



**HUUUGE INC. GROUP**  
CONSOLIDATED FINANCIAL  
STATEMENTS

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## Consolidated statement of comprehensive income

	Note	Reclassified	
		Year ended December 31, 2020	Year ended December 31, 2019
<b>Revenue</b>	6	332,721	259,391
Cost of sales	7	(99,622)	(79,147)
<b>Gross profit on sales</b>		<b>233,099</b>	<b>180,244</b>
Sales and marketing expenses:	7	(125,133)	(129,477)
<i>thereof User acquisition marketing campaigns</i>	7	(111,494)	(119,889)
<i>thereof General Sales and marketing expenses</i>	7	(13,639)	(9,588)
Research and development expenses	7	(29,832)	(15,843)
General and administrative expenses	7	(27,606)	(14,182)
Other operating income/(expense), net	9	(344)	(6,531)
<b>Operating result</b>		<b>50,184</b>	<b>14,211</b>
Finance income	10	2,081	519
Finance expense	10	(128,509)	(5,877)
<b>Profit/(loss) before tax</b>		<b>(76,244)</b>	<b>8,853</b>
Income tax	11	(6,360)	(4,583)
<b>Net result for the year</b>		<b>(82,604)</b>	<b>4,270</b>
<b>Other comprehensive income</b>			
<b>Items that can be later reversed in profit</b>			
Exchange gains/(losses) on translation of foreign operations		491	42
<b>Total other comprehensive income</b>		<b>491</b>	<b>42</b>
<b>Total comprehensive income/ (loss) for the year</b>		<b>(82,113)</b>	<b>4,312</b>
<b>Net result for the year attributable to:</b>			
owners of the Parent		(82,604)	4,270
non-controlling interest		-	-
<b>Total comprehensive income for the period attributable to:</b>			
owners of the Parent		(82,113)	4,312
non-controlling interest		-	-
<b>Earnings per share (in USD)</b>			
basic	15 (f)	(1.46)	0.07
diluted	15 (f)	(1.46)	0.07

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

## Consolidated statement of financial position

	Note	As of December 31, 2020	As of December 31, 2019
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	12	2,703	1,414
Right-of-use asset	24	8,646	2,817
Goodwill	22	2,838	-
Intangible assets	13	1,459	115
Deferred tax assets	11	899	-
Other long-term assets	14	802	376
<b>Total non-current assets</b>		<b>17,347</b>	<b>4,722</b>
<b>Current assets</b>			
Trade and other receivables	16	29,226	21,540
Corporate income tax receivable		1,101	583
Cash and cash equivalents	17	94,158	26,270
<b>Total current assets</b>		<b>124,485</b>	<b>48,393</b>
<b>Total assets</b>		<b>141,832</b>	<b>53,115</b>
<b>Equity</b>			
Share capital		2	2
Treasury shares	18	(33,994)	(36,604)
Supplementary capital		14,814	13,725
Employee benefit reserve	19	8,052	4,294
Foreign exchange reserve		1,299	809
Retained earnings/(Accumulated losses)		(86,181)	(2,052)
<i>Equity attributable to owners of the Company</i>		<i>(96,008)</i>	<i>(19,826)</i>
<i>Non-controlling interests</i>		-	-
<b>Total equity</b>		<b>(96,008)</b>	<b>(19,826)</b>
<b>Non-current liabilities</b>			
Preference shares	20	176,606	48,354
Long-term lease liabilities	24	6,282	1,672
Deferred tax liabilities	11	131	120
<b>Total non-current liabilities</b>		<b>183,019</b>	<b>50,146</b>
<b>Current liabilities</b>			
Trade and other payables	23	37,797	10,953
Deferred income	23	3,360	2,871
Corporate income tax liabilities		3,126	739
Short-term lease liabilities	24	2,779	1,197
Other provisions	4,9	7,759	7,035
<b>Total current liabilities</b>		<b>54,821</b>	<b>22,795</b>
<b>Total equity and liabilities</b>		<b>141,832</b>	<b>53,115</b>

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

## Consolidated statement of changes in equity

	Note	Share capital	Treasury shares	Supplementary capital	Employee benefit reserve	Retained earnings/ (Accumulated losses)	Foreign exchange reserve	Equity attributable to owners	Non-controlling interest	Equity
<b>As of January 1, 2019</b>		<b>2</b>	<b>(19,865)</b>	<b>13,704</b>	<b>2,241</b>	<b>(6,322)</b>	<b>766</b>	<b>(9,473)</b>	<b>-</b>	<b>(9,473)</b>
<i>Net profit (loss)</i>		-	-	-	-	4,270	-	4,270	-	4,270
<i>Other comprehensive income - foreign currency exchange gains/(losses)</i>		-	-	-	-	-	42	42	-	42
Total comprehensive income for the period		-	-	-	-	4,270	42	4,312	-	4,312
Shares issued/(repurchased)	18	-	(16,739)	-	-	-	-	(16,739)	-	(16,739)
Exercise of stock options	18	-	-	21	-	-	-	21	-	21
Employee share schemes - value of employee services	18	-	-	-	2,053	-	-	2,053	-	2,053
<b>As of December 31, 2019</b>		<b>2</b>	<b>(36,604)</b>	<b>13,725</b>	<b>4,294</b>	<b>(2,052)</b>	<b>808</b>	<b>(19,826)</b>	<b>-</b>	<b>(19,826)</b>
<i>Net profit (loss)</i>		-	-	-	-	(82,604)	-	(82,604)	-	(82,604)
<i>Other comprehensive income - foreign currency exchange gains/(losses)</i>		-	-	-	-	-	491	491	-	491
Total comprehensive income for the period		-	-	-	-	(82,604)	491	(82,113)	-	(82,113)
Shares issued/(repurchased)	18	-	1,979	-	-	-	-	1,979	-	1,979
Acquisition of a subsidiaries (payment in treasury shares reissued)	18	-	631	226	-	-	-	856	-	856
Exercise of stock options	18	-	-	202	-	-	-	202	-	202
Employee share schemes - value of employee services	18	-	-	-	3,469	-	-	3,469	-	3,469
Earn-out consideration - value of employee services	18	-	-	-	289	-	-	289	-	289
Transfer of the financial results		-	-	1,525	-	(1,525)	-	-	-	-
Transaction costs in anticipation of an issuance of equity instruments		-	-	(864)	-	-	-	(864)	-	(864)
<b>As of December 31, 2020</b>		<b>2</b>	<b>(33,994)</b>	<b>14,814</b>	<b>8,052</b>	<b>(86,181)</b>	<b>1,299</b>	<b>(96,008)</b>	<b>-</b>	<b>(96,008)</b>

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

## Consolidated statement of cash flows

	Note	Year ended December 31, 2020	Year ended December 31, 2019
<b>Cash flows from operating activities</b>			
<b>Profit/(loss) before tax</b>		<b>(76,244)</b>	<b>8,853</b>
<b>Adjustments for:</b>			
Depreciation and amortization	7, 12 13, 24	3,330	2,029
Interest (income)/expense, net	10, 24	67	(116)
Foreign exchange (gains)/losses, net		248	(205)
(Profit)/loss on disposal of property, plant and equipment	12	(114)	11
Amortization of prepayments for intangible assets		217	-
Non-cash employee benefits expense - share-based payments	8	3,758	2,053
Remeasurement and other finance expenses related to preference shares liability	10	128,249	3,867
Changes in net working capital:			
Trade and other receivables, and other long-term assets	14, 16, 21	(8,038)	(4,949)
Trade and other payables	23, 21	26,087	(4,998)
Deferred income	23	489	2,871
Other provisions	25	724	7,035
Other adjustments		183	-
<b>Cash flows from operating activities</b>		<b>78,956</b>	<b>16,451</b>
Income tax paid		(5,725)	(3,459)
<b>Net cash from operating activities</b>		<b>73,231</b>	<b>12,992</b>
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment	12	(2,140)	(1,085)
Software expenditure	13	(1,297)	-
Acquisition of subsidiaries, net of cash acquired	21	(2,088)	-
Interest received	10	67	519
<b>Net cash from investing activities</b>		<b>(5,458)</b>	<b>(566)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of common shares and shares series A and B	18	8,234	-
Proceeds from issue of shares series C	18	1,447	-
Repurchase of own shares series A and B	18	(6,255)	(16,739)
Repurchase of own shares series C	18	(1,444)	(2,942)
Transaction costs in anticipation of an issuance of equity instruments		(275)	-
Lease repayment	24	(1,784)	(1,341)
Interest paid	10, 24	(139)	(110)
Exercise of stock options		202	21
<b>Net cash from financing activities</b>		<b>(14)</b>	<b>(21,111)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>67,759</b>	<b>(8,685)</b>
Effect of exchange rate fluctuations		129	-
<b>Cash and cash equivalents at the beginning of the period</b>		<b>26,270</b>	<b>34,955</b>
<b>Cash and cash equivalents at the end of the period</b>		<b>94,158</b>	<b>26,270</b>

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





# Notes to the consolidated financial statements



## 1. General information

Huuuge Inc. (hereinafter the “Company”, the “Parent Company”) is a company registered in the United States of America. The Company’s registered office is located in Dover, Delaware, 850 Burton Road, Suite 201, DE 19904 and the operating office is located in Las Vegas, Nevada, 2300 W. Sahara Ave., Suite 800, NV 89102.

