



HUUUGE

Play Together.

CONSOLIDATED SEMI-ANNUAL REPORT

THE HUUUGE, INC. GROUP
for the six-month period ended June 30, 2021

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Disclaimer

This constitutes the semi-annual report for the six-month period ended June 30, 2021 (the "Semi-Annual Report") prepared in accordance with the Regulation of the Minister of Finance of March 29, 2018 on current and periodic information published by issuers of securities and the conditions for recognizing information as equivalent required by the law of a non-member state. This Semi-Annual Report should be read in conjunction with the interim condensed consolidated financial statements for the six-month period ended June 30, 2021 prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

Since the separate data for Huuuge, Inc and the consolidated data for the Huuuge Group are similar (trends are maintained for individual balance sheet and result items), the Board of Directors and Management performs and presents a joint analysis for the separate and consolidated data.

Unless implied otherwise in this Semi-Annual Report, the terms "we" or the "Group", refer to the Company together with all of its subsidiaries and the term the "Company" or "Issuer", refers to Huuuge, Inc.

Unless indicated otherwise, references to statements as to beliefs, expectations, estimates and opinions of the Company or its management refer to the beliefs, expectations, estimates and opinions of the Company's Board of Directors.

Certain arithmetical data contained in this Semi-Annual Report, including financial and operating information, have been rounded. Therefore, in certain instances, the sum of the numbers in a column or a row in tables contained in this Semi-Annual Report may not conform exactly to the total figure given for that column or row.

Industry and Market Data

This Semi-Annual Report may include market share and industry data that we obtained from various third-party sources, including publicly available information concerning global social gaming industries. The information in this Semi-Annual Report that has been sourced from third parties has been accurately reproduced with reference to these sources in the relevant paragraphs and, as far as we are aware and able to ascertain from the information published by that third party, no facts have been omitted that would render the reproduced information provided inaccurate or misleading. Where third-party information has been sourced in this Semi-Annual Report, the source of such information has been identified. Industry publications, surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable. To the extent these industry publications, surveys and forecasts are accurate and complete, we believe we have correctly extracted and reproduced the information from such sources. Additionally, industry publications generally state that the information contained therein has been obtained from sources believed to be reliable but that the accuracy and completeness of such information is not guaranteed and in some instances state that they do not assume liability for such information. We cannot therefore assure you of the accuracy and completeness of such information and we have not independently verified such information.

In addition, in many cases, statements in this Semi-Annual Report regarding our industry and our position in the industry are based on our experience and our own investigation of market conditions. Comparisons between our reported financial or operational information and that of other companies operating in our industry using this information may not fully reflect the actual market share or position in the market, as such information may not be defined consistently or reported for all companies from our industry as we define or report such information in this Semi-Annual Report.

While we are not aware of any misstatements regarding the industry data presented herein, our estimates involve certain assumptions, risks and uncertainties and are subject to change based on various factors.

Key Performance Indicators

Certain KPIs included in this Semi-Annual Report, including DAU, MAU, DPU, MPU, ARPPU, Monthly Conversion, are derived from management estimates, are not part of our financial statements or financial accounting records and have not been audited or otherwise reviewed by independent auditors, consultants or experts.

Our use or computations of these KPIs may not be comparable to the use or computations of similarly titled measures reported by other companies in our industry, by research agencies or by market reports. For that reason, comparisons using this information may not be reliable. Other companies, research agencies or market reporters may include other items or factors in their calculation of similar metrics and may use certain estimates and assumptions that we do not use when calculating these metrics. These factors may cause the calculations by others of similar metrics to differ substantially from our calculations if their methodologies were used to calculate our KPIs. The KPIs are not accounting measures, but management believes that each of these measures provides useful information concerning the usage and monetization patterns of our games, as well as the costs associated with attracting and retaining our players. None of the KPIs should be considered in isolation or as an alternative measure of performance under IFRS and their inclusion in this Semi-Annual Report does not mean that the Issuer will continue to report these KPIs in the future.

Forward-looking statements

The Semi-Annual Report includes forward-looking statements, which include all statements other than statements of historical facts, including, without limitation, any statements preceded by, followed by or that include the words "targets", "believes", "expects", "aims", "intends", "will", "may", "anticipates", "would", "could" or similar expressions or the negative thereof. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors beyond our control that could cause our actual results of operations, financial condition or prospects to materially differ from any of those expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we currently operate and will operate in the future. These forward-looking statements speak only as at the date of the Semi-Annual Report. We have no obligation and have made no undertaking to disseminate any updates of or revisions to any forward-looking statements contained in this Semi-Annual Report unless we are required to do so under the applicable laws.

Investors should be aware that several important factors and risks may cause our actual results of operations to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements.



President's Letter

Dear Shareholders,

It is my pleasure to present our report for the first half of 2021, which marked another period of growth for Huuuge as well as some important steps in realization of our "Build & Buy" strategy.

Important to put the spotlight on the acquisition of Traffic Puzzle, which we closed in April this year, as it perfectly demonstrates the Huuuge way of scaling and growing our business. This acquisition was no accident and before we reached that point a lot had already happened. The Traffic Puzzle journey started more than a year earlier when we added this game to our publishing portfolio in mid 2019 after concluding a publishing deal with the developer, Picadilla.

We acquired Traffic Puzzle because we believe it has potential to grow, to be a real cornerstone casual game franchise for our growing portfolio and to significantly expand the Huuuge Network player base. Capitalizing on all the growth potential ahead of us will take time, effort and investments - and the really good news I want to share with all Shareholders is that I believe we are in an extremely good position to do so and I am confident more and more players will be falling in love with Traffic Puzzle.

In other words, having Traffic Puzzle in our portfolio enables us to accelerate our revenue diversification and expand into the high-growth casual games segment, as the game has already become our third most popular game, after Huuuge Casino and Billionaire Casino. We are very excited to see that despite low investment in the game in recent months, related to the handover period we are now in, it managed to increase revenue and attract new players.

On a more strategic level, it is important to note that Traffic Puzzle has validated for us the potential in the Buy component of our "Build and Buy" strategy. We plan to further scale publishing and have identified the opportunity to rinse & repeat and go for a larger scale - to publish systematically as part of our "Build & Buy" strategy. We are continuing to build our partnerships and select the most promising prospects for our publishing division. Despite the M&A landscape being very competitive, with a growing tide towards market consolidation across the industry, during Q2 2021 we signed two new publishing deals and we are expecting at least two more by the end of 2021.

On the Build side we are continuously working on improving the monetization of existing titles. Our core franchises once again hit record high revenue, ARPDau and ARPPU. Despite the high base and the challenging market environment, we generated growth of 10% YoY, which was driven mainly by new franchises, which increased by 163%, with Traffic Puzzle being the main growth engine. At the same time, revenue from our core franchises (Huuuge Casino and Billionaire Casino) were record-high in Q2 2021, and reached USD 86m. Adjusted EBITDA was USD 15.4m and adjusted net profit USD 11.3m.

Even though we have observed some sector-wide uncertainties related to consequences of COVID-19 pandemic or IDFA deprecation, we are confident that the long-term prospects of the mobile gaming market remain positive. This is a global growth market that is going to be even bigger and more relevant for more people in the future. What we have achieved and created so far is a very solid foundation and we are closely following the developments in our sector, seeking the best way to realize our mission of empowering billions of people to play together and our vision of transforming mobile gaming into a massively social experience.

Staying dedicated to what we believe has enabled us to become one of the fastest-growing mobile free-to-play game developers and publishers, and will remain at the core of our values.

Thank you all for all your efforts to help Huuuge to succeed. We value your feedback, please continue to enjoy and play our games, Team Huuuge is looking forward to playing together with you.

Best regards,
Anton Gauffin
President and CEO of Huuuge, Inc.



Selected financial data

| in thousand | USD | USD | EUR | EUR | PLN | PLN |
|--|------------|------------|----------|---------|-----------|---------|
| | HY 2021 | HY 2020 | HY 2021 | HY 2020 | HY 2021 | HY 2020 |
| Revenue | 193,234 | 164,993 | 160,335 | 146,439 | 727,856 | 650,860 |
| Operating profit/(loss) | 17,744 | 43,343 | 14,723 | 38,469 | 66,836 | 170,978 |
| Pre-tax profit/(loss) | (25,309) | 32,254 | (21,000) | 28,627 | (95,332) | 127,235 |
| Net profit/(loss) | (28,435) | 26,988 | (23,594) | 23,953 | (107,106) | 106,462 |
| Net cash flows from operating activities | 191 | 42,785 | 158 | 37,974 | 719 | 168,777 |
| Net cash flows from investing activities | (11,977) | (2,092) | (9,938) | (1,857) | (45,114) | (8,252) |
| Net cash flows from financing activities | 98,152 | 8,587 | 81,441 | 7,621 | 369,710 | 33,874 |
| Total net cash flows | 86,366 | 49,280 | 71,662 | 43,738 | 325,316 | 194,398 |
| Cash and cash equivalents at the end of period | 180,352 | 75,444 | 151,736 | 67,247 | 685,969 | 300,334 |
| Number of shares at the end of period | 84,246,697 | 13,243,896 | | | | |
| Weighted average number of shares ⁽¹⁾ | 72,805,021 | 46,640,761 | | | | |
| Earnings per share basic (EPS) ⁽¹⁾ | (0.38) | 0.48 | | | | |
| Earnings per share diluted (EPS) ⁽¹⁾ | (0.38) | 0.43 | | | | |

⁽¹⁾ The weighted average number of shares has been adjusted for the split that took place on January 20, 2021

| | EUR | PLN | EUR | PLN |
|---|---------|---------|---------|---------|
| | HY 2021 | HY 2021 | HY 2020 | HY 2020 |
| Average exchange rate for the reported period | 1.2052 | 0.2655 | 1.1267 | 0.2535 |
| Exchange rate at the end of the reported period | 1.1886 | 0.2629 | 1.1219 | 0.2512 |





Management report on the activities of the capital group



1. General information

Business profile

Huuuge, Inc. (the "Company", "Huuuge") is registered in the United States of America. Huuuge's registered office is located in Dover, Delaware, 850 Burton Road, Suite 201, DE 19904 and the operating office is located in Las Vegas, Nevada, 2300 W. Sahara Ave., Suite 800, NV 89102. The Company was established on February 11, 2015.

Huuuge is one of the fastest-growing mobile free-to-play games developers and publishers, with a mission to empower billions of people to play together, and a vision to transform mobile gaming into a massively social experience. The Company's main areas of operations are developing, publishing, scaling and operating mobile games to a broad player base. Huuuge games provide entertainment every month to millions of players from 195 countries and are available in 17 languages. As at June 30, 2021, Huuuge employed 638 people at its offices around the world. Huuuge shares have been listed on the Warsaw Stock Exchange since February 19, 2021.

Key products

Huuuge develops and publishes games that are easy to play, great for small breaks and longer sessions alike, and designed around our social-first, "play together" ethos. The social-first nature of our games is based primarily upon the ability of our players to chat, play and compete with one another in-game, and in real time. The concept of playing together with others is central to the Company's approach to game design. We are one of the market leaders in implementing real-time multiplayer mechanics at scale in social casino games.

Our core franchises are Huuuge Casino and Billionaire Casino. Both generate 88% of Huuuge's total revenues. Our new franchises generate 12% of total revenues and their stake is increasing dynamically. The most important among new titles are Traffic Puzzle and Star Slots but we have many more titles in our portfolio at different stages of their life cycle.

Huuuge Casino: The game was launched in June 2015. It is Huuuge's flagship title responsible for 58% of total revenue in the first half 2021 and for USD 760 million in lifetime revenue across iOS, Android and Facebook. Huuuge Casino was a true pioneer with its mobile-first user experience and real-time PvP-style gameplay. We believe that it was the first social casino game to introduce features such as clubs to the realm of social casino games. Huuuge Casino offers players over 100 casino slot machines, as well as poker, baccarat and roulette. The game enables players to join a club and compete in a Billionaire League, with multiplayer slots where they can play with friends and compete against each other. Huuuge Casino is ranked #10 (Apple App Store) and #7 (Google Play) among social casino apps in the United States in terms of revenue as at June 30, 2021.

Billionaire Casino: The game was launched in October 2016. Its revenue has grown rapidly since its release. It has reached over USD 360 million of lifetime revenue and constitutes 31% of our total revenues in the first half 2021. Due to its aesthetic, which is different from that of Huuuge Casino, Billionaire Casino is targeted at a different player base in terms of demographics. Similar to Huuuge Casino, Billionaire Casino offers players over 100 casino slot machines, as well as poker, baccarat and roulette. Billionaire Casino allows players to create a club with their friends or join a club and meet new people while playing slot machines. In addition, the game allows players to participate in club events by playing slots and other casino games. Billionaire Casino is ranked #27 (App Store) and #15 (Google Play) among social casino apps in the United States in terms of revenue as at June 30, 2021.

Traffic Puzzle: The game was developed by Picadilla sp. z o.o., a Polish developer studio based in Wrocław, and launched in May 2019 by Huuuge Publishing. In April 2021 the game was acquired by Huuuge. Traffic Puzzle is a unique match-3 game, positioned and packaged together with the developer so as to build a top grossing mobile title. In Traffic Puzzle, the player tries to clear a clogged road by matching three cars of the same color. The game offers different levels in which players assist the police, fire trucks and ambulances to get to their destinations. Traffic Puzzle's monetization model is based primarily on in-app purchases. Traffic Puzzle's revenues increased by 275.1% YoY in the first half of 2021 and its daily active user (DAU) tripled in the same period.



Stars Slots: The game was launched in January 2020 and is our third title in the social casino subgenre. Stars Slots allows our players to play over 50 unique slot machines. The game offers a truly social experience, with advanced club features such as player bonuses when club members hit a jackpot; daily social events and an eclectic variety of avatars.

Shares and shareholding structure

Effective on February 5, 2021, all Series A Preferred Shares, Series B Preferred Shares and Series C Preferred Shares were converted into Common Shares. On February 5, 2021 the Company also adopted the Fourth Amended and Restated Certificate of Incorporation, pursuant to which the Company has the authority to issue 113,881,420 shares, which shall be divided into two classes, consisting of (i) 113,881,418 Common Shares of USD 0.00002 par value per share and (ii) two Preferred Shares of USD 0.00002 par value per share, which shall be divided into two series, consisting of one Series A Preferred Share of USD 0.00002 par value and one Series B Preferred Share of USD 0.00002 par value. The Company issued two Preferred Shares: one Series A Preferred Share to RPII HGE LLC and one Series B Preferred Share to Big Bets OÜ (controlled by Anton Gauffin). The Preferred Shares, respectively, give RPII HGE LLC the right to appoint one director of the Company and Big Bets OÜ the right to appoint two directors of the Company, provided that one such director, to be approved, will be Anton Gauffin. The newly issued Preferred Shares carry the same voting rights as Common Shares, but they are not admitted to trading on the WSE.

On January 27, 2021 Huuuge, Inc. published its prospectus and launched its initial public offering. The offering comprised a public subscription for 11,300,100 newly issued shares of the Company and a public sale of 22,016,586 existing shares, and also seeking the admission and introduction of 84,246,695 shares including 11,300,100 newly issued shares to trading on the regulated market of the Warsaw Stock Exchange with a nominal value of USD 0.00002 per share. The first listing date on the Warsaw Stock Exchange was February 19, 2021.

The Company's outstanding share capital currently consists of: (i) 84,246,695 common shares with a nominal value of USD 0.00002 each and two preferred shares (preferred shares are not admitted to trading on the WSE).

