2018

ANNUAL REPORT

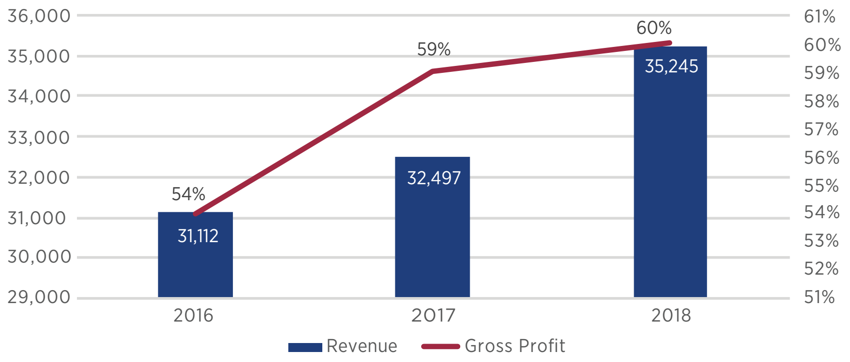
NEXT GAMES™

NEXT GAMES ANNUAL REPORT 2018

NEXT GAMES IN 2018

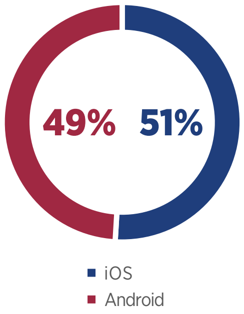
2018 FACTS & FIGURES

Revenue & Gross profit

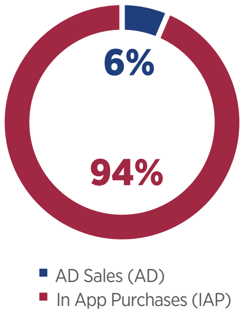


Revenue grew **+9%** as was 35.2 million euros
Gross profit was **60%**
Operating profit was **-16.9 million euros**
Product development activities were **10.5 million euros**

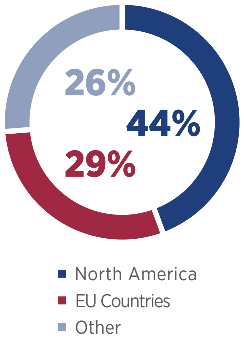
Gross Bookings by Platform



Gross Bookings by Source



Gross Bookings by Geography



Key Operational Metrics

Daily Active Users (DAU)

432,000 → 458,000
2017 2018

Monthly Active Users (MAU)

1,300,000 → 1,600,000
2017 2018

Average Revenue Per Daily Active User (ARPDAU)

0.20€ → 0.21€
2017 2018

Split between game projects at the end of 2018 vs. at the end of 2017

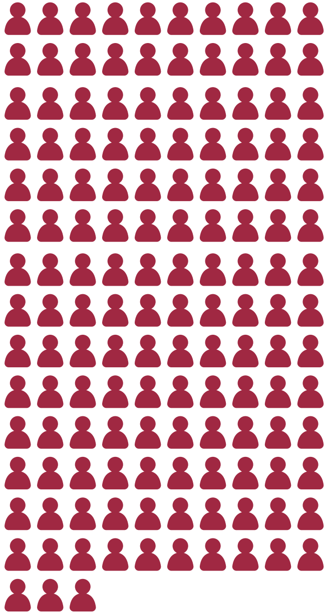
No Man's Land	**14%** (24%)
Our World (game launched in 2018)	**24%**
New projects	**49%** (69%)
General administration	**13%** (7%)

Shareholders (at the end of 2018)

Number of shareholders	**4,284**
Households	**95.56%**
Private Companies	**3.57%**
Foreigners	**0.35%**
Financial and Insurance Institutions	**0.37%**
Public Sector Organizations	**0.05%**
Non-profit instit Serving Households	**0.05%**

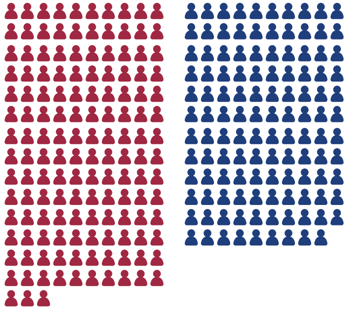
Employees (at the end of 2018)

143



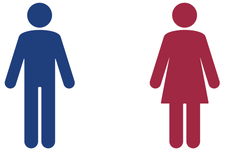
2018 vs 2017 employee count

143 **119**



20 Different nationalities (at the end of 2018)

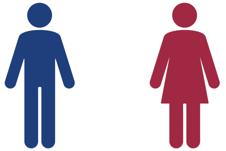
Employees gender (at the end of 2018)



79% Men

21% Women

Management Team (at the end of 2018)



50% Men

50% Women

CEO'S REVIEW

Next Games continued to build future foundations in 2018 as a continuation of its efforts from 2017. The company has furthered its strategic investments into its technology and analytics platforms as well as Google Maps technology integration. Next Games continues to invest in the utilization of machine learning, artificial intelligence, and productization of generic game features for fast reutilization in future games. These investments will allow the company to enjoy the benefits of scale in the future, as the existing technology and tools will decrease time to market for the company's products.

The company also carried out a transition to the IFRS accounting standard, which allows Next Games to report comparable financial figures to other games companies, according to international standards. The Company also believes that a function based Profit and Loss Statement is more informative for stakeholders.

During the first half of the year the company largely focused on preparing for the launch of our second title, the innovative location-based augmented reality game, The Walking Dead: Our World, which launched on July 12, as well as the ongoing development of Blade Runner Nexus and other games in our pipeline.

The company made significant marketing investments in The Walking Dead: Our World on a global scale in pursuit of significant revenue growth. Due to technical challenges, which now have been resolved, the company had to scale back marketing investments to a much lower level than anticipated, as the challenges significantly affected the game's functionality and therefore also revenue stream.

During the fourth quarter of the year we focused on our turnaround plan after a challenging third quarter. The company took immediate corrective measures, minimizing expenditure and stabilizing our cash position, from 8.8 million euros at the end of the third quarter, to 7.3 million euros at the end of the fourth quarter.

After the reporting period, the company initiated consultation proceedings, which were concluded on the 15th of February, and resulted in a reduction of the company's headcount down to 117 positions, in addition to which, we also focused on reviewing our game development pipeline. After the reporting period in January 2019, Next Games and Universal Games and Digital Platforms came to an agreement over terminating their collaboration on the game project that had proceeded to production. We will place more focus on the early stages of game concepting and development, as a consequence of which, the company has kicked off a new game project which does not have an external IP attached at this time.

We will continue to streamline our operations and costs further, to work towards future profitability. This will include a renewed focus on our game development process and related costs, and efficient reuse of gameplay mechanics and technologies which we have already built. We have also taken significant steps, with improved risk management measures in addition to further development of our ways of working.

Our shared Games-as-a-Service technology platform has matured during the year. During the third quarter, in conjunction with The Walking Dead: Our World launch, we encountered technical challenges. These challenges were largely solved during the third and fourth quarter, and the platform was able to maintain the expected quality of service levels from it. Towards the end of the year, the technology team's focus shifted to optimizing the costs of the platform, and the ability to run multiple games in a cost effective manner. New features were also introduced, in order to support upcoming titles such as Blade Runner Nexus.

I expect the company's turnaround project to be concluded during the first half of 2019, after which time we will see much better alignment across projects, as well as improved operational efficiency across the company. The investments made in 2018 have been a significant cornerstone in building a solid foundation for the company's product pipeline. Next Games has an extraordinarily committed staff: I look forward to continuing our work together, developing the company, our culture, and values in 2019.

Teemu Huuhtanen
CEO

STRATEGY AND BUSINESS MODEL

Mission

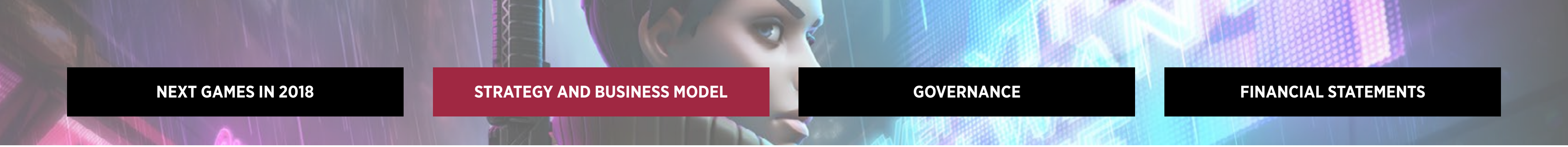
Next Games defines the way franchise entertainment transforms into highly engaging mobile games played together with friends and fellow fans.

Vision

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

Values

Caring, Courage, Curiosity



MOBILE GAMES MARKET OVERVIEW

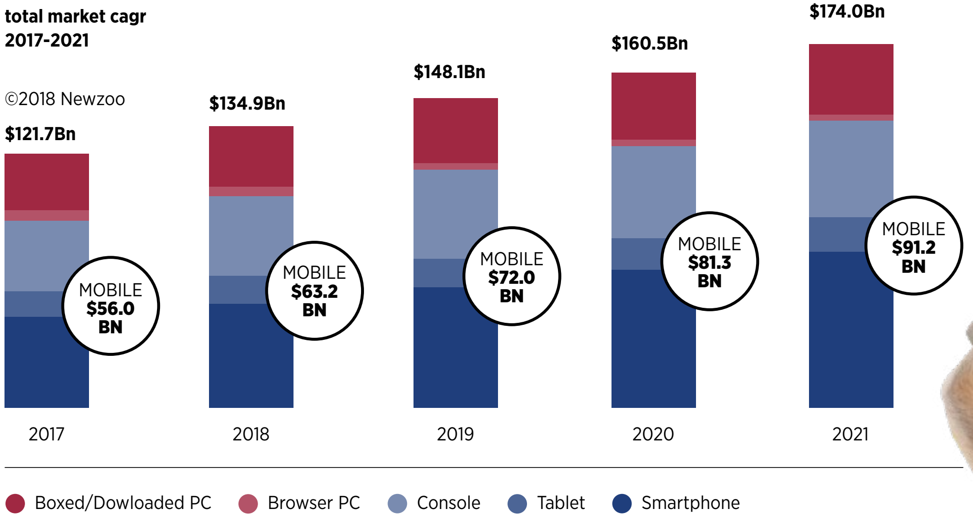
Next Games operates in growing markets which are highly competitive. The biggest markets in 2018 were China and North America. The global smartphone market is also extremely competitive - the two largest brands, Samsung and Apple currently dominate the market with more than 50% worldwide market share between them.

According to Newzoo, the global mobile games market will reach $72 billion in 2019. Overall, Newzoo forecasts the global games market will reach $148.1 billion in 2019. By 2021 the market will reach $174.0 billion, with mobile games accounting for 52% of revenues.

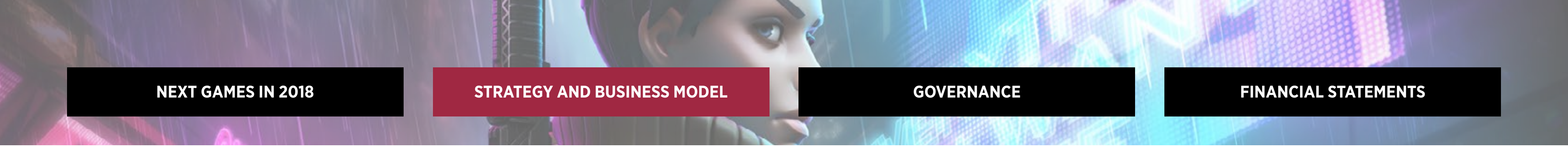
+9.3%

total market cagr 2017-2021

©2018 Newzoo



Source: ©Newzoo | October 2018 Quarterly update | Global Games Market Report newzoo.com/globalgamesreport



OUR STRATEGY AND BUSINESS MODEL

Next Games' strategy is to build long lasting mobile entertainment, based on well-known entertainment franchises. Through partnerships with IP holders, Next Games seeks to combine well-known IPs with engaging game mechanics, fit for the audience preferences, and the prevalent free-to-play business model in the market. Next Games offers 360° service to license holders, including development, publishing, marketing and operating the published game once live.

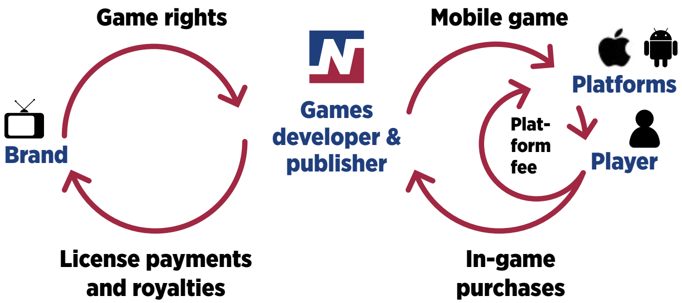
Next Games licenses the rights to IPs, such as a movie, tv-series, comic book, or novel. Next Games works with major licenses, characterized by the fact that they are global, i.e. not confined to being popular in one market, and recognizable, i.e. they have an existing large fan base. In return for the license rights, Next Games usually pays a minimum royalty guarantee, and subsequently 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 between the parties.

In collaboration with its partners and based on researching the existing audience of the IP, Next Games develops its games on mobile platforms (iOS and Android) and publishes the games on Google Play and in the Apple App Store and thereafter markets them to the target audience, according to a mutually agreed marketing plan. The license holder also provides direct or indirect support in marketing and PR activities, for example by utilizing the IP's social media and other digital media channels.

As the games Next Games develops are free-to-play, i.e. free to download, and monetization is based on voluntary in-app purchases, revenue accrues over time, as players progress in the game and decide to purchase virtual items. Out of these in-app-purchases, the platforms, Apple and Google charge a cut of approximately 30%, after which Next Games receives the remaining 70%. Next Games pays the license holder the agreed upon royalty based on the sales on a quarterly basis.

Business model



OUR STRATEGIC PRIORITIES - FOCUS ON DELIVERING A GREAT PLAYER EXPERIENCE

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

Capitalizing on lessons learned and an understanding of a constantly evolving market, Next Games concentrates on enabling teams to efficiently focus on building engaging mobile games through four strategic initiatives:

1. Building on top of the existing game mechanics and technology

Optimal time-to market is a key question as the market evolves fast. Next Games has a strong foundation to build upon with the company's experience in role-playing, collection and location gaming mechanics. Next Games' games share a technology platform, which has matured during 2018 into a more robust product. The purpose of the shared technology platform is to offer a shared backend solution and tools for all the company's games in order to increase code reusability across projects and thus reduce time and effort spent on basics for each game as well as make all generic features available for all game projects.

2. Efficient liveoperations with automation, shared tools and best practices

Shared tools and best practices across games are essential to carry out efficient live operations. With the help of the company's shared technology

platform, and experience of running live games, Next Games has a great foundation upon which to build automations and easy-to-use tools for operating games. This enables us to run efficient teams focused on solving the most important challenge; how to build great games.

Next Games is investigating opportunities for the utilization of machine learning and artificial intelligence. The company has implemented a machine learning solution in order to detect unexpected changes in its games in order to decrease time spent manually processing data. Artificial intelligence solutions are in use in the company's customer service operations to decrease response times and increase response satisfaction. The company is also looking into solutions to increase in-game advertising efficiency by utilizing an algorithm that can tailor ads to fit a user's profile and preferences. With the help of AI and machine learning, the company is planning to enhance the targeting of in-app purchases in its games, based on the players behavior, such as which features or aspects of the game the player enjoys the most.

"Nextgames has a great foundation for operating games to help teams focus on solving the most important challenge: how to build great games."

3. Robust structure for player and market data-driven decision making

Quantitative data based on player behavior as well as qualitative insights from player feedback and research are essential ingredients in creating engaging games. Next Games has invested in its own analytics platform, and continues to actively develop it, going forward. In addition, the company invests in efficient utilization of player data in its decision-making, and continuously develops its processes to deliver insights in a timely fashion into its game development process in order to make player-centric decisions, and define robust targets for development.

4. Continuous exploration of new opportunities and technologies

Next Games actively researches possibilities for geographical expansion, as well as increasing revenue streams. The company has opened new markets in Asia during 2018. The market tests have been self-operated and small-scale, and the company continues to evaluate partnering opportunities in these markets. As the company now has a foundation to operate and build location-based games, location-based advertising becomes an interesting opportunity for further research. Additionally, the company puts more focus on renewing its early stage concepting and proto-typing processes to develop game concepts which can either be paired with an IP, or developed into a proprietary IP.

PRODUCTS PORTFOLIO & TECHNOLOGY STRATEGY

The Walking Dead: Our World

Key highlights:

- July - Global launch to 153 markets
- September - The Walking Dead Season 9 special missions with fan-favorite characters released for show season premiere
- November - First Bait event for players to team up to fight hordes of walkers for the exclusive Sniper Rifle reward and tons of fun gameplay!
- December - Big Holiday event over a 5-week marathon to unlock the special new Shotgun and an abundance of other rewards

The innovative location-based augmented reality game, The Walking Dead: Our World was launched globally on July 12. With this release Next Games became one of the pioneers in developing products utilizing AR and location: these technologies, and more specifically, combining them in one product, requires specific technical expertise.

The company made significant marketing investments on a global scale, and specifically in the game's key markets, the US and the largest markets in Europe, in pursuit of significant revenue growth. Based on the game's monetization potential, the company sought to achieve one million daily active users (DAU) during the weeks following the launch, and based its marketing plans on this goal. During the first weeks, the company succeeded in acquiring a significant amount of daily players, at the same time as reaching the company's expectations for the game's key operational metrics, retention, and monetization. The game achieved top50 grossing list ranking (a list measuring game revenue) in multiple key markets, thus Next Games is pleased with the game's initial performance during the first weeks.

As the number of players in the game increased during the first weeks, some technical challenges were encountered, which adversely affected the game's functionality and had a negative impact on revenue development for the game. As a consequence, the company elected to scale back the game's marketing investment to a considerably lower-than-planned level. Prior to the technical challenges, The Walking Dead: Our World reached a level of 625 thousand daily active users.

The technical challenges that affected the game were resolved towards the end of the fourth quarter of 2018. The game's marketing investments remained at a conservative level for the duration of 2018 while technical fixes were delivered. The team continues to further develop the game from both technical and content perspectives in 2019.

The Walking Dead: No Man's Land

Key highlights:

- July - The launch of No Man's Land in Japan
- August: Very high engagement in the final weeks of the "Summer of Explosions" event.
- October - The TV show season missions continue, celebrating every episode of AMC's The Walking Dead's Season 9 with new playable content
- December - Get your Guild together, it's time to go to War! New Guild vs Guild game mode, Guild Wars, was released.

The Walking Dead: No Man's Land development and live operations continued throughout 2018. The team has been able to keep engagement and revenue stable at the game's customary level by utilizing a mixture of tried and tested as well as new live-operations campaigns and in-game events. With the "Summer of Explosions" event, the team tested a new structure for an event that requires longer term commitment for the players to achieve their goals. This structure was further used and iterated for the holiday campaigns at the end of the year. Another notable addition to the game was the "Guild Wars" feature, where players can team up with other players and compete to win rewards. The game was also released for the Japanese market in July, where it was well received.

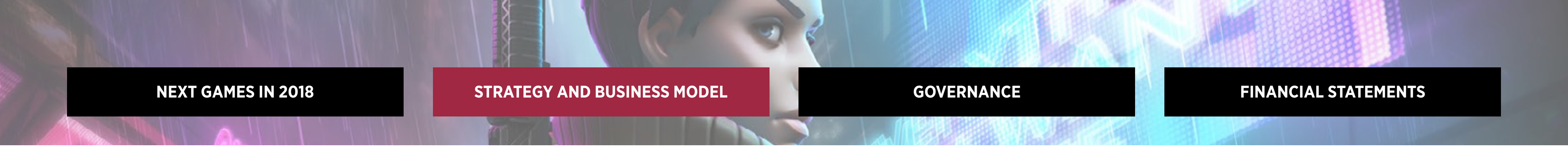
Blade Runner Nexus

The game based on Blade Runner movie franchise has been in development throughout 2018. The game entered technical soft launch in July 2018 and opened in three additional markets after the reporting period in January 2019. During the first half of 2019 the game's soft launch will proceed and more information on the game's potential launch schedule released, as information becomes available.

Unannounced Projects

Next Games has continued to maintain relationships with key license holders throughout 2018. Next Games signed a new license agreement during the third quarter with a leading entertainment IP holder for an extremely sought-after license. After the reporting period in January 2019, Next Games and Universal Games and Digital Platforms came to an agreement over terminating their collaboration on the game project that had proceeded to production.

Additionally, Next Games increased focus on internal concepting and prototyping processes to foster and improve current technology, features and learnings, and has a new project group formed around a game concept that is not attached to a third party IP at the moment.



NEXT GAMES PRODUCT PIPELINE

Negotations	Discussions with license holders	
Developement	Concepting & prototyping	● ● ●
	Pre-production	
	Production	● NBCUNIVERSAL GAME PROJECT
Publish	Soft launch	● BLADE RUNNER NEXUS
	Launch	● THE WALKING DEAD: OUR WORLD ● THE WALKING DEAD: NO MAN´S LAND

● = 1 game in specific phase
● = Game project discontinued after the reporting period in January 2019

GAMES-AS-A-SERVICE TECHNOLOGY PLATFORM

The purpose of the shared technology platform is to offer a comprehensive backend solution and tools for all the company's games in order to increase code reusability across projects, thus reducing time and effort spent on basics for each game.

Next Games has partnered with Microsoft to utilize their cloud service and other managed service offerings to build a scalable and easy to maintain foundation for the platform without having to build each system in-house. Relying on an established external partner helps Next Games to efficiently operate the platform with a compact internal team.

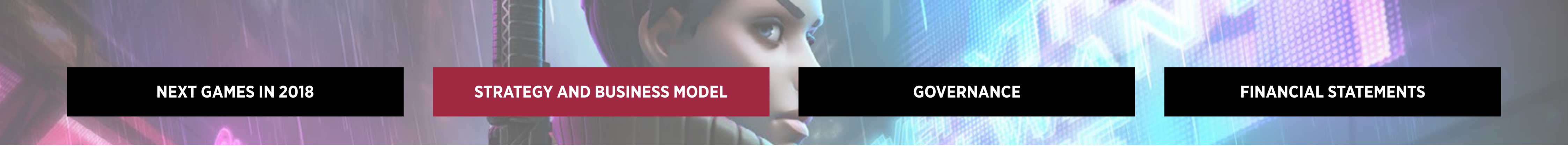
Based on its technology strategy, Next Games started the development of its shared technology platform in 2013. The two first games running on the platform were the company's first release Compass Point: West, and The Walking Dead: No Man's Land in 2016.

In late 2016, the company renewed the platform and changed some of the core technologies to ensure it would be able to support several types of game features, to achieve efficient maintainability as well as the ability to support multiple versions of the same game simultaneously. This removes the need for player-facing maintenance breaks as updates happen in the background.

The first game to run on the second iteration of the platform was The Walking Dead: Our World, launched in July 2018. One of the key requirements for the location-based The Walking Dead: Our World was to resolve the potential challenge of thousands of players viewing and playing the game simultaneously in a certain location, and thus the need to present the actions of other players in real-time. The solution, called "unlimited persistent shared location", is one of the key achievements of the platform, and simultaneously an incredibly difficult technical challenge to resolve.

"Next Games is a front-runner in adopting new technologies and building solutions for the long-term."

Julia White,
Corporate Vice President,
Microsoft



During the weeks following the launch of The Walking Dead: Our World, and as the number of players in the game increased, some technical challenges related to the “unlimited persistent shared location” solution were encountered, which adversely impacted the game’s functionality. The technical challenges that affected the game were resolved during the fourth quarter of 2018 in collaboration with Next Games’ technology partner Microsoft.

Since the resolution of the technical challenges, the technology team has focused on optimizing the platform costs as well as supporting multiple live games in a cost effective way. The platform currently now also serves Blade Runner: Nexus, the company’s third licensed game currently in soft launch.

Julia White,
Corporate Vice President,
Microsoft:

“Next Games’ vision of building a future-proof technology platform to ensure reliability, reusability, and scalability is an approach Microsoft can fully endorse. Using Microsoft Azure cloud computing services, Next Games has built a modern microservices platform that enables straightforward maintainability, offers uninterrupted player experience through frictionless server-side content updates, and leverages robust server verification to help prevent cheating. Next Games’ core focus is to build games - and Azure services obviate the need to dedicate large technology teams to work on backend solutions.

As one of the most strategic mobile-gaming partners on Azure, the Next Games team has proven to be a valuable partner in its continuing development. Next Games is a front-runner in adopting new technologies and building solutions for the long-term. Anticipating and meeting the technological requirements of modern mobile gaming is a challenge we have been fortunate to work on together. Microsoft is firmly committed to Azure’s ongoing innovation to meet the needs of mobile gaming companies, in long-term collaboration with Next Games.”

CORPORATE GOVERNANCE STATEMENT 2018

CORPORATE GOVERNANCE

Next Games applies the Finnish Companies Act, other regulation concerning public listed companies, Next Games' Articles of Association as well as the rules and regulations of NASDAQ Helsinki Ltd applicable to companies with their shares listed on the Nasdaq First North marketplace. Though Next Games strives to comply with the recommendations of the Finnish Corporate Governance Code, effective as of 1 January 2016, the company does not report deviations from the Finnish Corporate Governance Code, as compliance with the Code is not mandatory for Next Games. The Finnish Corporate Governance Code is publicly available on the website of the Securities Market Association at www.cgfinland.fi.

This Corporate Governance Statement has been issued as a separate report and the Audit Committee of Next Games has reviewed it. The Statement has been published on the company's website at www.nextgames.com.

PricewaterhouseCoopers Oy, Authorized Public Accountants, as the company's auditor has checked that the Statement has been issued and that the description of the main features of the internal control and risk management system in relation to the financial reporting process are consistent with the financial statements.

GENERAL

Next Games' administrative bodies and officers with the greatest decision-making power are the General Meeting of Shareholders, the Board of Directors and the CEO. Next Games does not have a supervisory board. At the Annual General Meeting of Shareholders, the shareholders approve the financial statements, decide on the distribution of profits, select the members of the Board of Directors and the auditor and determine their remuneration, as well as decide on amendments to the Articles of Association if necessary.

Next Games' Annual General Meeting is convened by the Board of Directors. According to the Articles of Association, the Annual General Meeting of Shareholders shall be held within six months from the expiry of the financial period on a date decided by the Board of Directors.

Next Games' shares are listed on the NASDAQ First North marketplace.

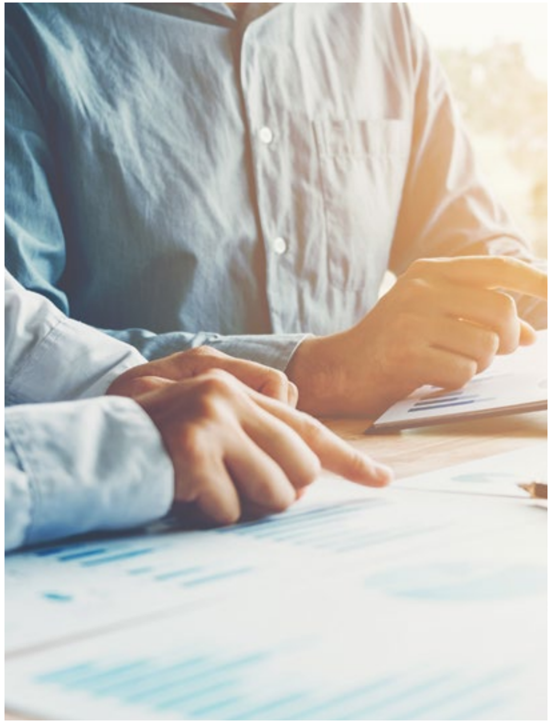
BOARD OF DIRECTORS AND BOARD COMMITTEES

Composition and term of the Board of Directors

The members of the Board of Directors are elected in the Annual General Meeting of the company. The term of office of the members of the Board of Directors expires at the end of the next annual general meeting following the election. The proposal for the composition of the Board of Directors is prepared by the Remuneration and Nomination Committee of the Board of Directors.

The Remuneration and Nomination Committee takes into account when preparing the proposal for the composition of the Board of Directors company's business operations, their development and the strategy of the company. The main objective hereby is to ensure that the composition of the Board of Directors supports company's business operations and strategic priorities in the optimal manner. Diversity of the Board of Directors is essential for the aforementioned objective. Diversity of the Board of Directors is reviewed from different perspectives, including gender and age diversity. The progress in achieving the objective is reviewed regularly. The Director elected to the Board of Directors shall have the required competence for the position, and sufficient amount of time to attending the duties of the position.