The Company was established with a notary deed on February 11, 2015.

As of December 31, 2020 and December 31, 2019 the Huuuge Inc. Group (the Company and its subsidiaries collectively referred to as the “Group”) comprised the Parent Company and its subsidiaries, as listed below.

Name of entity	Registered seat	Activities	Parent Company's share in capital	
			As of December 31, 2020	As of December 31, 2019
Huuuge Games Sp. z o.o.	Szczecin, Poland	games development and operations	100%	100%
Huuuge Global Ltd	Larnaca, Cyprus	games distribution, user acquisition	100%	100%
Huuuge Labs GmbH	Berlin, Germany	games development, R&D	100%	100%
Huuuge Digital Ltd	Tel Aviv, Israel	games development, R&D	100%	100%
Huuuge Tap Tap Games Ltd	Hong Kong	games development, user acquisition	100%	100%
Huuuge Publishing Ltd*	Larnaca, Cyprus	games distribution	100%	100%
Coffee Break Games Ltd	Larnaca, Cyprus	games distribution	100%	100%
Huuuge Mobile Games Ltd	Dublin, Ireland	games distribution, user acquisition, in organization	100%	-
Billionaire Games Ltd	Dublin, Ireland	games distribution, user acquisition, in organization	100%	-
Coffee Break Games United Ltd	Dublin, Ireland	games distribution, user acquisition, in organization	100%	-
Fun Monkey Games Ltd	Dublin, Ireland	games distribution, user acquisition, in organization	100%	-
Playable Platform B.V.	Amsterdam, Netherlands	games advertisement	100%	-
Double Star Oy	Vantaa, Finland	games development	100%	-
Huuuge Pop GmbH	Berlin, Germany	games development	100%	-

\* Formerly Fun Monkey Ltd

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 the sale and purchase agreement under which it acquired material assets relating to the entire business of another German entity TreasureHunt GmbH, which operated as online and mobile games developer and distributor, with respect to which insolvency proceedings were opened on February 1, 2020. Consequently, TreasureHunt GmbH was liquidated.

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. 100% of shares of these entities were taken up by HUUUGE Global Ltd (subsidiary of the HUUUGE Inc. Group). The entities were established, and cash to cover issued share capital of the entities will be transferred upon completion of the procedure of opening the bank accounts in the following amounts: HUUUGE Mobile Games Ltd – EUR 1, Billionaire Games Ltd – EUR 1, Coffee Break Games United Ltd – EUR 1, and Fun Monkey Games Ltd. – EUR 1. Before to the date of approval of these consolidated financial statements for issue, there were no operations conducted by the entities, except for the recruitment of two employees: one employee for HUUUGE Mobile Games Ltd, and the other one – for Coffee Break Games United Ltd. This transaction does not have an impact on the consolidated financial statements of the Group due to the fact that establishment of the subsidiaries is eliminated in full, and the cash to be transferred to the entities will be presented in the cash balances of the Group. Those four new entities were established in Ireland for the purposes of extension of international presence of the Group.

On May 29, 2020 HUUUGE Inc. acquired 100% of the shares in a Dutch entity Playable Platform B.V. Further, on July 16, 2020 HUUUGE Inc. acquired 100% of the shares of Finnish entity Double Star Oy. For more details please refer to Note 21 *Business combinations*.

The core business activities of the Group include:

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

**Composition of the Company's Board of Directors as of December 31, 2020, December 31, 2019 and as of the date of signing of these consolidated financial statements**

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

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

As of December 31, 2020, December 31, 2019 and as of the date of signing of these consolidated financial statements, Chief Executive Officer and director is Mr Anton Gauffin.

As of January 1, 2019 non-executive directors were:

- Henric Suuronen, director,
- Sang-Ho Park, director,
- John Salter, director,
- Jae Woong Choi, director.

Mr Jae Woong Choi, the appointed director by the series B preference shareholders, resigned on June 25, 2019 and his seat remained vacant, until Mr Rod Cousens was appointed.

Mr Anton Gauffin and Mr Henric Suuronen were re-elected by the common shareholders of HUUUGE Inc., at the annual shareholder meeting held in 2019. Mr John Salter remains the appointed director by the series C preference shareholders. Mr Sang-Ho Park remains the appointed director by the series A preference shareholders. As of December 31, 2019 non-executive directors were:

- Henric Suuronen, director,
- Sang-Ho Park, director,
- John Salter, director.

On June 2, 2020, Mr Rod Cousens was appointed by series B preference shareholders as non-executive director.

After the above change, as of December 31, 2020 non-executive directors were:

- Henric Suuronen, director,
- Sang-Ho Park, director,
- John Salter, director,
- Rod Cousens, director.

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

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

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

### (a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards as adopted by the European Union ("IFRS") and were approved on April 19, 2021 by the Board of Directors.

### (b) Historical cost convention

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

### (c) Functional and presentation currency

The functional currencies of the Parent Company and its subsidiaries are presented below:

Name of entity	Functional currency
Huuuge Inc.	US dollar ("USD")
Huuuge Games Sp. z o.o.	Polish zloty ("PLN")
Huuuge Global Ltd	US dollar ("USD")
Huuuge Labs GmbH	Euro ("EUR")
Huuuge Digital Ltd	Israeli shekel ("ILS")
Huuuge Tap Tap Games Ltd	Hong Kong dollar ("HKD")
Huuuge Publishing Ltd	US dollar ("USD")
Coffee Break Games Ltd	US dollar ("USD")
Huuuge Mobile Games Ltd	Euro ("EUR")
Billionaire Games Ltd	Euro ("EUR")
Coffee Break Games United Ltd	Euro ("EUR")
Fun Monkey Games Ltd	Euro ("EUR")
Playable Platform B.V.	Euro ("EUR")
Double Star Oy	Euro ("EUR")
Huuuge Pop GmbH	Euro ("EUR")

The consolidated financial statements are presented in USD thousands, except where stated otherwise.

### (d) Key judgements and estimates

The preparation of consolidated financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimated. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

In preparing these consolidated financial statements, the significant judgements and estimates made by management in applying the Group's accounting policies have been consistently applied by the Group and are consistent across the reported periods.

#### Model of revenue recognition

##### *Estimate of the progress towards complete satisfaction of the performance obligation*

Management evaluates what is the most adequate model of accounting for revenue from micro-payments from customers. In gaming applications, in-app purchases concern mostly immediate purchase of virtual coins (consumable goods), which can be used by the players in the future. Purchase of the virtual coins by the player represents a prepayment for the gaming service. The coins do not have expiry date and the players decide when to use them in the game. In principle, providing access to game functionalities in exchange for the redeemed coins is a performance obligation that the Group fulfils over time. The output method is used to measure the progress of satisfaction by the Group of its performance obligation. At the moment when the player purchases the virtual coins, the Group recognizes the contract liability. The amounts recognized as contract liability are transferred to revenue in line with the pattern of usage of the coins in the game by the customers. Consumption of coins is not



performed on an individual player basis but is estimated using cumulative method to determine the average days of usage. According to management's assessment, supported by historical data analysis, coins are generally used 2 days after purchase during 2020 (2.5 days during 2019).

The Group recognizes a contract liability for any consideration received that is attributable to player's unused coins (i.e. player's unexercised rights), taking into account estimated breakage rate (i.e., percentage of coins not expected to be redeemed) at the end of the reporting period. In management's estimate all coins will be used, therefore the breakage rate is zero. The amount of the contract liability is presented in Note 23 *Trade, other payables and deferred income* as deferred income and amounts to USD 3,360 thousand as at December 31, 2020 and USD 2,871 thousand as at December 31, 2019.

Due to the fact that the timing of the use of the coins is at the discretion of the customer the contract does not contain a financing component.

Accordingly, the Group defers the related portion of the platform fees paid or payable to distributors costs to fulfil the contract and recognizes "Contract cost" asset. For further information on the accounting for the fees paid/payable to the distribution see below "*Agent vs principal considerations in selling the virtual coins and providing access to the games*".