To the best of the Company's knowledge, as at the date of publication of this Semi-Annual Report, the shareholders holding directly or indirectly through subsidiaries, at least 5% of the total number of votes at the Issuer's general meeting are presented in the table below.

| Shareholder | Shares | % of share capital and % of votes at the General Meeting |
|--|-------------------|--|
| Anton Gauffin (through Big Bets OÜ) ¹ | 25,849,506 | 30.68 |
| Raine Group (through RPII HGE LLC) ¹ | 10,919,646 | 12.96 |
| Kora Management | 4,300,000 | 5.10 |
| The Capital Group Companies | 4,223,944 | 5.01 |
| Others ² | 38,953,601 | 46.24 |
| Total³ | 84,246,697 | 100.00 |

(1) includes one Preferred Share

(2) includes 2,351,382 treasury shares which carry no voting rights

(3) 84,246,695 shares were introduced to public trading on the Warsaw Stock Exchange. Moreover, two shares of the Company are Preferred and have not been introduced to public trading

Each holder of Common Shares, as such, and each holder of Preferred Shares are entitled to one vote for each Common Share or Preferred Share, respectively. Unless otherwise expressly required by law or stipulated in the Certificate of Incorporation, the holders of Common Shares and Preferred Shares vote together as a single class on all matters submitted to a shareholder vote.



The Certificate of Incorporation and the Bylaws do not stipulate any restrictions on the transfer of ownership of the Company's securities.

Treasury Shares

As at December 31, 2020, the Company held 2,184,461 treasury shares. On January 15, 2021 the Board unanimously approved the redemption of all Common Shares and all Preferred Shares that were held in treasury as at the date of the meeting which effectively reduced the number of treasury shares to nil.

On February 5, 2021, in connection with the IPO process, the Company entered into a Stabilization Agreement, based on which the Stabilization Manager (Ipopema) was entitled to sell and transfer shares it acquired in stabilization actions to the Company at the same price as that at which the Stabilization Manager acquired the shares in the stabilization transactions on the WSE; such price could not exceed the Final Price for the Offer Shares. The Stabilization Manager was to transfer the Shares acquired in the stabilization actions to the Company in one or more transactions effected within a period not longer than 33 calendar days from the date of the first listing of the Shares on the WSE. The Stabilization Option was to cover no more than 10% of the number of the Offer Shares allotted in the Offering which was 3,331,668.

Within the stabilization program the Company repurchased via the Stabilization Manager 3,331,668 own shares for a total price of PLN 162,302 thousand calculated as the number of shares repurchased, multiplied by the price per share plus the remuneration paid to the Stabilization Manager representing the transaction cost of this capital transaction. The entire repurchased volume has been classified as treasury shares.

On July 7, 2021, the Issuer provided information in current report RB16/2021 about the allocation of 997,796 of the Issuer's treasury shares for the exercise of employee stock options. Accordingly, by the date of publication of this Semi-Annual Report the number of treasury shares held by the Issuer was reduced to 2,333,872.

For more detailed information regarding share capital please see Note 13 – Share Capital in the Semi-Annual Condensed Consolidated Financial Statements.

Number of shares held by the members of the Board of Directors

The table below presents, to the best of the Company's knowledge, the shares and outstanding stock options held directly or indirectly by the Company's Board of Directors as at the date of publication of this Semi-Annual Report.

| Members of the Company's Board of Directors | Function | Common Shares | Outstanding Stock Options |
|---|---|---------------|---------------------------|
| Anton Gauffin (through Big Bets OÜ) ¹ | Chief Executive Officer & executive director | 25,849,505 | 500,000 |
| Henric Suuronen | Non-executive director | 1,472,910 | 200,700 |

1) Anton Gauffin also holds one Series B Preferred Share through Big Bets OÜ

On March 19, 2021 the Board of Directors adopted recommendation from the Nomination and Remuneration Committee on executive and non-executive compensation ("Proposal"). This date is the date when Mr. Gauffin started rendering the services in respect of that grant ("service commencement date"), thus relevant costs have been recognized starting from March 19, 2021.

Proposal was approved by the Board of Directors on September 9, 2021, and the contract was executed on September 10, 2021.



In accordance with the adopted Proposal, the remuneration of Mr Anton Gauffin, holding the positions of the President, Chief Executive Officer and Secretary of the Company, will consist solely of share options. All options can be exercised at a price of PLN 50, i.e., the price of the Company's shares in the initial public offering.

The vesting conditions for the options is the following:

- (i) 50,000 options with a vesting condition to provide the service continuously for about 4 years from service commencement date. The Group's management expects Mr Anton Gauffin to fulfill the service condition.
- (ii) 75,000 options with a vesting condition to provide the service continuously for about 4 years from service commencement date and to meet 2021 EBITDA target. The Group's management expects Mr Anton Gauffin to fulfill the service condition and expects 2021 EBITDA target to be met.
- (iii) 375,000 options with a variable vesting period due to the market condition, i.e., condition to meet the Company's market capitalization milestones. The Group's management estimates that 6 years of continuous service will be required for options to vest.

Similar to other share-based payments in the Group, for this program staged vesting applies, i.e., each instalment has a different vesting period and is treated as a separate award with a different vesting period.

Principles for the preparation of the interim condensed consolidated financial statements

The interim condensed consolidated financial statements as at and for the six-month period ended June 30, 2021 have been prepared in accordance with the IAS 34 Interim Financial Reporting as adopted by the European Union.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's consolidated financial statements as at and for the year ended December 31, 2020 prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS").

Changes in the organization of the Capital Group

On July 1, 2021, Huuuge UK Limited in London, UK was incorporated.

2. Risk factors

Internal Risk Factors

Our business could be negatively affected if we are unable to successfully attract new players or if we lose our current players.

Our business depends on developing and publishing mobile games that players download and spend time and money playing. In the future this will depend on our ability to attract new players to our existing and new games, as well as to retain existing players. Our success in doing so depends in part on unpredictable and volatile factors beyond our control, including customer preferences, competing games, the popularity of other forms of entertainment and economic conditions adversely affecting consumer spending. Achieving growth in our community of players may also require that we increasingly engage in sophisticated and costly sales and marketing efforts that may not result in additional players.

Our business could be negatively affected if we are unable to entice players to make in-app purchases

Currently, we derive the majority of our revenue (96.2% in HY 2021) from in-app purchases. Our games are available to players for free; we generate revenue from them only if they make in-app purchases above and beyond the level of free features provided as part of the game. Our games also contain in-app purchases relating to items other than virtual currency such as "passes" granting players access to features such as mini games. If we fail to offer games that entice players to make in-app



purchases or if we fail to properly manage the economics of free versus paid currency, this could materially and adversely affect our business, operating results and financial condition.

Dependence on a small number of players

We rely on a small percentage of our players for nearly all of our revenue, which could negatively affect our business. For example, in the first half of 2021, 8.4% of our players made purchases in our top two franchises, Huuuge Casino and Billionaire Casino. In order to sustain or increase our revenue levels, we need to attract new paying players or increase monetization across the current player base. If we fail to grow or maintain the number of paying players, or if the rate at which we add paying players or the average amount our paying players spend declines, this could adversely affect our business, operating results and financial condition.

The loss of our ability to continuously launch and develop games or new features for the existing games that attract and retain a significant number of paying players could negatively affect the growth of our business and our ability to maintain our competitive position.

Our growth depends on our ability to regularly develop new games that achieve significant popularity. In addition to creating new games that are attractive to players, we must extend the life of our current games through retargeting of players and by adding new features to our existing games.

Each of our games generally requires significant research and development, engineering, marketing and other resources to develop or publish, launch and sustain via regular upgrades and expansions, and such costs on average have increased.

The nature of our industry is that we develop and test hundreds of ideas and games, but subsequently focus only on the titles or features which exhibit the most promising key performance indicators ("KPIs"). Only a handful of our games make it to soft launch and even fewer progress to full launch and scaling. We cannot guarantee that high quality games, even if favorably reviewed by players, will become "hits". Our new games may also attract players away from our existing games, especially when they provide similar gameplay features with an upgraded user interface or new social elements. We also cannot ensure that new features or upgrades to our existing games will attract new players or allow us to retain existing ones.

Dependence on third parties' services

We rely, to varying degrees, on a number of third-party vendors, service providers and game developers, as well as strategic partners, to efficiently operate our business, develop games and meet the expectations of our players. In particular, some elements of the provision and distribution chain of our gaming services are operated by third parties we do not control and which it would take significant time to replace. This dependence is expected to continue.

We are highly dependent on distribution platforms when offering our games to players. Any adverse changes in our existing arrangements with these third parties, including an inability to fulfill their obligations in a timely manner or an inability to enter into or renew arrangements on favorable terms, if at all, could reduce the quality, revenue or availability of our games. Changes to third parties' policies or terms of service, could also negatively impact our ability to offer our existing or future games, or restrict the availability of certain features.

Disruption of IT infrastructure, networks and systems

We rely on information technology infrastructure, networks and systems that are important to the operation of our business. We use such infrastructure, networks and systems to operate our games, and manage and secure our business and data, particularly with respect to internal communications, controls, reporting and relations with suppliers.

Some of such infrastructure, networks and systems are managed or provided by third parties. These third parties are typically under no obligation to renew agreements relating to such infrastructure, networks and systems and there is no guarantee that we will be able to renew these agreements on commercially reasonable terms, or at all. In addition, our information technology infrastructure, networks and systems, including those operated by third parties, may experience breaks, suspensions, or stoppages of service or we may experience system crashes in connection with system integration or migration work. Any



disruption or failure in these infrastructure, networks and systems could adversely affect the availability of games, could slow them down or otherwise disrupt the functionality or operations of the relevant business.

Failure to successfully pursue or implement new business initiatives

In order to grow our business, we need to evaluate, consider and effectively implement new business initiatives. Management may not properly ascertain or assess the risks associated with these new initiatives and subsequent events may arise that would render our initial assessment of the economic merits of a particular initiative uneconomic.

Moreover, the market of new technologies is one that is developing rapidly. Therefore, we conduct ongoing monitoring of new technologies and IT solutions in order to quickly adapt to the solutions introduced to the market. The failure to analyze or implement new technologies may result in a loss of competitiveness in the market, which could have a negative impact on our operating activities and financial results.

Business acquisitions and integrating acquired operations could divert the attention of our management and otherwise disrupt our operations or limit our growth

As a part of our strategy, we may in the future explore, and have in the past carried out, acquisitions to strengthen our market position in selected game genres and grow our game development talent. We intend to use the net proceeds from the new shares sold in the initial public offering, which took place in February 2021, primarily to finance extraordinary growth events such as potential acquisitions, if the opportunity arises. We cannot guarantee we will be able to identify acquisition targets that help us to achieve our growth strategy, or that the transactions we have planned will be completed or prove to be successful or accretive. In addition, acquisitions and integration processes could divert our management's attention from other business concerns and also lead to the use of resources that are needed in other parts of our business.

Revenue concentration in a small number of games

The majority of our revenue is generated by a small number of our games which could negatively affect our business. We expect that this concentration will continue in the future. For example, our most popular games generating the highest revenue are Huuuge Casino and Billionaire Casino. These top two franchises historically have contributed the majority of our revenue, accounting for 93.6% and 88.2% of our revenue in 2020 and HY 2021, respectively. We expect the declining share of the top two franchises in total revenue to continue to be the case over the next several years. If we are unable to diversify our portfolio of games in the long run and increase the popularity and improve the monetization of our existing games or the games we develop in the future, it could have a material adverse effect on our business, operating results and financial condition.

Deficiencies in the internal control over financial reporting

Prior to the Initial Public Offering on the Warsaw Stock Exchange, which took place in February 2021, we were a private company with limited accounting personnel and other relevant resources devoted to address our internal controls and procedures. Moreover, in recent years, we have significantly expanded the size and scope of our operations, including through acquisitions in new geographical jurisdictions and in new areas of business, and we intend to continue such growth. As we expand the size and scope of our Group, there is an increased risk that our internal controls may not mature at the same pace.

In the course of the audit of our historical financial information for 2017–2019, our management and PwC, our independent auditor, identified certain significant deficiencies in our internal controls over financial reporting. We are currently implementing substantial measures to address significant deficiencies in our internal controls. We engaged a reputable advisory and accounting firm to assess our existing internal controls environment, to recommend necessary changes and to assist us in designing and implementing improved internal processes and controls. We hired and are currently increasing the number of additional finance and accounting personnel with expertise in the preparation of financial statements in accordance with IFRS and we are further developing and documenting our accounting policies and financial reporting procedures. On February 5, 2021 we established an Audit Committee. We also plan to establish an internal audit function and improve the process of independent review and validate the procedures relating to the preparation of financial statements.



Our business and operating results could be harmed if we do not successfully manage our current and potential future growth

We have grown significantly in recent years and we intend to continue to expand the portfolio and geographic reach of the games we offer, including through the further development of our publishing activities. Our revenue increased by 28% YoY in 2020, and by 17% YoY in HY 2021.

Our success in managing our growth will depend, to a significant degree, on the ability of our executive officers and other members of senior management to operate effectively and identify potentially successful business initiatives, our ability to improve and develop our financial and management information systems, controls and procedures and our ability to adapt, in particular, to new technologies, regulations, platforms and markets. Our anticipated future growth will most likely place significant demands on our management and operations and will require us to spend significant resources to identify, hire, integrate, develop and motivate a large number of qualified employees and identify potentially successful business initiatives. To effectively manage the growth of our business and operations, we will need to continue spending significant resources to improve our technology infrastructure, our operational, financial and management controls, and our reporting systems and procedures, as well as expand, train and manage our employees and improve and expand our sales, marketing and data analysis capabilities.

These enhancements and improvements will require significant investment and the allocation of valuable management and employee resources. If we are unable to properly and prudently manage our operations as they continue to grow, or if the quality of our games deteriorates due to mismanagement, our brand name and reputation could be severely harmed, and our business, operating results and financial condition could be adversely affected.

Real or perceived inaccuracies in our performance metrics

We track certain performance metrics, such as Installs, DAU, MAU, DPU, MPU, ARPDau, ARPPU, Monthly Conversion. Our performance metrics tools have a number of limitations and our methodologies for tracking these metrics may change over time, which could result in unexpected changes to our metrics, including those we report. If our performance metrics are not accurate representations of our business, player base or traffic levels, if we discover material inaccuracies in our metrics or if those we rely on to track our performance do not provide an accurate measurement of our business, we may fail to obtain an accurate understanding of the performance of our business, our reputation may be significantly harmed, we may lose the confidence of players, analysts or business partners and this could adversely affect our business, operating results and financial condition.

Our insurance may not provide adequate levels of coverage for claims.

We believe that we maintain insurance customary for businesses of our size and type, including customary property and third-party liability insurance. However, there are types of losses we may incur that cannot be insured against or that we believe are not economically reasonable to insure, including, for example, losses related to cybersecurity and business interruption risks. In addition, our insurance policies are subject to exclusions and limitations of liability, including with respect to losses resulting from damage from nuclear power, war or pandemics. We may, therefore, have limited or no coverage for losses that are excluded or that exceed the respective coverage limitations.

Ineffective protection of our intellectual property

Intellectual property rights are an essential element of our business. We rely on a combination of different intellectual property rights such as trademarks, patents and copyrights relating to our games, and proprietary or confidential information that is not subject to formal intellectual property protection.

