



NEXT GAMES™

H1

Next Games Corporation

HALF-YEAR REPORT

January-June 2018



Next Games Corporation, Half-Year Review 2018: Focus on preparing The Walking Dead: Our World for global launch

January-June 2018 in Short:

- Revenue was 10.5 million euros, a decrease of 46% compared to H1 2017 (€19.5M)
- Gross margin declined by 10 percentage points and was 26% (36%)
- EBIT was -8.0 million euros (€0.0M)
- Development costs amounted to 3.9 million euros (€1.0M). The company does not capitalize game development costs
- The organization grew to 132 employees (12/2017 119 employees)
- The company globally released The Walking Dead: Our World, based on The Walking Dead license, after the reporting period. The game based on Blade Runner franchise has moved from production to soft launch phase during the reporting period. The game project with NBCUniversal moved from pre-production to production phase.

(January-June 2017 comparison in brackets)

Key Financial Figures

(EUR 1000)	01-06/2018	01-06/2017
Revenue	10 477	19 452
Gross bookings	10 449	18 288
Gross margin	2 693	7 078
Operating profit (-loss) (EBIT)	-7 990	-7
EBITDA	-7 301	649
Adjusted EBITDA	-7 307	523
Earnings per share, undiluted (€)	-0.48	0.00
Earnings per share, diluted (€)	-0.46	0.00
As percentage of revenue		
Gross margin (%)	26 %	36 %
EBITDA margin (%)	-70 %	3 %
Operating result (%)	-76 %	0 %
As percentage of gross bookings		
Adjusted EBITDA margin (percent)	-70 %	3 %

Gross Bookings does not include deferrals related to sales.

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

*Company has adjusted H1 2017 Key Financial Figures to Next Games Group figures to ensure comparability with H1 2018 figures.

Key Operational Metrics

Definitions related to key operational metrics can be found at the end of this document

	1-6/2018	1-6/2017
DAU	310 766	497 928
MAU	1 011 284	1 467 669
ARPPDAU (USD)	0.22	0.22
ARPPDAU (EUR)	0.19	0.20

Chief Executive Officer Teemu Huuhtanen:

The first half of 2018, Next Games has focused on preparing for new game launches. During this time we did not release new products and the development of our live game, The Walking Dead: No Man's Land continued on a similar path set in early 2018 without significant changes. The company's revenue was 10.5 million euros, whereas it was 19.5 million euros during the corresponding period in 2017. The company's ARPDau figure was 0.19 euros. The difference to the corresponding period in 2017 was -0.01 euros.

After the reporting period on 12 July, we launched the location-based augmented reality game, The Walking Dead: Our World globally to 153 markets. We are very pleased with the success of the launch and the reception it has received both amongst the media and player audience.

On its opening week, the game achieved a top 10 position on App Store's game category in over 40 markets and on Google Play in over 10 markets, which indicates the game has generated wide interest. The game's revenue development has started promisingly and the first week's global ARPDau metric was at 0.35 euros on average. Like all Next Games' games this game is being developed as a long term service. A week after global release we are in the very beginning of this journey, but the player community seems very committed when looking at player activity metrics. On average a player plays 7 sessions per day and spends 37 minutes in the game. The players have collectively completed 100 million missions and walked 9 million kilometers (5.5 million miles), which is 220 times around the Earth. The most active cities are New York, Paris and Tokyo.

The Blade Runner game has moved from production phase to soft launch, starting from closed beta tests and moving on to opening the game on one market, during the second quarter. The game's production proceeds according to plans. The game in development in collaboration with NBCUniversal has moved from pre-production to production phase.

2018 will be a significant year for Next Games in many ways. During 2017 and early 2018 we have worked hard in preparation to scale our operation to launch new games on many fronts from game development, technology, marketing to analytics, as well as from an operational perspective. I firmly believe team Next Games has succeeded in creating a robust foundation for our future. During 2018 we will see the first results, starting from The Walking Dead: Our World.

