agreed subscription schedules. For option rights granted under the Equity Plan 2014, the share subscription price is EUR 1.97 (implied per share subscription price EUR 0.49), except for certain option rights held by the Managing Director and certain external consultants, for which option rights the share subscription price is EUR 0.01. The total number of outstanding option rights issued under the Equity Plan 2014 (excluding option rights that have been cancelled, forfeited or exercised) was 99 518 at 31 December 2017.

On 8 October 2015, the shareholders of the company approved by unanimous written resolution the terms and conditions of the company's 2015 equity plan (the "Equity Plan 2015"). Each option right issued under the Equity Plan 2015 entitles its holder to subscribe for four new shares during a share subscription period that is ongoing and expires on 31 December 2021, subject to individually agreed subscription schedules. The Board of Directors has on 2 February 2017 decided on the issuance of additional option rights under the company's Equity Plan 2015, which option rights have been included in the total number of outstanding option rights. For option rights granted under the Equity Plan 2015, the share subscription price is EUR 2.66 - 5.10 (implied per share subscription price EUR 0.67 - 1.28). The total number of outstanding option rights issued under the Equity Plan 2015 (excluding option rights that have been cancelled, forfeited or exercised) was 177 461 as at 31 December 2017.

On 23 February 2017, the shareholders of the company approved by unanimous written resolution the terms and conditions of the company's 2017 equity plan ( the "Equity Plan 2017"). Pursuant to the authorization, the number of shares be increased in the aggregate by a maximum of 350,000 new shares. Each option right issued under the Equity Plan 2017 entitles its holder to subscribe to one new share during a share subscription period that is ongoing and expires on 31 December 2023, subject to individually agreed subscription schedules. For option rights granted under the Equity Plan 2017, the share subscription price is EUR 7.90 with certain exceptions. The Company reserves the right to adjust the subscription price four times a year, if necessary, such that it is never more than 50 % below market price at date of issuance. The total number of outstanding option rights issued under Equity Plan 2017 (excluding option rights that have been cancelled, forfeited or exercised) was 112 895 as at 31 December 2017.

#### **CURRENT BOARD AUTHORIZATIONS**

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

On 23 February 2017, the Company's shareholders resolved unanimously to authorize the Board of Directors to decide on the issue of shares and option rights entitling to class A Shares such that the total number of shares may, pursuant to the authorization, be increased by a maximum of 350 000 shares in the aggregate. Pursuant to the authori-

zation, shares and option rights entitling thereto can be issued to current and future employees, managers and consultants of the Company and its subsidiaries for purposes of incentivizing and motivating such individuals. Under the authorization, the Board of Directors has the right to decide on the other terms and conditions of the issuance of shares or option rights. The authorization is valid for five years from the date it was granted, i.e until February 23 2022. The authorization revoked the 2015 authorization to the extent shares or option rights remained issuable thereunder. As at 31 December 2017, authorization to issue 237 105 shares remains unused.

On 23 February 2017, the Company's shareholders resolved unanimously to authorize the Board of Directors to decide on the acquisition of the Company's own shares with unrestricted equity in one or several tranches. Under the authorization, a maximum of 390,000 shares can be acquired. Shares may be acquired otherwise than in proportion to the holdings of the shareholders, provided that there are weighty financial reasons from the Company's perspective, such as the acquisition of shares for strengthening the Company's capital structure, to carry out financing and corporate transactions, to implement contractual repurchase rights applicable to shares, to be transferred for other purposes, to be cancelled, or to implement the Company's incentive schemes. The authorization is valid for eighteen months from the date it was granted, i.e. until 23 August 2018. As at 31 December 2017, the authorization remains fully unused.

#### **DIRECTED SHARE ISSUES**

On February 2 2017, the Company executed a directed share issue of 11 762 A-shares as a result of subscribed option rights during 2015 and 2016.

On 23 February 2017, the shareholders of the company authorized unanimously the Board of Directors to decide on applying for the admission of the class A shares to trading on the Nasdaq First North at a point of time deemed fit by the Board of Directors.

On March 1 2017, the company executed a directed share issue without consideration to existing shareholders in proportion to their holdings (share split). A total of 5 503 053 A-series shares, 1 880 379 B-series shares and 2 628 078 C-series shares were issued.