#### *Agent vs principal considerations in selling the virtual coins and providing access to the games*

In-app purchases are sold through Application Marketplaces ("Platform Providers") such as Apple App Store, Google Play, Facebook and Amazon App Store. Management determines that players are the Group's customers, and the Group acts as a principal in its relation to the players. The conclusion that the Group acts as a principal selling virtual coins is consistent with general industry practices and is supported mainly by the following factors:

- The Group has the ultimate responsibility for providing the game to a customer.
- The players sign off the Group's terms & conditions statement.
- All updates and modifications with respect to the game are also prepared by the Group.
- The Group set prices for virtual coins charged to the end-user. The Group has a right to change these prices at any time at its discretion.
- The Group, being a game developer, takes the risk of recovering the expenditures it has incurred developing the game. The distributors do not pay to the Group any upfront fee independently of the actual sales of the games thus do not take any risk similar to inventory risk.
- The Platforms provide IT infrastructure (hosting service), distribution channels and marketing activities as well as collecting and disbursing cash on behalf of Huuuge. None of the distributors have an exclusive right to operate a game as the game is available in multiple channels. The distributors do not provide a significant service of integrating the license and do not create the combined output as the installation is a very simple process and it is performed by the end-user (player).

Being a principal, the Group presents in-app revenue on a gross basis.

Platform Providers charge usually 30% fees on the prices paid by the users only when the virtual items are purchased. If there are no purchases of the virtual items, the distributors are not entitled to any commissions. The fees cover all services performed by the Platform Providers, such as granting access to the sales platform, ensuring the relevant IT environment (an ongoing service provided by the Platform Provider) and collecting sales proceeds from the users. Those fees are treated as the costs to fulfill the contract and are recognized as an asset. Contract cost asset are presented in "Trade and other receivables" line item in the statement of financial position. Those costs are charged to profit/loss over time and the charge is presented in the consolidated statement of comprehensive income in the "Cost of sales" line. Further accounting policy applied by the Group when recognizing revenue are described in Note 4 *Significant accounting policies, point (c) Revenue*.

#### *Agent vs principal considerations in publishing contracts*

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

The conclusion that the Group acts as a principal is consistent with the general industry practice.

#### **Money market mutual funds**

As part of its liquidity management, the Group makes overnight deposits of its daily cash surpluses in money market mutual funds. The money market fund is an open-ended mutual fund that invests in short-term debt instruments (typically one day to one year) such as treasury bills, certificates of deposit, bonds, government gilts and commercial paper with high ratings (mainly AA+, AAA). The main goals are the preservation of principal, high liquidity and a modest incremental return over short-term interest rates or a benchmark rate.

Key judgement in applying accounting policies refers to the classification of investments in money market mutual funds as "Cash and cash equivalents" and not as "Other financial assets". The units of the funds held by the Group are short-term, highly liquid, readily convertible to known amounts of cash and are subject to an insignificant risk of future changes in value, thus they meet the critical criteria indicated in IAS 7 *Statement of Cash Flows* and have been considered in substance as cash equivalents. Investments in money market funds have a determinable market value and they are convertible into a cash and the cash amount to be received on redemption is known at the time of the investment because at the time of the initial investment, the risk of changes in value is insignificant.

In addition, the Group can dispose the investments in funds and the received cash at its discretion any time (same-day access), funds are not closed for a selected group of participants.

Due to the above, in the management's opinion, the Group's investments in money market funds have the attributes to be considered a cash equivalent. This analysis is performed at each reporting period. For details on the funds and their credit ratings please refer to Note 15 *Financial risk management*, part *Risk management framework*, point (a) *Credit risk*. For carrying amounts as at December 31, 2020 and December 31, 2019 please refer to Note 17 *Cash and cash equivalents*.

#### **Preference shares**

##### *Classification and measurement*

In September 2017, the Company issued series C preference shares to several investors. The series C preference shares are convertible into ordinary shares at any time at the holder's option. Details of the transactions and the rights arising from the possession of series C preference shares are presented in Note 20 *Series C preference shares*.

The management has concluded that the series C preference shares meet the definition of a financial liability because they are effectively convertible into a variable number of ordinary shares upon occurrence of an uncertain future events, such as share

split, combination or issuance of shares which are genuine and outside of the Company's control (IAS 32 paragraph 16(b) and 25).

Accordingly, the series C preference shares are classified as a financial liability and measured initially and subsequently at fair value through profit or loss.

This liability is presented as a non-current liability based on IAS 1 para 69(d) which states that the terms of a liability that could, at the option of the counter-party, result in settlement by the issue of equity instruments do not affect its classification. The settlement in (variable number of) ordinary shares will not result in an outflow from the entity's working capital and hence the classification as a non-current liability under IAS 1.69(d).

The further information on the fair value measurement of this liability is provided in Note 5 *Determination of fair values*, point (a) *Preference shares liability measured at fair value through profit or loss*. The fair value gains/losses are presented within "Finance expense".

#### **Estimation uncertainty**

The assumptions made about the future and the major sources of estimation uncertainty refer to the following areas:

##### *Deferred tax assets and liabilities, in particular the realizability of deferred tax assets*

In order to determine deferred tax assets and deferred tax liabilities the management needs to make estimates and judgments, especially in the valuation of deferred tax assets and liabilities. Significant management estimate is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies. The process includes evaluation of the tax results of every Group entity, under consideration of local tax laws and regulations, assessment of the actual tax exposure and of temporary differences as well as assessment of the likelihood that deferred tax assets can be utilized in future periods through generation of taxable profits.

The recognition of a deferred tax asset is based on the assumption that it will be recoverable against future taxable income. The deterioration of tax results in the future could cause that this assumption could not be justified. When accounting for transactions the Group takes into account uncertainties as to whether its treatment will be accepted by the tax authorities. Estimates used for the recognition of deferred tax assets are updated annually with factors such as expected tax rates and expected future tax results of the Group.

Deferred tax liabilities and assets are not recognized for temporary differences between the carrying amount and tax bases of investments in subsidiaries as the Parent is able to control the timing of the reversal of the temporary differences and in the management's assessment it is probable that the differences will not reverse in the foreseeable future.

For more details on deferred tax assets and liabilities please refer to Note 4 *Significant accounting policies*, point (d) *Income tax* and to Note 11 *Income tax*.

##### *Provisions and contingent liabilities*

Determination of provisions and contingent liabilities is based on management's assessment of the probability of the outflow of resources embodying economic benefits, according to guidelines included in IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period and are discounted to present value where the effect is material.

#### *Consumption tax from the revenues from Japan*

Apple, one of the Group's main Platform Providers, does not administer the collection and remittance of the Japan Consumption Tax ("JCT") applicable to sales to customers purchasing content on the App Store in Japan. Group continues to be responsible for the collection and remittance of such taxes to the appropriate tax authorities, as required by local law.

The provision for JCT is estimated based on the applicable tax rate multiplied by the amount of sales to customers in Japan.

As of December 31, 2020 the provision recognized amounts to USD 1,173 thousand (USD 535 thousand as of December 31, 2019).

There were no other contingent liabilities as of December 31, 2020 and as of December 31, 2019.

For further details please refer to Note 4 *Significant accounting policies*, point (r) *Provisions*.

#### **(e) Changes in presentation of operating costs**

In 2020, management of the Company analysed the presentation of the operating expenses and decided about a change impacting the general sales and marketing expenses. Within the total of sales and marketing expenses, management decided to provide the further disaggregation and added a split of sales and marketing expenses line between the user acquisition marketing campaigns and general sales and marketing expenses. For more details about the nature of these costs, please ref to Note 4 *Significant accounting policies*, point (u) *Sales and marketing expense*. Such a presentation is relevant to an understanding of the Group's structure of the operating expenses. In the management's view, the amended presentation enhances the presentation of the statement of the comprehensive income, and it results in the financial statements to be more comparable to the industry.

In addition, in 2020 during the preparation of the financial statements, it was noted that the expenses related to the employee stock option plan and employee bonuses require allocation to the costs by function, i.e. Sales and marketing expenses, Research and development expenses and General and administrative expenses (as presented in the tables in Note 7 *Operating expenses*). In 2019, the total costs related to the employee stock option plan and employee bonuses amounted to USD 3,826 thousand were allocated to the General and administrative expenses. Therefore, the proper reclassification was provided for the data presented for the year ended December 31, 2019. After the reclassification the sales and marketing costs amounted to USD 129,477 thousand, research and development expenses amounted to USD 15,843 thousand, and general and administrative costs amounted to USD 14,182 thousand (as presented in the consolidated historical financial information before the allocation of the employee stock option plan and employee bonuses: sales and marketing costs amounted to USD 128,760 thousand, research and development expenses amounted to USD 13,950 thousand, and general and administrative costs amounted to USD 16,792 thousand respectively).

The above-mentioned changes were implemented retrospectively, i.e. the comparative figures conform to the new presentation; however, these changes did not have an impact on total operating expenses for the year ended December 31, 2019.

### **3. Adoption of new and revised Standards**

The IFRS include all International Accounting Standards, International Financial Reporting Standards and Interpretations as approved by the European Union. As at the date of approving these consolidated financial statements for issue, considering the



pending process of introducing IFRSs in the EU and the operations conducted by the Group, the IFRS applicable to these consolidated financial statements might differ from IFRS adopted by International Accounting Standards Board.

