



NEXT GAMES™

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Next Games Corporation

HALF-YEAR REPORT

January-June 2017



Next Games Corporation, Half-Year 2017 Report: Revenue Grew by 52%, EBIT Profitable, Notable New Games in Development

January-June 2017 in Short:

- Revenue grew 52% to 19.5 million euros (€12.8M)
- Profitability increased, gross margin percentage was 36% (16%)
- EBIT was 0.2 million euros (-€3,6M). Profitability was affected by listing expenses of 0.5 million euros, and depreciations of 0.3 million euros related to capitalized listing fees.
- The company started the development of a new game with a new license holder during the reporting period, and now has three new games in development with three different license holders.
- The acquisition of Lume Games Oy was carried out in February 2017 and the acquisition brought in new technology expertise to the company. One of the three new games in the development pipeline is an innovative mobile game that utilizes location-based and augmented reality (AR) technology
- Development costs for the reporting period amounted to 1 million euros and increased towards the second quarter. The company does not capitalize game development costs (comparison January-June 2016 in brackets)

Key Financial Figures

(EUR 1000)	1-6/2017	1-6/2016	1-12/2016
Revenue and gross bookings			
Revenue	19 452	12 786	31 112
Gross Bookings	18 288	13 766	33 593
Gross Margin	7 078	2 050	8 252
Operating profit (-loss) (EBIT), EBITDA and adjusted EBITDA			
Operating profit (-loss) (EBIT)	151	-3 562	-1 582
EBITDA	649	-3 355	-1 155
Adjusted EBITDA	523	-2 802	-709
As percentage of revenue			
Gross margin (%)	36 %	16 %	27 %
EBITDA margin (%)	3 %	-26 %	-4 %
Operating result (%)	1 %	-28 %	-5 %
As percentage of gross bookings			
Adjusted EBITDA margin (%)	3 %	-20 %	-2 %

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.

Key Operational Metrics

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

	1-6/2017	1-6/2016
DAU	497,928	434,654
MAU	1,467,669	1,762,740
ARPPAU (USD)	0.22	0.19
ARPPAU (EUR)	0.20	0.17

Chief Executive Officer Teemu Huuhtanen:

Next Games' January-June 2017 growth continued strong, driven by The Walking Dead: No Man's Land game. Revenue grew by 52% compared to the same period last year and was at 19.5 million euros.

It is extremely important for Next Games as a game developer and publisher to create a strong and diverse portfolio of different products to support growth and decentralize risks. During January-June we have focused in strengthening our game portfolio for the years ahead. In June 2017, we announced our collaboration with Alcon Entertainment to create a mobile game for the Blade Runner movie franchise. In addition, we have commenced developing a new game with a new, third license partner and we will continue to develop the game previously in the pipeline.

By acquiring Lume Games we secured superior AR (Augmented Reality) and location-based technology expertise. The game, which has been in development throughout January-June, is heavily based on utilizing these technologies. We believe this innovative game will be a great opportunity for Next Games to become one of the pioneers in this category, as there is less competition in comparison in the category. Lume Games' employees have been successfully integrated into this game's development team.

Our new games are all based on three different notable international entertainment franchises, developed with three different license holders. We continue to actively negotiate new license agreements and are firmly on track executing our strategy of publishing at least one game per year, starting from 2018.

The Walking Dead: No Man's Land received new content and functionality updates during January-June 2017. During this period, Next Games' ARPDau was 0.20 euros with a growth of 0.03 euros compared to last year. For the fifth year in a row, The Walking Dead is the most watched TV drama among the 18-49 year old demographic, an achievement no other TV drama has reached in the history of television. The fact that the show has 50% more viewers than the next biggest show in the US, describes the scale of the show's popularity well. This creates a great basis for continuing to develop The Walking Dead game.

Next Games has continued to successfully attract key talent and strategic expertise into the company. Next Games staff grew by 24 employees to 93 employees. New employees, including business development and marketing talent, were mainly recruited to reinforce the new games' development teams.

