CONSOLIDATED QUARTERLY REPORT

THE HUUUGE, INC. GROUP
FOR THE 1ST QUARTER 2022

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Disclaimer

This constitutes the quarterly report for the three-month period ended March 31, 2022 (the "Quarterly Report") prepared in accordance with the Regulation of the Minister of Finance of March 29, 2018 on current and periodic information published by issuers of securities and the conditions for recognizing information as equivalent required by the law of a non-member state. This Quarterly Report should be read in conjunction with the interim condensed consolidated financial statements for the three-month period ended March 31, 2022 prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

Unless implied otherwise in this Quarterly Report, the terms "we" or the "Group", refer to the Company together with all of its Subsidiaries and the term the "Company", refers to Huuuge, Inc.
Unless indicated otherwise, references to statements as to beliefs, expectations, estimates and opinions of the Company or its management refer to the beliefs, expectations, estimates and opinions of the Company's Board of Directors.
Certain arithmetical data contained in this Quarterly Report, including financial and operating information, have been rounded. Therefore, in certain instances, the sum of the numbers in a column or a row in tables contained in this Quarterly Report may not conform exactly to the total figure given for that column or row.

Industry and Market Data
This Quarterly Report may include market share and industry data that we obtained from various third-party sources, including publicly available information concerning global social gaming industries. The information in this Quarterly Report that has been sourced from third parties has been accurately reproduced with reference to these sources in the relevant paragraphs and, as far as we are aware and able to ascertain from the information published by that third party, no facts have been omitted that would render the reproduced information provided inaccurate or misleading. Where third-party information has been sourced in this Quarterly Report, the source of such information has been identified. Industry publications, surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable. To the extent these industry publications, surveys and forecasts are accurate and complete, we believe we have correctly extracted and reproduced the information from such sources. Additionally, industry publications generally state that the information contained therein has been obtained from sources believed to be reliable but that the accuracy and completeness of such information is not guaranteed and in some instances state that they do not assume liability for such information. We cannot therefore assure you of the accuracy and completeness of such information and we have not independently verified such information.
In addition, in many cases, statements in this Quarterly Report regarding our industry and our position in the industry are based on our experience and our own investigation of market conditions. Comparisons between our reported financial or operational information and that of other companies operating in our industry using this information may not fully reflect the actual market share or position in the market, as such information may not be defined consistently or reported for all companies from our industry as we define or report such information in this Quarterly Report.
While we are not aware of any misstatements regarding the industry data presented herein, our estimates involve certain assumptions, risks and uncertainties and are subject to change based on various factors.

Key Performance Indicators
Certain KPIs included in this Quarterly Report, including DAU, MAU, DPU, MPU, ARPDAU, ARPPU, Monthly Conversion, are derived from management estimates, are not part of our financial statements or financial accounting records and have not been audited or otherwise reviewed by independent auditors, consultants or experts.
Our use or computations of these KPIs may not be comparable to the use or computations of similarly titled measures reported by other companies in our industry, by research agencies or by market reports. For that reason, comparisons using this information may not be reliable. Other companies, research agencies or market reporters may include other items or factors in their calculation of similar metrics and may use certain estimates and assumptions that we do not use when calculating these metrics. These factors may cause the calculations by others of similar metrics to differ substantially from our calculations if their methodologies were used to calculate our KPIs. The KPIs are not accounting measures, but management believes that each of these measures provides useful information concerning the usage and monetization patterns of our games, as well as the costs associated with attracting and retaining our players. None of the KPIs should be considered in isolation or as an alternative measure of performance under IFRS and their inclusion in this Quarterly Report does not mean that the Issuer will continue to report these KPIs in the future.

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

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

President's Letter

Dear Shareholders,

It is my pleasure to present to you our report for the first quarter of 2022, for the first time together with Rod Cousens, our new Co-CEO. Rod is one of the leading executives in the game industry, and I am thrilled that he has joined our team. His experience and knowledge will provide us strong support in implementing our strategy.

In the first quarter of this year we generated revenue of USD 84.1 million. This was 12% lower year-on-year, which was impacted among other things by the decline in revenue from core franchises (*Huuuge Casino* and *Billionaire Casino*) and from titles for which support ended in 2021. We find these results as satisfactory considering the challenges and uncertainty the industry is facing (consumer spending on mobile games fell in 1Q 2022 by 7.1% YoY according to Sensor Tower). Our core games continue to be cash generative and profitable despite slower social casino genre projections.

At the same time we achieved significant growth in revenue from *Traffic Puzzle* and publishing activity. Revenue from *Traffic Puzzle* was USD 8.6m in the 1Q 2022, an increase of 13% YoY. We are currently considering expanding *Traffic Puzzle* into a product franchise with multiple games.

Despite the Group lower revenue, our adjusted EBITDA rose by 38.5%, to USD 14.4m due to continuing improvement in profitability of our core titles.

We continue to be optimistic toward the future, and rely on our "Build & Buy" strategy going forward. We believe that combining promising acquisitions with innovations will create significant added value for our shareholders. We are also focusing on expansion of our publishing division, in 1Q 2022, we added *Time Master* to our portfolio, a hybrid game from the social casino genre. *Time Master* already has a player community around the world, and is backed by a talented and experienced team of developers.

In the long-term, we plan to continue seeking potential innovations in games, particularly in Web3 and blockchain technologies - we are well equipped in knowledge and skills to gain competitive advantage in these exciting and rising segments. Beyond that, we believe we will benefit from the growth trend on the mobile game market, resulting from the popularity of smartphones, wider internet access, and people's strong desire to play and interact together.

In the first quarter of 2022 Huuuge launched a share buyback for purposes of the employee stock option program. We believe that buying shares for ESOP is a very good alternative vs. dilution and taking into account that Huuuge is a strong, cash generating business we can undertake the share buyback without impacting our strategy.

In March 2022 the Warsaw Stock Exchange lifted the restrictions on trading in our shares. This enabled all investors deemed to be American entities, as well as all brokers, to trade in our shares without restrictions. This is excellent news, because from the time of our WSE debut, trading in Huuuge shares had to comply with the CAT3 restrictions, which was difficult for some investors and in some instances practically impossible.

We would like to thank all of you for your help in achieving Huuuge's success. We value your feedback and hope that you will continue to play our games. The Huuuge team would be more than happy to play along with you.

Anton Gauffin Anton Markus Gauffin
Digitally signed by Anton Markus Gauffin
Date: 2022.05.24 08:36:06 -04'00'

President and Co-CEO, Huuuge, Inc.

Rod Cousens

Co-CEO, Huuuge, Inc.

Selected financial data

	USD	USD	EUR	EUR	PLN	PLN
in thousand	**Q1 2022**	**Q1 2021**	**Q1 2022**	**Q1 2021**	**Q1 2022**	**Q1 2021**
Revenue	84,001	95,691	74,829	79,387	345,689	361,157
Operating profit/(loss)	10,673	6,503	9,508	5,395	43,923	24,544
Pre-tax profit/(loss)	10,743	(36,959)	9,570	(30,662)	44,211	(139,491)
Net profit/(loss)	8,926	(37,539)	7,951	(31,143)	36,733	(141,680)
Net cash flows from operating activities	19,903	(8,289)	17,730	(6,877)	81,907	(31,284)
Net cash flows from investing activities	(25,667)	(564)	(22,864)	(468)	(105,627)	(2,129)
Net cash flows from financing activities	75	98,620	67	81,817	309	372,212
Total net cash flows	(5,689)	89,767	(5,068)	74,473	(23,412)	338,799
Cash and cash equivalents at the end of period	198,713	183,198	178,536	155,968	830,640	726,856
Number of shares at the end of period	84,246,697	84,246,697	84,246,697	84,246,697	84,246,697	84,246,697
Weighted average number of shares (1)	82,726,374	64,618,261	82,726,374	64,618,261	82,726,374	64,618,261
Earnings per share (EPS) (1)	(0.11)	(0.54)	(0.10)	(0.45)	(0.45)	(2.04)

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

	EUR	PLN	EUR	PLN
	Q1 2022	**Q1 2022**	**Q1 2021**	**Q1 2021**
Average exchange rate for the reported period	1.1226	0.2430	1.2054	0.2650
Exchange rate at the end of the reported period	1.1130	0.2392	1.1746	0.2520

The Huuuge Inc. Group Interim Condensed Consolidated Financial Statements

as at and for the three-month period ended March 31, 2022

Interim condensed consolidated statement of comprehensive income

	Note	Three-month period ended March 31, 2022 Unaudited	Three-month period ended March 31, 2021 Unaudited
Revenue	**5**	**84,001**	**95,691**
Cost of sales	6	(25,473)	(28,071)
Gross profit on sales		**58,528**	**67,620**
Sales and marketing expenses:	6	(29,897)	(43,239)
thereof User acquisition marketing campaigns	6	(26,285)	(39,098)
thereof General sales and marketing expenses	6	(3,612)	(4,141)
Research and development expenses	6	(8,982)	(7,819)
General and administrative expenses	6	(9,051)	(10,034)
Other operating income/(expense), net		75	(25)
Operating result		**10,673**	**6,503**
Finance income	7	165	120
Finance expense	7	(95)	(43,582)
Profit/(loss) before tax		**10,743**	**(36,959)**
Income tax	8	(1,817)	(580)
Net result for the period		**8,926**	**(37,539)**
Other comprehensive income			
Items that may be reclassified to profit or loss			
Exchange gains/(losses) on translation of foreign operations		(1,072)	(416)
Total other comprehensive income		**(1,072)**	**(416)**
Total comprehensive income/(loss) for the period		**7,854**	**(37,955)**
Net result for the period attributable to:			
owners of the Parent		8,926	(37,539)
Total comprehensive income for the period attributable to:			
owners of the Parent		7,854	(37,955)
Earnings per share (in USD)			
Basic	9	0.11	(0.54)
Diluted	9	0.11	(0.54)

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

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

Interim condensed consolidated statement of financial position

	Note	As of March 31, 2022 Unaudited	As of December 31, 2021 Audited
Assets			
Non-current assets			
Property, plant and equipment		3,548	3,739
Right-of-use assets	16	16,381	17,479
Goodwill		2,572	2,693
Intangible assets	11	39,254	40,217
Deferred tax assets		1,330	989
Other long-term assets		2,341	2,395
Total non-current assets		**65,426**	**67,512**
Current assets			
Trade and other receivables		26,445	27,671
Corporate income tax receivable		657	348
Cash and cash equivalents	12	198,713	204,415
Total current assets		**225,815**	**232,434**
Total assets		**291,241**	**299,946**
Equity			
Share capital	13	2	2
Treasury shares	13	(19,170)	(19,954)
Supplementary capital		322,306	321,823
Employee benefit reserve	14	20,901	19,812
Foreign exchange reserve		(794)	278
Retained earnings/(accumulated losses)		(86,936)	(95,862)
Equity attributable to owners of the Company		236,309	*226,099*
Total equity		**236,309**	**226,099**
Non-current liabilities			
Long-term lease liabilities	16	12,169	12,982
Deferred tax liabilities		71	-
Total non-current liabilities		**12,240**	**12,982**
Current liabilities			
Trade and other payables		33,027	52,687
Deferred income		3,101	3,126
Corporate income tax liabilities		2,428	723
Short-term lease liabilities	16	4,136	4,275
Other provisions		-	54
Total current liabilities		**42,692**	**60,865**
Total equity and liabilities		**291,241**	**299,946**

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

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/ (accumulated losses)	Foreign exchange reserve	Equity attributable to owners	Non-controlling interest	Equity
As of January 1, 2022, audited		**2**	**(19,954)**	**321,823**	**19,812**	**(95,862)**	**278**	**226,099**	**-**	**226,099**
Net profit/(loss) for the period		-	-	-	-	*8,926*	-	*8,926*	-	*8,926*
Other comprehensive income - foreign currency exchange gains/(losses)		-	-	-	-	-	*(1,072)*	*(1,072)*	-	*(1,072)*
Total comprehensive income/(loss) for the period		**-**	**-**	**-**	**-**	**8,926**	**(1,072)**	**7,854**	**-**	**7,854**
Shares issued/(repurchased)*	13	-	(307)	-	-	-	-	(307)	-	(307)
Exercise of stock options**	13,14	-	780	794	-	-	-	1,574	-	1,574
Delivery of shares to former owners of Double Star Oy	13	-	311	(311)	-	-	-	-	-	-
Employee share schemes - value of employee services	14	-	-	-	1,089	-	-	1,089	-	1,089
As of March 31, 2022, unaudited		**2**	**(19,170)**	**322,306**	**20,901**	**(86,936)**	**(794)**	**236,309**	**-**	**236,309**

* Shares issued/(repurchased) line includes payments in the amount of USD 307 thousand made for the purchase of own shares under the buy-back program, which were not yet registered at Central Securities Depository as of the date of these interim condensed financial statements.