On March 3 2017, the company executed an issue of consideration shares, in total 212 064 A-class shares, in connection with the acquisition of all shares in Lume Games Oy completed on February 28 2017 as well as 224 100 C-class shares in connection with the acquisition of a new license.

In connection with listing on Nasdaq First North, Next Games issued 3,807,030 new shares in the company and 569,500 Over-Allotment Shares.

#### Executed allocation in the Initial Public Offering

- 450,000 shares to private individuals and entities in Finland (the “Public Offering”)
- 95,614 shares to the personnel of Next Games (the “Personnel Offering”)
- 3,830,916 shares to institutional investors in Finland and internationally (the “Institutional Offering”)

As a result of exercises of option rights during 2017, a total of 57 408 new shares in the company were registered with the Finnish Trade Register. Such new shares were registered with the Finnish Trade Register at each point of subscription. The subscription price for the shares was determined individually for each subscriber by the Equity Plan 2014, Equity plan 2015, and the applicable stock option agreement.

### AMENDMENTS TO THE ARTICLES OF ASSOCIATION

On 23 February 2017, the shareholders of the Company decided unanimously on the following amendments to the articles of association

- Removal of provisions regarding different classes of shares; and
- Removal of the redemption and consent clauses applicable to transfer of shares

The above amendments were conditional to the completion of the offering and became valid and registered with the Finnish Trade Register on 22 March 2017.

### BOARD OF DIRECTORS, MANAGEMENT AND AUDITORS OF THE COMPANY

In the financial year 2017, the Board of Directors of the company consisted of Jari Ovaskainen, Philip Sanderson, Paul Rehrig, Peter Levin and Joakim Achrén. Petri Niemi replaced Joakim Achrén as the chairman of the Board of Directors on 23 February 2017. The company’s CEO has been Teemu Huuhtanen for fiscal year 2017.

The company’s auditor during the year 2017 has been Authorised Public Accountants PricewaterhouseCoopers Oy and as auditor with principal responsibility, Tuomas Honkamäki, Authorised Public Accountant (KHT)

### EVENTS AFTER THE REPORTING PERIOD

The company has entered into license agreements during 2017 which will result in additional license payments and, under specific circumstances, in additional development and marketing expenses during financial year 2018.

On 1 January, the merger of Lume Game Oy, acquired February 2017, was completed

The company has filed for registration of its US wholly-owned subsidiary, operating in California, in January 2018.

In January 2018 The Walking Dead: Our World game is opened for its first market.

In January 2018, the company entered into a new licensing agreement with a new partner

### OUTLOOK

The management of the company believes that Next Games’ development will follow general market trends. The company plans to publish at least one new game per year starting 2018.

BALANCE SHEET, EUR	Group 31.12.2017 (*)	Parent 31.12.2017	Parent 31.12.2016
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Intangible assets			
Intangible rights	3 300 206	3 300 206	32 077
Other intangible assets	2 616 653	2 248 070	578 684
Goodwill	903 255	0	0
<b>Intangible assets total</b>	<b>6 820 113</b>	<b>5 548 276</b>	<b>610 761</b>
Tangible assets			
Machinery and equipment	135 643	132 685	143 059
<b>Tangible assets total</b>	<b>135 643</b>	<b>132 685</b>	<b>143 059</b>
Investments			
Holdings in group undertakings	0	1 588 012	27 500
Other shares and similar rights of ownership	1 073 969	1 073 969	1 073 969
<b>Investments total</b>	<b>1 073 969</b>	<b>2 661 981</b>	<b>1 101 469</b>
<b>NON-CURRENT ASSETS TOTAL</b>	<b>8 029 725</b>	<b>8 342 942</b>	<b>1 855 289</b>
<b>CURRENT ASSETS</b>			
Long-term debtors			
Amounts owed by group undertakings	0	0	13 977
Other debtors	821 985	819 691	258 319
Prepayments and accrued income	479 754	479 754	479 754
Deferred tax assets	2 849 791	2 849 791	2 399 662
<b>Long-term debtors total</b>	<b>4 151 530</b>	<b>4 149 237</b>	<b>3 151 713</b>
Short-term debtors			
Trade debtors	2 686 078	2 686 078	4 044 084
Loan receivables	2 640	2 640	0
Other debtors	242 593	241 791	85 943
Prepayments and accrued income	1 574 035	1 559 607	1 785 861
<b>Short-term debtors total</b>	<b>4 505 346</b>	<b>4 490 116</b>	<b>5 915 888</b>
<b>Cash in hand and at banks</b>	<b>26 377 403</b>	<b>26 313 611</b>	<b>3 638 489</b>
<b>CURRENT ASSETS TOTAL</b>	<b>35 034 279</b>	<b>34 952 963</b>	<b>12 706 090</b>
<b>ASSETS TOTAL</b>	<b>43 064 004</b>	<b>43 295 905</b>	<b>14 561 378</b>

