HUUUGE, INC. GROUP

2020 ANNUAL REPORT

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DISCLAIMER

This constitutes the annual consolidated and stand-alone report (the **"**Annual Report") prepared in accordance with the Regulation of the Minister of Finance of March 29, 2018 on current and periodic information published by issuers of securities and the conditions for recognizing information as equivalent required by the law of a non-state. This Annual Report should be read in conjunction with the [consolidated and stand-alone financial statements as of and for the year ended December 31, 2020 prepared in accordance with International Financial Reporting Standards as adopted by the European Union (the **"Consolidated Financial Statements"**).

Unless implied otherwise in this Annual Report, the terms "**we**" or the "**Group**", refer to the Company together with all of its Subsidiaries and the term the "**Company**", refer 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 Annual Report, including financial and operating information, have been subject to rounding adjustments. Accordingly, in certain instances, the sum of the numbers in a column or a row in tables contained in this Annual Report may not conform exactly to the total figure given for that column or row.

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

Key Performance Indicators
Certain KPIs included in this Annual Report, including Installs, DAU, MAU, DPU, MPU, ARPDAU, ARPPU, Monthly Conversion are derived from management estimates, are not part of our Consolidated 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 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 Annual Report does not mean that the Issuer will continue to report these KPIs for future periods.

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

PRESIDENT'S LETTER

Dear Shareholders,

I am pleased to get properly acquainted. My name is Anton Gauffin and I'm the CEO of Huuuge. This is the first annual letter that I'm writing since our debut on the Warsaw Stock Exchange. I would like to thank you for your trust and continued support. Our success would not be possible without you joining us in accomplishing our mission to empower billions of people to play together.

A year like no other

2020 was a milestone year for Huuuge. It was an intense and to some extent a transformational year for the whole world. Collectively, we had to navigate rapid changes caused by the pandemic that shaped the way we operate as individuals and as teams, and led us to where we are today.

Whilst under the restrictions of lockdown, we observed the growing popularity of games for mobile devices. The increased engagement of players resulted in better monetization and more time spent in-game. These positive effects of an otherwise challenging situation have impacted Huuuge and the wider market alike.

The mobile games market is the fastest-growing segment of the games industry globally. Thanks to the growing penetration of smartphones and the introduction of 5G networks across the globe, mobile gaming is primed for significant further growth in the coming years. We also benefit from another macro trend; a strong motivation for people to play with others. It is simply much more fun to play together than alone. This simple truth is why we focus so intensely on crafting truly social experiences that are as critical to our future as our past. Ultimately, we will strive to take full advantage of the rising tide within the mobile games market to create evermore value for our shareholders.

In 2020 we completed our preparations to transition from a private business to a global, public company. We achieved our goal in February 2021 with our public debut, and this move will help us to further accelerate the pursuit of our strategy, which consists of the simultaneous development of products and acquisition of companies complementing our existing product portfolio This is, in essence, our 'Build & Buy' approach to growth.

Business first

To briefly cover some of the operational highlights of 2020, here are some of our proudest achievements from the past year in numbers.

First, let us look at our revenue, growth and EBITDA. In 2020 we earned **USD 332.7 million in revenue; 28.3%** more than in 2019. Huuuge continues to grow rapidly, with potential to grow further as we accomplish our mission. 2020 adjusted EBITDA was **131%** higher than in 2019 and almost **six times** higher than in 2018, reflecting our disciplined approach to growth at Huuuge.

In the coming years we will continue growing both revenue and profit via our core titles and beyond. Our portfolio of games is high quality and expanding with each passing year – a testament to our effective investment in new products such as *Traffic Puzzle,* a fun and unique puzzle game in which we see great potential. I would like to encourage all those who haven't already done so to download *Traffic Puzzle* and see for yourselves!

Last year we made a number of acquisitions, including *Bow Land* developer – Double Star, based in Helsinki – and an ad-tech start-up called Playable Platform in Amsterdam. These acquisitions have already proved to be great additions to our business and there is much more to come on the inorganic growth front.

Our future

Our IPO was the biggest for any mobile gaming company in European IPO history, and thanks to the capital raised in the issue, we can now focus on delivering on both of our "Build & Buy" strategic fronts.

Even before listing, we had more than ten potential acquisition targets shortlisted, from a long-list of more than 75 prospects, and about five of them are being actively analysed today. While we cannot release details yet, we anticipate that in 2021 our initiatives in the area of M&A will be intensive and needle-moving. We will also be increasing our pursuit of the casual games segment, and reinforcing our core offering of social casino games, as well as continuing to expand our publishing business.

Play Together

I remain both humbled and impressed by all of the talented entrepreneurs and teams that have reached out to open a dialogue with a view to deliver success as a team. This approach speaks to the very core of what it means to be Huuuge and subscribe to the "Play Together" playbook. While our mission is bold and – by its nature – global, I sleep well in the knowledge that there are many who share the same dream with us.

Teams that share our dedication, drive and passion for building amazing games, are exactly what we are looking for. What we have achieved so far is just the beginning, and the partnerships ahead of us are a reminder that the best is yet to come.

As we all know it takes time to build relationships. Have trust in us and in the way that we operate. I believe you will learn that there is no stopping Team Huuuge as we continue to evolve and improve. I would like to once again thank you for your support and I look forward to playing together in the future. Thank you!

Anton Gauffin

President and CEO of Huuuge, Inc.

Signature Not Verified
Digitally signed by ANTON MARKUS GAUFFIN
Date: 2021.04.19 20:49:31 EEST

2020 IN BRIEF

USD
332.7 million
Revenue

+28.3%
Revenue growth

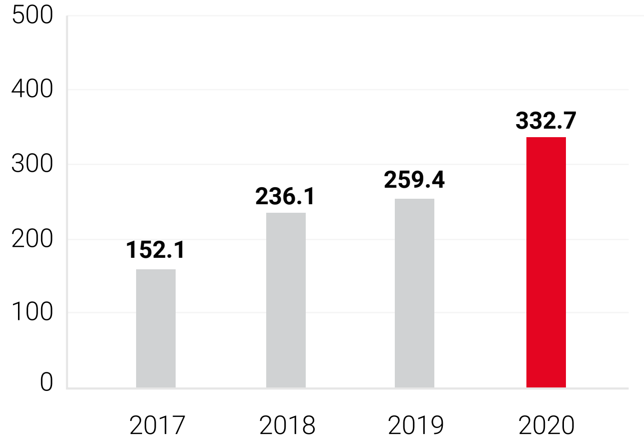
USD
57.2 million
Adjusted EBITDA

USD
35.4 ARPPU
in core franchises

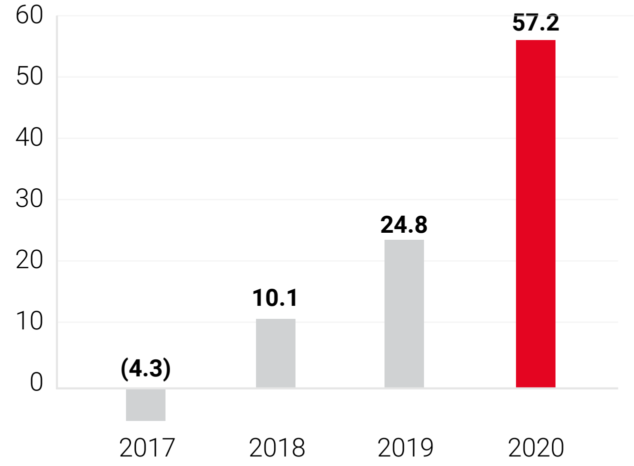
7.4%
monthly conversion
for core franchises

4.7 million
monthly active users

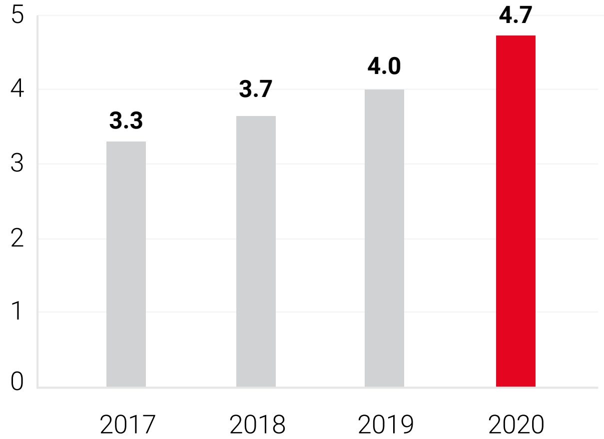
Revenue (USD million)



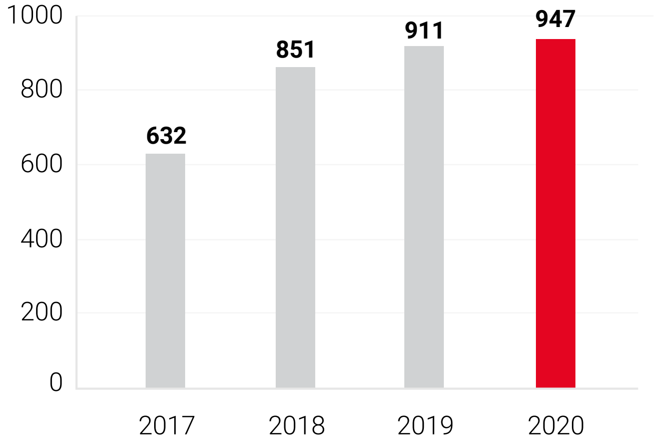
Adj. EBITDA (USD million)



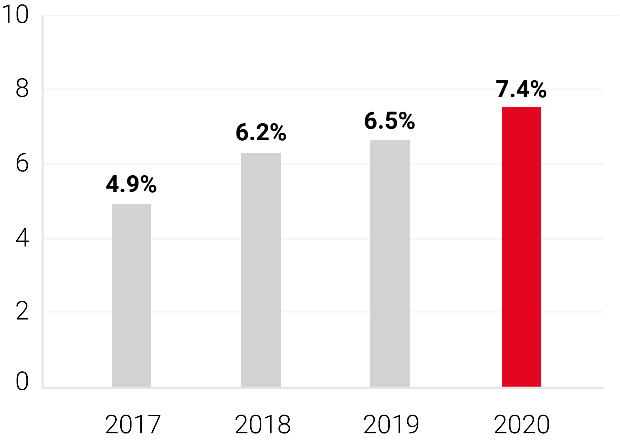
MAU (million)



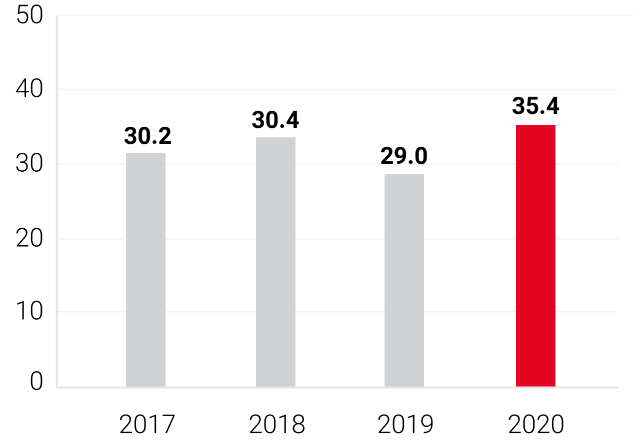
DAU ('000)



Monthly conversion core franchises



ARPPU (USD) core franchises



Note:
"Core franchises"=Huuuge Casino and Billionaire Casino
See section: Glossary for definition of our KPI's

Highlights of the 2020

FEBRUARY 2020

Acquisition of TreasureHunt GmbH

We acquired the assets of TreasureHunt GmbH, a Berlin-based developer of free-to-play games that developed Trolls Pop.

MAY 2020

Acquisition of Playable Platform

We completed the acquisition of Playable Platform B.V., a Dutch advertising technology company creating interactive or 'playable' advertisements.

JULY 2020

Acquisition of Double Star

Developer of casual, F2P mobile games, one of the most successful mobile games to date. The acquisition was the foundation for our new studio in Helsinki.

AUGUST 2020

Go Public! Prospectus in PFSA

We submitted the prospectus to the Polish Financial Supervision Authority and we went public in February 2021. It was the largest gaming IPO in Poland and the largest mobile gaming IPO in Europe.

SEPTEMBER 2020

Top Recognition

Huuuge Games has been named one of the **Top 50 Mobile Game Makers** by PocketGamer.biz portal. Huuuge Casino game is the Top 5 game in over 60 countries.

DECEMBER 2020

Record Results

Record high monthly revenue in the history of Huuuge and we achieved record sales for the whole **2020 of USD 332.7M**!

BUSINESS

01

ABOUT US

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

Who we are

A global game developer and publisher focused on the multi-billion, fast growing mobile gaming market

What we do best

Develop, publish and operate mobile games as a service at scale

Why we excel

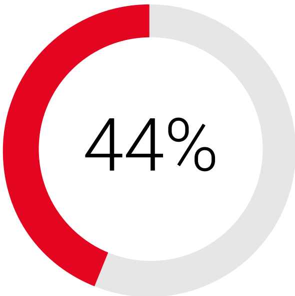
Best-in-class; free-to-play game monetisation, live operations, our proprietary data platform, and robust scalable organizational structure.

We are a global free-to-play games developer and publisher of digital games on mobile and web platforms. We consistently rank in the 50 top grossing global mobile game developers according to App Annie and we are one of the market leaders in the social casino subgenre. According to App Annie we are also one of the fastest growing game developers in terms of revenue among mobile game developers. We redefine the category status quo and offer exceptional experiences to our customers around the globe. We develop and publish games that are easy to play, great for small breaks and longer sessions alike, and designed around our social-first, "play together" ethos. The social-first nature of our games is based primarily upon the ability of our players to chat, play and compete with one another in-game, and in real time. The concept of playing together with others is central to the Company's approach to game design.

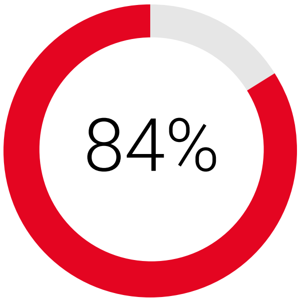
The core of our identity and success to date is the fact that our games are social, appealing, engaging and shareable. Our mission is to empower billions of people to play together and our vision is to transform mobile gaming into a massively social experience. We are one of the market leaders in implementing real-time multiplayer mechanics at scale in social casino games. We were the first game developer to introduce clan-like features such as club membership to social casino games.

Truly social – driving monetization to best in class KPIs

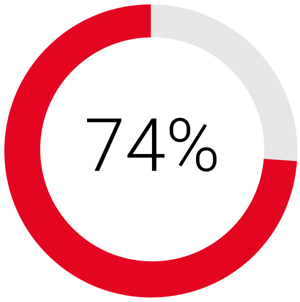
(data as at December 2020, core franchises)



of MAU are part of a club



of playing users interact with other players



of playing users are part of one or more clubs

ARPDAU of a clubber vs a non clubber is approx.

6x higher

ARPPU of a clubber vs a non clubber is approx.

40% higher

MISSION

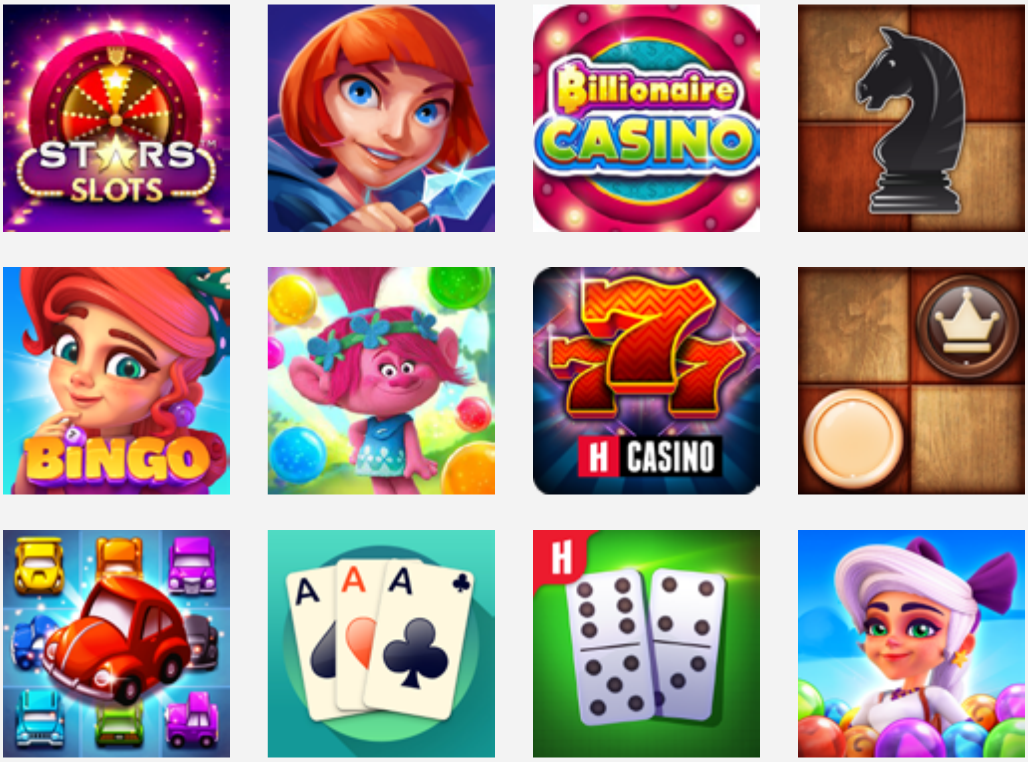
Empower billions of people to play together.

VISION

Transform mobile gaming into a massively social experience.

We develop and publish our games globally and our users play our games in almost all countries around the world. We provide games that millions of people play every day for the engaging gameplay experiences and to socialize with friends. We operate our games as live service offerings, which are continuously enhanced with new content, features, time-limited events, and new game mechanics. Our games are free to play, and we generate revenue through the in-game sale of virtual goods and, to a lesser extent, through advertising. We are focused on the fast-growing mobile gaming market, the value of which amounted to USD 77.2 billion in 2020 according to Newzoo. In order to become one of the global leaders in real-time, free-to-play casual gaming, we offer best-in-class Live-Ops in our games, and an unmatched environment in which to socialize.

Our first social game, Huuuge Casino, has continued to grow its revenue since its launch in 2015. We currently have multiple games in our portfolio. Our most popular games are Huuuge Casino (60.7% of 2020 revenue) and Billionaire Casino (32.9% of 2020 revenue); the games belong to the social casino subgenre, which is long-lasting in nature and tends to last much longer than other game genres.



Our games are offered across multiple distribution platforms, including Apple's App Store, Google's Play Store, Amazon Appstore and Facebook. These platforms account for almost all of the in-app purchase revenue generated and new users acquired across our portfolio.

Our games are free to play and primarily monetized via in-app purchases, and to a limited extent through advertising. We generate substantially all of our revenue from the sale of virtual items or virtual currency to our players (97.9% in 2020 vs 99.5% in 2019). Players who install our games, in particular social casino games, may receive free virtual currency upon the initial launch of the game and additional free virtual currency, such as coins and chips at specified intervals, upon the fulfillment of certain actions such as daily quests, missions or challenges and as rewards for competing against other players. Players may exhaust the virtual currency that they receive for free and may choose to purchase additional virtual currency. Virtual currency provided to our players cannot be withdrawn or exchanged for any items or things having a value outside of our games. In addition, some of our games offer players the possibility to purchase premium features that provide them with certain benefits such as additional free virtual currency and content for a prolonged period of time. Premium features such as ad removal or VIP club membership may be one-time purchases, or recurring, subscription-based purchases.

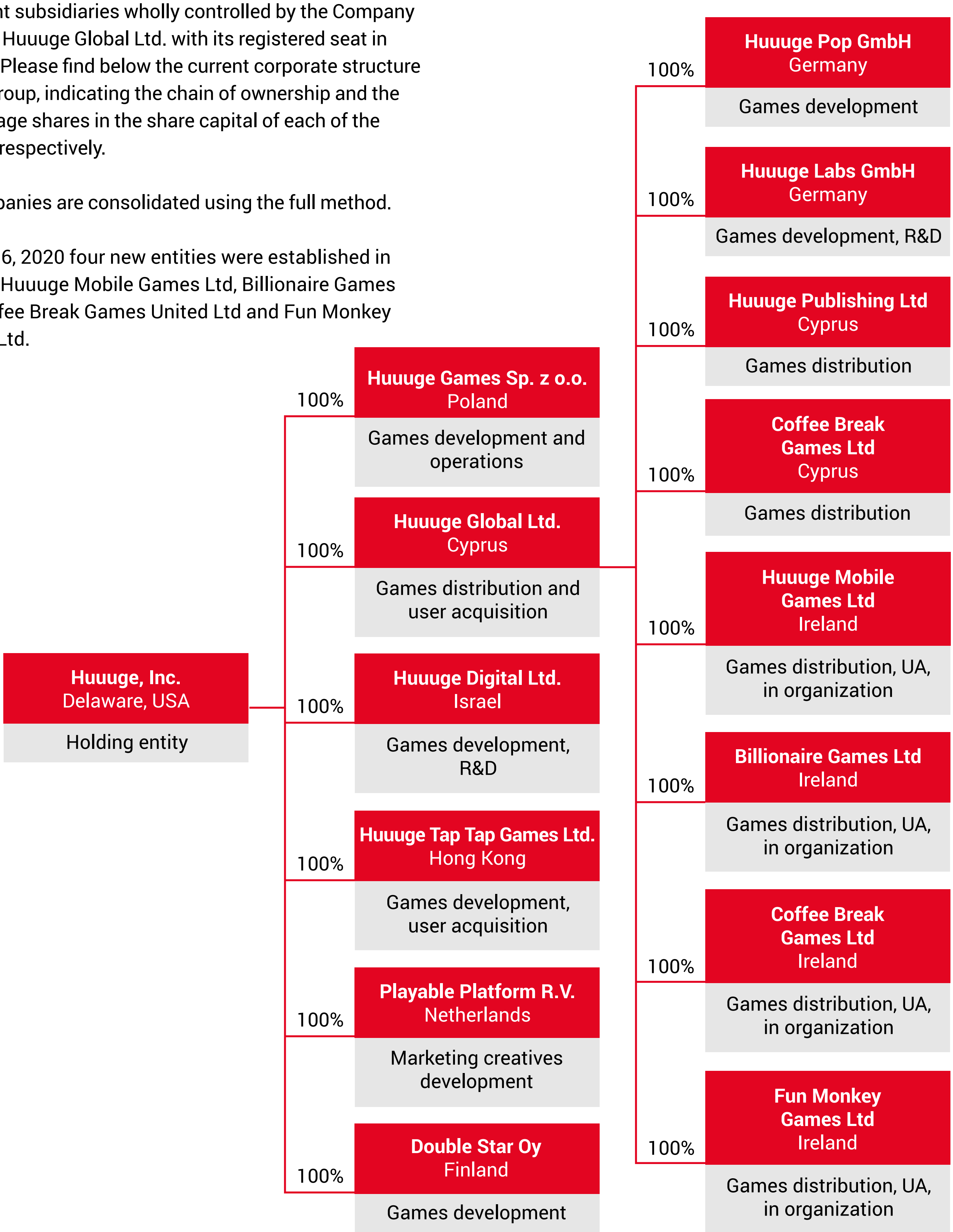
In addition, a minor portion of our revenue is generated from in-app advertising (2.1% in 2020 vs 0.5% in 2019). We expect to see this share grow over time. We use in-app advertising both as a secondary monetization strategy (for most of our games) as well as a primary monetization strategy in certain of our games including our Coffee Break Games franchise, where particular games generate approximately from 70% to 100% of revenue from advertising.

Group Structure

As of December 31, 2020, the Huuuge Group ("Group") comprised Huuuge, Inc. (the parent entity), six subsidiary companies wholly and directly controlled by Huuuge, Inc. and eight subsidiaries wholly controlled by the Company through Huuuge Global Ltd. with its registered seat in Cyprus. Please find below the current corporate structure of the Group, indicating the chain of ownership and the percentage shares in the share capital of each of the entities respectively.

All companies are consolidated using the full method.

On May 6, 2020 four new entities were established in Ireland: Huuuge Mobile Games Ltd, Billionaire Games Ltd, Coffee Break Games United Ltd and Fun Monkey Games Ltd.

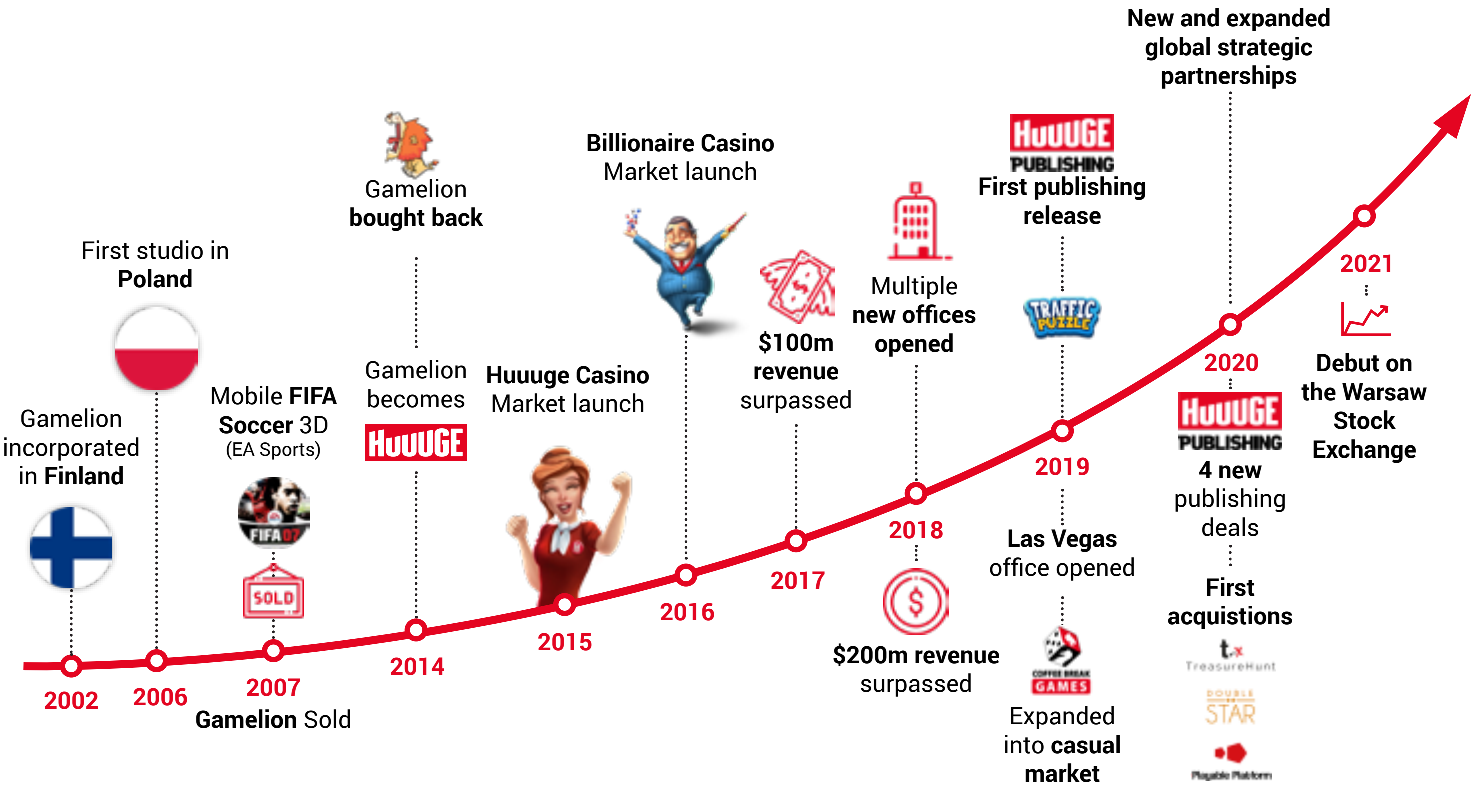


Offices

We are a global organization with ten offices across the globe powered by a team of over 600 people and a culture of innovation and teamwork. Our visionary management team has more than 70 years of combined experience in digital entertainment and in the gaming industry. Our team consists of employees of more than 24 nationalities.