While we create most of the intellectual property we use internally, we also license intellectual property such as, in particular, games (as a whole) and software development kits (“SDKs”) from third parties. In particular, our games use SDKs provided by, among others, Facebook and Google. We also purchase or license, in whole or in part, photos, videos and audio used in our games from third parties, including Shutterstock and Envato. We rely on licenses for all of our third-party publishing. While the revenue generated by our third-party publishing titles is not significant, amounting to 6% of revenue in HY 2021, we expect our third-party publishing activities to represent an increasing proportion of revenue going forward.



Despite our efforts to protect our owned and licensed intellectual property, unauthorized parties may attempt to copy or otherwise obtain and use our technology, games or brands. There is a risk that the actions we take will not be sufficient to protect our owned and licensed intellectual property. Furthermore, our use of third-party intellectual property may inadvertently violate the rights of third parties, and therefore we could become subject to infringement claims, which we already occasionally face.

Ineffective protection of confidential information

Our management and key employees have access to sensitive confidential information relating to our business such as insights about strategic developments, business case planning and core technology. In the event that competitors, third parties or the general public gain access to such confidential information, whether on purpose or by accident, our market position could be materially weakened.

Third party intellectual property rights may limit our development

We need to continuously adapt our games to incorporate new technologies. If such technologies are protected by the intellectual property rights of our competitors or other third parties, we may be prevented from introducing games based on these technologies or expanding into markets or platforms created by these technologies.

We license SDKs which may be integrated into our own products and are required, among other reasons, to allow our players to connect their game accounts with their social media ones. If the owners of these SDKs, such as Google and Facebook, change the license terms in a manner that limits our ability to use the SDKs or integrate with their platforms, our business, operating results and financial condition may be adversely affected.

We also use open source software in our games and expect to continue to do so. Some open source software licenses require users who distribute open source software to publicly disclose all or part of the source code to such software or make available any derivative works of the open source code on unfavorable terms or at no cost. In addition, provisions of various open source licenses have not been interpreted by courts, and there is a risk that such licenses could be construed in a manner that imposes unanticipated conditions or limitations on our use of the open source software. If our use of open source software is not in compliance with a particular license, we may be required to release our proprietary source code, pay damages for breach of contract, re-engineer our games or products, discontinue distribution in the event reengineering cannot be accomplished on a timely basis, or take other remedial action that may entail additional expenses or limit our activities.

Undetected errors, bugs or vulnerabilities

Our games and other software applications and systems, as well as the third party platforms upon which they are made available, could contain undetected errors, bugs or vulnerabilities that could adversely affect the performance of our games, some of which may only be detected after the code has been released for external or internal use. For example, errors, bugs or other types of defects could prevent our players from making in-app purchases, harm the overall game-playing experience for our players, delay game introductions or enhancements, cause measurement errors, result in our games being non-compliant with applicable laws or create legal liability for us. We have experienced some of these issues in the past, including lags in gameplay, in-app purchase errors, game data corruption and problems with players' access to our games. We resolved most of these issues on a timely basis, but we cannot guarantee that we will be able to do so in the future. Moreover, resolving such errors, bugs or other vulnerabilities could disrupt our operations or cause us to divert resources from other projects.

Cyber-attacks, piracy, database security breaches

Our industry is prone to, and our games, systems and networks are subject to cyber-attacks, viruses, worms, phishing attacks, malicious software, break-ins, theft, computer hacking, employee error or malfeasance or other security breaches that may exploit, damage, or disrupt the functioning of our games, networks or technological infrastructure. Physical locations where our IT infrastructure is located, as well as our hardware, may be also subject to break-ins, theft or damage.

Any security breach or incident that we experience could result in unauthorized access to, misuse of, or unauthorized acquisition of our or our players' data, the loss, corruption or alteration of this data, interruptions to our operations, unavailability or malfunctioning of our games, or damage to our computers or systems or those of our players or third party platforms.



Furthermore, third parties, such as hosted solution providers or third-party platform operators that provide us services, could also be a source of security risks in the event of the failure of their own security systems and infrastructure.

As threats related to cyber-attacks develop and grow, we may also find it necessary to make further investments to protect our data and infrastructure.

Relying on experienced and talented employees

The successful operation of our businesses as well as the successful implementation of our strategy is dependent on the experience of our managers and key personnel. Due to the specifics of the industry we operate in, we are dependent on our highly skilled, technically trained and creative employees, whose high competences and knowledge translates into developing new technologies and creating innovative games. The loss of any of these individuals could harm our business. Competition for employees, particularly game designers, engineers and project managers with desirable skill sets is intense, and we devote significant resources to identifying, hiring, training, successfully integrating and retaining these employees.

Our future success depends in part on our ability to retain highly qualified managers active in the mobile games industry who have had a significant impact on our development, as well as on our ability to attract and retain skilled employees able to effectively operate our business. We cannot guarantee that we will be able to attract and retain such managers or skilled employees in the future, and the costs associated with retaining them may impact our profitability or financial results.

Fluctuations in foreign exchange rates could negatively impact our business.

Our activities and businesses expose us to fluctuations in currency exchange rates between USD and other currencies, such as the Polish zloty and the euro. These fluctuations may reach significant levels during periods of increased market volatility related to, for example, the COVID-19 pandemic or other events increasing uncertainty in the global economy. See also “Key Factors Affecting Our Results of Operations and Market Trends”.

For further information on the Group’s exposure to foreign exchange rate volatility for the most significant currencies, see Note 7 to our Consolidated Financial Statements for the six-month period ended June 30, 2021.

Relying on advertising revenue in non-social casino games

The portion of our revenues derived from advertising and offers that are incorporated into our free-to-play games related, in particular, to the launching of more casual games, may be lower than anticipated or otherwise adversely affected by limitations by third parties on our collection or processing of data from our games. Some of our non-social casino games apply a different monetization model to that of our social casino games, with an increased focus on advertising revenue in addition to in-app purchases. While we expect our advertising revenue to supplement in-app purchases going forward, there can be no assurance that revenue from advertising will grow at the level we expect and our games that are significantly dependent on in-game advertisements for monetization may ultimately be unprofitable for us if our monetization model proves to be ineffective.

Risk of hacking into our games

Some of our players may obtain virtual currency used in our games or otherwise alter the intended game play through hacking or other unauthorized methods, resulting in a negative impact on our revenue. Unauthorized operators may develop “hacks” or other types of “cheating” software enabling players to alter the intended game play, abuse or exploit the mechanics of our games and, therefore, obtain unfair advantages in our games. For example, such software may permit the exchange of virtual currency between accounts or with third parties and allow players to obtain virtual currency through unauthorized methods, all of which may have a negative impact on the in-app purchases and amount of revenue we collect from players. In addition, such “hacks” or other similar vulnerabilities may result in increased costs of developing technological measures to respond to them.

Changes in tax laws or tax rulings, or the examination of our tax position

Changes in tax laws or tax rulings, or the examination of our tax position, could materially affect our financial condition and results of operations. We are subject to complex tax legislation in the various countries in which we operate. In particular, given



the international scope of our business and our structure, we are subject to rules on transfer pricing. Moreover, GAAR and the focus of tax regulations on real business substance may have an increasing impact on international taxation.

For example, we sell services or use intellectual property through legal entities that must necessarily procure these services or license such intellectual property within a group. Therefore, we perform numerous intercompany transactions. The jurisdictions in which we operate generally have transfer pricing regulations that require transactions involving related parties to be undertaken on properly documented arm's length terms and conditions. If the tax authorities in a particular jurisdiction do not regard intra-group transactions as being made on a properly documented arm's length basis and successfully challenge such transactions, or otherwise adopt a differing approach on the attribution of revenue or profits between our various group entities, the amount of tax payable by the relevant member or members of our group, in respect of both current and previous years, may increase and penalties, fines or interest may be payable.

In addition, we provide services whose price is subject to direct and indirect taxes in various countries, such as value added tax. The complexity of our business model may complicate an understanding of the legal obligations in the relevant tax application. We may also be subject to double taxation in jurisdictions with multiple tax authorities or incompatible tax regimes. In addition, applicable tax rates could increase. A significant increase in value added tax rates could negatively affect our activity, especially customer demand, which could have a material adverse effect on our business, operating results and financial condition.

Changes in tax treaties, laws, rules or interpretations or the outcome of tax audits could have an adverse effect on our business. The tax laws and regulations in the jurisdictions in which we operate may be subject to change, for example a substantial amendment may be introduced to the taxation of digitized companies. New tax laws or regulations may be introduced with or without retroactive effect and there may be changes in the interpretation and enforcement of such tax laws or regulations.

If the relevant tax authority challenges our tax position, through audits or otherwise, and is successful, our effective tax rate may increase, and we may be required to pay additional taxes, penalty charges and interest, and we may incur costs in defending litigation or reaching a settlement with the relevant tax authority. We could be liable for amounts that are either not covered by or are in excess of our established reserves. Any of the foregoing situations could have an adverse effect on our business, operating results and financial condition.

External Risk Factors

Competition in the gaming industry

The gaming industry, which includes social casino games and from which we derive the majority of our revenue, is considered to be a highly competitive and rapidly evolving industry with low barriers to entry. We are experiencing, and are likely to experience in the future, competition from other developers and publishers in the gaming category. Our competitors range from established interactive entertainment companies to emerging start-ups, and we expect new competitors to continue to emerge globally.

Regulatory restrictions are continually evolving and could adversely affect our business and limit the growth of our operations.

Generally, social gaming, including but not limited to social casino games, is not explicitly regulated in the markets where we operate; however, as the mobile and online game industry evolves, so too are regulations evolving and as a result of this evolution as well as possible changes in the approach of legislators, regulators and courts, we cannot exclude the possibility that our activities could be regulated in ways that could adversely affect our business.

In some jurisdictions, there is growing opposition from regulators, public interest groups and/or media towards mobile and online gaming, including social casino games or social gaming, as well as towards specific in-game features, such as loot boxes. Such opposition could lead these jurisdictions to adopt legislation or impose or enforce an existing regulatory framework to govern mobile and online gaming, broadly or more specifically, for example social gaming, or in-game features such as loot boxes. Alternatively, jurisdictions or regulators could seek to apply laws we do not believe are applicable to our games to certain types of games we offer or to games containing certain features or characteristics.



Under the Polish Gambling Law, the definition of slot machines is unclear and states that if a game is of a random character and is organized for commercial purposes, then it can be considered to be a slot machine, even if there are no prizes at all.

In April 2018, the Belgian Gaming Commission specifically addressed the issue of loot boxes, concluding in its report that games containing loot boxes are to be construed, if certain conditions are met, as games of chance, which are prohibited under Belgian law and subject to criminal and administrative sanctions unless operated under a proper license. In the same month, the Dutch gambling regulator (*Kansspelautoriteit*) published a study on loot boxes, stating that loot boxes may contravene the Dutch gambling law if the content of the loot boxes is determined by chance and the prizes to be won can be traded outside of the game (i.e. the prizes have a real-world value). Further to the above, in October 2020, a Dutch district administrative court upheld an administrative order by the Dutch gambling authority demanding that Electronic Arts remove certain loot boxes from one of its games because they violated Dutch gambling laws.

In September 2018, the World Health Organization added “gaming disorder” to the International Classification of Diseases, defining the disorder as a pattern of behavior characterized by impaired control over gaming and an increase in the priority of gaming over other interests and daily activities.

Also in September 2018, sixteen gambling regulators signed a declaration expressing concern over the blurring of lines between gambling and video game products, including social casino gaming. Subsequently, the number of signatories increased to nineteen. In the declaration, the regulators committed to working together to analyse the characteristics of video games and social gaming, and to engage in an informed dialogue with the video game and social gaming industries to ensure the appropriate and efficient implementation of applicable laws and regulations. The regulators also indicated they would work closely with their respective consumer protection enforcement agencies. As a follow-up to this declaration, in May 2019, the Gaming Regulators European Forum (the “GREF”) published a summary of its conclusions regarding the implementation of the September 2018 regulator declaration in which the GREF recognized whether activities such as loot boxes and social casino gaming that trigger the implementation of gambling regulations would depend on each nation’s definition of gambling.

In July 2020, the English House of Lords Select Committee on the Social and Economic Impact of the Gambling Industry published a report that explicitly called for the UK government to specify that “loot boxes and any other similar games are games of chance”, and, therefore, are subject to gambling regulations.

Courts may also interpret the applicable laws in a manner adverse to us, notwithstanding the position taken by the relevant gambling authority. For example, in a recent case, the United States Court of Appeals for the Ninth Circuit held that the plaintiff had stated a cognizable putative class action claim that a social casino game, Big Fish Casino, which is produced by one of our competitors, falls within Washington State’s statutory definition of illegal gambling as the virtual chips are a “thing of value”, and the Ninth Circuit accordingly remanded the case to the federal district court in Washington for further proceedings on the plaintiff’s claim. In April 2018, a similar putative class action lawsuit, *Sheryl Fife v. Scientific Games Corp.*, was filed against Scientific Games Corporation, in the federal district court in Washington that is directed against certain social casino games of our competitor, SciPlay. The plaintiff alleges substantially the same causes of action against SciPlay’s social casino games that are alleged with regard to Big Fish Casino, including the allegation that SciPlay’s social casino games violate Washington State gambling laws. Similar class action lawsuits were also brought against DoubleDown Interactive, High 5 Games and Playtika.

Various class action complaints against Apple and Google were filed in different states of the United States of America alleging that social casino games are not allowed and seeking recovery from Apple and Google of money spent in the social casino games. We are not a party to these proceedings and the complaints may still be dismissed. However, if these cases or any similar cases are decided in favor of the plaintiffs, our ability to continue to offer our games in any jurisdictions in which such actions are brought could be compromised. See *“Legal proceedings may materially adversely affect our business and our results of operations, cash flows and financial condition”*.

We believe that our games do not constitute gambling in the jurisdictions in which we operate, particularly due to the free access and lack of monetary rewards; however, we cannot exclude the possibility that gambling regulators, judicial or similar authorities in certain jurisdictions will interpret the applicable existing or new laws in a manner classifying our games as gambling or requiring that certain in-game features (e.g. features that are deemed to be “loot boxes”) be limited or excluded. If any authority issues such an interpretation, we may face enforcement action on the basis of that interpretation. Moreover, if our games are considered to be gambling in jurisdictions that prohibit online gambling, we may be forced to cease offering our top grossing games in such jurisdictions. If our games are classified, for regulatory purposes, in a manner differing from the



manner in which we view them, we may also be barred from promoting those games via third-party platforms (such as the AppStore or Facebook.)

There is a risk that further legislative or regulatory developments could curtail our offering of games in certain jurisdictions, result in a prohibition on mobile or online gaming, in the jurisdictions in which we operate, restrict our ability to advertise our games, allow our players to claim damages related to the use of our games, raise consumer protection claims, substantially increase the cost of complying with the applicable regulations, or subject us to fines or other regulatory actions, any of which could have an adverse effect on our business, operating results and financial condition. Finally, the increased public scrutiny of social casino games and loot boxes could result in reputational damage to ourselves and to the industry, deter players from participating in our games, generate negative publicity, or deter financial institutions and other third-party partners and suppliers from cooperating with us.

Legal proceedings may materially adversely affect our business and our results of operations, cash flows and financial condition.

We have been party to, are currently party to, and in the future may become subject to additional legal proceedings including, but not limited to, with respect to consumer protection, gambling related matters, employee matters, alleged service and system malfunctions, alleged intellectual property infringement and claims relating to our contracts, licenses and strategic investments. Legal proceedings targeting our social casino games and claiming violations of state, federal or local laws in jurisdictions where we operate could also occur based on the unique and specific laws of each jurisdiction.

