



H1

Next Games Corporation
January-June 2020

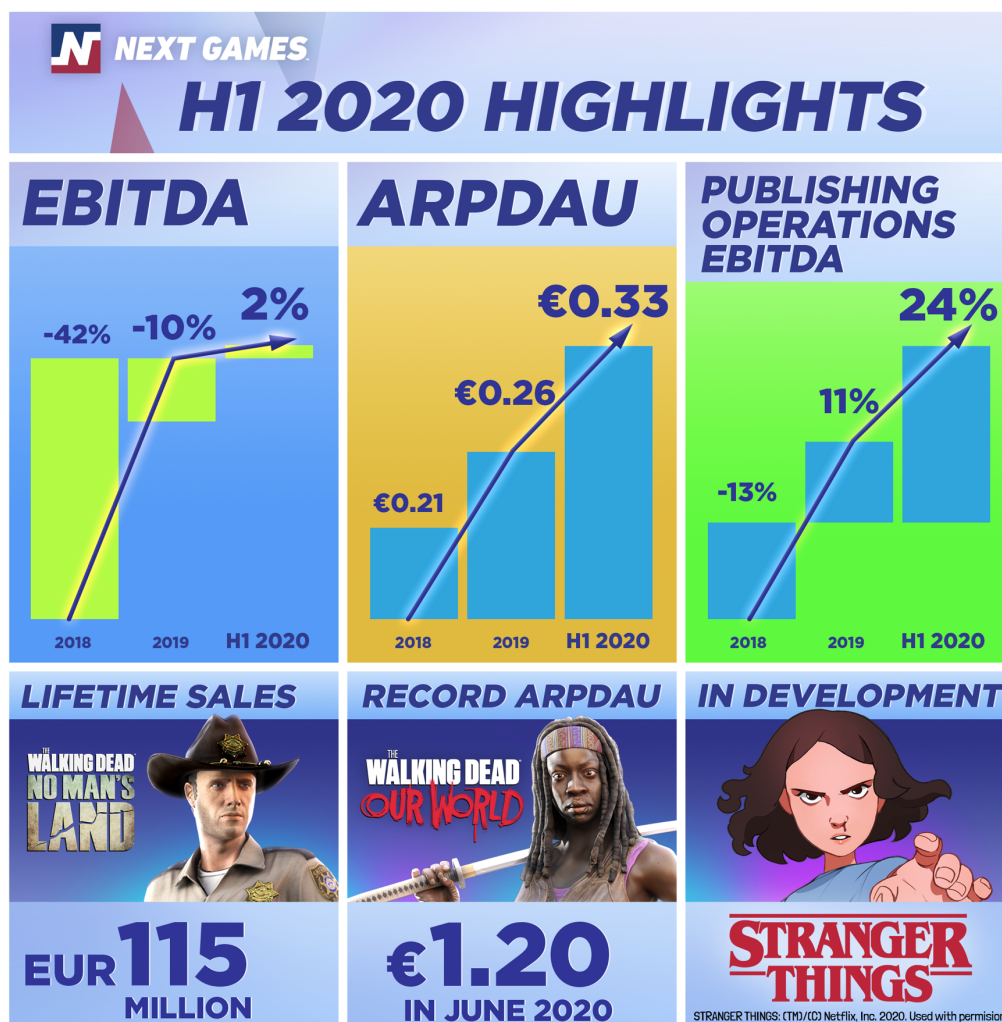
Next Games Corporation Half-Year Review January-June 2020 - Publishing Profitability Doubled, Turning Company EBITDA Positive

January-June 2020 in Short

The company has transitioned to reporting financial figures in millions of euros.

- Revenue was EUR 14.4 (19.2) million
- Gross profit was EUR 7.5 million, 52% of revenue (EUR 11.3 million; 59%)
- EBITDA was EUR 0.3 (-1.5) million
- EBIT was EUR -1.6 (-3.5) million
- Adjusted Operating Profit was EUR 0.1 (-1.8) million
- Publishing Operations EBITDA was EUR 3.4 (2.3) million, 24% of revenue (12%)
- Product development costs were EUR 2.6 (3.3) million, 18% (21%) of revenue
- At the end of the reporting period, the company had 108 (108) employees
- Cash flow from operating activities turned positive and was EUR 1.3 (-0.7) million, and cash and cash equivalents at the end of the period were EUR 6.5 (4.7) million

(Numbers in brackets refer to the corresponding year-on-year period, unless otherwise mentioned)



Chief Executive Officer Teemu Huuhtanen: Significant Profitability Improvements Puts Us in a Good Position to Release New Games

The first half of 2020 was strong for Next Games. Our strategy to develop licensed games is working. Our business turned profitable due to the operational profitability of The Walking Dead games, and a cost level that remained at our target level.