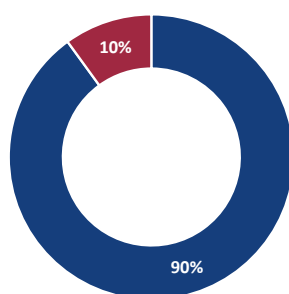


Teemu Huuhtanen
Chief Executive Officer
Next Games



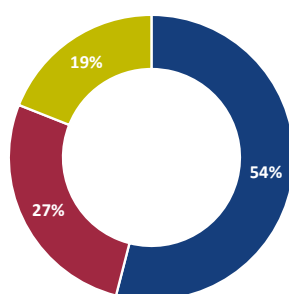
Revenue and Earnings Development

GROSS BOOKINGS BY SOURCE



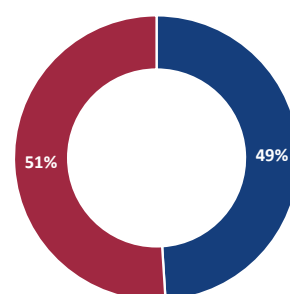
■ In App Purchases (IAP) ■ Ad sales (AD)

GROSS BOOKINGS BY GEOGRAPHY



■ North America ■ EU countries ■ Other

GROSS BOOKINGS BY PLATFORM



■ Android ■ iOS

In January-June, total revenue of the company was EUR 10.5 million and operating profit EUR -8.0 million. The decrease of revenue resulted from the lower amount of the active players in The Walking Dead: No Man's Land compared to the previous year. However, the company managed to turn declining revenue trend into growth during the second quarter with new updates and active player acquisition. In the first quarter, net sales were EUR 4.8 million and in the second quarter EUR 5.7 million. The operating loss was mainly caused by the decline in revenue and the large investments in ongoing game development projects.

The gross margin was 26% during the reporting period, compared to 36% in the comparison period. The weakening of the sales margin was a result of investments in player acquisition and increased server costs. The growth of these costs was significantly influenced by the The Walking Dead: Our World soft launch phase, which is an essential part of testing gameplay experience, collecting player acquisition data and technology testing. Personnel costs increased by 55% during the review period, new resources were mainly allocated to new game projects.

Other operating expenses for the reporting period amounted to EUR -5.5 million. In the comparison period, other operating expenses were EUR -3.5 million. The increase in other operating expenses was affected by staff growth and the expansion of operations. In particular, product development costs increased significantly compared to the comparison period. Product development costs for the reporting period were EUR 1.9 million (EUR 0.2M).

The costs associated with the listing will be eliminated in three years starting in March 2017. The costs associated with the listing will be shown as depreciation during the reporting period.

Financial expenses were EUR -0.7 million. In the comparison period, financial expenses were EUR -0.2 million. The increase in expenses was affected by a write-down of the shares of Armada Interactive recorded in non-current investments (-1.0 million euros). In addition, the financial items consisted mainly of USD and EUR exchange rate differences as the company has cash flows in both Euros and US Dollars.

Taxes for the reporting period were EUR 9 thousand. Tax items in the income statement related to the changes in deferred tax liability. The result was a loss of EUR -8.7 million.

Undiluted earnings per share were EUR -0.48 in the review period. Diluted earnings per share were EUR -0.46 in the review period. In the comparison period, the undiluted earnings per share were EUR -0.01 and diluted EUR -0.01.

Product Development Costs, Licenses and Accounting Principles

The company has three new games in different phases of development in addition to The Walking Dead: No Man's Land, and The Walking Dead: Our World, which launched after the reporting period.

Development costs constituted of both salaries and work sourced from third parties. The company does not capitalize development costs on the balance sheet as all game related development costs are recorded directly as expenses on the income statement. Development costs arising from new projects weakened the reporting period's accounting profits. Due to accounting principles of development costs, the company does not have impairment risk if games in development end up to not be published to the market. During the reporting period, the company's development costs amounted to 3.9 million euros (€1.0 million). Company expects R&D the extent of R&D activities to remain at the same level.