As at December 31, 2019 the Group recognized a provision for a potential unfavourable outcome in a court case, presented in the line "Other provisions" in the consolidated statements of financial position. On or around April 6, 2018, a putative class action complaint was filed against the Company in the U.S. District Court for the Western District of Washington by a player plaintiff. The complaint sought damages for alleged violations of Washington law associated with the plaintiff's alleged in-app purchases within one or more of the Company's games. Specifically, the plaintiff alleged violations for the recovery of money lost in gambling and for violations of the Washington Consumer Protection Act. The plaintiff additionally sought damages for unjust enrichment. The Company denied the plaintiff's allegations, denied that it had violated any laws or regulations, denied that the suit should be treated as a class action, denied the plaintiff's claims for damages, and has been vigorously defending itself against the plaintiff's claims. The Company filed a motion to compel arbitration on July 2, 2018, which the District Court denied on November 13, 2018. The Company filed a notice of appeal, on a timely basis, on December 6, 2018, and filed its opening brief in the Ninth Circuit Court of Appeals on March 6, 2019. The Company also filed a motion to stay the district court proceedings pending a decision on its appeal, which was granted on March 1, 2019. A provision of USD 6,500 thousand was recognized in 2019 in a separate line item in the statement of the financial position as "Other provisions" and in the "Other operating income/(expense), net" line item in the statement of comprehensive income. The Group's management estimated that the costs would be realized within a period for which the discounting effect would not be material and accounts for the provision in an undiscounted amount. The parties mediated on June 15, 2020 and reached agreement on a term sheet on a class action basis on June 16, 2020. On August 23, 2020, a class action settlement agreement was concluded between the class representatives, including the plaintiff, and filed with the court, intending to fully, finally and forever resolve, discharge and settle the claims related to this suit. The United States District Court finally approved the Settlement Agreement on February 11, 2021. The Court finds that the settlement is fair, reasonable and adequate and it is a result of extensive, arm's-length negotiations. Subsequently the Court ordered the Group to settle final claims determinations, including payment and prospective relief. Payment was made on March 26, 2021, with the corresponding utilization of the provision.

Player use of our games is subject to our privacy policy and terms of service. If we fail to comply with our posted privacy policy, terms of service or similar agreements, or if we fail to comply with applicable privacy-related or data protection laws and regulations, this could result in litigation, proceedings or investigations against us by governmental authorities, players or others, which could result in fines or judgments against us, damage our reputation or goodwill, impact our financial condition and harm our business. For example, in December 2019, in the case *Wilson vs Huuuge*, the U.S. Court of Appeals for the Ninth Circuit stated that the plaintiff did not have constructive notice of our game's terms and conditions, including a binding arbitration provision, and, therefore, declared that the plaintiff was not bound by such arbitration clause. The court decided that the existence of the terms and conditions under a browsewrap agreement must be unambiguous and clear-cut and reference to them should be easy to find. In no event should the agreement require the consumer to scroll to a different screen. That court ruling requires us to provide more detailed information and notifications in order to execute a valid browsewrap agreement.



If regulators, the media or press, our players or consumers raise any concerns about our privacy and data protection or consumer protection practices, even if baseless, this could also result in fines or judgments against us, damage our reputation, and negatively impact our financial condition and damage our business. We cannot predict the likelihood, timing or scope of any legal proceedings to which we may be a party, any of which could have a material adverse effect on our business, operating results and financial condition.

We may incur significant expenses defending any lawsuits to which we may be a party, and lawsuits may result in the imposition of damages, restitution, fines or other penalties which could have a material impact on our financial results.

Exposure to sanctions and other penalties for data privacy and/or security breaches

Data privacy and security laws and regulations in the jurisdictions in which we do business could increase the cost of our operations and subject us to possible sanctions and other penalties. We collect, process, store, use and share personal information and other data in order to develop new games, offer products and features to players, and analyze the effectiveness of our marketing channels. Our business is therefore subject to a number of laws and regulations governing data privacy and security, including with respect to the collection, storage, use, transmission, sharing and protection of personal information and other consumer data applicable in various jurisdictions. Such laws and regulations may be inconsistent between countries or conflict with other rules.

Any failure or perceived failure by us to comply with our posted privacy policies, our privacy-related obligations to players or other third parties, or any other legal obligations or regulatory requirements relating to privacy, data protection, or information security may result in governmental investigations or enforcement actions, litigation, claims, or public statements against us by consumer advocacy groups or others and could result in significant liability, cause our players to lose trust in us, and otherwise materially and adversely affect our reputation and business.

Furthermore, the costs of compliance with, and other burdens imposed by the laws, regulations, and policies that are applicable to us may limit the adoption and use of, and reduce the overall demand for our games. Additionally, if third parties we work with violate applicable laws, regulations or agreements, such violations may put our players' data at risk, could result in governmental investigations or enforcement actions, fines, litigation, claims or public statements against us by consumer advocacy groups or others and could result in significant liability, cause our players to lose trust in us and otherwise materially and adversely affect our reputation and business. Further, public scrutiny of, or complaints about, technology companies or their data handling or data protection practices, even if unrelated to our business, industry or operations, may lead to increased scrutiny of technology companies, including us, and may cause government agencies to enact additional regulatory requirements, or to modify their enforcement or investigation activities, which may increase our costs and risks.

The dependence of our operations on third-party platforms used to offer our games could negatively affect our business

Our social gaming offerings operate mainly through Apple's App Store, Google's Play Store and Facebook, which also serve as significant online distribution platforms for our games and provide us with valuable information and data.

Consequently, our operations depend on our continued relationships with these providers, and any emerging platform providers that are widely adopted by our target player base.

We are subject to the standard terms and conditions that these platform providers have for application developers, which govern the promotion, distribution and operation of games and other applications on their platforms, and which the platform providers can change on a discretionary basis and unilaterally on short notice or without notice.

Moreover, Internet-connected devices and operating systems controlled by third parties increasingly contain features that allow device users to disable functionality that allows for the delivery of advertising on their devices, including through Apple's Identifier for Advertising, or IDFA, or Google's Advertising ID, or AAID, for Android devices. Device and browser manufacturers may include or expand these features as part of their standard device specifications. For example, when Apple announced that UDID, a standard device identifier used in some applications, was being superseded and would no longer be supported, application developers were required to update their apps to utilize alternative device identifiers such as universally unique identifier, or, more recently, IDFA, which simplifies the process for Apple users to opt out of behavioral targeting. If players elect



to utilize the opt-out mechanisms in greater numbers, our ability to deliver effective targeted advertisements would suffer, which could adversely impact our revenues from in-game advertising (currently less than 5% of Huuuge's overall revenue).

In addition, new regulations and increased focus on data protection may result in changes to the data protection policies of the platform providers, which we will be required to implement. We cannot exclude the possibility that our games, in particular social casino games, will be targeted by other limitations introduced by third party platform providers or our advertising and marketing partners concerning, among others, user acquisition and advertising revenue. Changes in third party platforms classification of or approach towards social casino games or certain game features (such as loot boxes) could restrict the availability of our games or of certain game features on those platforms or to users in certain jurisdictions.

If similar events occur and we are unable to address them effectively or if other similar issues arise that impact players' ability to download our games, access social features or purchase virtual currency, it could have a material adverse effect on our business, operating results and financial condition.

Operating in multiple jurisdictions and locations

Although the U.S. is our most significant market in terms of revenue, we generate revenue across multiple jurisdictions. Our main operations, including game development operations, are located in Poland. We operate ten offices in different cities worldwide, including Tel Aviv, Israel; Limassol, Cyprus; Las Vegas, Nevada; Amsterdam, Netherlands; Helsinki, Finland, and London, UK. Furthermore, our users originate from a large number of jurisdictions worldwide.

Our operations in multiple jurisdictions could subject us to additional risks customarily associated with such operations, including: the complexity of laws and regulations in different jurisdictions and markets; ambiguity or inconsistency resulting from conflicts-of-laws, the uncertainty of enforcement of remedies in various jurisdictions; the effect of currency exchange rate fluctuations; the impact of various labor laws and disputes; the ability to attract and retain key personnel in different jurisdictions; the economic, tax and regulatory policies of local governments; compliance with applicable anti-money laundering, anti-bribery and anti-corruption laws, including the Foreign Corrupt Practices Act and other anti-corruption laws that generally prohibit U.S. persons and companies and their agents from offering, promising, authorizing or making improper payments to foreign government officials for the purpose of obtaining or retaining business; and compliance with applicable sanctions regimes regarding dealings with certain persons or countries. Moreover, foreign jurisdictions could impose tariffs, quotas, trade barriers and other similar restrictions on our international sales.

Our international business operations could be interrupted and negatively affected by terrorist activity, political unrest or other economic or political uncertainties. We operate in locations that are regularly affected by such events, including Tel Aviv.

Risks Related to Shares

The difference in shareholder rights under Polish law and under the law of the State of Delaware

We are a corporation organized and existing under the laws of the State of Delaware and our structure, operating procedures and relationships among shareholders are governed by the laws of the State of Delaware and U.S. federal laws, including U.S. securities laws.

The principles underlying these laws differ from those underlying Polish law in many respects, and the corporate governance principles, respective powers and authority of the Company's corporate bodies, and the decision-making and control procedures in place, differ significantly from the corresponding principles, powers and authority, and procedures in place at Polish companies. Therefore, the rights of our shareholders are in many instances different from those of shareholders of Polish companies.

The key differences are, for instance, the regulations concerning the powers, authority, and organization of a General Meeting, including the requirement to achieve a specific quorum at each General Meeting in order to be able to make decisions on matters concerning the Company.



The Company may issue new shares without the shareholders' consent

Within the authorized capital limit as stated in the Certificate of Incorporation and to the extent pre-emptive rights of the shareholders are excluded, the Board of Directors may decide to issue new common shares without the shareholders' consent. That would enable the Board of Directors to issue shares below the purchase price from the February 2021 Initial Public Offering (IPO) and to dilute the existing stock. The Amended and Restated Certificate of Incorporation now in force stipulates that authorized capital may comprise only one Series A Preferred Share, and one series B Preferred Share, therefore issuing preferred shares requires the consent of the shareholders.

Enforcement of judgments against the Company may be hindered

The Company has been registered under the laws of the State of Delaware and, in accordance with Delaware and U.S. federal law, investors may be entitled to certain legal remedies against us and, possibly, also against members of the Board of Directors or Officers, including in shareholder derivative actions against the Company.

However, as at the date of publication of this Semi-Annual Report, our operating assets are located in different jurisdictions, including Poland. Moreover, some of our Directors, Officers and members of our subsidiaries' corporate bodies are not U.S. residents, and the assets of our Directors, Officers and members of our subsidiaries' corporate bodies are mainly located outside the territory of the United States of America. Therefore, any enforcement against the assets of the Company (or the assets of its Directors, Officers or members of its subsidiaries' corporate bodies) on the basis of judgments obtained in U.S. courts, predicated upon the civil liability provisions of U.S. laws, including the federal securities laws, may prove impossible. Moreover, judgments awarding punitive damages in actions brought in the United States or other countries may turn out to be unenforceable in Poland or in other jurisdictions.

The materialization of the above risk factor may also require investors (in particular retail investors) pursuing claims against the Company, its Directors or Executives, to bear additional costs related to, in particular, obtaining legal advice in the relevant jurisdiction.

Limited liability of the Company's Directors and Officers

Limitations on director and officer liability and indemnification of our Directors and Officers may discourage shareholders from bringing suits against Directors or Officers.

Our Certificate of Incorporation and Bylaws provide, pursuant to Delaware law, that our Directors and Officers will not be personally liable to us or our shareholders for damage caused by any act or failure to act in his or her capacity as a director or officer if such person acted in good faith and in a manner such person reasonably believed to be in, or not opposed to, the best interests of the Company.

Procedures introduced by the WSE may be insufficient

The Securities and Exchange Commission (SEC) may consider procedures introduced by the WSE in relation to Regulation S Category 3 securities as insufficient for complying with the transfer restrictions. In 2018, the WSE established procedures designed to facilitate the trading of dematerialized Regulation S Category 3 securities in accordance with the transfer restrictions applicable to resales of such securities. Currently the WSE is working on amending its procedure to include Regulation S Category 3 securities subject to the Rule 144A registration exemption under the U.S. Securities Act.

To the best of our knowledge, the commissioners and staff of the SEC have thus far not expressed any view on the sufficiency of the procedures introduced by the WSE for the purpose of complying with the transfer restrictions. The SEC may determine such procedures to be insufficient for complying with the transfer restrictions.

Acquisition of the Delaware company is more difficult

The laws of the State of Delaware and provisions in corporate documents may discourage investors from taking control of the Company, which may result in a decline in the market price of the shares. The Company is a Delaware corporation. The



corporation laws of the State of Delaware contain various provisions which may make taking control of the Company by third parties difficult, even if such a takeover would be advantageous to its shareholders.

3. Risk Management

Key risk areas cover the main processes and have been selected due to their impact on the Group's organization. The Group has no influence on the effect of the risk that occurs, but mitigates it through adequate control mechanisms. The level of risk is the result of estimating the effect and the probability of the risk occurring. Small and medium risk is acceptable. High risk is subject to additional surveillance by means of risk mitigation measures (additional controls, reducing the probability of the risk occurring and therefore reducing it to an acceptable level).

The Board of Directors monitors the effectiveness of risk management through the following activities:

- conducting an annual assessment of the adequacy and effectiveness of the risk management system and control mechanisms used. After appointing the Audit Committee, this activity is carried out on the basis of information obtained from the Audit Committee and the Group's management;
- obtaining recommendations and opinions from the Audit Committee, to enable decisions to be made regarding risk management;
- ongoing supervision of the Audit Committee's works with regard to monitoring the effectiveness of the internal control system, internal audit and risk management;
- supervising the performance of duties by the Board of Directors relating to risk management;
- reviewing findings made by the statutory auditor and supervisory institutions;
- reviewing assessments and opinions by external entities, if issued.

4. Significant achievements or failures

The key event we wanted to highlight was a purchase by Huuuge Global Ltd. (a wholly owned subsidiary of the Company) of the mobile game Traffic Puzzle together with the related rights and assets, for USD \$38.9m, which took place on April 27, 2021. The acquisition of Traffic Puzzle marks the first significant milestone for our growth and M&A strategy, as we expand our reach into the high-growth casual games segment. Having Traffic Puzzle in our portfolio enables us to accelerate our revenue diversification as it has already become our third most popular game after Huuuge Casino and Billionaire Casino. Building on the successful acquisition of Traffic Puzzle, we plan to further pursue organic growth opportunities, both in publishing and M&A. We intend to deliver on the promise given to our shareholders in the IPO process and leverage the proceeds from the issue of shares to accelerate the "Buy" part of our "Build and Buy" strategy.

Apart from that transformational moment in our history, it is worth mentioning that Q2 2021 was another quarter when the Company broke its revenue record thanks to our core franchises Huuuge Casino and Billionaire Casino showing record high monetization metrics coupled with the systematic growth of Traffic Puzzle revenue.