I am extremely satisfied with the industry-recognition we have received from esteemed organizations. Receiving the international Webby Award and the most valuable award in licensing business: LIMA International Licensing Award, further increases the company's visibility and brand recognition among our current and potential licensing partners. In Finland, Next Games was selected as the No 1. growth company by Finland's leading business media Kauppalehti.

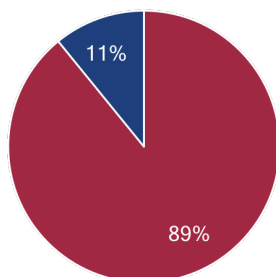


Teemu Huuhtanen
Chief Executive Officer
Next Games

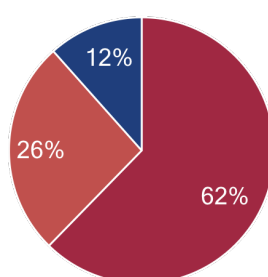


Revenue and Earnings Development

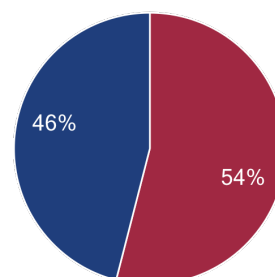
GROSS BOOKINGS BY SOURCE



GROSS BOOKINGS BY GEOGRAPHY



GROSS BOOKINGS BY PLATFORM



■ In App Purchases (IAP) ■ Ad sales (AD) ■ North America ■ EU-countries ■ Other ■ iOS ■ Android

During the first half of 2017 the company generated revenue of 19.5 million euros and EBIT of 0.2 million euros. In comparison to the first half of 2016, the company succeeded to increase revenue by 52 %, and improve profitability by boosting marketing activities, improving ARPDAU by three euro cents, and raising DAU by 15 %. Gross margin was 36 %, whereas it was 16 % in the comparison period. Staff expenses increased by 16 %, mainly to staff the development of new projects.

Other operating costs totaled 3.5 million, of which listing expenses were 544 thousand euros. In the comparison period, other operating costs were 2.9 million euros. In addition to listing expenses, the rise in other operating costs was due to increase in staff as well as overall increase in scale of operations.

Fees related to listing totaled to 3.25 million euros, of which 2.7 million euros were capitalized on the balance sheet. Listing costs are depreciated over three years starting from March 2017, and hence resulted in a rise in depreciation over the reporting period.

Financial expenses amounted to 159 thousand euros, caused mainly by exchange rate differences between EUR and USD as the company has transactions in both currencies.

Taxes for the reporting period amounted to 16 thousand euros. The company has non-deductible depreciations from a merger loss, hence the accounting result and taxable result differs. Net result of the accounting period was 24 thousand at a loss.

Both diluted and undiluted earnings per share was 0.00 euros. In the comparison period the undiluted earnings per share amounted to -0.29 euros and diluted -0.27 euros.

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 game, which the company actively develops further. Development costs constitute 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 of new projects accounted for 1 million euros in the reporting period, and weakened the reporting period's accounting profits accordingly. 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.

License agreements may include prepayments and costs 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

The company acquired Helsinki Game Works Oy in 2014, which merged with Next Games in 2015. In February 2017, the company acquired Lume Games Oy, and a merger plan was made during the reporting period. The company expects the merger to be completed by end of fiscal year 2017. The company may continue to conduct acquisitions in the future.

The company has started development of its third new game with a new license holder. During the reporting period, there were no major upfront investments required in the development of new games. Changes in game development phases will affect investment needs.

Cash flow and Financing

Cash flow from operating activities was -1.5 million euros during the reporting period. Cash flow was negatively affected by upfront marketing costs of 1.2 million euros. Cash flow from financing activities was at 30.1 million euros due to the company's listing. The change in cash and cash equivalents amounted to 28.3 million euros and cash and cash equivalents at the end of reporting period was 31.9 million euros.

