
# The Huuuge Inc. Group Interim Condensed Consolidated Financial Statements

as at and for the six-month period ended June 30, 2021

# Table of contents

## Interim condensed consolidated statement of comprehensive income

| | Note | Six-month period ended June 30, 2021 Unaudited | Six-month period ended June 30, 2020 Unaudited |
|---|---|---|---|
| **Revenue** | 5 | **193,234** | **164,993** |
| Cost of sales | 6 | (56,807) | (49,795) |
| **Gross profit on sales** | | **136,427** | **115,198** |
| Sales and marketing expenses: | 6 | (82,538) | (47,724) |
| *thereof User acquisition marketing campaigns* | 6 | *(73,914)* | *(41,270)* |
| *thereof General sales and marketing expenses* | 6 | *(8,624)* | *(6,454)* |
| Research and development expenses | 6 | (15,867) | (13,654) |
| General and administrative expenses | 6 | (20,133) | (10,232) |
| Other operating income/(expense), net | | (145) | (245) |
| **Operating result** | | **17,744** | **43,343** |
| Finance income | 7 | - | 471 |
| Finance expense | 7 | (43,053) | (11,560) |
| **Profit/(loss) before tax** | | **(25,309)** | **32,254** |
| Income tax | 8 | (3,126) | (5,266) |
| **Net result for the period** | | **(28,435)** | **26,988** |
| | | | |
| **Other comprehensive income** | | | |
| **Items that can be later reversed in profit or loss** | | | |
| Exchange gains/(losses) on translation of foreign operations | | (42) | (389) |
| **Total other comprehensive income** | | **(42)** | **(389)** |
| | | | |
| **Total comprehensive income for the period** | | **(28,477)** | **26,599** |
| | | | |
| **Net result for the period attributable to:** | | | |
| owners of the Parent | | (28,435) | 26,988 |
| non-controlling interest | | | - |
| | | | |
| **Total comprehensive income for the period attributable to:** | | | |
| owners of the Parent | | (28,477) | 26,599 |
| non-controlling interest | | | - |
| **Earnings per share (in USD)** | | | |
| Basic | 11 | (0.38) | 0.48 |
| Diluted | 11 | (0.38) | 0.43 |

Huuuge, Inc. 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. All amounts in tables presented in thousand USD, except where stated otherwise.

## Interim condensed consolidated statement of financial position

| | Note | As of June 30, 2021 Unaudited | As of December 31, 2020 Audited |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | | 2,627 | 2,703 |
| Right-of-use assets | 16 | 6,607 | 8,646 |
| Goodwill | | 2,747 | 2,838 |
| Intangible assets | 9 | 40,641 | 1,459 |
| Deferred tax assets | | 1,660 | 899 |
| Other long-term assets | | 1,292 | 802 |
| **Total non-current assets** | | **55,574** | **17,347** |
| | | | |
| **Current assets** | | | |
| Trade and other receivables | | 35,889 | 29,226 |
| Corporate income tax receivable | | 555 | 1,101 |
| Cash and cash equivalents | 10 | 180,352 | 94,158 |
| **Total current assets** | | **216,796** | **124,485** |
| | | | |
| **Total assets** | | **272,370** | **141,832** |
| | | | |
| **Equity** | | | |
| Share capital | 13 | 2 | 2 |
| Treasury shares | 13 | (43,976) | (33,994) |
| Supplementary capital | | 344,498 | 14,814 |
| Employee benefit reserve | 14 | 13,140 | 8,052 |
| Foreign exchange reserve | | 1,257 | 1,299 |
| Retained earnings/(accumulated losses) | | (114,616) | (86,181) |
| **Total equity** | | **200,305** | **(96,008)** |
| *Equity attributable to owners of the Company* | | *200,305* | *(96,008)* |
| *Non-controlling interests* | | *-* | *-* |
| | | | |
| **Non-current liabilities** | | | |
| Preference shares | 15 | - | 176,606 |
| Long-term lease liabilities | 16 | 4,671 | 6,282 |
| Deferred tax liabilities | | - | 131 |
| **Total non-current liabilities** | | **4,671** | **183,019** |
| | | | |
| **Current liabilities** | | | |
| Trade and other payables | | 58,479 | 37,797 |
| Deferred income | | 2,651 | 3,360 |
| Corporate income tax liabilities | | 3,684 | 3,126 |
| Short-term lease liabilities | 16 | 2,580 | 2,779 |
| Other provisions | 18 | - | 7,759 |
| **Total current liabilities** | | **67,394** | **54,821** |
| | | | |
| **Total equity and liabilities** | | **272,370** | **141,832** |

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

Huuuge, Inc. 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. All amounts in tables presented in thousand USD, except where stated otherwise.

## Interim condensed consolidated statement of changes in equity

| | Note | Share capital | Treasury shares | Supplementary capital | Employee benefit reserve | Retained earnings | Foreign exchange reserve | Equity attributable to owners | Non-controlling interest | Equity |
|---|---|---|---|---|---|---|---|---|---|---|
| **As of January 1, 2021, audited** | | **2** | **(33,994)** | **14,814** | **8,052** | **(86,181)** | **1,299** | **(96,008)** | **-** | **(96,008)** |
| *Net profit (loss) for the period* | | - | - | - | - | *(28,435)* | - | *(28,435)* | - | *(28,435)* |
| *Other comprehensive income - foreign currency exchange gains/(losses)* | | - | - | - | - | - | *(42)* | *(42)* | - | *(42)* |
| **Total comprehensive income for the period** | | - | - | - | - | **(28,435)** | **(42)** | **(28,477)** | - | **(28,477)** |
| Shares issued/(repurchased) | 13 | 0 | (43,976) | 152,929 | - | - | - | 108,953 | - | 108,953 |
| Exercise of stock options | 13, 14 | - | - | 3 | - | - | - | 3 | - | 3 |
| Employee share schemes - value of employee services | 14 | - | - | - | 5,055 | - | - | 5,055 | - | 5,055 |
| Earn-out consideration – value of employee services | 14 | - | - | - | 33 | - | - | 33 | - | 33 |
| Conversion of preference shares | 15 | 0 | - | 215,603 | - | - | - | 215,603 | - | 215,603 |
| Redemption of treasury shares | 13 | - | 33,994 | (33,994) | - | - | - | - | - | - |
| Transaction costs of an issuance of equity instruments | | - | - | (4,857) | - | - | - | (4,857) | - | (4,857) |
| **As of June 30, 2021, unaudited** | | **2** | **(43,976)** | **344,498** | **13,140** | **(114,616)** | **1,257** | **200,305** | **-** | **200,305** |

Huuuge, Inc. 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. All amounts in tables presented in thousand USD, except where stated otherwise.

| | Note | Share capital | Treasury shares | Supplementary capital | Employee benefit reserve | Retained earnings | Foreign exchange reserve | Equity attributable to owners | Non-controlling interest | Equity |
|---|---|---|---|---|---|---|---|---|---|---|
| **As of January 1, 2020, audited** | | **2** | **(36,604)** | **13,725** | **4,294** | **(2,052)** | **808** | **(19,827)** | **-** | **(19,827)** |
| *Net profit (loss) for the period* | | - | - | - | - | *26,988* | - | *26,988* | - | *26,988* |
| *Other comprehensive income - foreign currency exchange gains/(losses)* | | - | - | - | - | - | *(389)* | *(389)* | - | *(389)* |
| **Total comprehensive income for the period** | | **-** | **-** | **-** | **-** | **26,988** | **(389)** | **26,599** | **-** | **26,599** |
| Shares issued/(repurchased) | 13 | - | 8,234 | **-** | **-** | **-** | **-** | 8,234 | - | 8,234 |
| Exercise of stock options | 13, 14 | - | - | 4 | - | - | - | 4 | - | 4 |
| Acquisition of a subsidiaries (payment in treasury shares reissued) | | - | 315 | 113 | - | - | - | 428 | | 428 |
| Employee share schemes - value of employee services | 14 | - | - | - | 1,081 | - | - | 1,081 | - | 1,081 |
| **As of June 30, 2020, unaudited** | | **2** | **(28,055)** | **13,842** | **5,375** | **24,936** | **419** | **16,519** | **-** | **16,519** |

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

Huuuge, Inc. 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. All amounts in tables presented in thousand USD, except where stated otherwise.