History

Our history can be traced to the very start of mobile gaming. The Huuuge Games brand was originally established in 2014. However, its history began much earlier and many of our employees have been working together for years.



In 2002, the Founder and Chief Executive Officer, Anton Gauffin, incorporated a mobile gaming company called Gamelion in northern Finland. Gamelion's success and swift expansion led to the opening of its first branch office in Poland in 2006. It was in that year that the Company saw its first financial breakthrough – a 3D FIFA soccer game for Nokia Symbian was launched, resulting in the commencement of profitable, long-term cooperation with EA Mobile.

A year later, in 2007, Gamelion received an offer to merge with BLStream (currently Intive) with the ultimate objective of launching an IPO. However, due to the 2007–2008 financial crisis and the subsequent downturn in the global economy, Anton Gauffin stepped down and sold the Company. Although in the period that followed, Gamelion focused on its game development services business and continued to build mobile games for its customers, it was not yet in a position to invest in building its own products.

Seven years after the sale, in 2014, Anton Gauffin had the opportunity to acquire Gamelion and to again transform it into an independent company. Finally the Company was in a position that allowed its team to focus on building its own intellectual property. In 2015 Gamelion was rebranded to Huuuge, the Company launched Huuuge Casino and a year later, in 2016 another game – Billionaire Casino – followed.

2017 was a year of hypergrowth, making Huuuge the fastest growing and most innovative developer in social gaming.

In 2019, we launched our publishing brand – Huuuge Publishing. In 2020 we had four new publishing deals and we have made three acquisitions.

Huuuge as a public company

On February 19, 2021, we listed our shares on the Warsaw Stock Exchange.

IPO in numbers

Value of the offering

$422M

The largest gaming IPO in Poland and mobile gaming IPO in Europe

Approx.

$100M

proceeds from issue of shares, net of costs and funds used for stabilization

Investors from over

20 countries in IPO

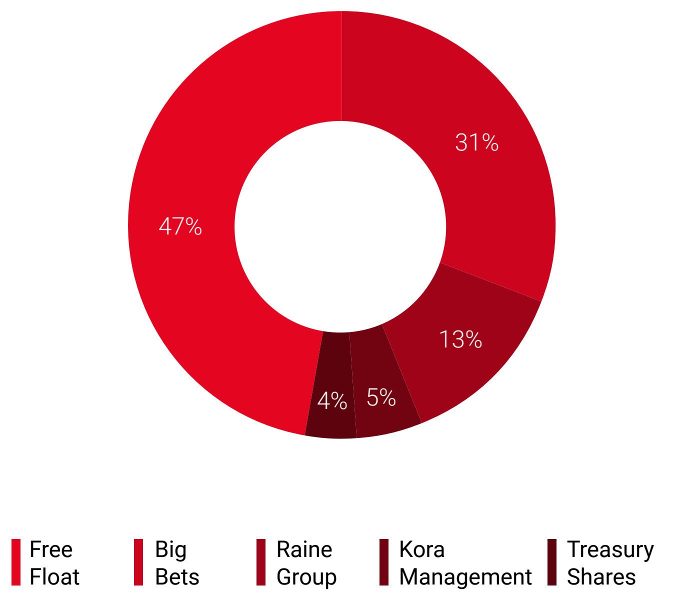
For more details about shares and shareholders please see the chapter Governance.

For more IR related info please visit: https://ir.huuugegames.com/

Basic information about the stock

Name	Huuuge, Inc.
Short name	HUUUGE-S144
WSE Ticker	HUGE
Bloomberg Ticker	HUGE PW
Reuters Ticker	HUGEP.WA
ISIN	US44853H1086
Number of shares in trading	84,246,695

Shareholder structure



Note: Shareholder structure as at the date of publication of the Annual Report. Big Bets is controlled by CEO Anton Gauffin

> **“The best is yet to come for Huuuge and I am happy that our new shareholders will be able to join us in the next exciting chapters in our history.”**
>
> **Anton Gauffin,**
> Founder and CEO of Huuuge

Investment Case

Massive and rapidly growing mobile gaming market

Leader in truly social mobile gaming with proven games and attractive pipeline

Upside from highly valuable user base and **best-in-class** monetisation metrics

Fast growing top line and cash flow generation underpinned by scalable business model

Proven **Build & Buy strategy** with robust and growing pipeline of opportunities

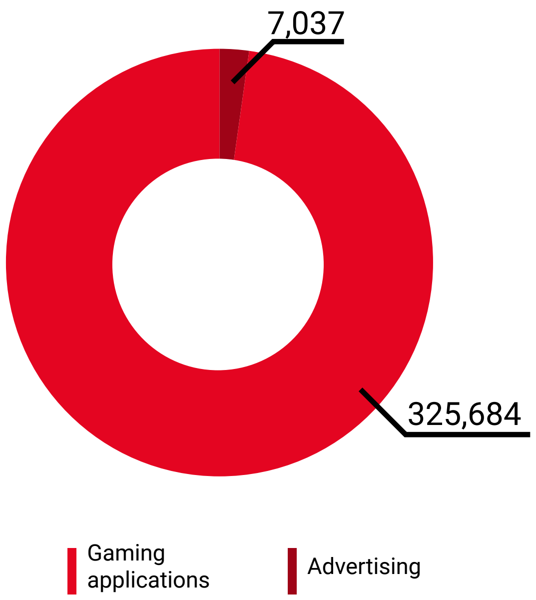
Founder-led, **visionary and experienced team** with a strong track record of success

Our games

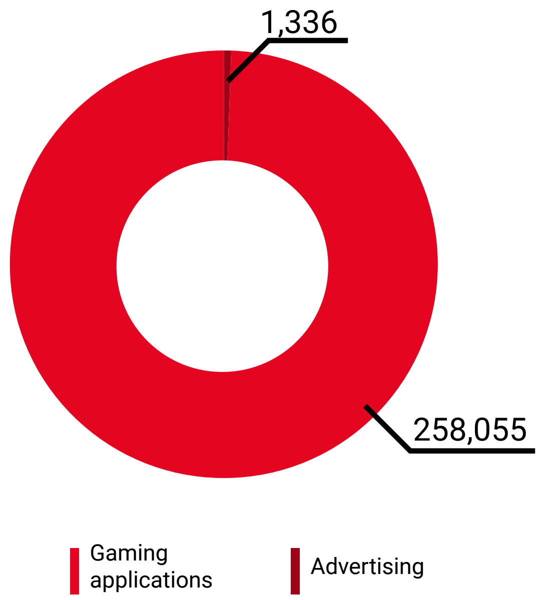
We design our games in pursuit of our mission to build the world's largest real-time gaming platform connecting millions of players so as to ensure maximum satisfaction and unforgettable, one-of-a-kind games and therefore empower billions of people to play together.

We develop and publish social games that are easy to play, great for small breaks. We're not about inventing new complicated games with ten-minute tutorials and tough learning curves, instead, we aim to put the fun "one tap away" and let our players get straight to winning together.

Revenue split: in-app purchases, advertising (in thousand USD)

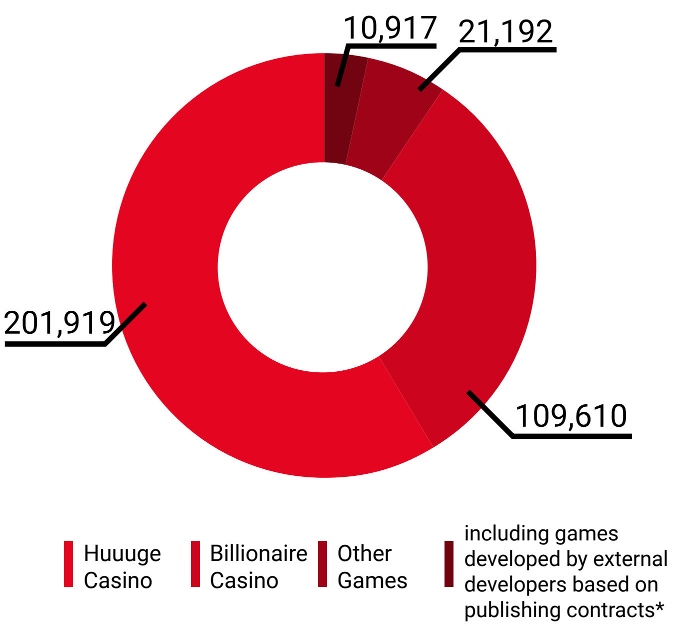


Year ended December 31, 2020
Total revenue **USD 332,721 thousand**

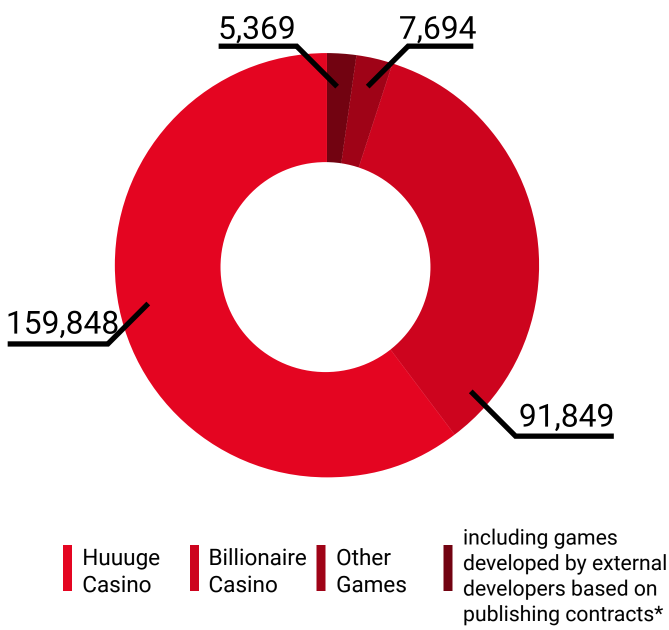


Year ended December 31, 2019
Total revenue **USD 259,391 thousand**

Revenue split: Huuuge Casino, Billionaire Casino, other games (in thousand USD)



Year ended December 31, 2020
Total revenue **USD 332,721 thousand**



Year ended December 31, 2019
Total revenue **USD 259,391 thousand**

* 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 its future upgrades and future developments. The Group also sometimes publishes mobile game applications of third-party developers based on publishing contracts.

Huuuge Casino

Genre: social casino
Launched in 2015

1.4M
Monthly active users in 2020

Top 5
Game in 63 countries

Top 10
Game in 74 countries

26%
YoY 2020 growth

$650M+
Lifetime revenue (December 2020)

$1.44
ARPDAU (FY 2020)

$201.9M
Gross Sales 2020

Features

Offers players over 100 casino slot machines, as well as poker, baccarat and roulette.

Pioneer in the social casino space, with its truly mobile-first user experience and real-time player vs player-style gameplay.

First game to introduce features such as clubs to social casino.

Note: Google Play Store top grossing social casino games ranking as at 2021/03/17

Billionaire Casino

Genre: social casino
Launched in 2016

0.9M
Monthly active users in 2020

Top 5
Game in 21 countries

Top 10
Game in 36 countries

19%
YoY 2020 growth

$270M+
Lifetime revenue

$1.22
ARPDAU (FY 2020)

$109.6M
Gross Sales 2020

Features

100 casino slot machines, as well as poker, baccarat and roulette.

Allows players to create a club with their friends or join a club and meet new people while playing slot machines.

Note: Google Play Store top grossing social casino games ranking as at 2021/03/19

Social casino games

Huuuge Casino

Huuuge's flagship title responsible for 60.7% of total revenue in 2020 (61.6% in 2019) and with over USD 650 million in lifetime revenue across iOS, Android and Facebook. In the years 2017–2020 its revenue grew at 16.6% CAGR. Launched in June 2015, a true pioneer with its truly mobile-first user experience and real-time PvP-style gameplay, we believe that it was the first social casino game to introduce features such as clubs to the realm of social casino games. Huuuge Casino offers players over 100 casino slot machines, as well as poker (video poker and hold'em), baccarat and roulette. The slots in the Huuuge Casino include Huuuge Diamond Wins, a classic slot machine, Aztec 2: Eclipse, an Aztec-themed slot machine, Respin Ranch, an anime themed slot machine and many other free slots, including, in particular, classic slots, modern slots and Vegas-style casino slots.

Huuuge Casino also 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 #8 (Apple App Store) and #6 (Google Play) among social casino apps in the United States in terms of revenue as at 2020/12/31.

Genre: social casino
Platform: Apple App Store, Google Play, Amazon Appstore
Launched: June 2015

Billionaire Casino

Launched in October 2016, its revenue has grown rapidly since its release and reached over USD 270 million of lifetime revenue. In the years of 2017–2020 its revenue grew at 74.4% CAGR. The game is responsible for 32.9% of the revenue generated in 2020 (35.4% in 2019). Due to its aesthetic, which is different from that of Huuuge Casino, Billionaire Casino is targeted at a different player base in terms of demographics. Similar to Huuuge Casino, Billionaire Casino offers players over 100 casino slot machines, as well as poker (video poker and hold'em), baccarat and roulette. The slots in Billionaire Casino include Phoenix Garden, Huuuge Quick Jackports, Helen of Troy, Jade Gem Goddess 2, Camelot Cash and many other free slots.

Billionaire Casino allows players to create a club with their friends or join a club and meet new people while playing slot machines. Such clubs may compete with other clubs in leagues and players can get rewards for helping out fellow members of their clubs. In addition, the game allows players to participate in club events by playing slots and other casino games.

Billionaire Casino is ranked #18 (App Store) and #17 (Google Play) among social casino apps in the United States in terms of revenue as of 2020/12/31.

Genre: social casino
Platform: Apple App Store, Google Play, Amazon Appstore
Launched: October 2016

Stars Slots

Globally launched in January 2020, Stars Slots is our third title in the social casino subgenre. The game offers a truly social experience, with advanced club features such as player bonuses when club members hit a jackpot; daily social events and an eclectic variety of avatars. We commenced performance-based marketing for Stars Slots in April 2019, and the game was subjected to constant testing, with new monetization features being added. In the first quarter of 2020, we made the decision to accelerate the scaling of the game (increase expenses on user acquisition). As of December 31, 2020, Stars Slots installations have reached 2.7 million since January 2020, and MAU increased by approximately 96.4% in the period between the game's launch and December 2020.

Stars Slots allows our players to play over 50 unique slot machines, including Fu Fortunes and Jackpots, Wheel of Wins, Big Win Burgers, Huuuge Jewels and Speedy Spins, as well as other classic and modern slots.

Genre: social casino
Platform: Apple App Store, Google Play
Launched: January 2020

Casual games

Traffic Puzzle

Traffic Puzzle is a unique match-3 game, positioned and packaged together with the developer so as to build a top grossing mobile title. The game was developed by Picadilla sp. z o.o., a Polish developer studio based in Wroclaw and published by Huuuge Publishing. Traffic Puzzle's DAU doubled in the year ended December 31, 2020 compared to the year ended December 31, 2019, and Traffic Puzzle's revenue of Q4 2020 exceeded the combined revenue of Q2 and Q3 2020. Traffic Puzzle's average daily revenue increased from approximately USD 12.9 thousand in September 2020 to approximately USD 63.2 thousand in December 2020.

In Traffic Puzzle, the player tries to clear a clogged road by matching three cars of the same color. The game offers different levels in which players assist police, fire trucks and ambulances to get to their destinations, help helicopters and trains get through blockades or ensure efficient traffic in other ways. Traffic Puzzle's monetization model is based primarily on in-app purchases.

Genre: puzzle/ match-3
Platform: Apple App Store, Google Play, Amazon Appstore
Launched: June 2019

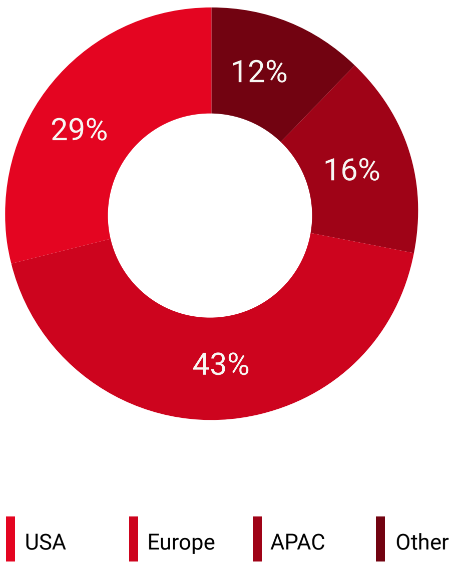
Other Games

In addition to the above titles we have multiple titles at various stages of development and launch including Coffee Break Games with Dominoes as the largest in the CBG portfolio, Huuuge Bingo Saga, Rogue Land, Arrows & Empires, Luna's Quest Bubble Shooter and many more.

Geography

We are a global company with global teams. We have employees based in ten offices. Players from 195 countries play our games. The majority of our revenue is generated in US with Europe being the second largest region.

Gamers country/region



* MAU breakdown as September 2020

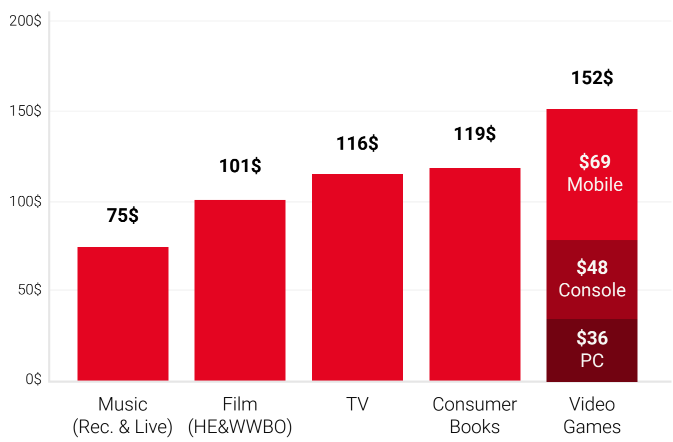
17
Languages

195
Countries

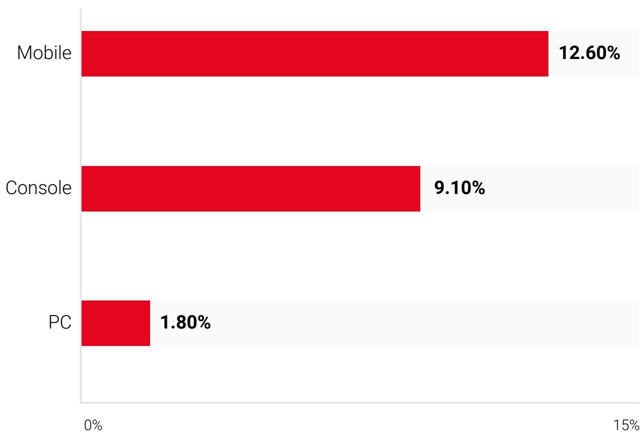
GAMING MARKET

Gaming is already the largest form of entertainment both by revenue and time spent, while mobile gaming has become the largest and fastest growing segment of the gaming market. According to market intelligence provider Newzoo, the total mobile gaming market (end-user generated revenue) was estimated at USD 77.2B in 2020 which represented 13% YoY growth (USD 69B in 2019, 11% YoY growth). Newzoo expects the market to grow at a healthy 12.6% 3-year CAGR (2020E-2022E). Mobile has democratized gaming, allowing for a portable gaming console to be in the pocket of nearly every consumer.

Global consumer spend on entertainment ($bn, 2019)



Mobile fuels gaming growth (2020E–2022E revenue CAGR)



20–22 CAGR[3] 9.1%

Source: Newzoo, IBISWorld, Motion Picture Association, IDC, eMarketer, SensorTower, Eilers&Krejcik

Note: 12019A– 021E growth CAGR, 2Includes In-app purchases and advertising revenue; 32020E–2022E CAGR for all video games

Mobile gaming is the place to be!

#1
Source of gaming spend

4.8bn
Mobile devices globally

5.5%
Smartphone growth CAGR[1]

$82.6bn
Global smartphone and tablet revenue[2]

74%
App store revenue comes from gamin apps

$22bn
Global market for casual games

Surpassed TV
In time spent on device

115bn
Total App Store and Google Play downloads (2019)

Free-to-play games are the dominant revenue model in the market. As opposed to premium games, where a player has to pay before downloading the game, free-to-play games are games that a player can download and play for free. These games allow players to access a variety of additional content and features for a fee and to engage with various advertisements and offers that generate revenue. Such a model allows for higher monetization, also extending the lifespan of games (compared to games sold using the premium model).

Apart from the continuous growth of the market, we are also observing increasing barriers to entry. Only a small portion of free-to-play games reach a significant scale; organic discovery of games is falling (organic downloads as a % of total installs) and user acquisition costs are increasing. This environment favors larger operators with well-known brands and sufficient know-how & resources – the mobile gaming ecosystem provides outsized returns for companies at scale.

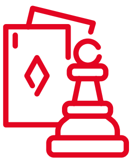
For more details regarding the gaming market please see the Financial & KPIs section of this Annual Report.

STRATEGY

We expect our development to be in line with our two-pronged "Build & Buy" framework. We intend to focus on further expanding our games developed internally ("Build" strategy) and inorganic growth of our business through publishing and M&A ("Buy" strategy).

Our vision is to transform mobile gaming into a massively social experience and our mission is to empower billions of people to play together. Our goal is to achieve this mission by partnering with game creators and studios with the highest potential.

The successful pursuit of our strategy depends on multiple factors, such as our continued ability to attract and retain players, expansion of the reach of our games, maintenance of technologically sound infrastructure, and our continued offering of new content and features to our players. We plan to achieve our vision and mission by focusing on the following objectives:



Expanding our activities in the casual games subgenre

We intend to introduce new games in the casual gaming subgenre across various categories by leveraging our strengths in social feature development, player monetization, and player retention via live-operation offerings within our games. We intend to offer our best-in-class social experiences to an ever-broadening user base within the casual games subgenre.

Our plans for 2021 include the rapid scaling and build-out of our new franchises, including through continuous optimization of our marketing and user acquisition efforts aimed at the growth of our player base, retention of existing players and driving the monetization level of our new franchises, as well as the development of new content for our core and new franchises, including Live-Ops features, such as time-limited events, new game mechanics and gameplay and visual enhancements aimed at increasing the attractiveness of our games and improving the in-game experience of our players.

Continued monetization of our player cohorts

We have a consistent track record and extensive experience in monetizing our user base. We continually invest in our current portfolio of games, which drive increases in the rate at which players transact (convert to payers). We believe that by continuing our proven game development approach and marketing model we can continue to improve our player monetization trajectory and invest a meaningful portion of our revenue into our marketing effort. We have a team of more than 60 people across user acquisition, retargeting, ad creative and ad monetization supported by our Huuuge Data Services system.

Expand and enhance our core social casino offering

We intend to continue to expand and enhance our offering in the social casino market through the continued introduction of new content to our two key games: Huuuge Casino and Billionaire Casino. Our core social casino offering will also be expanded through the continuing development of Stars Slots, our newest addition to the social casino portfolio. We believe we have a strong position allowing us to achieve further growth in the social gaming segment. Our experience in building proven meta-game layers and the inclusion of club systems, leagues, live events, chats and player vs player style gameplay strongly positions us to continue to succeed in this subgenre of social mobile gaming.

Build and grow our Huuuge Publishing function

Since the establishment of Huuuge Publishing in the summer of 2019, we have published five games developed by external developers and currently have 10-20 additional games under evaluation. Acting as a publisher for games developed by other developers adds another dimension to our business, and we expect it to be an important part of our strategy going forward. We are building strategic partnerships with world-class game development studios and game developers around the globe. Signing a publishing agreement is a starting point not only for a particular game to be published by us, but also for a partnership between us and the developer. In addition to the revenue stream from the publishing function, we expect Huuuge Publishing to be an important deal-flow channel for further M&A activity, in line with our recently completed acquisition of Double Star Oy, the developer of Bow Land, which we published.

Leverage our technology and data services to continue margin expansion

Our business is built on a data-centric approach, focused on our Huuuge Data Services system, which we will continue to refine and expand as we grow. We were able to increase our EBITDA margin from 6.3% in 2019 to 16.1% in 2020 (and adjusted EBITDA margin from 9.6% in 2019 to 17.2% in 2020) by significantly decreasing our user acquisition costs as a percentage of revenue from 46.2% in 2019 to 33.5% in 2020, driven primarily by a focus on better leveraging our data services in user acquisition strategy. We plan to continue to expand our margins with a focus on data driven decision-making and technology. We believe that our organizational architecture; namely our centralized service structures, data-centricity, and operating locations, which enable us to employ first-class human and technology resources at lower costs than our competitors, will allow us to achieve exceptional profitability levels.

Expand our business via acquisition of complementary targets

We have an experienced and multi-skilled team focused on leading the "Buy" component of our "Build & Buy" corporate strategy. Our team uses a multi-channel approach to sourcing and screening potential targets. We generate M&A deal flow via our extensive, combined network of investors, advisors and industry leaders. This is supported by our Huuuge Publishing division which is a unique deal flow channel and allows us to acquire the studios of games we publish.