** Exercise of stock options line includes payments received from the employees in the amount of USD 1,465 thousand for shares which have not yet been delivered to the employees, and are presented in supplementary capital as at the date of these interim condensed consolidated financial statements.

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, 2021, audited		**2**	**(33,994)**	**14,814**	**8,052**	**(86,181)**	**1,299**	**(96,008)**	**-**	**(96,008)**
Net profit (loss) for the period		-	-	-	-	*(37,539)*	-	*(37,539)*	-	*(37,539)*
Other comprehensive income - foreign currency exchange gains/(losses)		-	-	-	-	-	*(416)*	*(416)*	-	*(416)*
Total comprehensive income for the period		**-**	**-**	**-**	**-**	**(37,539)**	**(416)**	**(37,955)**	**-**	**(37,955)**
Shares issued/(repurchased)	13	0	(43,976)	152,929	-	-	-	108,953	-	108,953
Exercise of stock options	13, 14	-	-	101	-	-	-	101	-	101
Employee share schemes - value of employee services	14	-	-	-	2,505	-	-	2,505	-	2,505
Earn-out consideration – value of employee services	14	-	-	-	247	-	-	247	-	247
Conversion of preference shares	13	-	-	215,602	-	-	-	215,602	-	215,602
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 March 31, 2021, unaudited		**2**	**(43,976)**	**344,595**	**10,804**	**(123,720)**	**883**	**188,588**	**-**	**188,588**

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

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

Interim condensed consolidated statement of cash flows

	Note	Three-month period ended March 31, 2022 Unaudited	Three-month period ended March 31, 2021 Unaudited
Cash flows from operating activities			
Profit/(loss) before tax		**10,743**	**(36,959)**
Adjustments for:			
Depreciation and amortization	6	2,630	1,135
(Profit)/loss on disposal of property, plant and equipment		-	160
Non-cash employee benefits expense – share-based payments	14	1,089	2,752
Remeasurement of preference shares liability - finance expense	7	-	38,997
Finance (income)/expense, net		(369)	2,354
Changes in net working capital:			
Trade and other receivables, and other long-term assets		1,280	(9,720)
Trade and other payables		5,340	1,671
Deferred income		(25)	(376)
Other provisions		(54)	(7,759)
Other adjustments		(54)	113
Cash flows from operating activities		**20,580**	**(7,632)**
Income tax paid		(677)	(657)
Net cash flows from operating activities		**19,903**	**(8,289)**
Cash flows from investing activities			
Acquisition of IP rights		(25,000)	-
Acquisition of property, plant and equipment		(246)	(564)
Software expenditure		(421)	-
Net cash from investing activities		**(25,667)**	**(564)**
Cash flows from financing activities			
Lease repayment	16	(1,060)	(489)
Interest paid	16	(132)	(295)
Exercise of stock options		1,574	101
Prepayment for treasury stock ordinary shares		(307)	-
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		-	(6,988)
Loss on foreign exchange forward contract	7	-	(2,662)
Net cash from financing activities		**75**	**98,620**
Net increase/(decrease) in cash and cash equivalents		**(5,689)**	**89,767**
Effect of exchange rate fluctuations		(13)	(727)
Cash and cash equivalents at the beginning of the period		**204,415**	**94,158**
Cash and cash equivalents at the end of the period		**198,713**	**183,198**

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

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 March 31, 2022 and December 31, 2021 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 March 31, 2022	As of December 31, 2021
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 Publishing Ltd (formerly Fun Monkey Ltd)	Larnaca, Cyprus	games distribution	100%	100%
Coffee Break Games Ltd	Larnaca, Cyprus	games distribution	100%	100%
Huuuge Digital Ltd	Tel Aviv, Israel	games development, R&D	100%	100%
Playable Platform B.V.	Amsterdam, Netherlands	games advertisement	100%	100%
Double Star Oy	Vantaa, Finland	games development	100%	100%
Huuuge UK Ltd	London, United Kingdom	corporate development	100%	100%
Huuuge Mobile Games Ltd	Dublin, Ireland	games distribution, user acquisition	100%	100%
Coffee Break Games United Ltd	Dublin, Ireland	games distribution, user acquisition	100%	100%
MDOK GmbH (formerly Huuuge Pop GmbH.)	Berlin, Germany	games development	100%	100%
Huuuge Labs GmbH	Berlin, Germany	games development, R&D	100%	100%
Huuuge Tap Tap Games Ltd	Hong Kong	games development, user acquisition	100%	100%

As of April 17, 2022 the Board of Directors has approved the formation of a new subsidiary to be wholly owned by Huuuge Global Ltd. The subsidiary was registered on May 4, 2022, and will be operating under the name Billionaire Games Limited.

On April 29, 2022 Huuuge Tap Tap Games Ltd was successfully deregistered and dissolved.

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

The core business activities of the Group include:

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

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

Composition of the Company's Board of Directors as of March 31, 2022 and as of the date of signing of these interim condensed consolidated financial statements

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 March 31, 2022 and as of December 31, 2021 The Company's Board of Directors consisted of the Chief Executive Officer, who is also a director, and non-executive directors. Chief Executive Officer and executive director was Mr Anton Gauffin, and, after the election on February 3, 2021, non-executive directors were:

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

On April 7, 2022 Mr. Rod Cousens was appointed as a co-CEO, and Mr. Tom Jacobsson was elected as a non-executive director. After this change, as of the date of signing of these interim condensed consolidated financial statements the composition of the Company's Board of Directors was the following:

- Anton Gauffin, executive director, President and co-CEO
- Rod Cousens, executive director, co-CEO
- Henric Suuronen, non-executive director,
- Krzysztof Kaczmarczyk, non-executive director,
- John Salter, non-executive director,
- Tom Jacobsson, non-executive director.

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

These interim condensed consolidated financial statements as of and for the three-month period ended March 31, 2022 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, 2021 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 three-month period ended March 31, 2022 were approved on May 23, 2022 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 until their redemption in February 2021, and derivatives, which are measured at fair value with the gains/losses recognized in profit or loss.

Changes in presentation of operating costs

During the three-month period ended March 31, 2022, management of the Company analyzed the presentation of the operating expenses and decided about a change in presentation of the amortization of acquired titles (games). In 2021, the amortization of the acquired game was allocated to the General and administrative expenses in the statement of comprehensive income. Starting from January 1, 2022 management decided to present the amortization of acquired games in the line "Cost of sales" (please, refer to the Note 6 *Operating expenses*).

Such a presentation is relevant to an understanding of the Group's structure of the operating expenses. In the management's view, the amended presentation enhances the presentation of the statement of the comprehensive income, and it results in the financial statements to be more comparable to the industry. The change would be implemented retrospectively, i.e. the comparative figures would conform to the new presentation; however, during the three-months period ended March 2021 there was no amortization of the acquired games recognized in the statement of comprehensive income. These changes would not have an impact on total operating expenses for the year ended December 31, 2021.

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, 2022.

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) – 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) – effective for financial years beginning on or after January 1, 2023;

- Amendments to IAS 8: Definition of Accounting Estimates (issued on February 12, 2021) – effective for financial years beginning on or after January 1, 2023;

- Amendments to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (issued on May 7, 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 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9– Comparative Information (issued on 9 December 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;

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, 2021, except for the adoption of new standards effective as of January 1, 2022. 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 2022, 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 & segment information

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. As of March 31, 2022 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:

	Three-month period ended March 31, 2022 Unaudited	Three-month period ended March 31, 2021 Unaudited
Gaming applications	80,568	91,817
Advertising	3,433	3,874
Total revenue	**84,001**	**95,691**

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 the advertising services, 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:

	Three-month period ended March 31, 2022 Unaudited	Three-month period ended March 31, 2021 Unaudited
Huuuge Casino	48,407	55,007
Billionaire Casino	25,563	29,295
Traffic Puzzle*	8,585	7,585
Other games	1,446	3,804
- including games developed by external developers based on publishing contracts	*296*	*170*
Total revenue	**84,001**	**95,691**

* In April 2021 the Group became the owner of Traffic Puzzle game, therefore revenues for the three-month period ended March 31, 2022 include revenues generated after the acquisition of the game. Traffic Puzzle revenues for the three-month period ended March 31, 2021 include revenues based on publishing agreement.

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

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. Nevertheless, in some cases, the Group publishes mobile game applications of third-party developers based on the publishing contracts. 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.

These arguments support the Management conclusion that in the publishing arrangements, the control over the games developed by the third-party developers has been transferred over the Group. Therefore, in such a situation, the Group, being the customer of the developers, acts as a principal in its relation to the players and presents in-app revenue on a gross basis, i.e. in the amount of consideration to which it expects to be entitled in exchange for making the games available for end-users.

Revenue was generated in the following countries:

	Three-month period ended March 31, 2022 Unaudited	**Three-month period ended March 31, 2021 Unaudited**
United States	49,499	58,241
Germany	6,168	6,873
United Kingdom	2,574	2,943
Canada	2,396	3,023
Japan	2,315	2,606
France	2,150	2,777
Netherlands	1,929	2,234
Australia	1,773	1,866
Poland	1,629	1,684
Switzerland	1,401	1,187
Taiwan	1,123	862
Italy	842	1,028
Republic of South Africa	654	666
Spain	628	586
Russia	492	617
Other	8,428	8,498
Total revenue	**84,001**	**95,691**

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 three-month period ended March 31, 2022 or March 31, 2021. Vast majority of revenues are generated in cooperation with several platform providers, such as Apple App Store, Google Play, Facebook and Amazon App Store.

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

6. Operating expenses

For the three-month period ended March 31, 2022 operating expenses include:

Expenses by nature 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	24,156	24,156	-	-	-	-
External developers fees	578	-	-	-	578	-
Gaming servers expenses	344	344	-	-	-	-
External marketing and sales services	26,991	-	26,285	706	-	-
Salaries and employee-related costs	13,333	-	-	2,858	7,284	3,191
Employee stock option plan	1,089	-	-	48	454	587
Depreciation and amortization	2,630	973	-	-	-	1,657
Finance & legal services	1,092	-	-	-	-	1,092
Business travels & expenses	244	-	-	-	-	244
Property maintenance and external services	540	-	-	-	-	540
Other costs	2,406	-	-	-	666	1,740
Total operating expenses	**73,403**	**25,473**	**26,285**	**3,612**	**8,982**	**9,051**

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

For the three-month period ended March 31, 2021 operating expenses include:

Expenses by nature 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	27,718	27,718	-	-	-	-
External developers fees	470	-	-	-	470	-
Gaming servers expenses	353	353	-	-	-	-
External marketing and sales services	40,253	-	39,098	1,155	-	-
Salaries and employee-related costs	13,282	-	-	2,708	6,572	4,002
Employee stock option plan	2,752	-	-	278	458	2,016
Depreciation and amortization	1,135	-	-	-	-	1,135
Finance & legal services	1,309	-	-	-	-	1,309
Business travels & expenses	15	-	-	-	-	15
Property maintenance and external services	510	-	-	-	-	510
Other costs	1,366	-	-	-	319	1,047
Total operating expenses	**89,163**	**28,071**	**39,098**	**4,141**	**7,819**	**10,034**

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 mostly determined as variable payments dependent on the level of turnover and cumulative gains generated from selling the game.. 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. Accordingly, developers' fees related to publishing contracts are presented in the Consolidated Statement of Comprehensive income in the line "Research and development expenses".

The future monthly expenditure related to the publishing contracts that were in force as at March 31, 2022 amounts to USD 144 thousand (USD 70 thousand as at March 31, 2021). 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, gaming content, car fleet and office management service (including company events), and costs of recruitment and payment services.

7. Finance income and finance expense

Finance expense

	Three-month period ended March 31, 2022 Unaudited	Three-month period ended March 31, 2021 Unaudited
Valuation of preferred shares classified as non-current liabilities	-	38,997
Loss on foreign exchange forward contract	-	2,662
Foreign exchange losses, net	-	1,628
Interest expense	95	295
Total finance expense	**95**	**43,582**

In the three-months period ended March 31, 2022 finance expense includes interest expense in the amount of USD 95 thousand, which comprises interest expense recognized under IFRS 16 on lease liabilities, as well as interest expense from banks.