## Interim condensed consolidated statement of cash flows

| | Note | Six-month period ended June 30, 2021 Unaudited | Six-month period ended June 30, 2020 Unaudited |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| **Profit/(loss) before tax** | | **(25,309)** | **32,254** |
| **Adjustments for:** | | | |
| Depreciation and amortization | 6 | 3,144 | 1,219 |
| Finance (income)/cost, net | | 3,105 | (275) |
| (Profit)/loss on disposal of property, plant and equipment | | 863 | (19) |
| Non-cash employee benefits expense – share-based payments | 14 | 5,088 | 1,081 |
| Remeasurement of preference shares liability - finance expense | 7 | 38,997 | 11,467 |
| Other adjustments | | 124 | - |
| *Changes in net working capital:* | | | |
| Trade and other receivables, and other long-term assets | | (7,153) | (10,002) |
| Trade and other payables | 17 | (7,793) | 6,778 |
| Deferred income | | (709) | (525) |
| Other provisions | 18 | (7,759) | 478 |
| Other adjustments | | - | 450 |
| **Cash flows from operating activities** | | **2,598** | **42,906** |
| Income tax paid | | (2,407) | (121) |
| **Net cash flows from operating activities** | | **191** | **42,785** |
| **Cash flows from investing activities** | | | |
| Acquisition of property, plant and equipment | | (596) | (668) |
| Software expenditure | | (1,881) | (430) |
| Acquisition of subsidiaries, net of cash acquired | | - | (1,064) |
| Acquisition of IP rights | | (9,500) | - |
| Interest received | | - | 70 |
| **Net cash from investing activities** | | **(11,977)** | **(2,092)** |
| **Cash flows from financing activities** | | | |
| Proceeds from issue of common shares for public subscription | 13 | 152,929 | - |
| Execution of stabilization option | 13 | (43,976) | - |
| Transaction costs of an issuance of equity instruments | | (7,097) | - |
| Loss on foreign exchange forward contract | 7 | (2,662) | - |
| Proceeds from issue of common shares and shares series A and B | 13 | - | 8,234 |
| Proceeds from issue of share series C | 13 | - | 1,447 |
| Lease repayment | 16 | (1,377) | (1,005) |
| Interest paid | 16 | (353) | (93) |
| Exercise of stock options | | 688 | 4 |
| **Net cash from financing activities** | | **98,152** | **8,587** |
| **Net increase/(decrease) in cash and cash equivalents** | | **86,366** | **49,280** |
| Effect of exchange rate fluctuations | | (172) | (106) |
| **Cash and cash equivalents at the beginning of the period** | | **94,158** | **26,270** |
| **Cash and cash equivalents at the end of the period** | | **180,352** | **75,444** |

The accompanying notes are an integral part of these interim condensed consolidated financial statements

Huuuge, Inc. 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. All amounts in tables presented in thousand USD, except where stated otherwise.

# Notes to the interim condensed consolidated financial statements

# 1. General information

Huuuge Inc. (hereinafter the "Company", the "Parent Company") is a company registered in the United States of America. The Company'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 with a notary deed on February 11, 2015.

As of June 30, 2021 and December 31, 2020 the Huuuge Inc. Group (the Company and its subsidiaries collectively referred to as the "Group") comprised the Parent Company and its subsidiaries, as listed below.

| Name of entity | Registered seat | Activities | Parent Company's share in capital | |
|---|---|---|---|---|
| | | | **As of June 30, 2021 Unaudited** | **As of December 31, 2020 Audited** |
| Huuuge Games Sp. z o.o. | Szczecin, Poland | games development and operations | 100% | 100% |
| Huuuge Global Ltd | Larnaca, Cyprus | games distribution, user acquisition | 100% | 100% |
| Huuuge Labs GmbH | Berlin, Germany | games development, R&D | 100% | 100% |
| Huuuge Digital Ltd | Tel Aviv, Israel | games development, R&D | 100% | 100% |
| Huuuge Tap Tap Games Ltd | Hong Kong | games development, user acquisition | 100% | 100% |
| Huuuge Publishing Ltd | Larnaca, Cyprus | games distribution | 100% | 100% |
| Coffee Break Games Ltd | Larnaca, Cyprus | games distribution | 100% | 100% |
| Huuuge Mobile Games Ltd | Dublin, Ireland | games distribution, user acquisition | 100% | 100% |
| Billionaire Games Ltd | Dublin, Ireland | games distribution, user acquisition | 100% | 100% |
| Coffee Break Games United Ltd | Dublin, Ireland | games distribution, user acquisition | 100% | 100% |
| Fun Monkey Games Ltd | Dublin, Ireland | games distribution, user acquisition | 100% | 100% |
| Playable Platform B.V. | Amsterdam, Netherlands | games advertisement | 100% | 100% |
| Double Star Oy | Vantaa, Finland | games development | 100% | 100% |
| Huuuge Pop GmbH | Berlin, Germany | games development | 100% | 100% |

The core business activities of the Group include:

- development of mobile games in the free-to-play model,
- user acquisition and distribution of mobile games.

The Group's business activities are not subject to significant seasonal or cyclical trends

Huuuge, Inc. 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. All amounts in tables presented in thousand USD, except where stated otherwise.

**Composition of the Company's Board of Directors as of June 30, 2021 and as of the date of signing of these interim condensed consolidated financial statements**

The Company's Board of Directors consists of Chief Executive Officer, who is also director, and non-executive directors.

Directors have annual terms of duty and serve until the successors are duly elected. The preference shareholders have the right to appoint certain directors.

As of June 30, 2021 and as of the date of signing of these interim condensed consolidated financial statements, Chief Executive Officer and executive director was Mr Anton Gauffin.

On February 3, 2021, the following directors were elected, and after this change, as of June 30, 2021 and as of the date of signing of these interim condensed consolidated financial statements non-executive directors were:

- Henric Suuronen, director,
- Krzysztof Kaczmarczyk, director,
- John Salter, director,
- Rod Cousens, director.

## 2. Basis for preparation of the interim condensed consolidated financial statements

These interim condensed consolidated financial statements as of 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.

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

These interim condensed consolidated financial statements as of and for the six-month period ended June 30, 2021 were approved on September 13, 2021 by the Board of Directors.

These interim condensed consolidated financial statements are prepared on the historical cost basis, except for the preferred shares C series which were measured at fair value with the gains/losses recognized in profit or loss.

## 3. Adoption of new and revised Standards

The EU IFRS include all International Accounting Standards, International Financial Reporting Standards and Interpretations as approved by the European Union. As at the date of approving these interim condensed consolidated financial statements for publication, considering the pending process of introducing IFRSs in the EU and the operations conducted by the Group, the EU IFRS applicable to these financial statements might differ from IFRS adopted by International Accounting Standards Board.

In preparing these interim condensed consolidated financial statements the Group's management has analyzed new Standards which have already been adopted by the European Union and which should be applied for periods beginning on or after January 1, 2021 that those are not applicable for the Group.

**New International Financial Reporting Standards and Interpretations published but not yet effective:**

- IFRS 14 Regulatory Deferral Accounts (issued on January 30, 2014) – The European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard – not yet endorsed by EU at the date of approval of these interim condensed consolidated financial statements for issue – effective for financial years beginning on or after January 1, 2016;

- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture (issued on September 11, 2014) – the endorsement process of these Amendments has been postponed by EU - the effective date was deferred indefinitely by International Accounting Standards Board;
- IFRS 17 Insurance Contracts (issued on May 18, 2017) including Amendments to IFRS 17 (issued on June 25, 2020) – not yet endorsed by EU at the date of approval of these interim condensed consolidated financial statements for issue – effective for financial years beginning on or after January 1, 2023;
- Amendments to IAS 1: Presentation of Financial Statements: Classification of Liabilities as Current or Non-current - Deferral of Effective Date (issued on January 23, 2020 and July 15, 2020 respectively) – not yet endorsed by EU at the date of approval of these interim condensed consolidated financial statements for issue – effective for financial years beginning on or after January 1, 2023;
- Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on February 12, 2021) – not yet endorsed by EU at the date of approval of these interim condensed consolidated financial statements for issue – effective for financial years beginning on or after January 1, 2023;
- Amendments to IAS 8: Definition of Accounting Estimates (issued on February 12, 2021) – not yet endorsed by EU at the date of approval of these interim condensed consolidated financial statements for issue – effective for financial years beginning on or after January 1, 2023;
- Amendments to IFRS 16: Covid-19-Related Rent Concessions beyond 30 June 2021 (issued on March 31, 2021) – effective for financial years beginning on or after April 1, 2021;
- Amendments to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (issued on May 6, 2021) – not yet endorsed by EU at the date of approval of these interim condensed consolidated financial statements – effective for financial years beginning on or after 1 January 2023;
- Amendments to IFRS 3: Reference to the Conceptual Framework (issued on 14 May 2020) – effective for financial years beginning on or after 1 January 2022;
- Amendments to IAS 16: Property, Plant and Equipment – Proceeds before Intended Use (issued on 14 May 2020) – effective for financial years beginning on or after 1 January 2022;
- Amendments to IAS 37: Onerous Contracts – Cost of Fulfilling a Contract (issued on 14 May 2020) - effective for financial years beginning on or after 1 January 2022;
- Annual Improvements to IFRS Standards 2018–2020 (issued on 14 May 2020) – effective for financial years beginning on or after 1 January 2022.

These standards and amendments are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

## 4. Significant accounting policies, key judgments and estimates

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's consolidated financial statements as of and for the year ended December 31, 2020, except for the adoption of new standards effective as of January 1, 2021. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments and interpretations apply for the first time in 2021, but do not have an impact on the interim condensed consolidated financial statements of the Group. In preparing these interim condensed consolidated financial statements, the significant judgements and estimates made by management in applying the Group's accounting policies have been consistently applied by the Group and are consistent across the reported periods.

## 5. Revenue

Huuuge's business, development and sales of casual games for mobile platforms is global and both games and sales channels are the same, regardless of where the players (customers) are located. Management measures and monitors the Group's revenue in respect of each game, but does not allocate all costs, assets and liabilities by game and does not measure the operating results by game. In management's view, the operations and the Group's financial performance and position cannot be divided into different segments in such a way that it improves the ability to analyze and manage the company. The CEO is the Chief operating decision maker and for this reason, the CEO analyzes the consolidated financial position and operating results of the Group as a whole, therefore it has been determined that the Group has only one operating segment ("online mobile games").

The Group's management monitors operating results on a group-wide basis for the purpose of making decisions about resource allocation and performance assessment.