We are currently evaluating a number of acquisition opportunities with attractive financial profiles, with a preference for Western and Central European studios which are very often overlooked by our competitors. We aim to focus our acquisition activity on mobile free-to-play games or developers and targets with complementary competences in technology or user acquisition domains. We aim to align our interests with the interests of the acquisition targets and to limit our exposure to those acquisitions that are performing worse than expected by using earn-out structures in merger and acquisition transactions. We also try to implement provisions similar to call option mechanisms in all of our publishing agreements in order to ensure flexibility allowing us to acquire proven games.

Post-acquisition, our "plug and play: design of the centralized Huuuge Data Services system allows partners to achieve a reach and scale unachievable on their own.

Funds raised from our IPO (approximately USD 100M of proceeds, net of issue costs and the stabilization fund) will largely be used to help finance future acquisitions that align with our vision to transform mobile gaming into a massively social experience and our mission to empower billions of people to play together.

Accessing best-in-class talent from around the world

Across our history, we have focused considerable time and resources on building a team with diverse experience and backgrounds and a positive, stimulating business culture. We are present in the most important gaming hubs in the world and we employ people from over 24 countries, which allows us to create an inclusive and diversified environment, required to successfully operate in our industry. We benefit from our presence in Central and Eastern Europe, a region with a deep talent pool. We have cultivated an ecosystem within the industry which allows us to identify leading talent globally.

RESEARCH AND DEVELOPMENT

We believe our ability to attract new players and retain existing players depends in part on our ability to evolve and expand our content library by continually developing differentiated games, systems technology and functionality to enhance quality of player entertainment.

Our research and development activities are centered around, among other things:

- modifying the source code of the application to introduce new functionalities to released games;
- creating dynamic and static graphic elements and designing sound effects;
- creating tools and processes for testing applications and upgrades to applications before they are released on the market;
- developing server platforms necessary for the functioning of released games;
- optimizing mechanisms allowing for easy and quick search for games in stores;
- building an internal data warehouse that enables analyzing current sales results and trends;
- segmentation of players as well as creating dynamic predictive models.

Our research and development personnel are primarily located in Szczecin, Bydgoszcz and Warsaw in Poland. We have additional research and development personnel located in Tel Aviv, Israel.

Our research and development expenditures amounted to USD 29,832 thousand in 2020 and USD 15,843 thousand in 2019. The increase in expenses was driven mainly by the higher number of employees working on game development both on our core games and new franchises, as well as salary increases for our R&D personnel.

FINANCIALS & KPI'S

02

SELECTED FINANCIAL DATA

The following table presents the selected financial data of the Group.

in thousand	USD	USD	EUR	EUR	PLN	PLN
	2020	2019	2020	2019	2020	2019
Revenue	332,721	259,391	291,886	231,723	1,297,158	995,743
Operating profit (loss)	50,184	14,211	44,025	12,695	195,649	54,553
Pre-tax profit (loss)	(76,244)	8,853	(66,887)	7,909	(297,248)	33,985
Net profit (loss)	(82,604)	4,270	(72,466)	3,815	(322,043)	16,392
Net cash flows from operating activities	73,231	12,992	64,243	11,606	285,501	49,873
Net cash flows from investing activities	(5,458)	(566)	(4,788)	(506)	(21,279)	(2,173)
Net cash flows from financing activities	(14)	(21,111)	(12)	(18,859)	(55)	(81,040)
Total net cash flows	67,759	(8,685)	59,443	(7,759)	264,168	(33,340)
Cash and cash equivalents at the end of period	94,158	26,270	76,682	23,428	353,844	99,772

Exchange Rate Information

The following table sets out the exchange rates of our main currencies against the USD as at the end of 2019 and 2020 and the annual average exchange rates for those years:

	EUR	PLN	EUR	PLN
	2020	2020	2019	2019
Annual average exchange rate	1.1399	0.2565	1.1194	0.2605
Exchange rate at the end of the year	1.2279	0.2661	1.1213	0.2633

FACTORS AFFECTING OUR RESULTS

In our opinion the following key factors and market trends have significantly affected our results of operations for the periods covered by this report, and will continue to significantly impact our results of operations in the future.

Our results of operations were affected primarily by the following factors and market trends:

Market trends and external factors
- Growth in the mobile gaming market
- Evergreen nature of our core franchises
- Impact of the Covid-19 pandemic
- Foreign exchange rate volatility

Group related factors
- Growth of our player base
- Improving the monetization of our social casino games
- Launch of new games and the release of add-ons and new features to our existing games
- Marketing and user acquisition expenses

Market trends and external factors

Growth in the mobile gaming market

Video games are one of the largest components of the overall entertainment market. According to Newzoo, total consumer spending on video games worldwide was approximately USD 174.9 billion in 2020. We believe the gaming market will continue to expand as more and more people become accustomed to gaming as a fully fledged form of entertainment, similarly to books, cinema and music.

Mobile games, including (smart) phone and tablet games, constitute the largest and fastest developing part of the global games market. According to Newzoo, mobile gaming accounted for approximately USD 86.3 billion in 2020, approx. 25.6% growth YoY. We believe the mobile games segment will continue its dynamic development, in particular due to the continuous increase in the number of active smartphone users, which was estimated at 3.3 billion in 2021 (according to Newzoo). The recent market trend to include both social and casual games in games publishers' and games developers' offers in the mix of the game offer has also had an impact on reaching wider audiences of players and the overall increase in their number.

Evergreen nature of our core franchises

Our core franchises, Huuuge Casino and Billionaire Casino, are part of the social casino market, which is characterized by games that are social and competitive. Social casino games are generally evergreen in nature due to their loop-driven game play and ability to naturally incorporate a cadence of new in-game content and events. Total spending in the social casino subgenre grew at a CAGR of 16% from 2015 to 2020 according to Eilers & Krejcik, with 2020 growth reaching 24% YoY. Our two highest grossing games, i.e. Huuuge Casino and Billionaire Casino, have benefited from the development of the social casino market and the mobile games market, and have participated in their development. Revenue attributable to these two games increased from USD 251.7 million in 2019 to USD 311.5 million in 2020 (+23.8% YoY).

The evergreen nature of social casino games has contributed to their position as top revenue grossing games in app store rankings. These games generally retain these rankings longer than their non-social game peers. In the periods under review, our experience has been consistent with these general trends, with our social casino games demonstrating longevity and continued revenue generation potential and we believe these trends will continue over a relatively long time horizon.

COVID-19 has accelerated recent growth trends for mobile gaming

On March 11, 2020 WHO declared a global COVID-19 coronavirus pandemic and recommended preventive measures such as social distancing. Consequently, governments worldwide implemented unprecedented restrictions. 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 continued with employees working from home remotely. The popularity of online gaming is on the rise with many people at home and unable to work throughout the world.

Moreover, the online gaming industry, in particular, has been identified in industry and media reports, such as Eilers & Krejcik and AppsFlyer, as a beneficiary of the pandemic as people are quarantined in their homes, and this is consistent with our experience. We have observed that the COVID-19 pandemic has increased the time spent by people on playing games and other remote forms of leisure, including our players. We expect this benefit to continue while quarantine restrictions remain in place. However, there is no guarantee that these near-term trends will continue, particularly if quarantine or stay-at-home orders are not eased in the coming months or if there is another wave of infections.

According to Eilers & Krejcik, the COVID-19 pandemic will undoubtedly be remembered and could mark an important inflection point, including operationally, with nearly every social casino company able to pivot to a "work from home" structure with minimal disruption, which could have a lasting impact on how game companies operate in the future. Already on a strong growth trajectory, shelter-in-place has further accelerated the fast-growing mobile gaming market, providing a tailwind to mobile spending globally as lockdown measures have led most consumers to seek alternative ways to socialize and entertain themselves. Specifically, based on Eilers & Krejcik Q4 2020 social casino tracker, the social casino genre was a standout category, up 24% YoY in 2020 as compared to an 8% YoY increase in 2019.

Eilers & Krejcik expects marginal reversion back to pre-COVID levels, but also believes long-term behavioral changes among active users has changed to favor mobile gaming, leading to a sustained boost in medium-term projections. According to Newzoo, many consumers of all ages are leveraging games as social hubs during the pandemic and online gaming platforms are seeing unprecedented levels of engagement.

According to AppAnnie, Q2 2020 and Q3 2020 average weekly downloads of mobile games held constant at approx. 1.0 billion, with Q3 2020 increasing 15% YoY. Increased usage and engagement has resulted in better monetization and paying player conversion metrics including a number of new first-time payers. According to AppAnnie, the global spend on mobile games was up 5% in Q3 2020 vs.Q2 2020. In terms of the long-term impact, the current pandemic has left consumers with far fewer entertainment options and many customers who may not otherwise have played mobile games are being converted to long-term consumers. Many of the newly acquired customers from the 2020 cohorts will be long term patrons that continue to play for several years post COVID-19. As a result, game studios that are best equipped to engage and retain their player base will see the greatest long-term uplift from COVID-19.

Foreign exchange rate volatility

The Company's functional and presentation currency of the Consolidated Financial Statements is the USD. The USD is also the functional currency of Huuuge Global Ltd., Huuuge Publishing Ltd. and Coffee Break Games HGL Ltd. The functional currency of Huuuge Games Sp. z o.o. is the PLN, of Huuuge Labs GmbH, Huuuge Pop GmbH and Playable Platform B.V. it is the EUR and of Huuuge Digital Ltd. it is the ILS.

Most of our revenue is denominated in EUR and USD, while expenses for employee compensation and other operating expenses are denominated mainly in PLN, EUR and ILS. In addition, our marketing expenses are mainly denominated in USD and PLN. Distribution fees are mainly denominated in EUR and USD, but they are deducted directly from revenue by the distribution platforms, which means we receive cash on a net revenue basis with no additional currency exposure.

In-app purchases in our games are made in local currencies and converted into a settlement currency by platform providers, such as Apple's App Store or Google's Play Store. Approximately 55% of our transactions with stores are settled in EUR and approximately 45% in USD.

We have not yet entered into hedging transactions concerning foreign exchange rates with third parties, but are considering doing so in the future. Due to the mix of currencies for accounts receivable and accounts payable, we benefit from partial natural hedging of exposure.

Any significant weakening of EUR against other currencies would negatively affect our net profit.
For further information on the Group's exposure to foreign exchange rate volatility for the most significant currencies, see Note 15 to our Consolidated Financial Statements as at and for the year ended December 31, 2020.

Group related factors

Growth of our player base

The growth of our player base is one of the key factors influencing our revenue. We were able to generate a steadily growing stream of installs of our games, including games in the social casino subgenre, which resulted in growth in our average DAU from approximately 0.91 million in 2019 to 0.95 million in 2020.

Our new game offerings, both in the social casino subgenre and in casual gaming, have allowed us to reach new audiences of players and retain players of our core franchises by redirecting them from one of our games to another. Continuous additions of new content and marketing initiatives such as Live-Ops across our games are factors that have positively impacted player retention. The growth of our player base has had a positive effect on our revenue as it translated into increases in DPU. In 2019 our DPU amounted to approximately 25.5 thousand, while it grew to approximately 27.1 thousand in 2020. As we keep focusing on improving our conversion metrics we expect DPU to continue to grow in the future.

Improving monetization of our social casino games

Our monetization levels have been improving during the periods under review. Our efforts focused on converting players to payers and providing our players with a unique social experience and Live-Ops offering allowed our core franchises, Huuuge Casino and Billionaire Casino to achieve ARPDAU of USD 0.90 in 2019 and USD 1.36 in 2020. We aim to translate experiences from our core franchises into effective monetization of Stars Slots.

The ARPDAU increase resulted from both improved player to payer conversion and higher average daily revenue per paying user (ARPPU). Our core franchises recorded an ARPPU of USD 28.97 in 2019 and USD 35.41 in 2020. We believe that the increase in our ARPPU in 2020 is related to the successful optimization of our marketing activities and the effects of COVID-19 (see section "COVID-19 has accelerated recent growth trends for mobile gaming" above). We were also able to improve Monthly Conversion of our core franchises from 6.5% in 2019 and to 7.4% in 2020.

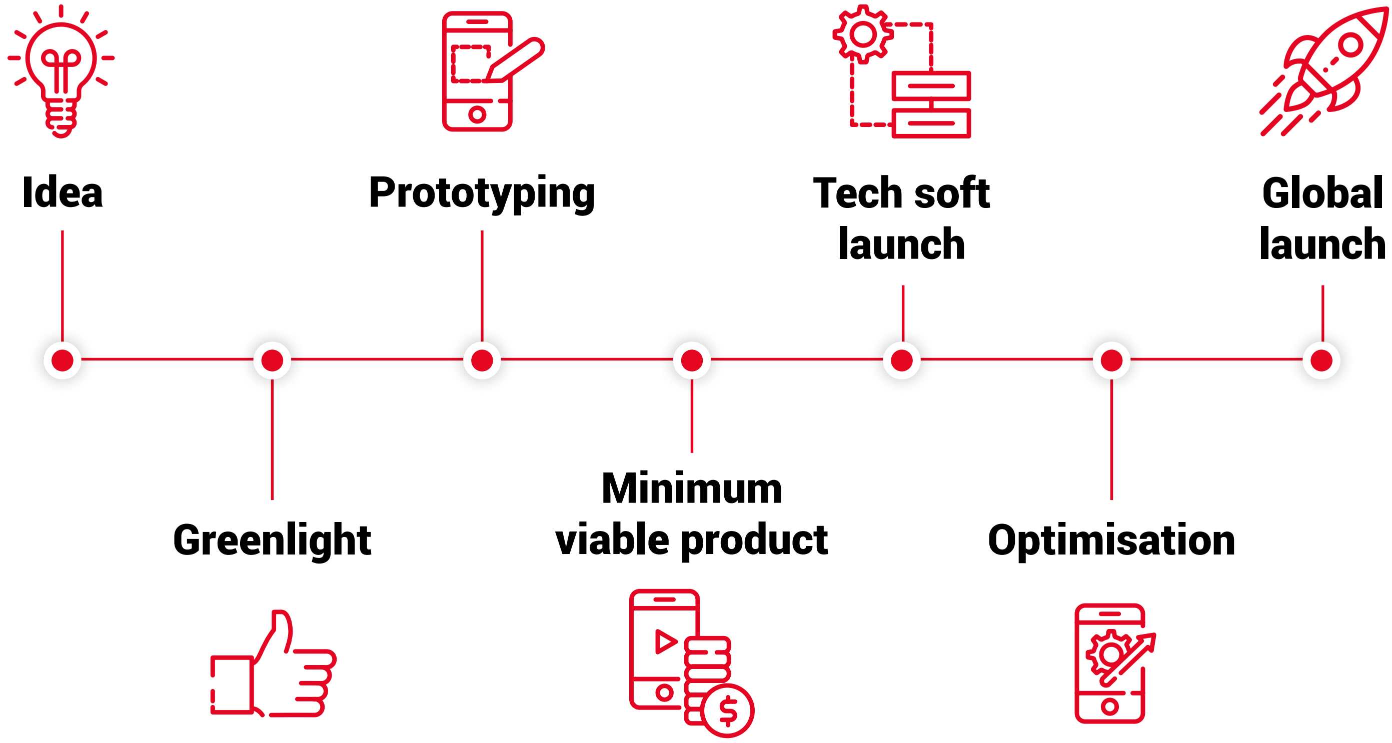
We believe the improving monetization of our games, in particular our core franchises, significantly contributed to the rapid revenue growth.

Launch of new games and release of new features to our existing games

Our revenue growth is driven by the life cycle of our games, including their launch and the release of fresh content and attractive new features in existing games. However, the timing of our launches of new games and their development phases may vary, and therefore our financial performance may not be consistent across our reporting periods. In addition, the amount of revenue we generate from a new game or a new feature in an existing game can vary depending on the maturity and popularity of the game. Therefore, we expect our revenue and growth to be correlated with the success of our new games and our success in releasing engaging content and features.

We divide a game launch into several phases, each with its own dynamics and impact on both our financial position and player base. During the initial phases of the game development cycle, we invest a significant amount of engineering and creative resources, which may have an impact on our financial results if we have few larger games under development at the same time. In addition, until the full launch phase, visibility regarding future revenue and profitability of the game being developed is limited.

Once fully launched, our games typically start to generate increasing revenue; however, the spending on marketing and updating the games with new content also increases. In particular, performance-based marketing expenses after the launch of a game may be significant in order to attract new players. Therefore, revenue from a newly launched game may not equal or exceed our development, marketing and game update costs.



Launching of new games also contributes to growth in DAU and MAU both through the acquisition of new players and attracting existing players to the new games. Live-Ops and other additional features constantly added to our games also have a key function in the retention and engagement of our current player base.

The game development process requires us to engage significant resources, including human resources. The growth of our product offering is also due to an increase in the number of FTEs responsible for game development. We had 371 FTEs engaged in game development as of December 31, 2020 (284 FTEs as at December 31, 2019).

Marketing and user acquisition expenses

Our historical and future results of operations depend on the costs associated with our business. In particular, marketing and acquisition of new players, maintenance of the current player base and conversion of non-paying players into paying players are material factors impacting our results. We constantly market our games and optimize our monetization features to maximize returns. As described above under *"Launch of new games and release of new features to our existing games"*, newly launched games typically drive increasing marketing costs as we work to build a large player base for a particular game.

Games with a longer presence on the market, on the other hand, typically require proportionally lower user acquisition spending relative to revenue, in order to maintain a given user-base size since these games already have stable player bases. However, we may still incur significant costs to retain and maintain our player base. Therefore, our future results of operations may be affected by a decrease in marketing costs associated with our core franchises and increase of such costs related to our new franchises.

All of the activities specified above require us to spend significant resources on marketing activities, the optimization of our models, human resources and actions aimed at user acquisition and retention. Historically, sales and marketing expenses have constituted our most significant category of expenditures, and we believe that will continue in the future. In 2019 and 2020, we maintained an annual user acquisition budget of approximately USD 119.9 million and USD 111.5 million, respectively, and we expect this amount to increase in the future depending on the life cycle of our game offerings.

KEY PERFORMANCE INDICATORS

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

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

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

The table below presents our KPIs for 2019-2020 for the Group and "core franchises" i.e. Huuuge Casino and Billionaire Casino:

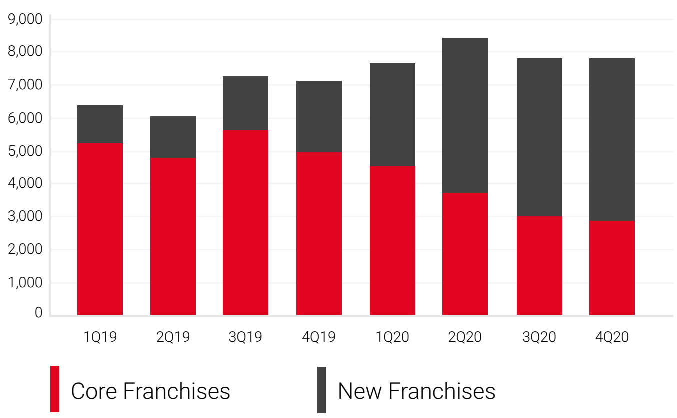
	Year ended December 31,			
	2020		2019	
KPI	**Group**	**Core franchises**	**Group**	**Core franchises**
Installs (in million)	33.5	14.1	30.9	20.7
DAU (in thousand)	947.2	628.1	911.1	769.1
MAU (in thousand)	4,701.7	2,353.5	3,981.8	3,032.9
DPU (in thousand)	27.1	24.1	25.5	23.8
MPU (in thousand)	212.4	174.9	218.3	198.5
ARPDAU (in USD)	0.96	1.36	0.78	0.90
ARPPU (in USD)	32.78	35.28	27.78	28.93
Monthly Conversion	4.5%	7.4%	5.5%	6.5%

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

Installs

In the periods under review, we have seen a slight upward trend in the total number of installs per quarter. The number of installs in our core portfolio has decreased as a result of lower UA spend as well as acquiring more costly, higher quality traffic. The number of installs of new franchises has been consistently growing as we have broadened our product offering.

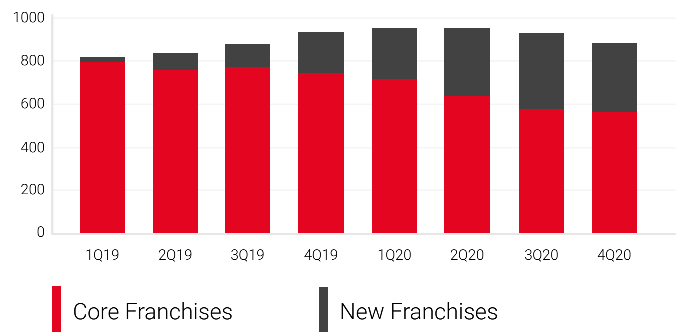
Installs (thousand users)



Daily Active Users

The chart below presents DAU for our core franchises and our other games ("new franchises") for the periods indicated. The downward trend of DAU for our core franchises presented in the chart below reflects the current trends seen in the sub-genre of social casino gaming as well as the effect of lower UA spend in the first half of 2020. This was more than offset by the improvement in the monetization KPIs such as ARPPU and conversion, which resulted in positive financial results for our core franchises.

DAU (thousand users)

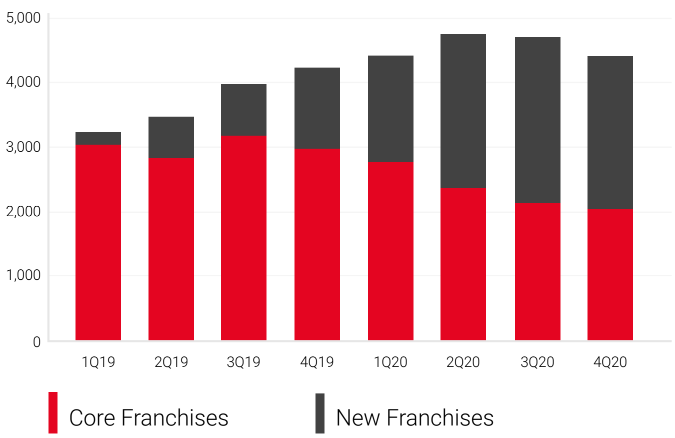


Monthly Active Users

During the periods under review, we have successfully increased MAU for our top games through continuous marketing efforts and a focus on player experience and social features included in our games. The increase in our MAU since 2019 was driven mainly by launching and increasing the popularity of our new franchises.

The chart below presents MAU for our core and new franchises for the periods indicated. The downward trend of MAU for our core franchises presented in the table below reflects the current trends seen in the sub-genre of social casino gaming as well as the effect of lower UA spend in the first half of 2020. This was more than offset by the improvement in the monetization KPIs such as ARPPU and conversion, which resulted in positive financial results for our core franchises.

MAU (thousand users)



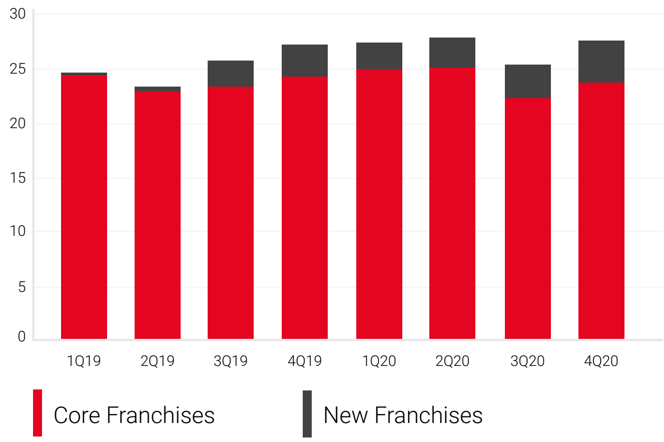
Daily Paying Users

During the periods under review, we have successfully increased DPU for our top games through continuous marketing efforts including a focus on acquiring new paying players and retargeting former paying players. We used various tools to convert our players to payers, including special offers, ad campaigns and limited offers related to Live-Ops.

The slight decrease in DPU in Q3 2020 was commensurate with the decline in DAU for the core franchises and a slight decrease in conversion for new franchises, mainly related to the growing share of games focused on ad monetization (such as, for example, Transport It!). That trend was reversed in Q4 2020 as a result of rapid scaling up and strong performance of Traffic Puzzle.

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

DPU (thousand users)

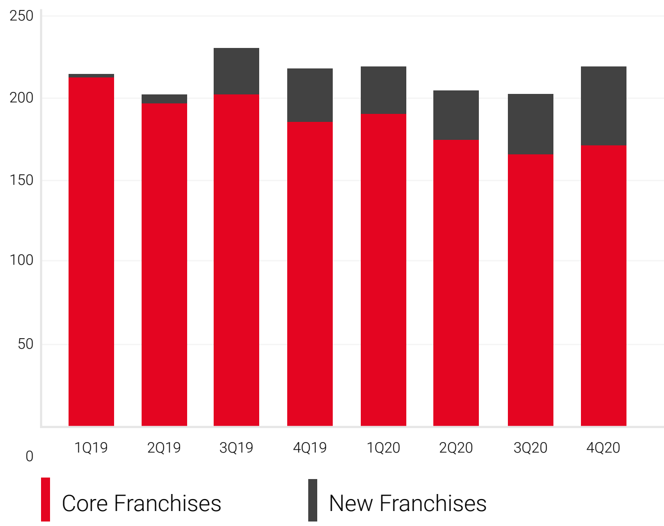


Monthly Paying Users

In the periods under review, our MPU presented trends similar to those observed in relation to DPU. The decrease in MPU in the first half of 2020 was related mainly to the decline in MAU for our core franchises. That trend was reversed towards the end of 2020 thanks to the new franchises, the number of MPU which increased in Q3 and Q4 2020.

The chart below presents MPU for our top games for the periods indicated:

MPU (thousand users)

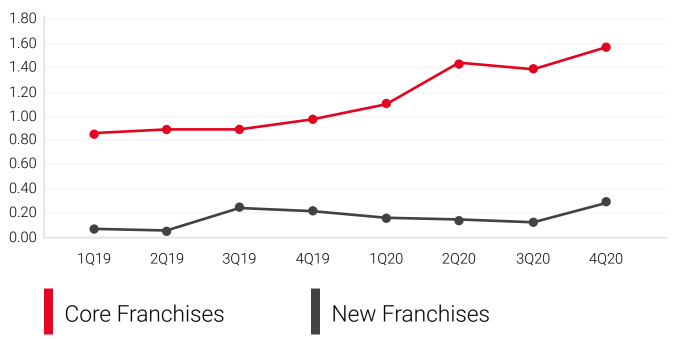


Average Revenue per Daily Active User

ARPDAU indicates how well we monetize our games taking into account our whole player base. Due to our competences in marketing, including a qualified team of specialists, as well as our technology, we have achieved sustained growth in the monetization of our games, i.e. Huuuge Casino and Billionaire Casino, over the periods under review. These two games have continued to exhibit ARPDAU rates exceeding the category averages. As depicted below, monetization KPI standards for our new franchises (mostly casual games) are lower than the averages for the social casino genre.