In preparing these consolidated financial statements the Group did not early adopt any new Standards which have already been published and adopted by the European Union and which should be applied for periods beginning on or after January 1, 2021.

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

- IFRS 14 *Regulatory Deferral Accounts* (issued on January 30, 2014) – The European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard – not yet endorsed by EU at the date of approval of these consolidated financial statements for issue – effective for financial years beginning on or after January 1, 2016;
- Amendments to IFRS 10 and IAS 28: *Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture* (issued on September 11, 2014) – the endorsement process of these Amendments has been postponed by EU - the effective date was deferred indefinitely by International Accounting Standards Board;
- IFRS 17 *Insurance Contracts* (issued on May 18, 2017) including Amendments to IFRS 17 (issued on June 25, 2020) – not yet endorsed by EU at the date of approval of these consolidated financial statements for issue - effective for financial years beginning on or after January 1, 2023;
- Amendments to IAS 1: *Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current - Deferral of Effective Date* (issued on January 23, 2020 and July 15, 2020) – not yet endorsed by EU at the date of approval of these consolidated financial statements for issue – effective for financial years beginning on or after January 1, 2023;
- Amendments to IFRS 3: *Reference to the Conceptual Framework* (issued on May 14, 2020) - not yet endorsed by EU at the date of approval of these consolidated financial statements for issue - effective for financial years beginning on or after January 1, 2022;
- Amendments to IAS 16: *Property, Plant and Equipment – Proceeds before Intended Use* (issued on May 14, 2020) – not yet endorsed by EU at the date of approval of these consolidated financial statements for issue - effective for financial years beginning on or after January 1, 2022;
- Amendments to IAS 37: *Onerous Contracts – Cost of Fulfilling a Contract* (issued on May 14, 2020) – not yet endorsed by EU at the date of approval of these consolidated financial statements for issue - effective for financial years beginning on or after January 1, 2022;
- *Annual Improvements to IFRS Standards 2018–2020* (issued on May 14, 2020) – not yet endorsed by EU at the date of approval of these consolidated financial statements for issue - effective for financial years beginning on or after January 1, 2022;
- Amendments to IFRS 4 *Insurance Contracts – deferral of IFRS 9* (issued on June 25, 2020) – effective for financial years beginning on or after January 1, 2021;
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: *Interest Rate Benchmark Reform – Phase 2* (issued on August 27, 2020) – effective for financial years beginning on or after January 1, 2021;
- Amendments to IAS 1 and IFRS Practice Statement 2: *Disclosure of Accounting policies* (issued on February 12, 2021) – not yet endorsed by EU at the date of approval of these consolidated financial statements for issue – effective for financial years beginning on or after January 1, 2023;
- Amendments to IAS 8: *Definition of Accounting Estimates* (issued on February 12, 2021) – not yet endorsed by EU at the date of approval of these consolidated financial statements for issue – effective for financial years beginning on or after January 1, 2023.

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

## New International Financial Reporting Standards and Interpretations effective for the first time for financial year 2020

During the year 2020, the following IFRS and amendments to IFRS or interpretations entered into force:

- Amendments to IFRS 3: *Definition of a Business*;
- Amendments to IFRS 7, IFRS 9 and IAS 39: *Interest rate benchmark reform*;
- Amendments to IAS 1 and IAS 8: *Definition of "material"*;
- Conceptual framework for financial reporting as of March 29, 2018;
- Amendments to IFRS 16 Leases: *Covid-19-Related Rent Concessions* as of May 28, 2020 – retrospective application possible for financial years beginning on or after June 1, 2020.

The amendments listed above did not have any impact on the amounts recognized in prior periods and are not expected to significantly affect the current or future periods.

## 4. Significant accounting policies

The accounting policies applied by the Group in these consolidated financial statements have been consistently applied by the Group and are consistent across the reported periods, unless indicated otherwise (see Note 3 *Adoption of new and revised Standards*).

### (a) Basis for consolidation

#### (i) Subsidiaries

Subsidiaries are entities controlled by the Parent Company because the Group (i) has power to direct the relevant activities of the investees that significantly affect their returns, (ii) has exposure, or rights, to variable returns from its involvement with the investees, and (iii) has the ability to use its power over the investees to affect the amount of the investor's returns. Financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences (date of acquisition or establishment) until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

#### (ii) Business combinations

As disclosed in Note 21 *Business combinations*, in the year ended December 31, 2020 there were transactions to which the acquisition method was applied.

The acquisition method of accounting is used to account for all business combinations. In order to assess whether the acquired set of assets comprises a business, the Company analyzes the requirements of IFRS 3 *Business Combinations*, including *Amendments to IFRS 3 Definition of a Business*, effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period. In particular, the Group may perform the optional fair value concentration test. The purpose of this test is to permit a simplified assessment of whether substantially all the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets and therefore an acquired set of activities and assets is not a business. Applying the concentration test on a transaction-by-transaction basis is not obligatory.

If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is required. Otherwise, or if the test was not applied, the entity shall perform the qualitative analysis of whether an acquired set of assets and activities includes at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

If the transaction is concluded to be an acquisition of the assets which is not a business, the total consideration will be allocated to acquired assets based on their relative fair values; no goodwill is recognized in such case. The transaction costs will be added to the cost of the assets acquired.

If the transaction is concluded to be a business combination, all identifiable assets acquired and the liabilities assumed are recognized at the fair value; deferred tax is recognized on the temporary difference between the fair value and the tax value; the difference between the total consideration transferred is recognized as goodwill.

The consideration transferred for the acquisition of a subsidiary comprises the: fair values of the assets transferred, liabilities incurred to the former owners of the acquired business, equity interests issued by the group, fair value of any asset or liability resulting from a contingent consideration arrangement.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognized directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange.

Contingent consideration is classified either as equity or a financial liability, depending on financial instruments in which it is payable. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognized in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognized in profit or loss.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. During the measurement period not exceeding one year from the acquisition date, the Group retrospectively adjusts the provisional amounts recognized

at the acquisition date. The measurement period ends as soon as the Group receives the information it was seeking about facts and circumstances that existed as of the acquisition date or learns that more information is not obtainable.

**(iii) Transactions eliminated on consolidation**

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing these consolidated financial statements. Unrealized losses are eliminated unless the transaction provides evidence of an impairment of the transferred asset.

**(iv) Foreign operations**

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet,
- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognized in other comprehensive income.

**(b) Foreign currency transactions – transactions and balances**

Transactions in foreign currencies are translated to functional currency of the respective entity (i.e. USD is the functional currency of the Parent entity and the presentation currency of the Group) at exchange rates effective on the days of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into functional currency at the applicable closing exchange rates as of the balance sheet date. The foreign exchange rate differences arising on translation of transactions denominated in foreign currencies are recognized in the profit or loss in the statement of comprehensive income.

Non-monetary assets and liabilities that are measured at historical cost in foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at the exchange rates at the date the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

**(c) Revenue**

The Group is a game developer who operates free-to-play multi-player games. The main source of revenue recognized by the Group is in-app purchases in gaming applications made by the players who wish to buy additional packages of virtual coins that can be further used in the game.

The Group operates in the most popular business model in this industry where the Group initially provides the hosted underlying license arrangement to all mobile players for free (the player initially obtains a predetermined quantity of the virtual coins for free and may play for free until the coins are redeemed) and generates its revenue from subsequent selling a large volume of virtual items (i.e. coins) to the players. By entering into the free of charge play, the player does not have any commitment to purchase any virtual coins thus free of charge use of game does not result in recognition of revenue.

After agreeing with the terms and conditions of the hosted underlying license arrangement with the Group, players can download the game application to their mobile devices and enjoy playing the game for free in the non-charged and the



stand-alone environment (without purchasing the virtual items) until all free of charge virtual coins held by the player are redeemed through the play. Players can purchase the non-refundable virtual coins for a fixed fee (included in an application) in the game environment to continue playing with a game. Coins are not returnable. The virtual coins do not allow the players to obtain access to additional functions or enhanced environments. They are consumable items which might be immediately consumed by a player or can be multiplied throughout the game when the player is winning. The virtual items do not have an expiry date.

In most cases, the Group is the owner of the application and is fully responsible for future upgrades and future developments of this game application. In some cases, the Group publishes mobile game applications of third-party developers and in such a situation the Group also acts as a principal in its relation to the players (as described below).

The Group makes the mobile game application available on players' mobile devices such as smart phones, iPhones, iPad, etc. by using the recognized distribution channels provided by the distributors. The distributors act as the intermediary parties which provides IT infrastructure/ distribution channels and marketing activities as well as collecting and disbursing cash from the players on behalf of the Group.

In addition, the Group generates revenue on in-app advertising which are generated by broadcasting advertisements during gameplay.

The Group recognizes revenues from contracts with clients as described below.