Game and Product Development Pipeline

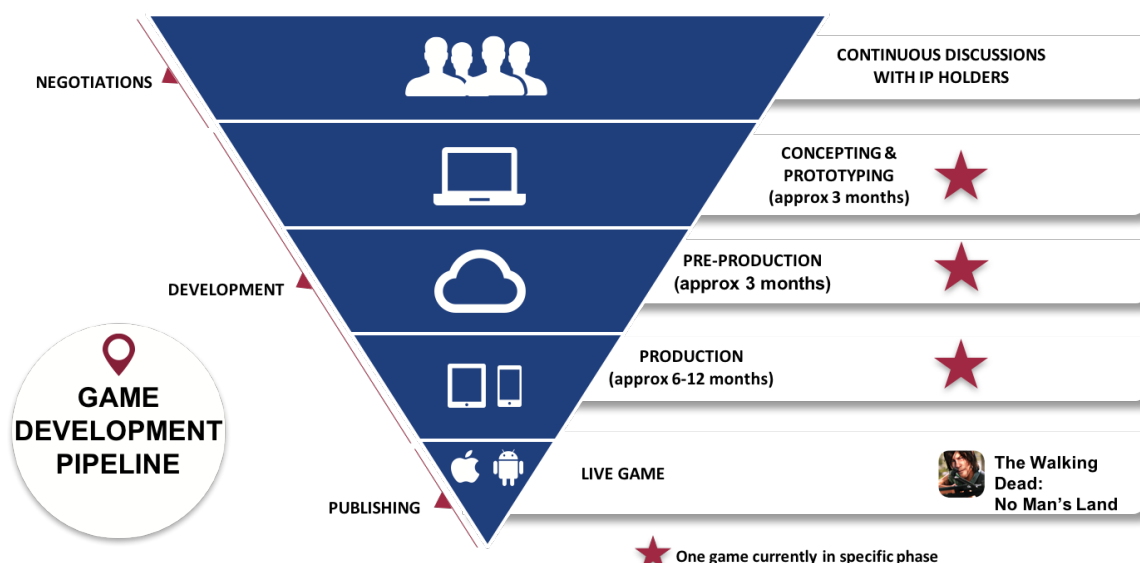
Next Games continued to develop The Walking Dead: No Man's Land during the first half of 2017 and the game fueled Next Games' revenue to grow 52% compared to the first half of 2016. The company's ARPDAU metric increased to 0.20, resulting in a 0.03 euro growth compared to last year. The company continues to invest in The Walking Dead: No Man's Land by updating the game with new content and functionalities.

During the first half of 2017, Next Games has focused substantially on business development to advance negotiations with multiple new license holders. The success of The Walking Dead: No Man's Land and the company's strong entertainment industry connections give Next Games a unique position to obtain notable entertainment brand licenses in the United States and globally. Next Games continues to actively negotiate with license holders, aims to enter into new partnerships and bring new products to the company's game development pipeline.

Next Games has made significant progress in strengthening its product portfolio for the years to come during the first half of 2017. During Q2 2017, Next Games entered into a partnership with a new license partner to develop a new game. In June 2017, Next Games announced collaboration with Alcon Entertainment to create a mobile game for the Blade Runner movie franchise. In addition, during the reporting period, Next Games has worked on a new game that utilizes augmented reality and location-based technologies. Out of the three new games in development, one is in concepting and prototyping phase, one in pre-production and one in production phase.

The location-based augmented reality game, in development throughout the first half of 2017, is proceeding according to plans. This product enables Next Games to become one of the pioneers in developing products utilizing AR and location, as utilizing these technologies, and specifically combining the two technologies within one product, requires specific technical expertise. Therefore, there are only few noteworthy competitive products in this product category at the moment. Next Games has succeeded in acquiring suitable expertise with the acquisition of Lume Games and by recruiting talent directly.

More details on the Blade Runner mobile game, the new game in development with a third license holder and the location based game utilizing Augmented Reality (AR) will be announced later.



Strategy and Business Outlook

According to its strategy, Next Games focused in developing new games based on entertainment franchises, such as movies and TV series, and the development of their main product The Walking Dead: No Man's Land during the reporting period. The company also put significant effort behind negotiating new license agreements, which led to one new game entering the concepting and prototyping phase in addition to the two games already in development.

Next Games continues to actively partner with new license holders to strengthen its product portfolio and bring new products into development. The company's guidance on its outlook remains unchanged. Next Games aims to launch at least one game every year starting from 2018.