License agreements may include prepayments and cost related to acquisition of licenses. The acquisition cost of a license is recorded as an intangible asset and its value is depreciated over a three-year period from the release of the game. Consequently, there may be impairment risk for the value of a license in case a game is never published.

Investments and Acquisitions

During the reporting period, the company entered into a new licensing agreement, with a new yet unannounced license partner, as previously stated in the company's Q1 business review. In addition, the company made investments to the map technology utilized by Walking Dead: Our World. The aforementioned investments did not have an impact on EBITDA during the reporting period.

The company continued active development of its Games-as-a-Service (GaaS) technology platform, and its proprietary analytics platform. The platforms will enable effective scalability to a company that actively operates multiple live games.

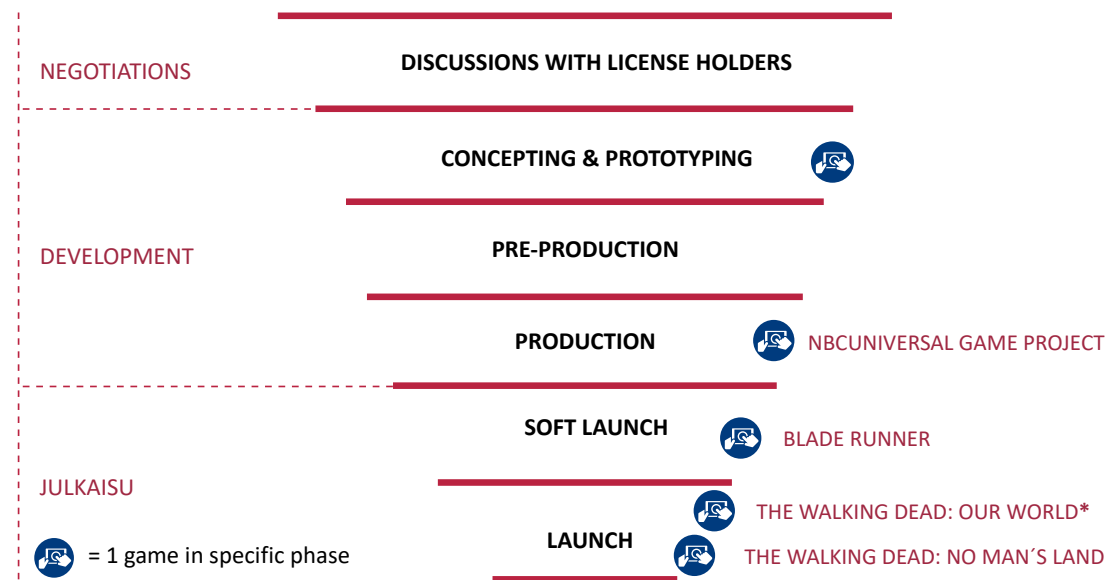
Cash flow and Financing

Cash flow from operating activities was -8.3 million euros during the reporting period. Cash flow was negatively affected by significant investments in the ongoing game development projects. Additionally, the company has made upfront marketing investments related to upcoming game launches, which had a negative effect on the cash flow. Cashflow from investments was at -1.4 million euros during the reporting period. Cash flow from financing activities was at 0.0 million euros.

The change in cash and cash equivalents amounted to -9.4 million euros, with currency fluctuations taken into consideration, and cash and cash equivalents at the end of reporting period was 16.9 million euros.

Game and Product Development Pipeline

In addition to the two globally released games based on The Walking Dead, and the Blade Runner game currently in soft launch phase, the company has two other games in development. The company therefore has the total of three unreleased games in various stages of development in addition to Walking Dead: No Man’s Land and The Walking Dead: Our World. The company has four different license partners.