We were able to significantly improve the company's profitability and our Publishing Operations achieved a significant milestone by reaching an EBITDA level of 24 per cent (12%) amounting to EUR 3.4 (2.3) million. This achievement is already a strong indication of the relative profitability the company is capable of, and we believe that there are still additional opportunities to improve profitability in the longer term.

Continuing our significant investments into product development is still reflected in the company's profitability profile: product development costs amounted to EUR 2.6 million (18% of revenue) during the reporting period, as many as 52 per cent of employees worked on new products. Thus, we can be extremely proud of the company's EBITDA of EUR 0.3 million. This increased profitability was also reflected in cash flow from operating activities, which turned positive and was EUR 1.3 (-0.7) million. We believe that our investment in product development is worthwhile in the long run. Although our operating result (EBIT) was still negative due to the effect of depreciations relating to previous investments made into technology and our common infrastructure, it also improved significantly by EUR 1.9 million to EUR -1.6 (-3.5) million.

Revenue during the first half of the year, EUR 14.4 million, was in line with our expectations. We aim to increase revenues through our new products and the company is now in an excellent position to stack revenue whilst continuing to invest heavily in new product development. Development of the Strange Things mobile game has proceeded as planned during the first half of 2020. The game's concept has been tested, and with the addition of the latest features preliminary results are promising. We are planning to start bringing the game to the market and scaling in stages starting Q4 2020.

A key reason for the turnaround in profitability is our licensed games strategy: the appeal of well-known brands brings a strong organic uplift of players to our games. This free portion of players lowers our total user acquisition costs. Our advanced analytics enables us to continuously evaluate the organic user flow and to optimize the total cost of game-specific user acquisition. This is reflected in the improved profitability of our live games. Continued focus on development has resulted in the ARPDAU (Average per Daily Active User) of our "The Walking Dead" games to rise steadily from last year's first quarter average €0.24 to €0.33.

I'm extremely proud of our achievements during the first half of this year. I want to thank all the Next Games employees for their incredible work during the first months of 2020, despite the challenges presented by the COVID-19-pandemic. Even during exceptional circumstances, we were able to continue to operate our business almost normally and the development of our games proceeded as planned.

The achievements of the first half, combined with a well-functioning licensed game strategy and a strong product development pipeline, give us a good position to further develop our business during the second half of this year, and achieve our outlook for the full year.

Key Figures

EUR million	Jan-Jun 2020	Jan-Jun 2019	Change	Jan-Dec 2019
Company				
Revenue	14.4	19.2	-25%	34.7
Gross Profit	7.5	11.3	-33%	19.7
EBITDA	0.3	-1.5	123%	-3.5
Operating Result (EBIT)	-1.6	-3.5	54%	-7.4
Adjusted Operating Result	0.1	-1.8	104%	-4.0
Gross profit %	52%	59%	7ppt	57%
EBITDA %	2%	-8%	10ppt	-10%
Operating Result (EBIT) %	-11%	-18%	7ppt	-21%
Adjusted Operating Result %	1%	-9%	10ppt	-11%
Publishing Operations' Profitability				
EBITDA	3.4	2.3	49%	3.8
EBITDA %	24%	12%	12ppt	11%
Research and Development Key Figures				
Investments	1.7	1.4	21%	2.4
Expenditure	3.3	4.0	-17%	7.6

Calculation and Reconciliation of Key figures for Publishing Operations Profitability and Research and Development can be found in subsequent sections "Publishing Operations" and "Product Development"

Key Figures per Quarter

EUR million	Jan-Mar 2020	Jan-Mar 2019	Change	Apr-Jun 2020	Apr-Jun 2019	Change
Revenue	7.3	9.8	-25%	7.1	9.4	-25%
Gross Profit	3.8	5.6	-33%	3.8	5.7	-34%
EBITDA	-0.2	-1.4	88%	0.5	-0.1	603%
Operating Result (EBIT)	-1.2	-2.4	52%	-0.5	-1.1	57%
Adjusted Operating Profit	-0.3	-1.3	78%	0.4	-0.5	172%
Gross profit %	52%	57%	5ppt	53%	60%	7ppt
EBITDA %	-2%	-14%	12ppt	7%	-1%	8ppt
Operating Result (EBIT) %	-16%	-24%	8ppt	-7%	-12%	5ppt
Adjusted Operating Result %	-4%	-13%	9ppt	5%	-5%	10ppt

New Outlook for 2020

The Company expects revenues from already published games (The Walking Dead titles) to continue on a flat or declining trend. With recent profitability improvements, the company believes its publishing operations EBITDA from already published games (The Walking Dead titles) to improve clearly in 2020 compared to 2019 when it was EUR 3.8 million. We also expect to start scaling 1-2 games during 2020.

