

The background of the top half of the page is a red-tinted screenshot from the game HUUUGE. It shows a whimsical landscape with a stone tower, a small creature, and various plants and trees.

HUUUGE

Play Together.

CONSOLIDATED Q1 2023 REPORT

THE HUUUGE, INC. GROUP
for the three-month period ended March 31, 2023
Warsaw, May 30, 2023

This report was prepared in English and Polish language versions. In the case of any discrepancies, the English version shall prevail as binding.

Disclaimer

This constitutes the quarterly report for the three-month period ended March 31, 2023 (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, 2023 prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

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

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" or "Issuer", refers to Huuuge, Inc.

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

Certain arithmetical data contained in this 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 in line with how we define or report such information in this Quarterly Report.

While we are not aware of any mis-statements 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 and 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 at 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.

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President's Letter

Dear Shareholders, Team Huuuge,

With great pleasure I present to you our comprehensive report, highlighting the remarkable progress we have made during the first three months of 2023. In the last quarter, our adjusted EBITDA nearly doubled compared to the previous year, achieving an all-time high in adjusted EBITDA profitability. This accomplishment sets a new record for Huuuge.

The mobile gaming sector is continuing its realignment to the changing macro and market realities, and the Social Casino category revenue declined by 1.7% YoY in Q1 2023, according to Eilers & Krejcik. In that environment, our operational priority is to focus on continued cash generation and longevity of our core franchises. We are expanding our VIP activities so that we can better serve and retain our most valuable players. We are also broadening the reach of our direct-to-consumer offering. This, serving our players directly, enhances our customer relationships and helps us improve our business margins.

In the first quarter of 2023, we initiated multiple programmes aimed at improving our business fundamentals. We concluded the collective redundancies at Huuuge Games sp. z o.o. and also reduced our headcount across our other subsidiaries. These challenging measures have resulted in a projected reduction of approximately 20% in our overall headcount at the group level compared to the end of 2022 and will yield substantial cost savings on an annual basis, reinforcing our financial position. We will provide more information on the financial impact of these initiatives in our H1 2023 report. As part of these changes, we downsized and reorganized our Marketing department. The new marketing team is built to perform in the current market environment. The key is to be highly analytical and professionally disciplined in our marketing spending, focusing on the most profitable channels and campaigns. Lastly, we sunset the Traffic Puzzle studio and put the game in maintenance mode. This step allows us to allocate resources more effectively towards other projects and initiatives that align with our long-term objectives.

In Q1 2023, we created four small-sized agile units – internal teams called “Huuuge Pods” – as part of our long-term commitment to building new products. Huuuge Pods will fully focus on the development of new games, leveraging our strengths and reflecting market conditions. Specifically, these games will possess the following attributes: (1) Multiplayer multiplatform games with natural word-of-mouth distribution and universal appeal. (2) Games that feature highly shareable moments. (3) Games with socially-oriented long-term retention drivers. (4) Games developed with a community-based approach.

Yes, multiplayer multiplatform means that Huuuge is expanding beyond just mobile – and some new titles are being developed and will be launched as PC / Steam first before mobile. While development works are still at an early stage, we expect a few titles to go into tech (and possibly soft) launch in H2 2023.

Market-development-wise, we see interesting future opportunities in real money skill gaming and, generally said, Huuuge remains open and is actively exploring M&A, partnerships, publishing and licensing opportunities where our existing assets and core competencies could be leveraged (brand, audience, know-how).

We believe that our actions, ongoing focus on cash generation and core business fundamentals, as well as our capital allocation decisions such as the planned share buyback (SBB), will be appreciated by our shareholders. For me, these actions speak of the significant value potential and upside of the company that we plan to deliver in the months and years to come.

As always, we value your feedback and hope that you will continue to play our games. Team Huuuge looks forward to continuing to play together with you.

Best regards,

Anton Gauffin, CEO – Huuuge, Inc.



Selected financial data

in thousands	USD	USD	EUR	EUR	PLN	PLN
	Q1 2023	Q1 2022	Q1 2023	Q1 2022	Q1 2023	Q1 2022
Revenue	71,746	84,001	66,884	74,829	315,090	345,689
Operating profit (loss)	24,512	10,673	22,851	9,508	107,650	43,923
Pre-tax profit (loss)	26,019	10,743	24,256	9,570	114,269	44,211
Net profit (loss)	22,394	8,926	20,876	7,951	98,349	36,733
Net cash flows from operating activities	16,898	19,903	15,753	17,730	74,212	81,907
Net cash flows from investing activities	1,439	(25,667)	1,341	(22,864)	6,320	(105,627)
Net cash flows from financing activities	(948)	75	(884)	67	(4,163)	309
Total net cash flows	17,389	(5,689)	16,210	5,068	76,368	(23,412)
Cash and cash equivalents at end of period	238,496	198,713	219,005	178,536	1,024,027	830,640

	USD	USD	EUR	EUR	PLN	PLN
	Q1 2023	Q1 2022	Q1 2023	Q1 2022	Q1 2023	Q1 2022
Number of shares at 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	79,198,174	82,726,374	79,198,174	82,726,374	79,198,174	82,726,374
Earnings per share basic (EPS)	0.28	0.11	0.26	0.10	1.23	0.45
Earnings per share diluted (EPS)	0.28	0.11	0.26	0.10	1.23	0.45

	EUR	PLN	EUR	PLN
	Q1 2023	Q1 2023	Q1 2022	Q1 2022
Annual average exchange rate	1.0727	0.2277	1.1226	0.2430
Exchange rate at end of reported period	1.0890	0.2329	1.1130	0.2392



The Huuuge, Inc. Group Interim Condensed Consolidated Financial Statements

as at and for the three-month period ended March 31, 2023

HUUUGE

Interim condensed consolidated statement of comprehensive income

	Note	Three-month period ended March 31, 2023 Unaudited	Three-month period ended March 31, 2022 Unaudited
Revenue	5	71,746	84,001
Cost of sales	6	(21,136)	(25,473)
Gross profit on sales		50,610	58,528
Sales and marketing expenses:	6	(9,309)	(29,897)
<i>thereof, User acquisition marketing campaigns</i>	6	(6,324)	(26,285)
<i>thereof, General sales and marketing expenses</i>	6	(2,985)	(3,612)
Research and development expenses	6	(7,181)	(8,982)
General and administrative expenses	6	(9,970)	(9,051)
Other operating income/(expense), net		362	75
Operating result		24,512	10,673
Finance income	7	1,588	165
Finance expense	7	(81)	(95)
Profit/(loss) before tax		26,019	10,743
Income tax	8	(3,625)	(1,817)
Net result for the period		22,394	8,926
Other comprehensive income			
Items that may be reclassified to profit or loss			
Exchange gains/(losses) on translation of foreign operations		428	(1,072)
Total other comprehensive income		428	(1,072)
Total comprehensive income for the period		22,822	7,854
Net result for the period attributable to:			
owners of the Parent		22,394	8,926
Total comprehensive income for the period attributable to:			
owners of the Parent		22,822	7,854
Earnings per share (in USD)			
Basic	11	0.28	0.11
Diluted	11	0.28	0.11

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

Interim condensed consolidated statement of financial position

	Note	As at March 31, 2023 Unaudited	As at December 31, 2022 Audited
Assets			
Non-current assets			
Property, plant and equipment		3,072	3,221
Right-of-use assets	15	12,665	12,965
Goodwill		2,517	2,462
Intangible assets	9	11,479	12,057
Deferred tax assets		4,547	4,489
Long-term lease receivables	15	564	540
Other long-term assets		1,611	1,708
Total non-current assets		36,455	37,442
Current assets			
Trade and other receivables		35,016	25,855
Short-term lease receivables	15	217	209
Corporate income tax receivables		899	566
Cash and cash equivalents	10	238,496	222,245
Total current assets		274,628	248,875
Total assets		311,083	286,317
Equity			
Share capital	13	2	2
Treasury shares	13	(18,564)	(20,942)
Supplementary capital		303,032	305,261
Employee benefit reserve	14	22,949	22,894
Foreign exchange reserve		(2,206)	(2,634)
Retained earnings/(accumulated losses)		(41,460)	(63,854)
Total equity		263,753	240,727
<i>Equity attributable to owners of the Company</i>		263,753	240,727
Non-current liabilities			
Long-term lease liabilities	15	9,384	9,812
Other long-term liabilities		167	164
Total non-current liabilities		9,551	9,976
Current liabilities			
Trade and other payables		27,054	24,302
Deferred income		2,406	2,680
Corporate income tax liabilities		4,119	4,617
Short-term lease liabilities	15	4,200	4,015
Total current liabilities		37,779	35,614
Total equity and liabilities		311,083	286,317

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

Interim condensed consolidated statement of changes in equity

	Note	Share capital	Treasury shares	Supplementary capital	Employee benefit reserve	Retained earnings (accumulated earnings)	Foreign exchange reserve	Equity attributable to owners	Non-controlling interest	Equity
As at January 1, 2023, audited		2	(20,942)	305,261	22,894	(63,854)	(2,634)	240,727	-	240,727
<i>Net profit/ (loss) for the period</i>		-	-	-	-	22,394	-	22,394	-	22,394
<i>Other comprehensive income – foreign currency exchange gains/(losses)</i>		-	-	-	-	-	428	428	-	428
Total comprehensive income/(loss) for the period		-	-	-	-	22,394	428	22,822	-	22,822
Exercise of stock options	13, 14	-	2,378	(2,229)	-	-	-	149	-	149
Employee share schemes – value of employee services	14	-	-	-	55	-	-	55	-	55
As at March 31, 2023, unaudited		2	(18,564)	303,032	22,949	(41,460)	(2,206)	263,753	-	263,753

	Note	Share capital	Treasury shares	Supplementary capital	Employee benefit reserve	Retained earnings (accumulated earnings)	Foreign exchange reserve	Equity attributable to owners	Non-controlling interest	Equity
As at January 1, 2022, audited		2	(19,954)	321,823	19,812	(95,862)	278	226,099	-	226,099
<i>Net profit/(loss) for the period</i>		-	-	-	-	8,926	-	8,926	-	8,926
<i>Other comprehensive income – foreign currency exchange gains/(losses)</i>		-	-	-	-	-	(1,072)	(1,072)	-	(1,072)
Total comprehensive income/(loss) for the period		-	-	-	-	8,296	(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 at March 31, 2022, unaudited		2	(19,170)	322,306	20,901	(86,936)	(794)	236,309	-	236,309

* The 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 at March 31, 2022.