#### Revenue from in-app purchases in gaming applications

In-app purchases are sold through Application Marketplaces ("Platform Providers") such as Apple App Store, Google Play, Facebook and Amazon App Store.

Players are determined to be the Group's customers, and the Group acts as a principal in its relation to the players (further information on the judgment in this respect is presented in Note 2 *Basis for preparation of the consolidated financial statements*, point (d) *Key judgements and estimates – Model for revenue recognition*).

The Group presents in-app revenue on a gross basis. Platform Providers charge usually 30% commission on the prices paid by the users. The commission covers all services performed by the "Platform Providers" such as granting access to the sales platform, ensuring the relevant IT environment (an ongoing service provided by the Platform Provider) and collecting sales proceeds from the users. These costs meet the definition of the costs to fulfill the contract and are recognized as an asset. Contract cost assets are presented in the "Trade and other receivables" line item in the statement of financial position and are amortized on a systematic basis consistent with the expected pattern of transfer of the related goods or services under the contract (as described below). The relevant charge is presented in the consolidated statement of comprehensive income in the "Cost of sales" line.

The game application can be used only with the virtual coins, which are either obtained by the players free of charge (at the initial downloads of application and at regular periodical grants of free coins) or subsequently purchased. The coins do not have any alternative use other than the use in the HUUUGE's games and also cannot be exchanged for cash.

Due to the fact that the player cannot benefit from gaming application on its own but only with the virtual coins (either obtained free of charge or purchased) therefore there is only one performance obligation being providing the players with a right to play the game. As long as the player uses only free of charge coins, the contract under IFRS 15 does not exist.

The customer in the in-app purchases downloads the application for free and purchases virtual coins. Management concluded that the purchased virtual coins represents a prepayment for the use of the games thus the hosted underlying license to use an application is the only performance obligation.

The Group provides the players with a right to use virtual coins in the gaming environment. The consideration obtained from the player for the sales of the virtual coins represents a prepayment for the use of the gaming service. Through selling the virtual items, the Group provides access to the game functionalities in exchange for virtual coins consumed by the players. In gaming application published by the Group in-app purchases concern mostly virtual coins, which players of Group's games can use to play slot games and other casino-like games. The Group's management concluded that the Group meets requirements of IFRS 15.35(a) for over time recognition that players simultaneously receive and consume the benefits of the service being access to gaming environments and a possibility to play, as the entity makes them available.

According to management's assessment, based on data gathered, the virtual coins acquired by the customers are consumed in most instances in several hours from the purchase moment. Revenues from in-app purchases in gaming applications are recognized as revenue over the period of expected consumption. The Group recognizes a contract liability for any consideration received that is attributable to the player's estimated unused coins (i.e. player's unexercised rights), taking into account estimated rate of breakage. Such contract liability is presented as "Deferred income" in the statement of financial position. Further information regarding the estimate of the revenue recognized from the contract liability is provided in Note 2 *Basis for preparation of the consolidated financial statements*, point (d) *Key judgements and estimates – model of revenue recognition*.

Revenue is recognized at the amount that reflects the price expected by the Group in exchange for the transfer of the services, which is available in the gaming application and depends on the amount of coins being purchased.

Given the fact that the Group grants players the option to acquire additional virtual items at a price that would reflect the stand-alone selling price for those items, the option does not provide a material right to players. For this reason, the Group accounts for future purchases of virtual items only when players exercise the option to purchase virtual items (the contract liability is recognized at the date of the purchase which is subsequently accounted for as explained above).

#### Revenue from the advertising activities

Revenues from advertising are generated by broadcasting advertisements during gameplay. The Group's management identified one performance obligation which is displaying advertisements in gaming applications. Revenue is recognized over time, in the period in which the advertisements are broadcast. The transaction price is variable and is based on the sales of products by advertisers. The Group recognizes the variable consideration in the month in which the sales transaction which triggers the payment of the fee to the Group has occurred. The consideration is determined based on revenue reports from the ad network indicating the number of products sold and the amount of the consideration due to the Group.

For both revenue streams, i.e. revenue from in-app purchases in gaming applications and revenue from the advertising activities, management assesses that the Group does not have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money. A receivable is recognized when the consideration is unconditional because only the passage of time is required before the payment is due. Revenue is collected not directly from end-users but via distribution platforms that charge their commission for the service. The payment terms with major distribution platforms are described in Note 16 *Trade and other receivables*.

**(d) Income tax**

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items are recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax is not recognized for temporary differences arising on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax liabilities and assets are not recognized for temporary differences between the carrying amount and tax bases of investments in subsidiaries where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent it is no longer probable that the related tax benefit will be realized.

Payments received from distributors for sale of virtual items are subject to the withholding taxes paid by the distributors to the tax authorities on behalf of the Group entities as a recipient. As a result, the Group receives the consideration net of taxes deducted at source. The Group's management determined that this withholding tax is an income tax in nature, and it is recognized, measured and disclosed under the requirements of IAS 12 due to the fact that the gross amount of income received is included in the calculation of taxable profit in the entity's tax computation.

Thus, the revenue is recognized at the amount that includes withholding taxes paid to the tax authorities on behalf of the Group, i.e. gross including the amount of the withholding tax. The withholding tax paid is credited against income tax due in the particular jurisdiction in accordance with local regulations.

**(e) Property, plant and equipment**

**(i) Recognition and measurement**

Items of property, plant and equipment, except for land, are measured in the consolidated statement of financial position at cost, increased by subsequently incurred costs, when it is expected that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliable, less accumulated depreciation and any accumulated impairment losses. Land is measured at cost less any accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset.

**(ii) Depreciation**

Depreciation of property, plant and equipment is calculated over the depreciable amount, which is the cost of an asset, less its residual value, commences when an asset is available for its intended use. All items of property, plant and equipment, other than land and property under construction, are depreciated on a straight-line basis over the assets' estimated useful lives as follows:

Computers and other electronic devices	3 – 10 years
Furniture	5 years

Leasehold improvements (adaptation works in offices) are depreciated over their useful lives, which are equal to the lease periods and vary from 1 to 5 years.

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted prospectively if appropriate.

**(f) Leases**

Management assesses at the time of entering into a contract whether the contract is a lease or contains a lease. A contract is a lease or contains a lease if it conveys the right to control the usage of an identifiable asset for a given period in exchange for consideration.

The Group applies a uniform approach to the recognition and measurement of all lease agreements except for short-term leases and low value asset leases. On the commencement date of a lease, the Group recognizes a right-of-use asset and a lease liability.

Right-of-use assets

The Group recognizes right-of-use assets on the date of commencing a lease i.e. at the date at which the leased assets are available for use by the Group entities. The right-of-use assets are presented in a separate line in the consolidated statement of financial position. The Group does not have any right-of-use assets that meet the definition of investment property which would be presented in statement of financial position in a separate line as "investment property".

Right-of-use assets are measured initially at cost comprising the following:

- the amount of the initial measurement of the lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs,
- restoration costs.

Subsequently, the right-of-use assets are measured at cost less accumulated depreciation and any accumulated impairment losses and adjusted for remeasurement of the lease liability due to reassessment or lease modifications.

The right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. The amortization periods for the right-of-use assets are as follows:

right of use for vehicles	3 years
right of use for offices	1 – 5 years



### Lease liabilities

At the commencement date lease liabilities are measured at an amount equal to the present value of the following lease payments for the underlying right-of-use assets during the lease term:

- fixed payments (including in substance fixed payments), less any lease incentives receivable,
- variable lease payments that are based on an index or a rate,
- amounts expected to be payable by the Group entities under residual value guarantees,
- the exercise price of a purchase option if the Group's management is reasonably certain to exercise that option,
- payments of penalties for terminating the lease, if the lease term reflects the Group would exercise that option.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined, or the Group's incremental borrowing rate.

Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The carrying amount of liability is remeasured to reflect any reassessment, lease modification or revised in-substance fixed payments.

The lease term includes the non-cancellable period of a lease plus periods covered by options to extend and/or terminate the lease if it is reasonably certain that the lease will be extended or terminated.

The Group applies the exemptions for short-term leases and leases of low-value assets. Payments associated with all short-term leases, i.e. with lease terms of 12 months or less, and certain leases of low-value assets, for which the underlying value is settled at USD 5 thousand or less, are recognized on a straight-line basis over the lease term as an expense in profit or loss.

### **(g) Intangible assets**

#### ***Internally generated intangible assets***

Development expenditures are recognized as an intangible asset when the Group can demonstrate all of the following:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale,
- its intention to complete and its ability and intention to use or sell the asset,
- how the asset will generate probable future economic benefits,
- the availability of resources to complete the asset,
- its ability to measure reliably the expenditure during development.

The costs of internally generated intangible assets are capitalized once the technological feasibility of a product is established by the management and such costs are determined to be recoverable. Technological feasibility of a product encompasses both technical design documentation and game design documentation or the completed and tested product design and working model.