Previous Outlook (given on 28 February)

In 2020, Next Games expects to achieve moderate revenue growth. The potential growth will be weighed towards the end of 2020. The company believes its publishing operations EBITDA will continue to be profitable. The company expects the revenues from already published games to continue on a flat or declining trend.

Basis for Change in Outlook 2020

The games industry continues to change, leading to relevant industry adaptation. The company believes that under current market conditions, games are no longer launched in a binary manner, they are scaled and grown over time. The speed of scaling games is dependent on multiple factors. As a result, the Company has decided to remove its full year 2020 revenue guidance. The company intends to evaluate its guidance during the latter part of the year, when a reasonably reliable estimate of full-year revenue can be given.

Audiocast and Phone Conference

We will hold an audiocast and a phone conference in English. Next Games' H1 2020 review will be presented by CEO Teemu Huuhtanen and CFO Annina Salvén.

The English audiocast starts on 28 August 2020 at 11.00 a.m. EEST. You can join by using the following link: <https://nextgames.videosync.fi/2020-h1> or by phone.

Phone conference details:

Dial in by calling your location's phone number a couple of minutes before the start. Confirmation code: **53717613#**

Finland: +358 981 710 310

Sweden: +46 856 642 651

United Kingdom: +44 333 300 0804

United States: +1 855 85 70686

Next Games in short

Next Games (Helsinki Nasdaq First North: NXTGMS) is the first publicly listed mobile game developer and publisher in Finland, specializing in games based on entertainment franchises, such as movies, TV series or books. The developers of the critically acclaimed The Walking Dead games redefines the way franchise entertainment transforms into highly engaging service-based mobile games. Currently, Next Games is working on multiple new games based on popular entertainment franchises including, Blade Runner Nexus, for the popular Blade Runner franchise and a mobile game based on Netflix's Stranger Things. For more information head to www.nextgames.com

Next Games Corporation Financial Review January-June 2020

Market Overview

The global games market is projected to reach \$159.3 billion in revenue this year and the games industry is now estimated to be larger than the film and music industries combined. By 2023, revenue is estimated at \$200 billion and the total number of players are estimated to exceed three billion at an annual growth rate (CAGR) of 5.6 per cent. Engagement and revenue for all game segments increased as a result of COVID-19 measures, but the largest increase was seen in mobile games. Mobile games are estimated to generate a total of \$77.2 billion in 2020, up 13.3% from a year ago.

The growth of the gaming industry is driven by increased spending as more and more players are willing to spend money on games. The gaming market is moving away from the revenue generated by physical distribution, and free-to-play is the dominant earning model in mobile and computer games. One of the biggest trends is brand loyalty: people commit to well-known brands and their importance in the gaming experience grows as consumers have more and more options with increasing supply.

(Source: @Newzoo 2020 Global Games Market Report)

The biggest news on the market in the spring of 2020 was Apple's decision to restrict sharing of IDFA data in connection with its new iOS14 update. IDFA is user-specific information that enables advertising services, such as Facebook, to allow advertisers to precisely target ads. Disabling or restricting IDFA would prevent advertisers, such as gaming companies, from targeting user acquisition as precisely as before. This modification has prompted concerns in the market about the future profitability of advertising. Next Games sees this change as positive from the end user's perspective as it restricts the monopoly of current advertising services.

Possible restrictions on targeted advertising are typical in the mobile games market and changes in advertising, and thus user acquisition, are constant. It is undoubtedly easier for companies such as Next Games to meet these challenges due to our licensed games strategy. The company already has an existing audience, target group, and effective ways to reach fans and players through a variety of channels and methods. The company believes that any restrictions on advertising will increasingly reinforce the importance of existing gaming and fan communities. As a result of the IDFA change, the company expects Google, Facebook and other advertisers to possibly implement major changes in the future. While the full impact of the IDFA change is still difficult to predict, Next Games believes its marketing strategy will work well in the future.

Revenue and Earnings Development

Next Games Revenues were EUR 14.4 (19.2) million during the reporting period. Despite a decline of 25%, the company achieved major improvements in profitability.

EBITDA improved EUR 1.8 million and was 0.3 (-1.5), Operating Profit (EBIT) improved EUR 1.9 million and was -1.6 (-3.5) million. Improvements were achieved by the higher profitability of the Company's publishing operations, while keeping a stable cost structure.

Loss for the period amounted to EUR -1.8 (-4.0) million. Financial income and expenses were EUR -0.2 (-0.2) million and the share of losses of associated companies was EUR -0.1 (-0.1) million. Taxes for the period were EUR 0.1 (-0.3) million, due to changes in deferred taxes. Earnings per share were EUR -0.06 (-0.22).

