



***NEXT GAMES***™

Next Games Corporation  
Financial Statements Bulletin

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2018



## NEXT GAMES CORP.: FINANCIAL STATEMENTS BULLETIN JANUARY-DECEMBER 2018

### January-December 2018 in short:

- Revenue grew 9% to 35.2 million euros (32.5 million euros)
- Gross profit was 60% (59%)
- Operating profit was -16.9 million euros (-5.1 million euros)
- End of 2018 the company employed 143 people (119)  
(January-December 2017 comparison in brackets)

### Key Financial Figures

(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
<b>As percentage of revenue</b>		
Gross profit (%)	60%	59%
Operating profit (%)	-48%	-16%
Adjusted operating profit (%)	-43 %	-14 %

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.

Gross Profit is Revenue less server expenses, expenses and depreciations related to royalties and license fees, as well as platform cut.

Next Games uses adjusted operating profit as a voluntary measurement to EBITDA, as a way of analyzing the operational profitability of the company. 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.

### Key Operational Metrics

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

	Jan-Dec 2018	Jan-Dec 2017
DAU	457,782	432,241
MAU	1,608,467	1,326,318
ARPDau (US)	0.25	0.22
ARPDau (EUR)	0.21	0.20

## July-December 2018 in short:

- Revenue grew 90% to 24.8 million euros (13.0 million euros)
- Gross profit was 62% (62%)
- Operating profit was -12.0 million euros (-4.2 million euros)  
(July-December 2017 comparison in brackets)

## Key Financial Figures

(EUR 1000)	07-12/2018	07-12/2017
Revenue	24,769	13,045
Gross bookings	25,340	12,641
Gross Profit	15,260	8,149
Operating profit (-loss) (EBIT)	-11,961	-4,202
Adjusted Operating profit	-10,447	-4,070
Earnings per share, undiluted (€)	-0.68	-0.27
Earnings per share, diluted (€)	-0.68	-0.27
<b>As percentage of revenue</b>		
Gross profit (%)	62 %	62 %
Operating profit (%)	-48%	-32%
Adjusted operating profit (%)	-42 %	-31%

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.

Gross Profit is Revenue less server expenses, expenses and depreciations related to royalties and license fees, as well as platform cut.

Next Games uses adjusted operating profit as a voluntary measurement to EBITDA, as a way of analyzing the operational profitability of the company. 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.

## Key Operational Metrics

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

	July-Dec 2018	July-Dec 2017
DAU	575,690	353,045
MAU	2,212,514	1,131,987
ARPDau (US)	0.27	0.23
ARPDau (EUR)	0.24	0.19

## Chief Executive Officer Teemu Huuhtanen:

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

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 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.

The fourth quarter of the year we focused on a turnaround project 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 scaling the company's headcount down to 117 positions. As a part of the turnaround project and renewed focus, we also reviewed 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. Simultaneously, we will put more focus on the early stages of game concepting and development. Consequently, the company has kicked off a new game project, which does not have an external IP attached to it at the moment.

We will further continue to streamline our operations and costs towards future profitability. This includes a renewed focus on our game development process and related costs and smart reuse of gameplay mechanics and technologies we've already built. We have also taken significant steps in improved risk management measures as well as 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 maintain the level of service expected 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 on it in a cost effective way. Some new features were also introduced for supporting upcoming titles such as *Blade Runner Nexus*.



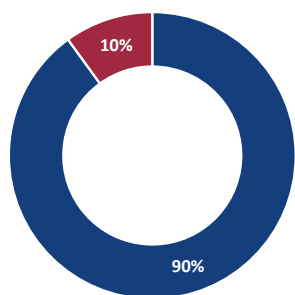
I expect the company's turnaround project to be concluded during the first half of 2019, after which we will see much better alignment across projects as well as improved operational efficiency across the company. The investments made in 2018 have been a significant cornerstone to build a solid foundation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

Teemu Huuhtanen  
CEO



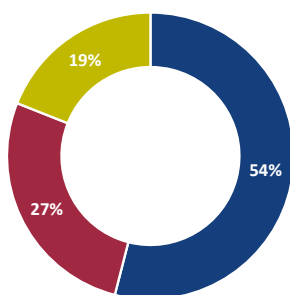
## Revenue and Earnings Development

GROSS BOOKINGS BY SOURCE



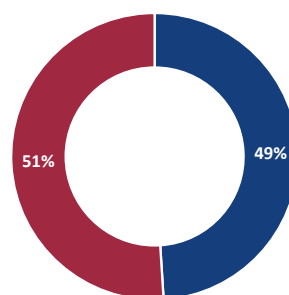
■ In App Purchases (IAP) ■ Ad sales (AD)

GROSS BOOKINGS BY GEOGRAPHY



■ North America ■ EU countries ■ Other

GROSS BOOKINGS BY PLATFORM



■ Android ■ iOS

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. 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. Due to the launch, sales and marketing expenses grew to EUR -23.6 million (EUR -12.7 million).