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

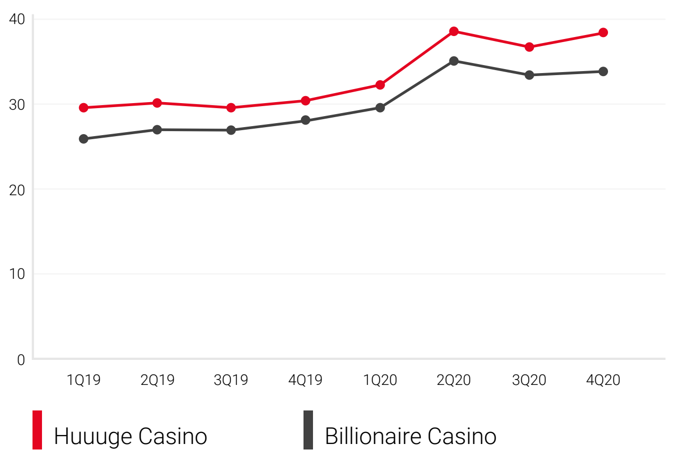
ARPDAU (USD)



Daily Average Revenue per Paying User

In the periods under review, we have been able to consistently improve the ARPPU of our core franchises owing to the social features of our games as well as constant focus on live events and special offers.

ARPPU (USD)

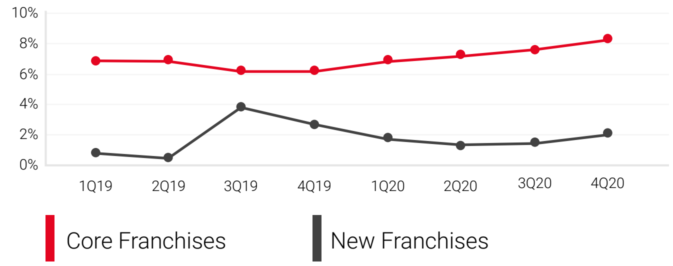


Monthly conversion

Monthly Conversion is another indicator of our ability to convert players into payers. We steadily increased the Monthly Conversion of our core franchises over the periods under review due to the optimization of our marketing efforts, creating new enticing game content, including Live-Ops. Our new franchises are subject to continuous testing and optimization, however category norms for casual gaming genres are lower than the equivalent conversion norms of the social casino subgenre and contain various games with different monetization mechanics. Moreover, their Monthly Conversion rates may vary significantly over time and across particular titles.

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

Monthly conversion (%)



Market

Mobile gaming is a large and high growth market

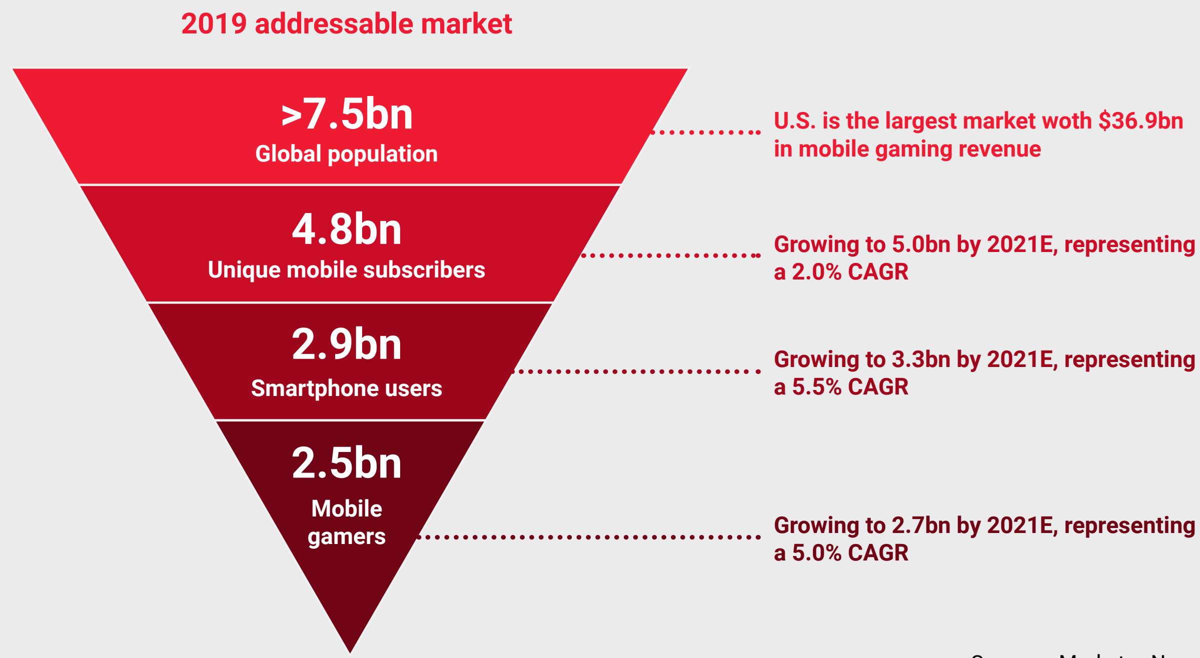
According to Newzoo, mobile gaming revenue is expected to increase by a CAGR of 12.6% from 2020 to 2022, outpacing both console and PC video gaming growth with CAGRs of 9.1% and 1.8%, respectively. By the end of 2020, mobile gaming revenue was expected to represent nearly 50% of the total video game market. We believe the digital gaming market will continue to expand, and that we are well positioned to take advantage of its growth.

Growth in mobile gaming provides pervasive access to global users

Mobile gaming provides access to every demographic. The industry features low barriers to entry, but high barriers to success, which makes consolidation a likely outcome with industry players like Huuuge well positioned to capitalize. Mobile games accounted for 35 of the top 50 grossing apps on the iOS Apple App Store as of February 2021. According to Limelight Networks' 2020 report, gamers spend an average of 6 hours and 20 minutes each week playing games across all platforms, with mobile phones remaining the most popular device used to play video games globally, across every age group. Users also tend to spend time across multiple games with gamers playing on average two to five mobile games a month, according to App Annie. Mobile gamers are also highly engaged users.

With over 2.9 billion people owning a smartphone, according to eMarketer, and an estimated 2.5 billion mobile gamers in 2019, according to Newzoo, roughly 90% of smartphone owners play mobile games. As smartphone ownership continues to grow, the number of mobile gamers is expected to grow correspondingly.

Large addressable market with room for further expansion



Source: eMarketer, Newzoo, Statista.

Effective and accessible distribution model

The Company primarily operates in the field of free-to-play (F2P) game development and publishing, focusing in particular on social, mobile games designed to encourage interaction between players during gameplay. According to Sensor Tower, 93% of games released in 2019 were free-to-play. Free-to-play games benefit from in-app purchases (IAP) and in-app advertising (IAA). According to IDC (International Data Corporation, provider of market intelligence), IAPs account for 83% of mobile game revenue. Additionally, according to eMarketer, 74% of U.S. gamers are willing to watch ads for in-app content and 82% of gamers prefer free-to-play games with ads vs.paid games with no ads.
Mobile games are distributed globally primarily through two main platforms, Google Play Store and the iOS Apple App Store, which provide developers with the ability to access a wide audience of players globally. As a free app download, free-to-play mobile gaming has zero upfront cost relative to other forms of entertainment and gaming verticals, which helps fuel growth.

Given ease in distribution, smartphones essentially put a 'gaming console' in every pocket. The primary cost for mobile game developers is the commissions paid to the distributors for in-app purchases, which are approximately 30% of the gross revenues generated by the applications. According to App Annie, mobile gaming generated nearly 74% of the combined USD 85 billion spent globally on mobile games in the Google Play and Apple iOS stores. Additionally, despite making up less than 30% of the mobile operating system market share globally, iOS users account for 59% of all mobile gaming revenue.

The mobile gaming industry is expected to benefit from the rollout of new technology

5G connectivity and the increasing power of mobile devices are expected to have a material impact on enhancing the attractiveness and accessibility of the mobile gaming market. 5G technology and improved mobile devices will reduce the amount of memory necessary to store games on devices and open the low-end smartphone market to more high-end games. In general, technology is expected to be a key driver in improving user experience and growing the total addressable market.

Proliferation of smartphone usage and ownership is a strong tailwind

According to eMarketer, the mobile gaming market has experienced significant growth in recent years due to the proliferation of the number of mobile devices, shift in preference towards using mobile devices and technological progress that allows developers to create unique content for specific end-user needs. Today, according to Newzoo and eMarketer, in terms of time spent on devices, mobile is the preferred device for consumers globally over consoles, computers and television. According to eMarketer, the average U.S. adult spends 3.5 hours consuming content per day on mobile devices, which now eclipses the amount of time spent watching TV. Time spent on mobile devices is expected to further accelerate as more businesses implement a mobile-first approach. Furthermore, users spend 90% of their smartphone usage on games and apps.

Smartphone ownership continues to increase globally. According to eMarketer, smartphone ownership increased by a CAGR of 11% from 2015 to 2019. With a global population in excess of 7.5 billion, 4.8 billion people using mobile devices today and 2.9 billion using smartphones, significant whitespace remains, particularly across Western Europe and emerging market countries.

Mobile gaming is expanding globally with significant growth across all geographic regions

The mobile gaming industry continues to expand globally as a result of a confluence of key trends, most notably (i) increasing mobile gaming spending per capita; (ii) the growing install base driven by the proliferation of smartphone usage and (iii) increasing time spent on devices. Huuuge generates a significant majority of its revenues in North America and Western Europe, which feature strong player demographics and according to IDC, offer the highest ARPPU in the industry. Although the APAC region led by China, Japan and Korea is responsible for the majority of the revenue in the mobile gaming industry, it also features the most challenging regulatory environment and has high barriers to entry for non-local players. Overall, each market is not homogeneous due to significant economic differences between countries in each region that translate into variability in both the percentage of paying players as well average value of payments made. Despite several differences, all markets expect healthy growth. According to IDC, mobile gaming revenue is expected to increase at a CAGR of 12%, 8% and 7% for APAC, North America and Western Europe, respectively, between 2019 and 2024.

Social casino is an attractive market within mobile gaming

Huuuge's top grossing franchises are in the social-casino genre. The social casino market is characterized by games that are social and cooperative. According to Eilers & Krejcik, the social casino category grew at a CAGR of 16% from 2015 through 2020. The category grew at 24% YoY in 2020 reaching USD 7 billion. Longer term forecasts estimate annual growth at 4.2% (from 2020-2025E) with the total social casino market reaching USD 8.6 billion of revenue by 2025.

Eilers and Krejcik define social casino games as free-to-play Slots, Bingo, Table Games and Poker games, with 84% of all social casino revenue coming from mobile and 15 companies accounting for 87% of the market. According to Eilers and Krejcik, slots are the largest and longest standing social casino themed genre, accounting for 80% of the top 1,000 grossing social casino games globally. Social casino games benefit from strong player loyalty and monetization characteristics that are superior to other mid-core and casual mobile games. As a leader in the social casino sub-genre of social gaming, we believe we are well positioned to continue to take advantage of growth in the sector.

The market for casual, puzzle games within mobile gaming is large and growing

Casual games are one the most downloaded genres of mobile gaming. Generally, casual games have simpler rules and shorter sessions that appeal to a much wider audience. According to Aarki, casual games are where users are not required to put in significant effort to play, win and enjoy. Within the casual games genre, puzzle games represent the largest and most notable subcategory. They also represent the most relevant component of Huuuge's portfolio outside social casino with Traffic Puzzle falling under the puzzle subcategory.

The puzzle game market is larger than the social casino market. According to Eilers & Krejcik, the total puzzle game market grew +19% YoY to USD 10.6 billion in 2020. In the longer term, Eilers & Krejcik forecasts annual growth at 6.0% with the puzzle game market reaching USD 14.2 billion of revenue by 2025.

By utilizing our best-in-class, social-first game design methodologies, we intend to offer differentiated gaming experiences that deliver strong retention and monetization while appealing to an ever-broadening user base as we enter new casual subgenres.

Revenue outlook

2021 revenue dynamics is expected at the level of low to mid twenties. The focus remains on delivering operating results, continued improvements in monetization levels across the entire game portfolio with initiatives in both in-app purchases and in-app advertising. More than a half of total revenue growth is expected to be generated from new franchises, which would also drive a significant growth in DAU. New franchise revenue is expected to reach a high teens percent of total revenue in 2021.

In 2021, the Company expects a modest decline in core franchise DAU as it focuses on data science capabilities and targeting and retargeting primarily high LTV players. Low- to mid-teen YoY percentage growth in ARPDAU of core franchises is anticipated. Emphasis on converting DAUs into DPUs and monetization enhanced by a data-driven approach is expected to facilitate further improvements in ARPDAU.

Cost & Profitability Outlook

Core franchises user acquisition cost is anticipated at 26-28% of core revenue and total user acquisition cost is expected at 33-35% of Group revenue in 2021. For the full year ending December 31, 2021, the Company intends to increase its investment in user acquisition expenditure for its core franchises as it increases its focus on retargeting users with a high monetization potential (LTV). Similarly, total user acquisition cost for the Company's portfolio is expected to increase slightly for the full year ending December 31, 2021 due to the planned scaling up of new franchises. The Company intends to allocate approximately 1/3 of total user acquisition cost in 2021 to new franchises. The Company expects the Adjusted EBITDA Margin in 2021 to be broadly in line with 2020, due to incremental public company costs and increased investment in UA for 2021. In the first six months of 2021, we expect the margins to be lower than in the second half of the year due to planned weighting of both core and new franchises user acquisition spending, which should also result in revenue increase in the second half of 2021, especially in the case of new franchises.

RESULTS OF OPERATIONS

The following table presents our consolidated statement of comprehensive income for the twelve months ended December 31, 2020 and 2019 and for Q4 2020 and 2019

in thousand USD	2020	2019	Change	Q4 2020	Q4 2019	Change
Revenue	332,721	259,391	28.3%	89,192	72,101	23.7%
Cost of sales	(99 622)	(79,147)	25.9%	(26,334)	(21,876)	20.4%
Gross profit/(loss) on sales	233,099	180,244	29.3%	62,858	50,225	25.2%
Sales and marketing expenses	(125,133)	(129,477)	-3.4%	(43,626)	(27,773)	57.1%
user acquisition marketing campaigns	(111,494)	(119,889)	-7.0%	(39,999)	(25,244)	58.4%
general sales and marketing expenses	(13,639)	(9,588)	42.3%	(3,627)	(2,529)	43.4%
Research and development expenses	(29,832)	(15,843)	88.3%	(8,740)	(4,181)	109.0%
General and administrative expenses	(27,606)	(14,182)	94.7%	(9,986)	(3,642)	174.2%
Other operating income/(expense), net	(344)	(6,531)	-94.7%	(440)	(6,530)	-93.3%
Operating result	50,184	14,211	253.1%	66	8,099	-99.2%
Finance income	2081	519	301.0%	1,089	148	635.8%
Finance expense	(128,509)	(5,877)	>999.9%	(109,328)	(988)	>999.9%
Profit/(loss) before tax	(76,244)	8,853	-961.2%	(108,173)	7,259	<-999.9%
Income tax	(6,360)	(4,583)	38.8%	814	(2,296)	-135.5%
Net result for the year	(82,604)	4,270	<-999.9%	(107,359)	4,963	<-999.9%
Exchange gains/ (losses)	491	42	>999.9%	1,483	392	278.3%
Total comprehensive income for the year	(82,113)	4,312	<-999.9%	(105,876)	5,355	<-999.9%

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.

in thousand USD	2020	2019	Change	Q4 2020	Q4 2019	Change
EBITDA[1]	53,514	16,239	229.5%	1,534	8,640	-82.2%
EBITDA margin (%)[1]	16,1%	6.3%	9.8pp	1.7%	12.0%	-10.3pp
Adjusted EBITDA[1]	57,272	24,792	131.0%	3,065	15,542	-80.3%
Adjusted EBITDA margin (%)[1]	17.2%	9.6%	7.6pp	3.4%	21.6%	-18.2pp
Sales Profit[1]	121,605	60,355	101.5%	22,859	24,981	-8.5%
Sales Profit *margin (%)*[1]	36.5%	23.3%	13.2pp	25.6%	34.6%	-9.0pp
User acquisition marketing campaigns as % of revenue[1]	33,5%	46.2%	-12.7pp	44.8%	35.0%	9.8pp
Adjusted Net Result[1]	48,110	16,690	188.3%	2,056	12,567	-83.6%
Adjusted Net Result (%)[1]	14.5%	6.4%	8.1pp	2.3%	17.4%	-15.1pp

(1) EBITDA, Adjusted EBITDA, EBITDA margin, Adjusted EBITDA margin, Sales Profit, Sales Profit Margin, User acquisition marketing campaigns as a % of the revenue are supplemental measures of our financial and operating performance which we use despite not being required under IFRS. We prepare these measures as they reflect our recurring operating performance which is unaffected by our capital structure. They immediately show the operating trends and help identify strategies to improve operating performance as well as assist investors and analysts in comparing our performance across reporting periods on a consistent basis by eliminating items which, in our opinion, are not critical to our core operating performance. In the future we may incur expenses that are the same as or similar to certain adjustments in this presentation which should be taken into account when evaluating these measures. Our presentation of these measures should not be construed as an inference that in the future our results will be unaffected by unusual or non-recurring items. We use each of these measures 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 **EBITDA** is that it is a measure widely used by securities analysts, investors and other stakeholders to evaluate the profitability of companies. **EBITDA** eliminates potential differences in performance caused by different capital structures (affecting finance costs and finance income), tax positions (such as the availability of net operating losses against which to offset taxable profits), the cost and age of tangible assets (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 core activity of the Group and share-based payment expense. The rationale for using the **Adjusted EBITDA** is an attempt to show the **EBITDA** after eliminating events not related to the core activity of the Group and items from the profit and loss account which are of a non-cash nature.

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

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

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

- We define **Sales Profit Margin** (previously "Sales margin") as the ratio of Sales profit and Revenue. The rationale for using the Sales margin % is to show the profitability of sales as a percentage after covering variable 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.

- We define **User Acquisition cost as % of revenue** as the ratio of User acquisition costs and revenue. The rationale for using the **User Acquisition cost as % of revenue** is to show how much of revenue we reinvest directly in maintaining and expanding our player base. Historically, we used to include in this measure the cost of external marketing and sales expenses but as of the beginning of 2020 we decided to narrow the ratio to track sales profit after covering only the user acquisition costs, compared with the previously used wider scope of costs of external marketing and sales expenses. For comparative purposes, the values presented for prior periods have been recalculated accordingly.

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

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

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

Sales Profit and Sales Profit Margin

The following table presents a reconciliation of Sales Margin for the periods presented:

in thousand USD	2020	2019	Change	Q4 2020	Q4 2019	Change
Revenue	332,721	259,391	28.3%	89,192	72,101	23.7%
Gross profit/(loss) on sales	233,099	180,244	29.3%	62,858	50,225	25.2%
User acquisition marketing campaigns	111,494	119,889	-7.0%	39,999	25,244	58.4%
Sales margin	121,605	60,355	101%	22,859	24,981	-8.5%
Sales *margin %*	36.5%	23.3%	13.3pp	25.6%	34.6%	-9.0pp

Adjusted EBITDA reconciliation

in thousand USD	2020	2019	Change	Q4 2020	Q4 2019	Change
Net result for the year	(82,604)	4,270	<-999.9%	(107,359)	4,963	<-999.9%
Income tax	6,360	4,583	38.8%	(814)	2,296	-135.5%
Finance expense	128,509	5,877	>999.9%	109,328	988	>999.9%
Finance income	(2,081)	(519)	301.0%	(1,089)	(148)	635.8%
Depreciation and amortization	3,330	2,028	64.2%	1,468	541	171.3%
EBITDA	53,514	16,239	229.5%	1,534	8,640	-82.2%
EBITDA Margin	16.1%	6.3%	9.8pp	1.7%	12.0%	-10.3pp
Adjustment for events not related to the main activity of the Group[1]		6,500			6,500	
Employee benefits costs – share-based plan[2]	3,758	2,053	83.0%	1,531	402	280.8%
Adjusted EBITDA	57,272	24,792	131.0%	3,065	15,542	-80.3%
Adjusted EBITDA Margin	17.2%	9.6%	7.6pp	3.4%	21.6%	-18.2pp

(1) Adjustment for events not related to the main activity of the Group include costs of the establishing of provision relating to the cost of the settlement of Washington court case for the year ended December 31, 2019 and Q4 2019

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

Please also see Note 4 Significant accounting policies and Note 19 Share-based payment arrangements to the Consolidated Financial Statements as of and for the year ended December 31, 2020.

Adjusted Net Result

The following table presents a reconciliation of Adjusted Net Result for the periods presented:

in thousand USD	2020	2019	Change	Q4 2020	Q4 2019	Change
Net result for the year	(82,604)	4,270	<-999.9%	(107,359)	4,963	<-999.9%
Adjustment for events not related to the main activity of the Group[1]	-	6,500	-100.0%	-	6,500	-100.0%
Employee benefits costs – share-based plan[2]	3,758	2,053	83.0%	1,531	402	280.8%
Series C revaluation[3]	127,768	3,867	>999.9%	108,696	702	>999.9%
Tax impact of the above items	(813)			(813)		
Adjusted Net Result	48,110	16,690	188.3%	2,056	12,567	-83.6%
Adjusted Net Result %	14.5%	6.4%	8.1pp	2.3%	17.4%	-15.1pp

(1) Adjustment for events not related to the main activity of the Group include costs of the establishing of provision relating to the cost of the settlement of Washington court case for the year ended December 31, 2019 and Q4 2019

(2) “Employee benefits costs – share-based plan” is a non-cash expense related to the Company’s stock options programmes and recognized in accordance with IFRS 2 Share-based Payment. Please also see Note 4 Significant accounting policies and Note 19 Share-based payment arrangements to the Consolidated Financial Statements as of and for the year ended December 31, 2020.

(3) As of December 31, 2020 and December 31, 2019 the Series C preferred shares are classified as a financial liability and presented at fair value in a separate line item in the statement of financial position within non-current liabilities. The impact of remeasurement to fair value at a given date is presented in profit or loss (finance income or finance costs) for the period then ended. As this item is of a non-cash nature, it is eliminated from the calculation of Adjusted Net Result and Adjusted Net Result Margin.

Revenue

Revenue increased by USD 73,330 thousand, i.e. 28.3%, from USD 259,391 thousand for the year ended December 31, 2019, to USD 332,731 thousand for the year ended December 31, 2020. A similar trend was observed between Q4 2019 and Q4 2020 where revenue increased by USD 17,091, i.e. 23.7%, from USD 72,101 thousand in Q4 2019 to USD 89,192 thousand in Q4 2020.

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	2020	2019	Change	Q4 2020	Q4 2019	Change
Gaming applications	325,684	258,055	26.2%	86,162	71,711	20.2%
Advertising	7,037	1,336	426.7%	3,030	390	676.9%
Total revenue	332,721	259,391	28.3%	89,192	72,101	23.7%

Gaming applications

Revenue from in-app purchases increased by USD 67,629 thousand, i.e. 26.2%, from USD 258,055 thousand for the twelve months ended December 31, 2019 to USD 325,684 thousand for the twelve months ended December 31, 2020. There was a similar change between Q4 2019 and Q4 2020 showing a 20.2% increase, from USD 71,711 thousand to USD 86,162 thousand, respectively.

In both periods analyzed the increase was largely driven by an improvement in the ARPDAU of our franchises. A more detailed view of the underlying KPIs is provided in the “Key Performance Indicators” section of this Annual Report.

Advertising

Revenue from in-app advertisements increased by USD 5,701 thousand, i.e. 426.7%, from USD 1,336 thousand for twelve months ended December 31, 2019, to USD 7,037 thousand for twelve months ended December 31, 2020. An even higher increase in relative terms could be observed between Q4 2019 and Q4 2020 where revenue from in-app advertisements grew by 676.9% from USD 390 thousand to USD 3,030 thousand, respectively. This increase resulted primarily from developing, launching and the scaling of our new casual games monetized largely through in-app advertising (mostly Coffee Break Games and Huuuge Publishing).

Below we show the revenue broken down by main product groups.

in thousand USD	2020	2019	Change	Q4 2020	Q4 2019	Change
Huuuge Casino	201,919	159,848	26.3%	53,189	43,531	22.2%
Billionaire Casino	109,610	91,849	19.3%	27,837	24,559	13.3%
Other	21,192	7,694	175.4%	8,166	4,011	103.6%
- including games developed by external developers based on publishing contracts	10,917	5,369	103.3%	4,141	3,011	37.5%
Total revenue	332,721	259,391	28.3%	89,192	72,101	23.7%

Whereas two flagship products, Huuuge Casino and Billionaire Casino, showed a strong double digit revenue growth in the twelve months ended December 31, 2020, of 26.3% (from USD 159,848 thousand to USD 201,919 thousand) and of 19.3% (from USD 91,849 thousand to USD 109,610 thousand), respectively, the most significant revenue growth in relative terms was observed for new franchises, growing by 175.4% (from USD 7,694 thousand to USD 21,192 thousand). Such a rapid growth of revenue from new franchises was attributable primarily to a growing user base and improving monetization as measured by the number of DPU. The main driver for revenue growth in core franchises, Huuuge Casino and Billionaire Casino, was an improvement in ARPDAU, driven both by improving conversion rates as well as ARPPU.

The revenue growth from Q4 2019 to Q4 2020 for each of the Company's product groups followed similar trends to those noted for the full years of 2019 and 2020, respectively. Huuuge Casino and Billionaire Casino showed a growth of 22.2% from USD 43,531 thousand to USD 53,189 thousand, respectively and 13.3% (from USD 24,559 thousand to USD 27,837 thousand, respectively), while the revenue from new franchises grew at a much higher rate of 103.6% (from USD 4,011 thousand to USD 8,166 thousand, respectively). Drivers for such revenue growth from Q4 2019 to Q4 2020 were substantially the same as those for the annual revenue growth discussed above.