5. Factors affecting our results

Focus on Traffic Puzzle

We are particularly proud of our new franchise portfolio dynamics. HY 2021 revenue has increased threefold in relation to HY 2020 with Traffic Puzzle driving most of that growth. Moreover, we completed the handover process after acquiring that game and are now in a position to further accelerate scaling. With that in mind, we have reallocated resources from our smaller studios (CBG, Bingo and Arena) to the Traffic Puzzle studio, our most promising growth engine. Scaling of these games would have taken too much time & too many resources in relation to the opportunity we see with Traffic Puzzle. Given that Traffic Puzzle remains the most promising new game in our portfolio it is likely that we will further increase our User Acquisition efforts in the coming months and quarters, which in turn should translate into further growth in the game's revenue.

Topline growth despite a DAU decline

We have witnessed another quarter of QoQ decline in our core franchises' user base. The whole social casino industry is maturing and our core games Huuuge Casino and Billionaire Casino are also showing signs of maturity. Our strategy is to



optimize our User Acquisition spend for these flagship games and further improve profitability and cash generation of our core portfolio. This means that User Acquisition spend as a % of revenue is likely to remain quite stable, DAU might undergo a further slight decline, while improvements in the quality of our player base and monetization metrics should largely offset this lower number of installs and lower DAU. As evidenced by our Q2 2021 core franchise revenue dynamics (+2% QoQ and +2% YoY, respectively) we have been able to grow our topline despite the aforementioned declines in our user base. It is also worth noting that we are in the process of implementing an internal optimization project focused on improving predictive analytics which could have a positive impact on our core franchise DAU.

Mobile gaming market environment.

As far as market dynamics are concerned, Eilers & Krejcik have increased their 2021–2025 growth forecast following quite strong industry-wide performance in HY 2021. The social casino market is now expected to grow by +8.9% YoY in 2021 vs the prior forecast of +4.5% YoY. Long-term 5-year CAGR for the sector is now projected at +5.1% (with a \$9.0bn market size by 2025) vs prior projections of +4.6% CAGR and an \$8.6bn market by 2025.

Another notable factor driving our results was a 10% QoQ drop in the overall User Acquisition spend reflecting 36% of revenue in Q2 2021 (vs 41% in Q1 2021). While this direction was in line with our prior guidance, we have observed higher than anticipated growth in average eCPI metrics, largely driven by the market environment after Apple's App Tracking Transparency (ATT) framework went into effect on April 26, 2021. Following that implementation of the ATT framework, all Apple users who have updated their operating systems to iOS 14.5+ must now be asked on an app-by-app basis whether to allow apps to track their activity. Users who decide to go untracked can no longer be targeted by UA efforts with the level of granularity that was possible using the Identifier For Advertisers (IDFA). According to AppsFlyer's ATT dashboard, 39% of global social casino app users and 33% of USA social casino app users have opted in for tracking to date. According to Bidalgo/EKG data, CPPI (Cost per Paid Install) for the social casino category increased by 65% YoY in Q2 2021, with a 150% YoY increase for iOS. It is worth noting however, that CPIs were unusually low in Q2 2020 due to an influx of players during peak COVID conditions. Given these current market conditions, going forward we expect a further slight decline in overall UA spend in relation to our revenue, even more so than we have previously guided. On game level, we plan to increase our spend on Traffic Puzzle and maintain stable spend on our core franchises. We are still seeing elevated CPI ratios and our overarching goal is discipline in maintaining satisfactory returns on ad spend.

General external factors

External factors that could affect our performance include the impact of the Covid-19 pandemic on the overall economy and specifically on the games industry and our players' behaviour, continued secular trends in the sector (higher player engagement and willingness to invest more time and money in mobile games, competition from other games and other forms of entertainment) and the volatility of foreign exchange rates.

Expected tax reforms

In the released Green Book together with President Biden's FY 2022 Budget, a number of reforms of the US's tax system have been proposed. Among others we see the following changes as potentially affecting the Group: (i) increase of the federal corporate tax rate from 21 percent to 28 percent and (ii) revision of provisions on the global intangible low-taxed income (GILTI). The most impactful draft reform is the reduction of the Internal Revenue Code Section 250 deduction against the global minimum tax. US shareholders currently get a 50% deduction against a 21% corporate tax rate, resulting in a 10.5% effective global minimum tax rate. The draft reform would decrease this deduction to 25%, which, combined with the corporate rate increase to 28%, would result in an increase of the effective global minimum tax rate to 21%. US shareholders would also have to calculate their global minimum tax on a country-by-country basis under the proposals (under the current law, the tax is calculated in aggregate, which allows the blending of income from low-tax jurisdictions with income from high-tax jurisdictions to minimize the application of the minimum tax). The tax changes are proposed to be effective for tax years beginning after December 31, 2021. The implementation of these rules in their current form would negatively impact the global effective tax rate of the Group and have a negative impact on our financial results.

On July 26, 2021, the Polish government presented a draft of a new comprehensive social and economic program, referred to as the "The New Economic Polish Deal". The proposed rules introduce extensive changes to taxation and health insurance contributions. The New Economic Polish Deal is anticipated to take effect as at January 1, 2022. The adoption of the program in the currently proposed wording could result, among other things, in an increase in employment costs in Poland (the majority



of our employment costs, excluding share-based compensation, are incurred in Poland), which may consequently have a negative impact on our financial results.

6. Key Performance Indicators

When evaluating our business, we consider the KPIs presented and discussed in this section. Each of these KPIs is defined below:

- **Daily Active Users (DAU):** DAU is defined as the number of individual users who played a game on a particular day. In order to more accurately reflect reality, we identify the users based on (human) ID (HID) rather than device ID. That allows us to eliminate the double counting of individuals playing games on multiple devices. The ability to identify and analyse actual players rather than accounts allows for substantially greater accuracy, including better in-game targeting of offers (right offer, to the right person, at the right time), better retargeting capabilities and better predictive models. Average DAU for a period is the average of the monthly average DAU for the period presented.
- **Monthly Active Users (MAU):** MAU is defined as the number of individual users who played a game during a particular month. In order to more accurately reflect reality, we identify the users based on player (human) ID rather than device ID. That allows us to eliminate the double counting of individuals playing games on multiple devices. We believe this indicator provides useful information in understanding the number of users reached across our portfolio of games on a monthly basis. The ability to identify and analyse actual players rather than accounts allows for substantially greater accuracy, including better in-game targeting of offers (right offer, to the right person, at the right time), better retargeting capabilities and better predictive models. Average MAU for a period is the mean of the MAU for the period presented.
- **Daily Paying Users (DPU):** DPU is defined as the number of players (active users) who made a purchase on a given day.
- **Monthly Paying Users (MPU):** MPU is defined as the number of players (active users) who made a purchase at least once in a given month. Average MPU for a period is the average of the MPUs for the period presented.
- **Average Revenue per Daily Active User (ARPDau):** ARPDau is defined as average revenue per daily active user. ARPDau for a period is calculated by dividing gross revenue (i.e. before deduction of platform fees) for the period by the number of days in the period and then dividing by the average DAU for the period.
- **Daily Average Revenue per Paying User (ARPPU):** ARPPU is defined as average revenue per paying user on a given day. It is calculated by dividing gross revenue from in-app purchases (i.e. before deduction of platform fees) for the period by the number of days in the period and then dividing by the average DPU for the period. ARPPU for the period is calculated by dividing IAP revenue for the period by the number of days in the period and then dividing by the average DPU for the period.
- **Monthly Payer Conversion (Monthly Conversion):** Monthly Conversion is defined as the percentage of MAU that made at least one purchase in a month during the same period.

Our revenue is principally driven by DAU, ARPPU and conversion rates. We monitor our user acquisition costs using measures such as ROAS (Return on Ad Spend), but given that these metrics are commercially sensitive we do not disclose or discuss them in this report.



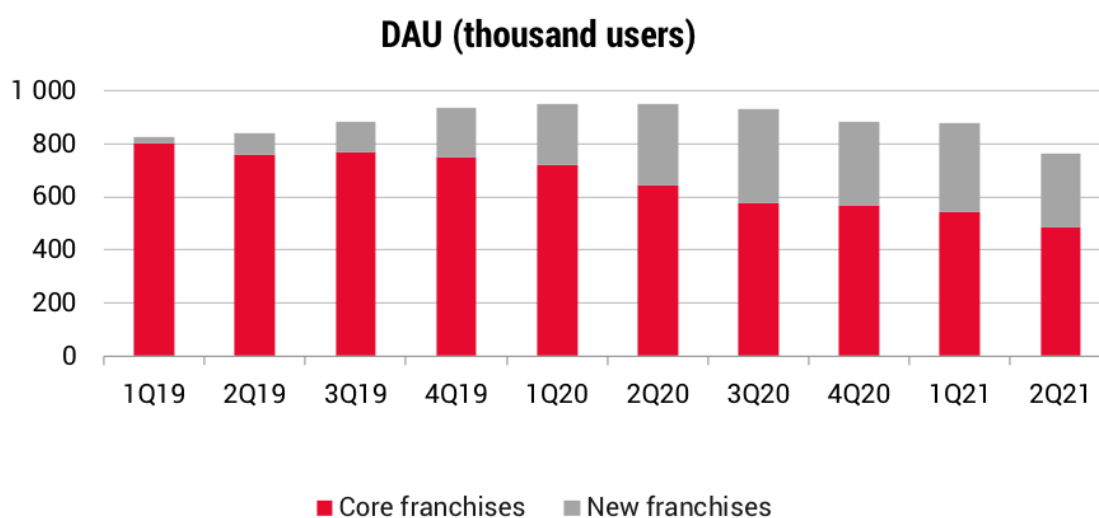
The table below presents our KPIs for Q2 2021 and Q2 2020 for the Group and “core franchises” i.e. Huuuge Casino and Billionaire Casino.

| KPI | All games | | Core franchises Huuuge Casino and Billionaire Casino | |
|------------------------|-----------|---------|---|---------|
| | Q2 2021 | Q2 2020 | Q2 2021 | Q2 2020 |
| DAU (in thousand) | 773.2 | 970.2 | 483.5 | 645.5 |
| MAU (in thousand) | 3,511.4 | 4,879.4 | 1,689.9 | 2,399.6 |
| DPU (in thousand) | 26.1 | 27.9 | 20.8 | 25.2 |
| MPU (in thousand) | 200.8 | 206.0 | 142.1 | 173.8 |
| ARPPU (in USD) | 1.4 | 1.0 | 2.0 | 1.4 |
| ARPPU (in USD) | 39.5 | 34.6 | 45.4 | 37.0 |
| Monthly Conversion (%) | 5.7% | 4.2% | 8.4% | 7.2% |

In addition, below we present a more detailed quarterly overview of our selected KPIs.

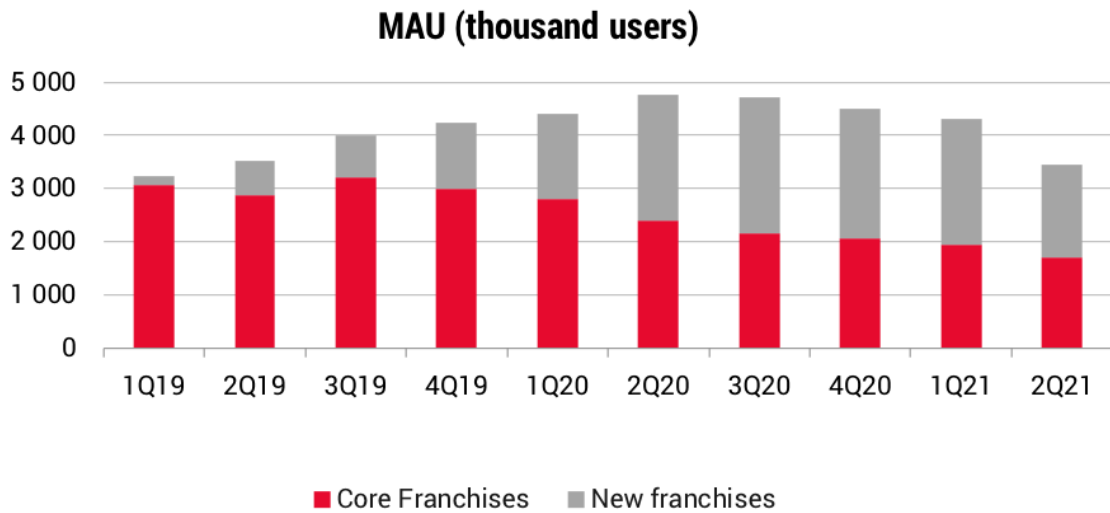
Daily Active Users

In Q2 2021 we observed a double digit QoQ decline in DAUs for both our core franchises and our new franchises. The decline in our core portfolio DAU was driven by a lower number of installs – a combination of lower overall UA spend (vs Q1 2021) and higher costs per install. Cost Per Install inflation has largely been driven by the post-IDFA depreciation market environment. Our new franchise DAU declined mainly across our Coffee Break Games portfolio (due to relocating investment into the Traffic Puzzle game) while the Traffic Puzzle user base continued to increase. It is worth highlighting that in relation to other new franchises, the TP user base exhibits much higher quality when it comes to monetization metrics (as explained below in the ARPPU section). In line with the trends observed in previous quarters – the decline in our active user base was more than offset by the improvement in the monetization KPIs, such as ARPPU and conversion, both of which increased on a QoQ basis.



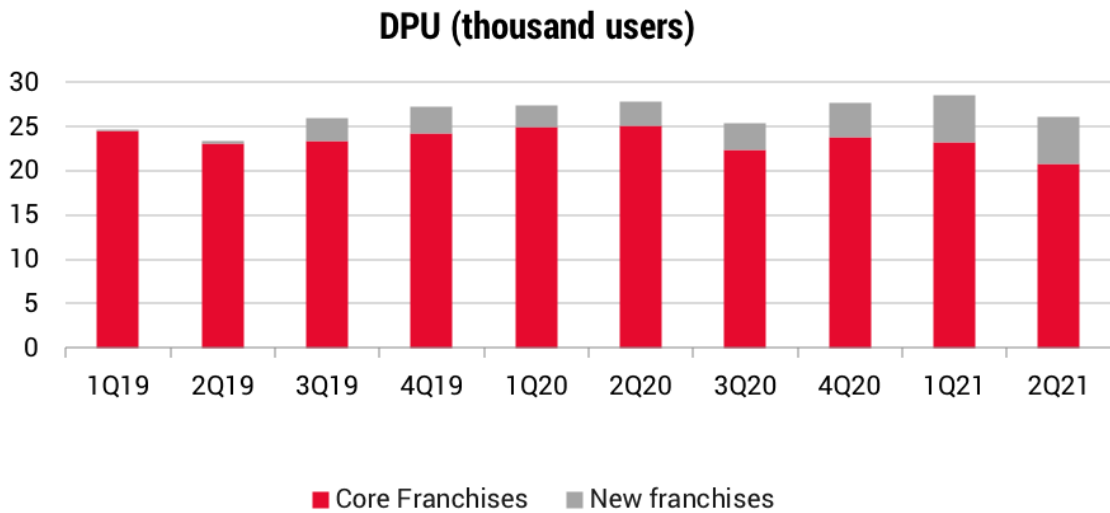
Monthly Active Users

Trends in Q2 2021 for MAU were very similar to DAU (explained above). Similarly, the impact of a decline in MAU was more than offset by the improvement in the monetization KPIs such as ARPPU and conversion, both of which increased on a QoQ basis.