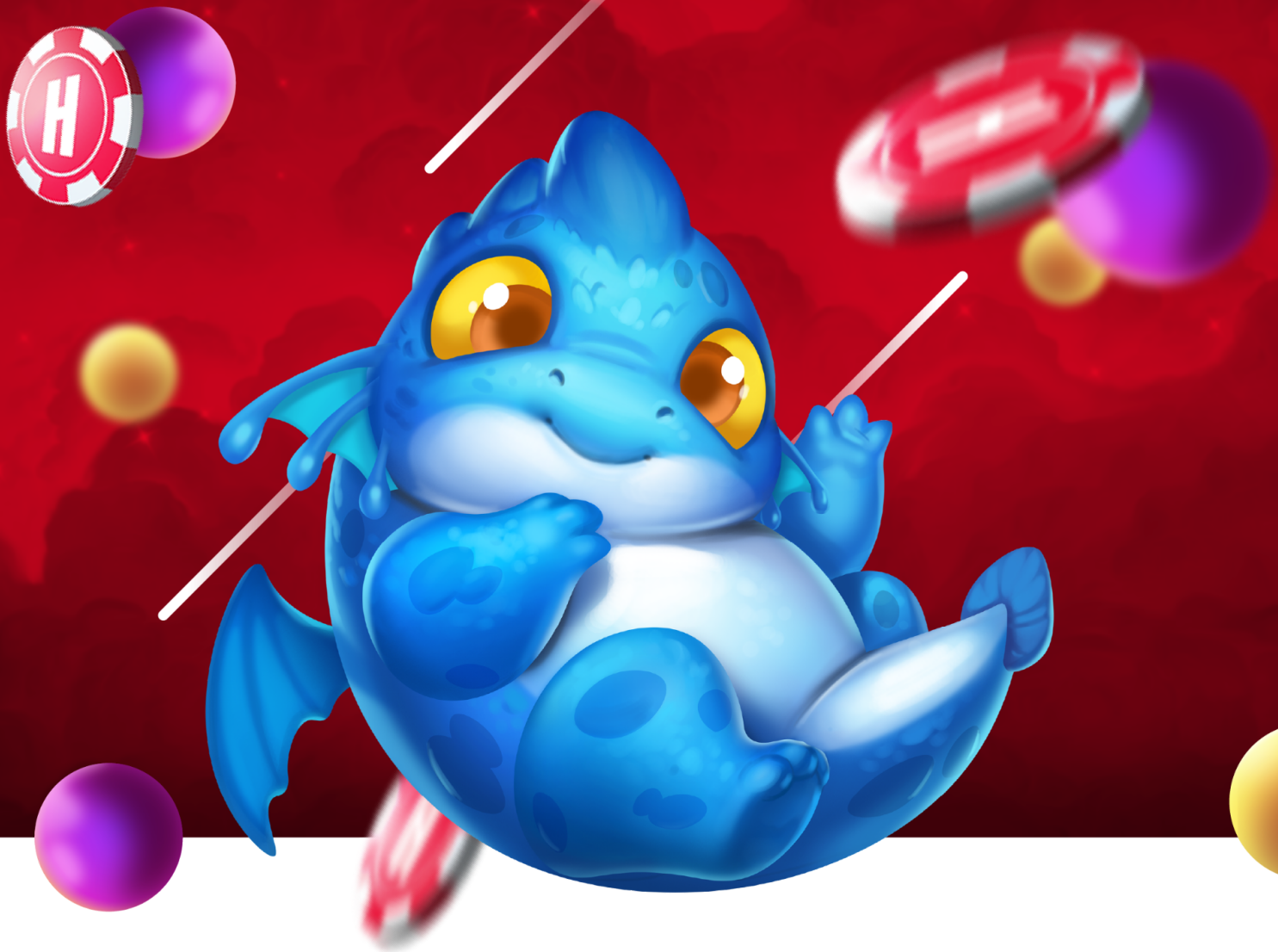
** The Exercise of stock options line includes payments received from the employees in the amount of USD 1,465 thousand for shares which have not yet been delivered to the employees and were presented in supplementary capital as at March 31, 2022.

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

Interim condensed consolidated statement of cash flows

	Note	Three-month period ended March 31, 2023 Unaudited	Three-month period ended March 31, 2022 Unaudited
Cash flows from operating activities			
Profit/(loss) before tax		26,019	10,743
Adjustments for:			
Depreciation and amortization	6	2,488	2,630
Finance (income)/expense, net		(679)	(369)
(Profit)/loss on disposal of property, plant and equipment		112	-
Non-cash employee benefits expense – share-based payments	14	55	1,089
Changes in net working capital:			
Trade and other receivables, and other long-term assets		(9,064)	1,280
Trade and other payables		2,752	5,340
Deferred income		(274)	(25)
Other provisions		-	(54)
Other adjustments		26	(54)
Cash flows from operating activities			
		21,435	20,580
Income tax paid		(4,537)	(677)
Net cash flows from operating activities		16,898	19,903
Cash flows from investing activities			
Interest received		2,203	-
Acquisition of property, plant and equipment		(144)	(246)
Software expenditures	9	(620)	(421)
Acquisition of IP rights		-	(25,000)
Net cash flows from/(used in) investing activities		1,439	(25,667)
Cash flows from financing activities			
Lease repayment	15	(1,017)	(1,060)
Interest paid	15	(80)	(132)
Exercise of stock options	13	149	1,574
Shares issued/(repurchased)	13	-	(307)
Net cash flows from/(used in) financing activities		(948)	75
Net increase/(decrease) in cash and cash equivalents			
		17,389	(5,689)
Effect of exchange rate fluctuations and accrued interest		(1,138)	(13)
Cash and cash equivalents at the beginning of the period		222,245	204,415
Cash and cash equivalents at the end of the period		238,496	198,713

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



Notes to the interim condensed consolidated financial statements

HUUUGE

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 at March 31, 2023 and December 31, 2022, 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 at March 31, 2023	As at December 31, 2022
Huuuge Games Sp. z o.o.	Szczecin, Poland	games development and operations	100%	100%
Huuuge Global Ltd	Limassol, Cyprus	games distribution, user acquisition	100%	100%
Huuuge Publishing Ltd (formerly Fun Monkey Ltd)	Limassol, Cyprus	games distribution	100%	100%
Huuuge Block Ltd (formerly Coffee Break Games Ltd)	Limassol, Cyprus	games distribution	100%	100%
Billionaire Games Limited	Limassol, 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	Helsinki, 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, in liquidation	100%	100%
Coffee Break Games United Ltd	Dublin, Ireland	games distribution, user acquisition, in liquidation	100%	100%
MDOK GmbH (formerly Huuuge Pop GmbH)	Berlin, Germany	games development, in liquidation	100%	100%
Huuuge Labs GmbH	Berlin, Germany	games development, R&D, in liquidation	100%	100%

The core business activities of the Group include:

- development of mobile games in the free-to-play model,
- distribution and user acquisition of proprietary 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 at March 31, 2023 and as at 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 at December 31, 2022, 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.

Effective on March 7, 2023, Mr. Rod Cousens, co-CEO, and the Company reached a mutual agreement to end Mr. Cousens's executive service with the Company. Mr. Cousens remains a member of the Issuer's Board of Directors. As a result, Mr. Anton Gauffin remains the sole Chief Executive Officer of the Company. After these changes, as at March 31, 2023 and as at 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 CEO,
- Rod Cousens, non-executive director,
- 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 at and for the three-month period ended March 31, 2023 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 at and for the year ended December 31, 2022 prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS").

These interim condensed consolidated financial statements as at and for the three-month period ended March 31, 2023 were approved on May 30, 2023 by the Board of Directors.

These interim condensed consolidated financial statements are prepared on the historical cost basis.

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 the International Accounting Standards Board.

In preparing these interim condensed consolidated financial statements, the Group's management has analyzed new Standards that have already been adopted by the European Union and that should be applied for periods beginning on or after January 1, 2023.

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

- 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 the EU – the effective date was deferred indefinitely by the 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 and Non-current Liabilities with Covenants (issued on January 23, 2020 and July 15, 2020 and October 31, 2022, respectively): not yet endorsed by the 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, 2024;
- Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback (issued on 22 September 2022): not yet endorsed by the 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, 2024;
- 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): effective for financial years beginning on or after January 1, 2023;
- Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information (issued on 9 December 2021): effective for financial years beginning on or after January 1, 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 at and for the year ended December 31, 2022, except for the adoption of new standards effective as at January 1, 2023. 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 2023 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 Group. As at March 31, 2023 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 is comprised of revenue generated by in-app purchases (gaming applications) and in-app ads (advertising), as shown below:

	Three-month period ended March 31, 2023 Unaudited	Three-month period ended March 31, 2022 Unaudited
Gaming applications	70,626	80,568
Advertising	1,120	3,433
Total revenue	71,746	84,001

The Group’s revenue is recognized over time, irrespective of product or geographical region.

For the gaming services, the transaction price is prepaid by the customers when 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 within an average of two days.

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

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

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

	Three-month period ended March 31, 2023 Unaudited	Three-month period ended March 31, 2022 Unaudited
Huuuge Casino	45,215	48,407
Billionaire Casino	22,781	25,563
Traffic Puzzle	3,104	8,585
Other games	646	1,446
<i>– including games developed by external developers based on publishing contracts</i>	58	296
Total revenue	71,746	84,001

The Group distributes in-house games as well as 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 the game application. Nevertheless, in some cases, the Group publishes mobile game applications of third-party developers based on publishing contracts. The publishing contract provides the Group with an exclusive right to distribution, marketing and operation of games developed by external developers and to benefit from selling virtual coins to end users. The Group has the ultimate responsibility for providing the game to the customer and it is entitled to set prices for virtual coins charged to the end user and to authorize upgrades and modifications to games.

These arguments support the Management conclusion that, in the publishing arrangements, control over games developed by third-party developers has been transferred to 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 to end users.

Revenue was generated in the following countries:

	Three-month period ended March 31, 2023 Unaudited	Three-month period ended March 31, 2022 Unaudited
United States	42,088	49,499
Germany	5,583	6,168
Canada	2,094	2,396
France	2,075	2,150
United Kingdom	1,902	2,574
Netherlands	1,818	1,929
Japan	1,752	2,315
Poland	1,518	1,629
Australia	1,292	1,773
Switzerland	1,217	1,401
United Arab Emirates	736	475
Italy	682	842
Turkey	667	469
Taiwan	667	1,123
Austria	511	621
Other	7,144	8,637
Total revenue	71,746	84,001

The above is the management's best estimate, as no geographical breakdown is available for some revenue sources. The allocation to regions is driven by the location of individual end-user customers. 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, 2023 or March 31, 2022. The vast majority of revenues is generated by several platform providers, such as Apple App Store, Google Play, Facebook and Amazon App Store, as well as directly through Webshop for VIP players.

6. Operating expenses

For the three-month period ended March 31, 2023, the operating expenses comprise:

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	20,553	20,553	-	-	-	-
External developers fees	440	-	-	-	440	-
Gaming servers expenses	187	187	-	-	-	-
External marketing and sales services	6,995	-	6,324	671	-	-
Salaries and employee-related costs	13,239	-	-	2,332	6,723	4,184
Employee stock option plan	55	-	-	(21)	(270)	346
Depreciation and amortization	2,488	396	-	-	-	2,092
Finance & legal services	1,231	-	-	-	-	1,231
Business travels expenses	173	-	-	-	-	173
Property maintenance and external services	494	-	-	-	-	494
Other costs	1,741	-	-	3	288	1,450
Total operating expenses	47,596	21,136	6,324	2,985	7,181	9,970

Salaries and employee-related costs include costs related to the headcount reductions amounting to USD 1,552 thousand. Other costs under research and development expenses include costs of gaming content. Other costs under general and administrative expenses include mainly IT services, car fleet and office management services (including company events), and costs of recruitment and payment services.

For the three-month period ended March 31, 2022, operating, administrative and marketing expenses comprise:

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

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When selling the mobile game applications of third-party developers, the Group is obliged to pay fees to 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 that need to be provided by the external developers and that 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 maintenance services. As a result, the contracts with external developers are a 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, 2023 amounts to USD 120 thousand (USD 144 thousand as at March 31, 2022). The above commitments comprise the fixed fees contracted in the publishing arrangements and do not include the variable payments that are based on future cash flows from selling the games nor the future development fees subject to the specific arrangements and agreements between parties regarding the scope of services.

7. Finance income and finance expense

Finance income

	Three-month period ended March 31, 2023 Unaudited	Three-month period ended March 31, 2022 Unaudited
Foreign exchange gains, net	83	163
Interest income	1,505	2
Total finance income	1,588	165

In the three-month period ended March 31, 2023, finance income amounted to USD 1,588 thousand, which comprises mainly interest income on deposits, money market mutual funds accounts, and money market interest-bearing accounts, including interest accrued in the amount of USD 59 thousand and net foreign exchange gains in the amount USD 83 thousand.

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 of USD 2 thousand.

Finance expense

In the three-month period ended March 31, 2023, finance expense includes the interest expense in the amount of USD 81 thousand, which comprises mainly interest expense recognized under IFRS 16 on lease liabilities.