In the three-months period ended March 31, 2022 finance income amounted to USD 165 thousand, including net foreign exchange gains in the amount USD 163 thousand and interest income in the amount USD 2 thousand.

In the three-month period ended March 31, 2021 finance expenses included mainly valuation of series C preference shares classified as a non-current liability in the amount of USD 38,997 thousand. On February 5, 2021 series C preference shares were converted into common shares. For more information, please refer to Note 13 *Share capital.*

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

In addition, during the three-month period ended March 31, 2021, prior to the initial public offering, the Company has entered into foreign exchange forward contract contingent upon the event of initial public offering. Upon occurrence of initial public offering event, the Company has 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. Effectively, loss of USD 2,662 thousand was incurred on forward contract settlement date, presented in the line "Finance expense" in the interim condensed statement of comprehensive income for the three-month period ended March 31, 2021.

8. Income tax

	Three-month period ended March 31, 2022 Unaudited	Three-month period ended March 31, 2021 Unaudited
Current income tax	1,547	2,096
Change in deferred income tax	270	(1,516)
Income tax for the period	**1,817**	**580**

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.

The tax rate used for the three-month period ended March 31, 2022 is 16.9%, compared to (1.6%) for the three-month period ended March 31, 2021. The tax rate was lower in 2021 due to the change of proportion of Huuuge Inc. profits in the profit of the Group and higher proportion of non-tax deductible costs, i.e. mainly the valuation of the series C preference shares in the three-month period ended March 31, 2021 and costs related to the employee stock option plan ("ESOP") to profit before tax.

9. 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, 2021 .

Basic EPS

		Three-month period ended March 31, 2022 Unaudited	Three-month period ended March 31, 2021 Unaudited
Net result attributable to the owners of the Parent	[A]	8,926	(37,539)
Undistributed profit (loss) attributable to holders of series A and B preference shares*	[B]	-	(2,834)
Profit (loss) attributable to holders of common shares	**[C]=[A]-[B]**	**8,926**	**(34,705)**

* Series A and B preference shares are treated as participating equity instruments due to the fact that the preference shares series A and B participate in the dividend together with the ordinary shares thus reducing the entitlement of an ordinary shareholder to the net profit or loss. The numerator for basic EPS is adjusted for the effects of those instruments (i.e. the amount of dividend attributable to those shareholders).

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

		Three-month period ended March 31, 2022 Unaudited	Three-month period ended March 31, 2021 Unaudited
Weighted average number of common shares*	[D]	82,726,374	64,618,261
Basic EPS	[E] = [C] / [D]	0.11	(0.54)

* The weighted average number of shares in the three-month period ended March 31, 2021 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, therefore the additional shares are treated as having been in issue before January 20, 2021 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 preferred shares accordingly, i.e. share split on a one for five basis. For more information please refer to Note 13 *Share capital*.

Diluted EPS

		Three-month period ended March 31, 2022 Unaudited	Three-month period ended March 31, 2021 Unaudited
Profit (loss) attributable to holders of common shares	**[C]**	**8,926**	**(34,705)**
Profit (loss) attributable to ordinary equity holders of the parent adjusted for the effect of dilution	**[H]**	**8,926**	**(34,705)**

Weighted average number of ordinary shares adjusted for the effect of dilution is presented below:

		Three-month period ended March 31, 2022 Unaudited	Three-month period ended March 31, 2021 Unaudited
Weighted average number of issued common shares used in calculating basic earnings per share*	**[D]**	**82,726,374**	**64,618,261**
Employee Stock Option Plan		1,248,223	-
Weighted average number of issued common shares and potential common shares used in calculating diluted earnings per share*	**[I]**	**83,974,597**	**64,618,261**
Diluted EPS	[J]=[E]	0.11	(0.54)

*The weighted average number of shares in the three-month period ended March 31, 2021 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, therefore the additional shares are treated as having been in issue before January 20, 2021 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 preferred shares accordingly, i.e. share split on a one for five basis. For more information please refer to Note 13 *Share capital*.

10. Accounting classifications of financial instruments and fair values

As of March 31, 2022 and December 31, 2021, the Group's management did not identify any financial assets measured at fair value – neither through profit or loss nor through other comprehensive income.

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

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

Series C preference shares

Prior to conversion on February 5, 2021 series C preference shares liability was measured at fair value initially with gains/losses on subsequent remeasurements being recognized in profit or loss at each reporting period. The fair value measurements of series C preference shares was classified as Level 3 of the fair value hierarchy. Further information regarding the gain/loss recognized on the remeasurement of the preference shares liability in the prior periods is presented in the Group's consolidated financial statements as of and for the year ended December 31, 2021.

11. Intangible assets

	IP rights	Software acquired externally	Prepayments for intangible assets	Total
Gross book value as of January 1, 2022	**39,695**	**2,149**	**2,499**	**44,343**
Additions	-	-	421	**421**
Transfers and Disposals	-	(51)	-	**(51)**
Net foreign exchange differences on translation	(19)	(18)	(7)	**(44)**
Gross book value as of March 31, 2022	**39,676**	**2,080**	**2,913**	**44,669**
Accumulated amortization as of January 1, 2022	**(2,965)**	**(1,161)**	**-**	**(4,126)**
Amortization charge for the period	(1,003)	(219)	-	**(1,222)**
Disposals	-	(55)	-	**(55)**
Net foreign exchange differences on translation	(17)	5	-	**(12)**
Accumulated amortization as of March 31, 2022	**(3,985)**	**(1,430)**	**-**	**(5,415)**
Net book value as of January 1, 2022	**36,730**	**988**	**2,499**	**40,217**
Net book value as of March 31, 2022	**35,691**	**650**	**2,913**	**39,254**

	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	-	-	-	-	**-**
Transfers and Disposals	-	-	-	-	**-**
Net foreign exchange differences on translation	(3)	(4)	-	-	**(7)**
Gross book value as of March 31, 2021	**598**	**567**	**846**	**442**	**2,453**
Accumulated amortization as of January 1, 2021	**(70)**	**(563)**	**(368)**	**-**	**(1,001)**
Amortization charge for the period	(16)	(3)	(149)	-	**(168)**
Disposals	-	-	-	-	**-**
Net foreign exchange differences on translation	-	(5)	(1)	-	**(6)**
Accumulated amortization as of March 31, 2021	**(86)**	**(571)**	**(518)**	**-**	**(1,175)**
Net book value as of January 1, 2021	**531**	**8**	**478**	**442**	**1,459**
Net book value as of March 31, 2021	**512**	**(4)**	**328**	**442**	**1,278**

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

No indications for impairment were identified as at March 31, 2022 and March 31, 2021. As of March 31, 2022, and as at the date of approval these interim condensed consolidated financial statements for issue there were no pledges or collaterals on the Group's intangible assets.

Prepayments for intangible assets relate to the payments made on development of supporting tools (i.e., software).

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 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. In accordance with the payment schedule, as of the date of these interim condensed financial statements two tranches have been already paid in the amount of USD 34,500 thousand (first tranche in the amount of USD 9,500 thousand was paid in 2021, and second tranche in the amount of USD 25,000 thousand was paid during three-month period ended March 31, 2022). For more details regarding the transaction, please refer to the Group's consolidated financial statements as of and for the year ended December 31, 2021.

12. Cash and cash equivalents

	As of March 31, 2022	As of December 31, 2021
Cash in hand	1	1
Cash at banks (current accounts)	198,712	204,414
Total cash and cash equivalents	**198,713**	**204,415**

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, 2021.

Cash at banks (current accounts) includes the cash at the brokerage accounts for the purpose of share buy-back scheme in the amount of USD 246 thousand.

As of March 31, 2022 there was restricted cash of USD 34 thousand (USD 19 thousand as of December 31, 2021).

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

13. Share capital

As of March 31, 2022 and March 31, 2021 Group's share capital comprised of common shares and preference shares series A and B. 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 March 31, 2022, 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, 2022 Audited	**82,690,347**	**1,655**	**2**	**0**	**1,556,348**	**31**	**-**	**-**	**84,246,697**	**1,686**	**12,467,461**	**249**	**96,714,158**	**1,935**
Reduction of shares allocated for the existing share-based payment programs (not issued)	-	-	-	-	-	-	-	-	-	-	(57,724)	(1)	(57,724)	(1)
Allocation of shares to Share-based payment program	-	-	-	-	(57,724)	(1)	57,724	1	-	-	-	-	-	-
Exercise of stock options	57,724	1	-	-	-	-	(57,724)	(1)	-	-	-	-	-	-
Delivery of shares to former owners of Double Star Oy	23,046	0	-	-	(23,046)	0	-	-	-	-	-	-	-	-
As of March 31, 2022 Unaudited	**82,771,117**	**1,656**	**2**	**0**	**1,475,578**	**30**	**-**	**-**	**84,246,697**	**1,686**	**12,409,737**	**248**	**96,656,434**	**1,934**

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

<u>Shares classified as equity instruments as of March 31, 2021, i.e. including preference shares of series C after conversion (see Note 15 *Conversion of series C preference shares*):</u>

	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
As of March 31, 2021 Unaudited	**80,915,027**	**1,619**	**2**	**0**	**3,331,668**	**67**	**-**	**-**	**84,246,697**	**1,686**	**8,345,510**	**167**	**92,592,207**	**1,853**

* Treasury shares include 94,475 exercised options as presented in Note 14 *Share-based payment arrangements* which were not allocated to the employees as at the date of these interim consolidated financial statements.

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 March 31, 2022, 1,856,090 shares were allocated to a reserve which could be issued only with majority shareholders approval. This is a consequence of using the treasury shares for: the Group's ESOP obligations in the amount of 1,775,320 shares during the year 2021 and 57,724 during three month period ended March 31, 2022, as well as the delivery of 23,046 treasury shares to the Double Star former owners (as presented in the tables above), which otherwise would need to be satisfied via issuance of new shares.

As of March 31, 2022, 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 82,771,117 common shares held by shareholders, 2 preference shares (one preference share of series A and one preference share of series B), and 1,475,578 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 March 31, 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.

During the three-month period ended March 31, 2022, the number of shares (not issued) allocated for the existing share-based payment programs was reduced by 57,724 shares. This is because the treasury shares were delivered to employees for the part of options exercised during the three-month period ended March 31, 2022. As of March 31, 2022 12,409,737 shares with a par value of USD 0.00002 per share were reserved for two stock option programs established in 2015 and 2019 years.

As of March 31, 2021 8,345,510 shares with a par value of USD 0.00002 per share were reserved for two stock option programs: 4,373,300 shares for the stock option programs established in 2015 and 3,972,210 shares for the stock option program established in 2019.

<u>In the three-month period ended March 31, 2022 the following transactions in common and preference shares took place:</u>

- **Share Buyback Scheme ("SBB")**

On February 15, 2022, the Group decided to repurchase its common shares listed for trading on the Warsaw Stock Exchange. The share buy-back started on March 29, 2022. The purpose of the Share Buyback Scheme is to satisfy the Group's needs related to the exercise of options under its Employee Stock Option Plans in the foreseeable future. Total number of the Group's shares to be repurchased under the SBB will be up to 2,500,000 shares. The common shares repurchased will be presented in treasury shares line in the statement of financial position. There were no shares registered at the Central Securities Depository as of March 31, 2022. Payments made for the purchase of own shares under the buy-back program before March 31, 2022 were recognized in Equity (Treasury shares) in the amount of USD 307 thousand.

- **Delivery of the treasury shares for options exercised**

In the three-month period ended March 31, 2022, 553,314 share options held by the employees under the share-based payment program were exercised, out of which for 57,724 options exercised treasury shares were delivered to employees before March 31, 2022 (the difference is due to cashless exercises and number of options exercised, but not delivered as of March 31, 2022).

The delivery of treasury shares was presented as a movement from treasury shares to common shares. The movement resulted in an increase in share capital in the amount of nominal value of the shares delivered, and difference between the value of treasury shares and the cash consideration received in the amount of USD 794 thousand was recognized in supplementary capital. At the same time, the movement decreased the number of shares (not issued) allocated for the existing share-based payment programs.