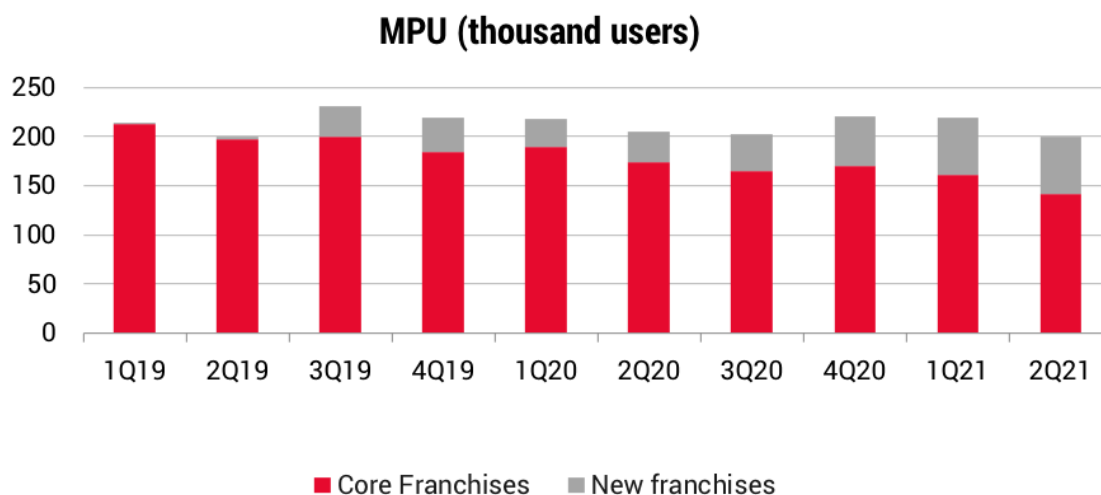
Daily Paying Users

In Q2 2021 we saw a QoQ decrease in the overall number of DPU, driven mostly by the decline in our core portfolio (the drop in DPUs was a consequence of falling DAU). While our new franchise DPUs remained flat QoQ, we were particularly pleased with the increase in DPU for Traffic Puzzle (despite the post-acquisition handover period).



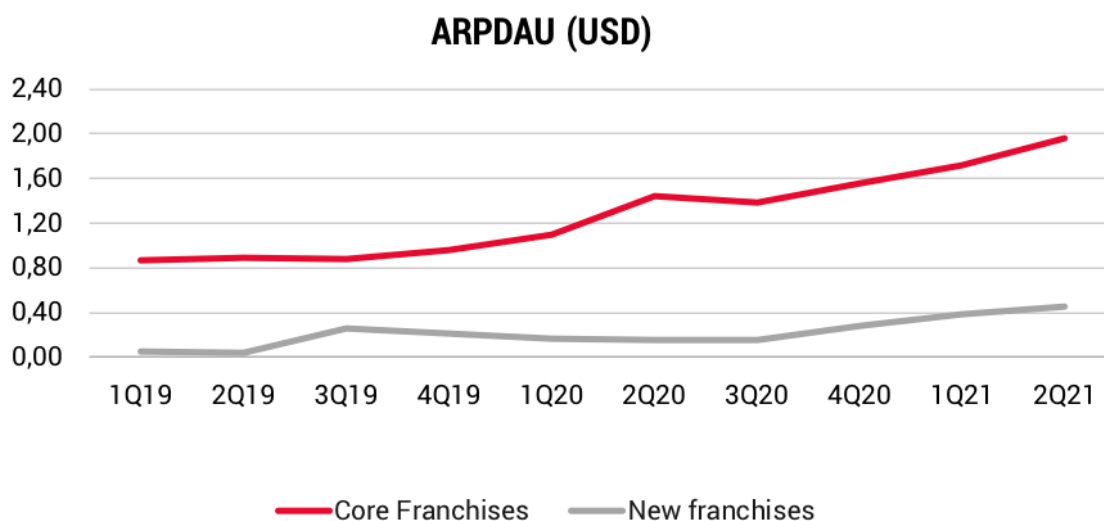
Monthly Paying Users

Our MPU dynamics exhibited similar trends to DPU (explained above).



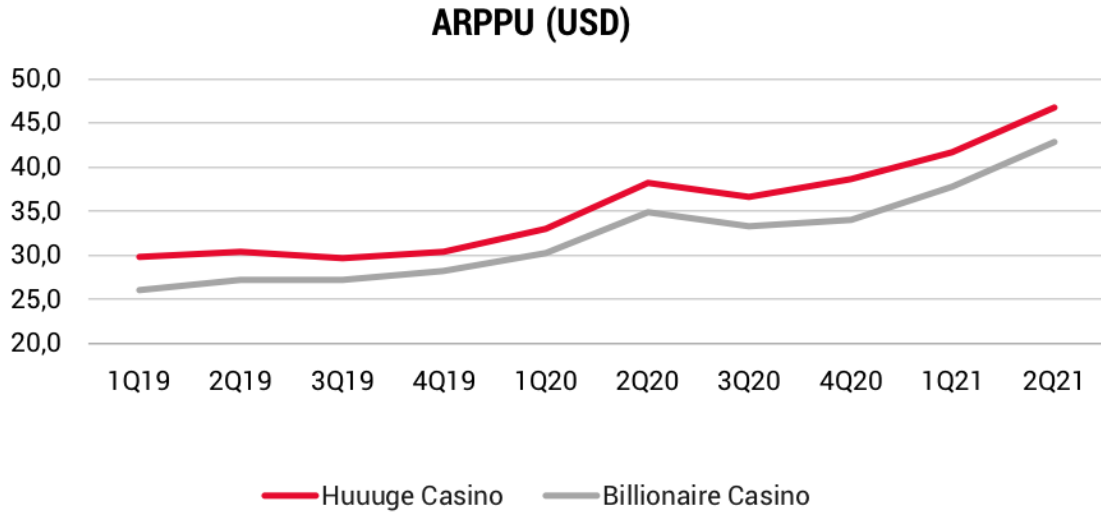
Average Revenue per Daily Active User

ARPPDAU indicates how well we monetize our games taking into account our whole player base. Thanks to our competences in marketing, as well as our technology, we have seen sustained growth in the monetization of our core games, i.e. Huuuge Casino and Billionaire Casino. These two games continued to exhibit ARPPDAU rates exceeding the category averages and we saw further improvement of this KPI in Q2 2021, both QoQ and YoY. Moreover, we saw a rapid improvement in ARPPDAU for our new franchises both YoY and QoQ – driven largely by the increasing weight of Traffic Puzzle in the portfolio. Worth highlighting is the fact that Traffic Puzzle is showing the top-decile level monetization metrics in its category (as per AppAnnie data) and we believe there is room for further improvement.



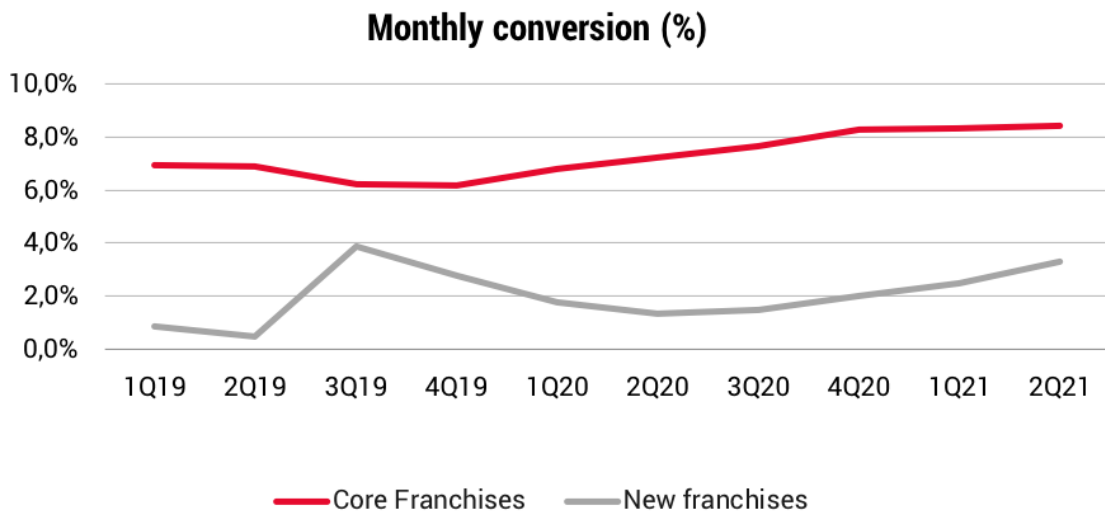
Daily Average Revenue per Paying User

In recent years, we have been able to consistently improve the ARPPU of our core franchises owing to the social features of our games as well as constant focus on live events and special offers. This trend continued in Q2 2021 and we saw another quarter of YoY and QoQ increase in ARPPU in both core franchises titles.



Monthly conversion

Monthly Conversion is an indicator of our ability to convert players into payers. In Q2 2021, the Monthly Conversion of our core franchises improved slightly on a QoQ basis. In our new franchises portfolio we saw material improvement driven by the success of Traffic Puzzle and the growing weight of this game in the portfolio.



7. Results of operations

The following table presents our consolidated statement of comprehensive income for the six-months period ended June 30, 2021 and June 30, 2020.

| in thousand USD | HY 2021 | HY 2020 | Change | Q2 2021 | Q2 2020 | Change |
|--|---------------|---------------|---------------|---------------|---------------|---------------|
| Revenue | 193,234 | 164,993 | 17.1% | 97,543 | 88,944 | 9.7% |
| Cost of sales | (56,807) | (49,795) | 14.1% | (28,736) | (26,807) | 7.2% |
| Gross profit/(loss) on sales | 136,427 | 115,198 | 18.4% | 68,807 | 62,137 | 10.7% |
| Sales and marketing expenses | (82,538) | (47,724) | 72.9% | (39,299) | (23,694) | 65.9% |
| <i>thereof user acquisition marketing campaigns</i> | (73,914) | (41,270) | 79.1% | (34,816) | (19,878) | 75.1% |
| <i>thereof general sales and marketing expenses</i> | (8,624) | (6,454) | 33.6% | (4,483) | (3,816) | 17.5% |
| Research and development expenses | (15,867) | (13,654) | 16.2% | (8,048) | (7,753) | 3.8% |
| General and administrative expenses | (20,133) | (10,232) | 96.8% | (10,099) | (4,511) | 123.9% |
| Other operating income/(expense), net | (145) | (245) | -40.8% | (120) | (325) | -63.1% |
| Operating result | 17,744 | 43,343 | -59.1% | 11,241 | 25,854 | -56.5% |
| Finance income | - | 471 | -100.0% | (120) | 422 | -128.4% |
| Finance expense | (43,053) | (11,560) | 272.4% | 529 | (8,578) | -106.2% |
| Profit/(loss) before tax | (25,309) | 32,254 | -178.5% | 11,650 | 17,698 | -34.2% |
| Income tax | (3,126) | (5,266) | -40.6% | (2,546) | (3,512) | -27.5% |
| Net result for the period | (28,435) | 26,988 | -205.4% | 9,104 | 14,186 | -35.8% |
| Exchange gains/(losses) on translation of foreign operations | (42) | (389) | -89.2% | 374 | 360 | 3.9% |
| Total comprehensive income for the period | (28,477) | 26,599 | -207.1% | 9,478 | 14,546 | -34.8% |

The following tables show the Alternative Performance Measures used by us as at the dates and for the periods indicated with a justification for their use. Please see below the definitions of the used measures and ratios.

| in thousand USD | HY 2021 | HY 2020 | Change | Q2 2021 | Q2 2020 | Change |
|---|---------------|---------------|---------------|---------------|---------------|---------------|
| EBITDA | 20,888 | 44,562 | -53.1% | 13,250 | 26,507 | -50.0% |
| EBITDA <i>margin (%)</i> | 10.8% | 27.0% | -16.2pp | 13.6% | 29.8% | -16.2pp |
| Adjusted EBITDA | 25,979 | 45,643 | -43.1% | 15,589 | 27,292 | -42.9% |
| Adjusted EBITDA <i>margin (%)</i> | 13.4% | 27.7% | -14.3pp | 16.0% | 30.7% | -14.7pp |
| Sales Profit | 62,513 | 73,928 | -15.4% | 33,991 | 42,259 | -19.6% |
| Sales Profit <i>margin (%)</i> | 32.4% | 44.8% | -12.4pp | 34.8% | 47.5% | -12.7pp |
| <i>User acquisition marketing campaigns as % of revenue</i> | 38.3% | 25.0% | 13.2pp | 35.7% | 22.3% | 13.3pp |
| Adjusted Net Result | 15,653 | 39,536 | -60.4% | 11,443 | 23,921 | -52.2% |
| Adjusted Net Result (%) | 8.1% | 24.0% | -15.9pp | 11.7% | 26.9% | -15.2pp |

EBITDA, Adjusted EBITDA, EBITDA margin, Adjusted EBITDA margin, Sales profit, Sales profit margin, User acquisition cost as % of revenue are supplemental measures of the financial and operating performance used by us that are not required by, or



prepared in accordance with IFRS. These measures are prepared by us because we believe they provide a view of our recurring operating performance that is unaffected by our capital structure and allow us to readily view operating trends and identify strategies to improve operating performance as well as assist investors and analysts in comparing our performance across reporting periods on a consistent basis by excluding items that we do not believe are critical for our core operating performance. In evaluating these measures, you should be aware that in the future we may incur expenses that are the same as or similar to some of the adjustments in this presentation. Our presentation of these measures should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items. Our use of each of these measures is as follows:

- We define **EBITDA** as the net result for the year adjusted for income tax, finance costs, finance income, and depreciation and amortization. The rationale for using the **EBITDA** is that it is a measure widely used by securities analysts, investors and other interested parties to evaluate the profitability of companies. **EBITDA** eliminates potential differences in performance caused by variations in capital structures (affecting finance costs and finance income), tax positions (such as the availability of net operating losses which offset taxable profits), the cost and age of property, plant and equipment (affecting the depreciation expense level) and the extent to which intangible assets are identifiable (affecting the amortization expense level).

- We define **Adjusted EBITDA** as **EBITDA** adjusted for events not related to the main activity of the Group and share-based payment expense. The rationale for using the **Adjusted EBITDA** is an attempt to show the **EBITDA** result after eliminating events not related to the main activity of the Group and items from the profit and loss account which are of a non-cash nature.

- We define **EBITDA margin** as the ratio of the **EBITDA** and Revenue. The rationale for using the **EBITDA margin** is that it is a measure of operational profitability widely used among securities analysts and investors, as well as the fact that **EBITDA** and **EBITDA margin** are internal measures used by us in the process of budgeting and management accounting.

- We define **Adjusted EBITDA margin** as the ratio of **Adjusted EBITDA** and Revenue. The rationale for using the **Adjusted EBITDA margin** is that it shows a measure of operating profitability after eliminating events not related to the main activity of the Group and items from the profit and loss account which are of a non-cash nature.

- We define **Sales Profit** (previously "Return on sales") as Gross profit/(loss) from the sales less the user acquisition costs. The rationale for using the **Sales Profit** is to show the profitability of sales in the value aspect after covering costs directly related to the generated revenue, mainly distribution costs (fees for owners of distribution platforms), server expenses and the user acquisition costs through paid advertising campaigns. Historically, we used to include in this measure the Cost of external marketing and sales expenses but beginning from the full year 2020 we decided to narrow the ratio to track profitability of revenue after covering User acquisition costs only, which is a narrower category than the previously used Cost of external marketing and sales expenses. For comparative purposes, the values presented for prior periods have been recalculated accordingly.