(\*) After the acquisition of Lume Games Oy (23.2.2017), company is required to prepare consolidated financial statements

BALANCE SHEET, EUR	Group 31.12.2017 (*)	Parent 31.12.2017	Parent 31.12.2016
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Share capital	80 000	80 000	2 500
Other reserves			
Invested unrestricted equity reserve	53 276 693	53 276 693	15 782 930
Other reserves total	53 276 693	53 276 693	15 782 930
Retained earnings (loss)	-10 373 380	-10 376 953	-11 132 683
Profit (loss) for the financial year	-6 381 184	-6 100 259	755 729
<b>EQUITY TOTAL</b>	<b>36 602 129</b>	<b>36 879 481</b>	<b>5 408 477</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Loans from credit institutions	691 000	691 000	775 000
Deferred tax liabilities	73 716	0	0
<b>Non-current liabilities total</b>	<b>764 716</b>	<b>691 000</b>	<b>775 000</b>
<b>Current liabilities</b>			
Loans from credit institutions	84 000	84 000	0
Advances received	914 291	914 291	2 481 634
Trade creditors	1 162 099	1 161 876	1 177 799
Amounts owed to group undertakings	0	28 521	0
Other creditors	205 414	205 414	127 800
Accruals and deferred income	3 331 354	3 331 323	4 590 669
<b>Current liabilities total</b>	<b>5 697 159</b>	<b>5 725 424</b>	<b>8 377 902</b>
<b>LIABILITIES TOTAL</b>	<b>6 461 875</b>	<b>6 416 424</b>	<b>9 152 902</b>
<b>EQUITY AND LIABILITIES TOTAL</b>	<b>43 064 004</b>	<b>43 295 905</b>	<b>14 561 378</b>

(\*) After the acquisition of Lume Games Oy (23.2.2017), company is required to prepare consolidated financial statements

<b>PROFIT AND LOSS STATEMENT, EUR</b>	<b>Group 1.1.2017- 31.12.2017 (*)</b>	<b>Parent 1.1.2017- 31.12.2017</b>	<b>Parent 1.1.2016- 31.12.2016</b>
<b>REVENUE</b>	<b>32 496 933</b>	<b>32 496 933</b>	<b>31 111 712</b>
Work performed by the undertaking for its own purpose and capitalised	0	0	253 556
Other operating income	22 138	18 682	1 237 687
<b>Raw materials and services</b>			
External services	-20 546 906	-20 546 906	-22 860 033
<b>Raw materials and services total</b>	<b>-20 546 906</b>	<b>-20 546 906</b>	<b>-22 860 033</b>
<b>Personnel expenses</b>			
Wages and salaries	-5 467 838	-5 486 715	-3 863 999
Social security expenses			
Pension expenses	-978 609	-982 225	-747 143
Other social security expenses	-209 582	-209 582	-190 773
<b>Personnel expenses total</b>	<b>-6 656 030</b>	<b>-6 678 523</b>	<b>-4 801 914</b>
<b>Depreciation, amortisation and write-offs</b>			
Depreciation and amortisation according to plan	-1 552 168	-1 232 313	-426 807
<b>Depreciation, amortisation and write-offs total</b>	<b>-1 552 168</b>	<b>-1 232 313</b>	<b>-426 807</b>
Other operating expenses	-10 143 154	-10 138 362	-6 096 208
<b>OPERATING PROFIT (LOSS)</b>	<b>-6 379 187</b>	<b>-6 080 490</b>	<b>-1 582 008</b>
<b>Financial income and expenses</b>			
<b>Other interest income and financial income</b>			
From others	36 528	36 528	69
<b>Other interest expenses and other financial expenses</b>			
To others	-506 579	-506 426	-61 993
<b>PROFIT (LOSS) BEFORE APPROPRIATIONS AND TAXES</b>	<b>-6 849 238</b>	<b>-6 550 388</b>	<b>-1 643 933</b>
<b>Income taxes</b>			
Income taxes for the financial year	-505	0	0
Deferred tax	468 558	450 129	2 399 662
<b>PROFIT (LOSS) FOR THE FINANCIAL YEAR</b>	<b>-6 381 184</b>	<b>-6 100 259</b>	<b>755 729</b>