- **Delivery of the treasury shares to the former owners of Double Star Oy**

In the three-month period ended March 31, 2022, 23,046 shares were delivered to former owners of Double Star Oy based on the Share Sale and Purchase Agreement, corrected by the First Amendment dated October 19, 2021. For details of the earn-out consideration, please see Note 14 *Share-based payment arrangements*. The movement resulted in an increase in share capital in the amount of nominal value of the shares delivered, and a decrease in supplementary capital in the amount of USD 311 thousand (amount reflects the value of treasury shares, since the shares were delivered with no cash consideration).

Holders of the 2 preference shares series A and series B, which may be converted for a fixed number of common shares, have several rights additional to the ones of the common shareholders which may vary for series A and B). These rights are stipulated in the corporate documents of Huuuge Inc., in particular in the Fifth Amended and Restated Certificate of Incorporation. Essentially, the rights refer to:

- protective provisions in case of liquidation, dissolution, winding up, certain mergers, consolidations and sale of assets of Huuuge Inc. or conversion to common shares– the holders of series A or B preference shares shall be entitled to be paid out of the assets of the Company available for distribution to its shareholders before the holders of common shares,
- election of a director for every separate class of preference shares 1 per each series of preference shares (series A,B); 2 by the holders of common shares.

As at March 31, 2021 and December 31, 2021 no shareholder owned over 50% of the Company's equity or had more than 50% of voting rights. The Company's major shareholder is Mr Anton Gauffin, CEO and the Founder, who participates in the Company's ordinary shares indirectly (through shares of Big Bets OU).

The supplementary capital derives mainly from the share premium gained on issuance of shares, or re-issue of treasury shares.

<u>In the three-month period ended March 31, 2021 the following transactions in common and preference shares took place:</u>

- **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 - 1,402,293 shares
- series A preference shares - 257,103 shares
- series B preference shares - 397,645 shares
- series C preference shares - 127,420 shares.

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 an increase in supplementary capital in the amount of USD 33,994 thousand in the interim condensed consolidated statement of changes in equity for the period ended March 31, 2021.

- **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 9 *Earnings per share* was 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

Conversion of preference shares A, B and C has been recognized as an increase in supplementary capital in the amount of USD 215,603 thousand in the interim condensed consolidated statement of changes in equity for the three-month period ended March 31, 2021.

- **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, 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 was recognized in the supplementary capital in the interim condensed consolidated statement of changes in equity for the three-month period ended March 31, 2021.

- **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 (USD 13.31 per share). Difference between the nominal amount of newly issued shares and the cash consideration was in the supplementary capital in the interim condensed consolidated statement of changes in equity. Proceeds from issue of common shares for public subscription amounted to USD 152,929 thousand. Net proceeds from the issuance of the newly issued shares amounted to USD 101,434 thousand after deduction costs and expenses associated with the offering, and after execution of the stabilization process as described below.

Funds obtained from issuance of shares are planned to be spent on acquisition of entities and assets to expand the Group's offer and competences. Prior to the offering, Huuuge, Inc. has entered into foreign exchange forward contract contingent upon the event of initial public offering. In accordance with the agreement, upon the occurrence of the initial public offering event, the amount of PLN 379,000 thousand (out of net proceeds from the newly issued shares) will be converted to the USD at a fixed rate at the date of settlement of the contract. The Group recognized the finance costs resulting from this transaction in the amount of 2,662 thousand USD in the three-month period ended March 31, 2021 . Please refer to Note 7 *Finance income and finance expense for details*.

- **Execution of stabilization option**

In relation to the initial public offering, 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.

In accordance with the Stabilization Agreement, the Stabilization Manager withhold a portion of the proceeds from the Huuuge, Inc. IPO., i.e. PLN 166,583 thousand (calculated as 3,331,668 shares x PLN 50/ per share). At the same time, based on the Stabilization Agreement the Company was obliged to buy from the Stabilization Manager the shares purchased by the

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

Stabilization Manager as a result of conducting the Stabilization transactions. In addition, the parties agreed on a split of the profit in respect of the Stabilization transactions (resulting from the difference between the offer price per share and the price actually paid by the Stabilization Manager for each share, after deducting the transaction costs).

For the purpose of accounting for the stabilization transaction, the Company treated the entire stabilization agreement as a financing transaction, i.e. repurchase of own shares from the market in the scope of IAS 32 and IFRS 9.

Accordingly, at inception of the stabilization transactions, the Company recorded a prepayment to reflect the fact that the stabilization activities were funded from the proceeds from the offering. The prepayment represented a financial asset in the scope of IFRS 9 because it could be settled either in cash or in a variable number of own shares, at the discretion of the Stabilization Manager.

At the same time, when the Company entered the contract, the liability was recognised in correspondence with equity resulting from the obligation to repurchase own shares (the put option) at the amount that is the present value of the redemption amount.

The liability and the assets were measured at fair value through profit or loss until the stabilization transactions were completed. As such, these transactions had no net impact on profit or loss.

On February 26, 2021 the Company ended the stabilization process, 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 remuneration of the Stabilization Manager was treated as a share-based payment in accordance with IFRS 2 because the amount of the remuneration was based on the value of the shares.

Nevertheless, the remuneration incurred was directly attributable and incremental to repurchase of own shares (a capital transaction); therefore, it was recorded directly in equity.

As a result of the Stabilization Agreement, the repurchased shares were recognized as a decrease in equity (treasury shares) in the three-month period ended March 31, 2021 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. The transaction did not have an impact on profit and loss.

- **The issuance of common shares for options exercised**

In the three-month period ended March 31, 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. The exercise price was paid by the employees in cash.

14. Share-based payment arrangements

Detailed description regarding Group's equity incentive plan, i.e. ESOP, is presented in the Group's consolidated financial statements as of and for the year ended December 31, 2021.

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

	Three-month period ended March 31, 2022	
	Number of options	**Weighted average exercise price**
Balance as at January 1, audited	8,839,097	5.80
Granted during the period	351,610	4.67
Forfeited during the period	(1,103,868)	4.77
Exercised during the period	(553,314)	2.89
Expired during the period	(20,886)	8.61
Balance as at March 31, unaudited	**7,512,639**	**6.10**

	Three-month period ended March 31, 2021	
	Number of options	**Weighted average exercise price**
Balance as at January 1, audited	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	(16,930)	1.93
Exercised during the period	(94,745)	0.87
Expired during the period	(4,400)	0.83
Balance as at March 31, unaudited	**7,254,510**	**2.75**

As at March 31, 2022, 2,884,194 share options were exercisable, with weighted average exercise price of USD 3.13 per share. As at March 31, 2021 (after share split), 3,165,190 share options were exercisable, with weighted average exercise price of USD 1.58 per share.

During the three-month period ended March 31, 2022, 553,314 options were exercised in total under the share-based payment program, out of which 57,724 treasury shares were delivered for 62,167 options exercised (the difference of 4,443 options is due to cashless exercises). For the remaining 491,147 options exercised during the three-month period ended March 31, 2022, the shares were pending delivery as of March 31, 2022.

Cash payments received for the shares delivered to employees before March 31, 2022 amounted to USD 109 thousand, and for the shares that were pending delivery to employees as of March 31, 2022 – amounted to USD 1,465 thousand.

During the three-month period ended March 31, 2021, before share split, 6,411 common shares were issued from the share-based payment program (equivalent of 32,055 common shares after share split) and 94,475 options were exercised and not allocated to the employees as at March 31, 2021. Details are described in Note 13 *Share capital*.

Other than the share-based payment arrangements described above, as a result of the acquisition that took place on July 16, 2020, the Group accounted for the earn-out consideration payable in shares dependent on performance condition and the continuing employment condition as a share-based payment for the sellers of Double Star Oy.

As at March 31, 2021, after the share split as described in Note 13 *Share capital*, the total number of shares to be vested during the period of 3 years after the transaction was estimated at 236,367 shares .

On February 21, 2022, 23,046 treasury shares were delivered to former owners of Double Star Oy as presented in Note 13 *Share capital*. As at March 31, 2022 it is not expected that additional shares, except for those delivered, would vest under earn-out consideration.

Total expense related to share-based payment arrangements for the three-month period ended March 31, 2022 comprises ESOP in the amount of USD 1,089 thousand (this expense includes Mr Anton's Gauffin options and the options payable to a consultant under the advisory agreement in the total amount of USD 129 thousand, which both are explained in detail further below). Total expense related to share-based payment arrangements for the three-month period ended March 31, 2021 comprises ESOP in the amount of USD 2,505 thousand and earn-out consideration in the amount of USD 247 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.

CEO options

On March 19, 2021 the Board of Directors adopted the 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.

The final executive compensation agreement between Mr. Gauffin and the Company was approved by the Board of Directors on September 9, 2021 and was executed by the parties on September 10, 2021.

In accordance with the adopted Proposal and the compensation agreement, 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:

● 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 fulfil the service condition.

● 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. These options were forfeited since the performance condition was not met.

● 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.

Advisory agreement

Based on the contract executed on September 27, 2021, beginning from January 3, 2022 until October 31, 2024, the advisor shall provide to the Company's CEO consulting services for the consideration payable in options, i.e., options to purchase 206,250 shares in total vesting on a straight-line basis during the period of the agreement. This is a transaction with a non-employee, and the Group measures the fair value of the services received, and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted when the services are performed.

15. Conversion of series C preference shares

On February 5, 2021 all preference shares series C were converted into common shares. For more information, please refer to Note 13 *Share capital.* As a result of the conversion, financial liability arising from preference shares has been decreased with the corresponding increase in supplementary capital as presented in the interim condensed consolidated statement of changes in equity as of March 31, 2021.

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. The Group entities have also concluded contracts regarding low value office equipment, such as coffee machines.

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 judgment in determining whether these options are reasonably certain to be exercised.

There were no significant lease agreements signed during the period ended March 31, 2022.

The table below presents the carrying amounts of recognized right-of-use assets and the movements in the three-month period ended March 31, 2022 and in the three-month period ended March 31, 2021:

	Offices	Cars	Total
as at January 1, 2022, audited	**17,229**	**250**	**17,479**
additions (new leases)	-	-	-
lease modifications	391	-	391
foreign exchange differences on translation	(427)	(17)	(444)
depreciation	(1,017)	(28)	(1,045)
as at March 31, 2022, unaudited	**16,176**	**205**	**16,381**

	Offices	Cars	Total
as at January 1, 2021, audited	**8,501**	**145**	**8,646**
additions (new leases)	-	199	199
lease modifications	(1,230)	-	(1,230)
foreign exchange differences on translation	(54)	(7)	(61)
depreciation	(843)	(14)	(857)
as at March 31, 2021, unaudited	**6,374**	**323**	**6,697**

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 three-month period ended March 31, 2022 and in the three-month period ended March 31, 2021:

	Three-month period ended March 31, 2022	Three-month period ended March 31, 2021
as at January 1, audited	**17,257**	**9,061**
additions (new leases)	-	200
lease modifications	394	(1,140)
interest expense on lease liabilities	71	37
lease payments	(1,131)	(526)
foreign exchange differences on translation to local currency	(23)	45
foreign exchange differences on translation to USD	(263)	(508)
as at March 31, unaudited	**16,305**	**7,169**
long-term	12,169	4,766
short-term	4,136	2,403

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

- cash payments of the capital component of lease liabilities in the three-month period ended March 31, 2022 amounting to USD 1,131 thousand (USD 526 thousand in the three-month period ended March 31, 2021) – as part of financing activities (lease repayment),
- cash interest payments on leases in the three-month period ended March 31, 2022 amounting to USD 71 thousand (USD 37 thousand in the three-month period ended March 31, 2021) – 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 three-month period ended March 31, 2022 amounting to USD 88 thousand (USD 125 thousand in the three-month period ended March 31, 2021) – as part of operating activities.

The Group had total cash outflows due to leases of USD 1,202 thousand in the three-month period ended March 31, 2022 and USD 563 thousand in the three-month period ended March 31, 2021.

17. Cash flows reconciliation

The change of trade and other payables presented in the interim condensed consolidated statement of financial position as of March 31, 2022 does not equal the change in the interim condensed consolidated statement of cash flows for the three-months period ended March 31, 2022. The difference is due to deferred payments for the acquisition of Traffic Puzzle game which amounted to USD 4,400 thousand. For details, please refer to Note 11 *Intangible assets.*

18. Contingencies

Tax contingent liabilities

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

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.

19. Related party transactions

There were no transactions with related parties during the period ended March 31, 2022.