The Group's revenue from contracts with clients are comprised of revenue generated by in-app purchases (gaming applications) and in-app ads (advertising), as shown below:

| | Six-month period ended June 30, 2021 Unaudited | Six-month period ended June 30, 2020 Unaudited |
|---|---|---|
| Gaming applications | 185,851 | 162,928 |
| Advertising | 7,383 | 2,065 |
| **Total revenue** | **193,234** | **164,993** |

The Group's revenue is recognized over time, irrespective of the product and the geographical region.

For the gaming services, the transaction price is prepaid by the customers when the virtual coins are purchased to allow continuation of the game; the payments result in the recognition of the contract liability in the interim condensed consolidated statement of financial position. The amounts recognized as deferred income are recognized as revenue on average within 2 days.

For the gaming service, the amount recognized as deferred income as at the balance sheet date also represents the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) as of the end of the reporting period.

For advertising, the Group does not disclose the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) as of the end of the reporting period using the practical expedient allowed under IFRS 15, i.e. the Group has a right to consideration from a customer in an amount that corresponds directly with the value to the customer of the entity's performance completed to date.

Below is the split of the revenue per main product groups:

| | Six-month period ended June 30, 2021Unaudited | Six-month period ended June 30, 2020 Unaudited |
|---|---|---|
| Huuuge Casino | 111,309 | 101,235 |
| Billionaire Casino | 59,073 | 55,726 |
| Traffic Puzzle* | 15,887 | 4,235 |
| Other games | 6,965 | 3,797 |
| *- including games developed by external developers based on publishing contracts* | *340* | *415* |
| **Total revenue** | **193,234** | **164,993** |

Huuuge, Inc. 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. All amounts in tables presented in thousand USD, except where stated otherwise.

*Traffic Puzzle revenues include revenues for the six month period June 30, 2021, i.e. revenues based on publishing agreement and revenues after acquisition of the game. Traffic Puzzle revenues include revenues for the six month period June 30, 2020 based on publishing agreement.

The Group distributes in-house games as well as the games developed by other companies. In most cases, the Group is the owner of the application and is fully responsible for future upgrades and future developments of this game application. In some cases, the Group publishes mobile game applications of third-party developers based on the publishing contracts entered in the period of 2019-2020. The publishing contract provides the Group with an exclusive right for a distribution, marketing and operation of the games developed by external developers and to benefit from selling the virtual coins to the end-users. The Group has the ultimate responsibility for providing the game to a customer and it is entitled to set prices for virtual coins charged to the end-user as well as authorize the upgrade and modifications of games. Therefore, in such a situation, the Group acts as a principal in its relation to the developers and players. Being a principal, the Group presents in-app revenue on a gross basis.

Revenue was generated in the following countries:

| | **Six-month period ended June 30, 2021 Unaudited** | **Six-month period ended June 30, 2020 Unaudited** |
|---|---|---|
| United States | 117,122 | 97,495 |
| Germany | 13,970 | 10,965 |
| Canada | 6,273 | 4,900 |
| United Kingdom | 5,880 | 4,966 |
| France | 5,427 | 5,074 |
| Japan | 5,167 | 3,979 |
| Netherlands | 4,599 | 3,913 |
| Australia | 3,781 | 3,525 |
| Poland | 3,406 | 3,405 |
| Switzerland | 2,388 | 2,143 |
| Italy | 1,880 | 1,785 |
| Taiwan | 1,714 | 1,768 |
| Republic of South Africa | 1,420 | 1,647 |
| Russia | 1,313 | 1,451 |
| Other | 18,894 | 17,977 |
| **Total revenue** | **193,234** | **164,993** |

The above is the management's best estimate, as for some revenue sources geographical breakdown is not available. The allocation to regions is driven by the location of individual end-user customer. No individual end-user customer with whom the Group concludes transactions had a share of 10% or more in the Group's total revenues in the six-month period ended June 30, 2021 or June 30, 2020. Revenues are generated by several platform providers, such as Apple App Store, Google Play, Facebook and Amazon App Store.

Huuuge, Inc. 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. All amounts in tables presented in thousand USD, except where stated otherwise.

## 6. Operating expenses

For the six-month period ended June 30, 2021 operating, administrative and marketing expenses include:

| **Expenses by nature**<br>**Unaudited** | **Total** | **Cost of sales** | **Sales and marketing expenses:** | | **Research and development expenses** | **General and administrative expenses** |
|---|---|---|---|---|---|---|
| | | | ***Thereof* User acquisition marketing campaigns** | ***thereof* General sales and marketing expenses** | | |
| Platform fees to distributors | 56,204 | 56,204 | - | - | - | - |
| External developers fees | 666 | - | - | - | 666 | - |
| Gaming servers expenses | 603 | 603 | - | - | - | - |
| External marketing and sales services | 76,241 | - | 73,914 | 2,327 | - | - |
| Salaries and employee-related costs | 26,538 | - | - | 5,774 | 13,517 | 7,247 |
| Employee stock option plan | 5,091 | - | - | 523 | 928 | 3,640 |
| Depreciation and amortization | 3,144 | - | - | - | - | 3,144 |
| Finance & legal services | 2,935 | - | - | - | - | 2,935 |
| Business travels & expenses | 80 | - | - | - | - | 80 |
| Property maintenance and external services | 777 | - | - | - | - | 777 |
| Other costs | 3,066 | - | - | - | 756 | 2,310 |
| **Total operating expenses** | **175,345** | **56,807** | **73,914** | **8,624** | **15,867** | **20,133** |

Huuuge, Inc. 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. All amounts in tables presented in thousand USD, except where stated otherwise.

For the six-month period ended June 30, 2020 operating, administrative and marketing expenses include:

| Expenses by nature<br>Unaudited | Total | Cost of sales | Sales and marketing expenses: | | Research and development expenses | General and administrative expenses |
|---|---|---|---|---|---|---|
| | | | *thereof* User acquisition marketing campaigns | *thereof* General sales and marketing expenses | | |
| Platform fees to distributors | 49,234 | 49,234 | - | - | - | - |
| External developers fees | 2,252 | - | - | - | 2,252 | - |
| Gaming servers expenses | 561 | 561 | - | - | - | - |
| External marketing and sales services | 43,340 | - | 41,270 | 2,070 | - | - |
| Salaries and employee-related costs | 19,637 | - | - | 4,232 | 10,648 | 4,757 |
| Employee stock option plan | 1,081 | - | - | 152 | 307 | 622 |
| Depreciation and amortization | 1,219 | - | - | - | - | 1,219 |
| Finance & legal services | 1,769 | - | - | - | - | 1,769 |
| Business travels & expenses | 217 | - | - | - | - | 217 |
| Property maintenance and external services | 511 | - | - | - | - | 511 |
| Other costs | 1,584 | - | - | - | 447 | 1,137 |
| **Total operating expenses** | **121,405** | **49,795** | **41,270** | **6,454** | **13,654** | **10,232** |

Huuuge, Inc. 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. All amounts in tables presented in thousand USD, except where stated otherwise.

When selling the mobile game applications of third-party developers, the Group is obliged to pay the fees to the external developers based on the publishing contracts signed. Although the publishing contracts provide the Group with an exclusive right to use the games, the usage of these games is contingent on the future services which need to be provided by the external developers and which are the subject of the Group's authorization and consent. In accordance with the publishing contracts, the external developers are obliged to perform the on-going development of the game and improvements to increase its functionalities as well as the maintenance services. As a result, the contracts with external developers are partially executory arrangement as the future developments do not exist at the contract inception and no liability to the contractor arises until the contractor performs work under the contract, i.e. the services specified in the contracts with external developers are performed. However, the fees agreed by the Group and developers in these arrangements are set usually in relation to the whole bunch of the promises included in a contract, i.e. there is no relevant split of the consideration between the purchase price paid for the right to use a game and the future additional services (development operations and maintenance services). The Group is not able to reliably distinguish the expenditures incurred in relation to the right to the game (i.e. the license) from the payment for the development operations and maintenance services, therefore, the expenditures incurred by the Group in relation to the publishing arrangements are charged to the profit and loss as incurred with no liability recognized at the date of signing the contract. These fees are presented in line "External developers fees".

The future monthly expenditure related to the publishing contracts that were in force as at June 30, 2021 amounts to USD 95 thousand (USD 178 thousand as at June 30, 2020). The above commitments comprise the fixed fees contracted in the publishing arrangements and do not include the variable payments which are based on the future cash flows from selling the games, and the future development fees subject to the specific arrangements and agreements between parties on a scope of services.

Other costs include mainly IT services, car fleet management service and costs of recruitment services.

## 7. Finance income and finance expense

**Finance income**

| | Six-month period ended June 30, 2021 Unaudited | Six-month period ended June 30, 2020 Unaudited |
|---|---|---|
| Foreign exchange gains, net | - | 401 |
| Interest income | - | 66 |
| Other finance income | - | 4 |
| **Total finance income** | **-** | **471** |

Interest income includes mainly interest earned on money market mutual fund investments and on bank deposits.

**Finance expense**

| | Six-month period ended June 30, 2021 Unaudited | Six-month period ended June 30, 2020 Unaudited |
|---|---|---|
| Valuation of preference shares series C classified as non-current liabilities | 38,997 | 11,467 |
| Loss on foreign exchange forward contract | 2,662 | - |
| Foreign exchange losses, net | 1,040 | - |
| Interest expense | 354 | 93 |
| **Total finance expense** | **43,053** | **11,560** |

Huuuge, Inc. 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. All amounts in tables presented in thousand USD, except where stated otherwise.