(\*) After the acquisition of Lume Games Oy (23.2.2017), company is required to prepare consolidated financial statements



<b>CASH FLOW STATEMENT, EUR</b>	<b>Group 1.1.2017- 31.12.2017 (*)</b>	<b>Parent 1.1.2017- 31.12.2017</b>	<b>Parent 1.1.2016- 31.12.2016</b>
<b>Cash flow from operating activities</b>			
Profit (loss) before appropriations and taxes	-6 849 238	-6 550 388	-1 643 933
Adjustments:			
Depreciation according to plan	1 552 168	1 232 313	426 807
Unrealised foreign exchange gains and losses	410 783	410 783	39 933
Other non-cash items	-913 690	-913 690	442 117
Financial income and expenses	36 282	36 282	21 992
<b>Cash flow before working capital changes</b>	<b>-5 763 695</b>	<b>-5 784 700</b>	<b>-713 084</b>
<b>Working capital changes:</b>			
Increase/decrease in trade and other short-term interest free receivables (-)/(+)	231 090	231 858	-2 297 186
Increase/decrease in short-term interest-free liabilities (+)/(-)	-1 177 900	-1 177 900	2 152 322
	<b>-946 810</b>	<b>-946 042</b>	<b>-144 865</b>
<b>Operating cash flow before financing items and taxes</b>	<b>-6 710 505</b>	<b>-6 730 742</b>	<b>-857 949</b>
Paid interest and other financial expenses relating to operating activities	-72 092	-72 092	-20 912
Interest received relating to operating activities	36 528	36 528	69
<b>Cash flow from operating activities (A)</b>	<b>-6 746 069</b>	<b>-6 766 306</b>	<b>-878 792</b>
<b>Cash flow from investments</b>			
Purchase of tangible and intangible items	-162 355	-162 355	-422 833
Cash flow effect from the purchase of subsidiary shares	-17 134	-60 689	0
<b>Cash flow from investments (B)</b>	<b>-179 489</b>	<b>-223 044</b>	<b>-422 833</b>
<b>Cash flow from financing activities</b>			
Proceeds from issuance of equity	32 804 075	32 804 075	6 558
Proceeds from long-term borrowings	0	0	349 000
Paid interest expenses and other financial expenses (**)	-2 705 209	-2 705 209	0
<b>Cash flows from financing activities (C)</b>	<b>30 098 866</b>	<b>30 098 866</b>	<b>355 558</b>
Effect of exchange rate differences on cash and cash equivalents	-434 394	-434 394	-39 933
<b>Change in cash and cash equivalents</b>	<b>22 738 914</b>	<b>22 675 122</b>	<b>-985 999</b>
Cash and cash equivalents at beginning of period	3 638 489	3 638 489	4 624 488
Cash and cash equivalents at end of period	26 377 403	26 313 611	3 638 489

(\*) After the acquisition of Lume Games Oy (23.2.2017), company is required to prepare consolidated financial statements

(\*\*) Includes IPO expenses: legal and consulting services, bank fees, and insurance expenses. Corresponding acquisition cost

## NOTES TO THE FINANCIAL STATEMENTS

### NOTES TO THE PREPARATION OF THE FINANCIAL STATEMENTS

#### Principles of the consolidated financial statements

The consolidated financial statements of Next Games corporation is prepared in accordance with the Finnish Accounting Standards (FAS). The consolidated financial statements includes the parent company, Next Games Corporation and 100 % owned subsidiaries Lume Games Oy and Next Games Germany GMBH.

Subsidiaries are consolidated using the acquisition method. Acquisition cost that exceeds the fair value of assets and liabilities is recorded as goodwill, which will be depreciated as a 5-year straight-line depreciation. Intra-group transactions, receivables and liabilities between group companies are eliminated in consolidation.

#### Valuation principles and methods

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

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

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

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

#### Depreciation principles and methods

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

#### Consolidated financial statements

Goodwill	5-year straight-line depreciation
Location technology capitalized in other intangible assets	5-year straight-line depreciation

Depreciations start when the asset is available for use.