On February 5, 2021 one series A preference share was issued to RP II HE LLC - the Group's shareholder holding 12,69% of the Company's shares and exercising the significant influence as at the date of approval of these interim condensed consolidated financial statements for issue, 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.

There is no ultimate controlling party.

20. 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.

Three-month period ended March 31, 2022 Unaudited	**Board of Directors of Huuuge Inc.**	**Executive Management team**	**Total**
Base salaries	68	593	661
Bonuses and compensation based on the Group's financial result for the period	-	231	231
Share-based payments	-	565	565
Total	**68**	**1,389**	**1,457**

Three-month period ended March 31, 2021 Unaudited	**Board of Directors of Huuuge Inc.**	**Group Global Management**	**Total**
Base salaries	-	729	729
Bonuses and compensation based on the Group's financial result for the period	-	444	444
Share-based payments	-	1,479	1,479
Total	**-**	**2,652**	**2,652**

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

The remuneration of Executive Management Team ("Group Global Management" during the period ended March 31, 2021) presented in the tables above includes USD 105 thousand related to Mr Anton's Gauffin options for the period ended March 31, 2022 (base salary and accrued bonuses in the amount of USD 95 thousand for the period ended March 31, 2021).

During the period ended March 31, 2022, members of the Board of Directors and Executive Management team exercised 8,360 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 three-month period ended March 31,2021 there was no additional compensation for the Board of Directors of Huuuge Inc. except for the remuneration of Mr Anton Gauffin as described above.

21. 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.

The positive operating result for the three-month period ended March 31, 2021 and for the three-month period ended March 31, 2021 indicates that COVID-19 pandemic had no negative impact on the Group's business. In addition, the Group's revenues and operating result for the three-month period ended March 31, 2022 are comparable to those presented for the three-month period ended March 31, 2021.

Based on the analysis performed by the Group's management as of March 31, 2022 and March 31, 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.

22. Unusual events

War in Ukraine

On February 24, 2022, Russian troops crossed the eastern, southern and northern borders of Ukraine, attacking Ukraine. In connection with the hostilities of Russia, the representatives of the European Union imposed sanctions on Russia. The Company had also made a decision to stop distribution of new games in Russia and Belarus. Russia and Belarus markets were responsible for less than 1% of total revenue generated by Huuuge in 2021 which means the currently ongoing war in Ukraine should not have a material impact on Huuuge's performance and operations. Huuuge has analyzed and is continuously monitoring the impact of the political and economic situation in Ukraine on its and the Group's operations and financial results. The Company is not able to reliably determine the impact which the situation in Ukraine will have on the state of the European economy and, consequently, on the activity of the Group.

As of March 10th 2022 Google Play due to payment system disruption informed about pausing Google Play's billing system for users in Russia. This means users will not be able to purchase apps and games, make subscription payments or conduct any in-app purchases of digital goods using Google Play in Russia.

23. Subsequent events

After March 31, 2022 and up to the date of approval of these interim condensed consolidated financial statements for issue no significant events except the following have occurred.

Delivery of treasury shares for options exercised during the three-months period ended March 2022

After March 31, 2022 and up to the date of approval of these condensed consolidated financial statements for issue the Company delivered to its employees 627,257 treasury shares, out of which 490,843 treasury shares were delivered for the options exercised during three-months period ended March 31, 2022, and 136,414 treasury shares - for the options exercised after March 31, 2022. Any difference between shares delivered and options exercised is due to the cashless exercises. The delivery took place under the stock option plan 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 delivered 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.

Share Buyback Scheme ("SBB")

On May 22, 2022, the Board of Directors adopted a resolution according to which the cap of 2,500,000 Company's shares capable of being repurchased by the Company under the SBB has been increased to 6,500,000 shares. All other terms set out in the initial SBB program remained unchanged.

At the date preceding the date of approval of these condensed consolidated financial statements for issue 2,164,922 of the repurchased shares were registered at the Central Securities Depository under Share Buyback Scheme.

Anton Markus Gauffin Digitally signed by Anton Markus Gauffin
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Anton Gauffin

President of Huuuge Inc., CEO

May 24, 2022

Selected Company's separate financial data

Company's separate statement of comprehensive income

	Three-month period ended March 31, 2021	Three-month period ended March 31, 2021
Revenue	**664**	**1,335**
Cost of sales	-	-
Gross profit / (loss)	**664**	**1,335**
Sales and Marketing expenses	(26)	-
Research and development expenses	(495)	(343)
General and administrative expenses	(1,267)	(952)
Other operating income/(expense), net	(47)	26
Operating result	**(1,171)**	**66**
Finance income	2	166
Finance expense	(27)	(42,294)
Profit/(loss) before tax	**(1,196)**	**(42,062)**
Income tax	-	-
Net result for the period	**(1,196)**	**(42,062)**
Other comprehensive income	-	-
Total other comprehensive income	**(1,196)**	**(42,062)**

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

Company's separate statement of financial position

	As of March 31, 2022	As of December 31, 2021
Assets		
Non-current assets		
Property, plant and equipment	86	87
Right-of-use asset	118	137
Investment in subsidiaries	27,710	26,856
Other non-financial assets	6	6
Deferred tax asset	48	48
Total non-current assets	**27,968**	**27,134**
Current assets		
Trade and other receivables	3,397	4,149
Corporate income tax receivable	303	303
Loans granted	-	-
Cash and cash equivalents	109,051	106,330
Total current assets	**112,751**	**110,782**
Total assets	**140,719**	**137,916**
Equity		
Share capital	2	2
Treasury shares	(19,170)	(19,954)
Supplementary capital	321,532	321,049
Employee benefit reserve	20,902	19,813
Retained earnings/(accumulated losses)	(187,237)	(186,041)
Total equity	**136,029**	**134,869**
Non-current liabilities		
Long-term lease liabilities	46	66
Total non-current liabilities	**46**	**66**
Current liabilities		
Trade and other payables	4,565	2,903
Short-term lease liabilities	79	78
Total current liabilities	**4,644**	**2,981**
Total equity and liabilities	**140,719**	**137,916**

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

Company's separate statement of changes in equity

	Share capital	Treasury shares	Supplementary capital	Employee benefit reserve	Retained earnings	Equity
As of January 1, 2022	**2**	**(19,954)**	**321,049**	**19,813**	**(186,041)**	**134,869**
Net profit / (loss)	-	-	-	-	(1,196)	(1,196)
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**(1,196)**	**(1,196)**
Shares issued/(repurchased)	-	(307)	-	-	-	(307)
Exercise of stock options	-	780	794	-	-	1,574
Delivery of shares to former owners of Double Star Oy	-	311	(311)	-	-	-
Employee share schemes - value of employee services	-	-	-	1,089	-	1,089
As of March 31, 2022	**2**	**(19,170)**	**321,532**	**20,902**	**(187,237)**	**136,029**

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

	Share capital	Treasury shares	Supplementary capital	Employee benefit reserve	Retained earnings	Equity
As of January 1, 2021	**2**	**(33,994)**	**14,040**	**8,053**	**(140,835)**	**(152,734)**
Net profit / (loss)	-	-	-	-	(42,062)	(42,062)
Total comprehensive income for the period	-	-	-	-	(42,062)	(42,062)
Shares issued/(repurchased)	-	(43,976)	152,929	-	-	108,953
Exercise of stock options	-	-	101	-	-	101
Employee share schemes - value of employee services	-	-	-	2,505	-	2,505
Earn-out consideration - value of employee services	-	-	-	247	-	247
Conversion of preference shares	-	-	215,602	-	0	215,602
Redemption of treasury shares	-	33,994	(33,994)	-	-	-
Transaction costs of an issuance of equity instruments	-	-	(4,857)	-	-	(4,857)
As of March 31, 2021	**2**	**(43,976)**	**343,821**	**10,805**	**(182,897)**	**127,755**

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

Company's separate statement of cash flows

	Three-month period ended	
	March 31, 2022	March 31, 2021
Cash flows from operating activities		
Profit/(loss) before tax	**(1,196)**	**(42,062)**
Adjustments for:		
Depreciation and amortization	21	22
Non-cash employee benefits expense - share-based payments	234	25
Remeasurement and other finance expenses related to preference shares liability	-	38,997
Finance (income)/expense, net	-	2,652
Changes in net working capital:		
Trade and other receivables	752	2,621
Trade and other payables	1,662	2,336
Provisions	-	(6,500)
Other adjustments	-	23
Cash flows from operating activities	**1,473**	**(1,886)**
Income tax paid	-	-
Net cash from operating activities	**1,473**	**(1,886)**
Cash flows from investing activities		
Acquisition of property, plant and equipment and intangible assets	-	(21)
Purchase of shares in subsidiaries	-	(1,238)
Net cash from investing activities	**-**	**(1,259)**
Cash flows from financing activities		
Exercise of stock options	1,574	101
Lease repayment	(19)	(19)
Prepayment for treasury stock ordinary shares	(307)	-
Proceeds from issue of common shares for public subscription	-	152,929
Execution of stabilization option	-	(43,976)
Transaction costs of an issuance of equity instruments	-	(6,988)
Loss on foreign exchange forward contract	-	(2,662)
Cash flow from financing activities	**1,248**	**99,385**
Net increase/(decrease) in cash and cash equivalents	2,721	96,240
Effect of exchange rate fluctuations	-	(40)
Cash and cash equivalents at the beginning of the period	**106,330**	**7,284**
Cash and cash equivalents at the end of the period	**109,051**	**103,484**

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

Unusual events significantly affecting Huuuge Inc. stand alone financial data

Unusual events, due to their nature, value or frequency, which significantly affected the Company's assets, liabilities, equity as of March 31, 2022, net result, and cash flows for the three-month period ended March 31,2022 were the following:

- Share Buyback Scheme ("SBB"), i.e. repurchase of own common shares, described in Note 13 - Share capital to the Interim Condensed Consolidated Financial Statements.

Additional information to the report

HUUUGE

1. Significant achievements or failures

Traffic Puzzle handover

In January 2022 we finalized the Traffic Puzzle handover process and since then have been making changes to the product. We believe in the potential of this unique match-3 game and that once we have made important improvements to the product and its features, it will be ready for further scaling. Traffic Puzzle is our significant business priority for 2022 and beyond.

Removal of Category 3 (CAT3) restrictions

In March 2022 we obtained a resolution of the Warsaw Stock Exchange Management Board on the removal of trading restrictions applicable to the Company's shares under Category 3 (CAT3) of Regulation S. The removal of restrictions on the transferability of shares allows investors qualified as U.S. persons to acquire the Company's shares which means there are no CAT3 restrictions on trading Huuuge shares on the Warsaw Stock Exchange. This change should also have a positive impact on the liquidity of the Company's shares as financial institutions will no longer be obliged to comply with CAT3 regulations when trading the Company's shares.

2. Factors affecting our results

Mobile gaming and social casino market environment

According to Sensor Tower, consumer spending on mobile games declined 7.1% YoY to USD 21 billion in Q1 2022, with both App Store and Google Play seeing less revenue compared to the corresponding period in the previous year. Mobile games on Apple's platform achieved USD 12.9 billion, down 2.3% YoY, while Google Play saw its mobile game revenue decline 13.8% YoY to USD 8.1 billion. As far as the future outlook is concerned, according to the most recent Newzoo Global Games Market report, the total video games market is expected to grow by 5.4% YoY in 2022, with mobile games revenue crossing the USD 100 billion mark (which would account for more than half of all games revenue for 2022).

As far as the social casino market is concerned, according to Eilers & Krejcik, the social casino market grew 0.5% YoY in Q1 2022 and 1.5% QoQ. The long term forecast has been lowered lately with the social casino market expected to grow at +2.7% CAGR in 2021–25E (with a USD 8.5 billion market by 2025).

Core franchises focus on longevity

We have witnessed another quarter of decline in our core franchises' user base in line with the general market trends as well as genre market trends. Our strategy is to optimize our User Acquisition spend for these flagship games and to further improve the profitability and cash generation of our core portfolio.

Traffic Puzzle scaling

In January 2022 we finalized the handover process of Traffic Puzzle and are now in a position to make the required changes to the product and bring the game's KPIs to the next level. On February 4, 2022 the Group made the payment of a second tranche amounting to USD 25,000 thousand for the Traffic Puzzle game according to the schedule stipulated in the purchase agreement (the remaining tranche of USD 4,400 thousand is to be paid in Q1 2023). Traffic Puzzle revenue was almost 3.5 times higher YoY in FY 2021 and 13.2% higher YoY in Q1 2022 and we believe there is still significant potential for the further scaling of that title. The user base keeps growing and the number of DAUs in Q1 2022 exceeded 200 thousand.