(Numbers in brackets refer to the corresponding year-on-year period, unless otherwise mentioned)

Cash Flow, Financing and Balance Sheet

The Company's Balance Sheet strengthened during the reporting period and was EUR 33.1 (32.5) million as at 30 June 2020 Cash and Cash Equivalents increased EUR 1.8 million and were 6.5 (4.7) million. During the reporting period the company had access to a EUR 3.0 million credit line which was fully unused at the end of the reporting period. Renewal terms for the credit line are being negotiated.

Net cash flow from operating activities turned positive and was EUR 1.3 (-0.7) million. In addition to significant improvements in the financial result, cash flow from operating activities was positively influenced by overall improved working capital and extended payment periods.

Next Games continued investing in R&D. During the reporting period cash flow from investing activities were EUR -1.7 (-1.4) million. The majority of investing activities related to game development.

Cash flow from financing activities was EUR -0.7 (-0.6) million consisting of the Company's IFRS 16 leasing payments.

(Numbers in brackets refer to the corresponding year-on-year period, unless otherwise mentioned)

Publishing Operations

Next Games publishing operations include revenues and expenses directly attributable to its published games, in addition to an allocated share of the company's general expenses proportionate to the number of employees working on published games.

Publishing activities represent the profitability of the company's business, without the costs associated with the product development of unpublished games. The company has focused on improving the profitability of its publishing operations, as is evident by the significant improvement in the company's profitability in the first half of the year. Effective leverage of our licensed game strategy brings a strong organic user flow to the games, which allows us to attract players with lower user acquisition costs. During the reporting period, Publishing Operations EBITDA was EUR 3.4 (2.3) million, 24% (12%).

At the end of the reporting period 12% of the employees worked on The Walking Dead: No Man's Land (14%), 23% on The Walking Dead: Our World (24%).

Definition and calculations of Publishing Operations profitability can be found in section "Definitions and Calculations of Alternative Performance Measurements and Key Financial Figures"

Publishing Operations Profitability

EUR million	Jan-Jun 2020	Jul-Dec 2019	Jan-Jun 2019	Jul-Dec 2018	Jan-Dec 2018
Revenue	14.4	15.5	19.2	24.8	10.5
Gross Profit	7.5	8.4	11.3	15.3	6.0
Other Operating Income	0.1	0.0	0.0	0.0	0.0
Sales and Marketing costs	-5.0	-7.8	-9.8	-21.2	-5.6
Publishing Operations EBIT	2.6	0.7	1.4	-6.0	0.5
Publishing Operations Depreciations	0.8	0.8	0.8	1.0	0.1
Publishing Operations EBITDA	3.4	1.5	2.3	-5.0	0.5
EBITDA %	24%	10 %	12%	-20 %	5 %

Combined Key Operational Metrics of Published Games

	Apr-Jun 2020	Jan-Mar 2020	Oct-Dec 2019	Jul-Dec 2019	Apr-Jun 2019	Jan-Mar 2019
Gross Bookings (MEUR)	6.9	7.3	8.2	7.9	9.0	9.5
DAU	232,092	250,539	303,847	295,509	349,993	441,735
MAU	725,082	810,815	1,267,688	1,013,796	1,161,302	1,670,936
ARPPDAU (USD)	0.37	0.36	0.33	0.29	0.30	0.27
ARPPDAU (EUR)	0.33	0.32	0.29	0.27	0.29	0.24

(This table includes figures from Compass Point: WEST)

The Walking Dead: No Man's Land

The Walking Dead: No Man's Land game performed steadily during the COVID-19 impacted first half of the year. Due to improved analytics and live operations, we were able to offer players better-designed and targeted campaigns and events which resulted in improved ARPDAU. This development can be directly seen in the improved result of the game. In particular, a new update to the game with playable content and characters from the tv-show's first and second seasons, was received extremely positively among the players. No Man's Land achieved EUR 115 million in lifetime gross bookings since its launch in October 2015.

TWD: No Man's Land	Apr-Jun 2020	Jan-Mar 2020	Oct-Dec 2019	Jul-Dec 2019	Apr-Jun 2019	Jan-Mar 2019
Gross Bookings (MEUR)	4.0	3.9	4.2	3.4	3.8	4.5
DAU	157,645	162,145	183,087	162,940	189,852	225,048
MAU	463,028	482,730	651,104	479,144	539,948	669,181
ARPDAU (USD)	0.31	0.30	0.27	0.23	0.24	0.25
ARPDAU (EUR)	0.28	0.27	0.25	0.21	0.22	0.22

The Walking Dead: Our World

COVID-19 restrictions on movement had an effect on the capability of playing safely location-based games. This in turn had an effect on the user amounts of The Walking Dead: Our World during the first half of 2020. However, new updates and functionalities were quickly introduced to the game, such as story-driven missions and Free Roam (movement on the map without physically moving) making it easier and safer to play during restrictions. Despite the decline in users, the game's ARPDAU development continued strong which is an essential step in sustainably improving the product's profitability and achieving steady revenue. In June, Our World achieved another daily ARPDAU record of €1.20.