Our revenue was generated in the following regions:

in thousand USD	2020	2019	Change	Q4 2020	Q4 2019	Change
United States	194,273	155,735	24.7%	51,441	41,438	24.1%
Germany	23,421	16,028	46.1%	6,911	4,677	47.8%
France	10,731	7,579	41.6%	2,978	2,222	34.0%
United Kingdom	10,496	7,642	37.3%	2,899	2,117	36.9%
Canada	9,996	7,884	26.8%	2,731	2,300	18.7%
Netherlands	8,163	5,581	46.3%	2,264	1,643	37.8%
Japan	8,074	6,320	27.8%	2,168	2,017	7.5%
Australia	7,396	5,966	24.0%	1,838	1,535	19.7%
Poland	7,087	5,029	40.9%	1,954	1,595	22.5%
Switzerland	4,340	3,376	28.6%	1,301	987	31.8%
Italy	3,722	2,615	42.3%	1,037	766	35.4%
Taiwan	3,327	3,225	3.2%	873	856	2.0%
South Africa	2,962	3,085	-4.0%	692	924	-25.1%
Austria	2,772	1,989	39.4%	730	555	31.5%
Other	35,961	27,337	31.5%	9,375	8,469	10.7%
Total revenue	332,721	259,391	28.3%	89,192	72,101	23.7%

The above is management's best estimate as a geographical breakdown is unavailable for some revenue sources. The location of the individual end-users determines the allocation to regions.

Operating expenses

Operating expenses for the year ended December 31, 2020, increased by USD 43,544 thousand (from USD 238,649 thousand to USD 282,193 thousand) i.e. 18.2%, compared to the year ended December 31, 2019. This increase resulted primarily from the ongoing development of our operations and the associated increase in expenditures, in particular an increase in the cost of sales comprising mainly commissions to distributors (platform fees) which grew proportionately to our revenue from in-app purchases, an increase in research and development expenses, sales and marketing expenses, as well as general administrative expenses. These increases were partially offset by a decrease in user acquisition costs, which mainly related to the optimization of our user acquisition efforts concerning our core franchises.

The operating expenses of Q4 2020 increased vs.Q4 2019 by USD 31,214 thousand (to USD 88,686 thousand, from USD 57,472 thousand) i.e. 54.3% which is attributable to the increase in all cost items with user acquisition costs and general and administrative expenses contributing to 67.6% of that increase.

The table below presents a breakdown of our operating expenses.

in thousand USD	2020	2019	Change	Change	Q4 2019	Q4 2019	Change	Change
Cost of sales	(99,622)	(79,147)	(20,475)	25.9%	(26,334)	(21,876)	(4,458)	20.4%
Sales and marketing expenses	(125,133)	(129,477)	4,344	-3.4%	(43,626)	(27,773)	(15,853)	57.1%
thereof User acquisition marketing campaigns	(111,494)	(119,889)	8,395	-7.0%	(39,999)	(25,244)	(14,755)	58.4%
thereof General sales and marketing expenses	(13,639)	(9,588)	(4,051)	42.3%	(3,627)	(2,529)	(1,098)	43.4%
Research and development expenses	(29,832)	(15,843)	(13,989)	88.3%	(8,740)	(4,181)	(4,559)	109.0%
General and administrative expenses	(27,606)	(14,182)	(13,424)	94.7%	(9,986)	(3,642)	(6,344)	174.2%
Total operating expenses	(282,193)	(238,649)	(43,544)	18.2%	(88,686)	(57,472)	(31,214)	54.3%

Cost of sales

Cost of sales for the year ended December 31, 2020 increased by USD 20,475 thousand (from USD 79,147 thousand to USD 99,622 thousand), i.e. 25.9%, compared to the year ended December 31, 2019, mainly due to an increase in platform fees to distributors, as a result of the increased scale of our operations. Cost of sales as a % of revenue was on a similar level for both years and amounted to 29.9% and 30.5%, respectively. A similar trend of cost of sales was observed between Q4 2019 and Q4 2020 – an increase of USD 4,458 thousand (from USD 21,876 thousand to USD 26,334 thousand) i.e. 20.4%

Sales and marketing expenses

Sales and marketing expenses for the year ended December 31, 2020, decreased by USD 4,344 thousand (from USD 129,477 thousand to USD 125,133 thousand) i.e. 3.4%, compared to the year ended December 31, 2019. The change between Q4 2020 and Q4 2019 was an increase of USD 15,853 thousand (to USD 43,626 thousand from USD 27,773 thousand) i.e. 57.1%. Sales and marketing expenses consist of: (i) User acquisition marketing campaigns and (ii) General sales and marketing expenses. The following trends were observed for these items:

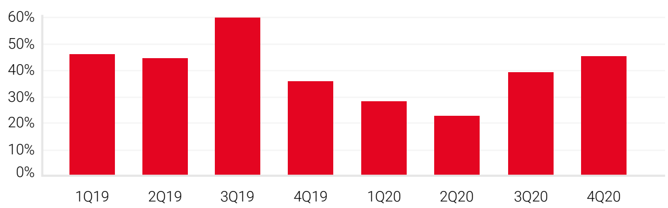
User acquisition marketing campaigns

User acquisition marketing campaigns for the year ended December 31, 2020, decreased by USD 8,395 thousand (from USD 119,889 thousand to USD 111,494 thousand) i.e. 7.0%, compared to the year ended December 31, 2019, mainly due to the optimization of marketing efforts, which allowed the Group to increase the effectiveness of marketing campaigns. The Group was able to better target and acquire high value players across the core portfolio, and marketing expenses related to core franchises decreased as the Group changed its marketing focus from user acquisition to retargeting.

The change between Q4 2020 and Q4 2019 amounted to an increase of USD 14,755 thousand (to USD 39,999 thousand from USD 24,244 thousand) i.e. 58.4% and resulted from higher spending on both Huuuge Casino and Billionaire Casino, as well as considerable investments in the scaling of our new games (in particular Traffic Puzzle and Stars Slots).

The chart below presents a quarterly view of our User acquisition marketing campaigns as a % of revenue. As explained above, the increase in spending towards the second half of 2020 was driven by the decision to accelerate the scaling of our new franchises – with the most focus on Traffic Puzzle and Stars Slots.

UA cost as % of revenue



General sales and marketing expenses

General sales and marketing expenses for the year ended December 31, 2020, increased by USD 4,051 thousand (to USD 13,639 thousand from USD 9,588 thousand), i.e. 42.3% compared to the year ended December 31, 2019 mainly due to an increase in the costs of salaries of the sales and marketing team, resulting from the continued development of in-house marketing teams and competences. General sales and marketing expenses as a % of revenue increased from 3.7% for the year ended December 31, 2019 to 4.1% for the year ended December 31, 2019, which was more than offset by the increased efficiency of spending on user acquisition.

A similar trend was observed between Q4 2019 and Q4 2020 where general sales and marketing expenses increased by USD 1,098 thousand (from USD 2,529 thousand to USD 3,627 thousand) i.e. 43.4%.

Research and development costs

Research and development costs for the year ended December 31, 2020 increased by USD 13,989 thousand (to USD 29,832 thousand from USD 15,843 thousand) i.e. 88.3% compared to the year ended December 31, 2019, mainly due to an increase in the costs of salaries of the R&D team, which is a combined effect of a higher headcount and the increased seniority of the team. Research and development costs in relation to total revenue for the year ended December 31, 2020, increased by 2.9 p.p. (to 9.0% from 6.1%) compared to the year ended December 31, 2019.

A comparable trend was observed between Q4 2019 and Q4 2020 where R&D costs increased by USD 4,559 thousand (from 4,181 thousand to 8,740 thousand) i.e. 109.0%.

General and administrative expenses

General and administrative expenses for the year ended December 31, 2020, increased by USD 13,424 thousand (to USD 27,606 thousand from USD 14,182 thousand) i.e. 94.7% compared to the year ended December 31, 2019, mainly due to higher costs of salaries and employee stock option plan expenses, as well as higher costs of external finance and legal services – all of which are primarily attributable to the improvements necessary to prepare Huuuge to become a public company, as well as direct IPO expenses.

The change between Q4 2020 and Q4 2019 amounts to an increase of USD 6,344 thousand i.e. 174.2% due to the fact that the vast majority of the necessary costs connected with preparing the Group to become a public company and to the direct IPO expenses was recognized in Q4 2020.

Other operating expenses, net

Other operating expenses for the year ended December 31, 2020, decreased by USD 6,187 thousand (to USD 344 thousand from USD 6,531 thousand) i.e. 94.7% compared to the year ended December 31, 2019, primarily due to a one-off provision for the unfavorable outcome of the case before the District Court for the Western District of Washington amounting to USD 6,500 thousand, recognized in 2019 (see: Note 25 Provisions – Court case provision to the Consolidated Financial Statements)

A comparable trend was observed between Q4 2019 and Q4 2020 where other operating expenses decreased by USD 6,090 thousand (from USD 6,530 thousand to USD 440 thousand) i.e. 93.3% mainly due to the reason stated above.

Finance expenses, net

in thousand USD	2020	2019	Change	Change	Q4 2010	Q4 2019	Change	Change
Finance income	2,081	519	1,562	301%	1,089	148	941	636%
Finance expense	(128,509)	(5,877)	(122,632)	>999.9%	(109,328)	(988)	(108,340)	>999.9%
Finance expense, net	(126,428)	(5,358)	(121,070)	>999.9%	(108,239)	(840)	(107,399)	>999.9%

Finance expenses, net for the year ended December 31, 2020 increased by USD 121,070 thousand (to USD 126,428 thousand from USD 5,358 thousand), i.e. >999.9% compared to the year ended December 31, 2019 mainly as a result of the remeasurement of the fair value of Series C preferred shares from USD 3,867 thousand as of December 31, 2019 to USD 127,768 thousand as of December 31, 2020, i.e. of USD 123,901 thousand (please refer to Note 10 Finance income and finance expense and Note 20 Series C preferred shares in the Consolidated Financial Statements).

A comparable trend was observed between Q4 2019 and Q4 2020 where finance expenses net, increased by USD 108,340 thousand (from USD 988 thousand to USD 109,328 thousand, respectively) i.e. >999.9% mainly due to the reason stated above.

HUUUGE, INC., STAND-ALONE RESULTS OF OPERATIONS

in thousand USD	2020	2019	Change	Change
Continuing operations				
Revenue	**2,817**	**1,061**	**1,756**	**165.5%**
Cost of sales	-	-	n/a	n/a
Gross profit	**2,817**	**1,061**	**1,756**	**165.5%**
Research and development expenses	(906)	(426)	(480)	112.7%
General and administrative expenses	(5,885)	(1,179)	(4,706)	399.2%
Other operating income/ (expense), net	6,536	(6,511)	13,047	-200.4%
Operating result	**2,562**	**(7,055)**	**9,617**	**-136.3%**
Finance income	166	790	(624)	-79.0%
Finance expense	(128,309)	(3,868)	(124,441)	>999.9%
Profit/(loss) before tax	**(125,581)**	**(10,133)**	**(115,448)**	**>999.9%**
Income tax	(96)	(88)	(8)	9.1%
Net result for the year	**(125,677)**	**(10,221)**	**(115,456)**	**>999.9%**

Huuuge Inc's stand-alone net loss for the year ended December 31, 2020, decreased by USD 115,456 thousand, i.e. >999.9% compared to the year ended December 31, 2019, as a combined result of:

(i) increase in finance expenses for the year ended December 31, 2020, of USD 124,441 thousand (to 128,309 thousand from 3,868 thousand) i.e. >999.9%, compared to the year ended December 31, 2019 mainly as a result of the remeasurement of the fair value of Series C preferred shares of USD 123,901 thousand, as discussed in the analysis of the consolidated Finance expenses, net;

(ii) increase in general and administrative expenses for the year ended December 31, 2020, of USD 4,706 thousand (to USD 5,885 thousand from USD 1,179 thousand) i.e. 399.2%, mainly due to costs of external finance and legal services, which is attributable to the improvements necessary to prepare Huuuge to become a public company, as well as direct IPO expenses;

(iii) increase in other operating income net for the year ended December 31, 2020 of USD 13,047 thousand (to 6,536 thousand from operating expense net, of USD 6,511 thousand) compared to the year ended December 31, 2019, due to:

- one-off provision for the unfavorable outcome of the case before the District Court for the Western District of Washington amounting to USD 6,500 thousand recognized in 2019, as discussed in the analysis of consolidated other operating expenses, net, and
- one-off other operating income of USD 6,500 thousand recognized in 2020 constituting compensation from Huuuge Global Ltd. for the costs related to the court case before the District Court for the Western District of Washington, discussed above, in connection with Huuuge Global Ltd.'s agreement to reimburse such costs to the Company.

Net Financial Debt

The table below presents the Net Financial Debt of the Company as at December 31, 2020 and December 31, 2019. We have also presented Adjusted Net Financial Debt to give effect as at December 31, 2020 and December 31, 2019 with respect to the conversion of Series C preferred shares into common shares as at February 5, 2021, upon which those shares will no longer be recognized as a financial liability.

in thousand USD	As at December 31, 2020	As at December 31, 2019
Cash and cash equivalents [1]	94,158	26,270
Short-term lease liabilities	2,779	1,197
Net current financial indebtedness	(91,379)	(25,073)
Long-term lease liabilities	6,282	1,672
Preference shares [2]	176,606	48,354
Non-current financial indebtedness	182,888	50,026
Net financial debt	91,509	24,953
Adjustment for Preference shares financial liability [3]	(176,606)	(48,354)
Adjusted Net financial debt	(85,097)	(23,401)

1. Includes cash in money market investment funds
2. Represents the fair value of Series C preferred shares
3. The effect of the conversion of Series C preferred shares into common shares as at February 5, 2021, upon which such shares will no longer be recognized as a financial liability.

There have been two material changes to indebtedness and liquidity of the Group since December 31, 2020 to the date of this Annual Report:

- conversion of Series C preferred shares into common shares as at February 5, 2021, upon which such shares are no longer recognized as a financial liability, therefore decreasing the Net Debt reported as of December 31, 2020; and
- the completion of the Initial Public Offering which provided to the Company net proceeds of approximately USD 100 million (net of costs and stabilization actions), increased liquidity and decreased the Net Debt reported as at December 31, 2020.

STATEMENTS OF FINANCIAL POSITION

Selected Consolidated Statements of Financial Position

The following selected consolidated financial information as at December 31, 2020 and December 31, 2019 has been derived from the Consolidated Financial Statements included in this Annual Report.

	As at December 31,		As at December 31,	
in thousand USD	**2020**	**Structure**	**2019**	**Structure**
ASSETS				
Total non-current assets, including:	17,347	12%	4,722	8.9%
Right-of-use asset	8,646	6%	2,817	5.3%
Goodwill	2,838	2%	-	0.0%
Intangible assets	1,459	1%	115	0.2%
Total current assets, including	124,485	88%	48,393	91.1%
Trade and other receivables	29,226	21%	21,540	40.6%
Cash and cash equivalents	94,158	66%	26,270	49.5%
Total assets	**141,832**	**100%**	**53,115**	**100.0%**
EQUITY				
Total equity	**(96,008)**	**-68%**	**(19,826)**	**-37.3%**
LIABILITIES				
Total non-current liabilities, including	183,019	129%	50,146	94.4%
Preferred stock	176,606	125%	48,354	91.0%
Total current liabilities, including	54,821	39%	22,795	42.9%
Trade and other payables	37,797	27%	10,953	20.6%
Total equity and liabilities	**141,832**	**100%**	**53,115**	**100.0%**

Assets

Total assets increased by USD 88,717 thousand, i.e. 167.0%, from USD 53,115 thousand as at December 31, 2019, to USD 141,832 thousand as at December 31, 2020.

As at December 31, 2020, and as at December 31, 2019, total assets mainly comprised the following items: (i) cash and cash equivalents (accounting for 66.4% and 49.5% of total assets as at December 31, 2020, and December 31, 2019, respectively); and trade and other receivables (accounting for 20.6% and 40.6% of total assets as at December 31, 2020, and December 31, 2019, respectively).

As at December 31, 2020, and as at December 31, 2019, total current assets represented 87.8% and 91.1% of total assets, and total non-current assets – 12.2% and 8.9% of total assets, respectively.

Total non-current assets increased by USD 12,625 thousand, i.e. 267.4%, from USD 4,722 thousand as at December 31, 2019, to USD 17,347 thousand as at December 31, 2020. The change resulted mainly from an increase in the carrying amounts of recognized right-of-use assets (new leases), and recognized goodwill as well as an increase in intangible assets (resulting from business combinations, namely acquisitions of Playable Platform B.V. and Double Star Oy).

Total current assets increased by USD 76,092 thousand, i.e. 157.2%, from USD 48,393 thousand as at December 31, 2019, to USD 124,485 thousand as at December 31, 2020. The change resulted mainly from a significant increase in cash and cash equivalents related to the improved profitability of the Group, and in turn, improved cash flows from operating activities as presented further in this Annual Report.

Liabilities

Total liabilities increased by USD 164,899 thousand, i.e. 226.1%, from USD 72,941 thousand as at December 31, 2019, to USD 237,840 thousand as at December 31, 2020.

As at December 31, 2020 and as at December 31, 2019, total liabilities mainly comprised the following items: (i) preferred shares (accounting for 74.3% and 66.3% of total liabilities as at December 31, 2020 and December 31, 2019, respectively) and (ii) trade and other payables (accounting for 15.9 % and 15.0% of total liabilities as at December 31, 2020 and December 31, 2019, respectively).

Total non-current liabilities increased by USD 132,873 thousand, i.e. 265.0%, from USD 50,146 thousand as at December 31, 2019 to USD 183,019 thousand as at December 31, 2020. The change was caused mainly by the fair value remeasurement of the liability relating to Series C preferred shares.

Series C preferred shares

As at December 31, 2020 the estimate of the fair value of the liability related to the Series C preferred shares increased by USD 128,252 thousand, i.e. 265.2% from USD 48,354 thousand as at December 31, 2019 to USD 176,606 thousand as at December 31, 2020. The estimate is based on a number of inputs as discussed in Note 15 Financial risk management to the Consolidated Financial Statements. On February 5, 2021 all preferred shares were converted into common shares, therefore Series C preferred shares will no longer be recognized as a financial liability in subsequent periods.

Total current liabilities increased by USD 32,026 thousand, i.e. 140.5%, from USD 22,795 thousand as at December 31, 2019, to USD 54,821 thousand as at December 31, 2020. The change was caused mainly by an increase in trade and other payables.

Selected Statements of Financial Position of Huuuge, Inc.

The following selected financial information as at December 31, 2020 and December 31, 2019 has been derived from Huuuge, Inc. Consolidated Financial Statements included in this Annual Report.

in thousand USD	As at December 31, 2020	As at December 31, 2019
ASSETS		
Total non-current assets, including	15,373	8,646
Invetsments in subsidiaries	13,633	6,324
Total current assets , including	23,095	15,211
Trade and other receivables	15,228	9,134
Cash and cash equivalents	7,284	4,650
Total assets	38,468	23,857
EQUITY		
Total equity	**(152,734)**	**(32,988)**
LIABILITIES		
Total non-current liabilities, including	176,776	48,354
Preferred stock	176,606	48,354
Total current liabilities	14,426	8,491
Total equity and liabilities	**38,468**	**23,857**

Assets

Total assets increased by USD 14,611 thousand, i.e. 61.2%, from USD 23,857 thousand as at December 31, 2019, to USD 38,468 thousand as at December 31, 2020.

As at December 31, 2020, and as at December 31, 2019, total assets mainly comprised the following items: (i) trade and other receivables (accounting for 39.6% and 38.3% of total assets as at December 31, 2020, and December 31, 2019, respectively); (ii) investments in subsidiaries (accounting for 35.4% and 26.5% of total assets as at December 31, 2020, and December 31, 2019, respectively), and (iii) cash and cash equivalents (accounting for 18.9% and 19.5% of total assets as at December 31, 2020, and December 31, 2019, respectively).

Total **non-current** assets increased by USD 6,727 thousand, i.e. 77.8%, from USD 8,646 thousand as at December 31, 2019, to USD 15,373 thousand as at December 31, 2020. The change resulted mainly from an increase in the carrying amounts of the investments in subsidiaries, which include investments in the shares of subsidiaries as well as the allocated cost of the stock options granted to employees of the subsidiaries.

Total **current assets** increased by USD 7,884 thousand, i.e. 51.8%, from USD 15,211 thousand as at December 31, 2019, to USD 23,095 thousand as at December 31,

2020. The change resulted mainly from a significant increase in trade and other receivables which is primarily attributable to the recognition of USD 6,500 thousand compensation from Huuuge Global Ltd. with respect to the case before the District Court for the Western District of Washington, further discussed in the analysis of the Stand-alone results of Operations of Huuuge, Inc.

Liabilities

Total liabilities increased by USD 134,357 thousand, i.e. 236.4%, from USD 56,845 thousand as at December 31, 2019, to USD 191,202 thousand as at December 31, 2020. As at December 31, 2020, and as at December 31, 2019, total liabilities mainly comprised the preferred shares (accounting for 92.4% and 85.1% of total liabilities as at December 31, 2020 and December 31, 2019, respectively).

Total **non-current liabilities** increased by USD 128,422 thousand i.e. 265.6%, from USD 48,354 thousand as at December 31, 2019 to USD 176,776 thousand as at December 31, 2020. The change was caused mainly by the fair value remeasurement of the liability relating to Series C preferred shares. Please refer to the analysis of consolidated liabilities for a discussion of the liability relating to Series C preferred shares.

Total **current liabilities** increased by USD 5,935 thousand, i.e. by 69.9 %, from USD 8,491 thousand as at December 31, 2019, to USD 14,426 thousand as at December 31, 2020. The change was caused mainly by an increase in trade and other payables.

CASH FLOWS AND LIQUIDITY

Selected Consolidated Statements of Cash Flows

The following table summarizes selected net cash flows from operating, investing and financing activities for the twelve months ended December 31, 2020 and December 31, 2019.

Net cash flows from operating activities

Net cash inflow from operating activities for the year ended December 31, 2020 amounted to USD 73,231 thousand and increased by USD 60,239 thousand, from USD 12,992 thousand for the twelve months ended December 31, 2019. The changes in net cash flows from operating activities are mainly attributable to (i) an increase in operating profit of USD 35,973 thousand and (ii) a favorable change in net working capital of USD 19,486 thousand, compared to the year ended December 31, 2019.

	2020	2019	Change	% Change	Q4 2020	Q4 2019	Change	% Change
Cash flows from operating activities								
Profit/(loss) before tax	**(76,244)**	**8,853**	**(85,097)**	**-961.2%**	**(108,173)**	**7259**	**(115,432)**	**<-999.9%**
Adjustments for:								
Sum of non-cash changes in interest, depreciation, amortization, FX differences, prepayments and profits on disposal	3,748	1,719	2,029	118.0%	2,932	(96)	3,028	<-999.9%
Non-cash employee benefits expense - share-based payments	3,758	2,053	1,705	83.0%	1,531	402	1,129	280.8%
Non-cash remeasurement of preference shares liability - finance expense	128,249	3,867	124,382	>999.9%	109,177	702	108,475	>999.9%
Changes in net working capital	19,445	(41)	19,486	<-999.9%	10,916	(1,264)	12,180	-963.6%
Cash flows from operating activities	78,956	16,451	62,505	380%	16,972	7,003	9,969	142%
Income tax paid	(5,725)	(3,459)	(2,266)	65.5%	(1,962)	(1,317)	(645)	49.0%
Net cash flows from operating activities	**73,231**	**12,992**	**60,239**	**463.7%**	**14,421**	**5,686**	**8,735**	**153.6%**

	2020	2019	Change	% Change	Q4 2020	Q4 2019	Change	% Change
Cash flows from investing activities, including								
Acquisition of property, plant and equipment and intangible assets	(3,437)	(1,085)	(2,352)	216.8%	(1,857)	(368)	(1,489)	404.6%
Acquisition of subsidiaries, net of cash acquired	(2,088)	-	(2,088)		-	-	-	
Net cash from investing activities	**(5,458)**	**(566)**	**(4,892)**	**864.3%**	**(1,857)**	**(218)**	**(1,639)**	**751.8%**
Cash flows from financing activities, including								
Proceeds from issue of shares	9,681	-	9,681		-	-	-	
Repurchase of own shares	(7,699)	(19,681)	11,982	-60.9%	-	(19,681)	19,681	-100.0%
Net cash from financing activities	**(14)**	**(21,111)**	**21,097**	**-99.9%**	**(672)**	**(20,044)**	**19,372**	**-96.6%**
Net increase/ (decrease) in cash and cash equivalents	**67,759**	**(8,685)**	**76,444**	**-880.2%**	**11,892**	**(14,576)**	**26,468**	**-181.6%**

Cash inflows from operating activities for the three months ended December 31, 2020, amounted to USD 14,421 thousand and increased by USD 8,735 thousand, from USD 5,686 thousand for the three months ended December 31, 2019. The changes in net cash flows from operating activities are mainly attributable to a favorable change of USD 12,180 thousand in net working capital for the three months ended December 31, 2020 compared to the three months ended December 31, 2019.

Cash flows from investing activities

Net cash outflows from investing activities for the year ended December 31, 2020 amounted to USD 5,458 thousand and increased by USD 4,892 thousand from net cash outflows of USD 566 thousand for the twelve months ended December 31, 2019. The increase in net cash outflows from investing activities was mainly due to the acquisition of subsidiaries (acquisitions of Playable Platform B.V. and Double Star Oy), as well as acquisition of property, plant and equipment and software expenditures.

Net cash outflows from investing activities for the three months ended December 31, 2020, amounted to USD 1,857 thousand and increased by USD 1,639 thousand from net cash outflows of USD 218 thousand for the three months ended December 31, 2019. The increase in net cash outflows from investing activities was mainly due to the acquisition of property, plant and equipment and software expenditures.

Cash flows from financing activities

For the twelve months ended December 31, 2020, the Group recorded net cash outflows from financing activities amounting to USD 14 thousand mainly resulting from the repurchase of own Series A, B and C shares, as well as the repayment of liabilities under lease agreements, partially offset by the proceeds from the issue of Series A, B and C shares. For the twelve months ended December 2019, the Group recorded net cash outflows from financing activities of USD 21,111 thousand mainly related to the repurchase of own series A, B and C shares, as well as the repayment of liabilities under lease agreements.