Finance expenses include mainly valuation of preference shares from the series C previously (before conversion into common shares) classified as a non-current liability in the amount of USD 38,997 thousand in the six-month period ended June 30, 2021 (USD 11,467 thousand in the six-month period ended June 30, 2020). On February 5, 2021 series C preference shares were converted into common shares. For more information, please refer to Note 13 *Share capital* and Note 15 *Conversion of series C preference shares.*

Prior to the initial public offering, the Company had entered into foreign exchange forward contract contingent upon the event of initial public offering. Upon occurrence of initial public offering event, the Company received proceeds from the newly issued shares converted to USD at a fixed PLN/USD exchange rate, as determined in the forward contract. The Group's policy choice is to present the profit or loss on forward contracts as finance income or expense accordingly. Loss of USD 2,662 thousand was incurred on the forward contract settlement date, presented in the line "Finance expense" in the interim condensed statement of comprehensive income.

Interest expense includes interest expense recognized under IFRS 16 on lease liabilities, as well as interest expense from banks.

## 8. Income tax

| | Six-month period ended June 30, 2021 Unaudited | Six-month period ended June 30, 2020 Unaudited |
|---|---|---|
| Current income tax | 4,018 | 5,674 |
| Change in deferred income tax | (892) | (408) |
| **Income tax for the period** | **3,126** | **5,266** |

The subsidiary companies are subject to taxes for their respective businesses in the countries of their registration at the rates prevailing in those jurisdictions. Income tax expense is recognized based on management's estimate of the weighted average effective annual income tax rate expected for the full financial year, including tax effect of valuation of the series C preference shares liability. The tax rate used for the six-month period ended June 30, 2021 is (12)%, compared to 16% for the six-month period ended June 30, 2020. The tax rate was higher in 2020 due to the change of proportion of Huuuge Inc. profits in the total profit of the Group and higher proportion of non-tax deductible costs, i.e. mainly the valuation of the series C preference shares and costs related to the employee stock option plan ("ESOP") to profit before tax.

## 9. Intangible assets

| | IP rights | Software generated internally | Software acquired externally | Prepayments for intangible assets | Total |
|---|---|---|---|---|---|
| **Gross book value as of January 1, 2021** | **601** | **571** | **846** | **442** | **2,460** |
| Additions | 39,090 | - | 282 | 1,409 | 40,781 |
| Disposals | - | - | - | (442) | (442) |
| Net foreign exchange differences on translation | 7 | 4 | - | - | 11 |
| **Gross book value as of June 30, 2021** | **39,698** | **575** | **1,128** | **1,409** | **42,810** |
| **Accumulated depreciation as of January 1, 2021** | **(70)** | **(563)** | **(368)** | | **(1,001)** |
| Depreciation charge for the period | (899) | (5) | (259) | - | (1,163) |
| Disposals | - | - | - | - | - |
| Net foreign exchange differences on translation | - | (6) | 1 | - | (5) |
| **Accumulated depreciation as of June 30, 2021** | **(969)** | **(574)** | **(626)** | **-** | **(2,169)** |
| **Net book value as of January 1, 2021** | **531** | **8** | **478** | **442** | **1,459** |
| **Net book value as of June 30, 2021, Unaudited** | **38,729** | **1** | **502** | **1,409** | **40,641** |

Huuuge, Inc. 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. All amounts in tables presented in thousand USD, except where stated otherwise.

| | IP rights | Software generated internally | Software acquired externally | Prepayments for intangible assets | Total |
|---|---|---|---|---|---|
| **Gross book value as of January 1, 2020** | **-** | **572** | **119** | **87** | **778** |
| Additions | - | - | 87 | 347 | 434 |
| Acquired as part of the business combinations | 601 | - | - | - | 601 |
| Disposals | - | - | - | (55) | (55) |
| Net foreign exchange differences on translation | - | (1) | (8) | (14) | (23) |
| **Gross book value as of June 30, 2020** | **601** | **571** | **198** | **365** | **1,735** |
| **Accumulated depreciation as of January 1, 2020** | **-** | **(547)** | **(116)** | **-** | **(663)** |
| Depreciation charge for the period | (10) | (14) | (5) | - | (29) |
| Disposals | - | - | - | - | - |
| Net foreign exchange differences on translation | - | - | - | - | - |
| **Accumulated depreciation as of June 30, 2020** | **(10)** | **(561)** | **(121)** | **-** | **(692)** |
| **Net book value as of January 1, 2020** | **-** | **25** | **3** | **87** | **115** |
| **Net book value as of June 30, 2020, Unaudited** | **591** | **10** | **77** | **365** | **1,043** |

No indications for impairment were identified as at June 30, 2021 and December 31, 2020.

Costs incurred on development of supporting tools (i.e., software), which fulfilled the criteria for recognition as an asset are included in prepayments for intangible assets.

The research and development expenses that do not meet the criteria for capitalization amounted to USD 15,867 thousand during the six-month period ended June 30, 2021 and USD 13,654 thousand during the six-month period ended June 30, 2020. Those costs are presented in the separate line item in the statement of comprehensive income.

As of June 30, 2021, December 31, 2020 and as at the date of approval of these interim condensed consolidated financial statements for issue there were no pledges or collaterals on the Group's intangible assets.

**Acquisition of Traffic Puzzle game**

On April 27, 2021, Huuuge Global Ltd. entered into the Asset Purchase Agreement ("APA") under which it acquired from PICADILLA GAMES Adziński, Porzucek, Czerenkiewicz sp. k. with its registered office in Wrocław, Poland ("Picadilla") the mobile game Traffic Puzzle together with the related rights and assets, for the amount of USD 38,900 thousand ("Purchase Price").

The Purchase Price payment schedule is as follows:

a) USD 9,500 thousand was paid within 10 business days from the signing of the APA (already paid as at June 30, 2021);

b) USD 25,000 thousand within 15 business days from the completion of the handover of the acquired assets (not paid as at June 30, 2021);

c) USD 4,400 thousand within 15 business days from the first anniversary of the completion of the handover of the acquired assets (not paid as at June 30, 2021).

Huuuge, Inc. 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. All amounts in tables presented in thousand USD, except where stated otherwise.

Together with the APA, Huuuge Global and Picadilla concluded a development agreement relating to the maintenance, support and development of Traffic Puzzle mobile game, which was concluded for the period until the completion of the handover of the acquired assets (in any case no longer than 9 months from the date of signing of the APA).

In addition, Huuuge Global and Picadilla entered into a service agreement under which Picadilla will provide support and advice and share knowledge regarding the Traffic Puzzle game for a period of 12 months commencing on the next day following the completion of the handover of acquired assets. Under the service agreement, Picadilla will receive USD 100 thousand.

The Game Publishing Agreement between Huuuge Global and Picadilla was terminated.

Taking into account the details of transaction, i.e. the fact that one key asset (new game) was acquired, and in addition, acquired asset does not include an organized workforce, the Group recognized the transaction as an asset acquisition (and not as a business combination) at the date of the transaction. To be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. The relevant criteria of IFRS 3 for business combination have not been met, the transaction resulted in recognition of an intangible asset in the amount of USD 38,900 thousand that has been classified as an asset with definite useful life. Based on the analysis of all relevant factors, the useful life of the acquired asset has been estimated as 10 years.

The change of trade and other payables presented in the condensed consolidated statement of cash flows for the period ended June 30, 2021 excludes second tranche in the amount of USD 25,000 thousand and third tranche in the amount USD 4,400 thousand not yet paid.

In the six-month period ended June 30, 2021, there were no significant changes in the value of other intangible assets.

## 10. Cash and cash equivalents

| | As of June 30, 2021 | As of December 31, 2020 |
|---|---|---|
| Cash in hand | 1 | 2 |
| Cash at banks (current accounts) | 104,683 | 86,887 |
| Money market mutual fund investments | 15,668 | 7,269 |
| Deposits | 60,000 | |
| **Total cash and cash equivalents** | **180,352** | **94,158** |

Money market mutual fund investments have been classified as cash equivalents. For the reasoning please refer to consolidated financial statements as of and for the year ended December 31, 2020.

As of June 30, 2021, there was a short-term cash deposit amounting to USD 60,000 thousand. Maturity of this investment is three months, it is repayable on demand,, thus the investment is highly liquid, readily convertible to known amounts of cash, is subject to an insignificant risk of changes in value and meet the criteria indicated in IAS 7 Statement of Cash Flows and have been considered in substance as cash equivalents.

As of June 30, 2021 there was restricted cash of USD 248 thousand (USD 15 thousand as of December 31, 2020).

Huuuge, Inc. 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. All amounts in tables presented in thousand USD, except where stated otherwise.

# 11. Earnings per share

Detailed methodology of calculation of basic and diluted earnings per share is presented in the Group's consolidated financial statements as of and for the year ended December 31, 2020.

*Basic EPS*

| | | Six-month period ended June 30, 2021 Unaudited | Six-month period ended June 30, 2020 Unaudited |
|---|---|---|---|
| Net result attributable to the owners of the Parent | [A] | (28,435) | 26,988 |
| Undistributed profit (loss) attributable to holders of series A and B preference shares | [B] | (1,021) | 6,890 |
| **Profit (loss) attributable to holders of common shares** | **[C]=[A]-[B]** | **(27,414)** | **20,098** |

| | | Six-month period ended June 30, 2021 Unaudited | Six-month period ended June 30, 2020 Unaudited |
|---|---|---|---|
| Weighted average number of common shares* | [D] | 72,805,021 | 42,046,428 |
| Basic EPS | [E] = [C] / [D] | (0.38) | 0.48 |

* The weighted average number of shares was adjusted for the event of share split which took place on January 20, 2021. In accordance with IAS 33 *Earnings per share* the weighted average number of shares has to be adjusted retrospectively for all periods presented, therefore the additional shares are treated as having been in issue during the six-month period ended June 30, 2020 to give a comparable result. As a result of the share split each one of common and preference shares was automatically reclassified as five shares of common or preference shares accordingly, i.e. share split on a one for five basis. For more information please refer to Note 13 *Share capital*.