* Game published after the reporting period on 12 July, 2018.

The Walking Dead: No Man’s Land

The development of The Walking Dead: No Man’s Land was continued during the reporting period. The game was released in both Korea and Japan. Especially the the Japanese market opened well and the development continues on a positive trend. Further development of the game is still considered profitable in comparison to the resource investment.



The Walking Dead: Our World

After the reporting period on 12 July the company released the location-based augmented reality game, The Walking Dead: Our World globally on 153 markets. The launch of the game was successful and the attention it garnered both amongst the media and player audience was significant.

On its opening week, the game achieved a top 10 position on App Store's game category in over 40 markets and on Google Play in over 10 markets, which indicates the game has generated wide interest. The game's revenue development has started promisingly and the first week's global ARPDau metric was at 0.35 euros on average. Like all Next Games' games this game is being developed as a long term service. A week after global release, the journey is only beginning but the player community seems very committed when looking at player activity metrics. On average a player plays 7 sessions per day and spends 37 minutes in the game. The players have collectively completed 100 million missions and walked 9 million kilometers (5.5 million miles), which is 220 times around the Earth. The most active cities are New York, Paris and Tokyo.

As a result of the soft launch and global launch of The Walking Dead: Our World, the company's operational metrics will include metrics from both of the live games. It is worth noting during that the active users number or revenue generated by The Walking Dead: Our World was not yet significant due to the soft launch phase during the reporting period.



Blade Runner

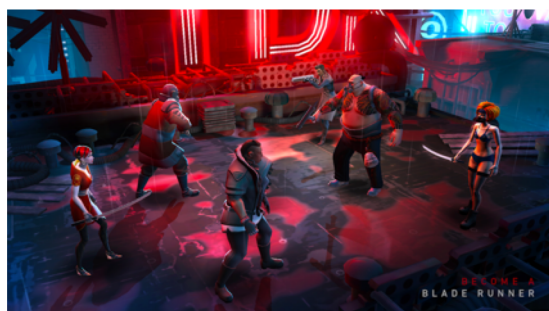
The Blade Runner game has moved from production phase to soft launch, starting from closed beta tests and moving on to opening the game on one market, during the second quarter. The game's production proceeds according to plans.

NBCUniversal Game Project

During the reporting period, the game project with NBCUniversal moved from pre-production to production phase. NBCUniversal is known for multiple popular global movie franchises and TV series.

Unannounced Projects

During the first quarter of 2018, Next Games signed a contract to develop a game with a new, yet unannounced, license partner.



Strategy and Business Outlook

During January - June 2018 reporting period the company focused on developing new games based on entertainment franchises, such as movies and TV series, preparing for new game launches, and further development of their main product The Walking Dead: No Man's Land. In addition, the company released The Walking Dead: Our World game after the reporting period.

Until now, Next Games had actively operated one live game. The company is now preparing to launch and operate multiple games simultaneously. Next Games has prepared its operations by modifying its organization, in order to achieve efficient scaling to a company with multiple simultaneous live products. The company has appointed new members to its Management team, responsible for game products (Chief Product Officer) and business and operations (Chief Operating Officer). Additionally, the company has significantly invested in technology development and recruited personnel to operate new products. The company's strategy is to maintain control over the whole value chain including game development and live operations as well as significant supporting functions such as marketing, technology and analytics.

Next Games continues to undergo active license partnership negotiations with significant entertainment license holders to strengthen its product portfolio. The company aims at launching at least one new game starting from 2018 according to its previously stated strategy.

Staff and Management

Next Games staff grew by 13 employees during January-June 2018 and was 132 employees at the end of the reporting period. The company announced changes in its Management on 27 April. As of 27 April, 2018 the Management Team consists of Teemu Huuhtanen (Chief Executive Officer), Annina Salvén (Chief Financial Officer), Saara Bergström (Chief Marketing Officer), Emmi Kuusikko (Chief Product Officer), Kalle Hiitola (Chief Technology Officer) and Joonas Viitala (Chief Operating Officer).