- We define **Sales profit margin** (previously "Sales margin") as the ratio of Sales profit and Revenue. The rationale for using the sales profit % is to show the profitability of sales as a percentage after covering variable costs directly related to the revenue generated, mainly distribution costs (fees for owners of distribution platforms), server expenses and the user acquisition costs through paid advertising campaigns.

- We define **User Acquisition cost as % of revenue** as the ratio of User acquisition costs and revenue. The rationale for using the **User Acquisition cost as % of revenues** is to show how much of our revenue we reinvest directly in maintaining and expanding our player base. Historically, we used to include the total cost of external marketing and sales services in that measure and beginning from the full year 2020 we decided to narrow the ratio to track the reinvestment of user acquisition costs only. For comparative purposes, the values presented for prior periods have been recalculated accordingly.

- We define **Adjusted net result** as the net result for the year adjusted for events not related to the main activity of the Group, share-based payment expense and financial expenses related to the revaluation of the liability related to Series C preferred shares.. The rationale for using the **Adjusted net result** is an attempt to show the Net result for the year after eliminating events not related to the main activity of the Group and items from the profit and loss account which are of a non-cash nature.

- We define **Adjusted net result %** as the ratio of the **Adjusted net result** and Revenue. The rationale for using the **Adjusted net result %** is an attempt to show the Net result for the year in percentage after eliminating events not related to the main activity of the Group and items from the profit and loss account which are of a non-cash nature.

The measures presented are not comparable to similarly titled measures used by other companies. We encourage you to review our financial information in its entirety and not to rely on a single financial measure.



Sales Profit and Sales Profit Margin

| in thousand USD | HY 2021 | HY 2020 | Change | Q2 2021 | Q2 2020 | Change |
|--------------------------------------|---------|---------|---------|---------|---------|---------|
| Revenue | 193,234 | 164,993 | 17.1% | 97,543 | 88,944 | 9.7% |
| Gross profit/(loss) on sales | 136,427 | 115,198 | 18.4% | 68,807 | 62,137 | 10.7% |
| User acquisition marketing campaigns | 73,914 | 41,270 | 79.1% | 34,816 | 19,878 | 75.1% |
| Sales profit | 62,513 | 73,928 | -15.4% | 33,991 | 42,259 | -19.6% |
| Sales profit % | 32.4% | 44.8% | -12.4pp | 34.8% | 47.5% | -12.7pp |

Adjusted EBITDA reconciliation

| in thousand USD | HY 2021 | HY 2020 | Change | Q2 2021 | Q2 2020 | Change |
|---|-----------------|---------------|----------------|---------------|---------------|----------------|
| Net result for the period | (28,435) | 26,988 | -205.4% | 9,104 | 14,186 | -35.8% |
| Income tax | 3,126 | 5,266 | -40.6% | 2,546 | 3,512 | -27.5% |
| Finance expense | 43,053 | 11,560 | 272.4% | (529) | 8,578 | -106.2% |
| Finance income | - | (471) | -100.0% | 120 | (422) | -128.4% |
| Depreciation and amortization | 3,144 | 1,219 | 157.9% | 2,009 | 653 | 207.7% |
| EBITDA | 20,888 | 44,562 | -53.1% | 13,250 | 26,507 | -50.0% |
| EBITDA Margin | 10.8% | 27.0% | -16.2pp | 13.6% | 29.8% | -16.2pp |
| Employee benefits costs – share-based plan ⁽¹⁾ | 5,091 | 1,081 | 371.0% | 2,339 | 785 | 198.0% |
| Adjusted EBITDA | 25,979 | 45,643 | -43.1% | 15,589 | 27,292 | -42.9% |
| Adjusted EBITDA Margin | 13.4% | 27.7% | -14.3pp | 16.0% | 30.7% | -14.7pp |

⁽¹⁾ “Employee benefits costs – share-based plan” is a non-cash expense related to the Company’s stock option plan and recognized in accordance with IFRS 2 Share-based Payment.

Adjusted Net Result

| in thousand USD | HY 2021 | HY 2020 | Change | Q2 2021 | Q2 2020 | Change |
|--|-----------------|---------------|----------------|---------------|---------------|---------------|
| Net result for the period | (28,435) | 26,988 | -205.4% | 9,104 | 14,186 | -35.8% |
| Employee benefits costs – share-based plan (1) | 5,091 | 1,081 | 371.0% | 2,339 | 785 | 198.0% |
| Series C shares revaluation | 38,997 | 11,467 | 240.1% | - | 8,950 | -100.0% |
| Adjusted Net Result | 15,653 | 39,536 | -60.4% | 11,443 | 23,921 | -52.2% |
| Adjusted Net Result % | 8.1% | 24.0% | -15.9pp | 11.7% | 26.9% | -5.1pp |

⁽¹⁾ “Employee benefits costs – share-based plan” is a non-cash expense related to the Company’s stock option plans and recognized in accordance with IFRS 2 Share-based Payment.



Revenue

Our revenue consists of revenue generated by in-app purchases in gaming applications and in-app advertising as shown in the table below for the periods under review together with the percentage change over such periods.

| in thousand USD | HY 2021 | HY 2020 | Change | Q2 2021 | Q2 2020 | Change |
|----------------------|----------------|----------------|--------------|---------------|---------------|-------------|
| Gaming applications | 185,851 | 162,928 | 14.1% | 94,034 | 87,665 | 7.3% |
| Advertising | 7,383 | 2,065 | 257.5% | 3,509 | 1,279 | 174.4% |
| Total revenue | 193,234 | 164,993 | 17.1% | 97,543 | 88,944 | 9.7% |

Revenue increased by USD 28,241 thousand, i.e. 17.1%, from USD 164,993 thousand for the six months ended June 30, 2020, to USD 193,234 thousand for the six months ended June 30, 2021.

The key driver for gaming applications uplift was an improvement in the monetization of our franchises, which more than offset a decline in DAU. The significant increase in advertising revenue resulted primarily from developing, launching and scaling of our new casual games monetized largely through in-app advertising.

Below we show the revenue analysed into main product groups:

| in thousand USD | HY 2021 | HY 2020 | Change | Q2 2021 | Q2 2020 | Change |
|--|----------------|----------------|---------------|---------------|---------------|---------------|
| Huuuge Casino | 111,309 | 101,235 | 10.0% | 56,302 | 54,865 | 2.6% |
| Billionaire Casino | 59,073 | 55,726 | 6.0% | 29,778 | 29,722 | 0.2% |
| Total Core Franchises | 170,382 | 156,961 | 8.6% | 86,080 | 84,587 | 1.8% |
| Traffic Puzzle | 15,887 | 4,235 | 275.1% | 8,294 | 2,059 | 302.8% |
| Other | 6,965 | 3,797 | 83.4% | 3,169 | 2,298 | 37.9% |
| Total New Franchises | 22,852 | 8,032 | 184.5% | 11,463 | 4,357 | 163.1% |
| Total revenue | 193,234 | 164,993 | 17.1% | 97,543 | 88,944 | 9.7% |
| - thereof games developed by external developers based on publishing contracts | 340 | 415 | -18.1% | 158 | 368 | -57.1% |

The main driver for the revenue growth in the core franchises of USD 13,421 thousand i.e. by 8.6% between HY 2020 and HY 2021 and of USD 1,493 thousand i.e. by 1.8% between Q2 2020 and Q2 2021, was an improvement in ARPDau, driven both by improving conversion rates as well as ARPPU as discussed in Key Performance Indicators section of this report.

With regards to Traffic Puzzle, its rapid revenue growth of USD 11,652 thousand i.e. by 275.1% between HY 2020 vs HY 2021 and of USD 6,235 thousand i.e. by 302.8% between Q2 2020 and Q2 2021 followed the continuous DAU expansion driven by the growing number of new installs coupled with improvement in game monetization.

The increase in Other revenue of USD 3,168 thousand i.e. by 83.4% between HY 2020 and HY 2021 and of USD 871 thousand i.e. by 37.9% between Q2 2020 and Q2 2021 resulted from growing revenue from Coffee Break Games and Stars Slots.

Operating expenses

The table below presents a breakdown of our operating expenses.

| in thousand USD | HY 2021 | HY 2020 | Change | Q2 2021 | Q2 2020 | Change |
|---|------------------|------------------|--------------|-----------------|-----------------|--------------|
| Cost of sales | (56,807) | (49,795) | 14.1% | (28,736) | (26,807) | 7.2% |
| Sales and marketing expenses: | (82,538) | (47,724) | 72.9% | (39,299) | (23,694) | 65.9% |
| <i>thereof user acquisition marketing campaigns</i> | (73,914) | (41,270) | 79.1% | (34,816) | (19,878) | 75.1% |
| <i>thereof general sales and marketing expenses</i> | (8,624) | (6,454) | 33.6% | (4,483) | (3,816) | 17.5% |
| Research and development expenses | (15,867) | (13,654) | 16.2% | (8,048) | (7,753) | 3.8% |
| General and administrative expenses | (20,133) | (10,232) | 96.8% | (10,099) | (4,511) | 123.9% |
| Total operating expenses | (175,345) | (121,405) | 44.4% | (86,182) | (62,765) | 37.3% |



Operating expenses for the six months ended June 30, 2021, increased by USD 53,940 thousand, i.e. by 44.4% compared to the six months ended June 30, 2020. This change resulted primarily from the increase in User Acquisition Marketing Campaigns constituting a dominant part of the Sales and Marketing expenses and it reflected the marketing strategy adopted for 2021 under which most of the marketing budget was allocated to the first half of the year. We also highlight that User Acquisition Marketing Campaigns expense in HY 2020 was particularly low both in relation to revenue and in absolute terms. In light of the Covid-19-related uncertainty we were cautious in allocating our User Acquisition budgets, especially in Q2 2020.

The second largest item of the operating expenses, i.e. cost of sales, is driven mostly by commissions to distributors (platform fees) and grew proportionately to our revenue from in-app purchases.

Our General and Administrative expenses increased by USD 9,901 thousand i.e. 96.8% between HY 2020 and HY 2021 and by USD 5,588 thousand, i.e. 123.9% between Q2 2020 and Q2 2021. The overall increase in General and administrative expenses can be attributed primarily to becoming and operating as a public company, as well as to the ongoing development of Huuuge operations. Those factors mainly impacted the following four cost categories:

- Salaries, which increased by USD 2,490 thousand between HY 2020 and HY 2021 and by USD 1,128 thousand between Q2 2020 and Q2 2021. The increase was primarily due to headcount extension in some back office teams such as: finance, HR and general management, as a consequence of the growing scale of operations and operating as a public company
- Employee stock option plan cost, which increased by USD 3,018 thousand between HY 2020 and HY 2021 and by USD 1,146 thousand between Q2 2020 and Q2 2021. The increase was primarily attributable to stock option grants to the employees in Q4 2020.
- Depreciation and amortization, which increased by USD 1,925 thousand between HY 2020 and HY 2021 and by USD 1,356 thousand between Q2 2020 and Q2 2021. The increase is attributable to increased amortization of intangible assets of USD 1,134 thousand resulting primarily from the amortization of the Traffic Puzzle game acquired on April 27, 2021, as well as to incremental depreciation of tangible assets of USD 791 thousand resulting mainly from the depreciation of new office space rental agreements under IFRS 16.
- Finance and legal services, which increased by USD 1,166 thousand between HY 2020 and HY 2021 and by USD 1,104 thousand between Q2 2020 and Q2 2021. The increase resulted primarily from incremental tax and accounting advisory services as well as the increased cost of insurance policies.

Profitability

Our sales profit has dropped by USD 11,415 thousand and the sales profit % by 12.4pp in HY 2021 compared to HY 2020 and by USD 8,268 thousand and 12.7 pp respectively in Q2 2021 compared to Q2 2020. This drop reflected the phasing of the User acquisition marketing campaigns cost throughout FY 2021 with the highest spend in Q1 of FY 2021 and then a gradual decrease in the following quarters. However, when comparing sales profit and sales profit % in Q2 2021 to Q1 2021 there is an opposite trend: the sales profit improved by USD 5,469 thousand and the sales profit % increased by 5.0pp, which again reflected the phasing of the User acquisition marketing campaigns throughout FY 2021.

A similar trend is demonstrated by our adjusted EBITDA. The adjusted EBITDA decreased by USD 19,664 thousand and adjusted EBITDA% decreased by 14.3pp in HY 2021 compared to HY 2020, and by USD 11,703 thousand and 14.7pp, respectively, in Q2 2021 compared to Q2 2020. This decline reflected the increase in operating expenses as discussed in the Operating expenses section of this report. However, when comparing adjusted EBITDA and the adjusted EBITDA % in Q2 2021 to Q1 2021 there is an opposite trend: adjusted EBITDA improved by USD 5,199 thousand and the adjusted EBITDA % by 5.1pp mostly due to USD 3,940 thousand lower sales and marketing expenses and by improved gross profit on sales of USD 1,187 thousand between Q1 2021 and Q2 2021

Finance expenses, net

| in thousand USD | HY 2021 | HY 2020 | Change | Q2 2021 | Q2 2020 | Change |
|-----------------------------|-----------------|-----------------|---------------|------------|----------------|----------------|
| Finance income | - | 471 | -100.0% | (120) | 422 | -128.4% |
| Finance expense | (43,053) | (11,560) | 272.4% | 529 | (8,578) | -106.2% |
| Finance expense, net | (43,053) | (11,089) | 288.2% | 409 | (8,156) | -105.0% |



Finance expenses, net for the six months ended June 30, 2021 increased by USD 31,946 thousand, i.e. by 288.2% (to USD 43,053 thousand for HY 2021 from USD 11,089 thousand for HY 2020), mainly as a result of the remeasurement of the fair value of Series C preferred shares (financial expense of USD 38,997 thousand for the six-month period ended June 30, 2021, compared to USD 11,467 thousand for the six-month period ended June 30, 2020), as well as a loss of USD 2,662 thousand on a foreign exchange forward contract. For more details, please refer to the Finance income and finance expense section of the Interim Condensed Consolidated Financial Statements for the six-month period ended June 30, 2021. It is worth noting that the financial expense related to the remeasurement of the fair value of Series C preferred shares reported in HY 2021 can be fully attributed to the first quarter of the financial year as the conversion of Series C preferred shares into common shares took place on February 5, 2021, upon which those shares are no longer recognized as a financial liability.

Net Financial Debt

The table below presents the Net Financial Debt of the Company as at June 30, 2021 and December 31, 2020. We have also presented Adjusted Net Financial Debt to give effect as at December 31, 2020 with respect to the conversion of Series C preferred shares into common shares as at February 5, 2021, upon which those shares are no longer recognized as a financial liability.

| in thousand USD | As at June 30, 2021 | As at December 31, 2020 |
|---|---------------------|-------------------------|
| Cash and cash equivalents ¹ | 180,352 | 94,158 |
| Short-term lease liabilities | 2,580 | 2,779 |
| Net current financial indebtedness | (177,772) | (91,379) |
| Long-term lease liabilities | 4,671 | 6,282 |
| Preferred shares ² | - | 176,606 |
| Non-current financial indebtedness | 4,671 | 182,888 |
| Net financial debt | (173,101) | 91,509 |
| Adjustment or Preferred shares financial liability ³ | - | (176,606) |
| Adjusted Net financial debt | (173,101) | (85,097) |

1. Includes cash in money market investment funds

2. Represents the fair value of Series C preferred shares

3. The effect of the conversion of Series C preferred shares into common shares as at February 5, 2021, upon which such shares will no longer be recognized as a financial liability

There have been two material changes to indebtedness and liquidity of the Group between December 31, 2020 and June 30, 2021:

- conversion of Series C preferred shares into common shares as at February 5, 2021, upon which such shares are no longer recognized as a financial liability, therefore decreasing the Net Debt reported as at June 30, 2021. As the conversion took place in Q1 2021 there was no additional impact in Q2 of this financial year; and
- the completion of the Initial Public Offering which provided the Company with net proceeds of approximately USD 101 million (net of costs and stabilization actions), increased liquidity and decreased the Net Debt reported as at June 30, 2021.