In the three-months period ended March 31, 2022 finance expense included 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 addition to finance income and expenses, the "Finance (income)/cost, net" line presented in the interim condensed consolidated statements of cash flows includes the effect of exchange gains and losses on translation of foreign operations to the presentation currency, i.e. USD.

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8. Income tax

	Three-month period ended March 31, 2023 Unaudited	Three-month period ended March 31, 2022 Unaudited
Current income tax	3,683	1,547
Change in deferred income tax	(58)	270
Income tax for the period	3,625	1,817

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 average tax rate used for the three-month period ended March 31, 2023 is 13.9%, compared to 16.9% for the three-month period ended March 31, 2022. The tax rate was lower in the three-month period ended March 31, 2023 mainly due to the lower proportion of non-tax deductible costs in comparison to the prior period, i.e., costs related to the employee stock option plan ("ESOP") to profit before tax. The above effect was offset by the changes introduced to the US tax treatment of research and development costs. US taxpayers are required to capitalize and amortize costs related to research and development activities for tax purposes. The changes resulted in lower tax-deductible costs in the three-month period ended March 31, 2023 and consequently higher global intangible low-taxed income ("GILTI").

9. Intangible assets

	IP rights	Software generated internally	Software acquired externally	Prepayments for intangible assets	Total
Gross book value as at January 1, 2023	39,695	3,653	3,399	1,904	48,651
Additions	-	-	-	620	620
Transfer from assets under construction	-	642	(9)	(633)	-
Derecognition of capitalized expenditure	-	-	-	(93)	(93)
Net foreign exchange differences on translation	5	-	23	-	28
Gross book value as at March 31, 2023	39,700	4,295	3,413	1,798	49,206
Accumulated amortization and impairment as at January 1, 2023	(33,079)	(1,174)	(2,341)	-	(36,594)
Amortization charge for the period	(540)	(293)	(285)	-	(1,118)
Disposals	-	-	-	-	-
Net foreign exchange differences on translation	(5)	-	(10)	-	(15)
Accumulated amortization and impairment as at March 31, 2023	(33,624)	(1,467)	(2,636)	-	(37,727)
Net book value as at January 1, 2023, Audited	6,616	2,479	1,058	1,904	12,057
Net book value as at March 31, 2023, Unaudited	6,076	2,828	777	1,798	11,479

	IP rights	Software generated internally	Software acquired externally	Prepayments for intangible assets	Total
Gross book value as at 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 at March 31, 2022	39,676	-	2,080	2,913	44,669
Accumulated amortization as at 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 at March 31, 2022	(3,985)	-	(1,430)	-	(5,415)
Net book value as at January 1, 2022, Audited	36,730	-	988	2,499	40,217
Net book value as at March 31, 2022, Unaudited	35,691	-	650	2,913	39,254

No indicators for impairment were identified as at March 31, 2023 and December 31, 2022 in relation to intangible assets other than IP rights as described below. As at March 31, 2023, and as at the date of approval of these interim condensed consolidated financial statements for issue, there were no pledges or collaterals on the Group's intangible assets.

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

Reassessment of economic useful life and impairment of Traffic Puzzle game

In 2021, the Traffic Puzzle game (together with related rights and assets) was acquired for the amount of USD 38,900 thousand (with purchase price being repaid in tranches, and fully repaid as at December 31, 2022). 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 ten years.

As at December 31, 2022, the value of the IP rights associated with the Traffic Puzzle game was tested for impairment, where the results of this test indicated a loss to the asset's value. Accordingly, the book value of the Traffic Puzzle game asset was

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reduced by USD 26,087 thousand; as a result, the net book value of the Traffic Puzzle game as at December 31, 2022 amounted to USD 6,330 thousand.

The impairment loss was recognised in the line "Impairment of intangible assets" in the Group's consolidated statement of comprehensive income for the year ended December 31, 2022.

The Traffic Puzzle game remained live and available to players and is expected to continue generating revenue. Due to the fact that there were no plans to incur any further material user acquisition and development expenses on the title as at December 31, 2022, the economic useful life of the game was reassessed, and was estimated as the period of four years effective from January 1, 2023. This change is the change of accounting estimate; therefore, it is recognized prospectively, starting from the effective date of the change. As a result of the reassessment, the amortization charge for the period and future periods was changed.

10. Cash and cash equivalents

	As at March 31, 2023 Unaudited	As at December 31, 2022 Audited
Deposits	193,963	177,661
Cash at banks (current accounts)	44,513	17,921
Money market interest-bearing accounts	20	16,695
Money market mutual fund investments	-	9,968
Cash in hand	-	-
Total cash and cash equivalents	238,496	222,245

As at March 31, 2023, there were short-term cash deposits amounting to USD 193,963 thousand. Maturity of these investments is three months, and they are repayable on demand, thus the investments are highly liquid, readily convertible to known amounts of cash, and are subject to an insignificant risk of changes in value, and meet the criteria indicated in IAS 7 Statement of Cash Flows, and have been considered in substance as cash equivalents.

Money market interest-bearing accounts are savings accounts that offer a competitive interest rate. Balances on these accounts are readily available, i.e. amount of cash is known, and they are subject to an insignificant risk of changes in value, and meet the criteria indicated in IAS 7 Statement of Cash Flows, and have been considered in substance as cash equivalents.

Money market mutual fund investments are classified as cash equivalents. For the details, please refer to Note 2 *Basis for preparation of the consolidated financial statements*, point (d) *Key judgements and estimates* in the consolidated financial statements as at and for the year ended December 31, 2022.

During the three-month period ended March 31, 2023, deposits, money market mutual fund investments and money market interest-bearing accounts generated interest income in the total amount of USD 1,505 thousand. This includes the accrued interest from bank deposits in the amount of USD 59 thousand (USD 763 thousand as at December 31, 2022). For details, please refer to Note 7 Finance income and finance expense.

As at March 31, 2023, there was restricted cash in the amount of USD 253 thousand, mostly related to the cash balances of Huuuge Mobile Games Ltd and Coffee Break Games United Ltd, which are under liquidation process (USD 249 thousand as at December 31, 2022).

11. Earnings per share

Detailed methodology of calculation of basic and diluted earnings per share is presented in the Group's consolidated financial statements as at and for the year ended December 31, 2022.

<i>Basic EPS</i>		Three-month period ended March 31, 2023 Unaudited	Three-month period ended March 31, 2022 Unaudited
Net result attributable to the owners of the Parent	[A]	22,394	8,926
Undistributed profit (loss) attributable to holders of series A and B preference shares	[B]	-	-
Profit (loss) attributable to holders of common shares	[C]=[A]-[B]	22,394	8,926
		Three-month period ended March 31, 2023 Unaudited	Three-month period ended March 31, 2022 Unaudited
Weighted average number of common shares	[D]	79,198,174	82,726,374
Basic EPS	[E] = [C] / [D]	0.28	0.11
<i>Diluted EPS</i>		Three-month period ended March 31, 2023 Unaudited	Three-month period ended March 31, 2022 Unaudited
Profit (loss) attributable to holders of common shares	[C]	22,394	8,926
Profit (loss) attributable to ordinary equity holders of the parent adjusted for the effect of dilution	[H]	22,394	8,926

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

		Three-month period ended March 31, 2023 Unaudited	Three-month period ended March 31, 2022 Unaudited
Weighted average number of issued common shares used in calculating basic earnings per share	[D]	79,198,174	82,726,374
Employee Stock Option Plan		768,594	1,248,223
Weighted average number of issued common shares and potential common shares used in calculating diluted earnings per share	[I]	79,966,768	83,974,597
Diluted EPS	[J]=[H] / [I]	0.28	0.11

12. Accounting classifications of financial instruments and fair values

As at March 31, 2023 and December 31, 2022, the Group's management did not identify any financial assets measured at fair value – neither through profit or loss nor through other comprehensive income.

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

13. Share capital

As at March 31, 2023 and March 31, 2022, the 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 at March 31, 2023:

	Common shares		Preference shares (series A and B)		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 at January 1, 2023 Audited	79,183,513	1,584	2	0	5,063,182	102	-	-	84,246,697	1,686	11,007,733	220	95,254,430	1,906
Reduction of shares allocated for the existing share-based payment programs (not issued)	-	-	-	-	-	-	-	-	-	-	(439,835)	(9)	(439,835)	(9)
Allocation of shares to Share-based payment program	-	-	-	-	(439,835)	(9)	439,835	9	-	-	-	-	-	-
Exercise of stock options	439,835	9	-	-	-	-	(439,835)	(9)	-	-	-	-	-	-
As at March 31, 2023 Unaudited	79,623,348	1,593	2	0	4,623,347	93	-	-	84,246,697	1,686	10,567,898	211	94,814,595	1,897

Shares classified as equity instruments as at March 31, 2022, i.e. including series C preference shares after conversion:

	Common shares		Preference shares (series A and B)		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 at 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 at 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

Huuuge, Inc. interim condensed consolidated financial statements for the three-month period ended March 31, 2023 prepared in accordance with International Financial Reporting Standards as adopted by the European Union. All amounts in tables presented in thousand USD, except where stated otherwise.

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

As at March 31, 2023, 3,697,929 shares were allocated to a reserve that could be issued only with majority shareholders' approval (1,856,090 as at March 31, 2022).

As at March 31, 2023, the share capital of the Company comprised 84,246,697 shares (fully paid) with a par value of USD 0.00002 per share and the total value of USD 1,686 (not thousands), including 79,623,348 common shares held by shareholders, two preference shares (one preference share of series A and one preference share of series B) and 4,623,347 common shares reacquired by the Company and not redeemed (treasury shares and treasury shares allocated to the existing share-based payment programs).

As at March 31, 2022, the share capital of the Company comprised 84,246,697 shares (fully paid) with a par value of USD 0.00002 per share and a total value of USD 1,686 (not thousands), including 82,771,117 common shares held by shareholders, two preference shares (one preference share of series A and one preference share of series B) and 1,475,578 common shares reacquired by the Company and not redeemed (treasury shares and treasury shares allocated for the existing share-based payment programs).

During the three-month period ended March 31, 2023, the number of shares (not issued) allocated to the existing share-based payment programs was reduced by 439,835 shares. This is because 439,835 treasury shares were delivered to employees for the options exercised during the three-month period ended March 31, 2023. As at March 31, 2023, 10,567,898 shares with a par value of USD 0.00002 per share were reserved for two stock option programs established in 2015 and 2019.

As at 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.

Holders of the two series A and series B preference shares, 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, one per each series of preference shares (series A,B); two by the holders of common shares.

As at March 31, 2023 and December 31, 2022, 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 President, who participates in the Company's ordinary shares indirectly (through shares of Big Bets OU).

The supplementary capital derives mainly from the difference between nominal value and the market price on issuance of shares, or the difference between the book value and purchase price on re-issue of treasury shares.

In the three-month period ended March 31, 2023, the following transactions in common and preference shares took place:

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

In the three-month period ended March 31, 2023, 839,748 share options held by employees under the share-based payment program were exercised, out of which for 439,835 options exercised treasury shares were delivered to employees before March 31, 2023 (the difference is due to cashless exercises).

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 the nominal value of the shares delivered, and the difference between the value

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of treasury shares and the cash consideration received in the amount of USD 2,229 thousand was recognized in supplementary capital. At the same time, the movement decreased the number of shares (not issued) allocated to the existing share-based payment programs.

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

- **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 was to satisfy the Group's needs related to the exercise of options under its Employee Stock Option Plans in the foreseeable future. The common shares repurchased were presented in treasury shares line in the statement of financial position. There were no shares registered at the Central Securities Depository as at 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 at 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 the 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 the former owners of Double Star Oy based on the Share Sale and Purchase Agreement, corrected by the First Amendment dated October 19, 2021. 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).