Next Games' Annual General Meeting was held on 17 May 2018. The Annual General Meeting elected the following members to the Company's Board of Directors:



Petri Niemi

Chairman of the Board of Directors

Master of Science, Engineering
Born 1961
Finnish citizen

Chairman of the Board of Directors as of 23 February 2017
Chairman of the Audit Committee and Remuneration Committee
Ownership of shares and share based rights in the company and its group companies at the end of the financial period 2018: 7,000 shares and 1,400 option rights under the Equity Plan 2017. Shares and share based rights of the corporation over which the Director exercises control in the company and its group companies at the end of the financial period 2018: 0.

Significant employment history:
G2 Invest Oy, CEO, 2011–
CapMan Oyj, Head of CapManTechnology, 1999–2010

Positions of trust:
Detection Technology Oyj, Member of the Board of Directors, 2012–
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–
Leaddesk Oy, Chairman of the Board of Directors, 2017–
Autori Oy, Chairman of the Board of Directors, 2018–
Clausion Oy, Chairman of the Board of Directors, 2018–
Wega Advisors Oy, Chairman of the Board of Directors, 2017–
Bilot Consulting Oy, Chairman of the Board of Directors, 2016–
B10 Group Oy, Chairman of the Board of Directors, 2015–

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
Ownership of shares and share based rights in the company and its group companies at the end of the financial period 2018: 940,818 shares and 984 option rights under the Equity Plan 2017. Shares and share based rights of the corporation over which the Director exercises control in the company and its group companies at the end of the financial period 2018: 121,212 shares.

Significant employment history:
Next Games, Co-founder, Director of Games Research, Board Member, 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
Ownership of shares and share based rights in the company and its group companies at the end of the financial period 2018: 0 shares and 13,334 option rights under the Equity Plan 2014. Shares and share based rights of the corporation over which the Director exercises control in the company and its group companies at the end of the financial period 2018: 0.

Significant employment history:
Lionsgate, President: Interactive Ventures & Games, 2014–
Legendary Entertainment, Co-President Digital Strategy, 2012–2013
Nerdist Industries, Chief Executive Officer, 2009–2013

Positions of trust:
DEFY Media, Member of the Board of Directors, 2016–
Telltale Games, Member of the Board of Directors, 2014–
Yoshimoto Kogyo, Advisor, 2005–

Jari Ovaskainen
Member of the Board of Directors

Master of Economics, University of Turku
Born 1964
Finnish citizen

Member of the Board of Directors as of 25 April 2013
Member of the Remuneration Committee
Ownership of shares and share based rights in the company and its group companies at the end of the financial period 2018: 3,093,110 shares and 0 option rights. Shares and share based rights of the corporation over which the Director exercises control in the company and its group companies at the end of the financial period 2018: 0.

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–

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
Ownership of shares and share based rights in the company and its group companies at the end of the financial period 2018: 0. Shares and share based rights of the corporation over which the Director exercises control in the company and its group companies at the end of the financial period 2018: 0.

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

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
Ownership of shares and share based rights in the company and its group companies at the end of the financial period 2018: 0. Shares and share based rights of the corporation over which the Director exercises control in the company and its group companies at the end of the financial period 2018: 0.

Significant employment history:
Ridge Ventures (fka IDG Ventures USA), Managing Director, 2006–2018
WaldenVC, General Partner, 1997–2006
Robertson Stephens, Associate, 1993–1995
Goldman Sachs, Analyst, 1990–1993

The Board evaluates the independence of its members annually in accordance with the Corporate Governance recommendations. On the basis of the independence evaluation carried out by the Board of Directors, all members of the Board of Directors except 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.

Description of the operations of the Board of Directors

The Finnish Companies Act sets the ground for the operations of the Board of Directors. According to the Finnish Companies Act, The Board of Directors is responsible for the proper organization of the Company's administration and operations. The CEO is responsible for the day-to-day management and development of the company in accordance with the instructions and orders of the Board of Directors.

The Board reviews all matters that are significant to or that have long-term effects on Next Games' business operations. The Board of Directors' main duties include, among other things:

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

In 2018, the Board of Directors held 14 meetings. The members of the Board attended the meetings as follows.

	Position	Committee member since	Independent of the company and its significant shareholders	Attendance
Petri Niemi	Chairman since 2017	2017	Yes	14/14
Joakim Achrén	Member	2013	No	14/14
Peter Levin	Member	2014	Yes	10/14
Jari Ovaskainen	Member	2013	No	14/14
Paul Rehrig	Member	2015	Yes	11/14
Philip Sanderson	Member	2015	Yes	12/14

Right of the Board of Directors to Receive Information

The company has ensured that all directors have received sufficient information on company's business operations, operating environment, and financial position and that the possible new directors have been properly introduced to the operations of the company.

Board committees

On 23 February 2017, the Board of Directors decided to establish two permanent committees, an Audit Committee and a Remuneration and Nomination Committee. The Board of Directors has not established other committees.

The committees prepare matters to be decided in meetings of the Board of Directors. The committees have no independent decision making powers. The Board of Directors annually appoints the members of the committees from among the members of the Board of Directors. The Board of Directors also has the power to dismiss members of the committees.

The Board of Directors elected by the Annual General Meeting on 17 May 2018 appointed Petri Niemi as the Chairman of both the Audit Committee and the Remuneration and Nomination Committee, Philip Sanderson as a member of the Audit Committee and the Remuneration and Nomination Committee, and Jari Ovaskainen as a member of the Remuneration and Nomination Committee.

Audit Committee

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

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

In 2018, the Audit Committee held 3 meetings. The members of the Board attended the meetings as follows.

	Position	Committee member since	Independent of the company and its significant shareholders	Attendance
Petri Niemi	Chairman since 2017	2017	Yes	3/3
Philip Sanderson	Member	2017	Yes	3/3

Remuneration and Nomination Committee

The Board of Directors has defined the duties of the Remuneration and Nomination Committee in the operating principles of the committee confirmed by it. The Remuneration and Nomination Committee assists 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 and Nomination Committee is in charge of preparation of the proposals for 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 and Nomination Committee consists of at least three members. The majority of the members of the remuneration committee shall be independent of the company.
In 2018, the Remuneration and Nomination Committee held 2 meetings. The members of the Board attended the meetings as follows.

	Position	Committee member since	Independent of the company and its significant shareholders	Attendance
Petri Niemi	Chairman since 2017	2017	Yes	2/2
Jari Ovaskainen	Member	2017	No	2/2
Philip Sanderson	Member	2017	Yes	2/2

CHIEF EXECUTIVE OFFICER

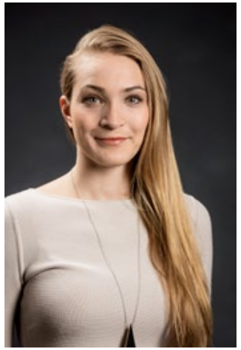
The CEO manages the daily operations of Next Games according to strategic principles and objectives confirmed by the Board of Directors. The CEO prepares matters on which decisions are to be made by the Board of Directors of the company, ensures that the accounts of the company are in compliance with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

The Board of Directors appoints the CEO and decides on the remuneration of the CEO and the other terms of the CEO's service agreement. The CEO is appointed until further notice. The CEO of Next Games is Teemu Huuhtanen.

MANAGEMENT TEAM

The CEO is supported by the Management Team, the composition of which is confirmed by the Board of Directors. The Management Team does not hold authority or independent decision-making power based on legislation or the Articles of Association, and operates instead as an advisory and preparatory body in matters belonging to the Next Games' executive management.In 2018 Next Games' Management Team consisted of six members. 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

Teemu Huuhtanen
Chief Executive Officer

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

Ownership of shares and share based rights in the company and its group companies at the end of the financial period 2018: 172,919 shares, 30,000 option rights under the Equity Plan 2015, 844 option rights under the Equity Plan 2017 and 22,500 option rights under the Equity Plan 2018. Shares and share based rights of the corporation over which the Director exercises control in the company and its group companies at the end of the financial period 2018: 266,720 shares.

Significant employment history:

Next Games, CEO, 2013–
Rovio Entertainment Oy, Vice President, Mergers & Acquisitions, 2012–2013
Sulake Corporation Oy, Executive Vice President, Mobile, Ad Sales, Business Development and Communications, 2011–2012
Sulake Corporation Oy, Executive Vice President, Marketing and Business Development, 2006–2011
Sulake Inc., President, 2006–2011
Sulake Corporation Oy, Executive Vice President, Sales & Business Development, 2003–2006
Small Planet Oy, Executive Vice President, 2002–2003
Orchimedia Group Oy, Co-Founder and CEO, 1998–2002

Positions of trust:

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

Kalle Hiitola
Chief Technology Officer

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

Ownership of shares and share based rights in the company and its group companies at the end of the financial period 2018: 942,896 shares and 1,400 option rights under the Equity Plan 2017. Shares and share based rights of the corporation over which the Director exercises control in the company and its group companies at the end of the financial period 2018: 364,000 shares.

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–

Saara Bergström
Chief Marketing Officer

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

Ownership of shares and share based rights in the company and its group companies at the end of the financial period 2018: 17,176 shares, 605 option rights under the Equity Plan 2014, 19,726 option rights under the Equity Plan 2015, 500 option rights under the Equity Plan 2017 and 22,500 option rights under the Equity Plan 2018. Shares and share based rights of the corporation over which the Director exercises control in the company and its group companies at the end of the financial period 2018: 0.

Significant employment history:

Next Games, Chief Marketing Officer, 2014–
Rovio Entertainment, VP, Marketing & Communications, 2013–2014
Rovio Entertainment, Director, Consumer Engagement, 2011–2013
Nokia, Marketing Manager, Community Management Lead, 2009–2011
Nokia, Online Marketing Manager, 2008–2009
Nokia, Marketing Specialist, 2007–2008
Right Management, Communications Consultant, 2006–2007
Freelance Journalist, Various publications, 2002–2005

Positions of trust:

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

Annina Salvén
Chief Financial Officer

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

Ownership of shares and share based rights in the company and its group companies at the end of the financial period 2018: 7,516 shares, 22,500 option rights under the Equity Plan 2015, 703 option rights under the Equity Plan 2017 and 22,500 option rights under the Equity Plan 2018. Shares and share based rights of the corporation over which the Director exercises control in the company and its group companies at the end of the financial period 2018: 0.

Significant employment history:

Next Games, CFO 2016–
Greenstep Oy, CFO Services 2012–2016
Aktia Pankki Plc, investment advisor, 2008–2010 and 2011–2012

Positions of trust:

Oy 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

Emmi Kuusikko
Chief Product Officer

Born 1975
M.Sc, Economics
Finnish citizen
Member of the Management Team as of 2018

Ownership of shares and share based rights in the company and its group companies at the end of the financial period 2018: 800 shares, 22,990 option rights under the Equity Plan 2017 and 22,500 option rights under the Equity Plan 2018. Shares and share based rights of the corporation over which the Director exercises control in the company and its group companies at the end of the financial period 2018: 0.

After the reporting period, Emmi Kuusikko, the company's Chief Product Officer, stepped down from her role to pursue new challenges.

Significant employment history:

Next Games, Chief Product Officer, 2018 –
Next Games, Head of Live Games and Services, 2017 – 2018
Reforged Studios, Chief Marketing Officer, 2016 – 2017
Microsoft Studios, Director of Business and Product Management, 2015 – 2016
Lionhead Studios, Director of Strategy and Business Management, 2013 – 2015
Digital Chocolate, Vice President of Product Management, 2012 – 2013
Sulake Corporation Oy, Director of User and Market Insight, 2004 – 2011

Positions of trust:

Board member of Digiekonomit (Helsingin Ekonomit ry, Finnish Business School Graduates) 2017 –

Joonas Viitala
Chief Operating Officer

Born 1988
M.Sc. Economics in Finance
Finnish citizen
Member of the Management Team as of 2018

Ownership of shares and share based rights in the company and its group companies at the end of the financial period 2018: 1,733 shares, 22,900 option rights under the Equity Plan 2017 and 22,500 option rights under the Equity Plan 2018. Shares and share based rights of the corporation over which the Director exercises control in the company and its group companies at the end of the financial period 2018: 0.

Significant employment history:

Next Games, COO, 2018–
Next Games, Head of Business Development, 2017-2018
Rovio Entertainment Oy, Director Business Development, 2017-2017
Rovio Entertainment Oy, Head of Production Asia / Director Business Development Asia 2015-2016
Rovio Entertainment Oy, Country Director Korea, 2015-2016
Rovio Entertainment Oy, Country Director China, 2013-2014

Positions of trust:

Finnish Chamber of Commerce Korea (FINNCHAM), Member of the Board of Directors, 2016-2017

CONTROL SYSTEMS

Next Games Board of Directors has approved the principles of internal control, risk management and internal auditing to be followed by the Company.

Internal Control Principles

The goal of Next Games internal control system is to ensure that the Company's operations are efficient and profitable, that its business risk management is adequate and appropriate, and that the information created is reliable. The control system also makes it possible to oversee that the determined operating principles, given instructions and possible related party transactions are followed.

The company has no separate internal audit unit, and does not conduct internal audits. In practice, internal control is done by the Financial Department under the supervision of the CFO. The Audit Committee oversees the activities, and conducts a review of the finance departments performance based on the feedback of external auditors in conjunction with the Board of Directors. The goal is to make sure that the company minimizes risk by applying division of power within the financial process. This includes, but is not limited to, approval limits for management members, CEO and CFO as well as Chairman of the Board. Requirements of a minimum of two approvals for invoices, separation of payment and approval rights, limitations on access to view and edit financials, automated payment prevention for suspicious or duplicate invoicing, as well as general administration and accountancy policies which include monthly reviews on outsourcing activities and all significant partners.

Risk Management

Risk Management at Next Games coordinates and develops a systematic assessment of risks and opportunities within core business planning and decision-making processes. The company has defined a risk management policy that describes the objectives and principles, responsibilities and practices of risk management at Next Games.

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

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

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

This risk management model is used in the identification and management of risks which threaten Next Games' objectives. Risk identification is based on business objectives and opportunities and the defined risk appetite in order to limit excessive risk taking. Risks are prioritized on the basis of their significance by assessing the impact and likelihood of their materialization and the level of risk management actions.

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

The Management Team regularly monitors the execution of risk management actions and reports to the Audit Committee and Board of Directors on the risks and the progress of risk management responses. The sufficiency and effectiveness of the responses are assessed as part of the monitoring of business operations. Any corrective actions are taken as necessary.

Risks and management responses are reported in accordance with Next Games' reporting responsibilities. The Management Team reviews and updates risk reporting on a bi-annual basis, or on a quarterly basis, if needed. The risk map, the most significant risks and uncertainties, as well as material changes in and responses to them are reported to the Next Games Board of Directors.

Financial Reporting

Financial reporting is governed by a set of common principles. Correct financial reporting for Next Games means that its financial statements give a true and fair view of the operations and the financial position of the company and that such statements do not include intentional or unintentional misstatements or omissions both in respect of the figures and level of disclosure. The internal control framework is built and based on reporting processes and frameworks as described here, as well as company values, a culture of honesty and high ethical standards. Such framework is promoted by proper training, a positive and a disciplined work attitude and by the hiring and promoting of suitable employees.

Next Games has previously applied FAS accounting standards, but as of 2018 has moved in to IFRS reporting standards. The CFO at Next Games has drawn up guidelines and internal control process documentation which is updated as needed, at least once a year, which covers the content of financial reporting and the dates which reporting must take place.

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

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

Planning and performance reporting

Next Games sets and monitors financial targets both for the long term and the short term.
Long term targets are defined to match the overall mission, vision and strategy of the company. Short term targets are set as part of the annual planning cycle and progress in achieving these targets is monitored on a monthly basis.

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

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

Next Games financial statements are based on the monthly management reporting process. This process includes in-depth analyses of deviations between actual performance, budgets, prior year performance and latest forecasts for the business. The process covers financial information as well as key performance indicators that measure the operational performance on a business unit and corporate level. The process is designed to ensure that any deviations from plans, in terms of financial or operating performance and financial management policies are identified, communicated and reacted upon efficiently, in a harmonized and timely manner.

Auditing of accounts

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

The Auditor of Next Games is PricewaterhouseCoopers Oy. Tuomas Honkamäki, APA, acted as the Auditor with principal responsibility until 29 January 2019, when he was replaced by Jukka Karinen, APA, pursuant to a notice given by PricewaterhouseCoopers Oy to Next Games on that date.

A total of 15 thousand euros was paid in audit fees. The company also paid other consulting fees to auditors 125 thousand euros.

Insider Management

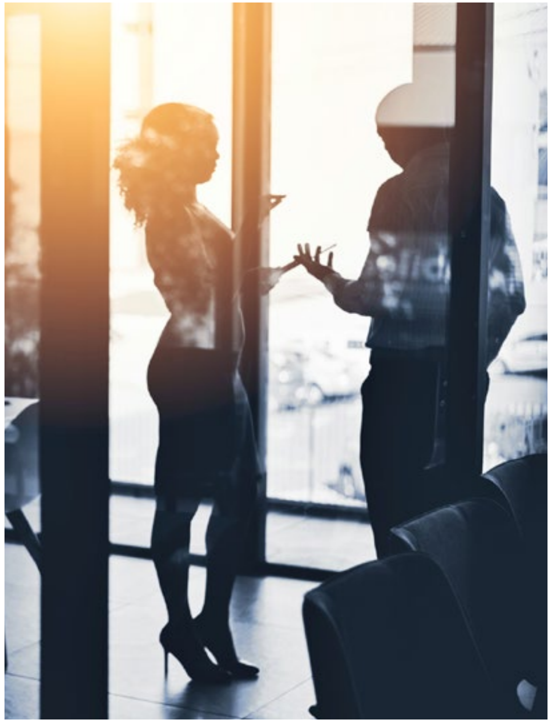
In matters regarding insiders, Next Games complies with the applicable legislation and FFSA standards, the insider guidelines of Nasdaq Helsinki Ltd and the company's own insider guidelines, in each case as required from companies listed on the Nasdaq First North Finland marketplace.

Persons discharging managerial responsibilities at Next Games are subject to a so called "closed period", which begins 30 calendar days before the announcement of a half year report, business report or financial statement bulletin or preliminary information thereon and during which time such persons may not conduct any transactions relating to the shares or other financial instruments of Next Games. The closed period also applies to the company's annual financial report. The closed period includes the day on which Next Games has disclosed the above mentioned information.

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

Management of the Related Parties

Next Games' related parties include its subsidiaries, 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.



REMUNERATION STATEMENT AND REMUNERATION REPORT 2018

Remuneration, rewards and incentives

The main objectives of remuneration at Next Games are to promote competitiveness and long-term financial success of the company, contribute to the favourable development of shareholder value and increase the commitment of the company's key persons.

Remuneration of the members of the Board of Directors

The Annual General Meeting decides on the remuneration payable to the Board of Directors. The Remuneration and Nomination Committee of the Board of Directors prepares the matters related to the remuneration payable to the Board of Directors.

On 17 May 2018, the Annual General Meeting resolved that the annual remuneration payable to the members of the Board be as follows:

- Chairman of the Board of Directors - EUR 4,500 per month,
- Other members of the Board of Directors - EUR 2,500 per month, and
- Chairman and members of the Audit Committee and Remuneration and Nomination Committee - EUR 1,000 per committee meeting.

The remuneration is payable in cash.

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

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

Remuneration of the CEO

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

Remuneration of other management

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 schemes

Profit share plan

The Board of Directors annually approves a profit share plan for the company. The Remuneration and Nomination Committee prepares matters related to the terms of the profit share plan. The profit share plan encompasses all staff and the members of the Management Team. The profit share plan consist of set sales and profitability targets, both of which must be met, in order to trigger payouts. Payouts differ depending on applicable tiered sales and profitability levels. Sales and profitability targets are determined at a company level, as Next Games believes it takes the efforts and commitment of all staff, at all levels and disciplines to grow the company. Personnel is rewarded on a personal level depending on how long they have been with the company, as continued commitment is highly valued. Payouts can never exceed 12 months of salary for any individual, nor can the total bonus pool exceed 1/4 of pre-bonus operating profit.

In 2017, the Board of Directors approved a profit share plan for the year 2018. As the company made no operating profit in 2018, there were no payouts based on the profit share plan.

Option rights

Next Games has four share-based incentive schemes: Equity Plan 2014, Equity Plan 2015, Equity Plan 2017 and Equity Plan 2018. Based on the equity plans, current and future employees of, consultants acting in a key role for and members of management of the company and its group companies are eligible, as separately decided by the Board of Directors, to receive option rights entitling to subscribe to shares in the company. The Remuneration and Nomination Committee prepares matters related to allocation of option rights based on the equity plans.

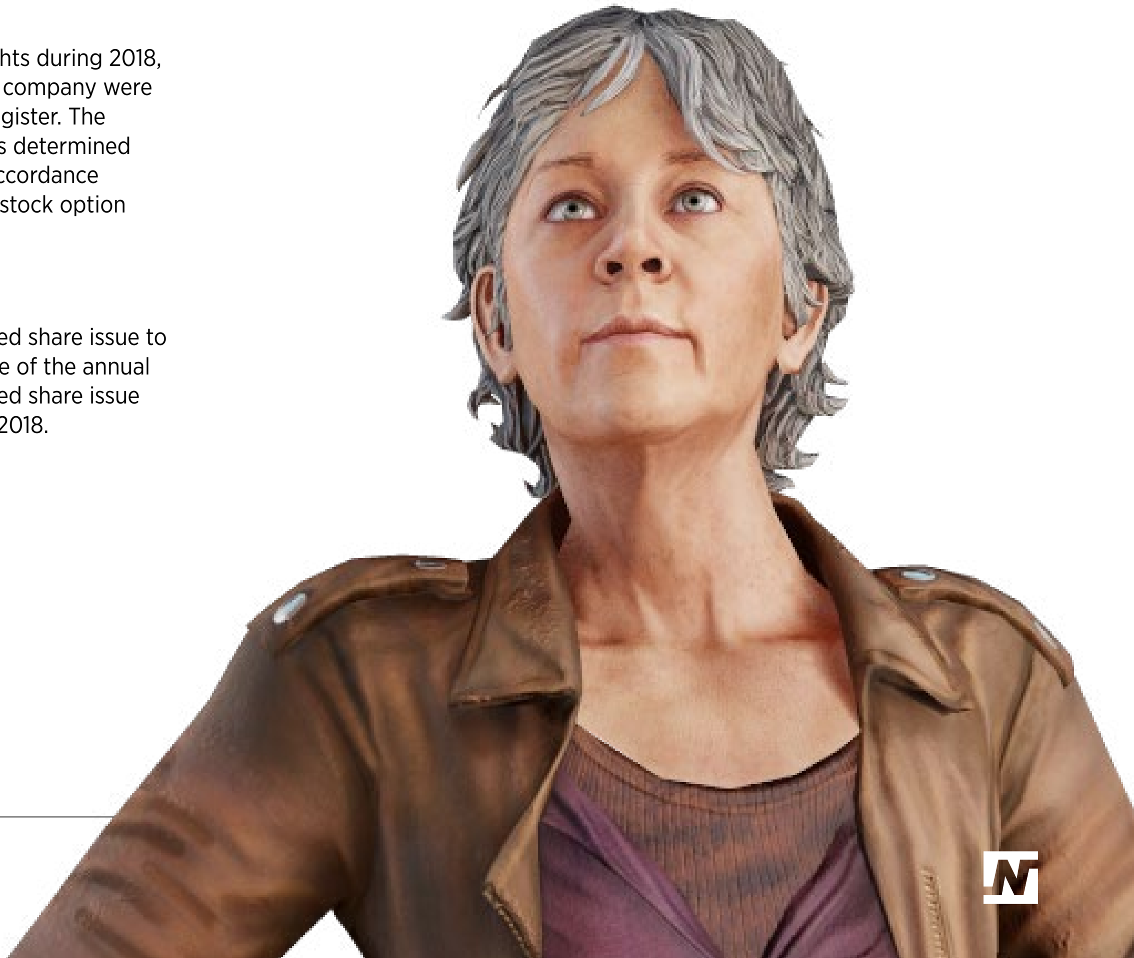
All of Next Games employees, whose probation period ended by the end of 2018 are option holders. The company intends to continue granting options to all new employees at the end of their probation period as a long term incentive.

Unless otherwise decided by the Board of Directors, option rights are issued to recipients free of charge, and the subscription price for the shares is defined in each equity plan. The company has typically applied a schedule where 25 percent of the option rights granted to a recipient become eligible for share subscription ca. one year from the grant date and the remaining 75 percent become eligible for share subscription in regular 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 Team. If a recipient's services with Next Games ceases for any reason (a "termination), all unexercised options rights that do not yet entitle to share subscription automatically terminate and are forfeited to the company. If a recipient whose service with Next Games has terminated holds options rights that entitle to share subscription, he or she is entitled to exercise such option rights within 30 days from the date of termination, at which point the option rights that remain unexercised automatically terminate and are forfeited to the company.

As a result of exercises of option rights during 2018, a total of 284,532 new shares in the company were registered with the Finnish Trade Register. The subscription price for the shares was determined individually for each subscriber in accordance with the applicable equity plan and stock option agreement.

Directed share issue

The company aims to make a directed share issue to its employees each year after release of the annual financial statements. No such directed share issue was made during the financial year 2018.



REMUNERATION REPORT

The fees paid to the members of Next Games' Board of Directors 2017-2018

(EUR 1,000)	Fee for Board work		Other financial benefits		Total compensation paid in the financial year	
	2017	2018	2017	2018	2017	2018
Petri Niemi	52	54	–	–	52	54
Joakim Achrén	31	30	–	–	31	30
Peter Levin	26	30	–	–	26	30
Jari Ovaskainen	–	–	–	–	–	–
Paul Rehrig	–	–	–	–	–	–
Philip Sanderson	–	17	–	–	–	17

Salaries paid and option rights granted to the CEO 2017-2018

(EUR 1,000)	Salary		Other financial benefits		Total compensation paid in the financial year		Option rights granted in the financial year (1,000 pcs)	
	2017	2018	2017	2018	2017	2018	2017	2018
CEO	269	228	20	10	289	238	30.8	22.5

Salaries paid and option rights granted to other management 2017-2018

(EUR 1,000)	Salary		Other financial benefits		Total compensation paid in the financial year		Option rights granted in the financial year (1,000 pcs)	
	2017	2018	2017	2018	2017	2018	2017	2018
Management team	533	608	1	1	534	609	50.7	113

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 other stakeholders.

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

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.

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

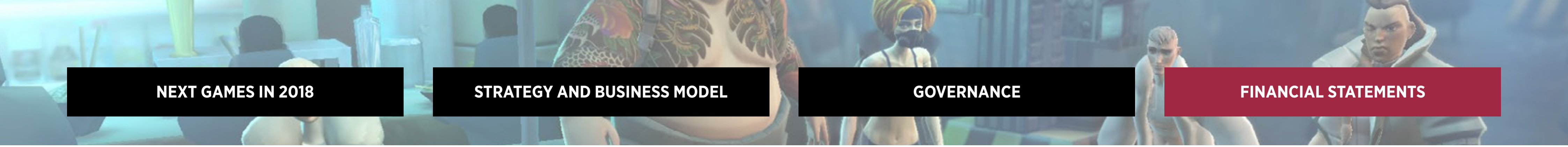
In the monetization of free-to-play games, we aim to offer a high quality and entertaining experience in exchange for the money spent by the players. The worlds of our games are rich in detail, and offer an additional dimension to the original IP.

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.

FINANCIAL STATEMENTS AND THE BOARD OF DIRECTORS REPORT

CONTENTS

BOARD OF DIRECTORS REPORT



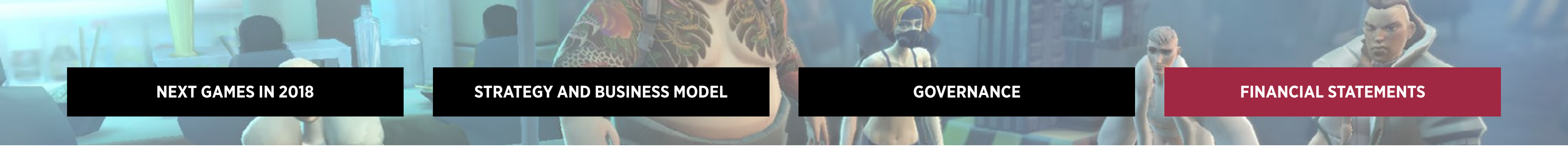
FOR FINANCIAL YEAR 2018

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.

“Next Games has had four additional games in different stages of development during 2018: Blade Runner Nexus as well as three other unannounced titles.”