#### Revenue recognition

Company generates revenue from two categories:

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

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

## NOTES TO THE FINANCIAL STATEMENTS

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

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

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

### Description of purchased services

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

### Accounting for pensions

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

### Recognition of deferred tax

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

### IPO expenses

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

NOTES TO THE PROFIT AND LOSS STATEMENT, EUR	Group 1.1.-31.12.2017	Parent 1.1.-31.12.2017	Parent 1.1.-31.12.2016
<b>Revenue</b>			
By category of activity			
Games	32 496 933	32 496 933	31 111 712
By geographical markets			
North America	19 433 990	19 433 990	19 807 769
EU	6 434 170	6 434 170	8 296 436
Other	6 628 774	6 628 774	3 007 507
<b>Other operating income</b>			
Gain from disposals, intangible rights	0	0	962 625
Grants received	0	0	250 000
Other	22 138	18 682	25 062
<b>Other operating expenses</b>			
Marketing expenses	3 453 979	3 453 979	2 836 125
Outsourced development and testing services	1 499 786	1 499 786	440 274
IT software and hardware expenses	1 457 701	1 457 701	915 289
Legal and consulting expenses	726 304	726 304	506 116
Travel expenses	651 898	651 898	389 023
Office space expenses	701 431	701 431	381 970
IPO related expenses	573 070	573 070	0
Other expenses	1 078 983	1 074 192	627 412



## NOTES TO THE FINANCIAL STATEMENTS

### Auditor's fees

Audit of financial statements	5 628	5 628	3 482
Engagements referred to in the Auditing Act, 1.1,2 §	29 186	29 186	0
Tax consulting	11 458	11 458	0
Other fees	330 346	330 346	4 875

### Taxes

Change in deferred tax assets	450 129	450 129	2 399 662
Change in deferred tax liabilities	18 429	0	0

### NOTES TO THE PERSONNEL AND MEMBERS OF THE BOARD OF DIRECTORS

	Group 1.1.-31.12.2017	Parent 1.1.-31.12.2017	Parent 1.1.-31.12.2016
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#### Average headcount during the financial year

93	93	69
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#### Wages, salaries and other remuneration of directors and management

CEO	288 561	288 561	159 749
Members of the Board of Directors	109 750	109 750	0

### Management options

#### Option rights

31.12.2017

Petri Niemi, Chairman of the Board	1 400
Peter Levin, Member of the Board	13 334
Joakim Achren, Member of the Board	984
Teemu Huuhtanen, CEO	72 519
Saara Bergström, Management member	22 631
Sami Nurmio, Management member	22 000
Annina Salvén, Management member	24 703
Kalle Hiitola, Management member	1 400
<b>Total</b>	<b>158 971</b>

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

### NOTES TO THE BALANCE SHEET ASSETS, EUR

	Group 31.12.2017	Parent 31.12.2017	Parent 31.12.2016
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#### Specification of the assets in the balance sheet

##### Intangible rights

Acquisition cost at 1.1.	57 911	57 911	57 203
Additions	3 282 837	3 282 837	708
Acquisition cost at 31.12.	3 340 749	3 340 749	57 911
Accumulated depreciation and impairment at 1.1.	25 834	25 834	12 119
Depreciation for the financial year	14 709	14 709	13 716
Accumulated depreciation and impairment at 31.12.	40 543	40 543	25 834
Carrying amount at 31.12.	3 300 206	3 300 206	32 077

##### Other intangible assets

Acquisition cost at 1.1.	1 055 146	1 055 146	999 507
Additions	3 303 491	2 842 763	388 807
Disposals	0	0	-333 169
Acquisition cost at 31.12.	4 358 637	3 897 909	1 055 146
Accumulated depreciation and impairment at 1.1.	476 462	476 462	333 169
Accumulated amortisation relating to disposals and transfers	0	0	-222 113
Depreciation for the financial year	1 265 522	1 173 377	365 405
Accumulated depreciation and impairment at 31.12.	1 741 984	1 649 838	476 462
Carrying amount at 31.12.	2 616 653	2 248 070	578 684

## NOTES TO THE FINANCIAL STATEMENTS

Acquisition cost for capitalized IPO costs have been 2 705 209 euros from which a depreciation of 751 444 euros have been recognized during the financial year.