14. Share-based payment arrangements

A detailed description of the Group's equity share-based payment program, i.e. ESOP, and a fair value measurement of the employee share options are presented in the Group's consolidated financial statements as at and for the year ended December 31, 2022.

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, 2023	
	Number of options	Weighted average exercise price*
Balance as at January 1	4,778,100	4.46
Granted during the period	-	-
Forfeited during the period	(334,518)	3.99
Exercised during the period	(839,748)	2.97
Expired during the period	(11,806)	5.15
Balance as at March 31	3,592,028	4.85

Huuuge, Inc. interim condensed consolidated financial statements for the three-month period ended March 31, 2023 prepared in accordance with International Financial Reporting Standards as adopted by the European Union. All amounts in tables presented in thousand USD, except where stated otherwise.

	Three-month period ended March 31, 2022	
	Number of options	Weighted average exercise price*
Balance as at January 1	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	7,512,639	6.10

* The weighted average exercise prices in the table above are prior to the modification that took place after March 31, 2022.

As at March 31, 2023, 887,638 share options were exercisable, with the weighted average exercise price of USD 3.20 per share. As at March 31, 2022, 2,884,194 share options were exercisable, with the weighted average exercise price of USD 3.13 per share.

During the three-month period ended March 31, 2023, 839,748 options were exercised under the share-based payment program, out of which, 439,835 treasury shares were delivered (the difference of 399,913 options is due to cashless exercises). Cash payments received for the shares delivered to employees before March 31, 2023 amounted to USD 149 thousand. 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). 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 at March 31, 2022, cash payments amounted to USD 1,465 thousand.

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 a performance condition and a continuing employment condition as a share-based payment for the sellers of Double Star Oy. On February 21, 2022, 23,046 treasury shares were delivered to the former owners of Double Star Oy as presented in Note 13 *Share capital*. As at March 31, 2023, 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, which includes cost recognised for the period as well as the cost derecognition when the service condition is not met for the three-month period ended March 31, 2023, amounted to USD 55 thousand (USD 1,089 thousand for the three-month period ended March 31, 2022). This expense includes Mr. Anton Gauffin's options and the options payable to a consultant under the advisory agreement in the total amount of USD 143 thousand (USD 129 thousand for the three-month period ended March 31, 2022), which are both explained in detail further below.

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

The remuneration of Mr. Anton Gauffin, holding the positions of the President and Chief Executive Officer of the Company, for the period ending at the 2022 Annual General Meeting of the Company, consisted solely of 500,000 share options, out of which 75,000 had a vesting condition to provide the service continuously for about four years from the service commencement date and to meet 2021 EBITDA target. These options were forfeited in 2022 as the performance condition was not met. 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 are the following:

- 50,000 options with a vesting condition to provide the service continuously for about four years from the service commencement date. The Group's management expects Mr. Anton Gauffin to fulfill the service condition.
- 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 estimated that a total of six years of continuous service from the service commencement date 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 installment has a 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. Leases

The Group is committed to making payments for leases based on office space rental agreements and car fleet 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 that vary according to the class of the underlying asset and specific needs. Some of the contracts include extension or termination options – the Group's management exercises judgment in determining whether these options are reasonably certain to be exercised.

The tables below present the carrying amounts of recognized right-of-use assets and the movements in the three-month period ended March 31, 2023 and in the three-month period ended March 31, 2022:

	Offices	Cars	Total
as at January 1, 2023, Audited	12,859	106	12,965
additions (new leases)	-	-	-
transfer to lease receivables	(32)	-	(32)
remeasurement due to indexation	683	-	683
foreign exchange differences on translation	93	4	97
depreciation	(1,024)	(24)	(1,048)
as at March 31, 2023, Unaudited	12,579	86	12,665

	Offices	Cars	Total
as at January 1, 2022, Audited	17,229	250	17,479
additions (new leases)	-	-	-
remeasurement due to indexation	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

The table below presents the book values of lease liabilities and movements in the three-month period ended March 31, 2023 and in the three-month period ended March 31, 2022:

	Three-month period ended March 31, 2023	Three-month period ended March 31, 2022
as at January 1, Audited	13,827	17,257
additions (new leases)	-	-
remeasurement due to indexation	683	394
interest expense on lease liabilities	80	71
lease payments	(1,097)	(1,131)
foreign exchange differences on translation to local currency	(16)	(23)
foreign exchange differences on translation to USD	107	(263)
as at March 31, Unaudited	13,584	16,305
long-term	9,384	12,169
short-term	4,200	4,136

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, 2023 amounting to USD 1,097 thousand (USD 1,131 thousand in the three-month period ended March 31, 2022) – as part of financing activities (lease repayment),
- cash interest payments on leases in the three-month period ended March 31, 2023 amounting to USD 80 thousand (USD 71 thousand in the three-month period ended March 31, 2022) – 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, 2023 amounting to USD 231 thousand (USD 88 thousand in the three-month period ended March 31, 2022) – as part of operating activities.

The Group had total cash outflows due to leases of USD 1,177 thousand in the three-month period ended March 31, 2023 and USD 1,202 thousand in the three-month period ended March 31, 2022.

Sublease agreements

The Group entities have entered several arrangements to sublease leased office spaces to a third party while the original lease contract is in effect. In these arrangements, the Group entities act as both lessee and lessor of the same underlying asset. For the sublease arrangements classified as an operating lease in accordance with the criteria of IFRS 16, the Group continues to account for the lease liability and right-of-use asset on the head lease like any other lease. For the sublease arrangements qualified as a finance lease in accordance with the criteria of IFRS 16, the Group derecognizes the right-of-use asset on the head lease at the sublease commencement date and continues to account for the original lease liability in accordance with the lessee accounting model.

The income from the operating lease amounting to USD 490 thousand is presented in the line “Other operating income/(expense), net” in the interim condensed consolidated statement of comprehensive income during the three-month period ended March 31, 2023. The lease receivable from the finance lease amounted to USD 781 thousand as at March 31, 2023.

16. Contingencies

Tax contingent liabilities

Tax settlements are subject to review and investigation by tax authorities, which are entitled to impose severe fines, penalties and interest charges. Tax regulations in the United States, Poland and Israel, which apart from Cyprus constitute the main operating environments of the Group, have been changing recently, which may lead to them lacking 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 three years in the United States (and up to six years in case of substantial errors), five years in Poland, seven years in Cyprus (and up to 12 years in case of substantial errors) and seven 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.

17. Related party transactions

On March 7, 2023, loan agreements were signed between subsidiaries wholly owned by Huuuge Inc. and the two members of the Group Executive Management team. Based on the agreements, the two members of the Group Executive Management team received the loans in the total amount equivalent to USD 213 thousand, both for a six-month period at a market interest rate.

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

There is no ultimate controlling party.

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

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

Board of Directors of Huuuge, Inc. and Executive Management	Three-month period ended March 31, 2023 Unaudited	Three-month period ended March 31, 2022 Unaudited
Base salaries	1,618	661
Bonuses and compensation based on the Group's financial result for the period	411	231
Share-based payments	327	565
Total	2,356	1,457

The amounts presented for the period ended March 31, 2023 and March 31, 2022 reflect the change in composition of the executive management team during the three-month period.

On March 7, 2023, an agreement was concluded between the Company and Mr. Rod Cousens governing his board service and executive service as co-Chief Executive Officer of the Company during the current board term, providing for a 12-month early notice period for termination. This agreement terminated Mr. Rod Cousens's executive service by mutual agreement, the Company confirmed Mr. Cousens's entitlement to payment in lieu of advance notice; this payment is included in the compensation of key management personnel presented above.

Generally, share-based payment remuneration includes cost recognized during the period in accordance with the vesting schedule, as well as cost derecognition when a member of the executive management team ends the tenure with the Company, i.e., when the service condition is not met. During the three-month period ended March 31, 2023, the cost recognized amounted

Huuuge, Inc. interim condensed consolidated financial statements for the three-month period ended March 31, 2023 prepared in accordance with International Financial Reporting Standards as adopted by the European Union. All amounts in tables presented in thousand USD, except where stated otherwise.

to USD 327 thousand and there was no cost reversal (USD 751 thousand cost recognized and USD 186 thousand of cost derecognized during the three-month period ended March 31, 2022).

During the three-month period ended 31 March 2023, members of the Board of Directors and Executive Management team exercised 509,057 options (8,360 options during the three-month period ended March 31, 2022).

Generally, 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. For additional information about recommendations from the Nomination and Remuneration Committee on executive and non-executive compensation, please refer to Note 14 Share-based payment arrangements. Apart from the above, in the three month period ended March 31, 2023, non-executive directors were remunerated for being members of the special committee for the process of reviewing the strategic options.

19. Impact of COVID-19

On March 11, 2020, the WHO declared a global COVID-19 coronavirus pandemic and recommended preventive measures such as 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; 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, 2023 and for the three-month period ended March 31, 2022 indicates that the COVID-19 pandemic had no negative impact on the Group's business.

Based on the analyses performed by the Group's management as at March 31, 2023 and March 31, 2022, the COVID-19 pandemic has had no negative impact on the Group's liquidity. Due to the fact that the Group's receivables are settled by 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.

20. 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 by Russia, the representatives of the European Union imposed sanctions on Russia. The Company also made the decision to stop distribution of new games in Russia and Belarus. The 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 that the situation in Ukraine will have on the state of the European economy and, consequently, on the activity of the Group.

Starting from March 10, 2022, due to payment system disruption, Google Play informed about a pause in Google Play's billing system for users in Russia. This means that up until the date of this report, users are not able to purchase apps and games, make subscription payments or conduct any in-app purchases of digital goods using Google Play in Russia.

21. Subsequent events

After March 31, 2023 and up to the date of approval of these interim condensed consolidated financial statements for issue, no significant events have occurred.

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Anton Gauffin

President of HUUUGE, Inc., CEO

May 30, 2023



Additional information to the quarterly report

HUUUGE

1. General information

Business profile

Huuuge, Inc. (the “Company”, “Huuuge”) is registered in the United States of America. Huuuge’s registered office is located in Dover, Delaware, 850 New Burton Road, Suite 201, DE 19904. The Company was established on February 11, 2015.



MISSION

Empower billions of people to play together



VISION

Transform mobile gaming into a massively social experience

Huuuge is a global game developer and publisher on a mission to build the world’s most social real-time, free-to-play mobile games portfolio. We strive to become the global leader in real-time free-to-play casual gaming, we aim to redefine the experience to give maximum joy and fun to players all around the world. Huuuge’s games provide entertainment every month to millions of players from 195 countries and are available in 17 languages. Huuuge shares have been listed on the Warsaw Stock Exchange since February 2021.

Key products

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

Our core franchises are Huuuge Casino and Billionaire Casino. Together, they generate 95% of Huuuge’s total revenues. Our new franchises generate 5% of total revenues and include different titles at various stages of their life cycle.



Huuuge Casino: The game was launched in June 2015. It is Huuuge’s flagship title responsible for 63% of total Q1 2023 revenue and for over USD 1.1 billion in lifetime revenue. Huuuge Casino was a true pioneer with its mobile-first user experience and real-time PvP-style gameplay. We believe that it was the first social casino game to introduce features such as clubs to the realm of social casino games. Huuuge Casino offers players over 100 casino slot machines, as well as card games and roulette. The game enables players to join a club and compete in a Billionaire League, with multiplayer slots where they can play with friends and compete against each other. Huuuge Casino is ranked #20 (Apple App Store) and #10 (Google Play) among social casino apps in the United States in terms of revenue as at March 31, 2023.