The company has so far published two critically acclaimed license-based games, The Walking Dead: No Man’s Land in October 2015 and The Walking Dead: Our World in July 2018. In addition, the company published its first game, Compass Point: West in March 2015, which is not based on a third party license. The company has had four additional games in different stages of development during 2018: Blade Runner Nexus as well as three other unannounced titles. After the reporting period in January 2019, the company discontinued its collaboration with Universal Games and Digital Platforms, but simultaneously has commenced a new game project that is not attached to a third party IP at the moment.

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. In 2017, Next Games acquired Lume Games Oy, which was merged with the company January 2018.



KEY FINANCIAL FIGURES

JANUARY - DECEMBER 2018 IN SHORT

- Revenue grew 9% to EUR 35.2 million (EUR32.5 million)
- Gross profit was 60% (59%)
- Operating profit was EUR -16.9 million (EUR -5.1 million)
- During 2018, the company employed 135 people on average (93) and employed 143 (119) people at the end of the year
- Cash at EUR 7.3 million (EUR 26.4 million)

(January-December 2017 comparison in brackets)

(EUR 1000)	01-12/2018	01-12/2017
Revenue	35,245	32,466
Gross bookings	35,789	30,930
Gross Profit	21,294	19,308
Operating profit (-loss) (EBIT)	-16,915	-5,071
Adjusted Operating profit	-15,261	-4,689
Earnings per share, undiluted (€)	-0.99	-0.37
Earnings per share, diluted (€)	-0.99	-0.37
As percentage of revenue		
Gross profit (%)	60%	59%
Operating result (%)	-48%	-16%
As percentage of gross bookings		
Adjusted operating profit (%)	-43%	-14%

Key Operational Metrics

Daily Active Users (DAU)

438,000 (2016) → 432,000 (2017) → 458,000 (2018)

Monthly Active Users (MAU)

1,600,000 (2016) → 1,300,000 (2017) → 1,600,000 (2018)

Average Revenue Per Daily Active User (ARPDAU)

0.21€ (2016) → 0.20€ (2017) → 0.21€ (2018)

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 A non IFRS Financial Measure, defined as the total amount paid by our users for virtual items in a given reporting period. It does not include deferrals, and thus it is Revenue adjusted with the change (+/-) in deferred revenue.

Gross Profit Revenue adjusted for (+/-) server expenses, expenses and depreciations related to royalties and license fees, as well as platform cut.

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

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 aDer 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.

REVENUE AND EARNINGS DEVELOPMENT

Revenue grew 9% to EUR 35.2 million (EUR 32.5 million) during the reporting period, while the Company's gross profit-% was stable at 60.4% (59.5%). Majority of revenue growth occurred during the second half of the year as the company launched their new game The Walking Dead: Our World. Gross profit was positively impacted as Microsoft issued server credits related to volume at the end of the year, of an approximate value EUR of 2.3 million for the full year of 2018.

Operating result of Next Games Group was EUR -16.9 million in 2018 (EUR -5.1 million in 2017). Operating result was highly impacted by the global launch of the The Walking Dead: Our World, which happened in July 2018. The company made significant marketing investments into The Walking Dead: Our World on a global scale in pursuit of significant revenue growth. Due to technical challenges, which now have been resolved, the company however had to scale back marketing investments on a much lower level than anticipated as the challenges significantly affected the game's functionality and therefore also revenue stream. Due to the launch, sales and marketing expenses grew to EUR -23.6 million (EUR -12.7 million). During the financial period, the company continued to invest on new products and development of current products which had an effect on profitability.

The fourth quarter of the year the company focused on a turnaround plan after a challenging third quarter. The company took immediate corrective measures, minimizing expenditure and stabilizing our cash position from 8.8 million euros at the end of the third quarter to 7.3 million euros at the end of the fourth quarter.

Total loss for the financial period was EUR -18.0 million (EUR -6.1 million). Finance income/costs netted EUR 0.1 million (EUR -0.5) and the share of associates' loss was EUR -0.1 million (EUR -0.5 million). Tax expenses during the financial period was EUR -1.2 million (EUR -0.1 million). Tax expenses were mainly derived from changes in deferred tax items.

RESEARCH AND DEVELOPMENT ACTIVITIES

Next Games continued to build future foundations in 2018 as a continuation of its efforts from 2017. The company has furthered its strategic investments into its technology and analytics platforms as well as Google Maps technology integration.

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 2018. Next Games research and development related costs were salaries as well as outsourced development. During 2018, the company utilized outsourcing for specific parts of game development, in addition to working closely with an external studio in the development of one of their titles.

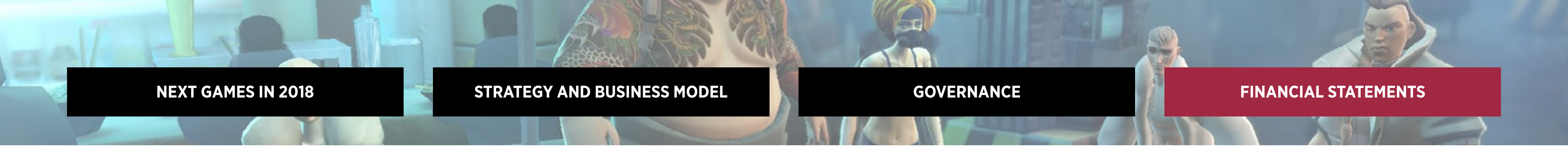
During the financial period the company also continued to invest in developing new products, including a cooperation on a game with Universal Games and Digital Platforms. After the reporting period in January 2019, Next Games and Universal Games and Digital Platforms came to an agreement over terminating their collaboration on the game project that had proceeded to production. All costs related to the product, approximately EUR 2.0 million, are recognized in the Profit and Loss statement for the full fiscal year of 2018.

Research and development activities for the period grew to EUR 10.4 million (EUR 7.0 million). During 2018 in accordance with IAS 38 Next Games also capitalized 5.0 million euros (2.4 million euros) of development expenses.

Breakdown of Research and Development Activities

1000 EUR	2018	2017
Employee Expenses	-6 456	-4 449
Purchases and Services	-4 050	-1 962
Capitalization of R&D	4 965	2 369
IFRS 2 adjustment	-591	-754
Depreciations	-725	-112
General Cost allocation to R&D function	-3 561	-2 126
	-10 418	-7 034

Next Games depreciates expenses related to game development with a straight line method over three years. Depreciations begin when the game is launched globally. Technology is depreciated with a straight line method over five years.



CASH FLOW AND FINANCING

Cash in hand and at banks of the company decreased EUR -19.1 million were EUR 7.3 million (EUR 26.4 million) as at 31 December 2018. The decrease of cash balance was primarily due to heavy marketing investments for the global launch of The Walking Dead: Our World mobile game. Company's equity ratio remained at good level 65% (87%).
The company finances its operations primarily by equity financing and cash flow from operating activities. Company has also received funding from Business Finland in the form of governmental grants and loans. The total nominal value of loans received from Business Finland was EUR 0.8 million as at December 31, 2018.

As reported in the company's Q3 2018 business review, Next Games also assesses alternatives to strengthen its financial position, to secure future product development and to support the company's marketing investments for future growth.

ASSESSMENT OF MOST SIGNIFICANT RISKS AND UNCERTAINTIES

Next Games' revenue in the first half of 2018 was almost solely related to The Walking Dead: No Man's Land, a licensed game developed by the company. In July 2018 the company launched The Walking Dead: Our World, the company is highly dependent on the sales from these titles. There are significant marketing investments involved in the launch of a new game, of which the returns carry a risk. The company has also utilized both its own and third party technology that is new, and which may carry a scalability risk.

Losses incurred in the third quarter relating to the global launch of The Walking Dead: Our World had a significant impact on the company's cash position. If the company's turnaround project is not successful, or if no additional capital is raised, it may carry a significant risk relating to the company's ability to launch new titles and it may affect overall liquidity for 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.

The company has capitalized expenses related to game development, of which future profits are uncertain.
In addition, in accordance with IFRS, Next Games has valued goodwill and other assets based on future outlook of the company.There is a risk of impairment related to these.

The company has entered into new license deals during 2018 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.

Fluctuations in the USD - EUR currency rates has an impact to Next Games' financial results which are 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 insured its business with customary insurances for cyber security, business interruption and property.

Risks other than those described above may have an impact on Next Games' business.

PERSONNEL

At the end of 2018, Next Games had 143 employees who represented 20 different nationalities. 96% of employees worked in a permanent relationship and 4% were fixed-term employees. On average in 2018, the company employed 135 people.

At the end of 2018 14% of employees was working on The Walking Dead: No Man's Land (24% in 2017), 24% on The Walking Dead: our World, 49% was working on new projects (69% in 2017), and approximately 13% of staff worked in general administration (7% in 2017).

The table below outlines certain key figures related to personnel during the financial years 2017-2018.

	2018	2017
Average personnel employed	135	93
Salaries and benefits during fiscal year (EUR thousand)	7,636	7,032

SHARES AND SHAREHOLDERS

The shares of Next Games Corporation (NXTGMS) are listed on Nasdaq First North marketplace maintained by Nasdaq Helsinki Ltd. The company's shares are included in the book-entry system operated by Euroclear Finland Ltd.

As at 31 December 2018, Next Games' registered share capital amounted to EUR 80,000 and the number of registered shares was 18,503,314 (18,218,782 at the end of 2017). The Company has one class of shares. The shares have no par value. During 2018, the company redeemed 13 410 own shares to the price of EUR 0.4925 per share, and thus the company held 13,410 own shares (0,007%) at 31st December 2018.

During July-December 2018 the number of registered shares was 18,269,910. The weighted average in 2018 was 18,363,428 shares and the July-December 2018 weighted average was 18,482,729 shares.

NEXT GAMES CORPORATION TOP 20 MAJOR SHAREHOLDERS

31 December 2018

Shareholders	Shares	% of Share	Change	Change %
1. Ovaskainen Jari Juhani Rainer	3 093 110	16,72	0	0,00
2. IDG Ventures USA III, L.P.	1 188 306	6,42	0	0,00
3. Hiitola Kalle Johannes	942 896	5,10	0	0,00
4. Achrén Joakim Tomas Johan	940 818	5,08	0	0,00
5. Achrén Mikael Jan Kennet	928 295	5,02	0	0,00
6. Jumisko Jaakko	906 246	4,90	-10 000	-1,09
7. Ilmarinen Mutual Pension Insurance Company	546 224	2,95	38 704	7,63
8. Varma Mutual Pension Insurance Company	380 000	2,05	0	0,00
9. Nuard Ventures Oy	364 000	1,97	0	0,00
10. Vaah Holdings Oy	266 720	1,44	0	0,00
11. OP-Finland	251 667	1,36	0	0,00
12. Säästöpankki Small Cap Mutual Fund	213 480	1,15	0	0,00
13. OP-Finland Small Firms Fund	211 667	1,14	0	0,00
14. Danske Invest Finnish Small Cap Fund	204 310	1,10	0	0,00

Shareholders	Shares	% of Share	Change	Change %
15. Odesangel Ab	197 488	1,07	0	0,00
16. Huuhtanen Teemu Mikael	172 919	0,93	0	0,00
17. Pardon Christophe	160 916	0,87	0	0,00
18. LähiTapiola Mutual Life Insurance Company	149 290	0,81	79 431	113,70
19. Päivinen Johannes Edvard	145 635	0,79	0	0,00
20. Hollming Toni Kristian	144 574	0,78	0	0,00
20 largest shareholders total	11 408 561	61,66	0	0,00
Nominee registered	3 210 319	17,35	0	0,00
Other shares	3 884 434	20,99	0	0,00
In the joint book-entry account	902 012	4,88	0	0,00
Total	**18 503 314**	**100,00**		

*Next Games has nominee registered shareholders, including AMC Networks. With 3,210,319 shares, the total share of the nominee registered shareholders is 17.35 %.

STRUCTURAL AND FINANCIAL REORGANIZATION

Investments and Acquisitions

Next Games acquired Lume Games Oy in 2017, which was merged with the company in January 2018.

Total additions of non-current assets during the fiscal year was EUR 8.5 million, majority of the increase related to capitalized game development expenses, in addition to increase in property with renovating and moving in to a new office space in Kluuvi.

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 32 433 as at 31 December 2018.

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. 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 156 189 as at 31 December 2018.

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 1.14- 7.90. 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 307 369 as at 31 December 2018.

On 6 July 2018, pursuant to the authorization granted by the company's annual general meeting of shareholders on 17 May 2018, the Board of Directors of the company approved by unanimous written resolution the terms and conditions of the company's 2018 equity plan (the "Equity Plan 2018"). Pursuant to the authorization, granted by the company's annual general meeting of shareholders on 17 May 2018, the number of shares may be increased in the aggregate by a maximum of 730,000 new shares. Each option right issued under the Equity Plan 2018 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 2018, the share subscription price is EUR 1.14. 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 2018 (excluding option rights that have been cancelled, forfeited or exercised) was 355 500 as at 31 December 2018.

Current 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' preemptive rights, provided that there is a weighty financial reason from the Company's perspective, including the issue of shares for executing potential acquisitions or other corporate transactions, or for acquiring new licenses against the share consideration. Under the authorization, the Board of Directors has the right to decide on the other terms and conditions of a share issue. The authorization is valid for five years from the date it was granted, i.e. until 23 February 2022. As at 31 December 2018, 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 shares so 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 23 February 2022. As at 31 December 2018, authorization to issue 42,631 shares and option rights entitling to 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 was valid for eighteen months from the date it was granted, i.e. until 23 August 2018. As at 31 December 2018, the authorization had expired.

On 17 May 2018, the Annual General Meeting resolved to authorize the Board of Directors to resolve on the issuance of shares in deviation from the shareholders' preemptive rights (directed issue). Pursuant to the authorization, shares can be issued for the purposes of carrying out mergers, acquisitions and other corporate transactions, financing transactions, to be used as consideration for new licenses, or for the formation of strategic partnerships. The number of shares issued based on the authorization shall not exceed 1,000,000 shares in the aggregate. The board of directors is authorized to decide on all other conditions of the issuance of shares. The authorization is effective until 17 November 2019. As at 31 December 2018, the authorization remains fully unused.

On 17 May 2018, the Annual General Meeting resolved to authorize the Board of Directors to resolve on the issuance of shares and/or option rights in deviation from the shareholders' preemptive rights (directed issue). Pursuant to the authorization, shares and option rights entitling to shares could be issued to current and future employees, managers and consultants of the company and its subsidiaries for purposes of incentivizing and motivating such individuals.

MANAGEMENT

The total number of shares in the company may, as a result of the authorization, be increased by a maximum of 730,000 shares in the aggregate. The board of directors is authorized to decide on all other conditions of the issuance of shares and/or option rights entitling to shares. The authorization is effective until 17 November 2019. As at 31 December 2018, authorization to issue 374,500 shares and option rights entitling to shares remains unused.

Share Issuances

As a result of exercises of option rights during 2018, a total of 284,532 new shares in the company were registered with the Finnish Trade Register. The subscription price for the shares was determined individually for each subscriber in accordance with the applicable equity plan and stock option agreement.

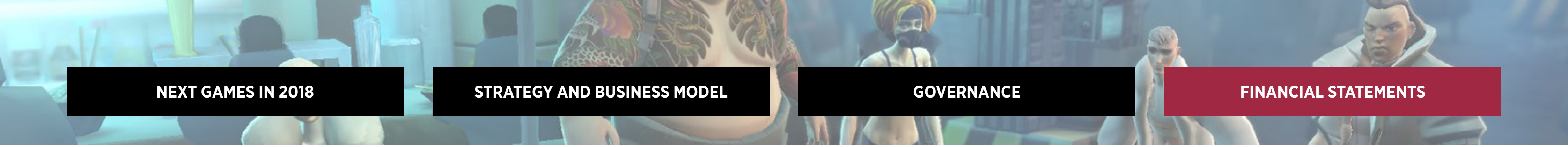
Board of Directors, management and auditors

During the financial year 2018, the Board of Directors of the company consisted of Petri Niemi (Chairman), Jari Ovaskainen, Philip Sanderson, Paul Rehrig, Peter Levin and Joakim Achrén.
The company's CEO has been Teemu Huuhtanen for the financial year 2018. In April, 2018, Next Games appointed two new members to its Management Team, Emmi Kuusikko as Chief Product Officer and Joonas Viitala as Chief Operating Officer. During the financial year 2018, the Management Team consisted of Teemu Huuhtanen (CEO), Annina Salvén(CFO), Saara Bergström (CMO), Emmi Kuusikko (CPO), Kalle Hiitola (CTO) and Joonas Viitala(COO). After the reporting period, Emmi Kuusikko, the company's Chief Product Officer, stepped down from her role to pursue new challenges.

The Annual General Meeting reelected PricewaterhouseCoopers Oy, Authorised Public Accountants, as the company's auditor. Jukka Karinen, Authorised Public Accountant, was appointed as auditor with principal responsibility in January 2019. It was decided that the that the remuneration to the auditor will be paid according to a reasonable invoice approved by the company.

Corporate governance statement

The corporate governance statement for 2018 can be found on the company's website at www.nextgames.com.



EVENTS AFTER THE REPORTING PERIOD

After the reporting period in January 2019, Next Games and Universal Games and Digital Platforms came to an agreement over terminating their collaboration on the game project that had proceeded to production. Next Games has also started a new project group formed around a game concept that is not attached to a third party IP at the moment.

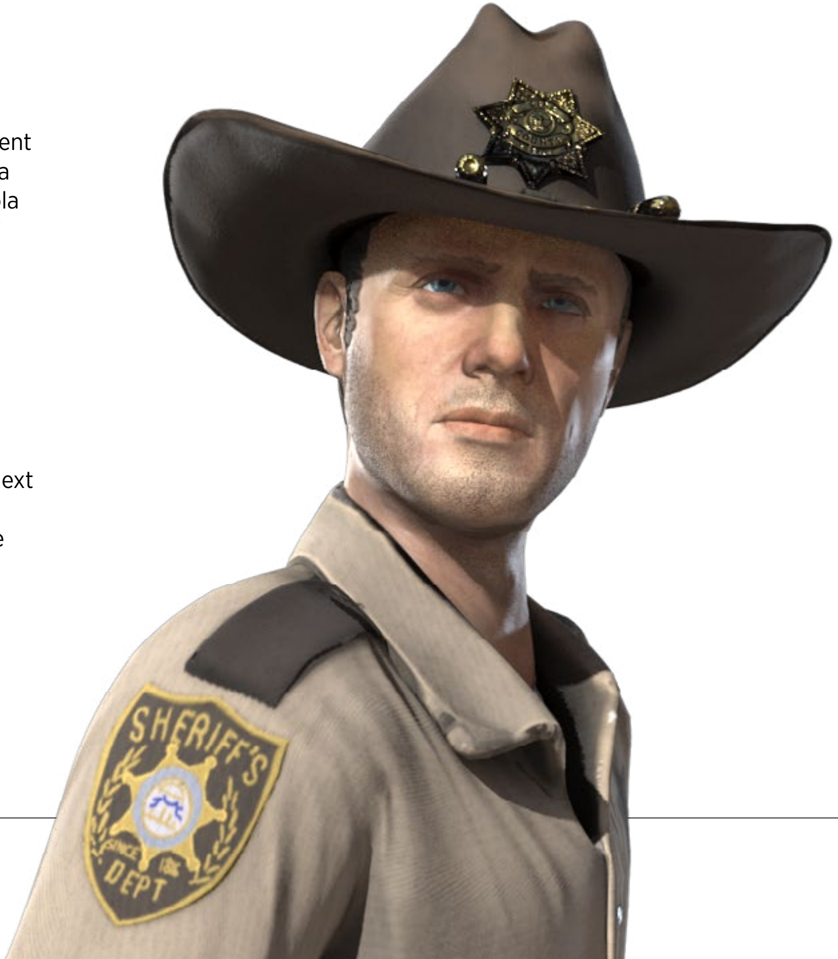
After the reporting period in February 2019 the company concluded consultations proceedings concerning the company's staff as part of the company's program to to review the cost structure of the company's operations and streamline its operational model. As a result of the measures taken as part of the program, the company scales down the number of staff from 143 at the end of year 2018, to 117 employees.

After the reporting period, Emmi Kuusikko, the company's Chief Product Officer and a valued member of Next Games Management Team, stepped down from her role to pursue new challenges. As of 15 February, 2019 the Management Team consists of Teemu Huuhtanen (CEO), Annina Salvén (CFO), Saara Bergström (CMO), Kalle Hiitola (CTO) and Joonas Viitala (COO). The members of the Management Team report to the CEO, Teemu Huuhtanen.

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.

Management of the company believes the turnaround project to be concluded during the first half of 2019, after which there will be better alignment across projects as well as improved operational efficiency across the company.



PROPOSAL BY THE BOARD OF DIRECTORS 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 2018 compared to 31 December 2017. The total distributable equity as at 31 December 2018 amounts to EUR 15.2 million, of which EUR -21.6 million is the loss for the financial year ended 31 December 2018.

Board of Directors will propose to the Annual General Meeting that the loss for the financial year ended 31 December 2018 will be transferred to retained earnings and no dividend shall be distributed for the financial year ended 31 December 2018.

CALCULATION OF DISTRIBUTABLE EQUITY, EUR	Parent 31.12.2018	Parent 31.12.2017
Distributable unrestricted equity	**15 219 688.58**	**36 799 480.57**
Invested unrestricted equity	53 335 359.79	53 276 692.55
Retained earnings (loss)	-16 477 211.9	-10 376 953.39
Profit (loss) for the financial year	-21 638 459.23	-6 100 258.59

Annual General Meeting

Next Games' Annual General Meeting 2019 will be held on Tuesday 21 May, 2019 from 10.00 a.m. onwards at Maxim, Kluuvikatu 1, 00100 Helsinki.

CONSOLIDATED FINANCIAL STATEMENTS 2018

Consolidated statement of comprehensive income

EUR thousand	Note	Jan 1 – Dec 31, 2018	Jan 1 - Dec 31, 2017	Jan 1 - Dec 31, 2016
Revenue from contracts with customers	2.1	35 245	32 466	31 112
Cost of Revenue	2.5	-13 952	-13 158	-14 241
Gross profit		21 294	19 308	16 870
Other operating income	2.10	71	53	1 091
Research and development costs	2.7	-10 418	-7 034	-6 359
Sales and Marketing costs	2.8	-23 643	-12 713	-12 331
Administrative costs	2.9	-4 218	-4 686	-1 463
Operating profit		-16 915	-5 071	-2 192
Finance income	4.5	757	37	-
Finance costs	4.5	-608	-541	-100
Finance costs - net		149	-504	-100
Share of associates' profit/loss	5.3	-122	-455	-110
Profit before taxes		-16 887	-6 031	-2 402

Consolidated statement of comprehensive income

EUR thousand	Note	Jan 1 – Dec 31, 2018	Jan 1 - Dec 31, 2017	Jan 1 - Dec 31, 2016
Current income taxes	2.11	-143	-	-
Change in deferred tax	2.12	-1 008	-106	2 496
Total income tax expense		**-1 151**	**-106**	**2 496**
Profit for the period		-18 037	-6 137	94
Total comprehensive income / loss for the period		-18 037	-6 137	94
Profit (loss) for the period attributable to the owners of the parent		-18 037	-6 137	94
Earnings per share for profit attributable to the owners of the parent				
Basic earnings per share, EUR	2.13	-0.99	-0.37	0.01
Diluted earnings per share, EUR	2.13	-0.99	-0.37	0.01

The notes are an integral part of these financial statements.

Consolidated balance sheet

EUR thousand	Note	Dec 31, 2018	Dec 31, 2017	Dec 31, 2016	Jan 1, 2016
Assets					
Non-current assets					
Intangible assets	3.5	10 347	6 776	668	688
Goodwill	3.5	3 344	3 344	2 235	2 235
Property, plant and equipment	3.6	6 734	275	664	996
Share of associates	5.3	388	509	964	-
Long-term debtors	3.1	395	820	258	257
Deferred tax assets	2.12	1 621	2 629	2 429	-
Non-current assets total		22 829	14 353	7 217	4 176
Current assets					
Trade and other receivables	3.1	6 339	4 979	6 144	3 021
Cash and cash equivalents	4.4	7 306	26 377	3 664	4 645
Current assets total		13 646	31 356	9 808	7 666
Total assets		36 475	45 709	17 027	11 842

Consolidated balance sheet

EUR thousand	Note	Dec 31, 2018	Dec 31, 2017	Dec 31, 2016	Jan 1, 2016
Equity and liabilities					
Shareholders' equity					
Share capital		80	80	3	3
Invested non-restricted equity reserve		53 925	53 866	17 710	17 750
Retained earnings		-13 091	-8 437	-10 400	-10 888
Profit (loss) for the period		-18 037	-6 137	94	-
Shareholders' equity		22 876	39 372	7 407	6 864
Liabilities					
Non-current					
Deferred tax liabilities	2.12	-	-	-	78
Governmental agency loan	4.2 & 4.3	518	642	707	380
Lease liabilities	4.2 & 4.3	4 145	-	224	537
Non-current liabilities total		4 663	642	931	995

Consolidated balance sheet

EUR thousand	Note	Dec 31, 2018	Dec 31, 2017	Dec 31, 2016	Jan 1, 2016
Current					
Governmental agency loan	4.3	222	84	-	-
Lease liabilities	4.2	992	224	313	251
Deferred revenue	3.3	1 458	914	2 482	-
Trade payables	3.2	2 731	1 162	1 178	1 833
Other liabilities	3.2	204	205	125	184
Accruals and deferred income	3.2	3 329	3 105	4 592	1 714
Current liabilities total		8 936	5 694	8 689	3 983
Liabilities total		13 598	6 336	9 620	4 978
Equity and liabilities total		36 475	45 709	17 027	11 842

The notes are an integral part of these financial statements.

Consolidated statement of changes in equity

EUR thousand	Note	Share capital	Reserve for invested unrestricted equity	Retained earnings	Total
Equity at Jan 1, 2016 under FAS		**3**	**15 776**	**-11 173**	**4 604**
Impact of the transition to IFRS	5.6	-	1 973	285	**2 259**
Equity at Jan 1, 2016 under IFRS		**3**	**17 750**	**-10 888**	**6 864**
Profit (loss) for the period		-	-	94	**94**
Total comprehensive income for the period		**-**	**-**	**94**	**94**
Transactions with owners:					
Issue of ordinary shares subscribed by options	2.3 & 4.1	-	7	-	**7**
IPO transaction costs	5.6	-	-46	-	**-46**
Share-based payments	2.3	-	-	488	**488**
Equity at Dec 31, 2016		**3**	**17 710**	**-10 306**	**7 404**
Equity at Jan 1, 2017		**3**	**17 710**	**-10 306**	**7 404**

Consolidated statement of changes in equity

EUR thousand	Note	Share capital	Reserve for invested unrestricted equity	Retained earnings	Total
Profit (loss) for the period		-	-	-6 137	**-6 137**
Total comprehensive income for the period		-	-	-6 137	**-6 137**
Transactions with owners:					
Increase from reserves	4.1	77	-77	-	-
Issue of ordinary shares subscribed by options	2.3 & 4.1		22		22
Issue of ordinary shares in IPO	4.1	-	37 798	-	**37 798**
IPO transaction costs	5.6	-	-1 587	-	**-1 587**
Share-based payments	2.3	-	-	1 868	**1 868**
Equity at Dec 31, 2017		**80**	**53 866**	**-14 574**	**39 372**
Equity at Jan 1, 2018		**80**	**53 866**	**-14 574**	**39 372**
Profit (loss) for the period	**-**	**-**		**-18 037**	**-18 037**

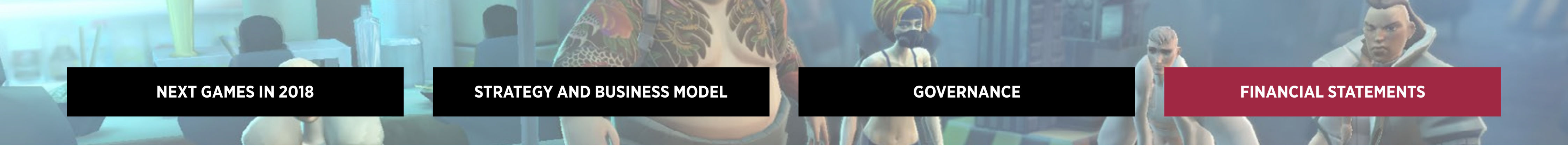
Consolidated statement of changes in equity

EUR thousand	Note	Share capital	Reserve for invested unrestricted equity	Retained earnings	Total
Transactions with owners:					
Issue of shares subscribed by options	2.3 & 4.1	-	65	-	**65**
Acquisition of treasury shares	4.1	-	-7	-	**-7**
Share-based payments	2.3	-	-	1 483	**1 483**
Equity at Dec 31, 2018		**80**	**53 925**	**-31 128**	**22 876**

The notes are an integral part of these financial statements.