For the three months ended December 31, 2020, the Group recorded net cash outflows from financing activities amounting to USD 672 thousand mainly resulting from the lease repayment. For the three months ended December 2019, the Group recorded net cash outflows from financing activities of USD 20,044 thousand mainly related to the repurchase of own series A, B and C shares, as well as the repayment of liabilities under lease agreements.

Selected Statements of Cash Flows of Huuuge, Inc.

The following table summarizes selected net cash flows from operating, investing and financing activities for the twelve months ended December 31, 2020 and December 31, 2019.

	2020	2019	Change	% Change
Cash flows from operating activities				
Profit/(loss) before tax	**(125,581)**	**(10,133)**	**(115,448)**	**>999.9%**
Adjustments, including:				
Non-cash remeasurement of preference shares liability - finance expense	128,249	3,867	124,382	>999.9%
Changes in net working capital	(1,378)	14,934	(16,312)	-109.2%
Cash flows from operating activities			-	
Income tax paid	-	(651)	651	-100.0%
Net cash flows from operating activities	**1,344**	**7,197**	**(5,853)**	**-81.3%**
Cash flows from investing activities, including				
Purchase of shares in subsidiaries	(2,328)	-	(2,328)	100.0%
Repayment of loans received	2,000	-	2,000	100.0%
Net cash from investing activities	**(606)**	**659**	**(1,265)**	**-192.0%**
Cash flows from financing activities, including				
Proceeds from issue of shares	9,681	-	9,681	
Repurchase of own shares	(7,699)	(19,681)	11,982	-60.9%
Net cash from financing activities	**1,896**	**(19,660)**	**21,556**	**-109.6%**
Net increase/(decrease) in cash and cash equivalents	**2,634**	**(11,804)**	**14,438**	**-122.3%**

Net cash flows from operating activities

Net cash inflows from operating activities for the year ended December 31, 2020 amounted to USD 1,344 thousand and decreased by USD 5,853 thousand, from USD 7,197 thousand for the twelve months ended December 31, 2019. That decrease is attributable to unfavorable changes in net working capital for the year ended December 31, 2020, compared to the year ended December 31, 2019. Such changes resulted in the decrease of net cash inflows from operating activities of USD 16,312 thousand, which was partially offset by an increase in operating result of USD 9,617 thousand.

Cash flows from investing activities

Net cash outflows from investing activities for the year ended December 31, 2020 amounted to USD 606 thousand and changed by USD 1,265 thousand from net cash inflows of USD 659 thousand for the twelve months ended December 31, 2019. The change in net cash flows from investing activities was mainly due to the purchase of shares in subsidiaries (acquisitions of Playable Platform B.V. and Double Star Oy), partially offset by the repayment of loans received.

Cash flows from financing activities

For the twelve months ended December 31, 2020, the Company recorded net cash inflows from financing activities amounting USD 1,896 thousand mainly resulting from proceeds from the issue of Series A, B and C shares, partially offset by the repurchase of own Series A, B and C shares. For the twelve months ended December 31, 2019, the Company recorded net cash outflows from financing activities of USD 19,660 thousand related to the repurchase of own Series A, B and C shares.

CREDITS AND LOANS

Credits and loans

The Group has no borrowing requirements. The Group anticipates that current sources of financing, i.e. equity and operating revenues will remain its main sources of financing in the near future. The Group's operations are not financed using debt financing.

Loans granted to related entities

In 2020, the Company granted a loan of USD 600 thousand with an interest rate of 2% p.a., with a maturity of 5 years, to Huuuge Digital Ltd. On December 31, 2020 the balance of loans amounted to USD 1,487 thousand.

Sureties and guarantees

No sureties and guarantees were granted or received by the Group in the year ended December 31, 2020, including those granted to the Company's related entities.

CURRENT AND PROJECTED FINANCIAL SITUATION

The table below presents the key parameters for assessing the Group's profitability, efficiency and liquidity

in thousand USD	2020	2019	Change	Q4 2020	Q4 2019	Change
Profitability ratios						
Gross Profit margin	70.1%	69.5%	0.6pp	70.5%	69.7%	0.8pp
Adjusted EBITDA margin	17.2%	9.6%	7.7pp	3.4%	21.6%	-18.2pp
EBITDA margin	16.1%	6.3%	9.8pp	1.7%	12.0%	-10.3pp
Adjusted Net Result margin	14.7%	6.4%	8.3pp	2.3%	17.4%	-15.1pp
Effeciency ratios						
Debtors days	27.8	26.9	3.7%	29.4	27.5	7.0%
Creditors days	31.5	20.3	55.0%	32.9	17.5	87.7%
Liquidity ratio						
Current ratio	2.3	2.1	7.0%	2.3	2.1	7.0%

Formulas for the calculation of indicators:

Gross Profit margin: Gross profit/(loss) on sales / Revenue

Adjusted EBITDA margin: Adjusted EBITDA / Revenue

EBITDA margin: EBITDA / Revenue

Adjusted Net Result margin: Adjusted Net Result / Revenue

Debtors days: ((Trade and other receivables, gross, at the beginning of the period + Trade and other receivables, gross, at the end of the period) /2) / (Revenue / no. of days)

Creditors days: (Trade and other payables, gross, at the beginning of the period + Trade and other payables, gross, at the end of the period) /2) / (Operating expenses / no. of days)

Current ratio: Total current assets / Total current liabilities

Debt ratios

Due to the fact that the Group (including the Parent Company) did not use external financing in 2019-2020, no debt ratios will be presented.

Proceeds from the initial public offering.

The Company collected approximately USD 101 million from the Initial Public Offering net of costs and funds used for stabilization. The funds will largely be used to help finance future acquisitions as per the strategy described in the Offering Memorandum.

Outlook

The Company's revenue, cost and profitability outlook is described in the chapter Key Performance Indicators on the page 39.

RESPONSIBILITY

03

VALUES AND COMPANY CULTURE

Huuuge's mission is to empower billions of people to play together. To get there we have built an empowering team culture that emphasizes learning, progress and growth. Several key characteristics connect us as a global team and collectively make up our Huuuge DNA. These characteristics, principles, and beliefs guide and influence everything we do, knowingly and unknowingly, and drive us to succeed. We obsess over these, both as a team as well as individuals.

WE ARE

Humble - learning is a privilege and we worship the concept of learning together as a team. No matter who we are and what our specific role at Huuuge is, we all are operating in a fast moving industry and in such an environment it is critical to our success to remain humble and open to learn new things all the time.

Hungry - it is our desire to reach and beat our goals. Our hunger keeps us sharp, nimble, motivated, and never truly satisfied, always wanting more.

Resilient - Our Team has an organic ability to survive and thrive during moments of change and challenge. Our resilience allows us to adapt, react, and win where others give up. Our global, high paced, professional, always-on work ethos is best for people who thrive in such environments.

Global - Huuuge is an open-minded, multicultural, and diverse global team of teams that caters to a global market. This is one of our core strengths.

Our success relies on

Communication and Operational Excellence - Our organizational structure and how we manage Huuuge's business is based on professional communication. We strive for alignment through communication by answering questions concerning "*Why*" we do things not just "*What*" we do.

We obsess over Operational Excellence, which is a state of mind, not a static state. Professionalism, a constant improvement mind-set, and alignment through communication are at the core of our operational excellence.

Change Management - We embrace constant change and evolution, which is a natural state for such a dynamic industry. At Huuuge we strive to adapt quickly and seamlessly. Our scalable organizational structure supports this approach and constant change is taking place in the Company.

Data at the center of everything we do - We are powered by our data and our centralized HDS (Huuuge Data Services) is the central brain of the Company. HDS collects and democratizes our data to every employee across the Company creating an operating reality that leads to productivity and market success – the single source of truth. We rely on our data to build, operate, and enhance our products and our marketing activities. Furthermore we are a truly data-centric Company as our data drives and facilitates our strategic and business planning, the evolution of our organizational structure, and even many of our HR activities.

Compliance

We are committed to providing a work environment in which all employees observe, experience and share the highest professional standards and treat each other with civility, respect and dignity. To that end and to ensure orderly operations, all employees, regardless of their position, location, and private views, are obliged and expected to follow rules of conduct that will protect the interests and safety of all individual employees and Huuuge as a business organization.

We have set ourselves principles in which are included in the Code of Conduct & related policies: Conflict of Interest Policy, Gifts & Business Entertainment Policy, Donations & Sponsorship Policy, Policy on Engaging Third Parties Representing Huuuge in dealings with Government Officials.

With these policies implemented in February 2021, we aim to shape and maintain the trust of our employees, Business Partners and Government Officials & entities. In particular, we aim to:

- comply with all applicable laws, regulations, policies and contracts governing the businesses of Huuuge;
- be honest, fair and trustworthy in all our business activities and relationships;
- treat one another fairly and foster a safe, diverse and environmentally responsible workplace;
- protect our assets and information and the assets and information entrusted to us by third parties;
- avoid conflicts of interest, and the appearance of such conflicts, between work and personal affairs;
- compete responsibly in the marketplace;
- not compromise personal integrity or Huuuge's reputation for short-term wins;
- ask questions, seek guidance and raise concerns'
- encourage Business Partners to conform to these standards and not use subcontractors or other third parties to evade these standards or any legal requirements, and
- create and sustain a culture where ethical conduct is recognized, valued and practiced by all employees through leadership at all levels.

A training program for our employees is provided to ensure compliance with the Code of Conduct & the related policies.

ANTI-HARASSMENT

At Huuuge we are determined to ensure a safe and harmonious workplace for all employees to flourish. These also mean counteracting bullying, discrimination and other undesirable behaviour. We believe that all employees have the right to:

1. a sense of self-dignity;
2. be treated with dignity and respect;
3. be appreciated for their skills;
4. a workplace free from:
   - mobbing/bullying;
   - discrimination;
   - harassment;
   - victimization;

Therefore, Huuuge has implemented an Anti-Harassment Policy at our Company, explaining various forms of such undesirable actions and introducing countermeasures to fight them. Pursuant to our policy, the support necessary in the event of any discrimination is provided, and individuals demonstrating adverse behaviour will be sanctioned. A designated internal authority – a Committee examining Employee Submissions – has also been established to conduct investigations in the event of mobbing or discrimination.

ANTI-CORRUPTION POLICY, MECHANISMS FOR INFORMING ABOUT VIOLATIONS OF THE LAW AND RULES OF PROFESSIONAL ETHICS

As expressed in our Code of Conduct, Huuuge acts in line with international anti-corruption regulations and practices. In 2021, we implemented an Anti-Corruption Policy, intended to prevent any action within Huuuge as a business organization, which may be considered bribery of any kind. The Policy highlights the responsibilities of Huuuge team members to ensure that everything we do remains compliant with the law, our internal procedures and general ethical business behavior.

In February 2021, we also introduced a Contract Management Policy & Procedures which set out clear guidelines for the Huuuge team members responsible for managing contracts with third parties and within the corporate group to manage the risks associated with legal agreements. The goal of the Policy is to: protect

Huuuge from concluding contracts that may result in negative reputational, operational, financial or legal consequences for the Company; to assure Huuuge's compliance with the relevant legal requirements and best practices in the area of contract management.

Furthermore, the Know Your Customer Policy & Procedures established in 2021 at Huuuge form a framework for the identification and verification of our clients in order to meet our objectives: to prevent Huuuge from being used for or becoming involved in criminal activity, including, but not limited to: money laundering, financing of terrorism, offences against protection of information, offences against property, against economic circulation, credibility of documents and offences against trading in currencies or securities. We also aim to protect Huuuge from other actions that are not criminal in nature but may result in the property or nominal damage of Huuuge, in particular reputational damage.

At Huuuge we take ethics very seriously. It is our belief that any misconduct and abuse may occur in any area of Huuuge's operations and daily work. Misconduct threatens not only the reputation of Huuuge, but also the safety of people, the quality of our products and the atmosphere at work. Therefore, in 2021 we implemented a Whistleblowing Policy to ensure our employees can report concerns about actual or potential misconduct, so that Huuuge can address the concerns and resolve any issues. Now our team members can easily report any kind of irregularities, such as: corruption, fraud as well as unethical behavior, the violation of Huuuge's Code of Conduct and other policies or regulations that they have witnessed by using the Whistleblowing Reporting Tool. Huuuge prohibits retaliation, reprisal and harassment in any form against anyone reporting Misconduct.

HUUUGE AS AN EMPLOYER

The art of creating great games has been mastered by only a small group of people across the globe. Huuuge goes where these talented people are. We have built, and will continue to build, a global team of teams to make sure we tap into the globe's best game industry experts. Our talent-centric strategy is a prominent force behind our growth strategy. We are super proud of Team Huuuge. We can confidently say that we have built one of the best games industry teams worldwide. To hire and retain these amazing talents we make sure to offer a world class employee experience including things such as:

- a fun start up culture which promotes an informal and a transparent work environment where managers are accessible and hands-on and where the team is open minded and diverse;
- a work environment which promotes professionalism, excellence, and cherishes knowledge sharing, and self-development;
- a competitive global compensation strategy that is strongly aligned with business targets;
- a prominent employee welfare strategy which puts both the personal and professional needs of employees at the forefront.
- 2020 was a unique year for our team due to the Covid reality but we are happy to say that as a team of teams we are doing well and that given our already dispersed environment we easily adapted our operations to the work-from-home reality. To make sure our employees were safe and sound we built an active Covid task force which carried out many programs to promote the mental and physical health as well as the safety and comfort of our employees.

2020 was a unique year for our team due to the Covid reality but we are happy to say that as a team of teams we are doing well and that given our already dispersed environment we easily adapted our operations to the work-from-home reality. To make sure our employees were safe and sound we built an active Covid task force

which carried out many programs to promote the mental and physical health as well as the safety and comfort of our employees.

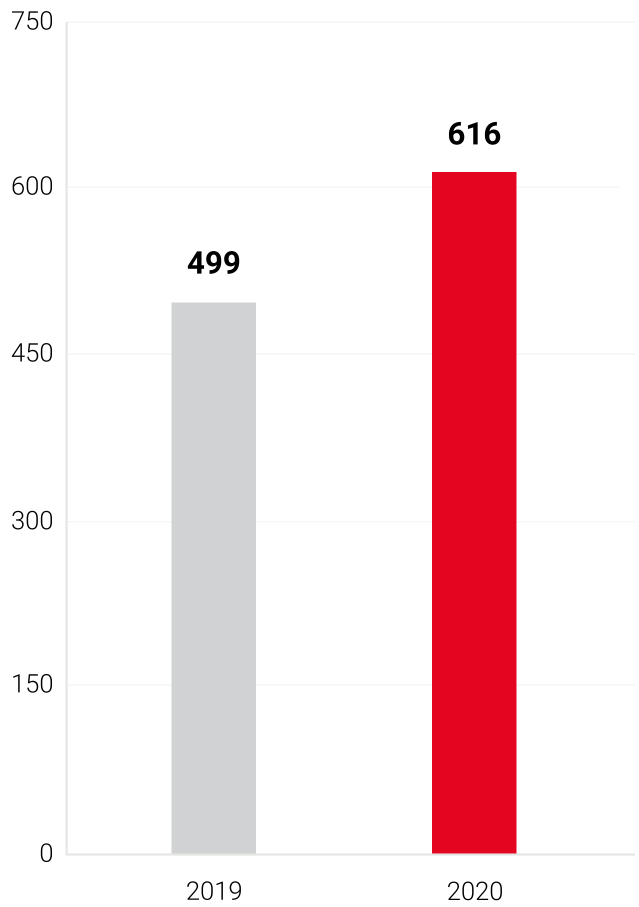
616
team members

More than
24
nationalities

34
average age

10
offices across the globe

No. of employees (end of the year)



Employment & Diversity

Our global and diverse Team Huuuge consisted of 616 people (both temporary and permanent employees) as at December 2020. To support our growth we grew in numbers in every area of our business during 2020. We spent a lot of time to make sure we grow the team responsibly both in terms of quality and quantity and without creating unnecessary operational overheads or costs.

Headcount at year-end	**As of December 31, 2020**	**As of December 31, 2019**
Sales and marketing	142	138
Game development	371	284
Back office	92	71
Executive and business management	11	6
Total number of employees	**616**	**499**

Diversity at Huuuge

At Huuuge we actively promote diversity. As a global team of teams with members from so many countries, cultures, and backgrounds we are in many ways diverse at our core. We have teams in Poland, Israel, Finland, Ukraine, USA, Hong Kong, London, and Cyprus. This multi-cultural reality demands an open-minded culture which embraces any person as long as they are a team player and a professional. 26% of our global team are female and we actively work on constantly increasing this ratio.

Learning & Development

Professionalism and self-development are at the top of our agenda all the time and in 2020 we invested in them heavily. One of the ways we promote professionalism and self-development is through our Learning and Development activities. In 2020, Huuuge was focused on establishing our next generation technical infrastructure as a part of the Human Resources Information System (HRIS) to support the further expansion and pursuit of our learning and development activities.

The Environment

Ecology has an important place in our Huuuge hearts. We do not advertise with big marketing campaigns and staged events. Instead we take small but important actions that really make a difference. In our offices we serve filtered water from the tap. Recently we have begun reducing plastic bottles and replacing them with cans or glass bottles. Having our employees' health in mind, we'are trying to cut down on sugar and replace sweet drinks with healthier alternatives.

We segregate waste and reduce unnecessary printing. The last person leaving the office – whether it is an employee or a cleaning person – is obliged to turn off the lights of which we remind people with fun stickers placed on the front doors.

We have provided our employees with the use of rental bikes to allow them to commute to the office in a more ecological and healthy way.– This is also safer in the times of the pandemic as it allows them to avoid using public transport.

2020 Learning and Development Activities

Development Activities	Participants	Hours
E-learning	73	584
Wokshops/Training	215	3,440
Language courses	120	461
Continuous Feedback Program	347	97
Players Service Program	26	78
Huuuge Manager Program	83	584
TOTAL		**5,244**

CORPORATE GOVERNANCE STATEMENT

04

GENERAL MEETINGS

Convening a General Meeting

Pursuant to the Bylaws, the President may call a Special General Meeting (SGM) at the written request of the Company's shareholders owning shares of the Company representing at least 10% of the voting rights.
Upon the request to convene such a meeting, the Board of Directors determines the date, time and place, if any, of such meeting, which must be scheduled not less than thirty (30) days and not more than ninety (90) days after the Company Secretary receives the said request. The Secretary prepares the relevant notification. No business may be discussed at an Special General Meeting other than that specified in the notice to the shareholders.
An SGM may only discuss such business as has been included on the agenda by the Board of Directors, Chairman of the Board of Directors or President, or included in the notice sent out at the shareholders' written request as described above.

Notice of a General Meeting

Pursuant to the Bylaws, whenever shareholders are required or permitted to take any action at a meeting, a timely notice will be mailed or transmitted electronically by the Company Secretary to each shareholder of record entitled to vote in accordance with the records as at the record date for the meeting. Unless otherwise stipulated by the Certificate of Incorporation or the applicable laws, notice of a meeting should be given not less than 10 or more than 60 days before the date of the meeting to each shareholder entitled to vote at such meeting.
We intend to introduce additional procedures concerning notification and voting at General Meetings. We will notify shareholders about the date on which the list of persons entitled to participate in a General Meeting is drawn up (record date), and about the place, date and agenda of the General Meeting and will publish other relevant information, including all details concerning the General Meeting, in the form of an announcement, on our website: www.huuugegames.com, no later than two weeks prior to the date of drawing up the list of participants.

Quorum

Pursuant to the Bylaws, unless otherwise stipulated by law or by the Certificate of Incorporation, all meetings of shareholders, annual or special, a quorum requires the presence, either in person or by proxy, of holders of at least one-third of the voting rights carried by the issued and outstanding shares entitled to vote The majority of the votes cast is decisive for passing or rejecting a resolution.

Voting and proxies

Pursuant to the Certificate of Incorporation all shares of the Series A Preferred Shares, Series B Preferred Shares and Series C Preferred Shares were converted into Common Stock (1:1) (subject to any adjustment for stock split, stock dividend, reclassification, recapitalization or similar event). The Company also issued two Preferred Shares: one Series A Preferred Share to Raine and one Series B Preferred Share to Big Bets (a company controlled by Anton Gauffin). The newly issued Preferred Shares carry the same voting rights as the Common Shares.
Each Common Shares and each Preferred Share carries one vote. Unless otherwise expressly required by law or stipulated in the Certificate of Incorporation, both the holders of Common Shares and of Preferred Shares shall vote together as a single class on all matters submitted to a shareholders' vote.

Powers of the General Meeting

Pursuant to the Certificate of Incorporation, any amendment, alteration, or repeal of the provisions concerning: (a) the right of the holders of 10% of the total votes to request convening an SGM, (b) the quorum required at a General Meeting, (c) the number of Directors, their term of office, appointment and dismissal, and independence criteria; and (d) the Audit Committee (except for any amendment required under the applicable law), shall in each case be approved by an affirmative vote of the holders of the majority of the outstanding shares carrying voting rights. Notwithstanding anything to the contrary contained in the Certificate of Incorporation, for the Company to incur debt exceeding twice its consolidated EBITDA (i.e. net result for the year adjusted for income tax, finance costs, finance income, and depreciation and amortization) for the last four fiscal quarters for which financial statements are available requires the approval of the majority of the directors then in office, including the Series A Director.

BOARD OF DIRECTORS

The Board of Directors consists of five persons elected at the Annual General Meeting (AGM) for a term of office ending on the date of the following AGM or on the date of election of the next directoror on a director's earlier resignation or dismissal. At least two out of the five persons must meet the independence criteria adopted or accepted on the WSE, including the criteria referred to in Annex II to the European Commission recommendation of 15 February 2005 on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board.

The following table summarizes the most important information about acting members of the Board of Directors as at the date of this Annual Report.

Name	Function	Year of appointment for current term of office	Year of expiry of term of office
Anton Gauffin	Chief Executive Officer & executive director	2021	2022
Henric Suuronen	Non-executive director	2021	2022
John Salter	Non-executive director	2021	2022
Rod Cousens	Non-executive director (independent)	2021	2022
Krzysztof Kaczmarczyk	Non-executive director (independent)	2021	2022

Effective February 3, 2021, the holders of all of the Company's outstanding Preferred Shares and the holders of the majority of the Company's Common Shares adopted resolutions by written consent without a meeting in accordance with Section 228 of the Delaware General Corporation Law electing the following persons to the Company's Board of Directors: Krzysztof Kaczmarczyk, Rod Cousens, John Salter, Anton Gauffin and Henric Suuronen, each to serve until the next AGM for the election of directors and until such directors' successors are duly elected unless any of the directors dies, resigns, is dismissed or retires earlier.

The Board of Directors supervises the preparation of the Group's consolidated financial statements and is required to ensure that the Group's consolidated financial statements and the business statements comply with legal requirements. The President of the Company approves and signs the Group's consolidated financial statements. Substantially the same procedures apply to the Company's stand-alone financial statements.

Committees

The Board of Directors has established the following committees: the Audit Committee and the Nomination and Remuneration Committee.

The Board of Directors has appointed from among its members the following persons to the Audit Committee:

- Mr Krzysztof Kaczmarczyk (President of the Audit Committee)
- Mr Rod Cousens
- Mr John Salter

Krzysztof Kaczmarczyk is the member of the Audit Committee with knowledge and skills in accounting and finance and Rod Cousens is the member of the Audit Committee with knowledge and skills in the industry in which the Company operates.

The Company's Board of Directors appointed the Audit Committee on February 5, 2021. The Audit Committee is responsible for supervising the Company's financial matters and monitoring the implementation and maintenance of internal control, risk management, compliance and internal audit systems in the Company. Its scope of activity includes advising and consulting on financial reporting and auditing financial statements by a statutory auditor which constitute actions in the competences of the Board of Directors.

In 2020, four meetings of the Board of Directors were devoted to the performance of the duties of the Audit Committee.

The Board of Directors has appointed from among its members the following persons to the Nomination and Remuneration Committee:

- Mr Krzysztof Kaczmarczyk (Chairman of the Nomination and Remuneration Committee)
- Mr Rod Cousens
- Mr John Salter

The tasks of the Remuneration and Nomination Committee consist of (a) preparing and periodically reviewing the Group's compensation policy and principles, the performance criteria related to compensation and a periodical review of their implementation as well as submitting proposals and recommendations to the Board of Directors, and (b) preparing all relevant decisions of the Board of Directors concerning the nomination of members of the Issuer's Board of Directors as well as submitting proposals and recommendations to the Board of Directors.

Appointment of management

Pursuant to the Certificate of Incorporation, the Board of Directors is comprised of five Directors, of which (i) one Director (the "Series A Director") is elected by holders of the majority of Series A outstanding Preferred Shares carrying voting rights by submitting to the Board of Directors written consent signed by holders of the majority of Series A Preferred Shares, (ii) two Directors (the "Series B Directors"), provided that such Series B Director, to be qualified, shall be Anton Gauffin, will be elected by the holders of the majority of outstanding Series B Preferred Shares entitled to vote at such a meeting by providing the Board of Directors with written consent, and (iii) the remaining Directors will be elected by the holders of Common Shares carrying the same voting rights voting together as a single class.

In accordance with the Certificate of Incorporation, any Director elected, as stipulated above, by holders of Series A Preferred Shares or Series B Preferred Shares may be removed without cause, exclusively by an affirmative vote of the holders of the majority of the outstanding Series A Preferred Shares or Series B Preferred Shares, acting as a separate class, either at an SGM duly called for that purpose or pursuant to the written consent of such shareholders. In addition, in accordance with the applicable law, any director so elected may be removed with cause by the majority of holders of shares carrying the respective voting rights. The Series A Director or Series B Director(s) may not be appointed by shareholders of the Company other than by holders of Series A Preferred Shares or Series B Preferred Shares, voting together. Any director (other than a Series A Director or Series B Director) may be removed at any time without cause by an affirmative vote of the holders of the majority of outstanding Common Shares entitled to vote thereon, voting together as a single class. In addition, in accordance with the applicable law, any director (other than a Series A Director or Series B Director) may be removed with cause by the majority in votes cast by the holders of shares carrying the respective voting rights.

EXECUTIVE MANAGEMENT

The Chief Executive Officer (CEO) is responsible for managing and controlling Huuuge's business and day-to-day operations in accordance with the guidelines and instructions of the Board of Directors. It is the duty of the CEO to ensure that Huuuge's operations are in compliance with the laws and regulations applicable at the time. The CEO is the chairman of the Executive Team.

On February 12, 2015, Mr Anton Gauffin was appointed President and CEO of Huuuge, Inc. and is in this position to date. Mr Anton Gauffin also holds a position of the Secretary of the Company. The Treasurer of the Company is Grzegorz Kania.