Billionaire Casino: The game was launched in October 2016. Its revenue has grown rapidly since its release. It has achieved over USD 530 million of lifetime revenue and constitutes 32% of our total Q1 2023 revenues. Due to its aesthetic, which is different from that of HUUUGE Casino, Billionaire Casino is targeted at a different player base in terms of demographics. Similar to HUUUGE Casino, Billionaire Casino offers players a number of casino slot machines, as well as card games and roulette. Billionaire Casino allows players to create a club with their friends or join a club and meet new people while playing slot machines. In addition, the game allows players to participate in club events by playing slots and other casino games. Billionaire Casino is ranked #30 (App Store) and #21 (Google Play) among social casino apps in the United States in terms of revenue as at March 31, 2023.

New titles

In Q1 2023, we created four small internal teams, called “Pods”, responsible for agile prototyping and development of new games. Their exploration is focused on new games with attributes that play to our strengths and reflect market conditions, namely:

- Multiplayer games with natural word-of-mouth distribution
- Games with highly shareable moments
- Socially-oriented long-term retention drivers
- Games with high accessibility and universal appeal
- Language and platform agnostic.

We need to acknowledge the market reality and go beyond just mobile – several titles are being developed with launch as PC Steam free-to-play games first and then potentially mobile free-to-play.

While development works are still at an early stage, we expect a few titles to go into tech (and possibly soft) launch in H2 2023.

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 Preference Shares. (Preference 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
Nationale-Nederlanden FUNDS	5,688,696	6.75
Others ²	41,788,849	49.60
Total³	84,246,697	100.00

¹ Includes one Preference Share

² Includes 4,623,347 Treasury Shares, which carry no voting rights

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

Each holder of common shares, as such, and each holder of Preference Shares, is entitled to one vote for each Common Share or Preference 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 Preference 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, 2022, the Company held 5,063,182 treasury shares.

On March 5, 2023 the Huuuge, Inc. Board of Directors approved the allocation of up to 439,835 treasury shares (all of which have been exercised and allocated) for the purpose of satisfying exercise requests from participants of the share option plan.

As at March 31, 2023, the Company held 4,623,347 treasury shares.

As of May 30, the Company holds 4,623,347 treasury shares. The nominal value of all retained shares is USD 93. These shares represent approximately 5.5% of the share capital.

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

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

¹ Anton Gauffin also holds one Series B Preference Share through Big Bets OÜ.

The remuneration of Mr. Anton Gauffin, holding the positions of the President and Chief Executive Officer of the Company, for the period ending at the 2022 Annual General Meeting of the Company, consisted solely of 500,000 share options out of which 75,000 had a vesting condition to provide the service continuously for about four years from the service commencement date and to meet the 2021 EBITDA target. These options were forfeited in 2022 as the performance condition was not met.

The vesting conditions for the remaining options are the following:

- (i) 50,000 options with a vesting condition to provide the service continuously for about four years from the service commencement date. The Group's management expects Mr. Anton Gauffin to fulfill the service condition.
- (ii) 375,000 options with a variable vesting period due to the market condition, i.e., the condition to meet the Company's market capitalization milestones. The Group's management estimated that, in total, six years of continuous service from the commencement date will be required for options to vest.

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

Principles for the preparation of the interim condensed consolidated financial statements

The interim condensed consolidated financial statements as at and for the three-month period ended March 31, 2023 have been prepared in accordance with the IAS 34 Interim Financial Reporting as adopted by the European Union.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's consolidated financial statements as at and for the year ended December 31, 2022 prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS").

Changes in the organization of the Capital Group

On March 7, 2023, Rod Cousens stepped down as Co-Director General of the Group, he remains a member of the Board of Directors of Huuuge, Inc. as a non-executive director.

2. Significant achievements or failures and unusual events significantly affecting the financial statements

Completion of review of strategic options and announcement of a planned Share Buyback

On February 15, 2023 (as announced in our Current Report 4/2023) we concluded the announced review of strategic options for the future of the Company. At the conclusion of the review, the board took the view that, at the present time, the correct strategy for the company is to remain a publicly listed company on the Warsaw Stock Exchange. In parallel, the board adopted the recommendation from the special committee and announced plans to allocate up to USD 150 million for the purpose of conducting a share buyback. Following an update in our Current Report 10/2023, the ongoing preparatory work on the SBB continued to the day of the publication of this report.

Group reorganization and focus on efficiency

We made significant changes in our operating setup throughout Q1 2023, namely:

- We sunset the Traffic Puzzle studio and put the game in maintenance mode. Part of the TP team stayed with the company and formed one of our new Pods (teams focused on prototyping and building new games);
- We reorganized and downsized our Marketing department to match our lower spend on performance marketing and our shift in focus. (We are exploring other channels such as influencer marketing and brand marketing.);
- We concluded the collective redundancies at Huuuge Games sp. z o.o. and reduced our headcount across our other subsidiaries as well.

As a result of the above initiatives, our headcount at the Group level should be ~20% lower than the level at the end of 2022. This will generate material cost savings on an annualized basis and we will inform about the full extent of the financial impact of said initiatives in our H1 2023 report. Q1 2023 costs related to the headcount reductions amounted to USD 1,552 thousand. We have also streamlined and flattened our organizational structure, having merged our Technology and Content teams into the Huuuge Casino Studio.

We are actively looking at reducing complexity and improving processes across the whole organization, both in our core revenue-generating activities and in supporting functions.

Exposure to Silicon Valley Bank

On March 10, 2023, the Federal Deposit Insurance Corporation ("FDIC") announced that the Silicon Valley Bank ("SVB") was closed by the California Department of Financial Protection and Innovation, and the FDIC was appointed as receiver. To protect insured depositors, the FDIC created the Deposit Insurance National Bank of Santa Clara (DINB). At the time of closing, the FDIC as receiver immediately transferred to the DINB all the insured deposits of Silicon Valley Bank.

On March 12, 2023, a joint statement was released by the US Secretary of the Treasury, Federal Reserve Board Chair and the FDIC Chairman informing that the US Secretary of the Treasury approved actions enabling the FDIC to complete its resolution of Silicon Valley Bank, Santa Clara, California, in a manner that fully protects all depositors. On March 13, 2023, The FDIC transferred all deposits, both insured and uninsured, and substantially all the assets of the former Silicon Valley Bank of Santa Clara, California, to a newly created, full-service FDIC-operated 'bridge bank' in an action designed to protect all depositors of Silicon Valley Bank. Depositors and borrowers automatically became customers of Silicon Valley Bridge Bank, N.A.

As announced in our Current Report 8/2023, our exposure to the bank as at 11 March 2023 amounted to USD 24.2 million held at SVB, USD 14.2 million held in operating accounts and money market accounts, and USD 10.0 million held in money market funds. We published an update in Current Report 11/2023 stating that we regained access to our funds and moved substantially all assets out of SVB. Since then, our exposure to the bank has remained immaterial.

3. Factors affecting our results

Core franchises continue to improve profitability

We have witnessed another quarter of QoQ decline in our Core franchises' user base and a single digit QoQ decline in Core revenue. However, sales profit on our core portfolio remained essentially flat QoQ (and sales profit margin increased QoQ) as a result of optimized UA spend. Continued cash generation and longevity of the core franchises are our operational priority. We also continue to expand our direct-to-consumer offering (Webshop), which allows us to further improve our margins.

Creating of Pods and new approach to new game development

In Q1 2023 we created four small internal teams, called "Pods", responsible for agile prototyping and development of new games. Their exploration is focused on new games with attributes that play to our strengths and reflect market conditions, namely: (1) Multiplayer games with natural word-of-mouth distribution; (2) Games with highly shareable moments; (3) Socially-oriented long-term retention drivers; (4) Games with high accessibility and universal appeal; (5) Language and platform agnostic. We need to acknowledge the market reality and go beyond just mobile – several titles are being developed with launch as PC Steam free-to-play games first and then potentially mobile free-to-play. While development works are still at an early stage, we expect a few titles to go into tech (and possibly soft) launch in H2 2023.

Mobile gaming and social casino market environment

As far as market dynamics are concerned, Eilers & Krejci estimate that the social casino market declined 1.7% YoY in Q1 2023 (and grew +1.7% QoQ). The long-term forecast (last revised in Q2 2022) remained unchanged, with the social casino market expected to decline at a 0.2% CAGR in 2022-25E (with a USD 7.4 billion market by 2025). Eilers & Krejci forecast the category to decline by 0.7% YoY in 2023.

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, and overall spend has been reduced, with a focus instead on monetizing and retaining our large captive audience. Additionally, we have focused on driving greater profitability through other initiatives, such as rolling out an expanded VIP program and moving to new payment channels (Webshop). From a marketing perspective, we have increasingly focused on how we do things, making measurement and a single source of truth central to our goals. Leveraging technology to drive adoption of new measurement methods such as incrementality has become crucial to operating a successful marketing organization. We have further reduced our overall UA spend QoQ, both for our Core franchises and for Traffic Puzzle, where the marketing spend is now immaterial and focused only on retargeting inactive players.

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 the debate also impacted the shape of the 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) the 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, the most impactful changes may be implemented starting from 2023 and from 2024, according to General Explanations of the Administration's Fiscal Year 2024 Revenue Proposals. 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.

Except for events and factors described in the Financial and KPI sections, there were no other unusual events with an impact on the Issuer's financial results.

4. 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 analyze actual players rather than accounts allows for substantially greater accuracy, including better in-game targeting of offers (the 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. It is not a KPI that we internally use as an objective (we focus primarily on the number of paying users – e.g., DPU).
- 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 (ARPPU):** ARPPU is defined as average revenue per daily active user. ARPPU 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 (the number of individual users who played a game during a particular month) 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.

In Q1 2023, we re-classified some legacy games that are no longer actively supported and generate immaterial revenue. In previous reports we have presented them as “New franchises”, while they have now been moved to the “Other” category. In order to ensure apples-to-apples comparability of data, the charts and tables below reflect a new layout for past periods as well. As for our “Core franchises”, the KPI data remains unchanged vs prior reports.

The table below presents our KPIs for Q1 2023 and Q1 2022 for the Group and “core franchises,” i.e., Huuuge Casino and Billionaire Casino.

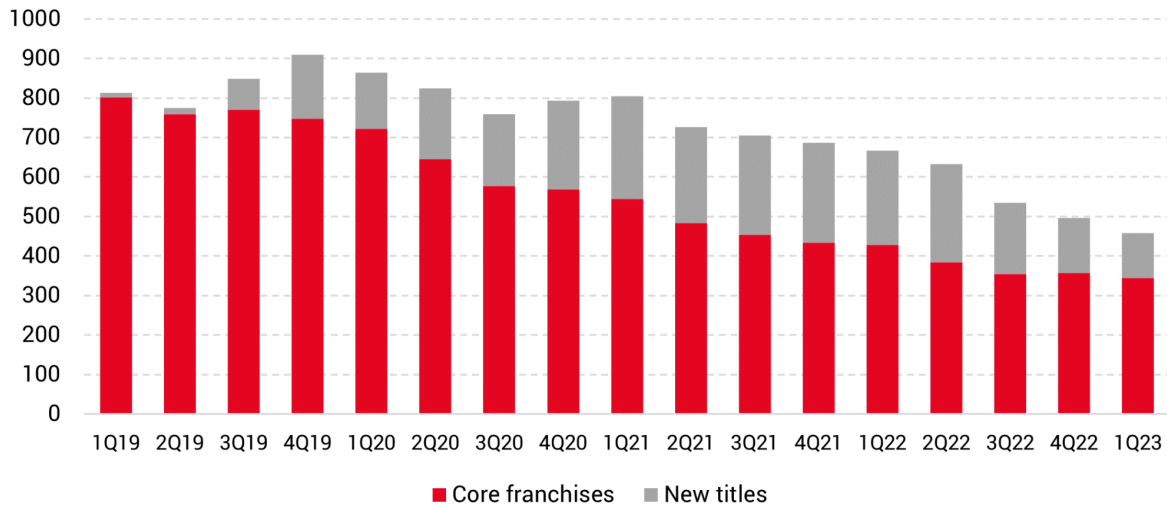
KPI	All games		Core franchises Huuuge Casino and Billionaire Casino	
	Q1 2023	Q1 2022	Q1 2023	Q1 2022
DAU (in thousands)	468.395	701.620	344.143	428.174
DPU (in thousands)	17.814	24.951	15.843	19.788
ARPPU (in USD)	1.70	1.33	2.19	1.92
ARPPU (in USD)	43.95	35.87	47.63	41.48
Monthly Conversion (%)	8.1	5.6	10.8	8.6

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

Daily Active Users

In Q1 2023, we observed a decline YoY and QoQ in DAU for our core franchises and new franchises. The downward trend in DAU for Core franchises reflects primarily our lower user acquisition expenses and broader social casino market trends. New titles' decline in DAU (-53% YoY and -18% QoQ) was connected with user acquisition spend on Traffic Puzzle gradually declining throughout the past several quarters and ultimately the game moving to maintenance mode with no active support.