For products with existing proven technology, the establishment of the technological feasibility may arise early in the product development cycle. Technological feasibility is evaluated individually for each product.

If the criteria for capitalization are met, the development costs are recorded as intangible assets and amortized from the point at which the asset is available for use.

The Group capitalizes software development costs which are direct costs incurred for internal software development. Capitalized software development costs are amortized on a straight line basis over useful life which generally is from 1 to 3 years.

Research expenditure and development expenditure that do not meet the criteria described above are recognized as an expense as incurred.

The Group does not capitalize the expenditure incurred in relation to internally generated games as the criteria for capitalization are not met. As consequence of focusing on mobile phone games, the life cycle of the products developed internally cannot be determined unequivocally and the division between increase in the carrying value associated with increase of incremental benefits and the maintenance expenditure is at times vague. The Group's management find it questionable to demonstrate that the technical feasibility of completing the intangible asset and the Group's ability to measure reliably the expenditure attributable to the intangible asset during its development due to the fact that the development phase of an internal project cannot be reliably separated from the maintenance phase.

The nature of the Group's operations, i.e. providing the users with multi-player games, requires from the Group the continuous expenditure on developments and upgrades of the existing games, driven by the fast-paced changes of the software environment. Such upgrades are necessary for the further game continuity, and the Group is not able to reliably determine if it is probable that future economic benefits associated with the developments and upgrades will flow to the Group.

For these reasons, the Group expenses the costs borne on the maintenance of the existing games and development of the new games and do not capitalize them. Such expenditures are charged to profit or loss in the statement of comprehensive income when incurred and presented in a separate line "Research and development expenses".

Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

#### ***Software acquired externally and other intangible assets***

Software licenses for software acquired externally, cloud computing arrangements that include an intangible asset and meet the recognition criteria, and other intangible assets are measured in the consolidated statement of financial position at cost less accumulated amortization and any accumulated impairment losses. Amortization commences when the assets are available for their intended use. Software acquired externally and other intangible assets are amortized on a straight line basis over their expected economic useful lives which generally are from 1 to 3 years.

The gain or loss arising on disposal or retirement of an item of intangible assets is determined as the difference between the proceeds and the carrying amount of the asset on disposal/retirement date and is recognized in the consolidated statement of comprehensive income in operating profit.

#### ***Intangible assets recognized as part of the business combination***

Intangible assets acquired in a business combination are recognized at its fair value at the acquisition date. In the subsequent periods, intangible assets recognized as part of the business combination are amortized on a straight line basis over expected economic useful lives which are predominantly up to 5 years.

#### **(h) Financial instruments**

The Group recognizes the non-derivative financial instruments such as other long-term financial assets (mostly long-term deposits), trade and other receivables, cash and cash equivalents (including investments in mutual funds) and trade and other payables.

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

The group classifies its financial assets to the measurement category: debt instruments to be measured at amortized cost. The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest ("SPPI test"), are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss.

Management assesses the Group's expected credit losses ("ECLs") associated with debt instruments measured at amortized cost, regardless of whether or not there has been any indication of impairment. Please refer to Note 4 *Significant accounting policies*, point (i) *Impairment*, (i) *Financial assets* below.

**(i) Impairment**

**(i) Financial assets**

Management assesses the Group's ECLs associated with debt instruments measured at amortized cost, regardless of whether or not there has been any indication of impairment.

For trade receivables, the Group applies a simplified approach and measures a loss allowance for expected credit losses at the amount equal to the expected credit losses over the instrument's lifetime. The Group uses its historical data on credit losses, adjusted on an as-needed basis for the impact of forward-looking statements.

For other financial assets the Group applies a three-stage model for impairment, based on changes in credit quality since initial recognition. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1. Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter ("12 Months ECL"). If the Group identifies a significant increase in credit risk ("SICR") since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any ("Lifetime ECL"). The financial assets with objective evidence of impairment are classified to Stage 3; for such assets lifetime ECL is recognized.

**(ii) Non-financial assets**

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, or annual impairment testing for an asset is required, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in profit or loss.

For other assets excluding goodwill, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

At the end of each reporting period, management assesses whether there is any indication that any Group's assets may be impaired. Intangible assets with indefinite useful lives are tested for impairment annually as at December 31 at the cash-generating unit level, irrespective of whether there is any indication of impairment.

As at December 31, 2020 and December 31, 2019 the Group had no intangible assets with an indefinite useful life.

**(iii) Goodwill**

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Goodwill is tested for impairment annually as at December 31 and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. When the recoverable amount of the cash-generating unit is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

**(j) Cash and cash equivalents**

Cash and cash equivalents comprise cash balances, call deposits and highly liquid investments (including money market funds) with maturities at initial recognition of three months or less.

The judgement relating to the classification of the investments in money market funds as "cash and cash equivalents" is disclosed in Note 2 *Basis for preparation of the consolidated financial statements*, point (d) *Key judgements and estimates – Money market mutual funds*.

Cash on bank accounts and investments in money market mutual funds meets the SPPI test and the business model test "held to collect", therefore they are measured at amortized cost including an impairment loss determined in accordance with the expected loss model described in Note 4 *Significant accounting policies*, point (i) *Impairment*, (i) *Financial assets*.

**(k) Trade and other receivables**

Trade receivables are recognized initially at the fair value which is equal to the nominal amount when the contract does not contain significant financing. Subsequently, they are carried at amortized cost using the effective interest method, less loss allowance. The loss allowance is determined in accordance with the accounting policy presented in Note 4 *Significant accounting policies*, point (i) *Impairment* (i) *Financial assets*.



Other receivables include deposits made to purchase property, plant and equipment, receivables from employees and receivables from the state budget. Other receivables that are not financial assets as at the end of the reporting period are measured at the amount due.

**(l) Trade and other payables and deferred income**

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.

The other payables comprise employees related liabilities, tax other than income tax liabilities and accrued expenses. The deferred income represents a contract liability; it is recognized and measured according to the accounting policy presented in Note 4 *Significant accounting policies*, point (c) *Revenue*. Other payables are measured at the amount due.

**(m) Share capital and other components of the equity**

Share capital is presented at the total nominal value of the registered shares of the Parent Company.

Ordinary shares and preference shares series A and B are both classified as equity. Preferences attributable to series A and B of preference shares are described in Note 18 *Share capital*.

Incremental costs directly attributable to the issue of new shares are presented as the deduction of equity, i.e. supplementary capital. Qualifying transaction costs incurred in anticipation of an issuance of equity instruments are also deducted from the equity, i.e. supplementary capital. If the equity instruments are not subsequently issued, the transaction costs are recognized as an expense.

Any excess of the fair value of consideration received over the nominal value of shares issued is recorded as share premium in equity ("Supplementary capital").

The preference shares of series C are classified as financial liability under IAS 32 – the accounting policy for those preference shares is presented in Note 4 *Significant accounting policies*, point (n) *Series C Preference Shares*. The judgement regarding the classification of the preference shares as debt or equity instrument is disclosed in Note 2 *Basis for preparation of the consolidated financial statements*, point (d) *Key judgement and estimates*. Preferences attributable to series C of preference shares are described in Note 20 *Series C preference shares*.

In the line "Treasury shares", the Group presents repurchased own shares, which are recognized at cost and are deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group shares. Any difference between the carrying amount and the consideration, if reissued, is recognized in the supplementary capital.

In accordance with Delaware General Corporation Law, the Company may declare and pay dividends upon the shares of its capital stock either:

1. Out of its surplus, being the excess of its net assets over its capital (all or part of the consideration received by the corporation in exchange for its capital stock, as determined by the Board of Directors); or
2. In case there shall be no such surplus, out of its net profits for the fiscal year in which the dividend is declared and/or the preceding fiscal year.

If the capital, as defined above, shall have been diminished by depreciation in the value of its property, or by losses, or otherwise, to an amount less than the aggregate amount of the capital represented by the issued and outstanding stock of all classes having a preference upon the distribution of assets, the directors of such company shall not declare and pay out of such net profits any dividends upon any shares of any classes of its capital stock until the deficiency in the amount of capital represented by the issued and outstanding stock of all classes having a preference upon the distribution of assets shall have been repaired.

Employee benefits reserve results from the share-based payment arrangements and is described in details in Note 4 *Significant accounting policies*, (q) *Employee benefits*, (i) *Share-based payment arrangements* and 19 *Share-based payment arrangements*.

Foreign exchange reserve are exchange differences resulting from translating foreign entities which functional currency is different than USD.

**(n) Series C preference shares**

Series C convertible preference shares represent a financial instrument, which is classified as the financial liability measured at fair value through profit or loss. The judgement regarding the classification of these preference shares as debt is disclosed in Note 2 *Basis for preparation of the consolidated financial statements*, point (d) *Key judgement and estimates*.