TWD: Our World	Apr-Jun 2020	Jan-Mar 2020	Oct-Dec 2019	Jul-Dec 2019	Apr-Jun 2019	Jan-Mar 2019
Gross Bookings (MEUR)	2.9	3.4	3.9	4.5	4.8	5.0
DAU	70,093	83,362	114,367	127,078	154,936	210,693
MAU	246,170	309,333	591,469	528,751	602,486	982,345
ARPDAU (USD)	0.51	0.50	0.40	0.40	0.37	0.29
ARPDAU (EUR)	0.46	0.45	0.38	0.36	0.35	0.26

Product Development

Next Games Research and Development activities consist of salaries as well as outsourced services. In total, activities amounted to EUR 2.6 (3.3) million and were related to both game and technology development. During the reporting period, the company capitalized in accordance with IAS 38 EUR 1.7 (1.4) million. 52% (46%) of employees worked in R&D developing new products.





(Numbers in brackets refer to the corresponding year-on-year period, unless otherwise mentioned)

Research and Development

EUR million	Jan-Jun 2020	Jan-Jun 2019	Jan-Dec 2019
Personnel expenses	-2.0	-2.4	-4.3
Outsourcing	-0.4	-0.3	-0.5
Share-based payments	-0.1	-0.1	-0.3
General cost allocation	-0.8	-1.2	-2.5
Total costs	-3.3	-4.0	-7.6
Depreciations	-1.0	-0.7	-1.3
Capitalization	1.7	1.4	2.4
Total	-2.6	-3.3	-6.6
Percentage of revenue	-18%	-21%	-19%

Game Development Pipeline 30 June 2020

In addition to the two published The Walking Dead games, the company had two games in production during the reporting period: Blade Runner Rogue and a mobile game based on the Stranger Things series. The company also has preliminary projects in the prototyping and concepting phase and is actively discussing with several notable international license holders about possible future projects.

LIVE		The Walking Dead: Our World
		The Walking Dead: No Man's Land
Soft Launch		
Technical Soft Launch		
Production		Blade Runner Rogue
		Stranger Things
Pre-production		

Products in Development

Blade Runner Rogue

Blade Runner Rogue (former Blade Runner Nexus) was moved back to the production phase in the end of 2019 as a new Rogue game mechanic was developed and added to the game. With the reform, the name of the game was also changed. The rest of the major updates to serve the new game mechanic are planned for this year. The game has been actively tested and updated during the reporting period in several different markets, including Canada, and the development of the game continues.



Stranger Things

The development of the Stranger Things mobile game has proceeded as planned during the first half of 2020. During the reporting period, the game has been available on several occasions in select markets via Google Play Early Access testing. The tests have focused on validating the overall game concept and new features with promising results. We are planning to start bringing the game to the market in stages starting in Q4 2020.

The testing phase showed that the game works best without location-based elements. For this reason, the development of location-based functionalities that were previously in the game was omitted. The game will be a visual puzzle game, a better fit for the Stranger Things brand. The removal of these functionalities did not cause additional investments or delays in the game's development.

The game is a puzzle RPG that reimagines the Stranger Things universe in the style of an 80s Saturday morning cartoon and is suitable for players of different skill levels. Next Games believes that the game's chances of success are even better now and that the game appeals to an even wider target audience with the change.

Personnel and Management

At the end of the reporting period, Next Games had 108 (108) employees representing 22 (22) nationalities. 78% (75%) of the employees are men and 22% (25%) are women. The average number of employees at Next Games during the reporting period was 110 (119). Of the employees, 35% (41%) worked in publishing operations, 52% (46%) in product development and 13% (12%) in administrative positions.

At the end of the reporting period on 30 June 2020, Next Games' Management Team consisted of the following persons: Teemu Huuhtanen (Chief Executive Officer), Annina Salvén (Chief Financial Officer), Saara Bergström (Chief Marketing Officer), Kalle Hiitola (Chief Technology Officer) and Joonas Viitala (Chief Operating Officer). The members of the Management Team report to the CEO. There were no changes in the management team or the board of directors during the reporting period.

Shares and Shareholders

On 30 June 2019, Next Games' share capital amounted to EUR 80,000. The total number of shares increased during the review period by a total of 62,524 (35,396) shares as new shares were subscribed for with stock options of which 61,524 shares were subscribed for during 2019 but were registered in 2020.