Staff, Management and Board of Directors

Next Games staff grew by 24 employees during the first half of 2017 and was 93 employees in total at the end of the period. The organization grew mainly to reinforce the new games' development teams.

The acquisition of Lume Games in February 2017 brought in valuable strategic expertise in location-based and augmented reality technologies. Lume Games employees have been integrated into the game team developing the location-based augmented reality game.

In addition, Next Games has strengthened its business development organization to support bringing new game projects in the development pipeline. Next Games' marketing organization has also grown during the reporting period as the company is preparing to launch new products to the market.

Next Games operates in a global market that requires diverse know-how. The company invests in supporting diversity and has strengthened the share of international talent in the company. Next Games staff consists of 14 different nationalities, which helps the company to understand the needs of the global market.

In February 2017 Petri Niemi was elected Chairman of the Board of Directors. Jari Ovaskainen, Phil Sanderson, Peter Levin, Paul Rehrig and Joakim Achrén continued as members of the Board of Directors. There were no changes in the management during the reporting period.



Unaudited Half-Year Report 1.1 - 30.6.2017

This unaudited financial statements report for the period 1.1.-30.6.2017 has been prepared according to Finnish Accounting Standards (FAS) and Nasdaq First North marketplace rules and regulations.

Income Statement (FAS)

EUR thousand	01-06/2017 (unaudited)	01-06/2016 (unaudited)	2016 (audited)
Revenue	19 452	12 786	31 112
Capitalized development for entity's own use	0	47	254
Other operating income	2	2	1 238
Raw materials and services	-12 373	-10 736	-22 860
Personnel expenses total	-2 967	-2 565	-4 802
Depreciation, amortisation and write-offs total	-498	-207	-427
Other operating expenses	-3 464	-2 890	-6 096
Operating profit (loss)	151	-3 562	-1 582
Financial income and expenses	-159	-102	-62
Profit (loss) before tax and appropriations	-8	-3 664	-1 644
Deferred tax	-16	0	2 400
Profit (loss) for the financial year	-24	-3 664	756

Balance Sheet

EUR thousand	30.6.2017 (unaudited)	31.12.2016 (audited)
ASSETS		
NON-CURRENT ASSETS		
Intangible assets	6 124	611
Tangible assets	147	143
Investments	2 662	1 101
NON-CURRENT ASSETS TOTAL	8 933	1 855
CURRENT ASSETS		
Long-term debtors		
Amounts owed by group undertakings	-	14
Other debtors	279	258
Prepayments and accrued income	480	480
Deferred taxes	2 383	2 400
Long-term debtors total	3 142	3 152
Short-term debtors		
Trade debtors	3 021	4 044
Other debtors	107	86
Prepayments and accrued income	1 604	1 786
Short-term debtors total	4 732	5 916
Cash in hand and at banks	31 939	3 638
CURRENT ASSETS TOTAL	39 814	12 706
ASSETS TOTAL	48 747	14 561
EQUITY AND LIABILITIES		
EQUITY		
Share capital	80	3
Invested unrestricted equity reserve	53 255	15 783
Retained earnings (loss)	-10 377	-11 133
Profit (loss) for the financial year	-24	756
EQUITY TOTAL	42 934	5 408
LIABILITIES		
Non-current liabilities		
Loans from credit institutions	691	775
Non-current liabilities total	691	775
Current liabilities		
Loans from credit institutions	84	-
Advances received	1 316	2 482
Trade creditors	873	1 178
Other creditors	150	128
Accruals and deferred income	2 698	4 591
Current liabilities total	5 122	8 378
LIABILITIES TOTAL	5 813	9 153
EQUITY AND LIABILITIES TOTAL	48 747	14 561

Cash Flow Statement

EUR thousand	1.1-30.6/2017 (Unaudited)	1.1-30.6/2016 (Unaudited)	1.1-31.12/2016 (Audited)
Net cash flows from operating activities	-1 535	-1 921	-879
Net cash flows from investing activities	-103	-216	-423
Net cash flows from financing activities	30 078	-	356
Net change in cash and cash equivalents	28 439	-2 137	-946
Cash and cash equivalents at beginning of the period	3 638	4 624	4 624
Foreign exchange rate differences	-139	-110	-40
Cash flow from the merger	-	-	-
Net change in cash and cash equivalents	28 301	-2 248	-986
Cash and cash equivalents at the end of the period	31 939	2 377	3 638