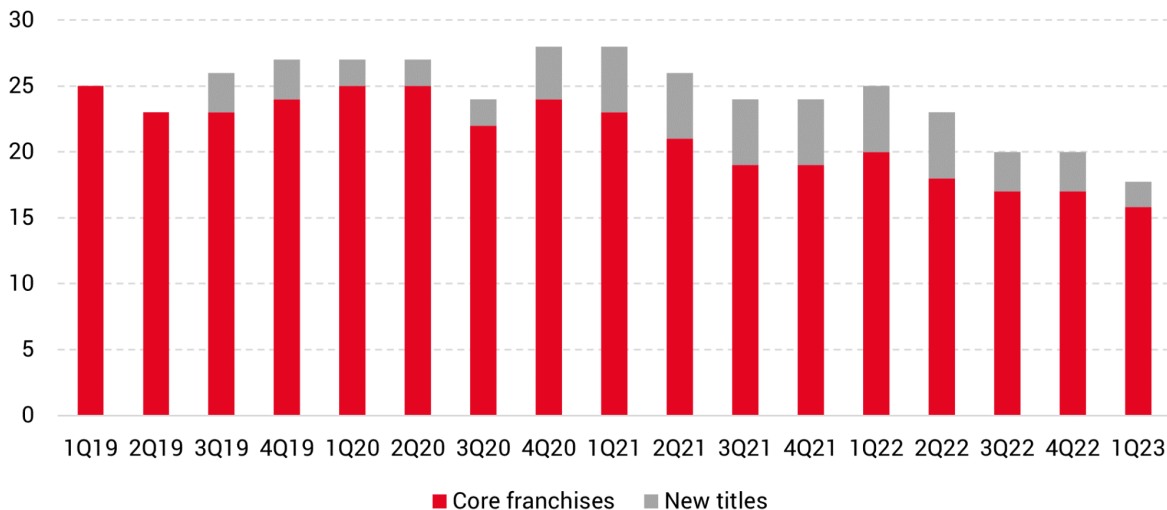
DAU thousand users



Daily Paying Users

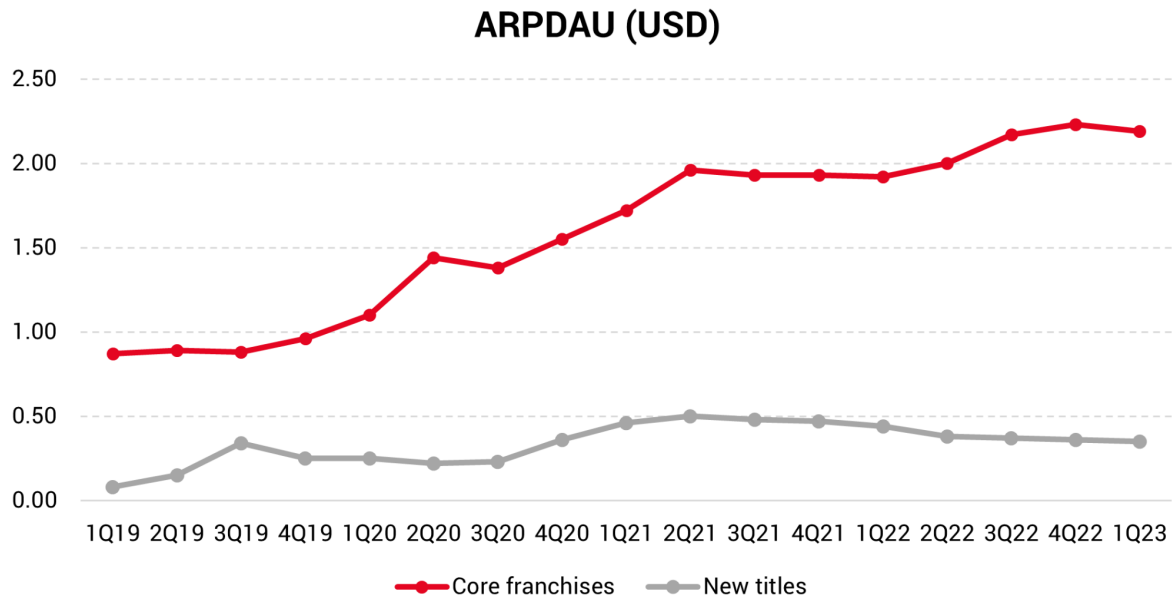
In Q1 2023, we saw a 29% YoY and 11% QoQ decrease in the overall number of DPUs. Core franchise DPUs declined by 20% YoY and 9% QoQ, as a result of the decline in overall DAU. The DPUs of our new franchises (primarily Traffic Puzzle) decreased by 61% YoY and 24% QoQ, following the decline in TP user base.

DPU thousand users



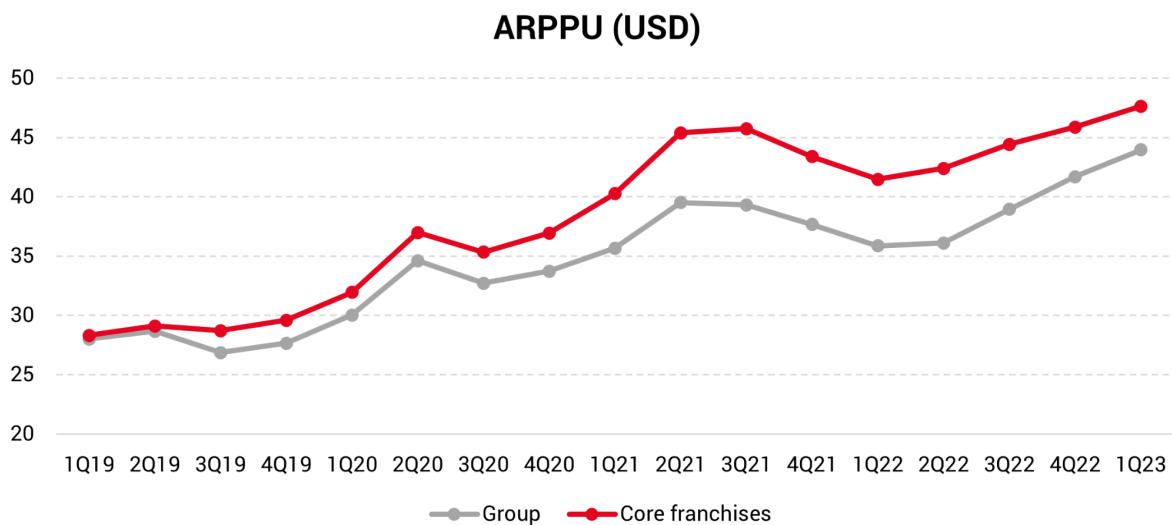
Average Revenue per Daily Active User

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, we have seen over the long run a sustained growth in the monetization of our core games, i.e., HUUUGE Casino and Billionaire Casino. These two games continued to exhibit ARPDau rates exceeding the category averages, and we saw further improvement in this KPI in Q1 2023 on a YoY basis and a slight decline QoQ, which was driven by lower player-to-payer conversion in that period. At the same time, the ARPDau of new titles declined by 20% YoY and 3% QoQ, with Traffic Puzzle having the largest impact on our portfolio.



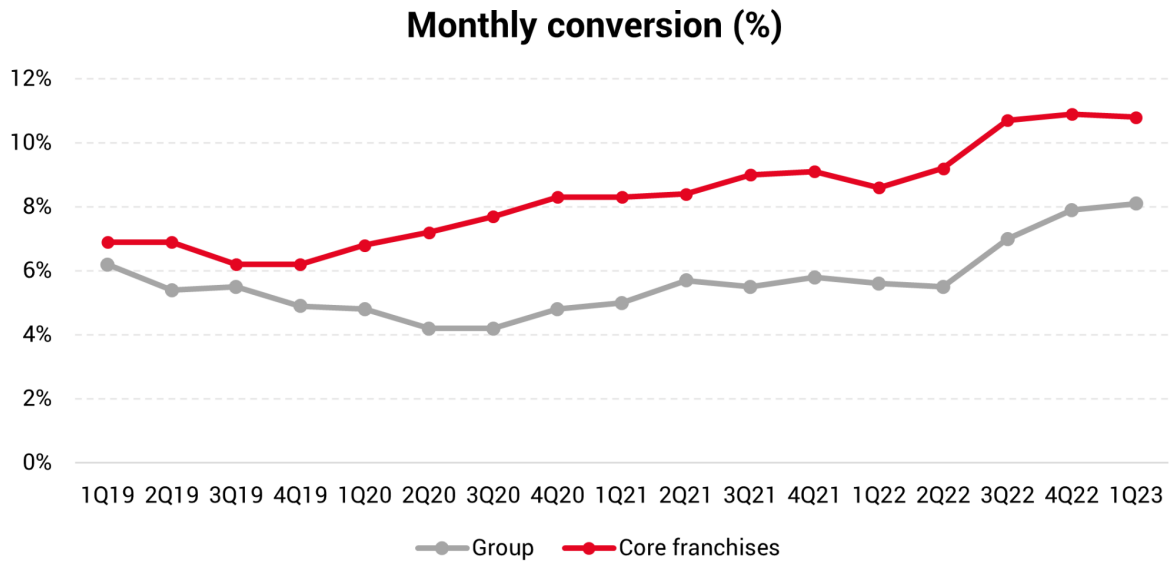
Daily Average Revenue per Paying User

In recent years, we have been able to consistently improve the ARPPU of our core franchises owing to the social features of our games and to our constant focus on live events and special offers. Core franchises ARPPU increased 15% YoY and 4% QoQ. The latest trends observed in ARPPU prove that our loyal paying customer base keeps enjoying our games and that we haven't reached a "monetization ceiling" yet. Our Q1 2023 numbers for our core franchises also reflect the positive impact of the recent game economy upgrade on our player behavior.



Monthly Conversion

Monthly Conversion is an indicator of our ability to convert players into payers. In Q1 2023, our core franchises' monthly conversion decreased slightly from 10.9% in Q4 2022 to 10.8% in Q1 2023, on the back of a seasonally strong calendar of special offers in the past quarter. Total monthly conversion for the whole portfolio increased from 7.9% in Q4 2022 to 8.1% in Q1 2023, as Traffic Puzzle conversion improved. (Non-payers churn was substantially higher relative to the paying user base.)