Consolidated statement of cash flows

EUR thousand	Jan 1 – Dec 31, 2018	Jan 1 - Dec 31, 2017	Jan 1 - Dec 31, 2016
Cash flows from operating activities			
Profit before taxes:	-16 887	-6 030	-2 402
Adjustments for:			
Depreciation, amortization and impairments	2 165	776	638
Other non-cash adjustments			
Change in deferred revenue	348	-914	442
Share-based payments	1 483	1 868	488
Other adjustments	-2	462	333
Finance costs, net	-142	481	100
Share of loss/(profit) from associates	121	455	110
Income tax expense	-	-	-
Changes in working capital			
Change in trade and other receivables	-761	232	-2 297
Change in trade and other payables	1 784	-1 405	2 152



Consolidated statement of cash flows

EUR thousand	**Jan 1 – Dec 31, 2018**	**Jan 1 - Dec 31, 2017**	**Jan 1 - Dec 31, 2016**
Interests paid			
Interests received	-	-	-
Other finance costs, net	14	-36	-21
Income taxes paid	-127	-	-
Net cash flows from operating activities	**-12 004**	**-4 111**	**-456**
Cash flows from investing activities			
Purchases of property, plant and equipment	-1 771	-162	-423
Payments of intangible assets	-4 965	-2 369	-171
Payments for business acquisitions, net of cash acquired	-	44	-
Net cash flows from investing activities	**-6 736**	**-2 487**	**-594**

Consolidated statement of cash flows

EUR thousand	Jan 1 – Dec 31, 2018	Jan 1 - Dec 31, 2017	Jan 1 - Dec 31, 2016
Cash flows from financing activities			
Proceeds from issuance of shares, less cost	63	30 099	7
Proceeds from borrowings	-	-	349
Acquisition of treasury shares	-7	-	-
Lease payments	-612	-327	-251
Net cash flows from financing activities	**-555**	**29 772**	**104**
Net decrease (-)/increase in cash and cash equivalents	**-19 295**	**23 173**	**-946**
Cash and cash equivalents at the beginning of the period	26 377	3 664	4 645
Exchange gains/losses (-) on cash and cash equivalents	224	-459	-35
Cash and cash equivalents at the end of period	**7 306**	**26 377**	**3 664**

The notes are an integral part of these financial statements.

1.BASIS OF PREPARATION

GENERAL INFORMATION

These are the consolidated financial statements of Next Games Oyj ("the Company") and its subsidiaries (together "the Group" or "Next Games"). Next Games is a developer and publisher of mobile games focusing on licensed games. The Company's games are developed for mobile devices and are available to download for free, while players make actual cash purchases of in-game virtual items. The Company develops the games in close cooperation with the owners of immaterial property rights (the "IP") to ensure a close tie between the games and the underlying IP. The most significant geographic markets for Next Games are North America and Europe, and the games of the Company are distributed through the Apple App Store and the Google Play platforms. The Company is domiciled in Helsinki at the registered address Aleksanterinkatu 9A, Helsinki Finland.

These consolidated financial statements comprise of consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the years ended December 31, 2018, 2017 and 2016 and consolidated balance sheets as at December 31, 2018, 2017 and 2016 and as at January 1, 2016 ("Consolidated Financial Statements"). The Company's Board of Directors has approved these Consolidated Financial Statements on February 22, 2019.

Under the Finnish Limited Liability Companies Act, shareholders can approve or disapprove the Consolidated Financial Statements in the Annual General Meeting held after the release. The Annual General Meeting is also entitled to amend the Consolidated Financial Statements.

BASIS OF PREPARATION

The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS as adopted by the European Union. The notes to the Consolidated Financial Statements also comply with the Finnish accounting and corporate legislation complementing the IFRS standards.

Next Games publishes its first Consolidated Financial Statements prepared under IFRS standards for the year ending December 31, 2018 with comparative information for the year endings December 31, 2017 and December 31, 2016. In these Consolidated Financial Statements Next Games applies IFRS 1 First-time adoption of International Financial Reporting Standards standard with the date of transition January 1, 2016. In connection with the first-time adoption of IFRS, Next Games has early adopted the new IFRS 15 Revenue from Contracts with Customers standard, new IFRS 9 Financial Instruments standard and new IFRS 16 Leases standard for the financial years 2018, 2017 and 2016 before the mandatory application date of January 1, 2018 of IFRS 15 and IFRS 9 and January 1, 2019 of IFRS 16. Next Games has previously applied Finnish Accounting Standards (FAS) in its Consolidated Financial Statements.

The adoption of IFRS standards is described in note 5.6 Adoption of IFRS. Assets and liabilities are measured at cost, except for certain financial assets and liabilities, which are measured at fair value. The Consolidated Financial Statements are presented in thousands of euros, unless otherwise stated, and the figures have been rounded to the nearest thousand, and therefore the sum of individual figures may deviate from the total presented. The Company's functional currency is euro, which is also the presentation currency of the Company and the Group. Items included in the financial statements of each group subsidiary are measured using the currency of primary economic environment in which the subsidiary operates.

ACCOUNTING ESTIMATES AND JUDGEMENTS MADE IN PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

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

These areas are explained in more detailed in the individual notes.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations on future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

2. KEY PERFORMANCE METRICS

2.1 Revenue recognition

Next Games generates revenue primarily through the sale of virtual items to users. Next Games also generates revenue from in-game advertising. Next Games derives the vast majority of its revenue from customers located in North America and Europe. Users can purchase virtual items to enhance and expand their game experience. Virtual items purchased by players can be divided into "durable" and "consumable" items. Consumable items are consumed immediately (such as speed-ups and boosters) and their benefit to the player is immediate. Next Games also offers durable virtual items in its games. A player can use these items over extended periods of gameplay and they typically have a higher purchase price than consumable items. When calculating the revenue for the period, the Company defers the gross bookings generated from virtual durable items to future periods based on the estimated lifetime of the player, item or item group in each game ("Deferred Revenue", see note 3.3.). Next Games also offers virtual currency in its games. Virtual currency can only be redeemed for virtual items and cannot be withdrawn. Virtual currency purchased in one of the games cannot be used in another game. Revenue from the sale of virtual currency is deferred and recognized when the player uses the virtual currency to purchase a virtual item.

Next Games also generates revenue by placing advertisements in the game. The Company may be paid for in-game advertising either per impression (every time a player views an advertisement), per click (every time a player clicks on an advertisement), or per install (every time a player clicks and advertisement and then also installs the advertised app).

Next Games classifies other game business related revenue, which is not In-Application Purchases (IAP) or AD (Advertising) revenue, under category "Other". This category includes for example revenues from selling the prototypes or other game products.

Disaggregation of revenue from contracts with customers

EUR thousand	Jan 1 - Dec 31, 2018	Jan 1 - Dec 31, 2017	Jan 1 - Dec 31, 2016
Revenue	**35 245**	**32 466**	**31 112**
By category of activity			
In App Purchases	32 994	28 586	27 594
Advertising	2 251	3 796	3 518
Other	0	84	0
By geographical markets			
North America	15 643	19 434	19 808
EU	10 342	6 434	8 296
Other	9 260	6 598	3 008

Accounting policy

Next Games recognizes revenue when (or as) the entity satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset. When (or as) a performance obligation is satisfied, Next Games recognizes as revenue the amount of the transaction price that is allocated to that performance obligation.

Next Games considers the terms of the contract and its customary business practices to determine the transaction price. The transaction price is the amount of consideration to which Next Games expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties (for example, some sales taxes). The consideration promised in a contract with a customer may include fixed amounts, variable amounts, or both. Next Games does not have significant financing components in its contracts with customers or sale with a right of return.
A contract liability is an entity's obligation to transfer goods or services to a customer for which the entity has received consideration, or an amount of consideration is due, from the customer. Next Games has identified advances received and deferred revenue (3.3.) as contract liabilities. A contract asset is an entity's right to consideration in exchange for goods or services that the entity has transferred to a customer. Next Games has not identified any contract assets.

Revenue from the main revenue streams:

1. Games

In-application purchases (IAP) through Application Marketplaces such as Apple App Store and Google Play:

Following the industry practice, Next Games presents in-application revenue on Gross basis and accounts for the variable consideration by deducting possible discounts and refunds from the revenue. Company sells its' products through application market places (e.g. Appstore or Google play store) and the Company is acting as the principal of the transaction. Market place revenue share is presented as cost of revenue.
There are two different kinds of in-application purchases in Next Games' games: consumables and durables. Consumables benefit the user immediately, while benefits from durables last across user lifetime. Consumable in-application purchases satisfy the performance obligation "at a point in time". Durable in-application purchases revenue is recognized "over time", i.e. across the estimated player lifetime.

Next Games divides the goods purchased game-specifically into consumables and durables and recognizes the purchases as revenue based on actual virtual currency consumption. Consumables account for 40 % of purchases in Next Games' games, they are recognized as revenue at the time of purchase. With regard to durables, the estimate of the player lifetime is based on the player lifetime value model commonly used in the industry. Next Games updates the assumptions used in the model monthly based on actual player behavior. The effect of this accounting adjustment decreased the revenue recognized for the 2018 financial period by approximately by EUR -0.5

million (2017: EUR 1.6 million, 2016: EUR -2.5 million). The Application Marketplaces report Next Games' revenue monthly for the previous month and make the payment within the agreed term of payment.

2. Advertising

Next Games' advertising revenues are generated by displaying advertisements against a fee during gameplay or games animation episodes. Revenue recognition is based on delivery of the advertisement product, which can for example be a viewed impression or clicked advertisement. Advertising network revenue is recognized as net in the month of purchase ("at a point in time"), based on revenue reports from the ad network indicating the number of products sold and payables due to Next Games. Simultaneously to sending the revenue report, the advertisement network also commits to paying the money to Next Games, and collection can be reasonably assured.

Key judgement and estimates

Next Games uses different estimates as basis for revenue recognition. The in game economy and use of currency on durable items is analyzed and estimated based on data. This creates the basis for how much is eligible for deferral. In addition players' estimated lifetime is taken in to account in order to to recognize revenues derived from selling of durable items. Players' estimated lifetime as well as the use of durable items, is determined game-specifically based on actual player behavior data and can vary significantly between different games. The player behavioral data is analyzed monthly and recognition recordings are done based on current knowledge. It may differ significantly from one geo to another, and feature development in the game may also alter behaviour on a short or long term basis. Unrecognized share of revenue is classified as deferred revenue and recorded to balance sheet.

2.2 Segment information

The CEO is the chief operating decision maker of Next Games as he is responsible for allocating resources of the Group and the evaluation of the Group's results. Next Games' CEO is regularly reviewing discrete financial information of the Group. Financial information includes group level revenue development, profitability analysis and review of monthly cash flow changes.

Next Games is a developer and publisher of licensed mobile games. The Company has so far published three games, Compass Point: West in March 2015, The Walking Dead: No Man's Land in October 2015 and The Walking Dead: Our World. The Company's games are distributed through the Apple App Store and the Google Play platforms. For the year ended December 31, 2018, 94 percent (2017: 88 percent, 2016: 89 percent) of the Company's gross bookings was generated from in-game purchases of virtual items and the rest from in-game advertising.
Gross Bookings is a non IFRS Financial Measure, defined as the total amount paid by our users for virtual items in a given reporting period. It does not include deferrals. Company uses adjusted operating profit as non-IFRS financial measure to monitor profitability of group´s operations.

EUR thousand	2018	2017	2016
Revenue from contracts with customers	35 245	32 466	31 112
Change in deferred revenue	544	-1 536	2 482
Gross bookings	35 789	30 930	33 594

EUR thousand	2018	2017	2016
Operating profit	-16915	-5071	-2192
Accumalated amortizations	1395	221	135
Accumulated depreciations	771	555	471
Depreciation charge of lease arrangements	-512	-394	-394
Adjusted Operating profit	-15261	-4689	-1980

Based on the above, Next Games has determined that it has a single operating segment before aggregation, ‘mobile gaming’. Therefore, Next Games has only one reportable segment, containing the whole Group.

2.3 Share-based payments

Next Games has four share-based incentive schemes: Equity Plan 2014, Equity Plan 2015, Equity Plan 2017 and Equity Plan 2018. Option programs include multiple grants and the subscription prices of the options are determined on grant basis by the Board of Directors.

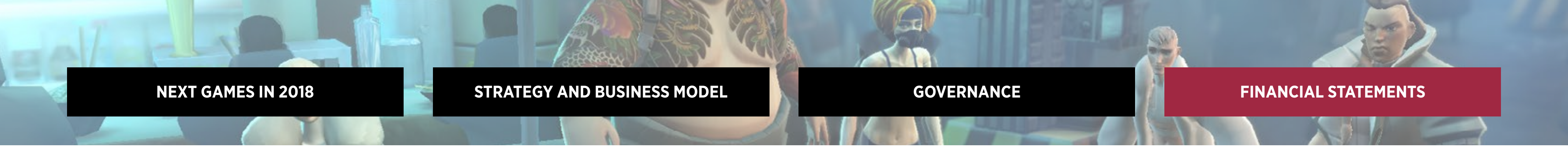
Options can be granted to the Company's, or its subsidiaries, current and future employees, consultants, management and Board of Directors upon decision of the Board of Directors.

All of Next Games employees hired prior to 2018 are option holders. During 2018 Next Games granted options to all new employees whose probation period ended by 10/2018. The Company intends to continue granting options to all employees at the end of probationary periods as a long-term incentive.

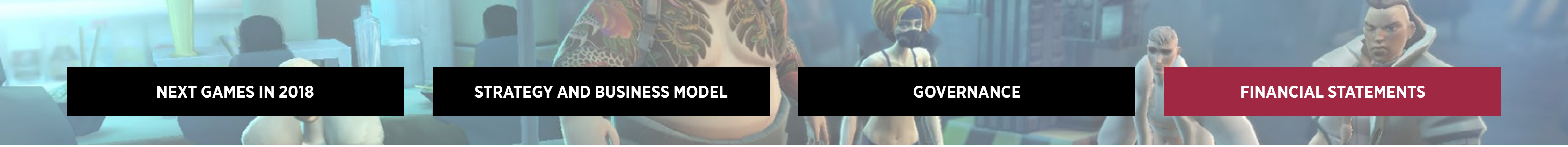
Unless otherwise decided by the Board of Directors, option rights are issued to recipients free of charge, and the subscription price of options is defined in each program. The Company has applied a schedule where 25 percent of the option rights granted to a recipient become eligible for share subscription upon the first anniversary of the end of the grant date or, alternatively the 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 unexcercised automatically terminate and be forfeited to the Company.
The weighted average fair value at grant date of options granted during the year ended 31 December 2018 was 1.96 EUR per option (2017 – EUR 11.35, 2016 – EUR 10.73). During 2017, option plan 2014 options were not granted.

Next Games has used its' own shares for other business transactions, such as license acquisition deals with AMC (note 3.7) and business acquisitions of Lume Games Oy (note 3.4) and Helsinki Game Works Oy (Note 5.6.). Expenses for the post-combination compensation element of the transaction have been recorded over a vesting period of two years.

The option pricing model used and the key inputs to that model, including main assumptions are presented in the following table.



EUR Equity plan		December 31, 2018		December 31, 2017		December 31, 2016
	2018	**2017**	**2017**	**2015**	**2015**	**2014**
Valuation model	Black-Scholes	Black-Scholes	Black-Scholes	Black-Scholes	Black-Scholes	Black-Scholes
Fair value of option grants during period:	€1,92	€1,43-€2,72	€3,54-€7,14	€25,46	€9,87-€10,82	€10,12
Main assumptions:						
Expected volatility	31 %	31 %	39,10 %	39,10 %	60,10 % - 51,90 %	60,10 %
Share price at the valuation date	€6,58	€6,58-€8,70	€8,35 - € 13,00	€30,27	€ 11,89 - € 13,10	€11,89
Weighted average share price during the period	€4,60		€9,54		€13,01	
Exercise price	€6,17	€7,90	€7,90	€5,10	€2,66	€1,97
Expected dividend yield			0	0	0	0
Risk free interest rate	-0,23 %	-0,23 %	0,91 %	0,91 %	0,75 %	0,75 %
Forfeiture rate	12 %	12 %	12 %	12 %	12 %	12 %



Current equity plans	Number of options outstanding	2018	2017	Equity plan 2015	2014	Total	Weighted average remaining remaining contractual life
	Jan 1, 2016			**2 137**	**127 107**	**129 244**	
Changes during the 2016 reporting period	Granted			88 229	3 420	91 649	
	Exercised			0	-2 190	-2 190	
	Forfeited			-11 720	-15 538	-27 258	
	Dec 31, 2016		**0**	**78 646**	**112 799**	**191 445**	3,8 years
	Exercisable			535	75 137	75 672	
Changes during the 2017 reporting period	Granted		103 697	104 307	0	217 202	
	Exercised		0	-2 531	-12 889	-15 420	
	Forfeited		0	-2 961	-392	-3 353	
	Dec 31, 2017		**103 697**	**177 461**	**99 518**	**389 874**	3,5 years
	Exercisable		27 840	84 619	112 009		
Changes during the 2018 reporting period	Granted	355 500	232 242	0	0	587 742	
	Exercised	0	0	-9 854	-61 473	-71 327	
	Forfeited		-28 570	-11 098	-2 876	-42 544	

Current equity plans	Number of options outstanding	2018	2017	Equity plan 2015	2014	Total	Weighted average remaining remaining contractual life
Changes during the 2018 reporting period	Dec 31, 2018	355 500	307 369	156 509	35 169	389 874	4,7 years
	Exercisable		51 269	79 309	29 269	159 847	

Equity plans 2017 and 2018 were released post share split and shares are subscribed with ratio 1:1. Earlier equity plans (2015 and 2014) were released before share split. Those options entitle option holder to subscribe shares with ratio 4:1 (one option, four shares).

Cost distribution of Share-based payments between functions:

EUR thousand	2018	2017	2016
Functions:			
Admin	757	946	237
Marketing	135	169	42
R&D	591	754	209
Total	**1 483**	**1 868**	**488**

Share-based payments

Key staff employed by Next Games receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions). The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model, Black-Scholes. That cost is recognized in employee benefits expense, together with a corresponding increase in equity (retained earnings), over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the statement of comprehensive income for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

Service conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest.

No expense is recognized for awards that do not ultimately vest because service conditions have not been met.

When the terms of an equity-settled award are modified, the minimum expense recognized is the grant date fair value of the unmodified award, provided the original terms of the award are met. An additional expense, measured as at the date of modification, is recognized for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee. Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through statement of comprehensive income.

Key judgement and estimates

Next Games calculates the cost impact of Share-based payments by using Black-Scholes -method. All the used parameters are presented on the table above. The fair value of Next Games shares before IPO was determined by independent valuation company.

2.4 Key management compensation

Management's salaries and fees

The Board of Directors decides on the remuneration and criteria of the CEO and the members of the Management Team. The salary of the CEO and the members of the Management Team consists of monthly salary and bonus. The Board of Directors decides the terms of bonuses annually. CEO's and Management team's bonuses are paid on the basis of personal goals set for the financial year and certain profitability targets.

EUR thousand	January 1 - December 31 2018	January 1 - December 31 2017	January 1 - December 31 2016
Short term benefits			
CEO remuneration			
Salary, other remuneration and benefits	238	289	160
Pension costs - defined contribution plan	43	52	31
Total	**282**	**340**	**191**
Management team remuneration (excluding CEO)			
Salary, other remuneration and benefits	675	638	249
Pension costs - defined contribution plans	123	114	48
Total	**798**	**752**	**297**
The Board of Directors remuneration	**131**	**110**	**0**
Management share-based payments	**441**	**983**	**152**
Total key management and the Board of Directors	**1 211**	**1 202**	**488**

The CEO is entitled to the statutory pension and the age of retirement is determined in accordance with the statutory employee pension system. Termination period for the CEO's employment contract is 6 months, and he is entitled to the salary for the termination period as well as the performance bonus until the termination date.

If the CEO decides to resign from the Company or his employment is terminated during the bonus period (the fiscal year) or before the payment of the possible bonus is made, the CEO will not be entitled to receive any payment for the period in question. In case of retirement, the bonus is paid for the period of active employment.

In case the notice of termination is given to the CEO, a severance pay of 12 months' base salary will be paid in addition to the salary for six months' notice period. If the CEO gives a notice of termination to the Company, no severance pay will be paid in addition to the salary for the notice period.

2.5 Cost of Revenue

EUR thousand	Jan 1 - Dec 31, 2018	Jan 1 - Dec 31, 2017	Jan 1 - Dec 31, 2016
Platform commissions, royalties and other	-13 282	-13 037	-14 121
Amortizations of intangible assets	-670	-121	-121
Total	**-13 952**	**-13 158**	**-14 241**

Description of Cost of Revenue

Cost of Revenue during financial year 2018 increased EUR -0.8 million comparing previous financial year and amounted to EUR -14.0 million (2017: EUR -13.2 million, 2016: -14.2 million). The increase was caused by higher gross sales comparing previous financial year and launching of the new product, which increased the amortisation.

Accounting policy

Cost of Revenue includes costs that are directly derived from running the live mobile game. Those costs include platform cuts that are paid to platform owners, revenue share that is paid to the license owners, technology hosting expenses and amortisations of license acquisitions. Costs are recorded by using the accrual method. This means that Next Games records costs that are derived directly from sales transactions (platform cut and revenue share) to follow the same recognition time than revenues that are deferred.

2.6 Employee benefits

Employee benefit expenses and other personnel costs are as follows:

Employee benefit expenses

EUR thousand	Jan 1 - Dec 31, 2018	Jan 1 - Dec 31, 2017	Jan 1 - Dec 31, 2016
Short term benefits			
Wages and salaries	5 087	4 242	3 803
Social security costs	137	163	184
Share-based payments	1 483	1 868	488
Post employment benefits - defined contribution plans	929	759	732
Total	**7 636**	**7 032**	**5 208**

Wages and salaries comprise mainly of fixed monthly salaries and hourly wages paid to the employees and to some extent of special bonuses. The personnel have access to extensive employee health care services and phone benefits. Company also has multiple Equity plans (see chapter 2.3.), which costs are recorded to employee expenses according to IFRS 2 principles.

Number of personnel:

General information of employees	**Jan 1 - Dec 31, 2018**	**Jan 1 - Dec 31, 2017**	**Jan 1 - Dec 31, 2016**
Average headcount	135	93	69
Total	**135**	**93**	**69**

Accounting policy

Short-term benefits

Short-term employee benefits include wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date. Short-term benefits are recognized in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Incentive plans are approved yearly. The incentive plan encompasses all staff and executive management. The plan consists of set sales and profitability targets, both of which must be met, in order to trigger payouts. After the reporting period, Next Games' board approved changes to Equity plans 2017 and 2018. Strike price of the options were decreased from 7,90€ (2017 option plan) and 6,17€ (2018 option plan) to 1,14€ per share. In addition, four year vesting period of options restarted from modification date. Those modifications will be treated as adjustments to current equity plans.

Post-employment benefits

Next Games has defined contribution plans. Next Games does not have defined benefit plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity with no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. Contributions to the defined contribution plans are charged directly to the statement of comprehensive income in the year to which these contributions relate.

2.7 Research and development costs

EUR thousand	Jan 1 - Dec 31, 2018	Jan 1 - Dec 31, 2017	Jan 1 - Dec 31, 2016
Employee expenses	-3 027	-2 957	-3 570
Outsourcing	-2 514	-1 086	-636
Amortisations	-725	-112	-15
Share-based payments	-591	-754	-209
General cost allocation	-3 561	-2 126	-1 930
Total	**-10 418**	**-7 034**	**-6 359**

Description of research and development costs:

Company's R&D activity grew significantly during 2018. In total R&D function's expenses amounted to EUR -10.4 million (2017: -EUR 7.2 million, 2016: EUR -6.4 million). Total capitalized costs of R&D function were EUR 5.0 million (2017: EUR 2.4 million, 2016: EUR 0.4 million).

After the reporting period in January 2019, Next Games and Universal Games and Digital Platforms came to an agreement over terminating their collaboration on the game project that had proceeded to production. All costs related to the product, approximately EUR 2.0 million, are recognized in the Profit and Loss statement for the full fiscal year of 2018.

2.8 Sales and marketing costs

EUR thousand	Jan 1 - Dec 31, 2018	Jan 1 - Dec 31, 2017	Jan 1 - Dec 31, 2016
Employee expenses	-1 313	-816	-645
Marketing and User Acquisition	-21 240	-10 946	-11 140
Share-based payments	-135	-169	-42
General cost allocation	-881	-685	-340
Other	-74	-98	-164
Total	**-23 643**	**-12 714**	**-12 331**

Accounting policy

Next Games' R&D function expenses includes all the expenses that are generated directly by Game development, Tech development and Analytics development departments. These costs include employee expenses (wages, pensions, social security), outsourcing expenses, amortisation of game development, analytic tools and other technology in addition to a general cost allocation.

Next Games calculates general cost allocation by summing all the general costs (voluntary staff expenses, office, premises, meeting, etc.) and allocating them to functions based on headcounts. Share-based payment expenses are allocated to functions on employee level with same basis as employee expenses.

Description of Sales and marketing costs:

Next Games' Sales and marketing expenses comprehend mostly on Marketing and User Acquisition expenses. Total expenses amounted to EUR -23.6 million. Sales and Marketing expenses have increased significantly during 2018 due to global launch of the new product: The Walking Dead: Our World.

Accounting policy

Next Games' Sales and marketing expenses includes User Acquisition and Marketing purchases, employee expenses of Sales and marketing function, general cost allocation and other marketing function expenses. IFRS 2 Share-based payments are also allocated to function on employee level.

2.9 Administrative costs

EUR thousand	Jan 1 - Dec 31, 2018	Jan 1 - Dec 31, 2017	Jan 1 - Dec 31, 2016
Employee expenses	-1 813	-1 391	-505
Listing expenses	0	-1 040	-197
Share-based payments	-757	-946	-237
General cost allocation	-599	-356	-160
Other admin expenses	-1 049	-953	-365
Total	**-4 218**	**-4 686**	**-1 463**

Description of Administrative costs:

Company's total Admin expenses decreased in 2018 and amounted to EUR -4.2 million (2017: EUR -4.7 million, 2016: EUR -1.5 million). In 2017, Admin expenses were significantly impacted by Company's Initial Public Offering. In 2018, company continue to grow, which also caused increase in admin expenses.

Accounting policy

Next Games' admin function consists finance, legal, management and people operations functions. Expenses of those functions are classified as expenses of admin function. In addition, all the expenses related to the Company's initial public offering, finance services and legal expenses are determined to be expenses of admin function (Other admin expenses).

2.10 Other operating income

EUR thousand	Jan 1 - Dec 31, 2018	Jan 1 - Dec 31, 2017	Jan 1 - Dec 31, 2016
Gains from disposals, intangible/tangible assets	42	3	767
Grants received	0	0	299
Other	29	50	25
Total	**71**	**53**	**1 091**

Next Games' majority of other operating income is related to gains received on disposals and on intangible rights and also from grants received from financial institutions in 2016.

In 2018 and 2017 Next Games' didn't have any significant other operating income.

Accounting policy

Other operating income includes income other than that associated with the sale of goods or services, such as gain on disposal or sale of fixed assets, rental income and other similar income not classified to revenue.

Grants, which are directed for some specific project or cause are recognized when expenses occur.

2.11 Income tax expenses

Income tax expenses comprise of current income tax expenses and deferred tax expenses.

EUR thousand	Jan 1 - Dec 31, 2018	Jan 1 - Dec 31, 2017	Jan 1 - Dec 31, 2016
Current tax on profit for the period	-143	0	0
Adjustments for current tax of prior periods	0		
Total current income tax expense	**-143**	**0**	**0**
Deferred income tax			
Change in deferred tax assets	-188	407	2 471
Change in deferred tax liabilities	-820	-511	22
Total deferred tax expense	**-1 008**	**-105**	**2 493**
Income tax expense	**-1 150**	**-105**	**2 493**

Reconciliation of the income tax expense recognized in consolidated income statement to the taxes calculated using the Finnish tax rate (20 % for all periods) is as follows:

Reconciliation between the tax expense and tax calculated at domestic tax rate

EUR thousand	Jan 1 - Dec 31, 2018	Jan 1 - Dec 31, 2017	Jan 1 - Dec 31, 2016
Profit before taxes	-16 887	-6 031	-2 402
Tax calculated at Finnish tax rate 20 %	3 377	1 206	480
Tax effect of transaction cost of acquisitions	0	-12	0
IFRS 2 expenses, tax effect	-297	-374	-98
Expenses not deductible for tax purposes	0	-7	-1
Depreciations for capitalizations not deducted in taxation	-25	-24	-24
Reassessment of recoverability of deferred tax assets of tax losses	0	0	2 107
Unrecognized deferred tax assets on tax losses	-4 236	-809	0
Other adjustments	55	5	51
Share of profits of associates, net of tax	-24	-91	-22
Income tax expense	**-1 150**	**-105**	**2 493**

Accounting policy

Income tax expenses comprise of current and deferred tax. Income tax expense is recognized in income statement except to the extent that it relates to items recognized directly in equity or in other comprehensive income, in which case it is recognized directly in equity or in other comprehensive income respectively. Next Games has not recognized any income taxes in other comprehensive income. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous year.