Statement of Equity Changes

	Share Capital	Invested unrestricted equity reserve	Retained earnings (loss)	Profit (loss) for the financial year	Total equity
EUR thousand					
Equity 1.1.2016	3	15 776	-11 133	-	4 646
Option plan based share compensation		7			7
Profit (loss) for the financial year				756	756
Equity 31.12.2016	3	15 783	-11 133	756	5 408
Equity 1.1.2017	3	15 783	-10 377	-	5 408
Share capital increase	78	-78			-
Shares issued		37 541			37 541
Option plan based share compensation		9			9
Profit (loss) for the financial year				-24	-24
Equity 30.06.2017	80	53 255	-10 377	-24	42 934

Certain Quarterly Financial Information

For the three months ended

EUR thousand	Dec. 31, 2015	Mar. 31, 2016	Jun. 30, 2016	Sep. 30, 2016	Dec. 31, 2016	Mar. 31, 2017	Jun. 30, 2017
Revenue, gross bookings and gross Margin							
Revenue	7 360	5 586	7 200	6 935	11 390	10 932	8 520
Gross bookings	7 360	6 852	6 914	7 266	12 562	10 432	7 857
Gross Margin	1 338	54	1 996	2 421	3 781	3 938	3 141
Operating profit, EBITDA and adjusted EBITDA							
Operating profit (loss)	-1 393	-3 107	-455	418	1 563	369	-218
Depreciation and amortisation	106	99	107	110	110	170	328
EBITDA	-1 287	-3 008	-348	528	1 672	539	110
Adjusted EBITDA	-1 287	-2 283	-519	718	1 375	797	-274
As percentage of revenue							
Gross Margin (%)	18 %	1 %	28 %	35 %	33 %	36 %	37 %
EBITDA margin (%)	-17 %	-54 %	-5 %	8 %	15 %	5 %	1 %
Operating profit margin (%)	-19 %	-56 %	-6 %	6 %	14 %	3 %	-3 %
As percentage of gross bookings							
Adj. EBITDA margin (%)	-17 %	-33 %	-8 %	10 %	11 %	8 %	-3 %

	Dec. 31, 2015	Mar. 31, 2016	Jun. 30, 2016	Sep. 30, 2016	Dec. 31, 2016	Mar. 31, 2017	Jun. 30, 2017
DAU	564 360	446 483	422 883	350 763	532 276	537 659	458 370
MAU	3 092 084	1 944 265	1 581 215	1 225 174	1 781 553	1 613 571	1 325 167

	Dec. 31, 2015	Mar. 31, 2016	Jun. 30, 2016	Sep. 30, 2016	Dec. 31, 2016	Mar. 31, 2017	Jun. 30, 2017
ARPDau (USD)	\$0,15	\$0,19	\$0,20	\$0,25	\$0,27	\$0,23	\$0,21
ARPDau (EUR)	€0,14	€0,17	€0,18	€0,23	€0,26	€0,22	€0,19

Shares and shareholders

By the end of the reporting period on June 30 2017, the number of registered shares was 18,178,070, including nominee registered shareholders, and the registered share capital amounted to 80,000 euros.

The company's biggest shareholders on June 30, 2017 were Jari Ovaskainen (16.72%), IDG Ventures USA (6.54%), Kalle Hiitola (5.19%), Joakim Achrén (5.18%) and Mikael Achren (5.15%). These top 5 shareholders owned 37.78% of Next Games' shares by the end of the reporting period. In addition, Next Games has nominee registered shareholders, including AMC Networks. With 3,245,164 shares, the total share of the nominee registered shareholders is 17.85% of the company. Share ownership has been calculated based on the amount of issued shares.