Unaudited Half-Year Report 1.1 - 30.6.2018

This unaudited financial statements report for the period 1.1.-30.6.2018 has been prepared according to Finnish Accounting Standards (FAS).

Income Statement (FAS)

EUR thousand	Group	Group	Group
	01-06/2018 (unaudited)	01-06/2017 (unaudited)	2017 (audited)
Revenue	10 477	19 452	32 497
Other operating income	45	2	22
Raw materials and services	-7 784	-12 373	-20 547
Personnel expenses total	-4 582	-2 967	-6 656
Depreciation, amortisation and write-offs total	-689	-657	-1 552
Other operating expenses	-5 457	-3 464	-10 143
Operating profit (loss)	-7 990	-7	-6 379
Financial income and expenses	-740	-159	-470
Profit (loss) before tax and appropriations	-8 730	-166	-6 849
Deferred tax	9	-7	468
Profit (loss) for the financial year	-8 721	-173	-6 381

Balance Sheet

EUR thousand	30.6.2018 (unaudited)	31.12.2017 (audited)
ASSETS		
NON-CURRENT ASSETS		
Intangible assets		
Intangible rights	3 291	3 300
Other capitalised long-term expenses	3 373	2 617
Goodwill	790	903
Intangible assets total	7 454	6 820
Tangible assets		
Machinery and equipment	232	136
Intangible assets total	232	136
Investments		
Other shares and similar rights of ownership	63	1 074
NON-CURRENT ASSETS TOTAL	7 750	8 030
CURRENT ASSETS		
Long-term debtors		
Other debtors	669	822
Prepayments and accrued income	561	480
Deferred taxes	2 850	2 850
Long-term debtors total	4 080	4 152
Short-term debtors		
Trade debtors	2 313	2 686
Loan receivables	0	3
Other debtors	462	243
Prepayments and accrued income	3 032	1 574
Short-term debtors total	5 807	4 505
Cash in hand and at banks	16 940	26 377
CURRENT ASSETS TOTAL	26 828	35 034
ASSETS TOTAL	34 577	43 064
EQUITY AND LIABILITIES		
EQUITY		
Share capital	80	80
Invested unrestricted equity reserve	53 307	53 277
Retained earnings (loss)	-16 755	-10 373
Profit (loss) for the financial year	-8 721	-6 381
EQUITY TOTAL	27 912	36 602
LIABILITIES		
Non-current liabilities		
Loans from credit institutions	663	691
Deferred tax liabilities	65	74
Non-current liabilities total	728	765
Current liabilities		
Loans from credit institutions	112	84
Advances received	886	914
Trade creditors	2 042	1 162
Other creditors	192	205
Accruals and deferred income	2 705	3 331
Current liabilities total	5 937	5 697
LIABILITIES TOTAL	6 665	6 462
EQUITY AND LIABILITIES TOTAL	34 577	43 064

Cash Flow Statement

EUR thousand	1.1-30.6/2018 (unaudited)	1.1-30.6/2017 (unaudited)	1.1-31.12/2017 (audited)
Net cash flows from operating activities	-8 264	-1 535	-6 205
Net cash flows from investing activities	-1 420	-103	-720
Net cash flows from financing activities	31	30 078	30 099
Net change in cash and cash equivalents	-9 653	28 439	23 173
Cash and cash equivalents at beginning of the	26 377	3 638	3 638
Foreign exchange rate differences	216	-139	-434
Net change in cash and cash equivalents	-9 437	28 301	22 739
Cash and cash equivalents at the end of the p	16 940	31 939	26 377