5. Results of operations

The following table presents our consolidated statement of comprehensive income for the three-month periods ended March 31, 2023 and March 31, 2022.

in thousand USD	Q1 2023	Q1 2022	Change
Revenue	71,746	84,001	-14.6%
Cost of sales	(21,136)	(25,473)	-17.0%
Gross profit/(loss) on sales	50,610	58,528	-13.5%
Sales and marketing expenses	(9,309)	(29,897)	-68.9%
<i>thereof, user acquisition marketing campaigns</i>	(6,324)	(26,285)	-75.9%
<i>thereof, general sales and marketing expenses</i>	(2,985)	(3,612)	-17.4%
Research and development expenses	(7,181)	(8,982)	-20.1%
General and administrative expenses	(9,970)	(9,051)	10.2%
Other operating income/(expense), net	362	75	382.7%
Operating result	24,512	10,673	129.7%
Finance income	1,588	165	862.4%
Finance expense	(81)	(95)	-14.7%
Profit/(loss) before tax	26,019	10,743	142.2%
Income tax	(3,625)	(1,817)	99.5%
Net result for the period	22,394	8,926	150.9%
Exchange gains/(losses)	428	(1,072)	n/a
Total comprehensive income for the period	22,822	7,854	190.6%

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

in thousand USD	Q1 2023	Q1 2022	Change
EBITDA	27,000	13,303	103.0%
EBITDA margin (%)	37.6%	15.8%	21.8pp
Adjusted EBITDA	27,602	14,392	91.8%
Adjusted EBITDA margin (%)	38.5%	17.1%	21.4pp
Sales Profit	44,286	32,243	37.4%
Sales Profit margin (%)	61.7%	38.4%	23.3pp
<i>User acquisition marketing campaigns as % of revenue</i>	8.8%	31.3%	-22.5pp
Adjusted Net Result	22,996	10,015	129.6%
Adjusted Net Result (%)	32.1%	11.9%	20.2pp

EBITDA, Adjusted EBITDA, EBITDA margin, Adjusted EBITDA margin, Sales profit, Sales profit margin and User acquisition cost as % of revenue are supplemental measures of the financial and operating performance used by us that are not required by, or prepared in accordance with IFRS. These measures are prepared by us because we believe they provide a view of our

recurring operating performance that is unaffected by our capital structure and allow us to readily view operating trends and identify strategies to improve operating performance and to 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 to 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 that offset taxable profits), the costs and ages 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, asset impairment and share-based payment expense. The rationale for using the **Adjusted EBITDA** is that it constitutes 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 that are of a non-cash nature.

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

- We define **Adjusted EBITDA margin** as the ratio of **Adjusted EBITDA** to 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 that are of a non-cash nature.

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

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

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

- We define **Adjusted net result** as the net result for the year adjusted for events not related to the main activity of the Group, share-based payment expense and financial expenses related to the revaluation of the liability related to Series-C preference shares. The rationale for using the **Adjusted net result** is that it constitutes 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 that are of a non-cash nature.

- We define **Adjusted net result margin** as the ratio of the **Adjusted net result** to Revenue. The rationale for using the **Adjusted net result margin** is that it constitutes an attempt to show the Net result for the year in percentage after eliminating events not related to the main activity of the Group and items from the profit and loss account that 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 2023	Q1 2022	Change
Revenue	71,746	84,001	-14.6%
Gross profit/(loss) on sales	50,610	58,528	-13.5%
User acquisition marketing campaigns	6,324	26,285	-75.9%
Sales profit	44,286	32,243	37.4%
Sales profit %	61.7%	38.4%	23.3pp

Adjusted EBITDA reconciliation

in thousand USD	Q1 2023	Q1 2022	Change
Net result for the period	22,394	8,926	150.9%
Income tax	3,625	1,817	99.5%
Finance expense	81	95	-14.7%
Finance income	(1,588)	(165)	862.4%
Depreciation and amortization	2,488	2,630	-5.4%
EBITDA	27,000	13,303	103.0%
EBITDA Margin	37.6%	15.8%	21.8pp
Employee benefits costs – share-based plan ¹	55	1,089	-94.9%
Costs related to strategic options review	547	-	n/a
Adjusted EBITDA	27,602	14,392	91.8%
Adjusted EBITDA Margin	38.5%	17.1%	21.4pp

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 2023	Q1 2022	Change
Net result for the period	22,394	8,926	150.9%
Employee benefits costs – share-based plan ¹	55	1,089	-94.9%
Costs related to strategic options review	547	-	n/a
Adjusted Net Result	22,996	10,015	129.6%

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.

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 2023	Q1 2022	Change
Gaming applications	70,626	80,568	-12.3%
Advertising	1,120	3,433	-67.4%
Total revenue	71,746	84,001	-14.6%

As a result of a decline in DAU and DPU driven by lower marketing spend, revenue generated by in-app purchases in gaming applications decreased by USD 9,942 thousand (i.e., 12.3%) from USD 80,568 thousand for the three months ended March 31, 2022 to USD 70,626 thousand for the three months ended March 31, 2023, while revenue generated by advertising decreased by USD 2,313 thousand (i.e., 67.4%) for the three months ended March 31, 2023 compared to the corresponding period of 2022. This is mostly due to the declining user base of Traffic Puzzle and of some previously discontinued games.

Below, we show the revenue analyzed in main product groups:

in thousand USD	Q1 2023	Q1 2022	Change
Huuuge Casino	45,215	48,407	-6.6%
Billionaire Casino	22,781	25,563	-10.9%
Total Core Franchises	67,996	73,970	-8.1%
Traffic Puzzle	3,104	8,585	-63.8%
Other	646	1,446	-55.3%
Total New Franchises	3,750	10,031	-62.6%
Total revenue	71,746	84,001	-14.6%
- including games developed by external developers based on publishing contracts	58	296	-80.4%

Revenue generated by our core games (i.e., Huuuge Casino and Billionaire Casino) decreased by USD 5,974 thousand (i.e., by 8.1%) for the three months ended March 31, 2023 compared to the corresponding period of 2022. This was related to the decline in DPU, driven by a combination of lower marketing spend (fewer new players and payers) as well as churn of the existing payer base. Improvement in monetization metrics (namely ARPPU) did not fully offset the payer base decline.

With regard to Traffic Puzzle, revenue decreased by 5,481 thousand (i.e., by 63.8%) between the three months ended March 31, 2023 and the three months ended March 31, 2022. This was driven by the user acquisition spend declining throughout 2022 and in Q1 2023.

The significant decrease in Other revenue of 55.3% for the three months ended March 31, 2023 compared to the corresponding period of 2022 is a result of discontinued marketing spend and a number of these games having been put in maintenance mode (which also resulted in a drop in DAU).

Operating expenses

The table below presents a breakdown of our operating expenses.

in thousand USD	Q1 2023	Q1 2022	Change
Cost of sales	(21,136)	(25,473)	-17.0%
Sales and marketing expenses:	(9,309)	(29,897)	-68.9%
<i>thereof, User acquisition marketing campaigns</i>	(6,324)	(26,285)	-75.9%
<i>thereof, General sales and marketing expenses</i>	(2,985)	(3,612)	-17.4%
Research and development expenses	(7,181)	(8,982)	-20.1%
General and administrative expenses	(9,970)	(9,051)	10.2%
Total operating expenses	(47,596)	(73,403)	-35.2%

Operating expenses for the three months ended March 31, 2023 decreased by USD 25,807 thousand (i.e., by 35.2%) compared to the three months ended March 31, 2022. This change resulted primarily from the decrease by USD 19,961 (i.e., by 75.9%) in User Acquisition Marketing Campaigns constituting a dominant part of the Sales and Marketing expenses, and it reflected our user acquisition strategy discussed in the User Acquisition and post-IDFA mobile advertising market update section.

The second-largest operating expenses item (i.e., cost of sales) for the three months ended March 31, 2023 decreased by USD 4,337 thousand (i.e., 17.0%) compared to the corresponding period of 2022. This change is a combined effect of: (i) decrease in commissions to distributors (platform fees) driven by the 12.3% decrease in revenue generated by in-app purchases, (ii) the expansion of the direct-to-consumer webshop platform for our VIP players with significantly lower platform processing fees, (iii) lower amortization costs of Traffic Puzzle game due to its partial impairment in Q4 2022.

General Sales and Marketing expenses for the three months ended March 31, 2023 decreased by USD 627 thousand (i.e., 17.4%) compared to the corresponding period of 2022, which can be attributed primarily to a decrease in salaries and employee-related costs related to optimization of headcount.

Research and Development expenses for the three months ended March 31, 2023 decreased by USD 1,801 thousand (i.e., 20.1%) compared to the corresponding period of 2022. The decrease was mainly driven by a decrease in ESOP expenses resulting mostly from the departure of some employees who had received equity grants in the previous periods, as well as by the salaries and employee-related costs driven by lower current year performance bonus accrual as a consequence of the headcount reductions.

Our General and Administrative expenses for the three months ended March 31, 2022 increased by USD 919 thousand (i.e., 10.2%) compared to the corresponding period of 2022, which is a combined effect of increases in salaries and employee-related costs related to termination costs and to depreciation and amortization mostly related to internally developed intangible assets. This increase was partially offset by a decrease in the costs of the employee stock option plan related to the restructuring process in Q1 2023 and by optimization in other costs.

Profitability

Despite the decrease in revenue, our sales profit increased by USD 12,043 thousand and the sales profit margin by 23.3pp for the three months ended March 31, 2023 compared to the corresponding period of 2022, mostly as a result of a lower user acquisition spend level.

The adjusted EBITDA increased by USD 13,210 thousand and the adjusted EBITDA margin by 21.4pp in the three months ended March 31, 2023 compared to the corresponding period of 2022, mostly as a result of a similar increase in Sales Profit (as discussed above).

Finance income, net

in thousand USD	Q1 2023	Q1 2022	Change
Finance income	1,588	165	862.4%
Finance expense	(81)	(95)	-14.7%
Finance income, net	1,507	70	>999.9%

Finance income, net for the three months ended March 31, 2023 increased by USD 1,437 thousand to USD 1,507 (from USD 70 thousand) for the three months ended March 31, 2022. Finance income, net for the Q1 2023 is mainly attributable to income generated on interests on short-term bank deposits (USD 1,505 thousand).

Net Financial Debt

The table below presents the Net Financial Debt of the Company as at March 31, 2023 and March 31, 2022.

in thousand USD	As at March 31, 2023	As at December 31, 2022
Cash and cash equivalents ¹	238,496	222,245
Short-term lease liabilities	4,200	4,015
Net current financial indebtedness	(234,296)	(218,230)
Long-term lease liabilities	9,384	9,812
Non-current financial indebtedness	9,384	9,812
Net financial debt	(224,912)	(208,418)

¹ includes cash in money market investment funds

Net financial debt of the Group between December 31, 2022 and March 31, 2023 decreased by USD 16,494 thousand (to negative USD 224,912 thousand from negative USD 208,418 thousand), which resulted from the increase in cash and cash equivalents by USD 16,251 thousand discussed in the Cash Flows and Liquidity section of this report.

Statement of Financial Position

Selected Consolidated Statements of Financial Position

in thousand USD	As at March 31		As at December 31	
	2023	Structure	2022	Structure
ASSETS				
Total non-current assets, incl.:	36,455	11.7%	37,442	13.1%
Right-of-use assets	12,665	4.1%	12,965	4.5%
Goodwill	2,517	0.8%	2,462	0.9%
Intangible assets	11,479	3.7%	12,057	4.2%
Other items	9,794	3.1%	9,958	3.5%
Total current assets, incl.:	274,628	88.3%	248,875	86.9%
Trade and other receivables	35,016	11.3%	25,855	9.0%
Cash and cash equivalents	238,496	76.7%	222,245	77.6%
Other items	1,116	0.4%	775	0.3%
Total assets	311,083	100%	286,317	100.0%
EQUITY				
Total equity	263,753	84.8%	240,727	84.1%
LIABILITIES				
Total non-current liabilities, incl.:	9,551	3.1%	9,976	3.5%
Long-term lease liabilities	9,384	3.0%	9,812	3.4%
Other Items	167	0.1%	164	0.1%
Total current liabilities, incl.:	37,779	12.1%	35,614	12.4%
Trade and other payables	27,054	8.7%	24,302	8.5%
Other items	10,725	3.4%	11,312	4.0%
Total equity and liabilities	311,083	100%	286,317	100.0%

Assets

Total assets increased by USD 24,766 thousand (i.e., 8.6% from USD 286,317 thousand as at December 31, 2022 to USD 311,083 thousand as at March 31, 2023).