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.



## Product Development Costs, Licenses and Accounting Principles

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.

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
	<u>-10 418</u>	<u>-7 034</u>

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

## Investments and Acquisitions

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

## Cash flow and Financing

Cash and cash equivalents of the company decreased EUR -19.1 million to 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 a good level 65% (87%). The company has an unused credit limit of 5 million euros.

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 current financial position, to secure future product development and to support the company's marketing investments for future growth.



## Game and Product Development Pipeline

### The Walking Dead: Our World

The innovative location-based augmented reality game, The Walking Dead: Our World was launched globally on July 12. With this product Next Games is one of the pioneers in developing products utilizing AR and location, as these technologies, and specifically combining the two technologies within 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) level 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 top 50 grossing list ranking (list measuring game revenue) in multiple key markets.

As the number of players in the game increased during the first weeks, some technical challenges were encountered, which adversely impacted 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 in 2018 have been resolved towards the end of the fourth quarter of 2018. The game's marketing investments remained on a conservative level for the duration of 2018 while technical fixes have been delivered. The team continues to further develop the game both from a technical and content perspectives in 2019.





**The Walking Dead: No Man’s Land**

The Walking Dead: No Man’s Land development and live operations continued throughout 2018. The team has been able to keep engagement and revenue on a stable level, customary to the game 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 to achieve a goal with good results. 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.

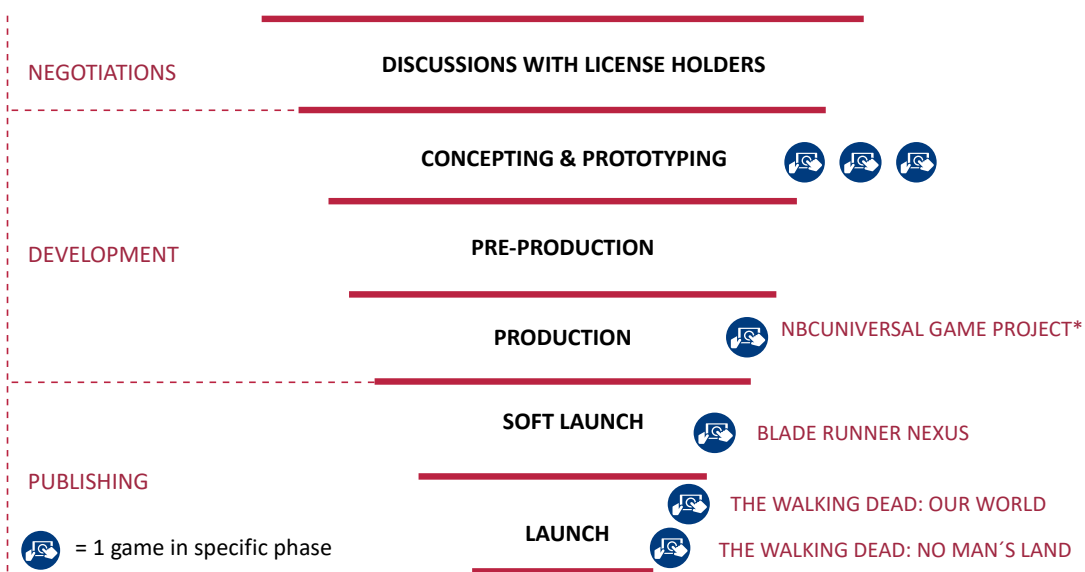
**Blade Runner Nexus**

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 has put some focus on internal conceiving and prototyping processes to foster and improve on 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.



\* 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 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.

Next Games has partnered with Microsoft to utilize Microsoft's 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 and 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 key 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, which removes the need of 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.

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 in 2018 have been 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 on it in a cost effective way. The platform currently now also serves *Blade Runner: Nexus*, the company's third licensed game currently in soft launch.

## Staff and Management

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 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).





## Unaudited Financial Statements 1.1.-31.12.2018

Accounting policies adopted by Next Games are in accordance with International Financial Reporting Standards (IFRS). This unaudited financial statements release for the period 1.1.-31.12.2018 has not been prepared accordance with IAS 34 interim financial reporting, not applicable to First North companies.