Statement of Equity Changes

EUR thousand	Share capital	Invested unrestricted equity reserve	Retained earnings (loss)	Profit (loss) for the financial year	Total equity
Equity 1.1.2017	3	15 783	-10 374	-	5 411
Share capital increase	78	-78			
Shares issued		37 541			37 541
Option plan based share compensation		30			30
Profit (loss) for the financial year				-6 381	-6 381
Equity 31.12.2017	80	53 277	-10 374	-6 381	36 602
Equity 1.1.2018	80	53 277	-16 755	-	36 602
Acquisition of own shares		-7			-7
Option plan based share compensation		37			37
Profit (loss) for the financial year				-8 721	-8 721
Oma pääoma 30.06.2018	80	53 307	-16 755	-8 721	27 912

Certain Quarterly Financial Information

EUR thousand	Mar. 31, 2017	Jun. 30, 2017	Sep. 30, 2017	Dec. 31, 2017	Mar. 31, 2018	Jun. 30, 2018
Revenue, gross bookings and gross margin						
Revenue	10 932	8 520	6 385	6 660	4 788	5 689
Gross bookings	10 432	7 857	6 162	6 479	4 747	5 702
Gross margin	3 938	3 141	2 128	2 744	1 515	1 178
Operating profit, EBITDA and adjusted EBITDA						
Operating profit (loss)	369 -	218 -	2 271 -	4 259 -	3 735 -	4 255
Depreciation and amortisation	170	328 -	330 -	724 -	338 -	351
EBITDA	539	110 -	1 941 -	3 535 -	3 397 -	3 904
Adjusted ABITDA	797 -	274 -	2 076 -	3 614 -	3 415 -	3 901
As percentage of revenue						
Gross margin (%)	36 %	37 %	33 %	41 %	32 %	21 %
EBITDA margin (%)	5 %	1 %	-30 %	-53 %	-71 %	-69 %
Operating profit margin (%)	3 %	-3 %	-36 %	-64 %	-78 %	-75 %
As percentage of gross bookings						
Adj. EBITDA margin (%)	8 %	-3 %	-34 %	-56 %	-72 %	-69 %

	Q4, 2016	Q1, 2017	Q2, 2017	Q3, 2017	Q4, 2017	Q1, 2018	Q2, 2018
ARPDau (USD)	0,27	0,23	0,21	0,21	0,23	0,21	0,24
ARPDau (EUR)	0,26	0,22	0,19	0,18	0,19	0,17	0,20

Share and Shareholders

By the end of the reporting period on June 30 2018, the number of registered shares was 18,269,910, including nominee registered shareholders, and the registered share capital amounted to 80,000 euros.

The company's biggest shareholders on June 30, 2018 were Jari Ovaskainen (16.93%), IDG Ventures USA (6.50%), Kalle Hiitola (5.16%), Joakim Achrén (5.15%) and Mikael Achren (5.11%). These top 5 shareholders owned 38.85% of Next Games' shares by the end of the reporting period. In addition, Next Games has nominee registered shareholders, including AMC Networks. With 3,216,022 shares, the total share of the nominee registered shareholders is 17.60% of the company.

Next Games Corporation 10 largest shareholders *
30 June, 2018

Shareholders	Shares	% of Shares
1 Ovaskainen Jari Juhani Rainer	3 093 110	16,93
2 IDG Ventures USA III, L.P.	1 188 306	6,50
3 Hiitola Kalle Johannes	942 896	5,16
4 Achrén Joakim Tomas Johan	940 818	5,15
5 Achrén Mikael Jan Kennet	934 496	5,11
6 Jumisko Jaakko Ensio	933 246	5,11
7 Ilmarinen Mutual Pension Insurance Company	507 520	2,78
8 Varma Mutual Pension Insurance Company	380 000	2,08
9 Nuard Ventures Oy	364 000	1,99
10 Vaah Holdings Oy	266 720	1,46

* Next Games has nominee registered shareholders, including AMC Networks. With 3,216,022 shares, the total share of the nominee registered shareholders is 17.60% of the company.