During the reporting period 1,000 shares were subscribed for with stock options. These shares have been entered into the trade register on 10 June 2020, as of which date the new shares have carried equal shareholder rights with the company's existing shares. The entire subscription price of EUR 1,140 was recorded in the reserve for invested unrestricted equity, and the company's share capital has remained unchanged. The shares have no nominal value. After the subscriptions, the number of Next Games Corporation's shares increased to 27,978,748 (18,538,710) shares.

The weighted average of shares during the first half of 2020 was 27,923,438 shares. The Company has one class of shares. Each share entitles its shareholder to one (1) vote in the general meeting. During the reporting period the company did not redeem any treasury shares and held as many treasury shares as in the comparison period: 13,410 (0.007%) of its own shares.

(Numbers in brackets refer to the corresponding year-on-year period, unless otherwise mentioned)

Next Games Corporation Top 20 Major Shareholders

Shareholders	Shares	% of Shares
1 Ovaskainen Jari Juhani Rainer	7,078,068	25.3
2 IDG Ventures USA III, L.P.	1,188,306	4.3
3 Hiitola Kalle Johannes	971,675	3.5
4 Achrén Joakim Tomas Johan	921,698	3.3
5 Ilmarinen Mutual Pension Insurance Company	819,336	2.9
6 Jumisko Jaakko	813,246	2.9
7 Achrén Mikael Jan Kennet	722,848	2.6
8 Varma Mutual Pension Insurance Company	570,000	2.0
9 Danske Invest Finnish Small Cap Fund	306,465	1.1
10 Nuard Ventures Oy	286,757	1.0
11 Vilpo Oy	281,200	1.0
12 Säästöpankki Small Cap Mutual Fund	274,438	1.0
13 Vaah Holdings Oy	266,720	1.0
14 OP-Finland Micro Cap	222,784	0.8
15 Odesangel Ab	197,488	0.7
16 Huuhtanen Teemu Mikael	172,919	0.6
17 Pardon Christophe	157,916	0.6
18 Hollming Toni Kristian	144,574	0.5
19 Big Blue Games Oy	116,212	0.4
20 Vartia Arvo Arnar Antero	111,841	0.4
20 largest shareholders total	15,624,491	55.8
Nominee registered	6,529,124	23.3
Other shares	5,825,133	20.8
In the joint book-entry account	902,012	3.2
Total	27,978,748	100.0

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Share-based Incentive Schemes

During 2019 the company had five (5) share-based incentive plans: Equity plan 2015, Equity plan 2017, Equity plan 2018, Equity plan 2019 and Equity plan 2020. The equity plans have a vesting period of minimum of 12 months and maximum of 48 months.

Options are issued in several instalments and the Board of Directors define the subscription price for the shares in each equity plan, and therefore the subscription price may vary. Options can be issued to current and future employees of Next Games, external consultants and members of management of the company and its group companies. Granting of options always requires the Board of Directors' decision. The company intends to continue granting options to all new employees at the end of their probation period as a long term incentive. The Board of Directors has issued option rights to recipients free of charge, and the subscription price for the shares is defined in each equity plan.

Risks and Uncertainties

Next Games is exposed to risks that may arise from the company's operations or changes in the business environment. The Company estimates that no significant changes in risks and uncertainties have occurred during the reporting period. The most important risks relating to Next Games are disclosed in the Company's Annual Report and Notes to the Financial Statements and can be found at www.nextgames.com

Resolutions passed by the Annual General Meeting and the Board of Directors of Next Games Corporation

The Annual General Meeting of Next Games Corporation was held in Helsinki on 27 May 2020. The meeting approved the financial statements for the financial period ended 31 December 2019 and granted discharge from liability to all members of the board of directors and the managing director. In accordance with the proposal of the board of directors, the general meeting resolved not to distribute any dividends for the financial period ended on 31 December 2019. The general meeting decided to support the presented remuneration policy for governing bodies.

At its constitutional meeting held after the general meeting, the board of directors appointed Petri Niemi as the chairman from among its members.

Elina Anckar was elected as chairman and Petri Niemi as member of the audit committee. Both are independent of both the company and its significant shareholders.

Petri Niemi was elected as chairman and Jari Ovaskainen as a member of the remuneration committee. Petri Niemi is independent of both the company and its significant shareholders. Jari Ovaskainen is independent of the company.