*Diluted EPS*

| | | Six-month period ended June 30, 2021 Unaudited | Six-month period ended June 30, 2020 Unaudited |
|---|---|---|---|
| **Profit (loss) attributable to holders of common shares** | **[C]** | **(27,414)** | **20,098** |
| Undistributed profit (loss) attributable to holders of series A and B preference shares | [E] | - | - |
| Valuation of series C preference shares | [F] | - | - |
| **Profit (loss) attributable to ordinary equity holders of the parent adjusted for the effect of dilution** | **[H]=[C]-[E] +[F]** | **(27,414)** | **20,098** |

Huuuge, Inc. 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. All amounts in tables presented in thousand USD, except where stated otherwise.

| | | Six-month period ended June 30, 2021 Unaudited | Six-month period ended June 30, 2020 Unaudited |
|---|---|---|---|
| **Weighted average number of issued common shares used in calculating basic earnings per share*** | **[D]** | **72,805,021** | **42,046,428** |
| Series A preference shares | | - | - |
| Series B preference shares | | - | - |
| Series C preference shares | | - | - |
| Employee Stock Option Plan | | - | 4,594,333 |
| **Weighted average number of issued common shares and potential common shares used in calculating diluted earnings per share*** | **[I]** | **72,805,021** | **46,640,761** |
| Diluted EPS | [J]=[H] / [I] | (0.38) | 0.43 |

*The weighted average number of shares was adjusted for the event of share split which took place on January 20, 2021. In accordance with IAS 33 *Earnings per share* the weighted average number of shares has to be adjusted retrospectively for all periods presented, therefore the additional shares are treated as having been in issue during the six-month period ended June 30, 2020 to give a comparable result. In the result of the share split each one of common and preferred shares was automatically reclassified as five shares of common or preference shares accordingly, i.e. share split on a one for five basis. For more information please refer to Note 13 *Share capital*.

## 12. Accounting classifications of financial instruments and fair values

As of June 30, 2021 and December 31, 2020, the Group's management did not identify any financial assets measured at fair value – neither through profit or loss nor through other comprehensive income.

The Group's management believes that the fair values of financial instruments do not differ significantly from their carrying amounts.

*Series C preference shares*

On February 5, 2021 series C preference shares were converted into common shares. At the date of the conversion series C preference shares liability was measured to fair value based on the value of shares established for the Company's initial public offering, with the loss recognized in profit or loss. For more information, please refer to Note 13 *Share capital* and to Note 15 *Conversion of series C preference shares*.

Prior to conversion, series C preference shares liability was measured at fair value initially and after initial recognition with the gains/loss on subsequent remeasurements being recognized in profit or loss.

As of December 31,2020, the fair value measurements of series C preference shares were classified in Level 3 of the fair value hierarchy.

The significant unobservable inputs used in the fair value measurements categorized within Level 3 of the fair value hierarchy as of December 31, 2020 were the following: EBITDA multiple, discount for lack of marketability, revenue multiple, discount rate, probability of the initial public offering.  A quantitative sensitivity analysis of the unobservable inputs used in the fair value measurements as of December 31, 2020 were presented in the consolidated financial statements as of and for the year ended December 31, 2020.

Huuuge, Inc. 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. All amounts in tables presented in thousand USD, except where stated otherwise.

The following valuation techniques were used to estimate the fair values:

- As of December 31, 2020, the fair values of the non-listed common shares of the Company which were the basis for valuation of liability resulting from issuance of series C preference shares has been estimated using the Hybrid Method, i.e., a combination of the Probability-Weighted Expected Return Method ("PWERM") and the Option-Pricing Method ("OPM"). PWERM is rooted in a decision-tree analysis and models potential future expected outcomes on the basis of potential probability of certain circumstances (e.g. sale or merger, IPO, dissolution, or continuation as a going concern).

Under PWERM, the Group's management estimated the probability of future IPO under three different outcome scenarios, and the probability of continuation of its business without significant changes. Under each of three outcome scenarios of IPO, the equity value was estimated accordingly. Under the scenario of continuation of the Group's business as so far, share price was estimated by applying the OPM.

## 13. Share capital

Before February 5, 2021, Group's share capital comprised from common and preference shares series A and B. Starting from February 5, 2021, Group's share capital comprises from common and preferred shares series A, B and C. Below are presented movements on different components of equity divided in the categories of shares (nominal values presented in USD, not thousand USD):

Shares classified as equity instruments as of June 30, 2021 (i.e. including preference shares of series C after conversion):

| | Common shares | | Preference shares (incl series C) | | Treasury shares | | Treasury shares allocated for the existing share-based payment programs | | Sub-total (issued) | | Shares allocated for the existing share-based payment programs (not issued) | | Grand total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Number of shares | Nominal value | Number of shares | Nominal value | Number of shares | Nominal value | Number of shares | Nominal value | Number of shares | Nominal value | Number of shares | Nominal value | Number of shares | Nominal value |
| **As of January 1, 2021 Audited** | **8,618,959** | **863** | **5,963,949** | **596** | **1,390,019** | **139** | **794,442** | **80** | **16,767,369** | **1,678** | **881,071** | **88** | **17,648,440** | **1,766** |
| Redemption of treasury shares | - | - | - | - | **(1,390,019)** | **(139)** | **(794,442)** | **(80)** | **(2,184,461)** | **(219)** | **-** | **-** | **(2,184,461)** | **(219)** |
| Exercise of stock options | 6,411 | 1 | - | - | - | - | - | - | 6,411 | 1 | (6,411) | (1) | | - |
| Allocation of shares to Share-based payment program | - | - | - | - | - | - | - | - | - | - | 794,442 | 80 | 794,442 | 80 |
| ***All shares before share split*** | ***8,625,370*** | ***864*** | ***5,963,949*** | ***596*** | ***-*** | ***-*** | ***-*** | ***-*** | ***14,589,319*** | ***1,460*** | ***1,669,102*** | ***167*** | ***16,258,421*** | ***1,627*** |
| ***All shares after share split*** | ***43,126,850*** | ***864*** | ***29,819,745*** | ***596*** | ***-*** | ***-*** | ***-*** | ***-*** | ***72,946,595*** | ***1,460*** | ***8,345,510*** | ***167*** | ***81,292,105*** | ***1,627*** |
| Conversion of preference shares | 29,819,745 | 596 | (29,819,745) | (596) | - | - | - | - | - | - | - | - | - | - |
| Shares issued | 11,300,100 | 226 | - | - | - | - | - | - | 11,300,100 | 226 | - | - | 11,300,100 | 226 |
| Stabilization option | (3,331,668) | (67) | - | - | 3,331,668 | 67 | - | - | - | - | - | - | - | - |
| Preference shares issued | - | - | 2 | 0 | - | - | - | - | 2 | 0 | - | - | 2 | 0 |
| Reduction of shares allocated for the existing share-based payment programs (not issued) | - | - | - | - | - | - | - | - | - | - | (150,490) | (3) | (150,490) | (3) |
| Allocation of treasury shares to share-based payment program | - | - | - | - | (150,490) | (3) | 150,490 | 3 | - | - | | | | |
| **As of June 30, 2021 Unaudited** | **80,915,027** | **1,619** | **2** | **0** | **3,181,178** | **64** | **150,490** | **3** | **84,246,697** | **1,686** | **8,195,020** | **164** | **92,441,717** | **1,850** |

* Treasury shares include 980,286 exercised options as presented in Note 14 *Share-based payment arrangements* which were not delivered to the employees as at the date of these interim consolidated financial statements.

Huuuge, Inc. 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. All amounts in tables presented in thousand USD, except where stated otherwise.

Shares classified as equity instruments as of June 30, 2020 (i.e. excluding preference shares of series C prior to conversion):

| | Common shares | | Preference shares (excl series C) | | Treasury shares | | Treasury shares allocated for existing share-based payment program | | Sub-total (issued) | | Shares allocated for the share-based payment program(not issued) | | Grand total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Number of shares | Nominal value | Number of shares | Nominal value | Number of shares | Nominal value | Number of shares | Nominal value | Number of shares | Nominal value | Number of shares | Nominal value | Number of shares | Nominal value |
| **As of January 1, 2020 Audited** | **8,396,921** | **840** | **2,532,450** | **253** | **1,890,872** | **189** | **405,000** | **41** | **13,225,243** | **1,323** | **1,057,080** | **106** | **14,282,323** | **1,429** |
| Shares reissued | - | - | 416,902 | 42 | (416,902) | (42) | - | - | - | - | - | - | - | - |
| Acquisition of subsidiary | 22,998 | 2 | - | - | (22,998) | (2) | - | - | - | - | - | - | - | - |
| Exercise of stock options | 18,653 | 2 | - | - | - | - | - | - | 18,653 | 2 | (18,653) | (2) | - | - |
| **As of June 30, 2020 Unaudited** | **8,438,572** | **844** | **2,949,352** | **295** | **1,450,972** | **145** | **405,000** | **41** | **13,243,896** | **1,325** | **1,038,427** | **104** | **14,282,323** | **1,429** |