### Goodwill

Acquisition cost at 1.1.	0
Additions	1 129 068
Acquisition cost at 31.12.	1 129 068
Accumulated depreciation and impairment at 1.1.	0
Depreciation for the financial year	225 814
Accumulated depreciation and impairment at 31.12.	225 814
Carrying amount at 31.12.	903 255

### Machinery and equipment

Acquisition cost at 1.1.	295 302	295 302	261 985
Additions	38 708	33 855	33 317
Acquisition cost at 31.12.	334 011	329 157	295 302
Accumulated depreciation and impairment at 1.1.	152 243	152 243	104 557
Depreciation for the financial year	46 124	44 228	47 686
Accumulated depreciation and impairment at 31.12.	198 367	196 471	152 243
Carrying amount at 31.12.	135 644	132 686	143 059

### Holdings in group undertakings

Acquisition cost at 1.1.	27 500	27 500
Additions	1 560 512	0
Acquisition cost at 31.12.	1 588 012	27 500
Accumulated impairment 1.1.	0	0
Accumulated impairment 31.12.	0	0
Carrying amount at 31.12.	1 588 012	27 500

### Other shares and similar rights of ownership

Acquisition cost at 1.1.	1 073 969	1 073 969	287
Additions	0	0	1 073 681
Acquisition cost at 31.12.	1 073 969	1 073 969	1 073 969
Accumulated impairment 1.1.	0	0	0
Accumulated impairment 31.12.	0	0	0
Carrying amount at 31.12.	1 073 969	1 073 969	1 073 969

Other shares and similar rights of ownership includes ownership in Armada Interactive Oy.

Valuation of Armada's shares is dependent on the company's projects and their success and on the development of the company's business which Next Games monitors continuously.

### Receivables from group undertakings

Other receivables	0	13 977
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### Prepayments and accrued income

Long-term			
Prepayments	479 754	479 754	479 754
Short-term			
Grant receivables	0	0	250 000
Prepayments and marketing expense accruals	1 118 504	1 118 504	385 032
Accrued cost of sales	419 213	419 213	1 072 866
Other	36 318	21 890	77 963

## NOTES TO THE FINANCIAL STATEMENTS

### Deferred taxes

Recognized deferred tax assets from the parent company's tax losses in the financial statements amounted to 2 849 791 euros. Recognition is based on management's assessment that company is able to utilize the tax benefit generated by the tax losses.

Recognized deferred tax liabilities in the group financial statements amounted to 73 716 euros. The deferred tax liability is recognized from the fair value adjustment (intangible asset) on the acquisition of Lume Games Oy.

Tax losses from which deferred tax assets are recognized expire during years 2023-2026.

### NOTES TO BALANCE SHEET EQUITY AND LIABILITIES, EUR

Group 31.12.2017	Parent 31.12.2017	Parent 31.12.2016
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#### Equity

##### Breakdown of equity

Share capital 1.1.	2 500	2 500	2 500
Increase from reserves	77 500	77 500	0
Share capital 31.12.	80 000	80 000	2 500
<b>Total restricted equity 31.12.</b>	<b>80 000</b>	<b>80 000</b>	<b>2 500</b>

Invested unrestricted equity 1.1.	15 782 930	15 782 930	15 776 372
Share capital increase from reserves	-77 500	-77 500	0
Share issue	37 541 243	37 541 243	0
Exercise of options	30 020	30 020	6 558
Invested unrestricted equity 31.12.	53 276 693	53 276 693	15 782 930

Retained earnings 1.1.	-10 373 380	-10 376 953	-11 132 683
Retained earnings 31.12.	-10 373 380	-10 376 953	-11 132 683

Loss for the year	-6 381 184	-6 100 259	755 729
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<b>Unrestricted equity 31.12.</b>	<b>36 522 129</b>	<b>36 799 481</b>	<b>5 405 977</b>
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#### Loans maturing beyond five years

Loans from financial institutions	0	0	109 705
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#### Group liabilities

Other liabilities		28 521	0
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#### Accruals and deferred income

Accrual for other direct cost of sales	719 132	719 132	3 709 880
Staff expenses	958 645	958 645	613 272
Other	1 653 577	1 653 546	267 517

### COMMITMENTS AND CONTINGENT LIABILITIES, EUR

Group 31.12.2017	Parent 31.12.2017	Parent 31.12.2016
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#### Lease agreement liabilities

During next financial year	246 376	246 376	170 397
Later	138 994	138 994	64 597

Company has paid a leasing rent deposit of 130 000 € (other long-term receivables).