2.12 Deferred tax assets and liabilities

EUR thousand	At Jan 1	Recognized in profit or loss	Recognized in equity	Business combinations	At Dec 31
2018 Deferred tax assets					
Tax losses	2 850				2 850
IPO cost recognition	392	-180	0		212
Other items	45	-7			39
Total	**3 288**	**-188**	**0**	**0**	**3 101**
Net of deferred taxes					
Deferred tax assets, net					
Deferred tax liabilities					
Capitalized intangible assets	600	868			1 468
Accumulated depreciation differences	4	-0			4
Other items	55	-48			7
Total	**660**	**820**	**0**	**92**	**1 479**
Net of deferred taxes					
Deferred tax assets, net	**2 629**	-1 008	0	0	**1 621**

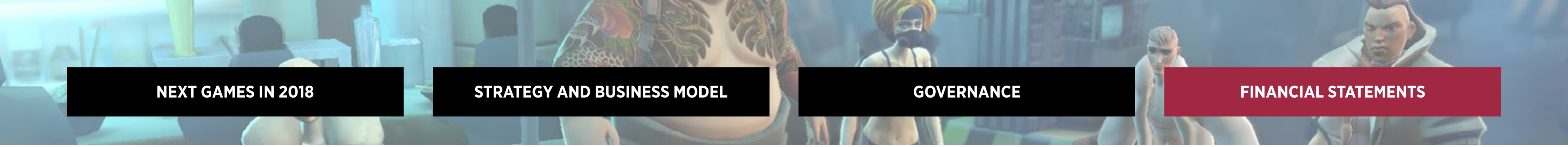
2.12 Deferred tax assets and liabilities

EUR thousand	At Jan 1	Recognized in profit or loss	Recognized in equity	Business combinations	At Dec 31
2017 Deferred tax assets					
Tax losses	2 400	450			2 850
IPO cost recognition	51	-56	397		392
Other items	32	15			45
Total	**2 483**	**409**	**397**	**0**	**3 288**
Net of deferred taxes					
Deferred tax assets, net					
Deferred tax liabilities					
Capitalized intangible assets	34	474		92	600
Accumulated depreciation differences	8	-4			4
Other items	14	41			55
Total	**56**	**511**	**0**	**92**	**660**
Net of deferred taxes					2 629
Deferred tax assets, net	**2 427**	-102	397	-92	**2 629**

2.12 Deferred tax assets and liabilities

EUR thousand	At Jan 1	Recognized in profit or loss	Recognized in equity	Business combinations	At Dec 31
2016 Deferred tax assets					
Tax losses	0	2 400			2 400
IPO cost recognition		39	12		51
Other items		35			35
Total	**0**	**2 474**	**12**	**0**	**2 485**
Net of deferred taxes					
Deferred tax assets, net					
Deferred tax liabilities					
Capitalized intangible assets	61	-27			34
Accumulated depreciation differences	10	-2			8
Other items	7	7			14
Total	**78**	**-22**	**0**	**0**	**56**
Net of deferred taxes					
Deferred tax assets, net	**-78**	2 496	12	0	**2 429**

Next Games has evaluated the nature and classification of deferred tax assets. Based on the evaluation, deferred tax assets and liabilities levied by the same taxing authority are netted. The deferred tax assets and liabilities are shown net on the balance sheet.



Accounting policy

Deferred tax is calculated based on temporary differences between carrying amounts and taxable value of assets and liabilities and for tax loss carry-forwards to the extent that it is probable that these can be utilized against future taxable profits. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled. Deferred tax is not recognized for temporary differences relating to initial recognition of goodwill.

Deferred tax assets and liabilities are netted when there is a legally enforceable right to net current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are netted where the entity has a legally enforceable right to net and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Key judgements and estimates

Management judgement is required in assessing whether certain deferred tax assets and deferred tax liabilities are recognized on the balance sheet. Deferred tax assets are recognized only where it is considered probable that they will be recovered, which is dependent on the generation of sufficient future taxable profits. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. Estimates of these future cash flows are dependent on the management's estimates that relate among others to the amount of future net sales, operating costs, finance costs and taxes. The Group's ability to generate taxable income depends also factors related to general economy, finance, competitiveness and regulations that the Group is unable to control. These estimates and assumptions are subject to risk and uncertainty, hence it is possible that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognized on the balance sheet and the amount of temporary differences. Group has recognized deferred tax assets for tax losses incurred as at December 31, 2016. Next Games released The Walking Dead: No Man's Land in October 2015 and the game started to generate very positive cash inflows during the financial year 2016. However, the developing several new games simultaneously results in significant costs, and although management is very confident of the future revenue potential of the new games, material uncertainty relates to the timing and amount of the future revenue cash flows of the new games. Therefore, management has concluded not to recognize deferred tax assets for tax losses incurred after September 2017, but at the same time management assesses that deferred tax assets recognized for earlier tax losses are recoverable.

Group has tax loss carry-forwards in Finland for which no deferred tax assets are recognized due to uncertainty of their recoverability, 25 150 thousand as at December 31, 2018 (December 31, 2017: EUR 4 000 thousand December 31, 2016: EUR 0 thousand, and January 1, 2016: EUR 10 536 thousand). In Finland, tax loss carry-forwards expires within 10 years. Company has total tax losses of EUR 39.4 million. Majority (around EUR 35 million) of tax losses will expire during 2025-2028. First tax losses will expire in 2023 and the amount of that is EUR 0.3 million.

2.13 Earnings per share

The following table shows the calculation of the earnings per share and the diluted earnings per share.

EUR thousand	Jan 1 - Dec 31, 2018	Jan 1 - Dec 31, 2017	Jan 1 - Dec 31, 2016
Basic earnings per share			
Profit operations attributable to the owners of the Company (EUR thousand)	-18 037	-6 137	94
Weighted average number of shares outstanding during the period, basic	18 363 428	17 138 223	12 957 980
Basic earnings per share (EUR)	**-0.99**	**-0.36**	**0.01**
Diluted earnings per share			
Profit attributable to the owners of the Company (EUR thousand)	-18 037	-6 137	94
Profit used to determine diluted earnings per share	-18 037	-6 137	94
Weighted average number of shares outstanding during the period, diluted *	18 999 488	17 917 712	13 675 031
Diluted earnings per share (EUR)	**-0.99***	**-0.36***	**0.01**

*Dilution impact is not taken into account in 2017 or 2018 because the effect is anti-dilutive (ie. It would decrease loss per share)

3. OPERATING ASSETS AND LIABILITIES

Accounting policy

Basic earnings per share is calculated by dividing the profit attributable to owners of the parent company by the weighted average number of ordinary shares outstanding during the financial year and excluding the treasury shares. During financial year 2016 and 2017 Next Games did not have any treasury shares. In 2018 Next Games acquired treasury shares, the amount of those shares is insignificant and does not have material impact on earnings per share calculation. Diluted earnings per share is calculated on the same basis as basic earnings per share except that it reflects the impact of any potential commitments the Group has to issue shares in the future.

Next Games has issued share options, which are disclosed in more detail in the note 2.3 Share-based payments.

Earnings per share calculations presented herein have been adjusted retrospectively for the effects of share split transaction completed on March 1, 2017.

WORKING CAPITAL

3.1 Trade and other receivables

Trade and other receivables consist of the following:

Non-Current Assets

EUR thousand	December 31, 2018	December 31, 2017	December 31, 2016	January 1, 2016
Non-current receivables				
Long term debtors	395	820	258	257
Total	**395**	**820**	**258**	**257**

Long-term debtors balance includes the Company's rent security deposits, which have been made based on rent contracts.

Current Assets, Trade and other receivables

EUR thousand	December 31, 2018	December 31, 2017	December 31, 2016	January 1, 2016
Trade and other receivables				
Trade receivables	2 801	2 677	4 030	2 419
Prepayments and accrued income	2 528	1 574	1 532	396
Other current receivables	232	245	89	206
Other receivables from license contracts	777	482	494	-
Total	**6 339**	**4 979**	**6 144**	**3 021**

Material items under prepaid expenses and accrued income				
Items relating to purchases (including revenue deferral receivables)	2 518	702	1 174	114
Marketing campaign accruals	-	425	-	-
Other	10	447	358	282
Total	**2 528**	**1 574**	**1 532**	**396**

Material items under other current receivables				
VAT receivables	230	225	86	118

Current Assets, Trade and other receivables

EUR thousand	December 31, 2018	December 31, 2017	December 31, 2016	January 1, 2016
Other current receivables	2	21	3	88
Total	**232**	**245**	**89**	**206**

Accounting policy

Receivables represent amounts the Group expects to collect from other parties. Trade receivables arise from selling services in the ordinary course of business. Trade and other receivables are recognized initially at fair value of the invoice issued to the customer and subsequently according to the business model at amortized costs.
Other receivables from license contracts includes costs that are related to deferred revenue (Note 3.3.) recording. These items include costs that are directly related the IAP revenue, which is deferred, such as platform cut and revenue share expenses.

The Group classifies its financial assets at amortized cost only if both of the following criteria are met: a) the asset is held within a business model with the objective of collecting the contractual cash flows, and b) the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. Financial assets at amortized cost include only trade and other receivables.
The Group assess on a forward-looking basis the expected credit losses associated with its trade and other receivables carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The group is exposed to credit risk if counterparties fail to make payments. For these receivables, lifetime expected credit loss is recognized as the maturity is always less than 12 months.

3.2 Trade and other payables

Trade and other payables consist of the following:

EUR thousand	December 31, 2018	December 31, 2017	December 31, 2016	January 1, 2016
Trade and other payables				
Trade payables	2 731	1 162	1 178	1 833
Accurals and deferred income	3 329	3 105	4 591	1 714
Other current liabilites	204	205	125	184
Deferred revenue	1 458	914	2 482	-
Total	**7 722**	**5 386**	**8 375**	**3 731**
Material items under accruals				
Accrued personnel expenses	1 424	1 039	620	554
Accrued interests	12	4	4	3
Accruals made based on license agreements	477	719	2 869	926
Other accurals	1 416	1 342	1 098	230
Total	**3 329**	**3 105**	**4 591**	**1 714**

3.2 Trade and other payables

Trade and other payables consist of the following:

EUR thousand	December 31, 2018	December 31, 2017	December 31, 2016	January 1, 2016
Material items under current liabilities				
Withholding tax	202	200	87	109
Other current liabilites	1	5	38	76
Total	**204**	**205**	**125**	**184**

Accounting policy

Trade and other payables represent liabilities for goods and services provided to Next Games prior to the end of financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.

3.3 Deferred revenue

EUR thousand	2018	2017	2016
Liabilities			
January 1	**914**	**2 482**	**0**
Deferred during the year	19 908	14 773	2 482
Released to the statement of profit or loss	-19 364	-16 341	
December 31	**1 458**	**914**	**2 482**
Assets			
January 1	**419**	**1 073**	**0**
Deferred during the year	7 383	6 117	1 073
Released to the statement of profit or loss	-7 202	-6 770	0
December 31	**601**	**419**	**1 073**

Company launched The Walking Dead: No Man's Land game in late 2015 and game had been live only few months before financial statement of 2015 was prepared. Therefore, the Company did not have enough data to prepare reliable deferred revenue recording for 2015 financial statement, which would be seen as an opening balance in 2016 balance sheet. In 2018, deferred revenue increased due to global launch of the The Walking Dead: Our World, which increased gross sales and hence, affected the deferred revenue.

Accounting policy

Next Games' revenue consists In-Application Purchases (IAP) and AD revenue. IAP revenue includes all the purchases that players have performed while playing the game. Items that are sold in the game are classified either durable or consumable. These items are treated differently in terms of revenue recognition. Consumable items are recognized immediately after purchase, but durable items are recognized during the expected lifetime of the player. Besides deferring the revenue of durable items, the Company is also deferring the direct costs that are derived when selling the durable item. Those costs include platform cut costs and revenue share costs and are recognized with the same lifetime as revenue.

CAPITAL EMPLOYED

3.4 Business combinations

On February 28, 2017, Next Games acquired 100 % of the shares of Lume Games Oy ("Lume") through an exchange of shares. Lume develops game technologies based on location data, and through the acquisition, Next Games gained access to these new technologies, which it may utilize in its games in the future.

The goodwill is attributable to the workforce and technology. It will not be deductible for tax purposes.

The fair value of the 53 016 shares issued (before the share split) as part of the consideration paid for Lume was based on an external specialist's valuation of Next Games' shares.

Management identified a post-combination compensation element as a separate transaction from the acquisition. It was fair valued at EUR 64 thousand and will be expensed over the vesting period of two years.

The fair values of assets and liabilities recognised as a result of the acquisition are as follows:

EUR thousand	
Purchase consideration	
Ordinary shares issued	1 605
Payment for post-combination services	-64
Total consideration	**1 541**
Fair values of assets and liabilities recognized:	
Intangible assets: technology	461
Accounts receivable	25
Other receivables	10
Cash	43
Other payables	-15

EUR thousand	
Deferred tax liabilities	-92
Total net assets acquired	**432**
Goodwill recognized	**1 109**

Acquisition-related costs of EUR 61 thousand were expensed as incurred and are included in Admin costs in the statement of comprehensive income.

After the acquisition all the employees of from Lume Games were transferred to Next Games. Therefore, all the operational activities of Lume Games ended during 2017 and entity was merged with Next Games January 1, 2018.

Accounting policy

The acquisitions are accounted for using the acquisition method. The cost of the acquisition is measured at the fair value of consideration transferred comprising of the fair values of the assets transferred, liabilities incurred to the former owners of the acquired business and equity interests issued as purchase consideration. The excess of the aggregate of the consideration transferred over the fair value of the net identifiable assets acquired is goodwill. On the acquisition of a subsidiary, fair values are attributed to the identifiable net assets including identifiable intangible assets and contingent liabilities acquired.

Key judgements and estimates

Net assets acquired through business combinations are measured at fair value. The measurement of fair value of the acquired technology in the Lume Games acquisition is based on an estimate of cost and time savings generated by acquiring the technology rather than developing the technology independently by using internal and external resources. Next Games' management has used judgment to estimate the time required to develop similar technology and the cost estimate is based on actual hourly charges of external programming resources.

The consideration given in a business combination is measured at fair value. The fair value of Next Games' shares given as consideration in Lume Games acquisition in February 2017 is based on the valuation of external valuation specialist. Management has concluded that the valuation used is in line with the market value of Next Games' shares after the listing in March 2017.

3.5 Intangible assets

EUR	Goodwill	IT software	Trademarks	Capitalized development costs	Other intangible assets	Total
2018						
Cost at January 1	3 344	262	61	2 540	4 299	10 506
Business combinations Additions				4 965		4 965
Disposals						0
Cost at December 31	**3 344**	**262**	**61**	**7 505**	**4 299**	**15 471**
Accumulated amortization and impairment at January 1	0	-85	-28	0	-272	-385
Amortization		-85	-16	-578	-716	-1 395
Impairment charge						0
Reclassifications						0
Accumulated amortization and impairment at 31 December	**0**	**-170**	**-44**	**-578**	**-988**	**-1 780**
Net book amount at January 1	**3 344**	**176**	**33**	**2 540**	**4 027**	**10 121**
Net book amount at December 31	**3 344**	**92**	**17**	**6 927**	**3 311**	**13 691**

3.5 Intangible assets

EUR	Goodwill	IT software	Trademarks	Capitalized development costs	Other intangible assets	Total
2017						
Cost at January 1	2 235	254	46	171	362	3 068
Business combinations	1 109				461	1 570
Additions		8	15	2 369	3 476	5 867
Disposals						0
Cost at December 31	**3 344**	**262**	**61**	**2 540**	**4 299**	**10 506**
Accumulated amortization and impairment at January 1	0	0	-14	0	-151	-165
Amortization		-85	-15	0	-121	-221
Impairment charge						0
Reclassifications						0
Accumulated amortization and impairment at December 31	**0**	**-85**	**-28**	**0**	**-272**	**-385**
Net book amount at January 1	**2 235**	**254**	**32**	**171**	**211**	**2 903**
Net book amount at December 31	**3 344**	**176**	**33**	**2 540**	**4 027**	**10 120**

3.5 Intangible assets

EUR	Goodwill	IT software	Trademarks	Capitalized development costs	Other intangible assets	Total
2016						
Cost at January 1	2 235		49		670	2 953
Business combinations						0
Additions		254	1	171		425
Disposals			-3		-307	-310
Cost at December 31	**2 235**	**254**	**46**	**171**	**362**	**3 068**
Accumulated amortization and impairment at January 1					-30	-30
Amortization			-14		-121	-135
Impairment charge						0
Reclassifications						0
Accumulated amortization and impairment at December 31	**0**	**0**	**-14**	**0**	**-151**	**-165**
Net book amount at January 1	**2 235**	**0**	**48**	**0**	**640**	**2 923**
Net book amount at December 31	**2 235**	**254**	**32**	**171**	**211**	**2 903**

Next Games intangible assets comprises mainly of acquired game licenses, capitalized development costs, goodwill and acquisition costs of IT software. Company does not currently hold intangible assets with indefinite useful lives.

Accounting policy

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangibles, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

Costs associated with developing new games are recognized as intangible assets when the following criteria are met:

- it is technically feasible to complete the game project so that it will be available for sale
- management intends to complete the game project and sell it to the public
- there is an ability to sell the game to the public
- it can be demonstrated how the game will generate probable future economic benefits
- adequate technical, financial and other resources to complete the development and to sell the new game are available, and
- the expenditure attributable to the game project during its development can be reliably measured.

Directly attributable costs that are capitalized as part of the game project include employee costs and an appropriate portion of relevant overheads. Capitalized development costs are recorded as intangible assets and amortized from the point at which the asset is ready for use.

The useful lives of intangible assets are assessed as either finite or indefinite.

The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life are considered to modify the amortization period or method. The amortization expense on intangible assets with finite lives is recognized in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

Amortizations of capitalized development costs and license acquisition costs starts when the product is finished and starts to generate economic benefits. Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made retroactively.

The Group's accounting policies related to impairment testing of goodwill and intangible assets not yet in use are reviewed in Note 3.8.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognized.

Amortization methods and useful lives:

The group amortizes intangible assets with a finite useful life using the straight-line method. The estimated useful lives of intangible assets with finite lives are as follows:

- IT-software, 3 years
- Trademarks, 3-5 years
- Capitalized development costs, 3-5 years
- Other intangible assets, 3-5 years

Key judgements and estimates – capitalization of game development costs

Next Games' business model is based on entering into licensing agreements with global entertainment industry giants with rights to worldwide known tv-series and movies. Due to the unique business model of the Company, Next Games is able to identify the point in time when the capitalization criteria is met at relatively early stage in the game development process.

Management defines game's development process to include three phases; concept and prototyping, preproduction and production phases. The first phase is a phase when developers are creating new prototypes and concepts for new possible games. Generally, the license agreement is signed with a licensing partner during the preproduction phase.

Between the preproduction and the production phase, the development project has to pass Next Games internal quality validation process. If this thorough validation process is successful, management makes the decision to continue the development project, commits to the plan of completing the game and releasing it to the markets.

The point in time when the development project moves from the preproduction phase to the production phase generally is the moment when the criteria of IAS 38.57 is met, and therefore the costs incurred after this moment shall be capitalized. The costs incurred before the production phase shall be treated as research costs and those are recognized in the income statement when incurred.

The development expenses incurred after the launch of the mobile game do not qualify for capitalization. The Company is not able to reliably separate costs of creating intangible assets, for example certain game upgrades, from day to day maintenance work. Also according to management, the probability of releasing certain upgrade rises at a very late stage before the actual launch of a new feature, which means that the development expenses incurred after the moment of possible capitalization are considered to be immaterial.

3.6 Property, plant and equipment

EUR thousand	Land and buildings	Machinery and equipment	Total
2018			
Cost at January 1	1 009	336	1 345
Additions	7 377	248	7 625
Business combinations	-	2	2
Transfers	-	-	-
Disposals and other changes	-396	-	-396
Cost at December 31	**7 991**	**586**	**8 577**
Accumulated depreciation and impairment at 1 January	-891	-180	-1 071
Depreciation	-674	-99	-773
Impairment	-	-	-
Accumulated depreciation and impairment at December 31	**-1 565**	**-279**	**-1 844**
Net book amount at January 1	**118**	**156**	**275**
Net book amount at December 31	**6 426**	**307**	**6 733**

3.6 Property, plant and equipment

EUR thousand	Land and buildings	Machinery and equipment	Total
2017			
Cost at January 1	891	297	1 188
Additions	118	39	157
Business combinations	-	-	-
Transfers	-	-	-
Disposals and other changes	-	-	-
Cost at December 31	**1 009**	**336**	**1 345**
Accumulated depreciation and impairment at January 1	-412	-113	-524
Depreciation	-479	-67	-547
Impairment	-	-	-
Accumulated depreciation and impairment at December 31	**-891**	**-180**	**-1 071**
Net book amount at January 1	**479**	**184**	**664**
Net book amount at December 31	**118**	**156**	**275**

3.6 Property, plant and equipment

EUR thousand	Land and buildings	Machinery and equipment	Total
2016			
Cost at January 1	788	262	1 050
Additions	103	35	138
Business combinations	-	-	-
Exchange differences	-	-	-
Transfers	-	-	-
Disposals and other changes	-	-	-
Cost at December 31	**891**	**297**	**1 188**
Accumulated depreciation and impairment at January 1	-	-54	-54
Depreciation	-412	-59	-471
Impairment	-	-	-
Exchange differences	-	-	-
Accumulated depreciation and impairment at December 31	**-412**	**-113**	**-525**
Net book amount at January 1	**788**	**262**	**1 050**
Net book amount at December 31	**479**	**184**	**664**

Next Games Property, plant and equipment assets mainly include leasehold improvements to the office facilities, right of use asset from leased office facilities and investments for working equipment. Other items are not significant.

Accounting policy

Property, plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses, if applicable. Borrowing costs, if applicable, directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset.

Gains and losses on sales and disposals of items of property, plant, and equipment are presented under other operating income and other operating expenses.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of the assets. Residual values and expected useful lives are reassessed at least at each financial year-end and, if necessary, are adjusted to reflect changes in the expected future economic benefits.

The estimated useful lives are as follows:

- Leasehold improvements of buildings, 2-5 years
- Machinery and Equipment, 3-5 years
- Right of use asset, 2-5 years

3.7 Leasing

The group's leasing activities

Next Games leases several office spaces and IT equipment. Lease terms are negotiated on an individual basis and contain different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes. In July 2018, Next Games moved into a new office. Lease term of this office space is fixed 64 months and includes two two-year option periods for the Company to continue the lease with the same terms. The right-of-use asset recorded in December 31, 2018 caused by Next Games new headquarter space is EUR 4.9 million.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in the income statement. Short-term leases are leases with a lease term of 12 months or less. Next Games has used short-term exemption to interim head office lease and low-value exemption to IT-equipment. Total costs recognized from short-term leases in 2018 were EUR 291 thousand and costs from the leases for which the underlying asset is of low value were EUR 446 thousand (2017: EUR 247 thousand, 2016: EUR 124 thousand).

Accounting policy:

Leases are recognized as a right-of-use asset and corresponding liability at the date of which leased asset is available for use by the Company. Assets and liabilities arising from a lease are measured on a present value basis. Lease liabilities include fixed lease payments (including in-substance fixed payments) and also any implied expected amounts payable relating to residual value guarantee and exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option. The lease payments are discounted using interest rate implicit in the lease, if that rate can be determined, or using incremental borrowing rate.

Certain property lease payments are linked to an inflation index. Variable lease payments based on an index are part of the lease liability and are measured initially using the index at the commencement date. Future changes of the index are considered in measurement at the point in time in which lease payments change.

Right-of-use assets are measured at cost comprising the amount of the initial measurement of lease liability, any lease payments made at or before the commencement date, any initial direct costs, and restoration costs.

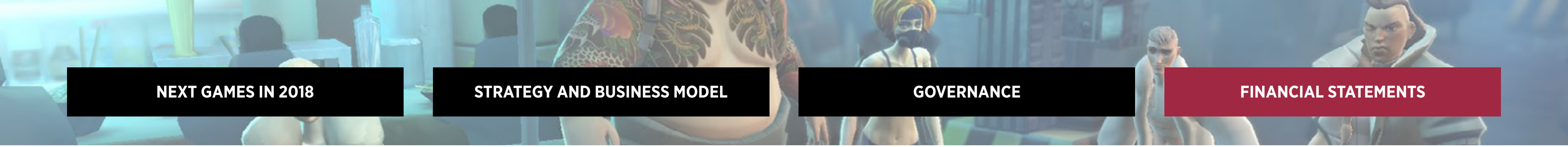
Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

IFRS 16 related lease payments and interest payments are presented as part of financing cash flow in the Company's cash flow statement.

Key judgements and estimates

In determining the lease term, management assesses whether the Company has an economic incentive to exercise an extension option, or not to exercise a termination option. All facts and conditions creating economic incentive for the Company are considered. The validity of this assessment is reassessed upon the occurrence of either significant event or a significant change in circumstances which affect this estimation.

In conjunction of converting the Group's financial statements into IFRS, the Group has been able to use hindsight when determining the lease term of certain property leases which included extension or termination options. Therefore, to reflect the effect of exercising the termination option of the previous head office a termination penalty been included in the initial recognition of the lease liability and right-of-use asset on IFRS transition.



The Group has recognized the following amounts relating to leases in the balance sheet:

EUR thousand	December 31, 2018	December 31, 2017	December 31, 2016	January 1, 2016
Right-of-use asset 1)				
Buildings	4 947	0	394	788
Total right-of-use asset	**4 947**	**0**	**394**	**788**

1) included in the line item “Property, plant and equipment” in the balance sheet.

1) included in the line item “Property, plant and equipment” in the balance sheet.

Additions to right-of-use asset during financial year 2018 were EUR 5.4 million (2017 – 0, 2016 – EUR 788 thousand).

The Group has recognized the following amounts relating to leases in the profit and loss statement:

EUR thousand	**2018**	**2017**	**2016**
Depreciation charge of lease arrangements			
Buildings	512	394	394
Total depreciation charge	**512**	**394**	**394**
Interest expense			
Expense relating to leases	63	14	23

3.8 Goodwill and impairment of assets

The following table shows the movements of goodwill recognized in the balance sheet.

EUR thousand	2018	2017	2016
Carrying amount Jan 1	3 344	2 235	2 235
Acquisitions		1 109	
Carrying amount Dec 31	**3 344**	**3 344**	**2 235**

Accounting policy

Goodwill represents the consideration Next Games has paid when acquiring a business in excess of the fair value of the assets and liabilities acquired. Next Games' goodwill has arisen in connection with the business acquisitions of Helsinki Game Works in 2014 and Lume Games in 2017.

Goodwill is carried at cost less any accumulated impairment losses and is considered as having an indefinite useful life. At the time of acquisition, goodwill is allocated to those cash generating units which are considered to benefit from the acquisition. Goodwill is not subject to annual amortization. Goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that goodwill might be impaired. Other intangible assets and property, plant and equipment are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Key judgements and estimates – goodwill impairment testing

The goodwill is subject to impairment testing on an annual basis, or more frequently, if events or changes in circumstances indicate that goodwill might be impaired. The recoverable amount of a cash generating unit (CGU) is determined based on value in use calculations which require the use of assumptions. Estimation and judgment are required in determining the components of the recoverable amount calculation, including the discount rate, the terminal growth rate and development of the net sales and EBITDA (which is for impairment testing purposes defined as earnings before interest, taxes and depreciation and amortization). The discount rates reflect current assessments of the time value of money and relevant market risk premiums reflecting risks and uncertainties for which the future cash flow estimates have not been adjusted. The calculations use cash flow projections based on financial budgets approved by the board covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. These terminal growth rate assumptions are consistent with forecasts included in industry reports specific to the industry in which the Company operates. assumptions are consistent with forecasts included in industry reports specific to the industry in which the Company

Accounting policy

Goodwill represents the consideration Next Games has paid when acquiring a business in excess of the fair value of the assets and liabilities acquired. Next Games' goodwill has arisen in connection with the business acquisitions of Helsinki Game Works in 2014 and Lume Games in 2017.