Risks and Uncertainties

The company's equity ratio is 83% and liquidity at an excellent level. The company's ability to conduct its business in accordance with its strategy has therefore been on a good level during the reporting period. According to the company's estimates, there has not been a change in short-term risks and uncertainties during January-June.

The most significant risks are related to the global release of The Walking Dead: Our World game, launched in July 2018. There are significant marketing investments involved in the launch, of which the returns carry a risk. The company has also utilized both its own and third party technology that is new, and which carry a scalability risk.

Other risks are related to the company's ability to maintain the profits of The Walking Dead: No Man's Land and its ability publish new good quality and financially successful games on schedule, based on entertainment licenses.

In addition, the company has a risk of exchange rate fluctuations, as the company carries business in multiple different currencies, of which the euro and the US dollar are the most significant.

Strategy and Market Outlook

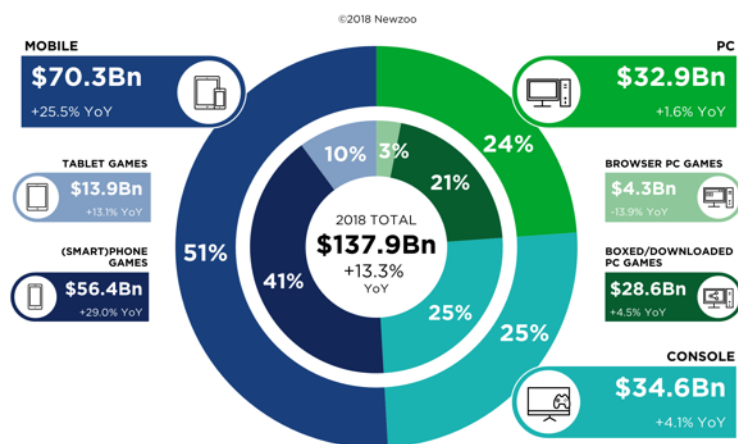
According to a June 2018 report published by market intelligence provider Newzoo, mobile games market continues to grow in 2018 in relation to console and PC gaming. Newzoo estimates the games market will reach \$137.9 billion in 2018 from which mobile gaming would contribute more than half of all revenues (51%). Newzoo estimates that mobile gaming would grow +25.5% year on year. (Source: @Newzoo | 2018 Global Games Market Report, newzoo.com/globalgamesreport)

Next Games' focus has remained unchanged during the January-June period: The company aims to launch at least one new game per year starting from 2018.



2018 GLOBAL GAMES MARKET

PER DEVICE & SEGMENT WITH YEAR-ON-YEAR GROWTH RATES



In 2018, mobile games will generate

\$70.3Bn
or **51%** of the global market.

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

Upcoming Events

November 2, 2018 - Business Review January-September 2018

Helsinki 20 July, 2018

Board of Directors
Next Games Corporation

Statements are made in this report, which describe, inter alia, the current beliefs and expectations of the management of Next Games regarding the future plans and objectives concerning future activities and goals of Next Games. All such statements involve risks and uncertainties, which may cause the achievements of Next Games to differ materially from what has been expressed or implied in such statements.

Key Operational Metrics Defined

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

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

ARPDau (Average revenue per daily active user). ARPDau is calculated by dividing daily gross bookings by daily active users (DAU). ARPDau is an important measure of monetization as it places sales in relation to player volume.