### Profit and Loss Statement Full-Year (IFRS)

EUR thousand	Jan 1 – Dec 31, 2018	Jan 1 - Dec 31, 2017
<b>Total revenue</b>	35,245	32,466
Cost of Revenue	-13,952	-13,158
<b>Gross profit</b>	21,294	19,308
Other operating income	71	53
R&D total	-10,418	-7,034
Sales and Marketing total	-23,643	-12,713
Admin total	-4,218	-4,686
<b>Operating profit</b>	-16,915	-5,071
Finance income	757	37
Finance costs	-608	-541
<b>Finance costs - net</b>	149	-504
<b>Share of associates' profit/loss</b>	-122	-455
<b>Profit (loss) before taxes</b>	-16,887	-6,031
Current income taxes	-143	-
Change in deferred tax	-1,008	-106
<b>Profit (loss) of the year</b>	-18,037	-6,137
Profit (loss) for the period attributable to:		
Owners of the parent	-18,037	-6,137
Basic earnings per share, EUR	-0.99	-0.37
Diluted earnings per share, EUR	-0.99	-0.37

**Profit and Loss Statement H2/2018 (IFRS)**

EUR thousand	Jul 1 – Dec 31, 2018	Jul 1 - Dec 31, 2017
<b>Total revenue</b>	24,769	13,045
Cost of Revenue	-9,509	-4,896
<b>Gross profit</b>	15,260	8,149
Other operating income	27	16
R&D total	-6,863	-3,686
Sales and Marketing total	-18,238	-6,817
Admin total	-2,146	-1,865
<b>Operating profit</b>	-11,961	-4,202
Finance income	35	36
Finance costs	-141	-353
<b>Finance costs - net</b>	-106	-317
<b>Share of associates' profit/loss</b>	-5	-290
<b>Profit (loss) before taxes</b>	-12,072	-4,809
Current income taxes	-143	-
Change in deferred tax	-275	-115
<b>Profit (loss) of the year</b>	-12,490	-4,924
Profit (loss) for the period attributable to:		
Owners of the parent	-12,490	-4,924
Basic earnings per share, EUR	-0.68	-0.27
Diluted earnings per share, EUR	-0.68	-0.27

## Balance Sheet

EUR thousand	Dec 31, 2018	Dec 31, 2017
<b>Assets</b>		
<b>Non-current assets</b>		
Intangible assets	10,347	6,776
Goodwill	3,344	3,344
Property, plant and equipment	6,734	275
Shares of associates	388	509
Long-term debtors	395	820
Deferred tax assets	1,621	2,629
<b>Non-current assets total</b>	<b>22,829</b>	<b>14,353</b>
<b>Current assets</b>		
Trade and other receivables	6,339	4,979
Cash and cash equivalents	7,306	26,377
<b>Current assets total</b>	<b>13,646</b>	<b>31,356</b>
<b>Total assets</b>	<b>36,475</b>	<b>45,709</b>

EUR thousand	Dec 31, 2018	Dec 31, 2017
<b>Equity and liabilities</b>		
<b>Shareholders' equity</b>		
Share capital	80	80
Invested non-restricted equity reserve	53,925	53,866
Retained earnings	-13,091	-8,437
Profit (loss) for the period	-18,037	-6,137
<b>Shareholders' equity</b>	<b>22,876</b>	<b>39,372</b>
<b>Liabilities</b>		
<b>Non-current</b>		
Non-current governmental agency loan	518	642
Lease liabilities	4,145	-
<b>Non-current liabilities total</b>	<b>4,663</b>	<b>642</b>
<b>Current</b>		
Current governmental agency loan	222	84
Lease liabilities	992	224
Deferred revenue	1,458	914
Trade payables	2,731	1,162
Other liabilities	204	205
Accruals and deferred income	3,329	3,105
<b>Current liabilities total</b>	<b>8,936</b>	<b>5,694</b>
<b>Liabilities total</b>	<b>13,598</b>	<b>6,336</b>
<b>Equity and liabilities total</b>	<b>36,475</b>	<b>45,709</b>