Goodwill is carried at cost less any accumulated impairment losses and is considered as having an indefinite useful life. At the time of acquisition, goodwill is allocated to those cash generating units which are considered to benefit from the acquisition. Goodwill is not subject to annual amortization.

Goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that goodwill might be impaired. Other intangible assets and property, plant and equipment are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Goodwill impairment testing

The goodwill was generated from the acquisitions of Helsinki Game Works in 2014 and Lume Games in 2017, which both have subsequently been merged into the parent company. Next Games management has monitored goodwill at the Group level from the date the goodwill was generated. The business of the Group is to develop and publish licensed mobile games. Therefore, for the purpose of annual goodwill impairment testing, management will have discrete and reliable financial information on the Group level. Next Games management considers that the Group consist of one cash generating unit, and therefore, goodwill is tested for impairment on the Group level. The key assumptions of the impairment calculations are the estimated annual sales growth rate and the estimated EBITDA level. Below are presented the sales growth rate beyond the five-year period and the pre-tax discount rate.

EUR thousand	December 31, 2018	December 31, 2017	December 31, 2016	January 1, 2016
Long term growth rate (%)	2,0	2.0	2.0	2.0
Pre-tax discount rate (%)	19.66	19.26	24.49	30.25

Next Games management has prepared goodwill impairment tests at the CGU level as at January 1, 2016, December 31, 2016, December 31, 2017 and December 31, 2018. No goodwill impairment was recognized. In addition, management has assessed that no reasonably possible change in a key assumption of the impairment calculations would have resulted in a goodwill impairment.

4. GROUP CAPITAL AND RISKS

Shareholders' equity

Movements in the number of shares and retained earnings were as follows:

4.1 Shareholders' equity

Share series, EUR	Series A	Series B	Series C
January 1, 2016			
Number of shares	1 822 589	626 793	-
Registration of the shares converted in 2015 convertible loan conversion	-	-	876 026
December 31, 2016			
Number of shares	1 822 589	626 793	876 026
Share split	5 503 053	1 880 379	2 628 078
Business transactions	212 064		224 100
Share class consolidation	6 235 376	-2 507 172	-3 728 204
Initial Public Offering	4 376 530		
Option subscriptions	69 170		

4.1 Shareholders' equity

Share series, EUR	Series A	Series B	Series C
December 31, 2017	18 218 782		
Option subscription	284 532		
December 31, 2018	18 503 314	-	-

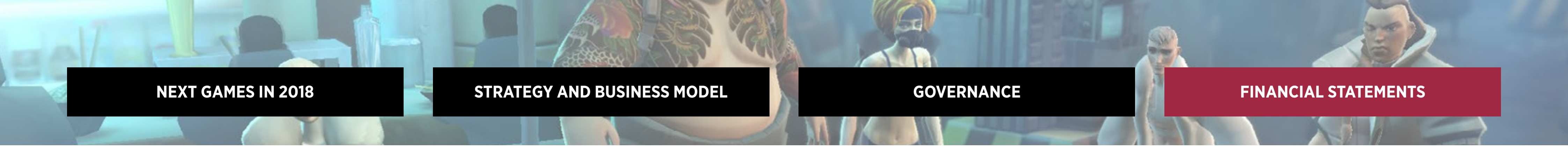
*Next Games' distinct share series (series B and C) have consolidated to Series A on February 23, 2017.

Retained earnings

EUR thousand	2018	2017	2016
At January 1	-14 574	-10 306	-10 888
Profit (loss) for the year	-18 037	-6 137	94
Dividends paid	-	-	-
Treasury shares	-	-	-
Share-based payments	1 483	1 868	488
At December 31	**-31 128**	**-14 574**	**-10 306**

4.2 Net debt

EUR thousand	December 31, 2018	December 31, 2017	December 31, 2016	January 1, 2016
Cash and cash equivalents	7 306	26 377	3 664	4 645
Borrowings - repayable within one year	-1 214	-308	-312	-251
Borrowings - repayable after one year	-4 663	-642	-931	-917
Net debt	**1 429**	**25 427**	**2 421**	**3 477**
Cash and cash equivalents	7 306	26 377	3 664	4 645
Gross debt - fixed interest rates	-5 877	-950	-1 243	-1 168
Net debt	**1 429**	**25 427**	**2 421**	**3 477**



4.2 Net debt

The following table sets forth the carrying value of the components of net debt as defined by Next Games as at December 31, 2018, 2017 and 2016.

EUR thousand	Cash	Leases due within 1 year	Leases due after 1 year	Borrowings due within 1 year	Borrowings due after 1 year	Total
Net debt as at January 1, 2016	**4 645**	**-251**	**-537**	**-**	**-380**	**3 477**
Cash flows	-946	251	-	-	-349	-1 044
Acquisitions - finance leases and lease incentives	-	-	-	-	-	-
Foreign exchange adjustments	-35	-	-	-	-	-35
Other changes	-	-312	312	-	22	22
Net debt as at December 31, 2016	**3 664**	**-312**	**-225**	**-**	**-707**	**2 420**
Net debt as at January 1, 2017	**3 664**	**-312**	**-225**	**-**	**-707**	**2 420**
Cash flows	23 173	312	-	-	-	23 485
Acquisitions - finance leases and lease incentives	-	-	-	-	-	-
Foreign exchange adjustments	-459	-	-	-	-	-459
Other changes	-	-225	225	-84	65	-19
Net debt as at December 31, 2017	**26 377**	**-225**	**-**	**-84**	**-642**	**25 427**

4.2 Net debt

EUR thousand	Cash	Leases due within 1 year	Leases due after 1 year	Borrowings due within 1 year	Borrowings due after 1 year	Total
Net debt as at January 1, 2018	**26 377**	**-225**	**-**	**-84**	**-642**	**25 427**
Cash flows	-19 294	547	-	-	-	-18 747
Acquisitions - finance leases and lease incentives	-	-	-	-	-	-
Foreign exchange adjustments	222	-	-	-	-	222
Other changes	-	-1 314	-4 145	-138	124	-5 473
Net debt as at December 31, 2018	**7 306**	**-992**	**-4 145**	**-222**	**-518**	**1 429**

4.3 Borrowings

EUR thousand	December 31, 2018	December 31, 2017	December 31, 2016	January 1, 2016
Non-current loans				
Non-current governmental agency loan	518	642	707	380
Lease liabilities	4 145	-	224	537
Total non-current loans	**4 663**	**642**	**931**	**917**
Current loans				
Current governmental agency loan	222	84	-	-
Lease liabilities	992	224	313	251
Total current loans	**1 214**	**309**	**313**	**251**
Total loans	**5 877**	**951**	**1 244**	**1 168**

Business Finland loan

The Next Games has two Business Finland R&D loans granted by the governmental agency of Finland. The first loan EUR 336 thousand was granted in March 2015 and it matures in March 2021 and the second loan EUR 439 thousand was granted in September 2015 and it matures in September 2022. Both loans were specifically granted for Next Games' technology R&D projects. Both loans' interest is determined to be 3% below-market rate with minimum interest rate of 1% and they are repaid according to the contractual repayment schedule. Business Finland loan is recognized as compensation for expenses when the expenses are incurred.

Accounting policy

The Business Finland loan is initially measured at fair value and recognized by using an effective interest rate method. The benefit of a government loan at a below-market rate of interest is treated as a government grant and recognized as deferred income under IFRS. Government grants should not be recognized until there is reasonable assurance that the entity will comply with the conditions attaching to it and that the grant will be received. Government grants are recognized in the income statement on a systematic basis over the periods in which the related costs towards which they are intended to compensate are recognized as expenses. Grants for specific expenses are recognized in profit or loss in the same period as the relevant expense.

The fair value of Group's Business Finland loans are determined by discounting the estimated cash outflows using the market rates at the balance sheet considering also entity's credit risk premium. Business Finland loans are classified at level 2 of the fair value hierarchy, because the significant input in the valuation is an interest rate curve obtained at the market adjusted with entity's credit spread.

4.4 Cash and cash equivalents

EUR thousand	December 31, 2018	December 31, 2017	December 31, 2016	January 1, 2016
Cash in hand and at bank	7 306	26 377	3 664	4 645
Total	**7 306**	**26 377**	**3 664**	**4 645**

Accounting policy

Cash and cash equivalents consist of cash at hand and deposits held at call with banks which all are non-restricted. Term deposits are presented as cash equivalents if their maturity is three months or less. Foreign currency cash and cash equivalents are translated into EUR by using the currency rate of balance sheet day. Company uses official currency rates of Bank of Finland for translation.

4.5 Finance income and expenses

EUR thousand	**Jan 1 - Dec 31, 2018**	**Jan 1 - Dec 31, 2017**	**Jan 1 - Dec 31, 2016**
Interest income and other finance income			
Interest income	110	37	0
Exchange rate gain	647	-	-
Interest income and other finance income total	**757**	**37**	**0**
Interest expense and other finance cost			
Interest expense	-177	106	60
Exchange rate loss	-431	434	40
Interest expense and other finance cost total	**-608**	**541**	**100**
Finance costs - net	**1 365**	**-504**	**-100**

Interest income mainly arise from the Company's cash deposits from bank accounts.

Finance costs consist of interest expenses on Business Finland loans, bank overdrafts and foreign exchange losses on financing activities.

Other finance expenses comprise deposit fees of bank savings and collateral fees. Other finance expense items are insignificant.

Accounting policy

Transaction costs related to loans are expensed in profit or loss using effective interest rate method. The effective interest rate is the rate that discounts the estimated future payments through the expected life of a loan to the net carrying amount of the financial liability. The calculation includes all fees paid by the contracting parties and trans-action costs.

Interest income is recognized using the effective interest rate, unless the receipt of interest is uncertain. In such cases the interest income is accounted for on a cash basis. Foreign exchange gains and losses on financing activities are recognized within finance income or costs.

4.6 Financial risk management

Next Games Corporation's financial risk management has been carried out by the Management team. The Group Management team consists of the CEO and other C-level management (CFO, CMO, CPO, CTO, COO), and has been operating under guidelines provided by the Board of Directors. Internal control is done by the Finance Department, under supervision of the CFO.
The overall objective of Treasury policy is to protect equity and future profits to be affected from unpredictability in the financial markets.
For the purpose of this policy only risk with both uncertainty of events and exposure, should be mitigated. Market uncertainty itself should not trigger hedging, unless it is in conjunction with a possible and material negative consequence for Next Games Corporation or its subsidiaries.

Furthermore, the objective is to attempt to secure access to liquidity and financing at all times, to a reasonable cost.

Capital Management

The purpose of capital management for the group is to secure ongoing operations during varied market conditions and to support long term strategic development for the Company. This is achieved by guaranteeing access to internally generated funds, and the ability to when necessary transfer assets to value creating investments, in addition to guarantee access to external funds (debt or equity) timely and at a reasonable cost. In order to have access to capital markets, cash flow risk needs to be as low as possible. In order to secure access to necessary funding Next Games follows and monitors approved guidelines such as the external funding for the Group is controlled by the parent company within the limits of the Treasury policy, the balance of short and long term debt must be within approved guidelines, the aim is to keep the Group's solidity at or above 50%, the Group should not be dependent on only one source of financing but have several counterparties.

In March 2017, Next Games did IPO and its' shares became publicly traded in Nasdaq First North Helsinki stock exchange. As a result of listing process, the Company increased its Equity by 34 million euros.

Liquidity risk

The focus of liquidity management is to safeguard Next Games ability to meet short term obligations and to secure that the liquidity always is used in the most optimal manner. Furthermore, liquidity management should aim to achieve acceptable returns on surplus liquidity, and most importantly to safeguard against negative interest rates within the limits of this risk policy. In order to achieve the most optimal cash management, entity monitors liquidity position and follows approved group guidelines to maintain high liquidity level.

As at December 31, 2018 Next Games cash and cash equivalents totaled EUR 7.3 million. Furthermore, entity had at December 31, 2018 committed credit facilities with total undrawn credit of EUR 5.0 million which expires on 30th of April 2019 unless renewed. The rate of interest on credit drawn is the aggregate of the reference rate of 1 Month EURIBOR and the margin of 1,60% p.a. The interest to be paid is calculated on the daily amount of the drawn credit. Company shall also pay to the Bank a facility fee of 0,65% p.a. calculated on the total amount of credit granted.

The following tables present entity's financial liabilities classified into relevant maturity groupings based on their contractual maturities for all non-derivative financial liabilities:

EUR thousand	1-3 months	4-12 months	1-5 years	Over 5 years	Total
January 1, 2016					
Non-current governmental agency loan	-	-	280	100	380
Trade payables	1 833	-	-	-	1 833
Lease liabilities	62	190	537	-	789
December 31, 2016					
Non-current governmental agency loan	-	-	618	89	707
Trade payables	1 130	48	-	-	1 178
Lease liabilitites	64	248	224	-	536
December 31, 2017					
Non-current governmental agency loan	84	-	642	-	726
Trade payables	1 162	-	-	-	1 162
Lease liabilities	224	-	-	-	224

EUR thousand	1-3 months	4-12 months	1-5 years	Over 5 years	Total
December 31, 2018					
Non-current governmental agency loan	112	110	518	-	740
Trade payables	2 731	-	-	-	2 731
Lease liabilities	245	747	4 145	-	5 136

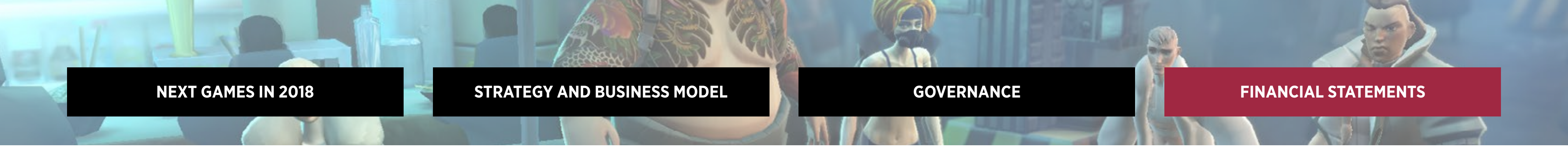
Foreign exchange risk

Foreign exchange risk is defined as the risk that fluctuations in the foreign exchange markets will affect Next Games Corporations (and all subsidiaries) income statement and balance sheet negatively. The major currency to which Next Games Corporation is exposed is USD. When managing foreign exchange risk, consideration should be taken to how sensitive Next Games Corporation is to fluctuations in the currency market. The entity is exposed to two different kinds of foreign exchange risks: Translation exposure by converting net equity in foreign currencies into the functional currency, and transaction exposure from sales, purchases, receivables and payables in other currencies than the functional currency. Entity mitigates effects of FX risk by regular monitoring of risk positions and hedge material cash inflows or outflows. Next Games corporation receives sales in USD and EUR and carries costs in both currencies. Costs affecting Next Games Corporation gross margin (royalty payments and user acquisition costs) are mainly denominated in USD. For the purpose of securing Next Games gross margin, the corporation may utilize instruments to match month to month sales and related expenses.

According to the Treasury policy entity's hedging levels may vary from 0% to 100% in USD denominated sales. Currently entity does not have any outstanding hedging derivatives. In 2018, the Company had EUR 0.2 million (2017: -0.4 million, 2016: EUR 0.0 million) foreign currency exchange profits in Profit and Loss.

Credit and counterparty risk

Counterparty risk is the risk that losses will be incurred due to the counterparty to a financial transaction being partially or totally unable to meet its commitments or through the decrease in market value of an instrument issued by the counterparty due to change in creditworthiness. The Group Finance function is responsible for



managing the Group's counterparty risk with regards to counterparty and funding transactions.

Next Games Corporation is exposed to counterparty risk principally in relation to advertising networks through which its advertising revenue is generated. In turn, Next Games Corporation has exposure against these platforms in terms of payables from player acquisition activities.

In order to mitigate credit and counterparty risk entity uses different measures to mitigate it such as acceptance of all counterparties, thorough credit reviews for any new customer approved by the management and regular monitoring of customers payment behavior by the Group Finance. All assets can only be placed in banks or in other interest-bearing instruments with a credit rating no lower than A-1.

Entity has concentration risk in accounts receivables (Note 3.1) through two large counterparties. Apple and Google represent 67 % of entities accounts receivables. The remaining accounts receivable balance consists receivables from different ad networks. Two largest ad networks hold 25 % of total receivables. Entity has never incurred any credit losses from accounts receivables. Entity assess the financial risk profile of the major large counterparties being minimal.

On each reporting date, any impairment of receivables from material customers is analyzed individually based on their probability of default and loss given default at the reporting date. In addition, minor receivables with similar credit characteristics are grouped and assessed together for impairment.

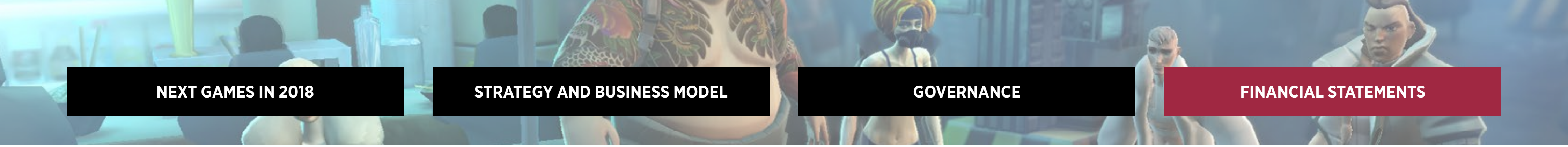
Next Games' major customers, such as Apple, Google, Facebook, Adcolony, Unity and AppLovin have not been found to be associated with significant credit risk or significant increase in credit risk since issuance of the receivable, based on the counterparty's credit rating, historical payment behavior and the short-term nature of these receivables. In addition, those receivables assessed together are neither associated with significant credit risk at the reporting date. Therefore, the impairment provision is insignificant at each period reported. The following table below show the impairment provision recognized for trade receivables and movements on the allowance account.

Movements on the allowance account for impairment of trade receivables are as follows:

EUR thousand	2018	2017	2016
At January 1	-9	-14	
Provision for impairment recognized during the year	7	-9	-14
Receivable written off during the year as uncollectible			
Unused amounts reversed	9	14	
Unwind of discounts			
At December 31	**7**	**-9**	**-14**

Interest rate risk

Interest rate risk is defined as the uncertainty of Next Games Corporations value, profit and loss due to changes in interest rates. The Group is exposed to interest rate risk through its interest–bearing loans (excluding financial leases). During the reporting period market interest rate have been below 4%, so comp Interest rate risk is currently not significant due to the low amount of interest-bearing loans. Entity has not had any derivatives to hedge its interest rate risk at the reporting dates.



5.OTHER DISCLOSURES

5.1 Related party transactions

Next Games' related parties include its subsidiaries, associate and the members of the Board of Directors, CEO, the members of the Management Team, as well as shareholders having significant influence over the Company. Related parties also include the close family members of these individuals and entities that are controlled or jointly controlled by a person identified as a related party. Transactions with related parties were made on an arm's length basis.

Following transactions were conducted with related party

EUR thousand	Jan 1 - Dec 31, 2018	Jan 1 - Dec 31, 2017	Jan 1 - Dec 31, 2016
Transactions with members of the Board of directors or parties they are representing:			
Licensing fees and marketing services	2 325	2 679	5 145
Repayment of Borrowings	-	40	-
Transaction with associates:			
Other operating income from selling an IP license to its' associate Armada Interactive			767

Balances with related parties

EUR thousand	December 31, 2018	December 31, 2017	December 31, 2016	January 1, 2016
Borrowings from board member	-	-	40	40
Other payables to related party entity	774	897	2 869	926

Next Games related party transactions includes normal business transactions with license partners (AMC). Transactions are normal in Next Games business model and are following arm's length principle.

Borrowing from Board member was paid during 2017 according to terms of loan agreement.

5.2 Group structure

Subsidiaries belonging to the Group as at December 31, 2018 are the following:

- Next Games GMBH, 100 % owned
- Lume Games Oy was merged with Next Games Oyj January 1, 2018.

Subsidiaries were consolidated to Next Games group financial statement. Hence, all the business operations of the group are operated by the parent company and subsidiaries did not have material impact on reporting periods' financials.

Accounting policy

Subsidiaries are fully consolidated from the date of acquisition, being the date on which Next Games obtains control, and continue to be consolidated until the date such control ceases. Next Games controls an entity when Next Games is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. The acquisition method of accounting is used to account for business combinations by Next Games. Intercompany transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset.

5.3 Investments in associates

Next Games has classified Armada Interactive Oy to be the associated company of Next Games Group. Next Games' ownership of Armada Interactive Oy was 9.5% in December 31, 2018. In addition, Next Games holds membership in Armada's board, which is the trigger, when determining that Next Games has significant influence on decision making of Armada Interactive.

In 2016 Next Games recognized a loss of EUR 110 thousand to its' group financial statement based on equity method from the annual loss of Armada Interactive Oy. In 2017 Next Games recognized a loss of EUR 455 thousand from the annual loss of Armada Interactive Oy to its' group financial statement. In 2018 Next Games recognized a loss of EUR 121 thousand from the annual loss of Armada Interactive Oy to its' group financial statement.

Accounting policy

Investments in associates in which Next Games has a significant influence but not control are accounted for using the equity method. Significant influence usually exists when the group holds over 20% of the voting power of the entity or when the group otherwise has significant influence but not control.

5.4 Foreign currency translation

Accounting policy

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the date of transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized in income statements.

Next Games records foreign exchange differences relating to ordinary business operations within the appropriate line item above operating profit and those relating to financial items are presented separately as a net amount in finance costs.

5.5 Commitments and contingent liabilites

EUR thousand	December 31, 2018	December 31, 2017	December 31, 2016	January 1, 2016
Borrowings secured by mortgages				
Loans	0	0	0	0
Amount of mortgages given as collateral	1 000	1 000	1 000	0
Low value leasing asset commitment	**1 273**	**385**	**235**	**321**
Within a year	497	247	170	210
Later	776	139	65	111
Short-term leasing commitments		**227**		
Within a year		227		

5.6 Adoption of IFRS

The impact of the first-time adoption of IFRS Standards on the consolidated statement of comprehensive income for the years ended December 31, 2016 and 2017, and on the consolidated balance sheet as at the date of transition January 1, 2016, and as at December 31, 2016 and 2017, reported in accordance with the Finnish Accounting Standards (FAS) is presented below.

As part of the first-time adoption of IFRS standards, the Company changed the presentation of the consolidated statement of comprehensive income. Under FAS, the Company presented the analysis of expenses using classification based on their nature. Under IFRS, the Company presents the analysis of expenses using classification based on their function. Management considers that presentation by function provides information that is reliable and more relevant to the users of the IFRS consolidated financial statements. As a result of classifying expenses by function the Company discloses additional information on the nature of expenses, including depreciation and amortization expense and employee benefits expense. Transition from cost based to function based presentation is presented below:

Material adjustments to the consolidated statement of cash flows

Under FAS, Next Games did not capitalize any development costs but rather the costs were expensed as incurred. Under IFRS, development costs meeting the criteria in IAS 38 standard are capitalized as intangible assets and presented as cash flows from investing activities in the consolidated statement of cash flows. In 2017, this adjustment resulted in a decrease of cash flows from investing activities and increase of cash flows from operating activities of EUR 2.4 million.

Under FAS, all lease agreements were treated as operating leases, and, therefore lease payments were presented as cash flows from operating activities. Under IFRS, major lease agreements are accounted for as right-of-use assets and lease liabilities, and, therefore, lease payments are presented as cash flows from financing activities. In 2017, this adjustment resulted in a decrease of cash flows from financing activities and an increase of cash flows from operating activities of EUR 0.3 million.

Other adjustments were not material. In 2016, under FAS, the Company did not prepare consolidated statement of cash flows.

5.6 Adoption of IFRS

Reclassifications 2016

PROFIT AND LOSS STATEMENT, EUR	Historical 1.1.2016-31.12.2016	Reclassifications	Note	Reclassified 1.1.2016-31.12.2016
Total Revenue	31 111 712	-		31 111 712
Cost of Revenue		-14 106 382	(ii)	-14 106 382
Work performed by the undertaking for its own purpose and capitalised	253 556	-253 556	(i)	-
Other operating income	1 237 701	-		1 237 701
Research and development costs		-6 515 223	(i),(ii),(iii),(iv),(v)	-6 515 223
Sales and Marketing costs		-12 267 571	(ii),(v)	-12 267 571

5.6 Adoption of IFRS

Reclassifications 2016

PROFIT AND LOSS STATEMENT, EUR	Historical 1.1.2016-31.12.2016	Reclassifications	Note	Reclassified 1.1.2016-31.12.2016
Depreciations, amortisation and write-offs total	406 077	406 077	(iv)	0
Other operating expenses	6 006 217	6 006 217	(iv),(v)	-

(i) Reclassification of EUR 253 556 from Work performed by the undertaking for its own purpose and capitalised to R&D expenses
(ii) Reclassification of EUR 22 860 033 from Raw materials and Services to Sales and Marketing expenses (EUR 8 304 232), R&D expenses (EUR 449 419) and Cost of Revenue (EUR 14 106 382)
(iii) Reclassification of EUR 4 246 104 from Personnel expenses to Admin expenses (EUR 505 239) and R&D expenses (EUR 3 740 865)
(iv) Reclassification of EUR 406 077 from Depreciations, amortisation and write-offs to Other operating expenses (EUR 79 923) and R&D expenses (EUR 326 154)
(v) Reclassification of EUR 6 086 140 from Other operating expenses to Personnel expenses (EUR 644 569), Admin total (EUR 515 029), Sales and Marketing expenses (EUR 3 963 340) and R&D expenses (2 252 341)

Consolidated statement of comprehensive income Jan 1 – Dec 31, 2016

Reclassifications 2017

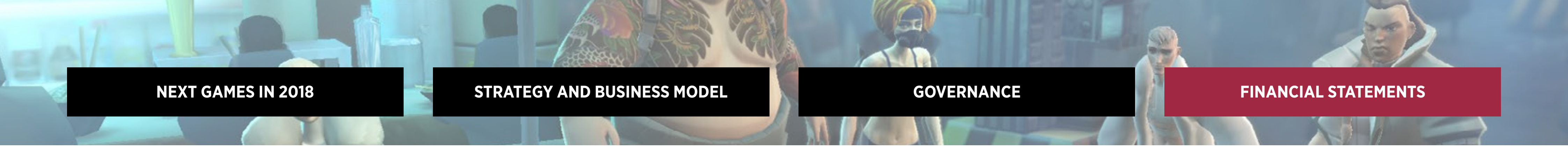
PROFIT AND LOSS STATEMENT, EUR	Historical 1.1.2016-31.12.2016	Reclassifications	Note	Reclassified 1.1.2016-31.12.2016
Total Revenue	32 496 933	-		32 496 933
Cost of Revenue		-13 042 375	(ii)	-13 042 375
Work performed by the undertaking for its own purpose and capitalised		-		-
Other operating income	22 138	-	(i)	22 138
Research and development costs		-9 273 843	(ii),(iii),(iv),(v)	-9 273 843
Sales and Marketing costs		-12 579 280	(ii),(iii),(v)	-12 579 280

Consolidated statement of comprehensive income Jan 1 – Dec 31, 2016

Reclassifications 2017

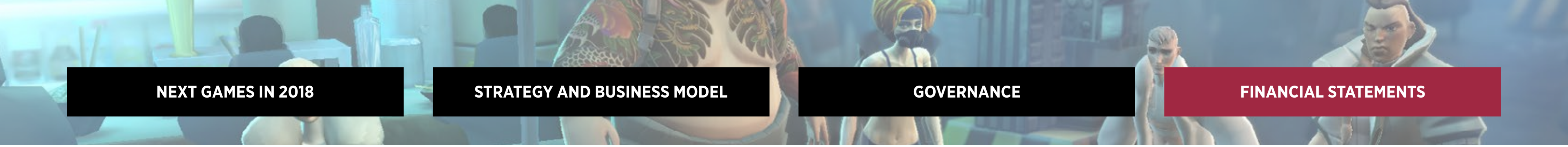
PROFIT AND LOSS STATEMENT, EUR	Historical 1.1.2016-31.12.2016	Reclassifications	Note	Reclassified 1.1.2016-31.12.2016
Personnel expenses total	6 656 030	6 656 030	(iii)	-
Depreciations, amortisation and write-offs total	1 530 346	1 530 346	(iv)	0
Profit of the year	6 359 363			13 042 375