The resolutions are available in their entirety at www.nextgames.com

Increased Management Judgement

The preparation of interim reports requires management to make decisions, estimates and assumptions that affect the application of accounting policies and the recognized amounts of assets, liabilities, income and expenses. Uncertainty about future developments has increased as a result of the COVID-19 pandemic, and areas of significant discretionary assessments include:

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

Items requiring consideration are assessed on an ongoing basis. Estimates are based on a number of factors, including expected future events that may have a significant business impact on the Company. These include, for example, changing player acquisition prices in the market, money and time players spend in our games, the ability to move outdoors, and many other factors such as the company's ability to complete game projects and publish them during a pandemic. The effects of the COVID-19 pandemic have been minor in the company's gaming business, as a result of which there have been no changes in the timing of revenue recognition, goodwill, capitalization of the development costs or impairments. Recognition of revenue has been impacted by seasonal player behavior which is typical during the reporting period.

The terms of the company's lease have not changed, and as a result, there have been no changes to the extension or cancellation options and the value of the lease liabilities has not changed significantly.

Despite the COVID-19 pandemic, the company has been able to continue game development as planned, as a result of which the outlook for 2020 remains unchanged. The company has estimated that a possible second wave of the pandemic will not have a significant impact on business.

As a result of management's assessment, the COVID-19 pandemic has not resulted in revaluations to the company's income statement or balance sheet figures.

Significant Events After the Reporting Period

No significant events.

Upcoming Events

25 November 2020 - Capital Markets Day

Helsinki 28 August 2020

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.

Definitions and Reconciliation of Alternative Performance Measurements and Key Financial Figures

Key Operational Metrics Defined

DAU (Daily Active Users). A user is counted as a daily active user if they sign into the game at least once during a 24-hour period in UTC. 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 into the game at least once during a 30-day period. Average MAU is calculated by adding the total number of active players as of the end of each month in a given period and dividing by the number of months in the period. MAU is a key measure of the overall size of the player network.

ARPDau (Average Revenue Per Daily Active User). ARPDau is calculated by dividing daily gross bookings by daily active users (DAU). ARPDau is an important measure of monetization as it places sales in relation to player volume.

Calculation of Key Financial Ratios

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

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

EBITDA = Operating Profit (EBIT) adjusted with depreciations

Oikaistu liikevoitto = Liiketulos (EBIT) oikaistuna poistoilla. IFRS 16 mukaiset toimitilojen vuokriin kohdistuvia poistoja ei oikaista liiketuloksesta. IFRS 2 osakeperusteiset maksut oikaistaan liiketuloksesta.

Publishing Operations EBITDA = Revenues generated by the company's published games, adjusted by the costs and investments related to game's maintenance, further development, marketing, customer support, and adding back depreciation.

Publishing Operations EBIT = Revenues generated by the company's published games, adjusted by the costs and investments related to game's maintenance, further development, marketing and customer support.

Adjusted Operating Profit Operating profit (EBIT) is adjusted for depreciations except for depreciations of premises, falling under IFRS 16 standard. In addition share based payments under IFRS 2 are adjusted for.

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 period

Earnings per share (EPS), diluted = Profit (loss) for the financial year divided by the average number of outstanding shares during the financial period after adding the number of shares with potential dilution effect.

Reconciliation of Alternative Performance Measurements

EBITDA

EUR million	Jan-Jun 2020	Jan-Jun 2019	Jan-Dec 2019
Operating Result (EBIT)	-1.6	-3.5	-7.4
Depreciations	2.0	2.0	4.0
EBITDA	0.3	-1.5	-3.5

Adjusted Operating Profit

EUR million	Jan-Jun 2020	Jan-Jun 2019	Jan-Dec 2019
Operating Result (EBIT)	-1.6	-3.5	-7.4
IFRS 16 Depreciations	-0.5	-0.5	-1.0
Depreciations	2.0	2.0	4.0
IFRS 2 adjustment	0.3	0.2	0.5
Adjusted Operating Profit	0.1	-1.8	-4.0

Profitability of Publishing Operations

EUR million	Jan-Jun 2020	Jan-Jun 2019	Jan-Dec 2019
Revenue	14.4	19.2	34.7
Cost of Revenue	-6.8	-8.0	-15.0
Gross Profit	7.5	11.3	19.7
Other Income	0.1	0.0	0.0
Sales and Marketing costs	-5.0	-9.8	-17.6
Publishing Operations EBIT	2.6	1.4	2.1
Publishing Operations Depreciations	0.8	0.8	1.7
Publishing Operations EBITDA	3.4	2.3	3.8

Half Year Financial Figures Jan-Jun 2020

Next Games applies International Financial Reporting Standards (IFRS). This unaudited half-year review does not apply IAS 34 requirements for interim reports that does not concern First North companies.