## Cash Flow Statement

EUR thousand	Jan 1 – Dec 31, 2018	Jan 1 - Dec 31, 2017
<b>Cash flows from operating activities</b>	<b>-12,004</b>	<b>-4,111</b>
<b>Cash flows from investing activities</b>	<b>-6,736</b>	<b>-2,487</b>
<b>Cash flows from financing activities</b>	<b>-555</b>	<b>29,772</b>
Net decrease (-)/increase in cash and cash equivalents	-19,295	23,173
Cash and cash equivalents at the beginning of the period	26,377	3,664
Exchange gains/losses (-) on cash and cash equivalents	224	-459
<b>Cash and cash equivalents at the end of period</b>	<b>7,306</b>	<b>26,377</b>
EUR thousand	Jul 1 – Dec 31, 2018	Jul 1 - Dec 31, 2017
<b>Cash flows from operating activities</b>	<b>-7,195</b>	<b>-2,873</b>
<b>Cash flows from investing activities</b>	<b>-2,087</b>	<b>-2,256</b>
<b>Cash flows from financing activities</b>	<b>-360</b>	<b>-201</b>
Net decrease (-)/increase in cash and cash equivalents	-9,642	-5,330
Cash and cash equivalents at the beginning of the period	16,940	32,003
Exchange gains/losses (-) on cash and cash equivalents	8	-296
<b>Cash and cash equivalents at the end of period</b>	<b>7,306</b>	<b>26,377</b>

## Statement of Equity Changes

EUR thousand	Share capital	Reserve for invested unrestricted equity	Retained earnings	Total
<b>Equity at Jan 1, 2016 under FAS</b>	<b>3</b>	<b>15,776</b>	<b>-11,173</b>	<b>4,604</b>
Impact of the transition to IFRS	-	1,973	285	2,259
<b>Equity at Jan 1, 2016 under IFRS</b>	<b>3</b>	<b>17,750</b>	<b>-10,888</b>	<b>6,864</b>
Profit (loss) for the period	-	-	94	94
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>94</b>	<b>94</b>
<b>Transactions with owners:</b>				
Issue of ordinary shares	-	7	-	7
IPO transaction costs	-	-46	-	-46
Share-based payments	-	-	488	488
<b>Equity at Dec 31, 2016</b>	<b>3</b>	<b>17,710</b>	<b>-10,306</b>	<b>7,404</b>
<b>Equity at Jan 1, 2017</b>	<b>3</b>	<b>17,710</b>	<b>-10,306</b>	<b>7,404</b>
Profit (loss) for the period	-	-	-6,137	-6,137
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-6,137</b>	<b>-6,137</b>
<b>Transactions with owners:</b>				
Increase from reserves	77	-77	-	-
Issue of ordinary shares	-	37,820	-	37,820
IPO transaction costs	-	-1,587	-	-1,587
Share-based payments	-	-	1,868	1,868
<b>Equity at Dec 31, 2017</b>	<b>80</b>	<b>53,866</b>	<b>-14,574</b>	<b>39,372</b>
<b>Equity at Jan 1, 2018</b>	<b>80</b>	<b>53,866</b>	<b>-14,574</b>	<b>39,372</b>
Profit (loss) for the period	-	-	-18,037	-18,037
<b>Transactions with owners:</b>				
Issue of shares subscribed by options	-	65	-	65
Acquisition of treasury shares	-	-7	-	-7
Share-based payments	-	-	1,483	1,483
<b>Equity at Dec 31, 2018</b>	<b>80</b>	<b>53,925</b>	<b>-31,128</b>	<b>22,876</b>

EUR thousand	Share capital	Reserve for invested unrestricted equity	Retained earnings	Total
<b>Equity at Jan 1, 2017</b>	<b>3</b>	<b>17,710</b>	<b>-10,306</b>	<b>7,407</b>
Profit (loss) for the period	-	-	-1,212	-1,212
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-1,212</b>	<b>-1,212</b>
<b>Transactions with owners:</b>				
Increase from reserves	77	-77	-	-
Issue of ordinary shares	-	37,798	-	37,798
IPO transaction costs	-	-1,587	-	-1,587
Share-based payments	-	-	934	1,868
<b>Equity at Jun 30, 2017</b>	<b>80</b>	<b>53,844</b>	<b>-10,583</b>	<b>43,341</b>
<b>Equity at Jul 1, 2017</b>	<b>80</b>	<b>53,844</b>	<b>-10,583</b>	<b>43,341</b>
Profit (loss) for the period	-	-	-4,924	-4,924
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-4,924</b>	<b>-4,924</b>
<b>Transactions with owners:</b>				
Issue of shares subscribed by options	-	22	-	22
Acquisition of treasury shares	-	-	-	-
Share-based payments	-	-	934	934
<b>Equity at Dec 31, 2017</b>	<b>80</b>	<b>53,866</b>	<b>-14,574</b>	<b>39,372</b>
Profit (loss) for the period	-	-	-5,547	-5,547
<b>Transactions with owners:</b>				
Issue of shares subscribed by options	-	37	-	37
Acquisition of treasury shares	-	-7	-	-7
Share-based payments	-	-	742	742
<b>Equity at Jun 30, 2018</b>	<b>80</b>	<b>53,897</b>	<b>-19,380</b>	<b>34,597</b>
<b>Equity at Jul 1, 2017</b>	<b>80</b>	<b>53,897</b>	<b>-19,380</b>	<b>34,597</b>
Profit (loss) for the period	-	-	-12,490	-12,490
<b>Transactions with owners:</b>				
Issue of shares subscribed by options	-	28	-	28
Acquisition of treasury shares	-	-	-	-
Share-based payments	-	-	742	742
<b>Equity at Dec 31, 2018</b>	<b>80</b>	<b>53,925</b>	<b>-31,128</b>	<b>22,876</b>