All shares managed as capital as of June 30.2020, thus comprising the equity and liability instruments (i.e. including preference shares of series C):

| | Common shares | | Preference shares (incl series C) | | Treasury shares | | Treasury shares allocated for existing share-based payment program | | Sub-total (issued) | | Shares allocated for the share-based payment program (not issued) | | Grand total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Number of shares | Nominal value | Number of shares | Nominal value | Number of shares | Nominal value | Number of shares | Nominal value | Number of shares | Nominal value | Number of shares | Nominal value | Number of shares | Nominal value |
| **As of January 1, 2020 Audited** | **8,396,921** | **840** | **5,749,621** | **575** | **2,039,818** | **204** | **405,000** | **41** | **16,591,360** | **1,660** | **1,057,080** | **106** | **17,648,440** | **1,766** |
| Shares reissued | - | - | 490,167 | 49 | (490,167) | (49) | - | - | - | - | - | - | - | - |
| Acquisition of subsidiary | 22,998 | 2 | - | - | (22,998) | (2) | - | - | - | | | | | |
| Exercise of stock options | 18,653 | 2 | - | - | - | - | - | - | 18,653 | 2 | (18,653) | (2) | - | - |
| **As of June 30, 2020 Unaudited** | **8,438,572** | **844** | **6,239,788** | **624** | **1,526,653** | **153** | **405,000** | **41** | **16,610,013** | **1,662** | **1,038,427** | **104** | **17,648,440** | **1,766** |

Huuuge, Inc. 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. All amounts in tables presented in thousand USD, except where stated otherwise.

The Company is authorized to issue up to 113,881,420 shares with a par value of USD 0.00002 (113,881,418 of common shares and 1 share of series A preferred share and 1 share of series B preferred share).

As of June 30, 2021, the share capital of the Company comprised 84,246,697 shares with a par value of USD 0.00002 per share and the total value of USD 1,686 (not thousand), including 80,915,027 common shares held by shareholders, 2 preference shares (one preference share of series A and one preference share of series B), and 3,331,668 of common shares reacquired by the Company and not redeemed (treasury shares and treasury shares allocated for the existing share-based payment programs).

As of June 30, 2020 the share capital of the Company comprised common and preference shares, including shares reacquired by Huuuge Inc. and not redeemed (so-called treasury shares) with a par value of USD 0.0001 per share and the total value of USD 1,621 (not thousand). 9,458,896 common shares include: 8,438,572 common shares held by shareholders and 1,020,324 of common shares reacquired by the Company and not redeemed.

As of June 30, 2020 there were 6,239,788 preference shares with a par value of USD 0.0001 per share, out of which 506,329 were reacquired by Huuuge Inc. and not redeemed (treasury shares), including 257,103 preference shares of series A, 173,545 preference shares of series B and 75,681 preference shares of series C (preference shares of series C presented in the interim condensed consolidated financial statements for the six-month period ended June 30, 2020 within financial liabilities).

As of June 30, 2021 8,195,020 shares with a par value of USD 0.00002 per share were reserved for two stock option programs: 4,222,810 shares for the stock option programs established in 2015 and 3,972,210 shares for the stock option program established in 2019. As of June 30, 2020 1,443,427 shares with a par value of USD 0.0001 per share were reserved for a two stock option programs: 1,038,427 shares for the stock option program established in year 2015 and 405,000 shares for the stock option program established in 2019.

In the six-month period ended June 30, 2021 the following transactions in common and preference shares took place:

- **Redemption of treasury shares**

On January 15, 2021 the Board of Directors of the Company approved to retire all of the Company's common and preferred shares that were held as treasury shares, which were as follows:

- common shares in the amount of 1,402,293
- series A preference shares in the amount of 257,103
- series B preference shares in the amount of 397,645
- series C preference shares in the amount of 127,420.

Common shares were reverted to the status of authorized but unissued shares, preferred shares were eliminated to no longer be issued or outstanding shares.

Redemption of treasury shares has been recognized as a decrease in supplementary capital in the interim condensed consolidated statement of changes in equity.

- **Share split**

On January 18, 2021 the Board of Directors approved the split of all of the Company's existing common and preferred shares. The Certificate of Incorporation of Huuuge Inc. was amended as following:

The total number of shares of all classes of stock which Huuuge Inc. has authority to issue is 118,063,540 shares, which shall be divided into:

(i) 88,243,795 common shares, with a par value of USD 0.00002 per share, and

(ii) 29,819,745 preferred shares series consisting of:

a) 8,714,485 series A preferred shares, with a par value of USD 0.00002 per share,

b) 4,911,775 series B preferred shares, with a par value of USD 0.00002 per share, and
c) 16,193,485 series C preferred shares, with a par value of USD 0.00002 per share.

After this amendment each one common and each one preferred share, with a par value of USD 0.0001 per share, issued and outstanding or held by Huuuge Inc. as treasury shares was automatically reclassified as five shares of common or preferred shares accordingly, with a par value of USD 0.00002 per share.

Split of shares required weighted average number of shares presented in Note 11 *Earnings per share* to be adjusted in the calculation of both basic and diluted earnings per share for all periods presented in accordance with IAS 33 *Earnings per share*.

- **Conversion of preference shares series A, B and C**

  On February 5, 2021 all preference shares series A, B and C were converted into common shares, as shown in the table below:

| | Before the conversion | | | After conversion |
|---|---|---|---|---|
| | Series A preference shares | Series B preference shares | Series C preference shares | Common shares |
| Number of shares | 8,714,485 | 4,911,775 | 16,193,485 | 29,819,745 |

For more details, please refer to Note 15 *Conversion of series C preference* shares.

- **Issuance of series A and series B preference shares**

  On February 5, 2021 the Board of Directors, issued one series A preference share to RPII HGE LLC (Raine Group), with a par value of USD 0.00002 per share for cash consideration of USD 50 and one series B preference share to Big Bets OU, with a par value of USD 0.00002 per share, for cash consideration of USD 50, for which total cash consideration amounting to USD 100 was received in February 2021. The difference between the nominal amount and the consideration received was recognized in the supplementary capital in the interim condensed consolidated statement of changes in equity.

- **Initial public offering**

  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. The final share price for offering shares was determined as PLN 50 per share (approx. USD 13.53 per share). Difference between the nominal amount of newly issued shares and the cash consideration received was in the supplementary capital in the interim condensed consolidated statement of changes in equity.

- **Execution of stabilization option**

  On February 5, 2021 the Company and IPOPEMA Securities S.A. ("Stabilization Manager") signed Stabilization Agreement. The purpose of the Stabilization Agreement was to stabilize the price of the Huuuge Inc. shares at a level higher than the level which would otherwise have prevailed. When the Company entered the contract, the liability was recognised in correspondence with equity. At the same time, the Company recognised a prepayment (financial asset) in the same amount to reflect the fact that the stabilisation activities were funded from the proceeds from the offering. The liability and the assets were measured at fair value through profit or loss until the stabilisation transactions were completed. As such, these transactions had no net impact on profit or loss.

Huuuge, Inc. 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. All amounts in tables presented in thousand USD, except where stated otherwise.

  On February 26, 2021 the Company ended the stabilization process, which started upon initial public offering on February 19, 2021, and the above-mentioned liability and asset have been derecognized. The Company repurchased via Stabilization Manager its own shares in the total number of 3,331,668 in the price range PLN 38.4000 – 49.9850 (USD 10.35 – USD 13.51). The repurchased shares were recognized as a decrease in equity (treasury shares) in the total amount of USD 43,976 thousand, calculated as the number of shares repurchased, multiplied by the price per share plus the remuneration paid to Stabilization Manager representing transaction cost of this capital transaction.

- **Exercise of stock options**

  In the six-month period ended June 30, 2021, before share split 6,411 share options (equivalent of 32,055 options after share split) held by the employees under the share-based payment program were exercised, resulting in the issuance of common shares with the difference between the exercise price paid by the employee and the nominal amount of shares recognized as share premium (presented within "Supplementary capital") of USD 3 thousand (USD 4 thousand in the six-month period ended June 30, 2020). The exercise price was paid by the employees in cash.

In the six-month period ended June 30, 2020 the following transaction in preference shares took place:

- Based on the share purchase agreement dated January 29, 2020, RP II HGE LLC (Raine) purchased from Huuuge Inc. 490,167 preference shares for a cash consideration of USD 9,681 thousand (USD 19.75 per share). RP II HGE LLC (Raine) purchased 248,897 Series A preference shares, 168,005 Series B preference shares and 73,265 Series C preference shares. These shares had been earlier purchased and not redeemed by Huuuge Inc. from the Korean funds in December 2019 by the same price USD 19.75 per share and presented within the line "Treasury shares".

| Shareholder | Series | No. of reissue shares | Reissue price |
|---|---|---|---|
| RP II HGE LLC (Raine) | A | 248,897 | 4,916 |
| RP II HGE LLC (Raine) | B | 168,005 | 3,318 |
| RP II HGE LLC (Raine) | C | 73,265 | 1,447 |
| **Total** | | **490,167** | **9,681** |

The terms and conditions attributable to the preferred shares being the subject of the transactions described above remained unchanged. During the six-month period ended June 30, 2021 and June 30, 2020 no dividends were paid out. As of June 30, 2021 and December 31, 2020 there were no dividends declared.

## 14. Share-based payment arrangements

Detailed description regarding Group's equity share-based payment program, i.e. ESOP, as well as fair value measurement of the employee share options, is presented in the Group's consolidated financial statements as of and for the year ended December 31, 2020.