Next Games Corporation 10 largest shareholders *

30 June, 2017

Shareholders	Shares	% of Shares
1 Ovaskainen Jari Juhani Rainer	3 039 652	16.72
2 IDG Ventures USA III, L.P.	1 188 306	6.54
3 Hiitola Kalle Johannes	942 896	5.19
4 Achrén Joakim Tomas Johan	940 818	5.18
5 Achrén Mikael Jan Kennet	935 896	5.15
6 Jumisko Jaakko Ensio	935 896	5.15
7 Keskinäinen Eläkevakuutusyhtiö Ilmarinen	482 520	2.65
8 Keskinäinen Työeläkevakuutusyhtiö Varma	380 000	2.09
9 Nuard Ventures Oy	364 000	2.00
10 Vaah Holdings Oy	266 720	1.47

* Next Games has nominee registered shareholders, including AMC Networks. With 3,245,164 shares, the total share of the nominee registered shareholders is 17.85% of the company.

Risks and Uncertainties

The company's equity ratio at the end of reporting period was 91% and liquidity at an excellent level. The company's ability to carry out business in accordance with its strategy has therefore improved considerably during the reporting period.

According to the company's assessment, there were no material changes in company's short-term risks or uncertainties during the reporting period. The significant risks are still associated with the company's abilities to maintain profitability of The Walking Dead: No Man's Land and to enter into new license agreements and publish new games. In addition, the company has a risk related to exchange rate fluctuations, as the company carries out businesses in various currencies, of which the euro and United States dollar are the most significant.

During the reporting period, the company has invested in the development of its business and has advanced in developing new games. During the second quarter of 2017, one game, previously in concepting and prototyping phase moved to pre-production, and one game moved to concepting and prototyping phase. This strengthens the company's ability to launch new games for the global market in the future.

Market Overview

According to research company Newzoo's report published in April 2017, the mobile games market continues to grow relative to the PC and console games market. Newzoo predicts the global games market to grow to \$108.9 billion in 2017, of which the mobile games market's share would be 42%. According to Newzoo the mobile games market would grow 19% compared to the previous year. (Source: <https://newzoo.com/insights/articles/the-global-games-market-will-reach-108-9-billion-in-2017-with-mobile-taking-42/>)

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.

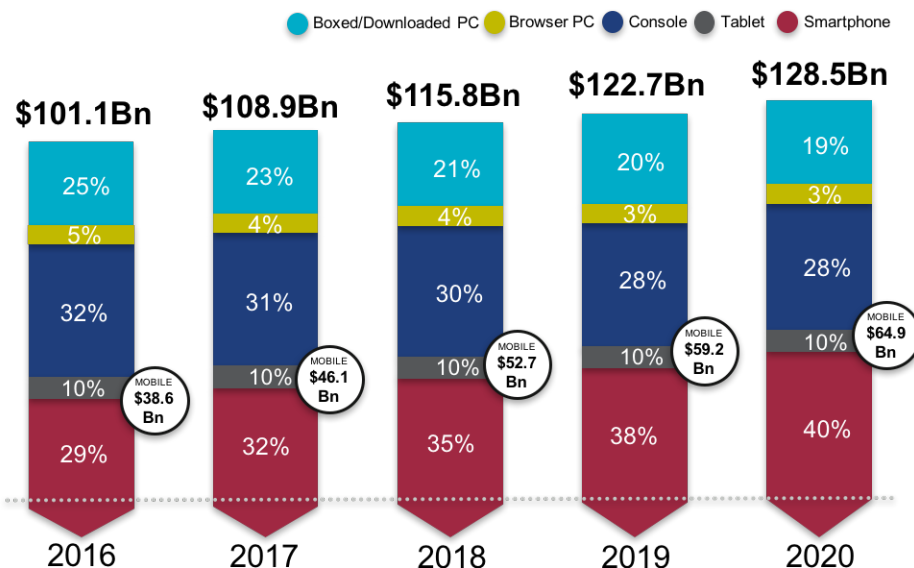
2016-2020 GLOBAL GAMES MARKET

FORECAST PER SEGMENT TOWARD 2020

TOTAL MARKET

+6.2%

CAGR 2016-2020



Source: ©Newzoo | Q2 2017 Update | Global Games Market Report
newzoo.com/globalgamesreport

Upcoming Events

3rd of November - Q3 2017 Business Review

Helsinki 14th of July

Board of Directors
Next Games Oyj

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™