## Certain Quarterly Financial Information

1000 EUR	Mar-31	Jun-30	Sep-30	Dec-31	Mar-31	Jun-30	Sep-30	Dec-31
<b>Revenue, gross bookings and gross Margin</b>	<b>2017</b>	<b>2017</b>	<b>2017</b>	<b>2017</b>	<b>2018</b>	<b>2018</b>	<b>2018</b>	<b>2018</b>
Revenue	10,932	8,520	6,385	6,629	4,788	5,689	13,435	11,333
Gross bookings	10,432	7,857	6,162	6,479	4,747	5,702	13,787	11,552
Gross Profit	6,197	4,994	3,703	4,415	2,761	3,273	7,410	7,850
<b>Operating profit and adjusted Operating Profit</b>								
Operating profit (loss)	-396	-473	-1,295	-2,907	-2,506	-2,448	-10,342	-1,618
Depreciation and amortisation	122	129	66	66	70	70	772	742
Adjusted operating profit (loss)	-275	-345	-1,229	-2,841	-2,436	-2,378	-9,571	-877
<b>As percentage of revenue</b>								
Gross Profit (%)	57 %	59 %	58 %	67 %	58 %	58 %	55 %	69 %
Operating profit margin (%)	-4 %	-6 %	-20 %	-44 %	-52 %	-43 %	-77 %	-14 %
Adjusted Operating Profit (%)	-3 %	-4 %	-19 %	-43 %	-51 %	-42 %	-71 %	-8 %
DAU	537,659	458,370	371,437	363,984	312,228	306,492	668,566	482,814
MAU	1,613,571	1,325,167	1,136,151	1,195,822	1,017,936	979,599	3,205,333	1,506,242
ARPPDAU (USD)	0.23	0.21	0.21	0.23	0.21	0.24	0.26	0.30
ARPPDAU (EUR)	0.22	0.19	0.18	0.19	0.17	0.20	0.22	0.27

Jul-Sep 2018	TWD: No Man's Land	TWD: Our World	Other
DAU	274,752	386,109	7,705
MAU	799,919	2,096,120	22,992
ARPPDAU (US)	0.26	0.27	0.06
ARPPDAU (EUR)	0.24	0.23	0.05

Oct-Dec 2018	TWD: No Man's Land	TWD: Our World	Other
DAU	253,339	222,943	6,532
MAU	728,296	758,542	19,157
ARPPDAU (US)	0.28	0.31	0.06
ARPPDAU (EUR)	0.25	0.28	0.05

## Share 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 the 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 shares have no par value. At the end of 2018, the company held 13,410 own shares.

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 20 Largest Shareholders as at 31 December 2018 \*

Shareholders	Shares	% of Shares	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
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
<b>20 largest shareholders total</b>	<b>11 408 561</b>	<b>61,66</b>		
<b>Nominee registered</b>	<b>3 210 319</b>	<b>17,35</b>		
<b>Other shares</b>	<b>3 884 434</b>	<b>20,99</b>		
In the joint book-entry account	902 012	4,88		
<b>Total</b>	<b>18 503 314</b>	<b>100,00</b>		

\*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%.

## 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.

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 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 a new licensing deal 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.

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

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 players will continue to play its games and make purchases within them. Delays in game development may affect cash flow negatively.

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



## Proposal by the Board for the treatment of profit / loss for the Financial year.

Board of Directors has proposed that the loss for the financial year ending 31 December 2018 will be transferred to retained earnings and no dividend shall be paid out from the financial year 01/2018-12/2018.

## 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 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.

## Upcoming Events

Next Games Corporation will publish its full Financial Statements and Annual Report 2018 on 27 February, 2019. Business Review for January-March 2019 will be published on 26 April, 2019.

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.

Helsinki 15 February, 2019

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

**EBITDA** 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

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

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

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



# NEXT GAMES™