On issuance of the preference shares, the liability is measured at fair value. For this instrument issued in 2017, the fair value was determined to equal the proceeds from shares issuance. This amount is classified as a financial liability measured at fair value through profit or loss until it is extinguished on conversion of preference shares. On subsequent reporting dates, the liability is remeasured to fair value reflecting the fair value of underlying ordinary shares for which series C shares and would be converted at a given date, based on contractual conversion factor. Remeasurement gains and losses are presented in profit or loss (finance income or finance costs). Further information on the fair value measurement of this liability is presented in Note 5 *Determination of the fair value*.

**(o) Earnings per share**

Basic earnings per share is calculated by dividing profit or loss attributable to ordinary equity holders of the Huuuge Inc. by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share is calculated by dividing the Group's adjusted profit or loss by the after-tax effect of:

- a. any dividends or other items related to dilutive potential ordinary shares deducted in arriving at profit or loss attributable to ordinary equity holders of Huuuge Inc.;
- b. any interest recognized in the period related to dilutive potential ordinary shares; and
- c. any other changes in income or expense that would result from the conversion of the dilutive potential ordinary shares

by the weighted average number of ordinary shares adjusted for the effect of all dilutive potential ordinary shares.

The treasury shares are excluded from the weighted average number of ordinary shares for the purpose of calculating earnings per share ("EPS") as they are not outstanding.

**(p) Interest-bearing loans and borrowings**

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are derecognized when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss as other income or finance costs.

Modifications of liabilities that do not result in derecognition are accounted for as a change in estimate using a cumulative catch up method, with any gain or loss recognized immediately in profit or loss, unless the economic substance of the difference in carrying values is attributed to a capital transaction with owners.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

**(q) Employee benefits**

**(i) *Share-based payment arrangements***

The Group runs an award program where the employees and contractors are receiving free options which entitle them to purchase the shares in the Company. Such program is a share-based payment program which is classified as equity settled due to the fact that the Company does not have an obligation to settle the obligation arising under the program by delivering cash to the employees or contractors.

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The grant date fair value of the awards is determined using a share option pricing model.

Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Note 19 *Share-based payment arrangements*.

Options with the same grant date but with different periods during which all the specified vesting conditions of a share-based payment arrangement are to be satisfied are treated as a separate awards with a different vesting period (staged vesting).

The fair value determined at the grant date of the equity-settled share-based payments is expensed over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each period the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefit reserve.

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an expense (employee benefit expense), with a corresponding increase in equity, over the vesting period of the awards. IFRS 2 *Share-based Payment* does not address whether an increase in equity recognized in connection with a share-based payment transaction should be presented in a separate component within equity or within retained earnings. Such an increase is presented in the line "Employee benefit reserve".

The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

**(ii) Defined contribution plans – retirement benefits**

The Group has under local laws obligations to pay retirement benefits, however, as the average age of employees is low, no provision has been recorded due to its immaterial amount.

**(iii) Other employee benefits**

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

**(r) Provisions**

A provision is recognized when the Group, as a result of a past event, has a present obligation (legal or constructive) that can be estimated reliably and it is probable that the Group will be required to settle that obligation (an outflow of economic benefits will be required). Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period and are discounted to present value where the effect is material. For details regarding significant provisions recognized as of December 31, 2020 and December 31, 2019 please refer to Note 2 *Basis for preparation of the consolidated financial statements*, point (d) *Key judgements and estimates – Estimation uncertainty* and Note 25 *Provisions*.

**(s) Cost of sales**

In the line "Cost of sales", the Group recognizes platform fees to distributors, which are related to revenues from in-app purchases and costs of using servers of external suppliers.

Platform fees to distributors are recognized over time in line with the recognition of revenues from in-app purchases. Server costs are recognized when incurred.

**(t) Research and development expenses**

In the line "Research and development expenses", the Group recognizes costs of the maintenance of the existing games and development of the new games, and fees paid to external developers related to the publishing contracts.

These costs are recognized when incurred. Details regarding lack of capitalization of these costs are presented in Note 4 *Significant accounting policies*, point (g) *Intangible assets*.

Fees paid to external developers include expenditures incurred in relation to the right to the game (i.e. the license), the payment for the development operations and maintenance services. Due to the fact that the Group is not able to allocate the fees between particular components, total fees are recognized when incurred.



**(u) Sales and marketing expenses**

The line "Sales and marketing expenses" includes two main types of sales and marketing expenses:

- a) "User acquisition marketing campaigns" which mainly include variable costs of external marketing campaigns directly attributable to acquisition of new players, and conversion of non-paying players into paying players, and
- b) "General Sales and marketing expenses" which mainly include costs of salaries of the sales and marketing departments.

These costs are recognized when incurred.

**(v) Finance income and expense**

Finance income comprises interest income on funds invested.

Interest income is recognized as it accrues in profit or loss, using the effective interest method.

Finance expenses comprise interest expense on borrowings, leases and valuation of preferred shares series C classified as non-current liabilities.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position, unless material, where separate presentation is required.

## 5. Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities.

For assets and liabilities that are recognized in the consolidated financial statements at fair value on a recurring basis, management determines whether in the Group transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Group's management determines the policies and procedures for fair value measurement. External valuers are involved for valuation of significant assets and significant liabilities. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The management decides, after discussions with the Group's external valuers, which valuation techniques and inputs to use for each case.

At each reporting date, the management analyses the movements in the values of assets and liabilities which are required to be remeasured or re-assessed as per the Group's accounting policies. For this analysis, the management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

Fair values have been determined for measurement and for disclosure purposes as explained below.

**(a) Preference shares liability measured at fair value through profit or loss**

The fair values of the liability resulting from preference shares is measured initially and subsequently at fair value with the fair value gains/losses being recognized in profit or loss. Since the preference shares have the right to dividends and they are convertible at any time, their fair value would be determined based on the fair value of the Company's ordinary shares on a non-marketable, minority, per share basis. The Company's ordinary shares and preference shares as of December 31, 2020 and as of December 31, 2019 were not yet traded on any public market.

At the end of the reporting period, the Group analyses whether there have occurred any transactions in its shares (e.g. repurchase of ordinary shares), the prices of which could be used by the Group to determine the fair value at the end of the year. If such transactions would have taken place, management assesses, based on the definition of fair value in IFRS 13, whether the prices applied in the transactions could be considered a reasonable approximation of the fair value of the shares. Management takes into account the party with which the transaction was concluded, length of the period between the transaction and year-end, terms of the transaction and all available facts and circumstances.

In other cases (e.g. when prices applied to past transactions could not be deemed appropriate for the purpose of determination of the fair value of the ordinary shares), the Group's management determined their fair value using valuation techniques, in particular, the Hybrid Method, i.e., a combination of the Probability-Weighted Expected Return Method ("PWERM") and the Option-Pricing Method ("OPM") in the year 2020, and by using solely OPM in the year 2019. The ordinary share is modelled as a call option that gives its owner the right but not the obligation to buy the underlying equity value at a predetermined or exercise price. In the model, the exercise price is based on a comparison with the enterprise value rather than, as in the case of a "regular" call option, a comparison with a per-share share price. Thus, ordinary share is considered to be a call option with a claim on the equity at an exercise price equal to the remaining value immediately after the preferred share is liquidated. PWERM is rooted in a decision-tree analysis and models potential future expected outcomes on the basis of potential probability of certain circumstances (e.g. sale or merger, IPO, dissolution, or continuation as a going concern). The option-pricing method considers the various terms of the shareholder agreements, including the level of seniority among the securities, dividend policy, conversion ratios, and cash allocations (upon liquidation of the enterprise). Additionally, the method implicitly considers the effect of the liquidation preference as of the future liquidation date, not as of the valuation date. The OPM applied by the Group determined the indicated market value of equity of the Company by compiling the results of the three approaches, to which a certain weighting is attributed in order to reflect the changes taking place inside and around the Group: Comparable Company Method, Comparable Transactions Method and prices used in most recent preference shares transactions. Weighted average of indicated values is further adjusted by discount for lack of marketability.

Inputs to the valuation model fall into Level 3 of the fair value hierarchy (unobservable inputs) in all presented periods.

**(b) Trade and other receivables measured at amortized cost**

For trade and other receivables and deposits, the Group's management considers their carrying amounts to be the best estimates of fair values, due to the short-term nature and high liquidity of these instruments. This fair value is determined for disclosure purposes.

**(c) Non-derivative financial liabilities measured at amortized cost**

For trade accounts payable, the Group's management considers their carrying amounts to be the best estimation of their respective fair values, determined for disclosure purposes, due to the short-term nature of these instruments. Fair value of non-derivative financial liabilities other than trade accounts payable, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For lease liabilities interest rate implicit in

the lease is used, if that rate can be readily determined; if that rate cannot be readily determined, the lessee's incremental borrowing rate is used.

As of December 31, 2020 and December 31, 2019 the Group does not classify any assets or liabilities to be subsequently measured at fair value except for the preference shares as indicated in point (a) above.

