FINANCIAL STATEMENTS

REPORT OF THE BOARD OF DIRECTORS

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

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
As percentage of revenue		
Gross margin (%)	37%	27%
EBITDA margin (%)	-15%	-4%
Operating result (%)	-20%	-5%
As percentage of gross bookings		
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 an 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), expect 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 authorization, 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 is 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
ASSETS			
NON-CURRENT ASSETS			
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
Intangible assets total	**6 820 113**	**5 548 276**	**610 761**
Tangible assets			
Machinery and equipment	135 643	132 685	143 059
Tangible assets total	**135 643**	**132 685**	**143 059**
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
Investments total	**1 073 969**	**2 661 981**	**1 101 469**
NON-CURRENT ASSETS TOTAL	**8 029 725**	**8 342 942**	**1 855 289**
CURRENT ASSETS			
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
Long-term debtors total	**4 151 530**	**4 149 237**	**3 151 713**
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
Short-term debtors total	**4 505 346**	**4 490 116**	**5 915 888**
Cash in hand and at banks	26 377 403	26 313 611	3 638 489
CURRENT ASSETS TOTAL	**35 034 279**	**34 952 963**	**12 706 090**
ASSETS TOTAL	**43 064 004**	**43 295 905**	**14 561 378**

(*) 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
EQUITY AND LIABILITIES			
EQUITY			
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
EQUITY TOTAL	**36 602 129**	**36 879 481**	**5 408 477**
LIABILITIES			
Non-current liabilities			
Loans from credit institutions	691 000	691 000	775 000
Deferred tax liabilities	73 716	0	0
Non-current liabilities total	**764 716**	**691 000**	**775 000**
Current liabilities			
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
Current liabilities total	**5 697 159**	**5 725 424**	**8 377 902**
LIABILITIES TOTAL	**6 461 875**	**6 416 424**	**9 152 902**
EQUITY AND LIABILITIES TOTAL	**43 064 004**	**43 295 905**	**14 561 378**

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

PROFIT AND LOSS STATEMENT, EUR	Group 1.1.2017- 31.12.2017 (*)	Parent 1.1.2017- 31.12.2017	Parent 1.1.2016- 31.12.2016
REVENUE	**32 496 933**	**32 496 933**	**31 111 712**
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
Raw materials and services			
External services	-20 546 906	-20 546 906	-22 860 033
Raw materials and services total	-20 546 906	-20 546 906	-22 860 033
Personnel expenses			
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
Personnel expenses total	-6 656 030	-6 678 523	-4 801 914
Depreciation, amortisation and write-offs			
Depreciation and amortisation according to plan	-1 552 168	-1 232 313	-426 807
Depreciation, amortisation and write-offs total	-1 552 168	-1 232 313	-426 807
Other operating expenses	-10 143 154	-10 138 362	-6 096 208
OPERATING PROFIT (LOSS)	**-6 379 187**	**-6 080 490**	**-1 582 008**
Financial income and expenses			
Other interest income and financial income			
From others	36 528	36 528	69
Other interest expenses and other financial expenses			
To others	-506 579	-506 426	-61 993
PROFIT (LOSS) BEFORE APPROPRIATIONS AND TAXES	**-6 849 238**	**-6 550 388**	**-1 643 933**
Income taxes			
Income taxes for the financial year	-505	0	0
Deferred tax	468 558	450 129	2 399 662
PROFIT (LOSS) FOR THE FINANCIAL YEAR	**-6 381 184**	**-6 100 259**	**755 729**

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

CASH FLOW STATEMENT, EUR	Group 1.1.2017- 31.12.2017 (*)	Parent 1.1.2017- 31.12.2017	Parent 1.1.2016- 31.12.2016
Cash flow from operating activities			
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
Cash flow before working capital changes	**-5 763 695**	**-5 784 700**	**-713 084**
Working capital changes:			
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
	-946 810	**-946 042**	**-144 865**
Operating cash flow before financing items and taxes	**-6 710 505**	**-6 730 742**	**-857 949**
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
Cash flow from operating activities (A)	**-6 746 069**	**-6 766 306**	**-878 792**
Cash flow from investments			
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
Cash flow from investments (B)	**-179 489**	**-223 044**	**-422 833**
Cash flow from financing activities			
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
Cash flows from financing activities (C)	**30 098 866**	**30 098 866**	**355 558**
Effect of exchange rate differencies on cash and cash equivalents	-434 394	-434 394	-39 933
Change in cash and cash equivalents	22 738 914	22 675 122	-985 999
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.

Company deferres 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 deferres 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**
Revenue			
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
Other operating income			
Gain from disposals, intangible rights	0	0	962 625
Grants received	0	0	250 000
Other	22 138	18 682	25 062
Other operating expenses			
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 expeness	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

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
Average headcount during the financial year	93	93	69
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
Total	**158 971**

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
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

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

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

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
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
Total restricted equity 31.12.	**80 000**	**80 000**	**2 500**
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
Excercise 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
Unrestricted equity 31.12.	**36 522 129**	**36 799 481**	**5 405 977**
Loans maturing beyond five years			
Loans from financial institutions	0	0	109 705
Group liabilities			
Other liabilities		28 521	0
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
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.

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**
Distributable unrestricted equity	**36 799 481**	**5 405 977**
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 an 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 Honkamaki
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:

$$\frac{\text{Capital and reserves total}}{\text{Total assets – Advances received}} \times 100$$

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.