The Executive Team consists of four members: the Chief Executive Officer (CEO), Chief Marketing Officer (CMO), Chief Operating Officer (COO), and Chief Financial Officer (CFO).

As at the date of publication of this annual report, it is represented by the persons presented in the chart below. Biographies of the members of the Executive Team are posted on our website.

Anton **Gauffin**
CEO Helsinki

Tal **Shoham**
CMO Tel Aviv

Elad **Kushnir**
COO Tel Aviv

Grzegorz **Kania**
CFO Warsaw

The Executive Team assists the CEO in planning operations and their management, as well as preparing matters for discussion by the Board of Directors. Executive Team meetings are convened by the CEO on a regular basis. The Executive Team prepares the Huuuge Group's strategic and annual planning, supervises the implementation of plans and financial reporting, and prepares significant investments as well as mergers and acquisitions.

The Executive Team members have authority within their individual areas of responsibility and their duties are to develop the Company's operations in accordance with the targets set by the Board of Directors and the CEO. In addition to their main duties, the Executive Team members may also be members of the Boards of subsidiaries.

AUDITOR

The election of an independent auditor to audit the financial statements of the Group is one of the powers of the Company's Board of Directors. On February 5, 2021, the Company's Board of Directors adopted a "Policy for selecting and appointing an audit firm to audit the financial statements of Huuuge, Inc. and the Huuuge, Inc. Group". Once cooperation between the Company and the appointed audit firm has ended, the selection and appointment of another audit firm will be subject to the provisions of the aforementioned Policy.

In relation to the IPO, , after reviewing a few offers and after receiving recommendations from the Company's CEO, the Board of Directors selected the audit firm PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością Audyt sp. k. as the entity authorized to: (i) audit the Group's consolidated financial information for 2017, 2018 and 2019, and (ii) review the Group's interim consolidated financial statement for the 9 months period ended September 30, 2020 and (iii) to provide any other services customary for the transaction of this type. Such services does not constitute statutory audit services and before selection of PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnoscią Audyt sp. k. the Board of Directors conducted assessment of the threats to independence of the audit firm and the safeguards applied to mitigate those threats.

On January 25, 2021 the Board approved the appointment of PricewaterhouseCoopers Polska Spółka z ograniczoną odpowiedzialnością Audyt Sp. k. as auditor for the consolidated financial statements and the standalone financial statements of Huuuge, Inc. - both as at and for the year ended December 31, 2020. The final contract with PwC was signed on February 16, 2021.

The remuneration of the auditor has been described in Note 30 of the Consolidated Financial Statements.

RISK FACTORS

Internal Risk Factors

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

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

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

Currently, we derive nearly all of our revenue (97.9% in 2020, 99.5% in 2019) from in-app purchases. Our games are available to players for free; we generate revenue from them only if they make in-app purchases above and beyond the level of free features provided as part of the game. Our games also contain in-app purchases relating to items other than virtual currency such as "passes" granting players access to features such as mini games. If we fail to offer games that entice players to make in-app purchases or if we fail to properly manage the economics of free versus paid currency, this could materially and adversely affect our business, operating results and financial condition.

Dependence on a small number of players

We rely on a small percentage of our players for nearly all of our revenue, which could negatively affect our business. For example, in 2019 and 2020, 6.5% and 7.4% of our players made purchases in our top two franchises, Huuuge Casino and Billionaire Casino, respectively. In order to sustain or increase our revenue levels, we need to attract new paying players or increase monetization across the current player base. If we fail to grow or maintain the number of paying players, or if the rate at which we add paying players or the average amount our paying players spend declines, this could adversely affect our business, operating results and financial condition.

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

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

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

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

Dependence on third parties services

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

We are highly dependent on distribution platforms when offering our games to players. Any adverse changes in our existing arrangements with these third parties, including an inability to fulfill their obligations in a timely manner or an inability to enter into or renew arrangements on favorable terms, if at all, could reduce the quality, revenue or availability of our games.

Disruption of IT infrastructure, networks and systems

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

Some of such infrastructure, networks and systems are managed or provided by third parties. These third parties are typically under no obligation to renew agreements relating to such infrastructure, networks and systems and there is no guarantee that we will be able to renew these agreements on commercially reasonable terms, or at all. In addition, our information technology infrastructure, networks and systems, including those operated by third parties, may experience breaks, suspensions, or stoppages of service or we may experience system crashes in connection with system integration or migration work. Any disruption or failure in these infrastructure, networks and systems could adversely affect the availability of games, could slow them down or otherwise disrupt the functionality or operations of the relevant business.

Failure to successfully pursue or implement new business initiatives

In order to grow our business, we need to evaluate, consider and effectively implement new business initiatives, such as entry into the bingo games market, the development of the new live social gaming platform and the further development of our publishing activities. Management may not properly ascertain or assess the risks associated with these new initiatives and subsequent events may arise that would render our initial assessment of the economic merits of a particular initiative uneconomic.

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

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

Revenue concentration in a small number of games

The majority of our revenue is generated by a small number of our games which could negatively affect our business. A majority of our revenue is generated by a limited number of games, and we expect that this concentration will continue in the future. For example, our most popular games generating the highest revenue are Huuuge Casino and Billionaire Casino. These top two franchises historically have contributed the majority of our revenue, accounting for 93.6% and 97.0% of our revenue in 2020 and 2019, respectively, and we expect this to continue to be the case over the next several years. If we are unable to diversify our portfolio of games in the long run and increase the popularity and improve the monetization of our existing games or the games we develop in the future, it could have a material adverse effect on our business, operating results and financial condition.

Deficiencies in the internal control over financial reporting

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

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

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

We have grown significantly in recent years and we intend to continue to expand the portfolio and geographic reach of the games we offer, including through the further development of our publishing activities. Our revenue increased to USD 332.7 million in 2020, from USD 259.4 million in 2019, and USD 236.1 million in 2018, reflecting a compound annual growth rate (“**CAGR**”) of 18.7 %.

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

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

Real or perceived inaccuracies in our performance metrics

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

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

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

Ineffective protection of our intellectual property

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

While we create most of the intellectual property we use internally, we also license intellectual property such as, in particular, games (as a whole) and software development kits ("SDKs") from third parties. In particular, our games use SDKs provided by, among others, Facebook and Google. We also purchase or license, in whole or in part, photos, videos and audio used in our games from third parties, including Shutterstock and Envato. We rely on licenses for all of our third-party publishing. While the revenue generated by our third-party publishing titles is not significant, amounting to 3.3% of revenue in 2020, we expect our third-party publishing activities to represent an increasing proportion of revenue going forward.

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

Ineffective protection of confidential information

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

Third party intellectual property rights may limit our development

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

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

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

Undetected errors, bugs or vulnerabilities

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

Cyber-attacks, piracy, database security breaches

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

Any security breach or incident that we experience could result in unauthorized access to, misuse of, or unauthorized acquisition of our or our players' data, the loss, corruption or alteration of this data, interruptions in our operations, unavailability or malfunctioning of our games, or damage to our computers or systems or those of our players or third party platforms. Furthermore, third parties, such as hosted solution providers or third-party platform operators that provide us services, could also be a source of security risks in the event of the failure of their own security systems and infrastructure.

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

Relying on experienced and talented employees

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

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

Fluctuations in foreign exchange rates could negatively impact our business.

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

For further information on the Group's exposure to foreign exchange rate volatility for the most significant currencies, see Note 15 to our Consolidated Financial Statements as at and for the year ended December 31, 2020.

Relying on advertising revenue in non-social casino games

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

Risk of hacking into our games

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

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

Changes in tax laws or tax rulings, or the examination of our tax position, could materially affect our financial condition and results of operations. We are subject to complex tax legislation in the various countries in which we operate. In particular, given the international scope of our business and our structure, we are subject to rules on transfer pricing. Moreover, GAAR and the focus of tax regulations on real business substance may have an increasing impact on international taxation.

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

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

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

If the relevant tax authority challenges our tax position, through audits or otherwise, and is successful, our

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

External Risk Factors

Competition in the gaming industry

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

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

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

In some jurisdictions, there is growing opposition from regulators, public interest groups and/or media toward mobile and online gaming, including social casino games or social gaming, as well as toward specific in-game features, such as loot boxes. Such opposition could lead these jurisdictions to adopt legislation or impose or enforce an existing regulatory framework to govern mobile and online gaming, broadly or more specifically, for example social gaming, or in-game features like loot boxes.

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

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

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

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

In July 2020, the English House of Lords Select Committee on the Social and Economic Impact of the Gambling Industry published a report that explicitly called for the UK government to specify that "loot boxes and any other similar games are games of chance", and, therefore are subject to gambling regulations. Courts may also interpret applicable laws in a manner adverse to us, notwithstanding the position taken by the relevant gambling authority. For example, in 2018, the United States Court of Appeals for the Ninth Circuit held that the plaintiff had stated a cognizable putative class action claim that a social casino game falls within Washington State's statutory definition of illegal gambling as the virtual chips are a "thing of value".

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

We believe that our games do not constitute gambling in the jurisdictions in which we operate, particularly due to the free access and lack of monetary rewards; however, we cannot exclude the possibility that gambling licensing, judicial or similar authorities in certain jurisdictions will interpret applicable existing or new laws in a manner classifying our games as gambling or requiring that certain in-game features (e.g. features that are deemed to be "loot boxes") be limited or excluded. If any authority issues such an interpretation, we may be sued on the basis of that interpretation. Moreover, if our games are considered to be gambling in jurisdictions that prohibit online gambling, we may be forced to cease offering our top grossing games in such jurisdictions. There is a risk that further legislative or regulatory developments could curtail our offering of games in certain jurisdictions, result in a prohibition on mobile or online gaming, interactive social gaming altogether in the jurisdictions in which we operate, restrict our ability to advertise our games, allow our players to claim damages related to the use of our games, raise consumer protection claims, substantially increase the cost of complying with applicable regulations, or subject us to fines or other regulatory actions, any of which could have an adverse effect on our business, operating results and financial condition.

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

We have been party to, are currently party to, and in the future may become subject to additional legal proceedings in the operation of our business, including, but not limited to, with respect to consumer protection, gambling related matters, employee matters, alleged service and system malfunctions, alleged intellectual property infringement and claims relating to our contracts, licenses and strategic investments.

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

On or about April 6, 2018, a putative class action complaint was filed against us in the U.S. District Court for the Western District of Washington by a player plaintiff. The complaint sought damages for alleged violations of Washington law associated with plaintiff's alleged in-app purchases within one or more of our games. Specifically, the plaintiff alleged violations for the recovery of money lost in gambling and for violations of the Washington Consumer Protection Act. The plaintiff additionally sought damages for unjust enrichment. The parties mediated on June 15, 2020 and reached agreement on a term sheet on a class action basis on June 16, 2020. On August 23, 2020, a class action settlement agreement was concluded between the class representatives, including the plaintiff, and filed with the court, intending to fully, finally and forever resolve, discharge and settle the claims related to this suit. As of the date this Offering Memorandum, the settlement agreement has received preliminary approval from the court and is pending final court approval. As of December 31, 2019, we recognized a provision in the amount of USD 6,500 thousand for settlement of the pending litigation.

We may incur significant expenses defending any lawsuits to which we may be a party. We have not received notice of any investigation or complaint by the Washington Attorney General or any other official in the State of Washington. We have received player complaints from Oregon, California and Oklahoma, but none of these matters progressed after we attempted to contact the relevant players to resolve their concerns. Even though no follow-up investigation was undertaken by any of the agencies, additional legal proceedings targeting our social casino games and claiming violations of state, federal or local laws in jurisdictions where we operate also could occur based on the unique and specific laws of each jurisdiction.

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

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

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

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

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

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

Our operations depend on the use of third-party platforms which offer our games which could negatively affect our business

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

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

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

Moreover, Internet-connected devices and operating systems controlled by third parties increasingly contain features that allow device users to disable functionality that allows for the delivery of advertising on their devices, including through Apple's Identifier for Advertising, or IDFA, or Google's Advertising ID, or AAID, for Android devices. Device and browser manufacturers may include or expand these features as part of their standard device specifications. For example, when Apple announced that UDID, a standard device identifier used in some applications, was being superseded and would no longer be supported, application developers were required to update their apps to utilize alternative device identifiers such as universally unique identifier, or, more recently, IDFA, which simplifies the process for Apple users to opt out of behavioral targeting. If players elect to utilize the opt-out mechanisms in greater numbers, our ability to deliver effective targeted advertisements would suffer, which could adversely impact our revenues from in-game advertising which is currently less than 5% of Huuuge's overall revenue.

In addition, new regulations and increased focus on data protection may result in changes in the data protection policies of the platform providers, which we will be required to implement. We cannot exclude the possibility that our games, in particular social casino games, will be targeted by other limitations introduced by third party platform providers or our advertising and marketing partners concerning, among others, user acquisition and advertising revenue.

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

Operating in multiple jurisdictions and locations

Although the U.S. is our most significant market in terms of revenue, we generate revenue across multiple jurisdictions. Our main operations, including game development operations, are located in Poland. We operate ten offices in different cities worldwide, including Tel Aviv, Israel; Limassol, Cyprus, and Las Vegas, Nevada.

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

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

Risks Related to Shares

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

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

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

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

The Company may issue new shares without the shareholders' consent

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

Enforcement of judgments against the Company may be hindered

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

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

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

Limited liability of the Company's Directors and Officers

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

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

Procedures introduced by the WSE could be insufficient

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

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

Acquisition of a Delaware company is more difficult

The laws of the State of Delaware and provisions in corporate documents may discourage investors to take control of the Company, which may result in a decline in the market price of the shares. The Company is a Delaware corporation. The corporation laws of the State of Delaware contain various provisions which may make taking control of the Company by third parties difficult, even if such a takeover would be advantageous to its shareholders.

Risk Management

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

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

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

BEST PRACTICES

In recent years, the Company has adhered exclusively to the corporate governance rules prevailing in its home jurisdiction, i.e. the DGCL (Delaware General Corporate Law). In 2020, the Company, before being listed as a public company, did not apply corporate governance rules of the WSE Best Practices.

Since February 19, 2021 the Company has applied WSE Best Practices, except for the principles that cannot be adhered to or which are impracticable due to the differences between the U.S. and Polish legal system or where this contradicts the provisions of Delaware or U.S. federal law.

The WSE Best Practices are available both in English and Polish on the Warsaw Stock Exchange website at https://www.gpw.pl/best-practice.

On April 19, 2021, the Company made public a report on the scope of application of best practices which it posted on its website, in accordance with the requirements of principle I.Z.1.13, information on the status of application by the Company of the recommendations and principles contained in the WSE Best Practices.

Non-compliance with the WSE Best Practices

According to the current status of compliance with the Best Practice, the Company does not apply 3 recommendations: II.R.2., IV.R.1., V.R.1.

According to the current status of compliance with the Best Practice, the Company does not apply 12 detailed principles: I.Z.1.3., I.Z.1.15., I.Z.1.19., II.Z.1., II.Z.2., IV.Z.4., IV.Z.12., IV.Z.13., IV.Z.15., IV.Z.18., V.Z.5., VI.Z.2.

I.Z.1.3. A company should operate a corporate website and publish on it, in a legible form and in a separate section, in addition to information required under the legislation:

a chart showing the division of duties and responsibilities among members of the management board drawn up according to principle II.Z.1;

The principle is not applied.

Comments of the Company: The principle is not applicable. According to the Company's organizational structure, the President is responsible for the day-to-day management of the Company. Other members of key management, responsible for specific areas of the Group operations are not members of the Board of Directors, and are subordinated to the President. Therefore, the Company is not able to provide a chart indicating the specified scope of duties of the President.

I.Z.1.10. financial projections, if the Company has decided to publish them, published at least in the last five years, including information about the degree of their implementation;

The principle not applicable.

Comments of the Company: The Company does not publish financial projections.

I.Z.1.15. information about the Company's diversity policy applicable to the Company's governing bodies and key managers; the description should cover the following elements of the diversity policy: gender, education, age, professional experience, and specify the goals of the diversity policy and its implementation in the reporting period; where the Company has not drafted and implemented a diversity policy, it should publish the explanation of its decision on its website;

The principle is not applied.

Comments of the Company: The Company does not determine the composition of the Company's Board of Directors in terms of gender diversity but focuses on the quality of management. The Company has a neutral employment policy and works in line with best practices of gender equality. Nevertheless, the Company is considering increasing diversity in the Board of Directors and key management, taking into consideration various factors, such as the size of the Company's Board of Directors and key management, talent available on the market and the Company's global identity.

I.Z.1.19. shareholders' questions asked to the management board pursuant to Article 428 § 1 or § 6 of the Commercial Companies Code together with answers of the management board to those questions, or a detailed explanation of the reasons why no answer is provided, pursuant to principle IV.Z.13;

The principle is not applied.

Comments of the Company: The principle is not applicable. The Company is a Delaware company, therefore Article 428 § 1 or § 6 of the Commercial Companies Code does not apply to the Company. However, the Company intends to maintain an information policy based on active communication with the investors.

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II.R.2. Decisions to elect members of the management board or the supervisory board of a company should ensure that the composition of these bodies is comprehensive and diverse, among others, in terms of gender, education, age and professional experience.

The principle is not applied.

Comments of the Company: The Company does support the above recommendation; however, it also exercises a policy of employing within the Company persons who are competent, creative and have the professional experience and education necessary to perform their duties. As at the date of the Company's admission to trading on the Warsaw Stock Exchange, the Company does not ensure a balanced participation of men and women on the Company's Board of Directors, however the Company will consider introducing balanced participation of women and men in the future.

II.Z.1. The internal division of responsibilities for individual areas of the Company's activity among management board members should be clear and transparent, and a chart describing that division should be available on the Company's website.

The principle is not applied.

Comments of the Company: The principle is not applicable. According to the Company's organizational structure, the President is responsible for the day-to-day management of the Company. Other members of key management, responsible for specific areas of the Group operations are not members of the Board of Directors, and are subordinated to the President. Therefore, the Company is not able to provide a chart indicating the specified scope of duties of the President.

II.Z.2. A company's management board members may sit on the management board or supervisory board of companies other than members of its group subject to the approval of the supervisory board.

The principle is not applied.

Comments of the Company: According to the Company's Certificate of Incorporation, the consent of the Board of Directors is not required for the President (or any Director) to sit on the management or supervisory board of companies other than members of the Company's group.

IV.R.1. Companies should strive to hold an annual general meeting as soon as possible after the publication of an annual report and set the date in keeping with the applicable legislation.

The principle is not applied.

Comments of the Company: The Issuer will not hold any Annual General Meeting in 2021 as it was not required to do so under the DGCL (the election of the Board of Directors members in 2021 was done without a meeting in accordance with DGCL). However, during the Company's next annual shareholders' meeting, to be held in 2022, the Board of Directors would put on the meeting agenda, in addition to any agenda items that are legally required, management's presentation of the Company's fiscal year 2021 annual report and a shareholder vote on the approval of the 2021 annual report.

IV.R.3. Where securities issued by a company are traded in different countries (or in different markets) and in different legal systems, the Company should strive to ensure that corporate events related to the acquisition of rights by shareholders take place on the same dates in all the countries where such securities are traded.

The principle is not applicable.

Comments of the Company: Shares issued by the Company are listed only on the market operated by the Warsaw Stock Exchange.

IV.Z.4. If the management board becomes aware of a general meeting being convened pursuant to Article 399 § 2 – 4 of the Commercial Companies Code, the management board should immediately take steps which it is required to take in order to organize and conduct the general meeting. The foregoing applies also where a general meeting is convened under authority granted by the registration court according to Article 400 § 3 of the Commercial Companies Code.

The principle is not applied.

Comments of the Company: The principle is not applicable. The Company is a Delaware company, therefore the provisions of the Commercial Companies Code do not apply to the Company.

IV.Z.12. The management board should present to participants of an ordinary general meeting the financial results of the Company and other relevant information contained in the financial statements to be approved by the general meeting.

The principle is not applied.

Comments of the Company: During the Company's next annual shareholder meeting, to be held in 2022, the Board of Directors would put on the meeting agenda, in addition to any agenda items that are legally required, management's presentation of the Company's fiscal year 2021 financial statements and a shareholder vote on the approval of the 2021 financial statements.

IV.Z.13. If a shareholder request information about the Company, the management board of the Company should provide an answer to the shareholder's request within 30 days or inform the shareholder of its refusal to provide such information where the management board has made such decision pursuant to Article 428 § 2 or § 3 of the Commercial Companies Code.

The principle is not applied.

Comments of the Company: The principle is not applicable. The Company is a Delaware company, therefore the provisions of the Commercial Companies Code do not apply to the Company.

IV.Z.15. A resolution of the general meeting concerning an issue of shares with subscription rights should specify the issue price or the mechanism of setting the price, or authorize the competent governing body to set the price prior to the subscription right record date within the timeframe necessary for investors to make decisions.

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The principle is not applied.

Comments of the Company: The principle is not applicable. The Company is a Delaware company, therefore the provisions of the Commercial Companies Code do not apply to the Company. The shares are issued by the Board of Directors.

The Company's Certificate of Incorporation provides limited pre-emptive rights to the Company's shareholders. In the event the pre-emptive rights apply, the Board of Directors is allowed to specify the issue price or the mechanism of setting the price at its own discretion.

IV.Z.18. A resolution of the general meeting to split the nominal value of shares should not set the new nominal value of the shares below PLN 0.50, which could result in a very low unit market value of the shares, and which could consequently pose a threat to the correct and reliable valuation of the Company listed on the Exchange.

The principle is not applied.

Comments of the Company: The principle is not applicable. The Company is a Delaware company. Pursuant to the Certificate of Incorporation the nominal value of shares in the Company is USD 0.00002. However, when considering further splits of shares, the Company should take the unit market value of shares into consideration.

V.R.1. Members of the management board and the supervisory board should refrain from professional or other activities which might cause a conflict of interest or adversely affect their reputation as members of the governing bodies of the Company, and where a conflict of interest arises, immediately disclose it.

The principle is not applied.

Comments of the Company: The Certificate of Incorporation of the Company expressly allows Directors to engage in the same or similar activities or related lines of business as those in which the Company, directly or indirectly, may engage and/or other business activities that overlap with or compete with those of the Company. Moreover, certain Directors of the Company hold a seat in companies operating in the same industry as the Company.

V.Z.5. Before the Company concludes a significant agreement with a shareholder who holds at least 5% of the total vote in the Company or with a related party, the management board should request the supervisory board's approval of the transaction. Before giving its approval, the supervisory board should evaluate the impact of the transaction on the interest of the Company. The foregoing does not apply to typical transactions and transactions at arm's-length made as part of the Company's operations between the Company and members of its group. If the decision concerning the Company's significant agreement with a related party is made by the general meeting, the Company should give all shareholders access to the information necessary to assess the impact of the transaction on the interest of the Company before the decision is made.

The principle is not applied.

Comments of the Company: The Certificate of Incorporation of the Company does not provide for any requirements relating to the approval of the transactions with significant shareholders or related parties.

VI.Z.2. To tie the remuneration of members of the management board and key managers to the Company's long-term business and financial goals, the period between the allocation of options or other instruments linked to the Company;s shares under the incentive scheme and their exercisability should be no less than two years.

The principle is not applied.

Comments of the Company:
The Company has two share-based option programs in place. The first share option program (the employee share option plan) was established by the Board of Directors on April 3, 2015, the second one on October 19, 2019. The programs entitle employees and some consultants of the Company and subsidiaries to purchase shares in the Company at a specified price once the option is 'vested' and provided that the option has not expired. Each option gives the right to acquire one common share in the Company.
Both share-based option programs give the right to exercise stock options (at least partially) before the lapse of a two-year period of being granted.

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AGREEMENTS WITH THE BOARD OF DIRECTORS

Except for the transactions mentioned below, the remuneration paid by the Issuer to members of the Board of Directors and share options owned by members of the Board of Directors and the reimbursement of travel expenses and accommodation costs incurred by board members related to their work, there were no other transactions between the Issuer and members of the Board of Directors. Reimbursement of travel expenses and accommodation costs in the year ended December 31, 2020 amounted to USD 0.7 thousand.

Amounts of remuneration and benefits in kind of members of the Board of Directors in the year ended December 31, 2020

Name	Function	Base salaries	Bonuses1	Benefits in kind2	Share-based payments
Anton Gauffin	Chief Executive Officer & executive director	230.5	186.7	53.6	0
Henric Suuronen	Non-executive director	–	–	–	1
John Salter	Non-executive director	–	–	–	–
Sang-Ho Park	Non-executive director	–	–	–	–
Rod Cousens	Non-executive director (independent)	–	–	–	–
Krzysztof Kaczmarczyk	Non-executive director (independent)	–	–	–	–

1) Including accrued bonuses. The Company has no formal rules for the payment of cash bonuses to members of the Board of Directors; all such bonuses are paid on a discretionary basis.

2) Total benefts in kind comprising company cars, healthcare, life insurance, social fund benefts, devices such as mobile phones and modems)

On March 19, 2021, the Board of Directors approved the compensation of the members of the Board of Directors.

In accordance with the decision of the Board of Directors, the remuneration of Anton Gauffin, holding the positions of the President, Chief Executive Officer and Secretary of the Company, will consist solely of share options, including (i) 50,000 Base Options constituting compensation for the remainder of 2021 and vesting in accordance with the timetable specified in the stock option grant, (ii) 75,000 Performance Plan Options vesting in accordance with the timetable specified in the stock option grant and under the condition of meeting the 2021 EBITDA target, and (iii) 375,000 Long-Term Options vesting in accordance with the timetable specified in the stock option grant and under the condition of meeting the Company's market capitalization milestones. All the abovementioned 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 non-executive directors are remunerated with (i) a fixed annual salary and (ii) 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 Committee.

Shares or share options held by members of the Board of Directors

The table below presents the number of shares and share options held by members of the Board of Directors at the Annual Report publication date:

Name	Common Shares	Share Options Outstanding Under Equity Incentive Plan 2015	Share Options Outstanding Under Equity Incentive Plan 2019
Anton Gauffin (through Big Bets OÜ)[1]	25,849,505	0	0
Henric Suuronen	1,472,910	200,700	0

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

The table below presents detailed information on 200,700 options and RSUs outstanding under the Equity Incentive Plan 2015, held by Henric Suuronen:

Number of shares covered by the share options	Share options exercise price	Consideration for which share options were offered	Share option exercise period	Share option expiration date
200,700	USD 0.158 per share	The options were granted to Henric Suuronen for performing the duties of a member of the Board of Directors free of charge	5 years (Options for 50,220 shares which vested and became exercisable on February 1, 2019 and options for 4,108 shares which are to vest and become exercisable on the first day of each month thereafter	February 1, 2027

The Company has not concluded any agreements with members of the Board of Directors that would afford any remuneration payable on the day of stepping down from any position in the Company.