User Acquisition expenses and post-IDFA mobile advertising market update

User acquisition expenses were adapted to support the new post-IDFA reality, such that budgets have been shifted to partners with better post-change performance. Media-buying methods and the overall marketing strategy have not been affected, rather adapted to novel channels and platforms. We continuously test new tools and features to improve current measurement possibilities while strictly adhering to data privacy regulations. According to Google and media reports, Google is working on privacy measures intended to limit the sharing of data on smartphones using the Android operating system. However, those changes are not expected to be as disruptive as the changes introduced by Apple last year. Google did not provide an exact timeline for its changes, but said it would support existing technologies for at least two more years.

General external factors

External factors that could affect our performance include the overall economy and specifically on the gaming industry and our players' behavior, continued secular trends in the sector, inflation and the volatility of foreign exchange rates.

Expected tax reforms & changes in tax law / tax law interpretations

In 2021 the debate on international taxation focused on the concepts of digital taxation and minimum taxation. The course of debate also impacted the shape of income tax reform in the United States that commenced in 2021. Among other things we see the following changes in US taxation as potentially affecting the Group: (i) increase in the federal corporate tax rate; (ii) revisions to the global intangible low-taxed income (GILTI), and (iii) lower deduction against the global minimum tax in Internal Revenue Code Section 250. The discussed changes in the GILTI rate or the GILTI calculation mechanism may negatively impact the Group's effective tax rate (ETR). Taking into account currently available information and the fact that the GILTI mechanism is yet to be adjusted to the agreement reached by the OECD member states on October 8, 2021 seeking to impose a minimum tax rate, the most impactful changes may be implemented starting from 2023, according to President's Biden budget proposal. The implementation of these rules in their current form would negatively impact the global effective tax rate of the Group and may have a negative impact on our financial results.

On January 1, 2022 a new comprehensive social and economic program, referred to as the "The New Economic Polish Deal" took effect. The rules introduce extensive changes to taxation and health insurance contributions. The adoption of the program results, among other things, in an increase in employment costs in Poland (the majority of our employment costs, excluding share-based compensation, are incurred in Poland), which will have a negative impact on our financial results.

War in Ukraine

On February 24, 2022, Russian troops crossed the eastern, southern and northern borders of Ukraine, attacking the country. In connection with the Russian hostilities, representatives of the European Union imposed sanctions on Russia. The Company also took the decision to stop the distribution of new games in Russia and Belarus. Russia and Belarus markets were responsible for less than 1% of total revenue generated by Huuuge in 2021 which means that the currently ongoing war in Ukraine should not have a material impact on Huuuge's performance and operations. Huuuge has analysed and is continuously monitoring the impact of the political and economic situation in Ukraine on its and the Group's operations and financial results. The Company is unable to reliably determine the impact which the situation in Ukraine will have on the state of the European economy and, consequently, on the Group's activity.

3. Key Performance Indicators

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

- **Daily Active Users (DAU):** DAU is defined as the number of individual users who played a game on a particular day. In order to more accurately reflect reality, we identify the users based on (human) ID (HID) rather than device ID. That allows us to eliminate the double counting of individuals playing games on multiple devices. The ability to identify and analyse actual players rather than accounts allows for substantially greater accuracy, including better in-game targeting of offers (right offer, to the right person, at the right time), better retargeting capabilities and better predictive models. Average DAU for a period is the average of the monthly average DAU for the period presented.

- **Daily Paying Users (DPU):** DPU is defined as the number of players (active users) who made a purchase on a given day.

- **Average Revenue per Daily Active User (ARPDAU):** ARPDAU is defined as average revenue per daily active user. ARPDAU for a period is calculated by dividing gross revenue (i.e. before deduction of platform fees) for the period by the number of days in the period and then dividing by the average DAU for the period.

- **Daily Average Revenue per Paying User (ARPPU):** ARPPU is defined as average revenue per paying user on a given day. It is calculated by dividing gross revenue from in-app purchases (i.e. before deduction of platform fees) for the period by the number of days in the period and then dividing by the average DPU for the period. ARPPU for the period is calculated by dividing IAP revenue for the period by the number of days in the period and then dividing by the average DPU for the period.

- **Monthly Payer Conversion (Monthly Conversion):** Monthly Conversion is defined as the percentage of MAU that made at least one purchase in a month during the same period.

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

The table below presents our KPIs for Q1 2022 and Q1 2021 for the Group and "core franchises" i.e. Huuuge Casino and Billionaire Casino.

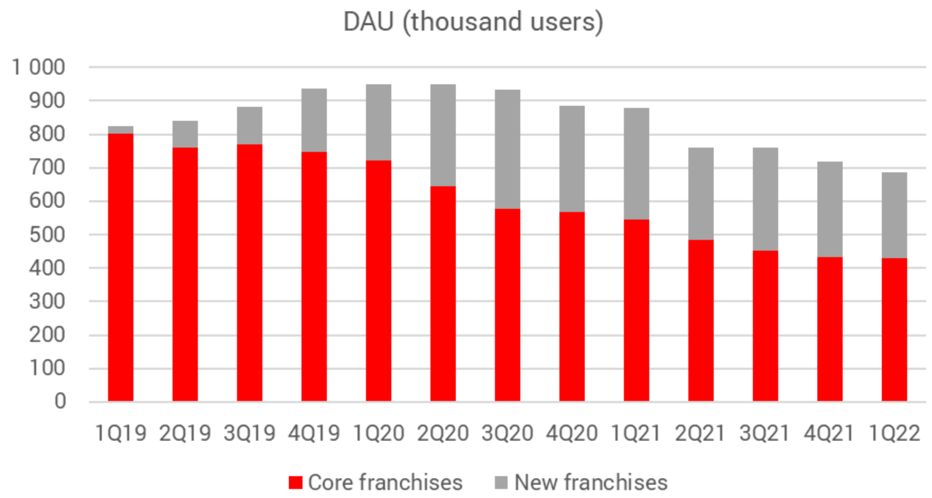
	Three-month period ended March 31,			
	2022		2021	
KPI	Group	Core franchises	Group	Core franchises
DAU (in thousand)	701.6	428.2	888.8	545.5
DPU (in thousand)	25.0	19.8	28.6	23.2
ARPDAU (in USD)	1.3	1.9	1.0	1.72
ARPPU (in USD)	35.8	41.4	35.7	40.3
Monthly Conversion (%)	5.6%	8.6%	5.0%	8.3%

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

Daily Active Users

In Q1 2022 we observed a decline YoY of DAU for our core franchises and for our new franchises. The downward trend of DAU for our core franchises reflects the current trends that can be seen in the social casino genre. In the new franchises, the decline resulted mainly from the reallocation of User Acquisition investment from other games to Traffic Puzzle (while Traffic Puzzle DAU increased YoY by 49%). The DAU decline was partly offset by an improvement in the monetization of KPIs such as ARPPU and conversion.

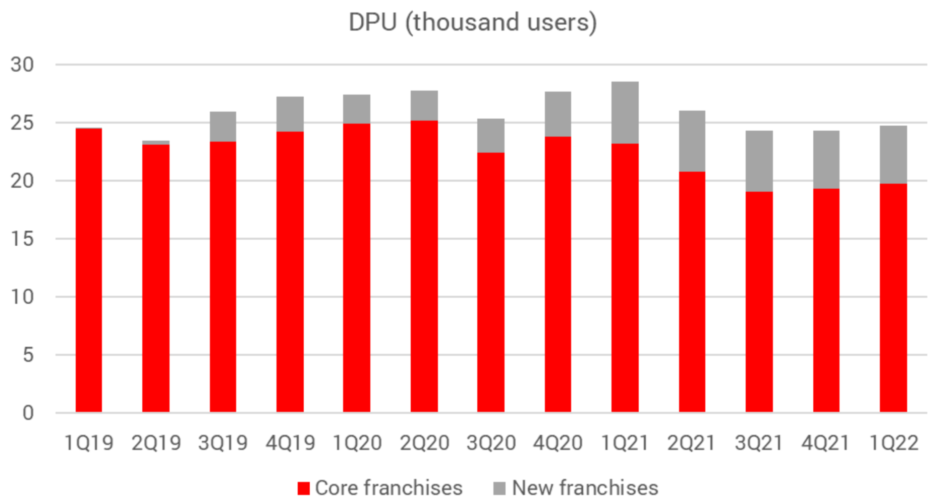
The chart below presents DAU for our core franchises and our other games ("new franchises") for the periods indicated.



Daily Paying Users

In Q1 2022 the number of DPU was 13% lower YoY, which was mainly due to the DPU decline YoY of 15% of our core franchises. The drop in DPU for core franchises was a consequence of falling DAU and it was partially offset by an improvement in monetization. As already explained above, the decrease in new franchises was due to relocating resources from less promising titles to Traffic Puzzle. DPU in Traffic Puzzle increased by 15% YoY. On a QoQ basis, DPU increased by 2% overall with a 2% increase for core franchises and a 3% increase QoQ for the Traffic Puzzle title.

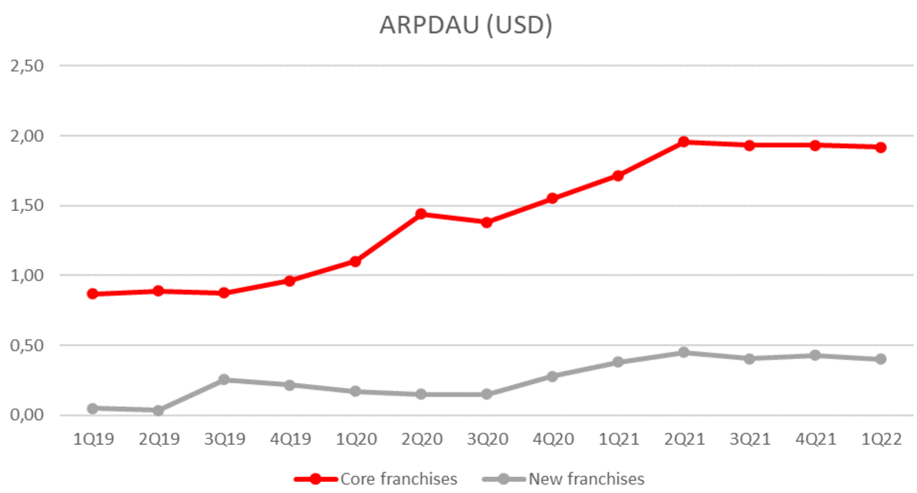
The chart below presents DPU for our core and new franchises for the periods indicated:



Average Revenue per Daily Active User

ARPDAU indicates how well we monetize our games taking into account our whole player base. Thanks to our competences in marketing, as well as our technology, in recent years we have seen sustained growth in the monetization of our core games, i.e. Huuuge Casino and Billionaire Casino. These two games continued to exhibit ARPDAU rates significantly exceeding the category averages and we saw this KPI stabilizing just under USD 2.0 over the last quarters and also in Q1 2022. Our total ARPDAU increased by 11% YoY and 1% QoQ. The ARPDAU of core franchises increased by 12% YoY and decreased by 1% QoQ. New franchises increased by 12% YoY and decreased by 1% QoQ. It is worth noting that Traffic Puzzle's ARPDAU also significantly exceeds the average in its category.