Basis of preparation

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

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

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

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

Consolidated Statement of Comprehensive Income

EUR million	Jan-Jun 2020	Jan-Jun 2019	Jan-Dec 2019
Revenue	14.4	19.2	34.7
Cost of revenue	-6.8	-8.0	-15.0
Gross Profit	7.5	11.3	19.7
Other Operating income	0.4	0.0	0.0
Research and Development	-2.6	-3.3	-6.6
Sales and Marketing	-5.0	-9.8	-17.6
Administrative	-1.9	-1.6	-3.0
Operating result (EBIT)	-1.6	-3.5	-7.4
Finance income	0.0	0.0	0.1
Finance costs	-0.2	-0.2	-0.3
Finance cost, net	-0.2	-0.2	-0.2
Share of associates' result	-0.1	-0.1	-0.2
Profit before taxes	-1.9	-3.7	-7.8
Current income taxes	0.0	-0.1	-0.1
Change in deferred tax	0.1	-0.2	-0.4
Total income tax expenses	0.1	-0.3	-0.5
Result for the period	-1.8	-4.0	-8.3
Total comprehensive result for the period	-1.8	-4.0	-8.3
Result attributable to the owners of the parent	-1.8	-4.0	-8.3
Result per share for profit attributable to the owners of the parent			
Non-Diluted earnings per share, EUR	-0.06	-0.22	-0.41
Diluted earnings per share, EUR	-0.06	-0.22	-0.41

Consolidated Balance Sheet

EUR million	30 Jun 2020	30 Jun 2019	31 Dec 2019
Assets			
Non-current assets			
Goodwill	3.3	3.3	3.3
Intangible assets	11.0	10.5	10.6
Property, plant and equipment	4.7	6.0	5.3
Shares of associates	0.1	0.3	0.2
Other long term receivables	1.1	0.4	1.1
Deferred tax assets	1.3	1.4	1.2
Total non-current assets	21.6	21.9	21.7
Current assets			
Trade receivables and other receivables	5.0	5.9	5.2
Cash and cash equivalents	6.5	4.7	7.7
Total current assets	11.5	10.6	12.9
Total assets	33.1	32.5	34.6
Equity and liabilities			
Equity			
Share capital	0.1	0.1	0.1
Reserve for invested unrestricted equity	61.7	54.0	61.7
Retained earnings	-38.6	-30.9	-30.6
Profit (loss) for the period	-1.8	-4.0	-8.3
Total equity	-21.3	-19.1	-22.8
Liabilities			
Non-Current liabilities			
Loan from public administration	0.5	0.5	0.5
Lease liabilities	2.8	3.6	3.2
Total non-current liabilities	3.3	4.2	3.7
Current liabilities			
Governmental agency loan	0.1	0.2	0.2
Lease liabilities	1.0	1.0	1.0
Deferred income	2.0	1.3	1.0
Trade payables	2.1	2.2	3.7
Other liabilities	0.1	0.1	0.1
Accrued liabilities	3.0	4.4	2.2
Total current liabilities	8.5	9.2	8.1
Total liabilities	11.7	13.4	11.8
Total equity and liabilities	33.1	32.5	34.6

Consolidated Statement of Changes in Equity

EUR million	Share capital	Reserve for invested unrestricted equity	Retained earnings	Total
Equity on Jan 1st 2019	0.1	53.9	-31.1	22.9
Result for the period			-4.0	-4.0
Total comprehensive result for the period			-4.0	-4.0
Transactions with owners:				
Share issues based on stock options		0.1		0.1
Purchase of treasury shares				
Share-based payments			0.2	0.2
Equity at June 30th 2019	0.1	54.0	-35.0	19.1

EUR million	Share capital	Reserve for invested unrestricted equity	Retained earnings	Total
Equity on Jan 1st 2020	0.1	61.7	-38.9	22.8
Result for the period			-1.8	-1.8
Total comprehensive result for the period			-1.8	-1.8
Transactions with owners:				
Share issues based on stock options		0.0		
Purchase of treasury shares				
Share-based payments			0.3	0.3
Equity at June 30th 2020	0.1	61.7	-40.4	21.3

Consolidated Statement of Cash Flows

EUR million	Jan-Jun 2020	Jan-Jun 2019	Jan-Dec 2019
Net cash flows from operating activities	1.3	-0.7	-3.6
Net cash flows from investing activities	-1.7	-1.4	-2.7
Net cash used in financing activities	-0.7	-0.6	6.6
Net decrease/increase in cash and cash equivalents	-1.1	-2.6	0.4
Cash and cash equivalents as of January 1st	7.7	7.3	7.3
Translation differences	0.0	0.0	0.1
Cash and cash equivalents as of June 30th	6.5	4.7	7.7

Related Party Transactions

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

Mergers and Acquisitions

There were no mergers or acquisitions during the reporting period



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