Movements in share options since the first grant date were as follows (weighted average exercise prices are presented in USD, not in thousand USD):

| | Six-month period ended June 30, 2021 | |
|---|---|---|
| | Number of options | Weighted average exercise price |
| Balance as at January 1 | 1,435,584 | 12.01 |
| Exercised during the period | (6,411) | 0.45 |
| Forfeited during the period | (2,056) | 4.15 |
| ***All options before share split*** | ***1,427,117*** | |
| ***All options after share split*** | ***7,135,585*** | |
| Granted during the period | 235,000 | 3.72 |
| Forfeited during the period | (46,350) | 2.81 |
| Exercised during the period | (980,286) | 0.70 |
| Expired during the period | (15,480) | 0.83 |
| **Balance as at June 30** | **6,328,469** | **2.73** |

| | Six-month period ended June 30, 2020 | |
|---|---|---|
| | Number of options | Weighted average exercise price |
| Balance as at January 1 | 919,010 | 6.21 |
| Granted during the period | 304,005 | 15.03 |
| Forfeited during the period | (11,086) | 7.99 |
| Exercised during the period | (18,653) | 0.24 |
| Expired during the period | (839) | 4.15 |
| **Balance as at June 30** | **1,192,437** | **8.54** |

As at June 30, 2021 (after share split), 2,619,213 share options were exercisable, with weighted average exercise price of USD 1.93 per share. As at June 30, 2020 (before share split), 626,103 share options were exercisable, with weighted average exercise price of USD 4.17 per share.

During the six-month period ended June 30, 2021, before share split, 6,411 common shares were issued (equivalent of 32,055 common shares after share split ) from the share-based payment program and 980,286 treasury shares will be delivered after the date of these interim condensed consolidated financial statements as described in Note 23 *Subsequent events*. The Group received cash payments for the shares not yet delivered as of June 30, 2021, which were recognized as a liability to its employees. This resulted in a difference between the change of trade and other payables in the statement of financial position as of June 30,2021 and the change of trade and other payables presented in the statement of cash flows for the six-months period ended June 30, 2021 amounting to USD 685 thousand.

During the six-month period ended June 30, 2020, i.e. before share split – 18,653 common shares were issued resulting from the equity-settled stock option program.

Other than the share-based payment arrangements described above, the Group accounts for the earn-out consideration as a result of the acquisition that took place on July 16, 2020. In this arrangement, the fair value of the share price as at December 31, 2020 was estimated at USD 54.53 (before share split). As at December 31, 2020 the total number of shares to be vested during the period of 3 years after the transaction was estimated at 46,213 shares. After the share split as described in Note 13 *Share capital*, and due to the decreased fair value of share price as at June 30, 2021 (USD 9,52) the total number of shares to be vested during the period of 3 years after the transaction is estimated at 67,378 shares as at June 30, 2021.

The sensitivity of the total numbers of shares to be transferred to the sellers, during the period of 3 years after the transaction, to the change of the fair value of the share price in future or estimated amount of earn-out consideration is presented below (all other inputs remain constant):

| Input | Assumptions | Rational change +10%/(-10%) |
|---|---|---|
| Share price | The estimated future fair value of the share price (calculated based on the Sale and Purchase Agreement and referring to the USD value of Huuuge Inc.) which will be used as a basis for calculation of the number of shares to be vested.<br>As at June 30, 2021 share price of USD 9.52 is used as a basis for calculation of the number of shares to be vested. | +10% = (6,125) shares – decrease in number<br>-10% = 7,486 shares – increase in number |
| Estimated amount of earn-out consideration | Based on the estimation as at June 30, 2021 the future earn-out consideration is estimated at amount USD 641 thousand. | +10% = 6,738 shares – increase in number<br>-10% = (6,738) shares – decrease in number |

Huuuge, Inc. 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. All amounts in tables presented in thousand USD, except where stated otherwise.

Total expense related to share-based payment arrangements for the six-month period ended June 30, 2021 comprises ESOP in the amount of USD 5,055 thousand (this expense includes USD 185 thousand related to Mr Anton's Gauffin options which is explained in detail further below) and earn-out consideration in the amount of USD 33 thousand. Total expense related to share-based payment arrangements for the six-month period ended June 30, 2020 comprises ESOP in the amount of USD 1,081 thousand.

These costs were allocated to Sales and marketing expenses, Research and development expenses and General and administrative expenses lines in the interim condensed consolidated statement of comprehensive income.

In addition, 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 different vesting period and is treated as a separate award with a different vesting period.

## 15. Conversion of series C preference shares

The series C preference shares were classified as liability and presented in the separate line item in the statement of financial position within non-current liabilities. Changes in financial liability arising from preference shares, including both changes arising from cash flows and non-cash changes, presented as a reconciliation between the opening and closing balances in the interim condensed consolidated statement of financial position:

| | |
|---|---|
| **As at January 1, 2020, audited** | **48,354** |
| Reissue of series C preference shares | 1,447 |
| Remeasurement recognized in statement of profit or loss during the period in (finance income)/finance expense | 11,467 |
| **As at June 30, 2020, unaudited** | **61,268** |

On January 29, 2020 RP II HGE LLC (Raine) purchased from Huuuge Inc. 73,265 series C preference shares for total amount of USD 1,447 thousand. These shares had been earlier purchased and not redeemed by Huuuge Inc.

Huuuge, Inc. 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. All amounts in tables presented in thousand USD, except where stated otherwise.

| | |
|---|---|
| **As at January 1, 2021, audited** | **176,606** |
| Remeasurement recognized in statement of profit or loss during the period in (finance income)/finance expense | 38,997 |
| **As at February 5, 2021 before conversion** | **215,603** |
| Conversion of preference shares into common shares | (215,603) |
| **As at June 30, 2021, unaudited** | **-** |

On February 5, 2021 all preference shares series C were converted into common shares with the price per share of 13.31 USD. For more information, please refer to Note 13 *Share capital*. As a result of the conversion, financial liability arising from preference shares decreased with the corresponding increase in supplementary capital as presented in the interim condensed consolidated statement of changes in equity.

## 16. Leases

The Group is committed to make payments for leases based on car fleet agreements, office space rental agreements and short-term apartment rental agreements.

Lease agreements are usually concluded for definite periods of time, varying according to the class of the underlying asset and specific needs. Some of the contracts include extension or termination options – Group's management exercises judgement in determining whether these options are reasonably certain to be exercised.

The table below presents the carrying amounts of recognized right-of-use assets and the movements in the six-month period ended June 30, 2021 and in the six-month period ended June 30, 2020:

| | Offices | Cars | Total |
|---|---|---|---|
| **as at January 1, 2021, audited** | **8,501** | **145** | **8,646** |
| remeasurement | 833 | - | 833 |
| additions (new leases) | - | 231 | 231 |
| lease modifications | (1,547) | - | (1,547) |
| foreign exchange differences on translation | (31) | - | (31) |
| depreciation | (1,476) | (49) | (1,525) |
| **as at June 30, 2021, unaudited** | **6,280** | **327** | **6,607** |

| | Offices | Cars | Total |
|---|---|---|---|
| **as at January 1, 2020, audited** | **2,773** | **44** | **2,817** |
| remeasurement | (107) | - | (107) |
| additions (new leases) | 2,201 | - | 2,201 |
| lease modifications | (160) | 10 | (150) |
| foreign exchange differences on translation | (102) | (2) | (104) |
| depreciation | (817) | (32) | (849) |
| **as at June 30, 2020, unaudited** | **3,788** | **20** | **3,808** |

Huuuge, Inc. 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. All amounts in tables presented in thousand USD, except where stated otherwise.

The table below presents the book values of lease liabilities and movements in the six-month period ended June 30, 2021 and in the six-month period ended June 30, 2020:

| | Six-month period ended June 30, 2021 | Six-month period ended June 30, 2020 |
|---|---|---|
| **as at January 1, audited** | **9,061** | **2,869** |
| additions (new leases) | 231 | 2,201 |
| lease modifications | (1,403) | (158) |
| remeasurement | 894 | (173) |
| interest expense on lease liabilities | 65 | 93 |
| lease payments | (1,442) | (1,098) |
| foreign exchange differences on translation to local currency | (100) | (28) |
| foreign exchange differences on translation to USD | (55) | (149) |
| **as at June 30, unaudited** | **7,251** | **3,557** |
| long-term | 4,671 | 2,203 |
| short-term | 2,580 | 1,354 |

In the interim condensed consolidated statements of cash flows, the Group classifies:

- cash payments of the capital component of lease liabilities in the six-month period ended June 30, 2021 amounting to USD 1,377 thousand (USD 1,005 thousand in the six-month period ended June 30, 2020) – as part of financing activities (lease repayment),
- cash interest payments on leases in the six-month period ended June 30, 2021 amounting to USD 65 thousand (USD 93 thousand in the six-month period ended June 30, 2020) – as part of financing activities (interest paid),
- leases of low-value assets and short-term leases not included in the measurement of lease liabilities in the six-month period ended June 30, 2021 amounting to USD 249 thousand (USD 25 thousand in the six-month period ended June 30, 2020) – as part of operating activities.

The Group had total cash outflows due to leases of USD 1.731 thousand in the six-month period ended June 30, 2021 and USD 1,098 thousand in the six-month period ended June 30, 2020.