The Group has no separate or dedicated reserves against liabilities related to age or disability pensions or any other similar benefits.

Information on agreements known to the Company, including those concluded after the balance sheet date, which may result in future changes in the proportion of shares held by the existing shareholders and bondholders.

The Company is not aware of any agreements which may result in future changes in the proportion of shares held by the existing shareholders, except for possible changes in the proportion of shares resulting from:

- equity-settled share option programs in the Company (one employee share option plan was established by the Board of Directors on April 3, 2015 and the second one on October 19, 2019); and
- consideration to be paid to Double Star Oy by the Company, based on the share sale and purchase agreement dated July 16, 2020, in the form of shares of the Company upon satisfaction of certain conditions specified in the agreement relating to the EBITDA and revenue of Double Star Oy and subject to continuing employment of the sellers of Double Star Oy.

RELATED PARTIES

Transactions between the Company and its subsidiaries

Loan granted to Huuuge Global Ltd.

In 2017, the Company granted Huuuge Global Ltd. with its registered office in Cyprus a loan totalling USD 2,000 thousand, with an interest rate of EURIBOR 12M + 4%. The purpose of the loan was to finance the current operating activities of Huuuge Global Ltd. The loan was granted on an arm's length basis with a maturity date of 2022. The principal of the loan and interest due in the amount of USD 294 thousand, were paid back in full on December 14, 2020.

Loan granted to Huuuge Digital Ltd.

In 2020, the Company granted Huuuge Digital Ltd a loan of USD 600 thousand with an interest rate of 2% p.a. with a maturity of five years. On December 31, 2020 the total balance of the loans granted to Huuuge Digital Ltd. amounted to USD 1,487 thousand.

Transactions between the Company and Huuuge Global Limited

The Company buys some marketing services from third-party vendors, (primarily Facebook) and later recharges them to Huuuge Global Limited. There is no value added by Huuuge, Inc. in this process but changing the billing party by Facebook to Huuuge Global Limited would require setting up new accounts and would result in the need to optimize all user acquisition campaigns once again.

In the year ended December 31, 2020 these transactions amounted to USD 30,486 thousand and interest accrued on overdue receivables amounted to USD 0. As at December 31, 2020, unpaid marketing invoices amounted to USD 5,174 thousand, and unbilled revenue amounted to USD 580 thousand.

At the same time, the Company provided services to Huuuge Global Limited in the area of legal services and game development. The international character of the Group requires its legal department to hire people with high competences in this area. The decision to begin providing game maintenance and development services was related to the intention to establish a new office in Las Vegas.

In the year ended December 31, 2020 these transactions amounted to USD 9,317 thousand. As at December 31, 2020 the respective unpaid invoices amounted to USD 2,760 thousand, and unbilled revenue amounted to USD 6,557 thousand.

Services provided by Huuuge Games sp. z o.o to the Company

In 2020 Huuuge Games sp. z o.o. provided Huuuge, Inc. with some administration services such as the organization of Board of Directors meetings.

The value of such transactions in the year ended December 31, 2020 amounted to USD 1 thousand. As at December 31, 2020 the balance of unpaid invoices from such transactions amounted to USD 0.2 thousand.

Transactions between the Company and its shareholders

Except for the transactions mentioned below and transaction related to stock option program, there were no other transactions between the Company and its shareholders.

Based on the share purchase agreement dated January 29, 2020, RP II HGE LLC purchased from Huuuge, Inc. 490,167 preferred shares for a cash consideration of USD 9,681 thousand (USD 19.75 per share). The shares had been purchased from the Korean funds in December 2019 and had not been redeemed by Huuuge, Inc. (for details of the December 2019 transaction, please refer to Note 18 Share capital to the consolidated financial statement for the year ended December 31, 2020). RP II HGE LLC purchased 248,897 Series A Preferred Shares, 168,005 Series B Preferred Shares and 73,265 Series C Preferred Shares. The cash consideration was transferred in February 2020. Please note that the number of shares presented above relates to pre-split shares (5:1 split which took place on January 20, 2021)

On July 2, 2020 Huuuge, Inc. entered into an agreement for the repurchase of own shares from the Kiwoom Cultural Venture Fund 1 for a total of USD 7,699 thousand (USD 27.91 per share). Under the agreement Huuuge, Inc. repurchased 224,100 Series B Preferred Shares and 51,739 Series C Preferred Shares.

Shareholder	Series	No. of repurchased shares	Repurchase price (in thousand USD)
Kiwoom Cultural Venture Fund 1	B	224,100	6,255
Kiwoom Cultural Venture Fund 1	C	51,739	1,444
Total:		**275,839**	**7,699**

Please note that the numbers of shares presented above were all pre-split (5:1 split which took place on January 20, 2021).

Transactions between the Company and members of the Board of Directors

Except for the transactions mentioned below, the remuneration paid by the Issuer to members of the Board of Directors and shares and share options held by members of the Board of Directors, and the reimbursement of travel expenses and accommodation costs incurred by the board members related to their work, there were no other transactions between the Issuer and the members of the Board of Directors. Reimbursement of travel expenses and accommodation costs in the year ended December 31, 2020 amounted to USD 0.7 thousand.

Transactions between the Company and related parties of the members of the Board of Directors, other than the Issuer's shareholders

The Company has not concluded any transactions with related parties of other members of the Board of Directors.

Transactions concluded between the Subsidiaries and related parties of the Company other than the Subsidiaries, including related parties of members of the Board of Directors and the Company's shareholders

Except for the transactions mentioned below, in the year ended December 31, 2020, the Subsidiaries did not conclude any transactions with related parties of the Company other than the Subsidiaries.

In 2020, the Finnish company Big Bets Finland Holding Oy controlled by a member of the Board of Directors bought a used car from Huuuge Games sp. z o.o. for PLN 149 thousand. The purchase price was established on an arm's length basis.

SHARES AND SHAREHOLDERS

Effective on February 5, 2021, all Series A Preferred Shares, Series B Preferred Shares and Series C Preferred Shares were converted into Common Shares.

On the February 5, 2021 the Company also adopted the Fourth Amended and Restated Certificate of Incorporation, pursuant to which the Company has the authority to issue 113,881,420 shares, which shall be divided into two classes, consisting of (i) 113,881,418 of Common Shares of USD 0.00002 par value per share and (ii)two Preferred Shares of USD 0.00002 par value per share, which shall be divided into two series, consisting of one Series A Preferred Shares of USD 0.00002 par value and one Series B Preferred Share of USD 0.00002 par value. The Company issued two Preferred Shares: one Series A Preferred Share to RPII HGE LLC and one Series B Preferred Share to Big Bets (controlled by Anton Gauffin) which give RPII HGE LLC the right to appoint one director of the Company and Anton Gauffin the right to appoint two directors of the Company, provided that one such director, to be qualified, will be Anton Gauffin. The newly issued Preferred Shares carry the same voting rights as Common Shares.

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

To the best of the Company's knowledge, as of the date of this Annual Report, the shareholding structure was as follows:

Shareholder	Shares	% of share capital and % of votes at the General Meeting
Anton Gauffin (through Big Bets OÜ)[1]	25 849 506	30.68
Raine Group (through RPII HGE LLC)[1]	10 919 646	12.96
Kora Management	4 300 000	5.10
Others[2]	43 177 545	51.26
Total[3]	84 246 697	**100**

(1) includes one Preferred Share

(2) includes 3,331,668 treasury shares which carry no voting rights

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

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

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

However, based on the contractual arrangements made in the IPO process, the Company, the shareholders who were selling shares in the IPO, certain non-selling shareholders and members of the Board of Directors set up lock-up obligations for a period ranging from 180 days to 360 days from the date of the first listing of the shares on WSE (February 19, 2021). The detailed conditions of these lock-up obligations have been described in the Company's prospectus approved by the Polish Financial Supervision Authority on January 26, 2021.

Treasury Shares

As at December 31, 2020, the Company held 2,184,461 treasury shares consisting of (i) 1,402,293 Common Shares, 257,103 Series A Preferred Shares, 397,645 Series B Preferred Shares and 127,420 Series C Preferred Shares.

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

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

Within the stabilization program the Company repurchased via the Stabilization Manager 3,331,668 own shares for the total price of PLN 157 983 thousand. As of the date of this Annual Report the entire repurchased volume remains classified as treasury shares.

Share Option Plan

As at December 31, 2020 we had an equity-settled share option program. The first share option program (the employee share option plan) was established by our Board of Directors on April 3, 2015, the second one on October 19, 2019. The program entitles employees and some consultants of the Company and its Subsidiaries to purchase shares in the Company at a specified price. Each option gives the right to acquire one Common Share in the Company.

Generally, in the majority of the agreements regarding transfer of options the vesting condition in both programs stipulated the purchase of the first 25% of options as a continuous service for a period of 12 months as of the vesting commencement date. Then, after the end of each consecutive month 1/36 of the remaining shares vest and become exercisable. For further details of the programs, please refer to Note 19 Share-based payment arrangements to the Consolidated Financial Statements. The Company's equity-settled share option programs are managed and approved by the Board of Directors.

Dividend Policy

The Company has no dividend policy. The Board of Directors may from time to time declare dividends out of the Company's surplus cash flows and may, subject to the provisions of the Bylaws and the Certificate of Incorporation, set dates for the declaration and payment thereof. No dividend is payable other than in accordance with the applicable provisions of Delaware law. The General Meeting does not adopt resolutions regarding the distribution of profits and the payment of dividends. The Board of Directors has not made any decision regarding the payment of dividends or the value thereof, if any, for any period after 2020.

We operate in a rapidly growing industry, and in order to capitalize on this, we need to prioritize growth activities, in particular, potential acquisitions. After 2020, the actual payment of future dividends, if any, and the amounts thereof, will depend upon a number of factors including, but not limited to, acquisition opportunities, the amount of our unconsolidated distributable reserves, our earnings, our level of profitability and financial condition, capital requirements, applicable restrictions on the payment of dividends under Delaware law and such other factors as our Board of Directors may deem relevant. Accordingly, our ability to pay dividends in the future may be limited.

Our Board of Directors reserves the authority to change the dividend policy at any time. For example, we may decide not to pay out any dividends in the future. This might happen especially if unexpected events occur that would change our view as to the prudent level of cash and capital conservation as well as our financial goals and strategy.

Pursuant to the Certificate of Incorporation, all common shares are treated equally, identically and ratably, on a per share basis, with respect to any dividends or distributions as may be declared and paid from time to time by the Board of Directors out of any of the Company's legally available assets.

Internal control and risk management

The Company's President is responsible for the Company's and Group's internal control system and the Board of Directors is responsible for supervision over the adequacy of the internal control system and over monitoring its effectiveness. In addition, the Board of Directors and the President of the Company are responsible for supervision over the preparation of the Group's consolidated financial statements in accordance with IFRS, as well as the Company's stand-alone financial statements which will also be prepared in accordance with IFRS.

The purpose of an effective internal control system over financial reporting is to ensure the adequacy and correctness of the financial information contained in the financial statements and interim reports.

During the preparation of the Group's consolidated financial statements, the verification of the financial statements by an independent auditor is one of the main elements of the audit. The responsibilities of the auditor include, in particular, an audit of the annual consolidated financial statements. Substantially the same principles apply to the Company's stand-alone financial statements. In addition to the audit of the annual consolidated and stand-alone financial statements the auditor's responsibilities include a review of the semi-annual stand-alone and consolidated financial statements.

The Board of Directors elects an independent auditor. Upon the auditor's completion of the audit, the consolidated financial statements are sent to the members of the Board of Directors, which assesses the Company's consolidated financial statements with regard to their compliance with the books and documents as well as with the facts. Substantially the same procedures apply to the Company's stand-alone financial statements.

The Board of Directors supervises the preparation of the Group’s consolidated financial statements. The Board of Directors is required to ensure that the Group’s consolidated financial statements and business statements meet the legal requirements. The President of the Company approves and signs the Group’s consolidated financial statements. Substantially the same procedures apply to the Company’s stand-alone financial statements.

The supervision over the preparation of the stand-alone financial statements of the Subsidiaries is conducted by their respective corporate bodies. The Company oversees such process based on the available corporate powers and monthly reporting used by the Group. Additionally, the Issuer ensures the existence and effectiveness of such internal controls within the Group, including the Subsidiaries, as it determines necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

The Group’s consolidated financial statements are prepared by the finance team and reviewed by the Board of Directors before receiving approval from the President of the Company and the issuance of an independent auditor’s opinion. The financial data used in the annual and interim consolidated financial statements as well as the monthly reporting used by the Group derive from the Group’s financial and accounting system and the financial systems used by external accounting teams. After all the predefined processes concerning the closing of the books have been completed at the end of each month, detailed financial and operational reports are prepared, and at the end of each quarter, additional consolidated IFRS reports. The Company applies consistent accounting principles when presenting financial data in financial statements and periodic financial reports.

The Company’s stand-alone financial statements are prepared by the finance team and reviewed by the Board of Directors before their approval by the President of the Company and the issuance of an independent auditor’s opinion. The financial data used in the annual and interim stand-alone financial statements as well as the monthly reporting used by the Company derive from the Company’s financial and accounting system.

The Company reviews the quality of its internal control and risk management systems with regard to the preparation of the consolidated financial statements. Substantially the same practice applies to the internal control and risk management systems with regard to the preparation of the Company’s stand-alone financial statements.

SUPPLEMENTARY INFORMATION

Identification of significant court cases

On or about April 6, 2018, a putative class action complaint was filed against us in the U.S. District Court for the Western District of Washington by a player plaintiff. The complaint sought damages for alleged violations of Washington law associated with the plaintiff's alleged in-app purchases in one or more of our games. Specifically, the plaintiff alleged violations for the recovery of money lost in gambling and for violations of the Washington Consumer Protection Act. The plaintiff additionally sought damages for unjust enrichment. The Company denied the plaintiff's allegations, denied that it violated any laws or regulations, denied that the suit should be treated as a class action, denied the plaintiff's claims, and has been vigorously defending itself. The Company filed a motion to compel arbitration on July 2, 2018, which the District Court denied on November 13, 2018. The Company timely filed a notice of appeal on December 6, 2018, and filed its opening brief in the Ninth Circuit Court of Appeals on March 6, 2019. The Company also filed a motion to stay the district court proceedings pending a decision on its appeal, which was granted on March 1, 2019. The parties mediated on June 15, 2020 and reached agreement on a term sheet on a class action basis on June 16, 2020. On August 23, 2020, a class action settlement agreement was concluded between the class representatives, including the plaintiff, and filed with the court, intending to fully, finally and forever resolve, discharge and settle the claims related to this suit. The United States District Court finally approved the Settlement Agreement on February 11, 2021. As at December 31, 2019, we recognized a provision in the amount of USD 6,500 thousand for settlement of the pending litigation.

Significant agreements

Mergers and acquisitions

Double Star Oy

On July 16, 2020, we entered into a share sale and purchase agreement as a result of which we acquired 100% of the shares in the Finnish company Double Star Oy, the developer of Bow Land, for a total price consisting of cash, a contribution in kind and earn-out consideration payable in the form of the Issuer's shares if the conditions specified in the agreement relating to the EBITDA and revenue of Double Star Oy are met. The total value of the transaction should not exceed USD 35 million. The sellers gave the customary representations and warranties in the share sale and purchase agreement.

In order to secure the sellers' obligations under the share sale and purchase agreement, including their obligations arising from representations and warranties, on July 16, 2020, the Company as the secured party and the sellers as the pledgors also entered into a pledge agreement concerning the newly issued shares in the Company held by the sellers.

Playable Platform B.V.

On May 29, 2020, we entered into a share sale and purchase agreement as a result of which we acquired 100% of the shares in the Dutch company Playable

Platform B.V., the developer of self-optimizing technology for playable advertising, for a total price consisting of (i) cash, part of which has been withheld as a holdback amount to secure the sellers' obligations for a period of twelve months after completion of the transaction, and (ii) consideration payable in the form of the Company's shares, if the conditions specified in the agreement are met. The total value of the transaction did not exceed USD 5 million.

The sellers gave the customary representations and warranties in the share sale and purchase agreement.

Additionally to the holdback amount described above, to further secure the sellers' obligations under the share sale and purchase agreement, including their obligations arising from representations and warranties, on May 29, 2020, the Company as the secured party and the sellers as the pledgors entered into a pledge agreement concerning the newly issued shares in the Company held by the sellers as a part of the consideration due for shares in Playable Platform B.V.

TreasureHunt GmbH

On January 24, 2020 Huuuge Pop GmbH (incorporated in Germany) was established with Huuuge Global Ltd. as its sole shareholder.
On February 4, 2020 Huuuge Pop GmbH signed a sale and purchase agreement under which it acquired, for a cash consideration, material assets relating to the entire business of another German entity TreasureHunt GmbH, which operated as an online and mobile games developer and distributor, with respect to which insolvency proceedings were opened on February 1, 2020. Consequently, TreasureHunt GmbH was liquidated. The total value of the transaction did not exceed USD 5 million.

Publishing agreements

Traffic Puzzle

On March 29, 2019, Huuuge Global Ltd., as publisher, concluded a game publishing agreement with Picadilla Games sp. z o.o. sp. k., the developer of Traffic Puzzle, a mobile match-3 game based on the free-to-play business model for both Apple and Google operating systems, concerning the publishing of a game on the global market. Pursuant to the agreement, Huuuge Global Ltd. agreed to market and promote the game for downloading in all gaming and messaging platforms on which the game can be distributed in exchange for the exclusive right to use, manufacture, distribute, sell, license, sublicense, market and otherwise sell the game globally through all channels of distribution.
The developer was also obliged to develop the game within the timeline provided in the agreement, under the supervision of the publisher. The publisher also took responsibility for the pricing strategy of Traffic Puzzle.

Under the agreement, the developer was entitled to receive development fees from the publisher. In addition, the publisher set out the marketing budget for the game. Following the publisher's full recovery of the development fees and marketing costs for the game, the net revenue from the game (as defined in the agreement) is shared between the developer and publisher.

Bow Land

On February 7, 2020, Huuuge Global Ltd., as publisher, and Double Star Oy, as developer, concluded a game publishing agreement concerning Bow Land, a mobile game based on the free-to-play business model for both Apple and Google operating systems and its publication on the global market. Pursuant to the agreement, Huuuge Global Ltd. agreed to market and promote the game for downloading in all gaming and messaging platforms on which the game can be distributed in exchange for the exclusive right to use, manufacture distribute, sell, license, sublicense, market and otherwise sell the game globally through all channels of distribution. The developer was also obliged to develop the game within the timeline provided in the agreement, under the supervision of the publisher. The publisher also took responsibility for the pricing strategy of Bow Land. The agreement stipulates the right of first refusal for the publisher in the event of the sale of the developer's assets and a put option for the developer concerning all shares in Double Star Oy or their equivalents.

Under the agreement, the developer was entitled to receive development fees from the publisher. Following the publisher's full recovery of the development fees for the game paid to the developer, the net profits from the game (as defined in the agreement) is shared between the developer and publisher.

Rules for amending the issuer's articles of association

The Certificate of Incorporation can be amended or repealed in the manner prescribed by the laws of the State of Delaware and all rights conferred upon shareholders are granted subject to this reservation; provided, however, that, notwithstanding any other provision of the Certificate of Incorporation or any provision of the law that might otherwise permit a lesser vote or no vote, but in addition to any vote of the holders of any class or series of the Company's shares required by law or by the Certificate of Incorporation, the following provisions in the Certificate of Incorporation may be amended, altered, repealed or rescinded, in whole or in part, or any provision inconsistent therewith or herewith may be adopted, only by an affirmative vote of the holders of at least 66 and 2/3% of the voting rights of the Company's outstanding shares present in person or by proxy at the meeting at which such an amendment, alteration, repeal or rescission is being considered and entitled to vote thereon, voting together as a single class: Article V, this Article VI, Article VII, Article VIII, Article IX, Article X and Article XI.

In furtherance and not in limitation of the powers conferred by statute, the Company's Board of Directors is expressly authorized to adopt, amend or repeal the Bylaws without the assent or vote of the shareholders. Notwithstanding anything to the contrary contained in the Certificate of Incorporation or any provision of law that might otherwise permit a lesser vote of the shareholders, but subject to any greater or additional vote required by the Certificate of Incorporation, the Bylaws or applicable law, the affirmative vote of the holders of at least 66 and 2/3% of the voting power of the Company's outstanding shares present at the meeting at which such an amendment, alteration, repeal or rescission is being considered, voting together as a single class shall be required in order for the Company's shareholders to alter, amend, repeal or rescind, in whole or in part, any provision of the Bylaws or to adopt any provision inconsistent therewith.

As long as at least one Series A Preferred Share or one Series B Preferred Share is issued and outstanding, the Corporation shall not amend, alter, or repeal any provisions of the Certificate of Incorporation or Bylaws concerning rights of the holders of the Series A Preferred Shares or holders of the Series B Preferred Shares, without the written consent or affirmative vote of the holders of at least a majority of the then outstanding Series A Preferred Shares and Series B Preferred Shares.

Significant events after the December 31, 2020

A description of significant events which occurred after December 31, 2020 and up to the date of approval of this Annual Report is included in our Consolidated Financial Statements as at and for the year ended December 31, 2020, in Note 32.

GLOSSARY

ARPDAU
Average revenue per daily active user.

ARPPU
Average revenue per paying user.

DAU
The number of individual users who played a game on a particular day.

DPU
The number of players (active users) who made a purchase on a given day.

eCPI
Cost of one Install in a given period (including installs acquired from paid channels as well as installs not directly related to paid user acquisition channels).

Free-to-play
A games sales model where the game is downloaded by the user for free, and its creators earn money through in-app advertising or in-app purchases (players purchase in-game items, skills, experience points, etc.).

Casual games
A type of games designed for players with the following features: (i) as a general rule, not feeling the need or not being able to spend a significant amount of time playing, (ii) not needing to improve their gaming skills in a significant way, (iii) preferring relatively simple and easy to learn game mechanisms.

Social casino games
The type of games in which a player can play a certain number of slot machines. The player also has the opportunity to participate in other casino games such as poker, roulette or baccarat.

Live events
Real-time events, promotions and special offers enabling players to win additional prizes or to improve gameplay.

Live Ops
Activities aimed at increasing the player engagement, among others, by adding new features to games, recurring and one-off virtual events in which players can participate, and active management of promotions within the game.

LTV
Life-Time Value -estimated total revenue generated from a model player.

MAU
The number of individual users who played a game during a particular month.

Monthly Conversion
The percentage of MAU that made at least one purchase in a month during the same period.

In-app purchases
Payments made by users after downloading a game, in connection with the purchase of additional game features. In-app purchases can be made through various non-cash payment instruments (e.g. payment card, transfer), various electronic channels (e.g. e-banking, mobile phone) or using payment service providers (e.g. PayPal).

Monetization
The process of generating revenue from games through, among others, in-app purchases and in-app advertising.

MPU
MPU is defined as the number of players (active users) who made a purchase at least once in a given month.

Retention
The number of users who continued to use the game after a certain period of time after downloading the application.

User acquisition
Process of the acquisition of users through paid campaigns or promotional offers.

BOARD OF DIRECTORS' STATEMENTS

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

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

- within the scope of its competences, the Board of Directors supervised the process of preparing the annual consolidated and standalone financial statements and the comparative information and the Board of Directors' consolidated and standalone report on activities for the year ended December 31, 2020, and assessed their compliance with the Company's books, documents and facts.

- the selection of the audit firm conducting the audit of the annual consolidated and stand-alone financial statements has been made in accordance with the applicable regulations, including the selection and procedure for the selection of an audit firm;

- the audit firm and the members of the audit team met the conditions for preparing an impartial and independent audit report on the annual consolidated and standalone financial statements in accordance with applicable regulations, professional standards and professional ethics;

- it adopted a policy governing the selection of an audit firm and a policy governing the provision of additional non-audit services to the issuer by an audit firm, its related parties and members of its network, including services conditionally exempt from the prohibition on being provided by an audit firm;

- the Company complies with the applicable regulations related to the rotation of the audit firm and the key statutory auditor and mandatory grace periods;

- the Company observes regulations which govern the appointment, composition and operations of the Audit Committee, including in particular the fulfilment of independence criteria by its members and requirements concerning knowledge and skills related to the industry in which the issuer operates, as well as to accounting or the audit of financial statements; and

- the Company being a Delaware-incorporated company is not subject to the obligation to prepare a statement of non-financial information designated by Section 49b (1) of the Polish Accounting Act (Journal of Laws of 2021, item 217) and § 70 paragraph 1 point 8) of the Regulation of the of the Minister of Finance of 29 March 2018 on current and periodic information provided by issuers of securities and on conditions under which information required by legal regulations of a non-member state may be recognized as equivalent (Journal of Laws of 2018, item 757).

On behalf of the Board of Directors of Huuuge, Inc.

Anton Gauffin,
Chief Executive Officer & executive director

Signature Not Verified
Digitally signed by ANTON MARKUS GAUFFIN
Date: 2021.04.19 20:50:11 EEST

UNANIMOUS WRITTEN CONSENT OF THE BOARD OF DIRECTORS OF HUUUGE, INC.

April 19, 2021

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

Whereas, the Company's President, Anton Gauffin and the Company's Treasurer, Grzegorz Kania have presented to the Board consolidated financial statements of the Company for the financial year ended December 31, 2020 (**"Consolidated Financial Statements"**), the stand-alone financial statements of the Company for the financial year ended December 31, 2020 (**"Stand-alone Financial Statements"**) and consolidated and stand-alone annual report for the financial year ended December 31, 2020 (including certain representations of the Board to this report which are included herein in the document titled "Board of Directors' statements") (**"Annual Report"** and together with the Consolidated Financial Statements and Stand-alone Financial Statements, the **"Reports"**) as attached herein as Exhibit A to this Board Consent; and

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

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

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

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

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

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

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

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

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

BOARD OF DIRECTORS

Anton Gauffin

John Salter

Krzysztof Kaczmarczyk

Henric Suuronen

Rod Cousens

HUUUGE, INC.

2300 W Sahara Ave.,
Suite #680, Mailbox #32,
Las Vegas, NV 89102
United States of America

telephone +48 22 418 65 06

Contact for Investors

investor@huuugegames.com
https://ir.huuugegames.com

http://huuugegames.com