(i) Reclassification of EUR 31 129 from Revenue to Other operating income
(ii) Reclassification of EUR 20 546 906 from Raw materials and Services to Sales and Marketing expenses (EUR 7 042 369), R&D expenses (EUR 462 162) and Cost of Revenue (EUR 13 042 375)
(iii) Reclassification of EUR 6 656 030 from Personnel expenses to Admin expenses (EUR 1 390 842), Sales and Marketing expenses (EUR 815 929) and R&D expenses (EUR 4 449 258)
(iv) Reclassification of EUR 1 530 346 from Depreciations, amortisation and write-offs to Other operating expenses (EUR 149 139), Admin expenses (EUR 751 447) and R&D expenses (EUR 629 761)
(v) Reclassification of EUR 10 292 293 from Other operating expenses to Admin expenses (EUR 1 838 649), Sales and marketing expenses (EUR 4 720 982) and R&D expenses (EUR 3 732 662)



Consolidated statement of comprehensive income Jan 1 – Dec 31, 2016

EUR thousand	FAS	Capitalization of game development	IPO expense adjustment	IFRS 16 leasing adjustment	IFRS 2 option adjustment	Helsinki Game Works adjustment	Other adjustments	Total IFRS adjustments	IFRS
Revenue from contracts with customers	31 112						-	-	31 112
Cost of revenue	-14 106						-135	-135	-14 241
Gross profit	**17 005**						**-135**	**-135**	**16 870**
Other operating income	1 238						-147	-147	1 091
Research and development costs	-6 515			-95	-175	277	148	156	-6 359
Sales and marketing costs	-12 268			-17	-42		-4	-63	-12 331
Administrative costs	-1 020		-197	-8	-237		-2	-443	-1 463
Operating profit	**-1 560**		**-197**	**-119**	**-454**	**277**	**-5**	**-632**	**-2 192**
Finance income	0						-	-	0
Finance costs	-62			-23			-15	-38	-100

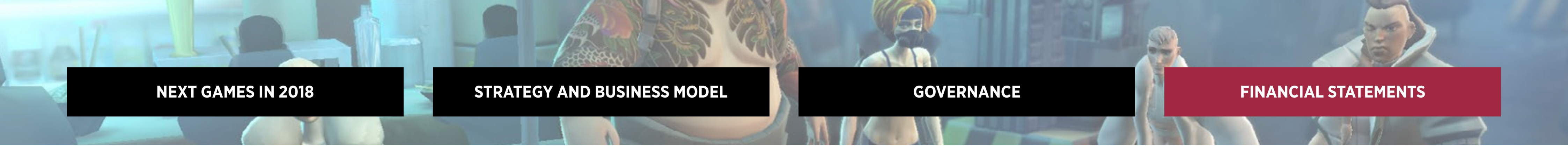


Consolidated statement of comprehensive income Jan 1 – Dec 31, 2016

EUR thousand	FAS	Capitalization of game development	IPO expense adjustment	IFRS 16 leasing adjustment	IFRS 2 option adjustment	Helsinki Game Works adjustment	Other adjustments	Total IFRS adjustments	IFRS
Financial income and costs total	**-62**			**-23**			**-15**	**-38**	**-100**
Share of associates' profit/loss	0						-110	-110	-110
Profit before taxes	-1 622		-197	-143	-454		-130	-780	-2 402
Income taxes	0						-	-	0
Change in deferred tax	2 400		39	29			29	97	2 496
Profit of the year	**778**		**-157**	**-114**	**-454**	**277**	**-101**	**-683**	**94**
Total comprehensive income for the period							**-**	**-**	**94**

Consolidated statement of comprehensive income January 1 – December 31, 2017

EUR thousand	FAS	Capitalization of game development	IPO expense adjustment	IFRS 16 leasing adjustment	IFRS 2 option adjustment	Helsinki Game Works adjustment	Other adjustments	Total IFRS adjustments	IFRS
Revenue from contracts with customers	32 466						-	-	32 466
Cost of revenue	-13 042						-115	-115	-13 158
Gross profit	**19 423**						**-115**	**-115**	**19 308**
Other operating income	53								53
Research and development costs	-9 274	1 723		107	-698	172	936	2 240	-7 034
Sales and marketing costs	-12 579			35	-169		-	-135	-12 714
Administrative costs	-3 981		284	18	-946		-61	-705	-4 686
Operating profit	**-6 357**	**1 723**	**284**	**160**	**-1 813**	**172**	**760**	**1 285**	**-5 072**
Finance income	37								37
Finance costs	-507			-14			-20	-34	-541
Financial costs - net	**-470**			**-14**			**-20**	**-34**	**-504**



Consolidated statement of comprehensive income January 1 – December 31, 2017

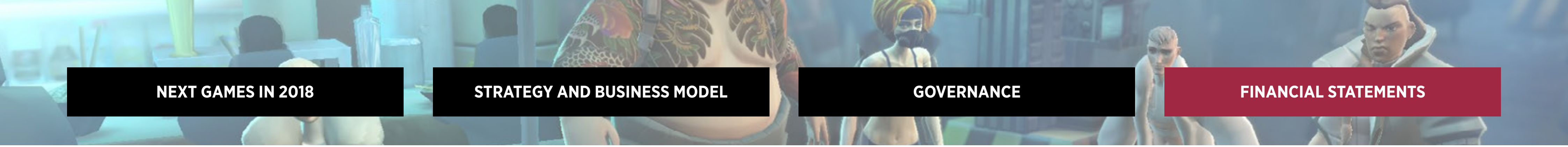
EUR thousand	FAS	Capitalization of game development	IPO expense adjustment	IFRS 16 leasing adjustment	IFRS 2 option adjustment	Helsinki Game Works adjustment	Other adjustments	Total IFRS adjustments	IFRS
Share of associates' profit/loss	-						-455	-455	-455
Profit before taxes	**-6 827**	**1 723**	**284**	**146**	**-1 813**	**172**		**797**	**-6 031**
Income taxes	0						-	-	0
Change in deferred tax	469	-345	-56	-29			-144	-574	-105
Total income tax expense	**469**								**-105**
Profit for the period	**-6 359**	**1 378**	**228**	**116**	**-1 813**	**172**	**141**	**223**	**-6 136**
Total comprehensive income for the period	**-6 359**					**-**		**223**	**-6 136**

Consolidated balance sheet January 1, 2016 (IFRS opening balance)

EUR thousand	FAS	Capitalization of game development	IPO expense adjustment	IFRS 16 leasing adjustment	IFRS 2 option adjustment	Helsinki Game Works adjustment	Other adjustments	Total IFRS adjustments	IFRS
Assets									
Non-current assets									
Intangible assets	48					307	332	639	688
Goodwill	623				1 612	-		1 612	2 235
Property, plant and equipment	157			788			50	838	996
Investments	0						-	-	0
Long-term debtors	257				-		-		257
Deferred tax assets	0				-		-		0
Non-current assets total	**1 086**			**788**		**1 920**	**382**	**3 090**	**4 176**
Current assets									
Trade and other receivables	3 032						-12	-12	3 021

Consolidated balance sheet January 1, 2016 (IFRS opening balance)

EUR thousand	FAS	Capitalization of game development	IPO expense adjustment	IFRS 16 leasing adjustment	IFRS 2 option adjustment	Helsinki Game Works adjustment	Other adjustments	Total IFRS adjustments	IFRS
Cash and cash equivalents	4 645						-	-	4 645
Current assets total	**7 677**						**-12**	**-12**	**7 666**
Total assets	**8 763**			**788**		**1 920**	**370**	**3 078**	**11 842**
Equity and liabilities									
Shareholders' equity									
Share capital	3						-	-	3
Invested non-restricted equity reserve	15 776					1 611	362	1 973	17 749
Retained earnings	-11 173					247	37	285	-10 888
Profit (loss) for the period									
Shareholders' equity	**4 606**					**1 858**	**399**	**2 258**	**6 864**



Consolidated balance sheet January 1, 2016 (IFRS opening balance)

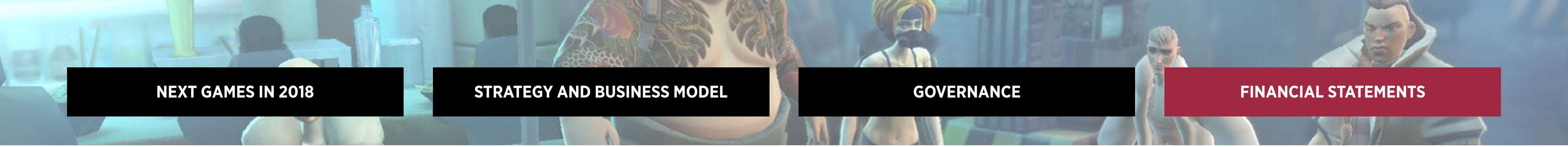
EUR thousand	FAS	Capitalization of game development	IPO expense adjustment	IFRS 16 leasing adjustment	IFRS 2 option adjustment	Helsinki Game Works adjustment	Other adjustments	Total IFRS adjustments	IFRS
Liabilities									
Non-current									
Deferred tax liabilities	0					61	17	78	78
Non-current governmental agency loan	426						-46	-46	380
Lease liabilities	0			537			-	537	537
Non-current liabilities total	**426**			**537**		**61**	**-29**	**569**	**995**
Current									
Current governmental agency loan	0						-	-	0
Lease liabilities	0			251				251	251
Deferred revenue	0						-	-	0

Consolidated balance sheet January 1, 2016 (IFRS opening balance)

EUR thousand	**FAS**	**Capitalization of game development**	**IPO expense adjustment**	**IFRS 16 leasing adjustment**	**IFRS 2 option adjustment**	**Helsinki Game Works adjustment**	**Other adjustments**	**Total IFRS adjustments**	**IFRS**
Trade payables	1 833						-	-	1 833
Other liabilities	184						-	-	184
Accruals and deferred income	1 714						-	-	1 711
Current liabilities total	3 731			251		0		251	3 983
Liabilities total	4 157			788		61	-29	821	4 978
Equity and liabilities total	**8 763**			**788**		**1 920**	**371**	**3 079**	**11 842**

Consolidated balance sheet December 31, 2016

EUR thousand	FAS	Capitalization of game development	IPO expense adjustment	IFRS 16 leasing adjustment	IFRS 2 option adjustment	Helsinki Game Works adjustment	Other adjustments	Total IFRS adjustments	IFRS
Assets									
Non-current assets									
Intangible assets	389					307	-28	279	668
Goodwill	200					1 924	111	2 035	2 235
Property, plant and equipment	145			394			125	519	664
Investments	1 074						-1 074	-1 074	0
Share of associates	0						964	964	964
Long-term debtors	258						-	-	258
Deferred tax assets	2 400		51	29			-50	30	2 430
Non-current assets total	**4 465**		**51**	**423**		**2 231**	**46**	**2 753**	**7 219**



Consolidated balance sheet December 31, 2016

EUR thousand	FAS	Capitalization of game development	IPO expense adjustment	IFRS 16 leasing adjustment	IFRS 2 option adjustment	Helsinki Game Works adjustment	Other adjustments	Total IFRS adjustments	IFRS
Current assets									
Trade and other receivables	6 413		-254				-14	-269	6 144
Cash and cash equivalents	3 664						-	-	3 664
Current assets total	**10 077**		**-254**				**-14**	**-269**	**9 808**
Total assets	**14 542**		**-203**	**423**		**2 231**	**32**	**2 482**	**17 027**
Equity and liabilities									
Shareholders' equity									
Share capital	3						-	-	3
Invested non-restricted equity reserve	15 783		-46			1 611	362	1 927	17 710
Retained earnings	-11 173				454	282	37	773	-10 400

Consolidated balance sheet December 31, 2016

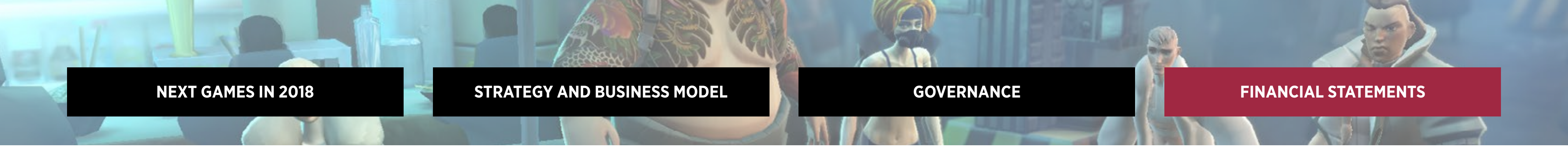
EUR thousand	FAS	Capitalization of game development	IPO expense adjustment	IFRS 16 leasing adjustment	IFRS 2 option adjustment	Helsinki Game Works adjustment	Other adjustments	Total IFRS adjustments	IFRS
Profit (loss) for the period	778		-157	-114	-454	277	-235	-683	94
Shareholders' equity	**5 390**		**-203**	**-114**	**0**	**2 170**	**162**	**2 014**	**7 407**
Liabilities									
Non-current									
Deferred tax liabilities	0					61	-61	0	0
Non-current governmental agency loan	775						-68	-68	707
Lease liabilities	0			224			-	224	224
Non-current liabilities total	775			224		61	-129	156	931

Consolidated balance sheet December 31, 2016

EUR thousand	FAS	Capitalization of game development	IPO expense adjustment	IFRS 16 leasing adjustment	IFRS 2 option adjustment	Helsinki Game Works adjustment	Other adjustments	Total IFRS adjustments	IFRS
Current									
Current governmental agency loan	0						-	-	0
Lease liabilities	0			313			-	313	313
Deferred revenue	2 482						-	-	2 482
Trade payables	1 178						-	-	1 178
Other liabilities	125						-	-	125
Accruals and deferred income	4 592						-	-	4 592
Current liabilities total	8 375			313			-	313	8 689
Liabilities total	9 152			537		61	-129	469	9 618
Equity and liabilities total	**14 542**		**-203**	**423**		**2 231**	**33**	**2 482**	**17 027**

Consolidated balance sheet December 31, 2017

EUR thousand	FAS	Capitalization of game development	IPO expense adjustment	IFRS 16 leasing adjustment	IFRS 2 option adjustment	Helsinki Game Works adjustment	Other adjustments	Total IFRS adjustments	IFRS
Assets									
Non-current assets									
Intangible assets	5 917	1 723	-1 954			307	783	859	6 776
Goodwill	903					2 124	317	2 441	3 344
Property, plant and equipment	136						139	139	275
Investments	1 074						-1 074	-1 074	0
Shares of associates	0						509	509	509
Long-term debtors	820						-	-	820
Deferred tax assets	2 776	-344	392	-1		-61	-133	-147	2 629
Non-current assets total	**11 626**	**1 378**	**-1 562**	**-1**		**2 370**	**542**	**2 727**	**14 353**
Current assets									
Trade and other receivables	4 987						-9	-9	4 978



Consolidated balance sheet December 31, 2017

EUR thousand	FAS	Capitalization of game development	IPO expense adjustment	IFRS 16 leasing adjustment	IFRS 2 option adjustment	Helsinki Game Works adjustment	Other adjustments	Total IFRS adjustments	IFRS
Cash and cash equivalents	26 377						-	-	26 377
Current assets total	**31 364**						**-9**	**-9**	**31 356**
Total assets	**42 990**	**1 378**	**-1 562**	**-1**		**2 370**	**531**	**2 719**	**45 709**
Equity and liabilities									
Shareholders' equity									
Share capital	80						-	-	80
Invested non-restricted equity reserve	53 277		-1 633			1 611	612	589	53 866
Retained earnings	-10 395		-157	-114	1 813	587	-172	1 958	-8 437
Profit (loss) for the period	-6 359	1 378	228	116	-1 813	172	142	223	-6 137
Shareholders' equity	**36 602**	**1 378**	**-1 562**	**2**	**0**	**2 370**	**580**	**2 770**	**39 372**

Consolidated balance sheet December 31, 2017

EUR thousand	FAS	Capitalization of game development	IPO expense adjustment	IFRS 16 leasing adjustment	IFRS 2 option adjustment	Helsinki Game Works adjustment	Other adjustments	Total IFRS adjustments	IFRS
Liabilities									
Non-current liabilities									
Deferred tax liabilities	0							0	0
Governmental agency loan	691						-49	-49	642
Lease liabilities	0						-	-	0
Non-current liabilities total	**691**						**-49**	**-49**	**642**
Current liabilities									
Governmental agency loan	84						-	-	84
Lease liabilities	0			224			-	224	224
Deferred revenue	914						-	-	914
Trade payables	1 162						-	-	1 162

Consolidated balance sheet December 31, 2017

EUR thousand	FAS	Capitalization of game development	IPO expense adjustment	IFRS 16 leasing adjustment	IFRS 2 option adjustment	Helsinki Game Works adjustment	Other adjustments	Total IFRS adjustments	IFRS
Other liabilities	205						-	-	205
Accruals and deferred income	3 331			-227			-	-227	3 104
Current liabilities total	5 697						-	-3	5 694
Liabilities total	6 388			-3			-49	-51	6 337
Equity and liabilities total	**42 990**	**1 378**	**-1 562**	**-1**		**2 370**	**531**	**2 719**	**45 709**

The following summarizes the impact of the adoption of IFRS for Next Games:

Reclassifications

Under FAS, leasehold improvements have been classified as intangible assets. Under IFRS, leasehold improvements are classified as tangible assets, in accordance with their nature.

Next Games has incurred leasehold improvement costs during the financial year 2016 related to their old head quarter premises, which lease contract was terminated effective from 31 December 2017. As a result, EUR 103 thousand was reclassified from intangible assets to tangible assets as at 31 December 2016. Due to a reassessment of the depreciation period, R&D functions' expenses were increased by EUR 14 thousand in the financial year 2016 and decreased by EUR 12 thousand in the financial year 2017. Sales and marketing functions' expenses increased EUR 2 thousand in 2016 and decreased EUR 4 thousand in 2017. Admin functions' expenses increased EUR 1 thousand in 2016 and decreased EUR 2 thousand in 2017. Deferred tax asset of EUR 4 thousand was recognized as at 31 December 2016 and subsequently derecognized in the financial year 2017.

In addition, Next Games has incurred leasehold improvement costs during the financial year 2017 related to their new head quarter premises, which were taken into use during the summer 2018. As a result, EUR 118 thousand was reclassified from intangible assets to tangible assets as at 31 December 2017. As the premises were not yet in use, no depreciation was recognized.

Business combinations and reversal of goodwill amortizations (Adjustments 12 and 13)

Under IFRS, Next Games has elected to apply IFRS 3 Business combinations to a past business combination. Accordingly, the accounting of the acquisition of Helsinki Game Works Oy in October 2014 has been prepared in accordance with IFRS 3. Next Games did not have any other business combinations before the transition to IFRS as at 1 January 2016. Main adjustments compared to FAS consist of fair valuing Next Games' shares given as consideration and identifying and fair valuing acquired intellectual property rights, which were not recognized under FAS. Component for post-combination services was separated from the acquisition cost, reflecting the employment obligation of the selling parties. This component is recognized as employee costs as the service is received by Next Games. Transaction costs were expensed instead of including them in the acquisition cost as treated under FAS. In addition, as goodwill is not amortized under IFRS, goodwill amortizations made under FAS were reversed. As a result, the following adjustments were made:

- As at 1 January 2016, goodwill was increased by EUR 1.612 thousand, intangible assets were increased by EUR 307 thousand, invested unrestricted equity reserve was increased by EUR 1.611 thousand, retained earnings were increased by EUR 247 thousand and deferred tax liabilities were increased by EUR 61 thousand.
- In the financial year 2016, expenses of R&D function were decreased by EUR 277 thousand.
- As at 31 December 2016, goodwill was increased

by EUR 1.924 thousand, intangible assets were increased by EUR 307 thousand, invested unrestricted equity reserve was increased by EUR 1.611 thousand, retained earnings were increased by EUR 559 thousand and deferred tax liabilities were increased by EUR 61 thousand.

- In the financial period 2017 expenses of R&D function were decreased by EUR 172 thousand.
- As at 31 December 2017, goodwill was increased by EUR 2.124 thousand, intangible assets were increased by EUR 307 thousand, invested unrestricted equity reserve was increased by EUR 1.611 thousand, retained earnings were increased by EUR 759 thousand and deferred tax liabilities were increased by EUR 61 thousand.

Next Games acquired Lume Games Oy in February 2017 and prepared the acquisition accounting in accordance with IFRS 3. Main adjustments compared to FAS consist of fair valuing Next Games' shares given as consideration, fair valuing acquired technology, separating a component for post-combination services and expensing transaction costs. In addition, as goodwill is not amortized under IFRS, goodwill amortizations made under FAS were reversed. As a result, the following adjustments were made:

- In the financial year 2017, expenses of R&D function were decreased by EUR 291 thousand, expenses of admin function were increased by EUR 61 thousand and change in deferred taxes (expense) was increased by EUR 18 thousand.
- As at 31 December 2017, goodwill was increased by EUR 206 thousand, intangible assets were increased by EUR 92 thousand, invested unrestricted equity reserve was increased by EUR 41 thousand, retained earnings were increased by EUR 239 thousand and deferred tax liabilities were increased by EUR 18 thousand.

License acquisitions

Next Games has acquired two licenses from AMC Networks Ventures LLC ('AMC'): first one in 2014 related to The Walking Dead: No Man's Land ('NML license') and the second one in 2017 related to The Walking Dead: Our World ('OW license'). As a consideration, Next Games issued its shares to AMC. Under FAS, the NML license was not recognized to the balance sheet but the OW license was recognized as an intangible asset and as an increase in equity.

Under IFRS, management has concluded that both licenses meet the IAS 38 criteria for an intangible asset. Furthermore, as Next Games received a license from AMC and AMC received shares of Next Games in return, the arrangement is considered as an equity-settled share-based payment transaction in the scope of IFRS 2 Share-based payment. As the arrangement does not include any specific vesting conditions, the shares are considered to be vested once AMC has provided the rights to the licenses to Next Games, i.e. the shares vest immediately at the date of the acquisition. As the fair value of the acquired unique licenses cannot be estimated reliably, Next Games shall measure their value indirectly, by reference to the fair value of the equity instruments granted. As a result, the following adjustments were made:

- As at 1 January 2016, intangible assets were increased by EUR 332 thousand, invested unrestricted equity reserve was increased by EUR 362 thousand and retained earnings were decreased by EUR 30 thousand.
- In the financial year 2016, cost of revenue was increased by EUR 121 thousand.
- As at 31 December 2016, intangible assets were increased by EUR 211 thousand, invested unrestricted equity reserve was increased by EUR 362 thousand and retained earnings were decreased by EUR 151 thousand.
- In the financial year, 2017, cost of revenue was increased by EUR 121 thousand.
- As at 31 December 2017, intangible assets were increased by EUR 299 thousand, invested unrestricted equity reserve was increased by EUR 571 thousand and retained earnings were decreased by EUR 272 thousand.

Share-based payments arrangements

Next Games has established several share option plans which give the employees the right to subscribe Next Games' shares.
Under FAS, Next Games has not recognized employee benefit expenses from the plans. Under IFRS, the plans are classified as equity-settled share-based payment plans. The fair value of the employee services received in exchange for the grant of the options is recognized as an expense over the vesting period. As a result, the following adjustments were made:

- In the financial year 2016, expenses of R&D function were increased by EUR 175 thousand, expenses of sales and marketing function were increased by EUR 42 thousand , expenses of admin function were increased by 237 and retained earnings were credited with same total amount EUR 454 thousand. Therefore, the balance sheet as at 31 December 2016 was not affected.
- In the financial year 2017, expenses of R&D function were increased by EUR 698 thousand, expenses of sales and marketing function were increased by EUR 169 thousand, expenses of admin function were increased by EUR 946 and retained earnings were credited with same total amount EUR 1.813 thousand. Therefore, the balance sheet as at 31 December 2017 was not affected.

Leases

Next Games has adopted IFRS 16 Leases retrospectively from 1 January 2016, however certain specific transition provisions as permitted under the IFRS 1 have been applied as described below.

On adoption of IFRS 16, Next Games recognized lease liabilities in relation to leases which had previously been classified as of balance sheet operating leases under FAS. Next Games has applied the exemptions of IFRS 1.D9B(a-b) and, therefore, the initial recognition is done by measuring the lease liability at the present value of the remaining lease payments at the date of transition to IFRS using the incremental borrowing rate at the date of transition as a discount rate. Right-of-use asset is measured as an amount which is equal with the lease liability. Next Games has also decided to apply recognition exemptions for short-term leases and leases of low-value assets, i.e. payments are recognized on a straight-line basis as an expense in the income statement. Short-term leases are leases with a lease term of 12 months or less and this exemption is used with property leases which contain the interim head office. Low-value assets contain certain IT-equipment.

Next Games has applied the exemption of IFRS 1.D9D(e) and used hindsight when determining the lease terms of certain property leases, which included extension or termination options. Therefore, the lease term of previous head quarter was not revised during the financial year 2017 when the lease was terminated. The termination penalties of the previous head quarter amounting to EUR 210 thousand has been included in the initial recognition of the lease liability and the right-of-use asset.
After the recognition exemptions, under IFRS Next Games has recognized lease liability and right-of-use asset from the lease contract of previous head quarter. As a result, the following adjustments were made:

- As at 1 January 2016, non-current lease liabilities were increased by EUR 537 thousand and current lease liabilities were increased by EUR 251 thousand. The right-of-use assets under buildings and structures were increased by EUR 788 thousand.
- In the financial year 2016, expenses of R&D function were increased by EUR 95 thousand, expenses of sales and marketing function increased by 17 thousand and expenses of admin function increased by 8 thousand. Financial expenses were increased by EUR 23 thousand and change in deferred taxes (income) was increased by EUR 29 thousand.
- As at 31 December 2016, non-current lease liabilities were increased by EUR 224 thousand and current lease liabilities were increased by EUR 313 thousand. The right-of-use assets under buildings and structures were increased by EUR 394 thousand. Deferred tax assets were increased by EUR 29 thousand and retained earnings (profit for the period) were decreased by EUR 114 thousand.
- In the financial year 2017, expenses of R&D function were decreased by EUR 107 thousand, expenses of sales and marketing function increased by EUR 35 thousand and expenses of admin function increased by EUR 18 thousand. Financial expenses were increased by EUR 14 thousand and change in deferred taxes (expense) was increased by EUR 29 thousand.
- As at 31 December 2017, current lease liabilities were increased by EUR 224 thousand. Accruals and deferred income were decreased by EUR 227 thousand. Deferred tax assets were increased by EUR 45 thousand, deferred tax liabilities were

increased by EUR 45 thousand and retained earnings were decreased by EUR 2 thousand.

Discontinued use of reducing-balance depreciation method

Under IFRS, Next Games has depreciated machinery and equipment over its useful life and accordingly adjusted the depreciation based on the reducing-balance method that was applied under FAS. The change in the depreciation policy decreased the accumulated depreciation of machinery and equipment in the opening IFRS balance sheet and thereby increased the carrying amount of machinery and equipment by EUR 50 thousand. The corresponding amount, net of deferred liability of EUR 10 thousand, was debited to retained earnings. As a result of the change, expenses of R&D function increased EUR 9 thousand in 2016, sales and marketing function expenses increased EUR 2 thousand and admin functions' expenses increased EUR 1 thousand. Change of deferred taxes (income) increased EUR 2 thousand. As a result of the change, expenses of R&D function increased EUR 12 thousand in 2017, sales and marketing function expenses increased EUR 4 thousand and admin functions' expenses increased EUR 2 thousand. Change of deferred taxes (income) increased EUR 4 thousand. As a result of the change, expenses of R&D function increased EUR 0 thousand in January - June 2018, sales and marketing function expenses increased EUR 0 thousand and admin functions' expenses increased EUR 0 thousand. Change of deferred taxes (income) increased EUR 0 thousand.

Capitalization of development expenses

Under FAS, Next Games has expensed all development costs as they have incurred. Under IFRS, it is mandatory to capitalize development costs once certain criteria in IAS 38 Intangible assets have been met. Therefore, Next Games has analyzed its game development projects and identified two projects, where the capitalization criteria were met during the financial years 2017 and 2018. As a result, the following adjustments were made:

- In the financial period, 2017 the expenses of R&D function were decreased by EUR 1.723 thousand and change in deferred taxes (expense) was increased by EUR 345 thousand.
- As at 31 December 2017, intangible assets were increased by EUR 1.723 thousand, retained earnings were increased by EUR 1.378 thousand and deferred tax liabilities were increased by EUR 345 thousand.

As the development projects were not yet completed and the two games were not yet launched as at 31 December 2017, no amortization of the capitalized development costs was recognized.