#### Deposits and commitments from office spaces

Rental deposits from office spaces: 689 691 € (other long-term receivables). Rent commitments from office spaces as of 31.12.2017: 8 280 954 euros (excluding 24 % VAT).

Investment commitment for office spaces: 1 000 000 euros.



## NOTES TO THE FINANCIAL STATEMENTS

### Other commitments

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

### Checking account credit limit

Total credit limit: 1.000.000 euros.

Credit limit in use as of 31.12.2017: 0 euros.

The company has given a 1 000 000 euro business mortgage (*yrityskiinnitys*) for the credit limit.

CALCULATION OF DISTRIBUTABLE FUNDS, EUR	Parent 31.12.2017	Parent 31.12.2016
<b>Distributable unrestricted equity</b>	<b>36 799 481</b>	<b>5 405 977</b>
Invested unrestricted equity	53 276 693	15 782 930
Retained earnings (loss)	-10 376 953	-11 132 683
Profit (loss) for the financial year	-6 100 259	755 729

### RELATED PARTY DISCLOSURES

Company has paid a total of 3.163.435 euros for licensing fees and marketing services from a related party (2016: 5.145.185 euros).

During the financial year 2017 Next Games corporation signed new license agreement with related party company AMC. The agreement covers all the ongoing game projects.

Control over the entity or significant influence over the entity's financial and operating decision-making processes are requirements when deciding company's related parties. During year 2017, company has traded with one of its related party: AMC, license holder for The Walking Dead.

## **SIGNATURES OF THE FINANCIAL STATEMENTS AND BOARD OF DIRECTORS' REPORT AND AUDITOR'S NOTE**

HELSINKI, 29 January 2018

Huuhtanen Teemu  
CEO

Niemi Petri  
Chairman of the Board

Achrén Joakim  
Board member

Levin Peter  
Board member

Ovaskainen Jari  
Board member

Rehrig Paul  
Board member

Sanderson Philip  
Board member

### **AUDITOR'S NOTE**

Our auditor's report has been issued today  
HELSINKI, 30 January 2018

PricewaterhouseCoopers Oy  
Authorised Public Accountants

Tuomas Honkamäki  
Authorised Public Accountant (KHT)

# AUDITOR'S REPORT

(Translation of the Finnish Original)

## TO THE ANNUAL GENERAL MEETING OF NEXT GAMES OYJ

### Report on the Audit of the Financial Statements

#### OPINION

In our opinion, the financial statements give a true and fair view of the group's and the company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

#### WHAT WE HAVE AUDITED

We have audited the financial statements of Next Games Oyj (business identity code 2536072-3) for the financial period 1 January- 31 December 2017. The financial statements comprise the balance sheets, the income statements, cash flow statements and notes for the group as well as for the parent company.

#### BASIS FOR OPINION

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

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

#### INDEPENDENCE

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

#### RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR FOR THE FINANCIAL STATEMENTS

The Board of Directors and the Managing Director are responsible for the preparation of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing

Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

#### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud



may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the effectiveness of the parent company's or the group's internal control. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

## OTHER REPORTING REQUIREMENTS

### OTHER INFORMATION

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises information included in the report of the Board of Directors.

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

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

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

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

HELSINKI, 30 January 2018

PricewaterhouseCoopers Oy  
Authorised Public Accountants

**Tuomas Honkamäki**  
Authorised Public Accountant (KHT)

## KEY OPERATIONAL METRICS DEFINED

### **DAU (daily active users):**

A user is counted as a daily active user if they sign in to the game at least once during a 24-hour period. 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 in to 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:** Revenue adjusted with the change (+/-) in deferred revenue

**Gross Margin:** Revenue less purchases and services

**EBITDA:** Operating profit (loss) excluding depreciations and amortizations

**Adjusted EBITDA:** EBITDA adjusted for changes in deferred revenue, deferred commissions and licenses, adjusted for capital gains and losses from non-current assets, and for expenses related to listing

**Equity Ratio:** 
$$\frac{\text{Capital and reserves total}}{\text{Total assets} - \text{Advances received}} \times 100$$

### **Earnings per share (EPS), undiluted:**

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

### **Earnings per share (EPS), diluted:**

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