The structure of total assets mostly remained unchanged and comprised the following items: (i) cash and cash equivalents (accounting for 76.7% and 77.6% of total assets as at March 31, 2023 and December 31, 2022, respectively) and (ii) trade and other receivables (accounting for 11.3% and 9.0% of total assets as at March 31, 2023 and December 31, 2022, respectively).

The increase in total assets resulted from: (i) an increase in cash and cash equivalents of USD 16,251 thousand (i.e., 7.3%, from USD 222,245 thousand as at December 31, 2022 to USD 238,496 thousand as at March 31, 2023) and (ii) an increase in trade receivables of USD 9,161 thousand (i.e., 35.4%, from USD 25,855 thousand as at December 31, 2022 to USD 35,016 thousand as at March 31, 2023) mainly due to payout calendars maintained by distributors, e.g. Apple.

Liabilities

Total liabilities increased by USD 1,740 thousand (i.e., 3.8%, from USD 45,590 thousand as at December 31, 2022 to USD 47,330 thousand as at March 31, 2023). The increase is mostly related to accumulation of the yearly performance bonus provision and restructuring costs provision.

As at March 31, 2023, total liabilities mainly comprised (i) trade and other payables (accounting for 57.2% of total liabilities compared to 53.3% as at December 31, 2022) and (ii) long-term lease liabilities (accounting for 19.8% of total liabilities compared to 21.5% as at December 31, 2022).

Cash Flows and Liquidity

The following table summarizes selected net cash flows from operating, investing and financing activities for the three-month period ended March 31, 2023 compared to the nine-month period ended March 31, 2022.

in thousand USD	Q1 2023	Q1 2022	Change
Cash flows from operating activities			
Profit/(loss) before tax	26,019	10,743	142.2%
Adjustments for:			
Depreciation and amortization	2,488	2,630	-5.4%
(Profit)/loss on disposal of property, plant and equipment	112	-	n/a
Non-cash employee benefits expense – share-based payments	55	1,089	-94.9%
Finance (income)/cost – net	(679)	(369)	84.0%
Changes in net working capital			
Other adjustments	26	(54)	n/a
Cash flows from operating activities	21,435	20,580	4.2%
Income tax paid	(4,537)	(677)	>999%
Net cash flows from operating activities	16,898	19,903	-15.1%
Cash flows from investing activities			
Acquisition of property, plant and equipment and software expenditures	(764)	(667)	14.5%
Acquisition of IP rights	-	(25,000)	n/a
Interest received	2,203	-	-
Net cash from/(used in) investing activities	1,439	(25,667)	n/a
Cash flows from financing activities			
Lease repayment	(1,017)	(1,060)	-4.1%
Interest paid	(80)	(132)	-39.4%
Exercise of stock options	149	1,574	-90.5
Shares issued/(repurchased)	-	(307)	n/a
Net cash from financing activities	(948)	75	n/a
Net increase/(decrease) in cash and cash equivalents	17,389	(5,689)	n/a
Effect of exchange rate fluctuations and accrued interest	(1,138)	(13)	>999%
Cash and cash equivalents at the beginning of the period	222,245	204,415	8.7%
Cash and cash equivalents at the end of the period	238,496	198,713	20.0%

Net cash flows from operating activities

Net cash inflows from operating activities for the three-month period ended March 31, 2023 amounted to USD 16,898 thousand, which is mainly a combined effect of adjusted EBITDA generated during the period amounting to 27,602 USD, changes in the working capital (by USD 6,586 thousand) and 4,537 USD of income tax paid during the current period. For details regarding changes in working capital, please see the above sections on Assets and Liabilities (Statement of Financial Position)

Net cash flows from investing activities

Net cash inflows from investing activities for the three-month period ended March 31, 2023 amounted to USD 1,439 thousand and resulted mainly from the interests received on short-term bank deposits.

Net cash flows from financing activities

Net cash outflows from financing activities for the three-month period ended March 31, 2023 amounted to USD 948 thousand and are mainly related to lease repayments.

6. Possibility of accomplishing previously published forecasts

The Issuer does not publish financial forecasts.

7. Significant proceedings pending in the courts

On March 8, 2023, a plaintiff filed a complaint in the Circuit Court of Franklin County Alabama as a private attorney general to recover money for Alabama residents who made purchases in the Company's "slot machine, other casino-style games, card games and other games of chance." The complaint alleges that those games violate Alabama state laws.

The Company intends to defend itself in this matter vigorously and believes that there are meritorious legal and factual defenses against the plaintiff's allegations and requests for relief. As the case is in preliminary stages, the Company is unable to reasonably estimate the loss or range of loss, if any, arising from this litigation.

As of the date of the issuance of this report, to the best of the Company's knowledge, this litigation is not expected to have a material impact on the Company's operations, financial condition or cashflows.

Except for the abovementioned proceedings, neither the Issuer nor any of its subsidiaries were, as at March 31, 2023, or as at the date of issuing the financial statements, a party to any significant court or arbitration proceedings or before any public authority.

8. Transactions with related parties

Information regarding transactions with related entities is provided in Note 17 "Related Party Transactions" to the Interim Condensed Consolidated Financial Statement.

9. Granted sureties, loans, guarantees

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

10. Significant events after the balance sheet date

Significant events that occurred after the balance sheet date are presented in the Interim Condensed Consolidated Financial Statement for the period in Note 21 "Subsequent events."

11. Other information important for the assessment of 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 2023, the Company holds a high balance of USD 238.5 million in Cash and Equivalents. This allows us to carry out the planned USD 150 million share buyback without impeding our ability to meet our ongoing business obligations. At the same time, we still retain significant capacity to execute on potential investments, partnerships and other new initiatives.

There is no other significant information of the above nature in the Issuer's Capital Group as at March 31, 2023.



Company's selected separate financial data

HUUUGE

Company's separate statement of comprehensive income

	Three-month period ended March 31, 2023	Three-month period ended March 31, 2022
Revenue	871	664
Cost of sales	-	-
Gross profit/(loss)	871	664
Sales and marketing expenses	(56)	(26)
Research and development expenses	(329)	(495)
General and administrative expenses	(2,436)	(1,267)
Other operating income/(expense), net	(3)	(47)
Operating result	(1,953)	(1,171)
Finance income	95,314	2
Finance expense	-	(27)
Profit/(loss) before tax	93,361	(1,196)
Income tax	74	-
Net result for the period	93,435	(1,196)
Other comprehensive income	-	-
Total comprehensive income/(loss) for the period	93,435	(1,196)

Company's separate statement of financial position

	As at March 31, 2023	As at December 31, 2022
Assets		
Non-current assets		
Property, plant and equipment	69	80
Right-of-use asset	44	62
Investment in subsidiaries	29,373	29,162
Other long-term non-financial assets	-	30
Deferred tax asset	116	112
Total non-current assets	29,602	29,446
Current assets		
Trade and other receivables	1,261	1,224
Dividend receivable	86,103	-
Corporate income tax receivable	31	-
Cash and cash equivalents	94,273	86,210
Other short-term non-financial assets	37	6
Total current assets	181,705	87,440
Total assets	211,307	116,886
Equity		
Share capital	2	2
Treasury shares	(18,564)	(20,942)
Supplementary capital	302,258	304,487
Employee benefit reserve	22,949	22,894
Retained earnings/(Accumulated losses)	(100,318)	(193,753)
Total equity	206,327	112,688
Total non-current liabilities	-	-
Current liabilities		
Trade and other payables	4,934	4,092
Short-term lease liabilities	46	67
Corporate income tax liabilities	-	39
Total current liabilities	4,980	4,198
Total equity and liabilities	211,307	116,886

Company's separate statement of changes in equity

	Share capital	Treasury shares	Supplementary capital	Employee benefit reserve	Retained earnings	Equity
As at January 1, 2023	2	(20,942)	304,487	22,894	(193,753)	112,688
Net profit/(loss)	-	-	-	-	93,435	93,435
Total comprehensive income/(loss) for the period	-	-	-	-	93,435	93,435
Shares issued/(repurchased)	-	-	-	-	-	-
Exercise of stock options	-	2,378	(2,229)	-	-	149
Employee share schemes – value of employee services	-	-	-	55	-	55
As at March 31, 2023	2	(18,564)	302,258	22,949	(100,318)	206,327
	Share capital	Treasury shares	Supplementary capital	Employee benefit reserve	Retained earnings	Equity
As at January 1, 2022	2	(19,954)	321,049	19,813	(186,041)	134,869
Net profit/(loss)	-	-	-	-	(1,196)	(1,196)
Total comprehensive income/(loss) 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 at March 31, 2022	2	(19,170)	321,532	20,902	(187,237)	136,029

Company's separate statement of cash flows

	Three-month period ended March 31, 2023	Three-month period ended March 31, 2022
Cash flows from operating activities		
Profit/(loss) before tax	93,361	(1,196)
Adjustments for:		
Depreciation and amortization	28	21
Non-cash employee benefits expense – share-based payments	(157)	234
Finance (income)/expense, net	(615)	-
Dividend income	(94,693)	-
Changes in net working capital:		
Trade and other receivables	(37)	752
Trade and other payables	842	1,662
Other non-financial assets	(1)	-
Cash flows from operating activities	(1,272)	1,473
Income tax (paid)/received	-	-
Net cash flows from/(used in) operating activities	(1,272)	1,473
Cash flows from investing activities		
Interest received	1,010	-
Net cash flows from investing activities	1,010	-
Cash flows from financing activities		
Dividend income	8,590	-
Exercise of stock options	149	1,574
Lease repayment	(21)	(19)
Prepayment for treasury stock ordinary shares	-	(307)
Net cash flows from financing activities	8,718	1,248
Net increase/(decrease) in cash and cash equivalents	8,456	2,721
Effect of exchange rate fluctuations and accrued interest	(393)	-
Cash and cash equivalents at beginning of the period	86,210	106,330
Cash and cash equivalents at end of the period	94,273	109,051

Unusual events significantly affecting HUUUGE, Inc. stand-alone financial data

Events that were unusual in nature, value or frequency and that significantly affected the Company's assets, liabilities or equity as of March 31, 2023 or the Company's net result and cash flows for the three-month period ended March, 2023 were the following:

Completion of review of strategic options and announcement of a planned Share Buyback

For details, please refer to the section Significant achievements or failures and unusual events significantly affecting the financial statements of this Report.

Dividend declared by HUUUGE Global Limited

On February 3, 2023, the Board of Directors of HUUUGE Global Limited declared to pay a dividend of USD 94,693 thousand to HUUUGE, Inc., the sole shareholder of HUUUGE Global Limited. The dividend will be paid out of the profits for the years 2019, 2020 and 2021, which are now available for distribution. During the three-month period ended March 31, 2023, the Company recognized finance income in the amount of USD 94,693 thousand, out of which USD 8,590 thousand was received before March 31, 2023, and the remaining USD 86,103 thousand was received on May 26, 2023.

Change in the scope of services

It was decided that the Company will no longer provide game design development services. After this change, the Company's revenue will continue to be generated by services provided to the other entities in the Group. The Company's operations will continue to comprise facilitating the advertising services on behalf of HUUUGE Global Ltd., and stewardship activities.

Exposure to Silicon Valley Bank

For details, please refer to the section Significant achievements or failures and unusual events significantly affecting the financial statements of this Report.

Resignation of Mr. Rod Cousens from the Position of Co-Chief Executive Officer

Effective on March 7, 2023, Mr. Rod Cousens, co-CEO, and the Company reached a mutual agreement to end Mr. Cousens's executive service with the Company. Mr. Cousens remains a member of the Issuer's Board of Directors as described in Note 1 "General Information" to the Interim Condensed Consolidated Financial Statements.



HUUUGE

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