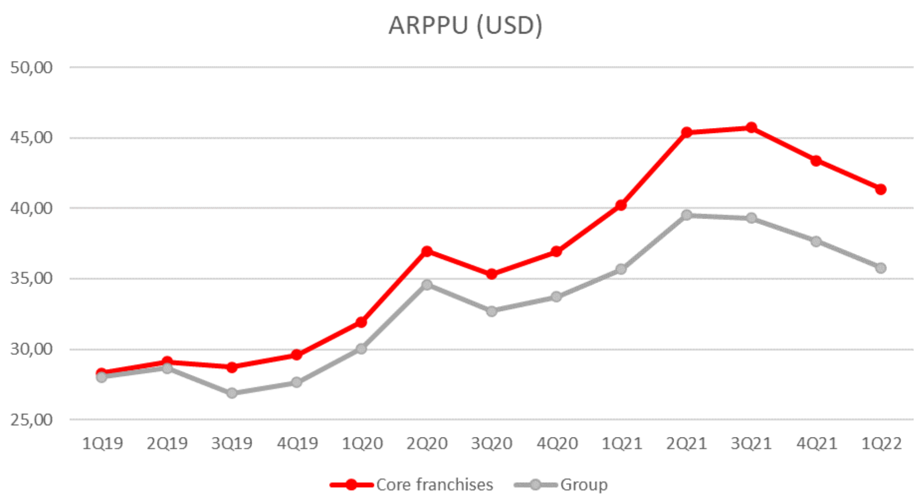
The chart below presents ARPDAU for our core and new franchises for the periods indicated:



Daily Average Revenue per Paying User

In recent years, we have been able to consistently improve the ARPPU of our core franchises owing to the social features of our games as well as our constant focus on live events and special offers. In Q1 2022 we saw a 3% increase in ARPPU in core franchises on a YoY basis and a 5% decline on a QoQ basis. Our core ARPPU remains at the top levels in the social casino category. We have been focusing on the longevity of our core games, which means the slightly less aggressive monetization of our players and higher conversion ratios.

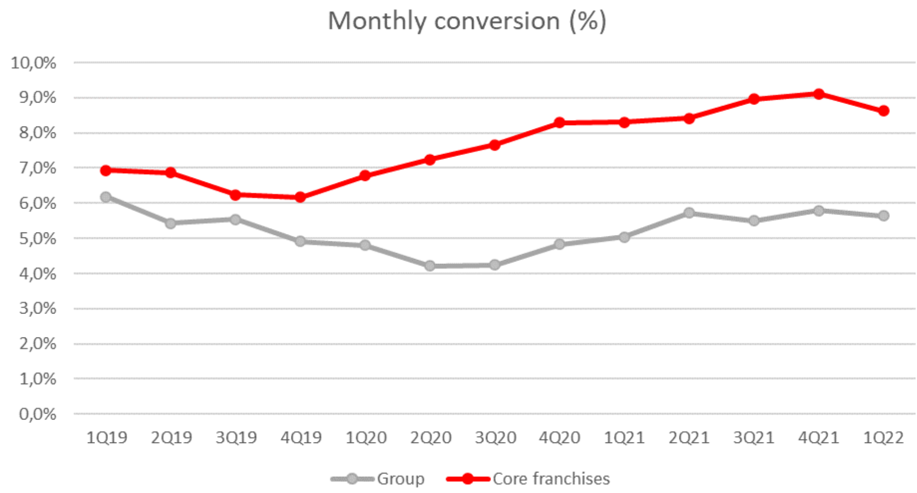
The chart below presents ARPPU for our core franchises' games for the periods indicated:



Monthly conversion

Monthly Conversion is an indicator of our ability to convert players into payers. In Q1 2021, the Monthly Conversion for the whole portfolio grew from 5.0% in Q1 2021 to 5.6% in Q1 2022, this resulted from an improvement in both core franchises and new franchises YoY. QoQ monthly conversion decreased slightly for the whole group, which was an effect of the decline in core franchises and an increase in new titles.

The chart below presents Monthly conversion for our core and new franchises for the periods indicated:



4. Results of operations

The following table presents our consolidated statement of comprehensive income for the three-month periods ended March 31, 2022 and March 31, 2021

in thousand USD	Q1 2022	Q1 2021	Change
Revenue	**84,001**	**95,691**	**-12.2%**
Cost of sales	(25,473)	(28,071)	-9.3%
Gross profit/(loss) on sales	**58,528**	**67,620**	**-13.4%**
Sales and marketing expenses	(29,897)	(43,239)	-30.9%
thereof user acquisition marketing campaigns	(26,285)	(39,098)	-32.8%
thereof general sales and marketing expenses	(3,612)	(4,141)	-12.8%
Research and development expenses	(8,982)	(7,819)	14.9%
General and administrative expenses	(9,051)	(10,034)	-9.8%
Other operating income/(expense), net	75	(25)	-400.0%
Operating result	**10,673**	**6,503**	**64.1%**
Finance income	165	120	37.5%
Finance expense	(95)	(43,582)	-99.8%
Profit/(loss) before tax	**10,743**	**(36,959)**	**-129.1%**
Income tax	(1,817)	(580)	213.3%
Net result for the period	**8,926**	**(37,539)**	**-123.8%**
Exchange gains/(losses) on translation of foreign operations	(1,072)	(416)	157.7%
Total comprehensive income for the period	**7,854**	**(37,955)**	**-120.7%**

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

in thousand USD	Q1 2022	Q1 2021	Change
EBITDA	13,303	7,638	74.2%
EBITDA *margin* (%)	15.8%	8.0%	7.8pp
Adjusted EBITDA	14,392	10,390	38.5%
Adjusted EBITDA *margin* (%)	17.1%	10.9%	6.2pp
Sales Profit	32,243	28,522	13.0%
Sales Profit *margin* (%)	38.4%	29.8%	8.6pp
User acquisition marketing campaigns as a percentage of revenue	31.3%	40.9%	-9.6pp
Adjusted Net Result	10,015	4,210	137.9%
Adjusted Net Result (%)	11.9%	4.4%	7.5pp

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

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

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

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

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

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

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

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

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

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

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

Sales Profit and Sales Profit Margin

in thousand USD	Q1 2022	Q1 2021	Change
Revenue	**84,001**	**95,691**	**-12.2%**
Gross profit/(loss) on sales	58,528	67,620	-13.4%
User acquisition marketing campaigns	26,285	39,098	-32.8%
Sales Profit	**32,243**	**28,522**	**13.0%**
Sales Profit Margin	**38.4%**	**29.8%**	**8.6pp**

Adjusted EBITDA reconciliation

in thousand USD	Q1 2022	Q1 2021	Change
Net result for the period	**8,926**	**(37,539)**	**-123.8%**
Income tax	1,817	580	213.3%
Finance expense	95	43,582	-99.8%
Finance income	(165)	(120)	37.5%
Depreciation and amortization	2,630	1,135	131.7%
EBITDA	**13,303**	**7,638**	**74.2%**
EBITDA Margin	**15.8%**	**8.0%**	**7.8pp**
Employee benefits costs – share-based plan (1)	1,089	2,752	-60.4%
Adjusted EBITDA	**14,392**	**10,390**	**38.5%**
Adjusted EBITDA Margin	**17.1%**	**10.9%**	**6.2pp**

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

Adjusted Net Result

in thousand USD	Q1 2022	Q1 2021	Change
Net result for the period	8,926	(37,539)	-123.8%
Employee benefits costs – share-based plan (1)	1,089	2.752	-60.4%
Series C shares revaluation	-	38,997	-100.0%
Adjusted Net Result	10,015	4,210	137.9%
Adjusted Net Result Margin	11.9%	4.4%	7.5pp

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

Revenue

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

in thousand USD	Q1 2022	Q1 2021	Change
Gaming applications	80,568	91,817	-12.3%
Advertising	3,433	3,874	-11.4%
Total revenue	**84,001**	**95,691**	**-12.2%**

Revenue decreased by USD 11,690 thousand, i.e. 12.2%, from USD 95,691 thousand for the quarter ended March 31, 2021, to USD 84,001 thousand for the quarter ended March 31, 2022.

Following the trends described in the KPI section above (i.e. decline in DAU and insufficient growth of ARPDAU), revenue generated by in-app purchases in gaming applications decreased by 12.3% for the quarter ended March 31, 2022 compared to the corresponding quarter of 2021, while revenue generated by advertising decreased by 11.4% for the quarter ended March 31, 2022 compared to the corresponding quarter of 2021.

Below we show the revenue split into main product groups:

in thousand USD	Q1 2022	Q1 2021	Change
Huuuge Casino	48,407	55,007	-12.0%
Billionaire Casino	25,563	29,295	-12.7%
Total Core Franchises	**73,970**	**84,302**	**-12.3%**
Traffic Puzzle	8,585	7,585	13.2%
Other	1,446	3,804	-62.0%
- including games developed by external developers based on publishing contracts	296	170	*74.1*
Total revenue	**84,001**	**95,691**	**-12.2%**

Revenue generated by our core games, i.e. Huuuge Casino and Billionaire Casino decreased by 12.3% for the quarter ended March 31, 2022 compared to the corresponding quarter of 2021. Reallocating resources from less promising titles to Traffic Puzzle resulted in an increase in revenue generated by Traffic Puzzle by 13.2% for the quarter ended March 31, 2022 compared to the corresponding quarter of 2021, and a decrease of 62% in other titles.

Operating expenses

The table below presents a breakdown of our operating expenses.

in thousand USD	Q1 2022	Q1 2021	Change
Cost of sales	(25,473)	(28,071)	-9.3%
Sales and marketing expenses:	(29,897)	(43,239)	-30.9%
thereof User acquisition marketing campaigns	(26,285)	(39,098)	-32.8%
thereof General sales and marketing expenses	(3,612)	(4,141)	-12.8%
Research and development expenses	(8,982)	(7,819)	14.9%
General and administrative expenses	(9,051)	(10,034)	-9.8%
Total operating expenses	**(73,403)**	**(89,163)**	**-17.7%**

Operating expenses for the quarter ended March 31, 2022, decreased by USD 15,760 thousand (from USD 89,163 thousand to USD 73,403 thousand) i.e. 17.7%, compared to the corresponding quarter of 2021. This change resulted primarily from the decrease in User acquisition marketing campaigns which are a dominant part of the Sales and marketing expenses.

The second largest item of operating expenses, i.e. cost of sales, decreased by USD 2,598 thousand (from USD 28,071 thousand to USD 25,473 thousand) i.e. 9.3% compared to the quarter ended March 31, 2021. As the cost of sales is mostly driven by commissions to distributors (platform fees), the decrease in the revenue generated by in-app purchases of 12.3%

resulted in a similar decrease in cost of sales. The difference in the decrease ratio (9.3% vs 12.3%) was primarily due to Traffic Puzzle game amortization amounting to USD 972.5 thousand in the quarter ended March 31, 2022 with no comparable amounts for the corresponding quarter of 2021.

General Sales and Marketing expenses for the quarter ended March 31, 2022 decreased by USD 529 thousand, i.e. 12.8%, compared to the corresponding period of 2021 which can be attributed primarily to a decrease in Employee stock option plan expenses.

Research and Development expenses for the quarter ended March 31, 2022 increased by USD 1,163 thousand, i.e. 14.9%, compared to the corresponding period of 2021. The increase was mainly driven by (i) an increase in salaries and employee-related costs driven by the lower bonus provision in Q1 2021 and (ii) development activities related to the Traffic Puzzle game and publishing agreements.

Our General and Administrative expenses for the quarter ended March 31, 2022 decreased by USD 983 thousand, i.e. 9.8%, compared to the corresponding period of 2021.The overall decrease can be attributed mainly to a decrease in employee stock option plan expenses and lower external services costs, which in Q1 2021 were particularly high as a consequence of the efforts related to becoming and operating as a public company.

Finance expenses, net

in thousand USD	Q1 2022	Q1 2021	Change
Finance income	165	120	37.5%
Finance expense	(95)	(43,582)	-99.8%
Finance expense, net	**70**	**(43,462)**	**-100.2%**

Finance expense, net for the quarter ended March 31, 2022 decreased by USD 43,532 thousand (compared to USD 70 thousand of finance income from USD 43,462 thousand of finance expense), mainly as a result of the remeasurement of the fair value of Series C Preferred Shares (financial expense of USD 38,997 thousand) and a loss of USD 2,662 thousand on a foreign exchange forward contract recognized for the three-month period ended March 31, 2021. Finance income, net for the quarter ended March 31, 2022, is almost entirely attributable to foreign exchange rates fluctuations. For more details, please refer to the Finance income and finance expense section of the Interim Condensed Consolidated Financial Statements for the quarter ended March 31, 2022.

Net Financial Debt

The table below presents the Net Financial Debt of the Company as at March 31, 2022 and December 31, 2021.

in thousand USD	As at March 31, 2022	As at December 31, 2021
Cash and cash equivalents[1]	198,713	204,415
Short-term lease liabilities	4,136	4,275
Net current financial indebtedness	**(194,577)**	**(200,140)**
Long-term lease liabilities	12,169	12,982
Non-current financial indebtedness	**12,169**	**12,982**
Net financial debt	**(182,408)**	**(187,158)**

1. Includes cash in money market investment funds

Net financial debt for the quarter ended March 31, 2022 decreased by USD 4,750 thousand (to negative USD 182,408 thousand from negative USD 187,158 thousand) compared to the corresponding period of 2021, mainly as a result of the change in cash and cash equivalents described in the Cash Flows and Liquidity section.