## 17. Cash flows reconciliation

The change of trade and other payables presented in the consolidated statement of financial position as of June 30, 2021 does not equal the change in the consolidated statement of cash flows for the six-months period ended June 30, 2021. The difference is due to:

- deferred payments for the acquisition of Traffic Puzzle game which amounted to USD 29,400 thousand. For details, please refer to Note 9 *Intangible assets*
- transaction costs of an issuance of equity instruments which amounted to USD 2,240 thousand, presented in the cash flows from financing activities in the consolidated statement of cash flows for the six-months period ended June 30, 2021
- reclassification between trade payables and corporate income tax liabilities which amounted to USD 630 thousand
- received payments for the options exercised during six-months period ended June 30, 2021, for which shares have not yet been delivered as of June 30, 2021, presented in the cash flows from financing activities in the consolidated

Huuuge, Inc. 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. All amounts in tables presented in thousand USD, except where stated otherwise.

statement of cash flows for the six-months period ended June 30, 2021 in the amount of USD 685 thousand. For details, please refer to Note 14 *Share-based payment arrangements*.

# 18. Provisions

**Court case**

As of December 31, 2019 the Group recognized provision for a potential unfavourable outcome in the court case, presented in the line "Other provisions" in the consolidated statements of financial position. On or about 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 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 violated any laws or regulations, denied that the suit should be treated as a class action, denied the plaintiff's damages claims, 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 timely filed a notice of appeal 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. The provision of USD 6,500 thousand was recognized in 2019 in the 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.

**Consumption tax from the revenues from Japan**

As of June 30, 2020 additional provision recognized related to the collected Japan Consumption Tax ("JCT") applicable to sales to customers purchasing content on the App Store in Japan. The provision for JCT was estimated based on the applicable tax rate multiplied by the amount of sales to customers in Japan, with a further delayed payment of the tax in the following period. Starting from January 2021, prepayments of the collected JCT are made to the tax authorities on a quarterly basis, therefore no additional provision is recognized as of June 30, 2021.

# 19. Contingencies

**Tax contingent liabilities**

Tax settlements are subject to review and investigation by tax authorities, which are entitled to impose severe fines, penalties and interest charges. Tax regulations in the United States, Poland and Israel, which apart from Cyprus constitute the main operating environments of the Group, have been changing recently, which may lead to lack of their clarity and integrity. Furthermore, frequent contradictions in tax interpretations in Poland, both within government bodies and between companies and government bodies create uncertainties and conflicts. These facts create tax risks that are substantially more significant than those typically found in countries with more developed tax systems.

Tax authorities may examine accounting records retrospectively: for 3 years in the United States (and up to 6 years in case of substantial errors), 5 years in Poland, 7 years in Cyprus (and up to 12 years in case of substantial errors) and 7 years in Israel. Consequently, the Parent Company and subsidiaries may be subject to additional tax liabilities, which may arise as a result of tax audits. The Board of Directors of the Parent Company believes that there was no need to record any provisions for known and quantifiable risks in this regard as in their assessment there are no such uncertain tax positions for which it would be probable that the taxation authority will not accept the tax treatment applied by the Group.

## 20. Related party transactions

On February 5, 2021 one series A preference share was issued to RP II HE LLC - the Group's shareholder, with a par value of USD 0.00002 per share for cash consideration of USD 50, and one series B preference share was issued to Big Bets OU - the Group's shareholder, with a par value of USD 0.00002 per share, for cash consideration of USD 50.

Based on shares purchase agreement dated January 29, 2020 RP II HGE LLC – the Group's shareholder purchased from Huuuge Inc. 490,167 preference shares for a cash consideration of USD 9,681 thousand (USD 19.75 per share) which had been previously acquired by Huuuge Inc. from the Korean funds in December 2019 (for details on the December 2019 transaction please refer to Note 18 *Share capital* of the Group's consolidated financial statements as of and for the year ended December 31, 2020). RP II HGE LLC purchased 248,897 series A preference shares, 168,005 series B preference shares and 73,265 series C preference shares. Due to the fact that the share price of treasury shares reissued was equal to their purchase price no amount was recognized in Supplementary capital on this subsequent sale of treasury shares. The cash consideration was transferred in February 2020.

There is no ultimate controlling party.

## 21. Transactions with management of the Parent Company and their close family members

Compensation of key management personnel of the Group is comprised of the compensation of key management personnel of the Parent Company and its subsidiaries.

| Six-month period ended June 30, 2021<br>Unaudited | Board of Directors of Huuuge Inc. | Group Global Management | Total |
|---|---|---|---|
| Base salaries | 136 | 1,534 | 1,670 |
| Bonuses and compensation based on the Group's financial result for the period | - | 889 | 889 |
| Share-based payments | 1 | 2,546 | 2,547 |
| **Total** | **137** | **4,969** | **5,106** |

| Six-month period ended June 30, 2020<br>Unaudited | Board of Directors of Huuuge Inc. | Group Global Management | Total |
|---|---|---|---|
| Base salaries | - | 1,029 | 1,029 |
| Bonuses and compensation based on the Group's financial result for the period | - | 868 | 868 |
| Share-based payments | 1 | 585 | 586 |
| **Total** | **1** | **2,482** | **2,483** |

The remuneration of Group Global Management presented in the tables above includes base salary and accrued bonuses of Mr Anton Gauffin, Chief Executive Officer and director, in the amount of USD 191 thousand for the six-months period ended June 30, 2021 (USD 204 thousand for the six-months period ended June 30, 2020), as well as USD 185 thousand related to Mr Anton's

Huuuge, Inc. 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. All amounts in tables presented in thousand USD, except where stated otherwise.

Gauffin options. For additional information about recommendation from the Nomination and Remuneration Committee on executive and non-executive compensation, please refer to Note 14 *Share-based payment arrangements.*

The non-executive directors are remunerated with a fixed annual salary and an additional salary for holding a position of president of the Audit Committee or the Remuneration and Nomination Committee or being a member of the Audit Committee or the Remuneration and Nomination.

During the six-month period ended June 30, 2020 there was no additional compensation for the Board of Directors of Huuuge Inc. except for the remuneration of Mr Anton Gauffin as described above.

## 22. Impact of COVID-19

On March 11, 2020 WHO declared global COVID-19 coronavirus pandemic and recommended preventive measures such as the physical social distancing. Consequently, governments worldwide implemented unprecedented restrictions. The impacts of the COVID-19 outbreak have evolved from mid-March 2020 up to the day of issuing these interim condensed consolidated financial statements. The Group's management constantly monitors specific facts and circumstances and the financial results. Neither the video game industry as a whole, nor the Group's operations in particular, have been adversely affected by the pandemic and there is no going concern issue. The Group proved to be resilient to the lockdown, the operations have been maintained with employees working remotely and online gaming's popularity is on the rise with many people globally adhering to social distancing guidelines.

A significant increase of the Group's revenues and operating result for the six-month period ended June 30, 2021 compared to the six-month period ended June 30, 2020 indicates that COVID-19 pandemic had no negative impact on the Group's business.

Based on the analysis performed by the Group's management as of June 30, 2021, COVID-19 pandemic has no negative impact on the Group's liquidity. Due to the fact that the Group's receivables are settled by the large platform providers, such as Apple App Store, Google Play, Facebook and Amazon App Store. The Group's management assessed the risk of receivables irrecoverability as minimal. The Group's management has not identified any evidence to modify the assumptions used to assess expected credit losses.

## 23. Subsequent events

After June 30, 2021 and up to the date of approval of these interim condensed consolidated financial statements for issue no other significant events except the following have occurred.

**Delivery of the treasury shares for options exercised during the six-months period ended June 30, 2021**

After June 30, 2021 and up to the date of approval of these condensed consolidated financial statements for issue the Company delivered 980,286 treasury shares to its employees for the options exercised during six-months period ended June 30, 2021 under stock option plan as presented in Note 14 *Share-based payment arrangements.* The delivery of shares will be presented as a movement from treasury shares to common shares. The movement will result in an increase in share capital in the amount of nominal value of the shares delivered, and any difference between the value of treasury shares and the cash consideration received will be recognized in supplementary capital. At the same time, the movement will decrease the number of shares (not issued) allocated for the existing share-based payment programs.

**The amendments of employee stock option plans**

On July 1, 2021 the Board of Directors has approved the reduction of total number of shares (not issued) allocated for the existing share-based payment programs by 847,856 shares. This is because the treasury shares will be delivered to employees for the options exercised during six-months period ended June 30, 2021, as described above.

On August 9, 2021 the Board of Directors extended the number of shares allocated (not issued) for employee stock option plan by additional 5,897,271 shares.

As a result of these changes, the amended number of shares allocated (not issued) for the share-based payment programs amounts 13,244,435 shares as at the date of approval of these interim condensed consolidated financial statements for issue.

**Approval of grant of new options**

On August 9, 2021 the Board of Directors approved the grant of 3,523,764 options to its employees within employee stock option program with a weighted average exercise price of USD 9.55.

**Establishment of new entity**

On July 1, 2021 new entity Huuuge UK Ltd. (incorporated in United Kingdom) was established. 100% of shares of this entity were taken up by Huuuge Inc. The entity was established with a share capital amounting to GBP 250 thousand and cash to cover issued share capital of the entity will be transferred upon completion of the procedure of opening the bank account. This transaction does not have an impact on the consolidated financial statements of the Group due to the fact that establishment of the subsidiaries is eliminated in full. The new entity was established in United Kingdom for the purposes of extension of international presence of the Group.

Anton Markus Gauffin

Digitally signed by Anton Markus Gauffin
Date: 2021.09.14 15:03:46 +03'00'

………………………

*Anton Gauffin*

*President of Huuuge Inc., CEO*

September 14, 2021