Transaction costs related to the listing of Next Games' shares

Next Games completed a listing of its shares on the First North Finland marketplace of Nasdaq Helsinki

Ltd in March 2017. Under FAS, majority of incurred transaction costs were capitalized as prepayments and accrued income or intangible assets and amortized over three years. Other transaction costs were expensed as incurred. Under IFRS, transaction costs directly attributable to the issue of new equity instruments are not capitalized but rather deducted from equity as incurred. Other transaction costs directly attributable to the listing shall be allocated to the issue of new shares which are consequently deducted from equity and to the sale of old shares which are expensed as incurred. Next Games has made the allocation of such transaction costs based on the actual relative amounts of new and old shares. Other transaction cost not directly attributable to the listing were expensed as incurred. In addition, with respect to transaction costs eligible to be deducted from equity and incurred before 31 December 2016, management has chosen to deduct such costs from equity already as at 31 December 2016. As a result, the following adjustments were made:

- In the financial year 2016, expenses of admin function were increased by EUR 197 thousand and change in deferred taxes (income) was increased by EUR 39 thousand.
- As at 31 December 2016, prepayments and accrued income was decreased by EUR 254 thousand, deferred tax assets were increased by EUR 51 thousand, invested unrestricted equity reserve was decreased by EUR 46 thousand and retained earnings (profit for the period) were decreased by EUR 157 thousand.
- In the financial year 2017, expenses of admin function were decreased by EUR 284 thousand and change in deferred taxes (expense) was increased by EUR 56 thousand.
- As at 31 December 2017, intangible assets were decreased by EUR 1.954 thousand, deferred tax assets were increased by EUR 392 thousand, invested unrestricted equity reserve was decreased by EUR 1.633 thousand and retained earnings were increased by EUR 71 thousand.

Game as a Service platform capitalization

Under FAS, Next Games has expensed all costs related to the development of the Game as a Service platform (‘GaaS platform’). Under IFRS, management has concluded that the IAS 38 criteria for capitalization of GaaS platform development costs were met during the financial year 2016, as the GaaS platform is controlled by Next Games, future economic benefits are expected in a form of cost savings and increased revenue from new games, and the cost can be measured reliably. As a result, the following adjustments were made:

- In the financial year, 2016, expenses of R&D function were decreased by EUR 171 thousand and change in deferred taxes (expense) was increased by EUR 34 thousand.
- As at 31 December 2016, intangible assets were increased by EUR 171 thousand, retained earnings

(profit for the period) were increased by EUR 137 thousand and deferred tax liabilities were increased by EUR 34 thousand.

- In the financial year, 2017, expenses of R&D function were decreased by EUR 646 thousand and change in deferred taxes (expense) was increased by EUR 129 thousand.
- As at 31 December 2017, intangible assets were increased by EUR 817 thousand, retained earnings were increased by EUR 654 thousand and deferred tax liabilities were increased by EUR 163 thousand.
- As the GaaS platform was still under development and not in use as at 31 December 2017, no amortization of the capitalized GaaS platform development costs were recognized.

Business Finland loan

Next Games has two outstanding loans from governmental agency Tekes. First loan was granted in 2014 and the total nominal amount of the loan is EUR 336 thousand. According to the original loan agreement the loan will be repaid annually in four instalments starting from March 2018. Hence, company made amendment to the agreement and repayments starts in March 2019. Last payment will be performed in March 2021. According to the loan agreement the interest rate of the loan is three percent points below the base interest, however, at least 1% per annum.

Second loan with total nominal amount of EUR 439 thousand was granted in two instalments, first EUR 90 thousand in September 2015 and second EUR 349 thousand in September 2016. According to the loan agreement the loan will be repaid annually in four instalments starting from September 2019. Last payment will be performed in September 2022. According to the loan agreement the interest rate of the loan is three percent points below the base interest, however, at least 1% per annum.

Due to low market interest rates during recent years, the actual interest rates of the loans have been 1% per annum. Therefore, there is a favorable interest rate element in the loans which has to be separately accounted for under IFRS. Next Games uses amortized cost method to calculate the valuation of the loan, which causes differences with nominal amount method, which is used in FAS.
The projects that governmental loans are directed to, had occurred in 2014 and 2016. Therefore the governmental grants have been recognized as other operating income in 2016 and retained earnings to opening balance sheet.
However, under IFRS, the loans have been recorded based on amortized cost method.

- As at 1 January 2016, IFRS loan balance was EUR 380 thousand (FAS: EUR 426 thousand). Other receivables were decreased by EUR 12 thousand. Retained earnings were increased by EUR 27 thousand. Deferred tax liabilities were increased by EUR 7 thousand.
- In the financial year 2016, other operating income was increased by EUR 49 thousand. Interest expenses were increased by EUR -15 thousand. Change in deferred taxes were EUR -7 thousand.

- As at 31 December 2016, IFRS loan balance was EUR 707 thousand (FAS: EUR 775 thousand). Retained earnings were increased by EUR 27 thousand. Deferred tax liabilities were increased by EUR 14 thousand.
- In the financial year 2017, IFRS interest expenses were increased by EUR -20 thousand comparing FAS. Change in deferred taxes was EUR 4 thousand.
- As at 31 December 2017, IFRS loan balance was EUR 726 thousand (FAS: EUR 775 thousand). Retained earnings were increased by EUR 55 thousand. Deferred tax liability was increased by EUR 10 thousand.

Armada investment

In the financial year 2015, Next Games made an investment in Armada Interactive Oy ('Armada'), a Finnish mobile gaming company. The amount of this initial investment was immaterial. In December 2016, Next Games made an additional investment in Armada by assigning the intellectual property rights received in connection with the acquisition of Helsinki Game Works Oy in October 2014 to Armada. Under FAS, it was considered that part of the goodwill generated from the acquisition of Helsinki Game Works Oy was disposed of when the intellectual property rights were assigned to Armada and the additional investment to Armada was made. However, under IFRS, as the accounting of the acquisition of Helsinki Game Works Oy was made in accordance with IFRS 3 and the acquired intellectual property rights were fair valued, no goodwill was considered to be disposed when the intellectual property rights were assigned to Armada.

As at 31 December 2017 Next Games held approximately 9.5 % of the shares and voting rights of Armada. Under FAS, the shareholding in Armada is accounted for as an investment measured at cost.

However, under IFRS, management has concluded that despite the ownership interest of less than 20 %, Next Games has significant influence in Armada and, consequently, the investment shall be accounted for as an associate in accordance with IAS 28 Investments in associates and joint ventures. Next Games has a right to appoint one of the board members of Armada and there are material transactions between Next Games and Armada as Armada is developing a game which is primarily based on the intellectual property rights received from Next Games. As a result, the following adjustments were made:

- In the financial year 2016, other operating income was decreased by EUR 196 thousand and share of associates result was decreased by EUR 110 thousand. Change in deferred tax increase (income) EUR 61 thousand.
- As at 31 December 2016, goodwill was increased by EUR 111 thousand, intangible assets were decreased by EUR 307 thousand, investments were decreased by EUR 1.074 thousand, investments in associates were increased by EUR 964 thousand, retained earnings (profit for the period) were decreased by EUR 244 thousand and deferred tax liabilities were decreased by EUR 61 thousand.
- In the financial year 2017, share of associates result was decreased by EUR 455 thousand.

- As at 31 December 2017, goodwill was increased by EUR 111 thousand, intangible assets were decreased by EUR 307 thousand, investments were decreased by EUR 1.074 thousand, investments in associates were increased by EUR 509 thousand, retained earnings were decreased by EUR 699 thousand and deferred tax liabilities were decreased by EUR 61 thousand.

Loss allowance for trade receivables

Under FAS, Next Games has not recorded any loss allowances in the financial statements. Under IFRS, Next Games adopts IFRS 9 standard, which requires the Company to continuously assess its financial assets. Next Games has assessed its trade receivables and recorded a loss allowance of EUR -14 thousand in 2016 financial statements. For 2017, Next Games recorded a loss allowance of EUR -9 thousand.

5.7 New and forthcoming accounting standards

As described in note 1 Basis of preparation, Next Games has early adopted IFRS 9, IFRS 15 and IFRS 16 standards. There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

5.8 Events after the reporting date

After the reporting period in January 2019, Next Games and Universal Games and Digital Platforms came to an agreement over terminating their collaboration on the game project that had proceeded to production. Next Games has also started a new project group formed around a game concept that is not attached to a third party IP at the moment.

After the reporting period in February 2019 the company concluded consultations proceedings concerning the company's staff as part of the company's program to to review the cost structure of the company's operations and streamline its operational model. As a result of the measures taken as part of the program, the company scales down the number of staff from 143 at the end of year 2018, to 117 employees.

After the reporting period, Emmi Kuusikko, the company's Chief Product Officer and a valued member of Next Games Management Team, stepped down from her role to pursue new challenges.
As of 15 February, 2019 the Management Team consists of Teemu Huuhtanen (CEO), Annina Salvén (CFO), Saara Bergström (CMO), Kalle Hiitola (CTO) and Joonas Viitala (COO). The members of the Management Team report to the CEO, Teemu Huuhtanen.

BALANCE SHEET, EUR	**Parent 31.12.2018**	**Parent 31.12.2017**
Assets		
NON-CURRENT ASSETS		
Intangible assets		
Intangible rights	2 739 959,06	3 300 205,61
Other intangible assets	3 812 057,42	2 248 070,29
Intangible assets total	**6 552 016,48**	**5 548 275,90**
Tangible assets		
Machinery and equipment	287 487,01	132 685,18
Tangible assets total	287 487,01	132 685,18
Investments		
Holdings in group undertakings	27 500,00	1 588 011,79
Other shares and similar rights of ownership	62 605,40	1 073 968,91
Investments total	**90 105,40**	**2 661 980,70**
NON-CURRENT ASSETS TOTAL	**6 929 608,89**	**8 342 941,78**

BALANCE SHEET, EUR	**Parent 31.12.2018**	**Parent 31.12.2017**
CURRENT ASSETS		
Long-term debtors		
Other debtors	395 200,00	819 690,80
Prepayments and accrued income	80 997,89	479 754,37
Deferred tax assets	2 849 791,40	2 849 791,40
Long-term debtors total	**3 325 989,29**	**4 149 236,57**
Short-term debtors		
Trade debtors	2 807 830,69	2 686 077,91
Loan receivables	0,00	2 639,71
Other debtors	233 035,72	241 791,08
Prepayments and accrued income	3 224 465,49	1 559 606,91
Short-term debtors total	**6 265 331,90**	**4 490 115,61**
Cash in hand and at banks	7 306 139,74	26 313 610,95
CURRENT ASSETS TOTAL	**16 897 460,93**	**34 952 963,13**
ASSETS TOTAL	**23 827 069,82**	**43 295 904,91**

BALANCE SHEET, EUR	Parent 31.12.2018	Parent 31.12.2017
EQUITY AND LIABILITIES		
EQUITY		
Share capital	80 000,00	80 000,00
Other reserves		
Invested unrestricted equity reserve	53 335 359,79	53 276 692,55
Other reserves total	53 335 359,79	53 276 692,55
Retained earnings (loss)	-16 477 211,98	-10 376 953,39
Profit (loss) for the financial year	-21 638 459,23	-6 100 258,59
EQUITY TOTAL	**15 299 688,58**	**36 879 480,57**
LIABILITIES		
Non-current liabilities		
Loans from credit institutions	553 250,00	691 000,00
Non-current liabilities total	**553 250,00**	**691 000,00**
Current liabilities		
Loans from credit institutions	221 750,00	84 000,00
Advances received	1 457 726,62	914 291,12

BALANCE SHEET, EUR	Parent 31.12.2018	Parent 31.12.2017
Trade creditors	2 734 236,78	1 161 875,74
Amounts owed to group undertakings	27 581,13	28 521,11
Other creditors	203 916,68	205 413,71
Accruals and deferred income	3 328 920,03	3 331 322,66
Current liabilities total	**7 974 131,24**	**5 725 424,34**
LIABILITIES TOTAL	**8 527 381,24**	**6 416 424,34**
EQUITY AND LIABILITIES TOTAL	**23 827 069,82**	**43 295 904,91**

PROFIT AND LOSS STATEMENT, EUR	Parent 1.1.2018-31.12.2018	Parent 1.1.2017-31.12.2017
REVENUE	**35 245 375,49**	**32 496 933,37**
Other operating income	60 618,13	18 681,80
Raw materials and services		
External services	-29 906 206,54	-20 546 906,27
Raw materials and services total	-29 906 206,54	-20 546 906,27
Personnel expenses		
Wages and salaries	-7 923 343,04	-5 486 715,12
Social security expenses		
Pension expenses	-1 446 149,46	-982 225,44
Other social security expenses	-212 828,92	-209 582,42
Personnel expenses total	-9 582 321,42	-6 678 522,98
Depreciation, amortisation and write-offs		
Depreciation and amortisation according to plan	-2 101 680,67	-1 232 313,19
Depreciation, amortisation and write-offs total	-2 101 680,67	-1 232 313,19
Other operating expenses	-14 429 050,08	-10 138 362,43

PROFIT AND LOSS STATEMENT, EUR	Parent 1.1.2018-31.12.2018	Parent 1.1.2017-31.12.2017
OPERATING PROFIT (LOSS)	**-20 713 265,09**	**-6 080 489,70**
Financial income and expenses		
Other interest income and financial income		
From others	757 045,52	36 527,93
Reduction in value of investments held as non-current assets	-1 011 363,51	0,00
Other interest expenses and other financial expenses		
To others	-528 030,25	-506 425,97
PROFIT (LOSS) BEFORE APPROPRIATIONS AND TAXES	**-21 495 613,33**	**-6 550 387,74**
Income taxes		
Income taxes for the financial year	-142 845,90	0,00
Deferred tax	0,00	450 129,15
PROFIT (LOSS) FOR THE FINANCIAL YEAR	**-21 638 459,23**	**-6 100 258,59**

CASH FLOW STATEMENT, EUR	Parent 1.1.2018-31.12.2018	Parent 1.1.2017-31.12.2017
Cash flow from operating activities		
Profit (loss) before appropriations and taxes	-21 495 613,33	-6 550 387,74
Adjustments:		
Depreciation according to plan	2 101 680,67	1 232 313,19
Impairment in non-current assets	1 011 363,51	0,00
Unrealised foreign exchange gains and losses	-223 574,19	410 782,51
Other non-cash items	347 542,51	-913 689,84
Financial income and expenses	-6 471,04	36 281,74
Cash flow before working capital changes	-18 265 071,87	-5 784 700,14
Working capital changes:		
Increase/decrease in trade and other short-term interest free receivables (-)/(+)	-761 052,65	231 857,95
Increase/decrease in short-term interest-free liabilities (+)/(-)	1 558 843,88	-1 177 899,57
	797 791,23	-946 041,62
Operating cash flow before financing items and taxes	-17 467 280,64	-6 730 741,76

CASH FLOW STATEMENT, EUR	Parent 1.1.2018-31.12.2018	Parent 1.1.2017-31.12.2017
Paid interest and other financial expenses relating to operating activities	-96 622,28	-72 091,89
Interest received relating to operating activities	110 210,91	36 527,93
Income taxes paid	-126 776,03	0,00
Cash flow from operating activities (A)	-17 580 468,04	-6 766 305,7
Cash flow from investments		
Purchase of tangible and intangible items	-2 166 197,77	-162 354,50
Proceeds from sale of tangible and intangible assets	395 502,33	0,00
Cash flow effect from the purchase of subsidiary shares	0,00	-60 689,15
Cash flow from investments (B)	-1 770 695,44	-223 043,65
Cash flow from financing activities		
Proceeds from issuance of equity	62 930,87	32 804 075,17
Proceeds from long-term borrowings	-6 604,43	0,00
Paid interest expenses and other financial expenses (*)	0,00	-2 705 209,25
Cash flows from financing activities (C)	56 326,44	30 098 865,92
Effect of exchange rate differencies on cash and cash equivalents	223 574,19	-434 394,24
Change in cash and cash equivalents	-19 071 262,85	22 675 122,31

CASH FLOW STATEMENT, EUR	Parent 1.1.2018-31.12.2018	Parent 1.1.2017-31.12.2017
Cash and cash equivalents at beginning of period	26 313 610,95	3 638 488,64
Cash and cash equivalents received in merger	63 791,64	0,00
Cash and cash equivalents at end of period	7 306 139,74	26 313 610,95

(*) Includes IPO expenses: legal and consulting services, bank fees, and insurance expenses. Corresponding acquisition cost have been capitalized to other intangible assets in balance sheet.

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE PREPARATION OF THE FINANCIAL STATEMENTS

Valuation principles and methods

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

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

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

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

Depreciation principles and methods

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

Depreciations start when the asset is available for use.

Revenue recognition

Company generates revenue from two categories:

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

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

Company 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 commissionand 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	Parent 1.1.-31.12.2018	Parent 1.1.-31.12.2017
Revenue		
By category of activity		
Games	35 245 375,49	32 496 933,37
By geographical markets		
North America	15 641 897,64	19 433 989,81
EU	10 326 895,02	6 434 169,56
Other	9 276 582,83	6 628 774,00
Other operating income		
Gain from disposals, other intangible and tangible assets	18 472,98	2 942,90
Other	42 145,15	15 738,90

External services

Company has negotiated a refund related to the launch expenses of the game Walking Dead: Our World from its server supplier during the financial year 2018. This has had a significant impact on raw materials and services.

Company's licensing contracts have several terms that can have an effect, depending on the game's lifecycle, on the amount of licensing fees payable.

Other operating expenses	**Parent 1.1.-31.12.2018**	**Parent 1.1.-31.12.2017**
Marketing expenses	4 897 040,91	3 453 979,32
Outsourced development and testing services	3 770 303,09	1 499 786,46
IT software and hardware expenses	2 120 460,07	1 457 701,20
Legal and consulting expeness	891 668,94	726 303,94
Travel expenses	405 586,81	651 898,49
Office space expenses	993 443,48	701 431,43
IPO related expenses	0,00	573 069,97
Other expenses	1 350 546,78	1 074 191,62

Auditor’s fees	**Parent 1.1.-31.12.2018**	**Parent 1.1.-31.12.2017**
Audit of financial statements	15 100,00	5 628,15
Engagements referred to in the Auditing Act, 1.1,2 §	0,00	29 185,50
Tax consulting	0,00	11 457,60
Other fees	124 768,54	330 346,22

Taxes	**Parent 1.1.-31.12.2018**	**Parent 1.1.-31.12.2017**
Change in deferred tax assets	0,00	450 129,15

NOTES TO THE PERSONNEL AND MEMBERS OF THE BOARD OF DIRECTORS	Parent 1.1.-31.12.2018	Parent 1.1.-31.12.2017
Average headcount during the financial year	135	93
Wages, salaries and other remuneration of directors and management		
CEO	238 267,30	288 561,27
Members of the Board of Directors	131 000,00	109 750,00

Management options	Option rights 31.12.2018
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	53 344
Saara Bergström, Management member	43 331
Emmi Kuusikko, Management member	45 490
Annina Salvén, Management member	45 703
Kalle Hiitola, Management member	1 400
Joonas Viitala, Management member	45 490
Total	**250 476**

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

NOTES TO THE BALANCE SHEET ASSETS, EUR	Parent 31.12.2018	Parent 31.12.2017
Intangible rights		
Acquisition cost at 1.1.	3 340 748,59	57 911,27
Additions	0,00	3 282 837,32
Acquisition cost at 31.12.	3 340 748,59	3 340 748,59
Accumulated depreciation and impairment at 1.1.	40 542,98	25 834,38
Depreciation for the financial year	560 246,55	14 708,60
Accumulated depreciation and impairment at 31.12.	600 789,53	40 542,98
Carrying amount at 31.12.	2 739 959,06	3 300 205,61

NOTES TO THE BALANCE SHEET ASSETS, EUR	Parent 31.12.2018	Parent 31.12.2017
Other intangible rights		
Acquisition cost at 1.1.	3 897 908,63	1 055 145,54
Additions	3 405 094,66	2 842 763,09
Disposals	-395 502,33	0,00
Acquisition cost at 31.12.	6 907 500,96	3 897 908,63
Accumulated depreciation and impairment at 1.1.	1 649 838,34	476 461,81
Accumulated amortisation relating to disposals and transfers	14 382,67	0,00
Depreciation for the financial year	1 431 222,53	1 173 376,53
Accumulated depreciation and impairment at 31.12.	3 095 443,54	1 649 838,34
Carrying amount at 31.12.	3 812 057,42	2 248 070,29

Acquisition cost for capitalized IPO costs have been 2 705 209,25 euros from which a depreciation of 901 736,40 euros (2017: 754 444,04 euros) have been recognized during the financial year.

Machinery and equipment	**Parent 31.12.2018**	**Parent 31.12.2017**
Acquisition cost at 1.1.	329 156,55	295 302,42
Additions	250 630,80	33 854,55
Acquisition cost at 31.12.	579 787,35	329 156,97
Accumulated depreciation and impairment at 1.1.	196 471,37	152 243,39
Depreciation for the financial year	95 828,97	44 227,98
Accumulated depreciation and impairment at 31.12.	292 300,34	196 471,37
Carrying amount at 31.12.	287 487,01	132 685,60

Holdings in group undertakings	**Parent 31.12.2018**	**Parent 31.12.2017**
Acquisition cost at 1.1.	1 588 011,79	27 500,00
Additions	0,00	1 560 511,79
Disposal due to merger	-1 560 511,79	0,00
Acquisition cost at 31.12.	27 500,00	1 588 011,79

Holdings in group undertakings	Parent 31.12.2018	Parent 31.12.2017
Accumulated impairment 1.1.	0,00	0,00
Accumulated impairment 31.12.	0,00	0,00
Carrying amount at 31.12.	27 500,00	1 588 011,79

Other shares and similar rights of ownership	Parent 31.12.2018	Parent 31.12.2017
Acquisition cost at 1.1.	1 073 968,91	1 073 968,91
Acquisition cost at 31.12.	1 073 968,91	1 073 968,91
Accumulated impairment 1.1.	0,00	0,00
Impairment	1 011 363,51	0,00
Accumulated impairment 31.12.	1 011 363,51	0,00
Carrying amount at 31.12.	62 605,40	1 073 968,91

Other shares and similar rights of ownership includes ownership in Armada Interactive Oy in which the company has recognized an impairment during the financial year.

Ownership in other companies

Group companies

Next Games GmbH	100 % ownership
Lume Games Oy (mergered with the parent company as of 1.1.2018)	100 % ownership

All group companies have been consolidated in to the parent company's consolidated financial statements.

Associate companies

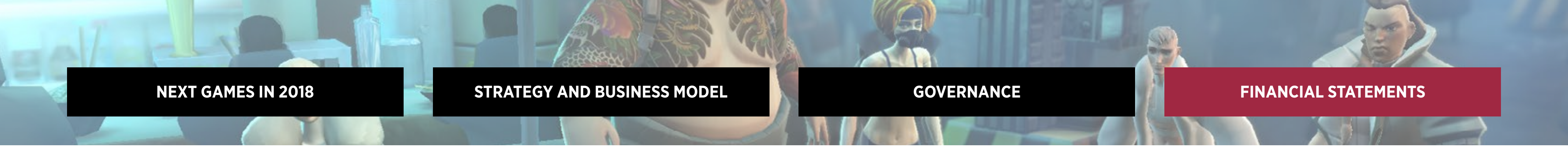
Armada Interactive Oy	9,5 % ownership

Associate company has been consolidated in to the parent company's consolidated financial statements. Next Games corporation has a significant influence on the associate company's operational and financial decision making.

Prepayments and accrued income	Parent 31.12.2018	Parent 31.12.2017
Long-term		
Prepayments	80 997,89	479 754,37
Short-term		
Prepayments and marketing expense accruals	2 608 277,50	1 118 504,05
Accrued cost of sales	601 135,93	419 212,60
Other	15 052,06	21 890,26

Deferred taxes

Recognized deferred tax assets from the parent company's tax losses in the financial statements amounted to 2 849 791,40 euros. Recognition is based on management's assessment that the company is able to utilize the tax benefit generated by the tax losses. Tax losses from which deferred tax assets are recognized expire during years 2023-2028.



NOTES TO BALANCE SHEET EQUITY AND LIABILITIES, EUR	Parent 31.12.2018	Parent 31.12.2017
Equity Breakdown of equity		
Share capital 1.1.	80 000,00	2 500,00
Increase from reserves	0,00	77 500,00
Share capital 31.12.	80 000,00	80 000,00
Total restricted equity 31.12.	**80 000,00**	**80 000,00**
Invested unrestricted equity 1.1.	53 276 692,55	15 782 929,89
Share capital increase from reserves	0,00	-77 500,00
Share issue	0,00	37 541 242,83
Excercise of options	65 271,67	30 019,83
Purchase of treasury shares	-6 604,43	0,00
Invested unrestricted equity 31.12.	53 335 359,79	53 276 692,55

NOTES TO BALANCE SHEET EQUITY AND LIABILITIES, EUR	Parent 31.12.2018	Parent 31.12.2017
Retained earnings 1.1.	-16 477 211,98	10 376 953,39
Retained earnings 31.12.	-16 477 211,98	-10 376 953,39
Loss for the year	-21 638 459,23	-6 100 258,59
Unrestricted equity 31.12.	**15 219 688,58**	**36 799 480,57**

Group liabilities	Parent 31.12.2018	Parent 31.12.2017
Other liabilities	27 581,13	28 521,11

Accruals and deferred income	Parent 31.12.2018	Parent 31.12.2017
Accrual for other direct cost of sales	476 596,00	719 132,35
Staff expenses	1 423 790,93	958 644,53
Other	1 428 533,10	1 653 545,78

COMMITMENTS AND CONTINGENT LIABILITIES, EUR	Parent 31.12.2018	Parent 31.12.2017
Lease agreement liabilities		
During next financial year	496 831,31	246 375,82
Later	775 914,01	138 994,29

Deposits and commitments from office spaces

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

Rent commitments (excluding 24 % VAT)	2018	2017
During next financial year	1 304 282,28	1 560 536,00
Later	4 999 748,74	6 720 418,40

Investments in real estate

Company is liable to remeasure its VAT deductions from the real estate investment completed during the financial year 2018 if the taxable usage of the real estate decreases during the revision period. Total remeasurement liability is 353 722,29 euros and the final remeasurement year is 2027.

Other commitments

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

Checking account credit limit

Total credit limit: 5 000 000 euros. Credit limit in use as of 31.12.2018: 0,00 euros. The company has given a 1 000 000 euro business mortgage (yrityskiinnitys) for the credit limit.

CALCULATION OF DISTRIBUTABLE FUNDS, EUR	Parent 31.12.2018	Parent 31.12.2017
Distributable unrestricted equity	15 219 688,58	36 799 480,57
Invested unrestricted equity	53 335 359,79	53 276 692,55
Retained earnings (loss)	-16 477 211,98	-10 376 953,39
Profit (loss) for the financial year	-21 638 459,23	-6 100 258,59

RELATED PARTY DISCLOSURES

Company have had transactions with the related parties during the financial year: 2 325 349,09 euros (2017: 2 679010,56 euros). Transactions with the related parties includes licensing fees and purchased marketing services. Control over the entity or significant influence over the entity's financial and operating decision-making processes are requirements when deciding company's related parties. During year 2018, 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

Place:

Time:

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

Place:

Time:

PricewaterhouseCoopers Oy
Authorised Public Accountants

Jukka Karinen
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 consolidated financial statements give a true and fair view of the group’s financial performance and financial position and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU
- the financial statements give a true and fair view of the parent company’s financial performance and financial position in accordance with the laws and regulations governing the preparation of the 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 year ended 31 December, 2018. The financial statements comprise:

- the consolidated balance sheet, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies
- the parent company’s balance sheet, income statement, statement of cash flows and notes.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We 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 consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

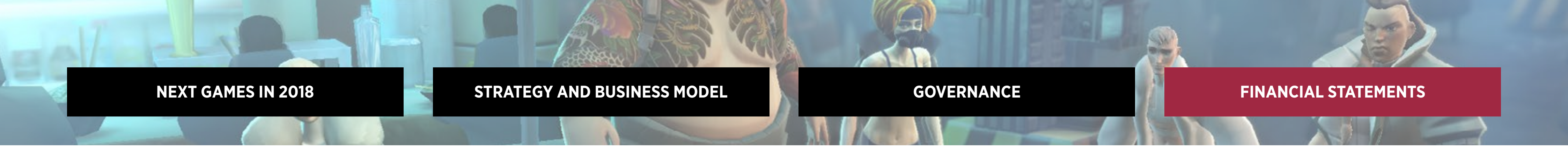
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee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

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

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

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

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



Other Reporting Requirements

Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

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

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

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

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

Helsinki 26 February 2019
PricewaterhouseCoopers Oy
Authorised Public Accountants

Jukka Karinen
Authorised Public Accountant (KHT)