Calculation of Key Financial Ratios

Gross Bookings Revenue adjusted with the change (+/-) in deferred revenue

Gross Margin Revenue less purchases and services

EBITDA Operating profit (loss) excluding depreciations and amortizations

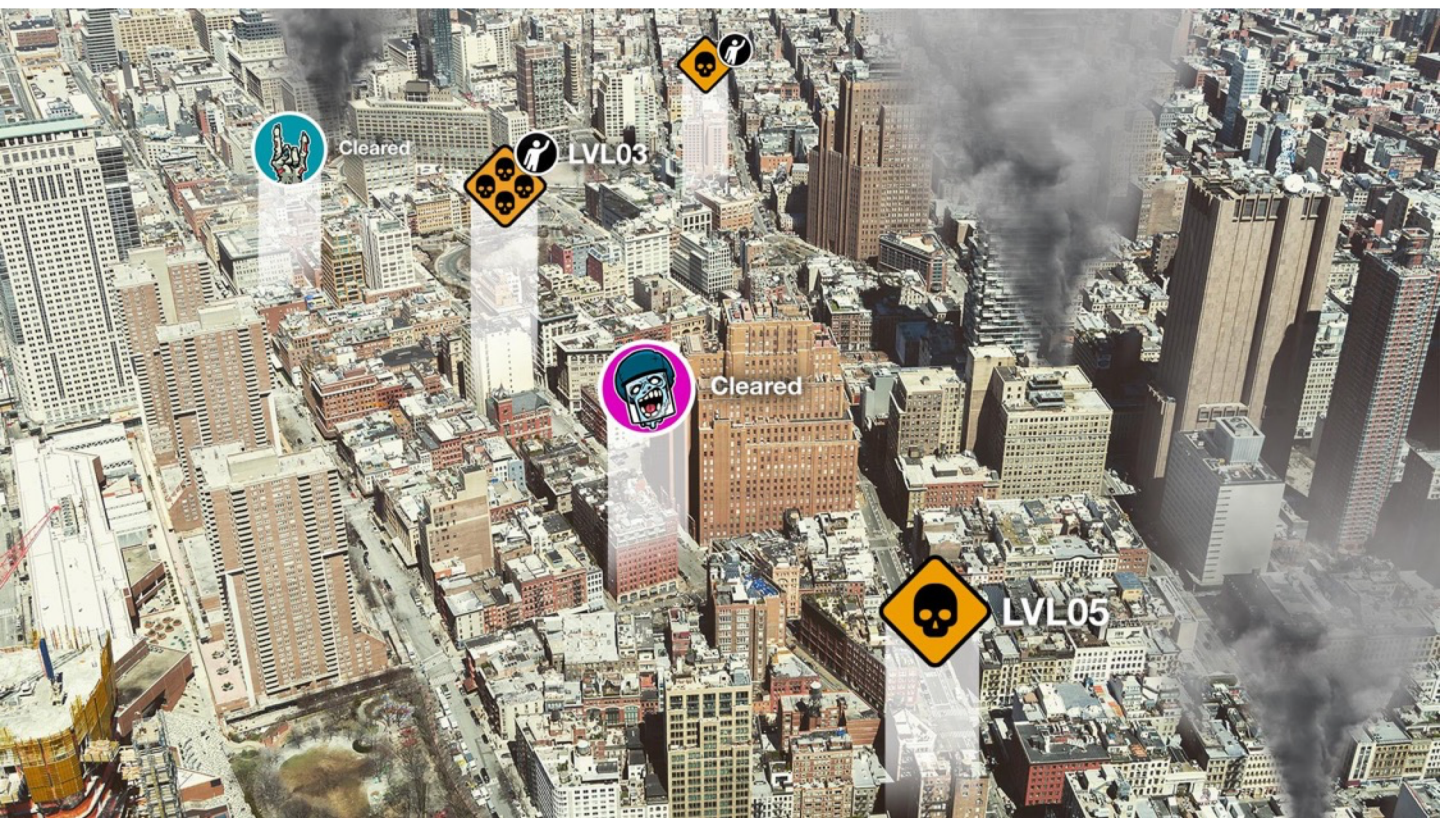
Adjusted EBITDA EBITDA adjusted for changes in deferred revenue, deferred commissions and licenses, adjusted for capital gains and losses from non-current assets, and for expenses related to listing

Equity Ratio

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

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

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



NEXT GAMES™