Statement of Financial Position

Selected Consolidated Statements of Financial Position

	As at March 31,		As at December 31,	
in thousand USD	**2022**	**Structure**	**2021**	**Structure**
ASSETS				
Total non-current assets, including:	**65,426**	**22.5%**	**67,512**	**22.5%**
Right-of-use assets	16,381	5.6%	17,479	5.8%
Goodwill	2,572	0.9%	2,693	0.9%
Intangible assets	39,254	13.5%	40,217	13.4%
Total current assets, including:	**225,815**	77.5%	**232,434**	**77.5%**
Trade and other receivables	26,445	9.1%	27,671	9.2%
Cash and cash equivalents	198,713	68.2%	204,415	68.2%
Total assets	**291,241**	**100%**	**299,946**	**100%**
EQUITY				
Total equity	**236,309**	**81.1%**	**226,099**	**75.4%**
LIABILITIES				
Total non-current liabilities, including:	**12,240**	**4.2%**	**12,982**	**4.3%**
Long-term lease liabilities	12,169	4.2%	12,982	4.3%
Total current liabilities, including:	**42,692**	**14.7%**	**60,865**	**20.3%**
Trade and other payables	33,027	11.3%	52,687	17.6%
Total liabilities	**54,932**	**18.9%**	**73,847**	**24.6%**
Total equity and liabilities	**291,241**	**100%**	**299,946**	**100%**

Assets

Total assets decreased by USD 8,705 thousand, i.e. 2.9%, from USD 299,946 thousand as at December 31, 2021, to USD 291,241 thousand as at March 31, 2022.

The structure of total assets remained mostly unchanged, i.e., total assets mainly comprised the following items: (i) cash and cash equivalents (accounting for 68.2% and 68.2% of total assets as at March 31, 2022, and December 31, 2021, respectively), and (ii) intangible assets (accounting for 13.5% and 13.4% of total assets as at March 31, 2022, and December 31, 2021, respectively).

The decrease in total assets resulted mainly from a decrease in total current assets of USD 6,619 thousand, i.e. 2.8%, from USD 232,434 thousand as at December 31, 2021, to USD 225,815 thousand as at March 31, 2022. The key driver of this change is a decrease in cash and cash equivalents further described in the Cash Flow and Liquidity section.

Liabilities

Total liabilities decreased by USD 18,915 thousand, i.e. by 25.6% from USD 73,847 thousand as at December 31, 2021, to USD 54,932 thousand as at March 31, 2022, which is mainly attributable to the payment of the second tranche (USD 25,000) for IP rights of the Traffic Puzzle game acquired in April 2021.

As at March 31, 2022 total liabilities mainly comprised trade and other payables (accounting for 60.1% of total liabilities) and long-term lease liabilities (accounting for 22.2% of total liabilities).

As at December 31, 2021 total liabilities mainly comprised trade and other payables (accounting for 71.3% of total liabilities) and long-term lease liabilities (accounting for 17.6% of total liabilities).

Cash Flows And Liquidity

The following table summarizes selected net cash flows from operating, investing and financing activities for the three-month periods ended March 31, 2022 and March 31, 2021.

in thousand USD	Q1 2022	Q1 2021	Change	% Change
Cash flows from operating activities				
Profit/(loss) before tax	10,743	(36,959)	47,702	-129.1%
Adjustments for:				
Total of non-cash changes in depreciation, amortization, profits or losses on disposal	2,630	1,295	1,335	103.1%
Non-cash employee benefits expense – share-based payments	1,089	2,752	(1,663)	-60.4%
Non-cash remeasurement of Preferred Shares liability – finance expense	-	38,997	(38,997)	-100.0%
Finance (income)/cost - net	(369)	2,354	(2,723)	-115.7%
Changes in net working capital	6,487	(16,071)	22,558	-140.4%
Cash flows from operating activities	20,580	(7,632)	28,212	-369,7%
Income tax paid	(677)	(657)	(20)	3.0%
Net cash flows from operating activities	**19,903**	**(8,289)**	**28,192**	**-340,1%**
Cash flows from investing activities, including:				
Acquisition of property, plant and equipment and intangible assets	(667)	(564)	(103)	18.3%
Acquisition of IP rights	(25,000)	-	(25,000)	100.0%
Net cash from investing activities	**(25,667)**	**(564)**	**(25,103)**	**>999.9%**
Cash flows from financing activities, including:				
Proceeds from issue of common shares for public subscription	-	152,929	(152,929)	-100.0%
Execution of stabilization option	-	(43,976)	43,976	-100.0%
Transaction costs in anticipation of the issue of equity instruments	-	(6,988)	6,988	-100.0%
Net cash from financing activities	**75**	**98,620**	**(98,545)**	**-99.9%**
Net increase/(decrease) in cash and cash equivalents	**(5,689)**	**89,767**	**(95,456)**	**-106.3%**

Net cash flows from operating activities

Net cash inflows from operating activities for the three-month period ended March 31, 2022 amounted to USD 19,903 thousand and increased by USD 28,192 thousand, from cash outflows of USD 8,289 thousand for the corresponding period of 2021.

The changes in net cash flows from operating activities are primarily attributable to an increase in adjusted EBITDA of USD 4,002 thousand and a favorable change in net working capital of USD 22,558 thousand mainly attributable to (i) a decrease in trade receivables, amounting to USD 1,226 thousand for the three-month period ended March 31, 2022 compared to an increase of trade receivables amounting to USD 9,720 thousand for the corresponding period of 2021, which was connected with a different calendar of payments from distributors (mainly Apple) (ii) the settlement of the Washington court case (USD 6,500 thousand) in Q1 2021, and the utilization of other provisions (USD 1,259 thousand) in Q1 2021.

Net cash flows from investing activities

Net cash outflows from investing activities for the three-month period ended March 31, 2022 amounted to USD 25,667 thousand and increased by USD 25,103 thousand, from USD 564 thousand for the corresponding period of 2021. The change in net cash flows from investing activities is mainly driven by the payment of 25,000 for the IP rights of the Traffic Puzzle game acquired in 2021. The remaining part of the payment for Traffic Puzzle, USD 4,400 thousand is to be paid within 15 business days from the first anniversary of the completion of the handover of the acquired assets (Q1 2023).

Net cash flows from financing activities

Net cash inflows from financing activities for the three-month period ended March 31, 2022 amounted to USD 75 thousand and decreased by USD 98,545 thousand, from USD 98,620 thousand for the corresponding period of 2021. The changes in net cash flows from financing activities are mainly attributable to events recognized in Q1 2021: (i) proceeds from the subscribed common shares issued for the public offering subscription of USD 152,929 thousand offset by (ii) transaction costs incurred related to the issue of equity instruments of USD 6,988 thousand, and (iii) funds used for the execution of the stabilization option of USD 43,976 thousand.

5. Shares and shareholding structure

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

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

Shareholder	Shares	% of share capital and % of votes at the General Meeting
Anton Gauffin (through Big Bets OÜ)[1]	25,849,506	30.68
Raine Group (through RPII HGE LLC)[1]	10,919,646	12.96
The Capital Group Companies	4,223,944	5.01
Nationale-Nederlanden FUNDS	5,688,696	6.75
Others[2]	37,564,905	44.59
Total[3]	**84,246,697**	**100.00**

(1) includes one Preferred Share

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

(2) includes 3,013,243 treasury shares which carry no voting rights (as of May 23, 2022)
(3) 84,246,695 shares were introduced to public trading on the Warsaw Stock Exchange. Moreover, two shares of the Company are Preferred and have not been introduced to public trading

Each holder of common shares, as such, and each holder of Preferred Shares, are entitled to one vote for each Common Share or Preferred Share, respectively. There are no restrictions on the exercise of voting rights. Unless otherwise expressly required by law or stipulated in the Certificate of Incorporation, the holders of common shares and Preferred Shares vote together as a single class on all matters submitted to a shareholder vote. The Certificate of Incorporation and the Bylaws do not stipulate any restrictions on the transfer of ownership of the Company's securities.

Treasury Shares

As at December 31, 2021, the Company held 1,556,348 treasury shares.

On February 14, 2022, the Huuuge Inc Board of Directors approved the allocation of up to 58,034 treasury shares (out of which 57,724 have been exercised and allocated) for the purpose of satisfying exercise requests from participants of the share option plan.

In October 2021, 23,046 treasury shares were assigned for transfer to the sellers of Double Star Oy, as part of the Year One Earn-Out Consideration, based on the share sale and purchase agreement dated July 16, 2020, as amended by the First Amendment dated October 19, 2021. The transfer of treasury shares to the sellers of Double Star Oy was completed on February 21, 2022.

On April 19, 2022, the Huuuge Inc Board of Directors approved the allocation of up to 630,713 treasury shares (of which 627,257 have been exercised and allocated) for the purpose of satisfying exercise requests from participants in the share option plan.

On February 15 the Board of Directors adopted a resolution to repurchase its common shares listed for trading on the Warsaw Stock Exchange and defined certain detailed conditions and procedures for the share buyback ("SBB"). The purpose of the SBB is to satisfy the Issuer's needs related to the exercise of options under its Employee Stock Option Plans in the foreseeable future. The total number of the Company's shares to be repurchased under the SBB will be up to 2,500,000 shares and the Company will allocate a maximum amount of PLN 100 million for the repurchase of its shares. More details are described in the current report 4/2022. On March 29 the Company announced that it had started a share buyback process (current report 9/2022). On May 22 the Company announced share buyback expansion from 2,500,000 shares to 6,500,000 shares with other terms unchanged (current report 23/2022).

As of May 23, the Company holds 3,013,243 treasury shares. The nominal value of all retained shares is USD 60.26. These shares represent approximately 3.58% of the share capital.

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

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

Members of the Company's Board of Directors	Function	common shares	Outstanding Stock Options
Anton Gauffin (through Big Bets OÜ)[1]	Chief Executive Officer & executive director	25,849,505	425,000
Henric Suuronen	Non-executive director	1,673,610	-

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

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

7. Unusual events significantly affecting the financial statements

The unusual events, which due to their nature, value or frequency significantly affected the Group's assets, liabilities, and equity as of March 31, 2022, as well as the net result, and cash flows for the three-month period ended March 31,2022, were as follows:

- Repayment of the second tranche for the Traffic Puzzle game, described in Note 11 – Intangible assets to the Interim Condensed Consolidated Financial Statements;
- Share Buyback Scheme ("SBB"), i.e. repurchase of own common shares, described in Note 13 – Share capital to the Interim Condensed Consolidated Financial Statements.

8. Changes in the organization of the Capital Group

There were no changes in the organization of Capital Group in the three-month period ended March 31, 2022.

9. Possibility of accomplishing previously published forecasts

The Issuer does not publish financial forecasts.

10. Significant proceedings pending in the court

Neither the Issuer nor any of its subsidiaries were, as at March 31, 2022, or as at the date of issue of the financial statements, a party to any significant court or arbitration proceedings or before any public authority.

11. Transactions with related parties

There were no transactions with related parties as of the date of publication of this Quarterly Report, other than the management's compensation as described in Note 20 – Transactions with management of the Parent Company and their close family members to the interim Condensed Consolidated Financial Statements.

Information regarding transactions with related entities can be found in Note 19 – Related Party Transactions to the Interim Condensed Consolidated Financial Statements.

12. Granted sureties, loans, guarantees

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

13. Significant events after the balance sheet date

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

On May 4, 2022 a Cypriot Registrar of Companies registered the establishment of Billionaire Games Limited, a wholly-owned subsidiary of Huuuge Global Limited, with the address of its registered office at Lordou Vyronos, 61 LUMIEL BUILDING, 4th floor 6023, Larnaca, Cyprus. The company is in the process of organizing its operational activities and as at the date hereof does not have any material entitlement to the Group assets.

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

As of Q1 2022 the Company holds a high balance of USD 198.7 million in Cash and Equivalents as at March 31, 2022. This not only secures our ability to meet our obligations but also gives us significant capacity to execute on our "Build & Buy" strategy and pursue potential further acquisitions. There is no other significant information of the above nature in the Issuer's Capital Group as at March 31, 2022.

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