Statement of Financial Position

Selected Consolidated Statements of Financial Position

| in thousand USD | As at June 30, | | As at December 31, | |
|--------------------------------------|----------------|--------------|--------------------|---------------|
| | 2021 | Structure | 2020 | Structure |
| ASSETS | | | | |
| Total non-current assets, incl: | 55,574 | 20.4% | 17,347 | 12.2% |
| Right-of-use assets | 6,607 | 2.4% | 8,646 | 6.1% |
| Goodwill | 2,747 | 1.0% | 2,838 | 2.0% |
| Intangible assets | 40,641 | 14.9% | 1,459 | 1.0% |
| Total current assets, incl: | 216,796 | 79.6% | 124,485 | 87.8% |
| Trade and other receivables | 35,889 | 13.2% | 29,226 | 20.6% |
| Cash and cash equivalents | 180,352 | 66.2% | 94,158 | 66.4% |
| Total assets | 272,370 | 100% | 141,832 | 100.0% |
| EQUITY | | | | |
| Total equity | 200,305 | 73.5% | (96,008) | -67.7% |
| LIABILITIES | | | | |
| Total non-current liabilities, incl: | 4,671 | 1.7% | 183,019 | 129.0% |
| Preferred shares | - | 0.0% | 176,606 | 124.5% |
| Total current liabilities, incl: | 67,394 | 24.7% | 54,821 | 38.7% |
| Trade and other payables | 58,479 | 21.5% | 37,797 | 26.6% |
| Total equity and liabilities | 272,370 | 100% | 141,832 | 100.0% |

Assets

Total assets increased by USD 130,538 thousand, i.e. 92.0% from USD 141,832 thousand as at December 31, 2020, to USD 272,370 thousand as at June 30, 2021.

The structure of total assets mostly remained unchanged except for the increase in intangible assets, i.e., total assets mainly comprised the following items: (i) cash and cash equivalents (accounting for 66.2% and 66.4% of total assets as at June 30, 2021, and December 31, 2020, respectively); and (ii) trade and other receivables accounting for 13.2% and 20.6% of total assets as at June 30, 2021, and December 31, 2020, respectively), (iii) intangible assets (accounting for 14.9% and 1.0% of total assets as at June 30, 2021, and December 31, 2020, respectively)

The increase in total assets resulted from: (i) an increase in total current assets of USD 92,311 thousand, i.e. 74.2%, from USD 124,485 thousand as at December 31, 2020, to USD 216,796 thousand as at June 30, 2021 mainly due to a significant increase in cash and cash equivalents related to the net proceeds from IPO and an increase in trade receivables (resulting from changes with different calendar payments from distributors, mainly Apple), and (ii) an increase in total non-current assets of USD 38,227 thousand, i.e. 220.37%, from USD 17,347 thousand as at December 31, 2020, to USD 55,574 thousand as at June 30, 2021 mainly due to the acquisition of the Traffic Puzzle game (described in the Significant achievements or failures section) that was recognized as an intangible asset.

Liabilities

Total liabilities decreased by USD 165,774 thousand, i.e. 69.7% from USD 237,840 thousand as at December 31, 2020, to USD 72,065 thousand as at June 30, 2021.



The structure of total liabilities changed due to the conversion of Series C preferred shares into common shares which are described in Note 15 Conversion of Series C preferred shares to the Interim Condensed Consolidated Financial Statements.

As at June 30, 2021 total liabilities mainly comprised trade and other payables (accounting for 81.1% of total liabilities). The increase in trade and other payables of USD 20,682 thousand, i.e. 54.72%, is related to deferred payments for the Traffic Puzzle game as described in Note 9 Intangible assets to the Interim Condensed Consolidated Financial Statements.

As at December 31, 2020 total liabilities mainly comprised the following items: (i) preferred shares accounting for 74.3% of total liabilities, and (ii) trade and other payables accounting for 15.9% of total liabilities).

Cash Flows And Liquidity

The following table summarizes selected net cash flows from operating, investing and financing activities for the six-month period ended June 30, 2021 compared to the six-month period ended June 31, 2020 and for Q2 2021 compared to Q2 2020.

| in thousand USD | HY 2021 | HY 2020 | Change | Q2 2021 | Q2 2020 | Change |
|--|-----------------|----------------|-------------------|-----------------|----------------|----------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | | |
| Profit/(loss) before tax | (25,309) | 32,254 | -178.5% | 11,650 | 17,698 | -34.2% |
| Adjustments for: | | | | | | |
| Total of non-cash changes in interest, depreciation, amortization, FX differences, prepayments and profits on disposal | 7,236 | 925 | 682.3% | 3,587 | 1,430 | 150.8% |
| Non-cash employee benefits expense - share-based payments | 5,088 | 1,081 | 370.7% | 2,336 | 785 | 197.6% |
| Non-cash remeasurement of preference shares liability - finance expense | 38,997 | 11,467 | 240.1% | 0 | 8,950 | -100.0% |
| Changes in net working capital | (23,414) | (2,821) | 730.0% | (7,343) | (2,501) | 193.6% |
| Cash flows from operating activities | 2,598 | 42,906 | -93.9% | 10,230 | 26,362 | -61.2% |
| Income tax paid | (2,407) | (121) | >999.9% | (1,750) | 127 | <-999.9% |
| Net cash flows from operating activities | 191 | 42,785 | -99.6% | 8,480 | 26,489 | -68.0% |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | | |
| Acquisition of property, plant and equipment and intangible assets | (2,477) | (1,098) | 125.6% | (1,913) | (478) | 300.2% |
| Acquisition of subsidiaries, net of cash acquired | | (1,064) | -100.0% | | (1,064) | -100.0% |
| Acquisition of IP rights | (9,500) | | 100.0% | (9,500) | | 100.0% |
| Net cash from investing activities | (11,977) | (2,092) | 472.5% | (11,413) | (1,539) | 641.6% |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | | | |
| Proceeds from issue of common shares for public subscription | 152,929 | - | 100.0% | | | |
| Execution of stabilization option | (43,976) | - | 100.0% | | | |
| Transaction costs of the issue of equity instruments | (7,097) | - | 100.0% | (109) | - | 100.0% |
| Proceeds from issue of shares | - | 9,681 | -100.0% | | | |
| Repurchase of own shares | - | - | | | | |
| Net cash from financing activities | 98,152 | 8,587 | >999.9% | (468) | (587) | -20.3% |
| Net increase/(decrease) in cash and cash equivalents | 86,366 | 49,280 | 75.3% | (3,401) | 24,363 | -114.0% |



Net cash flows from operating activities

Net cash inflows from operating activities for the six-month period ended June 30, 2021 amounted to USD 191 thousand and decreased by USD 42,594 thousand, from cash inflows of USD 42,785 thousand for the six-month period ended June 30, 2020.

The changes in net cash flows from operating activities are primarily attributable to an unfavorable change in net working capital of USD 23,414 thousand. The change in net working capital mainly resulted from: (i) decrease in trade and other payables amounting to USD 7,793 thousand (excluding the deferred payments related to the acquisition of the Traffic Puzzle game), during the six-month period ended June 30, 2021, compared to the increase of trade and other payables of USD 6,778 thousand during the six-month period ended June 30, 2020, and (ii) the settlement of the Washington court case (USD 6,500 thousand), and (iii) utilization of other provisions (USD 1,259 thousand), as explained in Note 18 – Provisions to the Interim Condensed Consolidated Financial Statements.

Net cash flows from investing activities

Net cash outflows from investing activities for the six-month period ended June 30, 2021 amounted to USD 11,977 thousand and increased by USD 9,885 thousand, from outflows amounting to USD 2,092 thousand for the six-month period ended June 30, 2020. The changes in net cash flows from investing activities are mainly attributable to the settlement of the first payment for the Traffic Puzzle game.

Net cash flows from financing activities

Net cash inflows from financing activities for the six-month period ended June 30, 2021 amounted to USD 98,152 thousand and increased by USD 89,565 thousand, from USD 8,587 thousand for the six-month period ended June 30, 2020. The changes in net cash flows from financing activities are mainly attributable to: (i) proceeds from the subscribed common shares issued for the public offering subscription in the amount of USD 152,929 thousand offset by (ii) transaction costs incurred related to the issue of equity instruments of USD 7,097 thousand, and (iii) funds used for the execution of the stabilization option in the amount of USD 43,976 thousand.

8. Unusual events significantly affecting the financial statements

Unusual events, due to their nature, value or frequency, which significantly affected the Group's assets, liabilities, equity as at June 30, 2021, net result, and cash flows for the six-month period ended June 30, 2021 were as follows:

- Initial Public Offering, and execution of the stabilization option, described in Note 13 Share Capital to the Interim Condensed Consolidated Financial Statements.
- Revaluation and conversion of series C preferred shares described in Note 15 Conversion of series C preferred shares to the Interim Condensed Consolidated Financial Statements.
- Redemption of treasury shares described in Note 13 Share Capital to the Interim Condensed Consolidated Financial Statements.
- Acquisition of the Traffic Puzzle game described in Note 9 Intangible assets to the Interim Condensed Consolidated Financial Statements.

9. Possibility of accomplishing previously published forecasts

The Issuer does not publish financial forecasts.

10. Significant proceedings pending in the court

Neither the Issuer nor any of its subsidiaries were, as at June 30, 2021, or as at the date of issuing the financial statements, a party to any significant court or arbitration proceedings or before any public authority.



Details of the one significant court case completed in the six-month period ended June 30, 2021 are further described in Note 18 – Provisions to the Interim Condensed Consolidated Financial Statements.

11. Transactions with related parties

Information regarding transactions with related entities is in Note 20 – Related Party Transactions to the Interim Condensed Consolidated Financial Statement.

12. Granted sureties, loans, guarantees

There are no significant sureties, loans or guarantees granted by the Issuer.

13. Significant events after the balance sheet date

Significant events that occurred after the balance sheet date are presented in the Interim Condensed Consolidated Financial Statement for the period in Note 23 – Subsequent events.

14. Other information important for the assessment of the human resources, property, financial situation, financial result and their changes and information important for the assessment of the issuer's ability to meet its obligations.

After the Company's IPO, which took place in February 2021, we have bolstered our balance sheet with additional proceeds, thus having \$180.4m in cash & cash equivalents as at June 30, 2021. This not only secures our ability to meet our obligations but also gives us significant capacity to execute on our "Build & Buy" strategy and pursue further acquisitions. There is no other significant information of the above nature in the Issuer's Group on June 30, 2021.





Board of Directors' Statement



Board of Directors Statement

Pursuant to the requirements of the Regulation of the Minister of Finance of 29 March 2018 on current and periodic information provided by issuers of securities and on conditions under which information required by legal regulations of a non-member state may be recognized as equivalent, the Board of Directors of Huuuge, Inc. hereby represents that:

- 1) to the best of its knowledge the semi-annual condensed consolidated and stand-alone condensed financial statements and the comparative information were prepared in accordance with the currently effective accounting principles;
- 2) they reflect, in a true, fair and clear manner, the financial position results of the Company and the Group and the semi-annual Board of Directors' report on activities contains a true image of the Company's and the Group's development, achievements and standing, including a description of the basic risks and threats.

On behalf of the Board of Directors

Anton Gauffin

President and CEO of Huuuge, Inc

Unanimous Written Consent Of The Board Of Directors Of Huuuge, Inc.

September 13, 2021

The undersigned, being all of the members of the Board of Directors (the "Board") of HUUUGE, INC., a Delaware corporation (the "Company"), following diligent review of the facts and related documents, have not uncovered any information to indicate that the Company should not execute the measures covered by this consent and, therefore, do hereby adopt the following resolutions by unanimous written consent (the "Board Consent") in lieu of a meeting in accordance with Section 141(f) of the Delaware General Corporation Law ("DGCL") and the Bylaws of the Company, and further waive any and all notices that may be required to be given with respect to a meeting of the directors of the Company:

Whereas, the Company's President, Anton Gauffin, and the Company's Treasurer, Grzegorz Kania, have presented to the Board the interim consolidated financial statements of the Company for the six-month period ended June 30, 2021 ("Consolidated Financial Statements"), the interim standalone financial statements of the Company for the six-month period ended June 30, 2021 ("Standalone Financial Statements") and the consolidated interim report for the six-month period ended June 30, 2021 (including certain representations of the Board to this report which are included herein in the document titled "Board of Directors' statements") ("Semi-Annual Report" and together with the Consolidated Financial Statements and Standalone Financial Statements, the "Reports") as attached herein as Exhibit A to this Board Consent; and

Whereas, the Company desires to approve and publish the Reports;

Whereas, the Board is required to make certain representations under the Semi-Annual Report;

Whereas, the Board has reviewed the Reports and intends with this Board Consent to give to Anton Gauffin authorization to issue and execute the Reports on behalf of the Company.



Now, Therefore, it being in the best interest of the Corporation, it is hereby:

Resolved, that the Reports substantially in the form attached herein as Exhibit A to this Board Consent are hereby approved and Mr. Anton Gauffin is authorized to issue and execute the Reports on behalf of the Company as the Company's President and CEO;

Resolved further, that Mr. Anton Gauffin is authorized to execute on behalf of the Company the Reports substantially in the form attached herein as Exhibit A to this Board Consent, but with such changes and additions as Mr. Grzegorz Kania or Mr. Anton Gauffin may deem to be in the best interests of the Company (such determination that a change or addition is in the best interests of the Company to be conclusively evidenced by Mr. Anton Gauffin's or Mr. Grzegorz Kania's or his or their designee's execution of the modification, provided that notice is provided to the Board of any changes to the Reports that deviate from Exhibit A in a reasonable time after the Reports have been executed);

Resolved further, that Mr. Anton Gauffin, or any of his designee, as an authorized representative of the Company, is individually further authorized and directed to file the Reports, with all exhibits thereto, and other documents in connection therewith, with the Polish Financial Supervision Authority (*Komisja Nadzoru Finansowego*) and to take all such further actions and to execute and deliver all such instruments and documents in the name and on behalf of the Company, and under corporate seal or otherwise, as in the individual's judgment shall be necessary, proper, or advisable in order to fully carry out the intent and to accomplish the purposes of the foregoing resolutions; and

Finally resolved, that any and all actions of Mr. Anton Gauffin and any of his agents or designees in pursuant to, or in furtherance of the intent and purposes of the foregoing resolutions, including prior to the date of the foregoing resolutions adopted hereby that are within the authority conferred thereby are hereby ratified, confirmed and approved as the acts and deeds of the Company.

The undersigned constituting all of the members of the Board do hereby consent to and approve the adoption of the foregoing resolutions effective as of the date first written above. This consent may be executed in any number of counterparts, each of which shall be deemed an original and all of which together shall constitute one instrument. This consent may be executed by way of either digital or electronic signatures.

Board Of Directors

Anton Gauffin

John Salter

Henric Suuronen

Rod Cousens





HUUUGE

Play Together.

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