## 6. Revenue

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

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

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

	Year ended December 31, 2020	Year ended December 31, 2019
Gaming applications	325,684	258,055
Advertising	7,037	1,336
<b>Total revenue</b>	<b>332,721</b>	<b>259,391</b>

The Group's revenue is recognized over time, irrespective of the product and the geographical region – for more details on revenue recognition please refer to Note 4 *Significant accounting policies*, point (c) *Revenue*.

For the gaming services, the transaction price is prepaid by the customers when the virtual coins are purchased to allow continue the game; the payments result in the recognition of the contract liability in the statement of financial position. The amounts recognized as deferred income are recognized as revenue on average within 2 days in the year 2020 (2.5 days in the year 2019).

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

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

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

	Year ended December 31, 2020	Year ended December 31, 2019
Huuuge Casino	201,919	159,848
Billionaire Casino	109,610	91,849
Other games	21,192	7,694
- including games developed by external developers based on publishing contracts*	10,917	5,369
<b>Total revenue</b>	<b>332,721</b>	<b>259,391</b>

\*The Group distributes in-house games as well as the games developed by other companies. In most cases, the Group is the owner of the application and is fully responsible for future upgrades and future developments of this game application. In some cases, the Group publishes mobile game applications of third-party developers based on the publishing contracts entered in the period of 2019-2020. Being a principal, the Group presents in-app revenue on a gross basis.

Revenue was generated in the following countries:

	Year ended December 31, 2020	Year ended December 31, 2019
United States	194,273	155,735
Germany	23,421	16,028
France	10,731	7,579
United Kingdom	10,496	7,642
Canada	9,996	7,884
Netherlands	8,163	5,581
Japan	8,074	6,320
Australia	7,396	5,966
Poland	7,087	5,029
Switzerland	4,340	3,376
Italy	3,722	2,615
Taiwan	3,327	3,225
Republic of South Africa	2,962	3,085
Austria	2,772	1,989
Other	35,961	27,337
<b>Total revenue</b>	<b>332,721</b>	<b>259,391</b>

The above is the management's best estimate, as for some revenue sources geographical breakdown is not available. The allocation to regions is driven by the location of individual end-user customer.

No individual end-user customer with whom the Group concludes transactions had a share of 10% or more in the Group's total revenues in annual reporting periods ended December 31, 2020 and December 31, 2019. Revenues are generated by a number of Platform Providers, such as Apple App Store, Google Play, Facebook and Amazon App Store as described in Note 4 *Significant accounting policies, point (c) Revenue*.

Assets by geographical locations are split as follows:

As of December 31, 2020	Property, plant and equipment	Right-of-use asset	Intangible assets
Poland	1,904	6,129	610
Germany	143	214	228
Israel	438	1,839	-
Cyprus	115	-	90
United States	36	212	-
Finland	51	252	-
Ireland	3	-	-
Netherlands	13	-	531
<b>Total assets</b>	<b>2,703</b>	<b>8,646</b>	<b>1,459</b>

As of December 31, 2019	Property, plant and equipment	Right-of-use asset	Intangible assets
Poland	1,014	1,931	115
Germany	163	529	-
Israel	131	357	-
Cyprus	86	-	-
United States	20	-	-
<b>Total assets</b>	<b>1,414</b>	<b>2,817</b>	<b>115</b>



## 7. Operating expenses

For the year ended December 31, 2020 operating, administrative and marketing expenses include:

Expenses by nature	Note	Total	Cost of sales	Sales and marketing expenses:		Research and development expenses	General and administrative expenses
				thereof User acquisition marketing campaigns	thereof General sales and marketing expenses		
Platform fees to distributors		98,640	98,395	-	-	-	245
External developers fees		3,504	-	-	-	3,504	-
Gaming servers expenses		1,227	1,227	-	-	-	-
External marketing and sales services		115,371	-	111,494	3,877	-	-
Salaries and employee-related costs	8	45,033	-	-	9,281	24,499	11,253
Employee stock option plan	8	3,758	-	-	481	700	2,577
Depreciation and amortization		3,330	-	-	-	-	3,330
Finance & legal services		5,792	-	-	-	-	5,792
Business travels & expenses		302	-	-	-	-	302
Property maintenance and external services		1,442	-	-	-	-	1,442
Other costs		3,794	-	-	-	1,129	2,665
<b>Total operating expenses</b>		<b>282,193</b>	<b>99,622</b>	<b>111,494</b>	<b>13,639</b>	<b>29,832</b>	<b>27,606</b>

For the year ended December 31, 2019 operating, administrative and marketing expenses include:

Expenses by nature	Note	Total	Cost of sales	Sales and marketing expenses:		Research and development expenses	General and administrative expenses
				thereof User acquisition marketing campaigns	thereof General sales and marketing expenses		
Platform fees to distributors		77,772	77,772	-	-	-	-
External developers fees		225	225	-	-	-	-
Gaming servers expenses		848	848	-	-	-	-
External marketing and sales services		123,326	-	119,889	3,437	-	-
Salaries and employee-related costs	8	25,547	-	-	5,859	14,228	5,460
Employee stock option plan	8	2,053	-	-	292	864	897
Depreciation and amortization		2,028	-	-	-	-	2,028
Finance & legal services		1,084	-	-	-	-	1,084
Business travels & expenses		1,236	-	-	-	-	1,236
Property maintenance and external services		1,154	-	-	-	-	1,154
Other costs		3,376	302	-	-	751	2,323
<b>Total operating expenses</b>		<b>238,649</b>	<b>79,147</b>	<b>119,889</b>	<b>9,588</b>	<b>15,843</b>	<b>14,182</b>

As of December 31, 2020 the presentation of the costs by function and expenses by nature has been changed in comparison to the presentation included in consolidated historical financial information. The comparative amounts have been reclassified accordingly. The detailed information is disclosed in Note 2 *Basis for preparation of the consolidated financial statements*, point (e) *Changes in the presentation of the operating costs*.

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

The future monthly expenditure related to the publishing contracts that were in force as at December 31, 2020 amounts to USD 195 thousand and as at December 31, 2019 USD 571 thousand. The above commitments comprise the fixed fees contracted in the publishing arrangements and do not include the variable payments which are based on the future cash flows from selling the games, and the future development fees subject to the specific arrangements and agreements between parties on a scope of services.

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

## 8. Salaries and employee-related costs

	Year ended December 31, 2020	Year ended December 31, 2019
Salaries	38,479	21,577
Social security contributions	4,855	2,949
Share-based payment expense	3,758	2,053
Other employee-related costs	1,699	1,021
<b>Total salaries and employee-related costs</b>	<b>48,791</b>	<b>27,600</b>

Salaries include also persons self-employed and remuneration of executive management.

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
<b>Total number of employees</b>	<b>616</b>	<b>499</b>

Average headcount	Year ended December 31, 2020	Year ended December 31, 2019
Sales and marketing	133	131
Game development	347	266
Back office	79	64
Executive and business management	9	6
<b>Total average number of employees</b>	<b>568</b>	<b>467</b>

Number of employees is calculated based on the actual persons employed, including self-employed, irrespective of full or part-time equivalents. Excluded are employees who did not perform work in the reporting period due to long-term absences.

## 9. Other operating expense, net

Other operating expense, net in 2020 amounted to USD 344 thousand. Other operating expense, net in 2019 amounted to USD 6,531 thousand and includes mainly the cost of provision for the settlement of a lawsuit in state of Washington, described in Note 25 *Provisions*.

## 10. Finance income and finance expense

### Finance income

	Year ended December 31, 2020	Year ended December 31, 2019
Foreign exchange gains, net	2,010	-
Interest income	67	519
Other finance income	4	-
<b>Total finance income</b>	<b>2,081</b>	<b>519</b>

Finance income includes mainly interest earned on money market mutual fund investments and on bank deposits and net foreign exchange gains in 2020.

### Finance expense

	Year ended December 31, 2020	Year ended December 31, 2019
Valuation of preferred shares classified as non-current liabilities	127,768	3,867
Finance expense on repurchase of series C preference shares	481	-
Interest expense	222	477
Other finance expenses	38	-
Foreign exchange losses, net	-	1,533
<b>Total finance expense</b>	<b>128,509</b>	<b>5,877</b>

Finance expenses include mainly valuation of preferred shares from series C classified as current liabilities in the amount of USD 127,768 thousand in 2020 and USD 3,867 thousand in 2019 (please refer to Note 20 *Series C preference shares*), net foreign exchange losses in 2019 and interest expense recognized under IFRS 16 on lease liabilities.

## 11. Income tax

	As of December 31, 2020	As of December 31, 2019
Deferred tax assets	899	2,122
Deferred tax liabilities	131	2,242
<b>Net deferred tax assets/(liabilities)</b>	<b>768</b>	<b>(120)</b>
	Year ended December 31, 2020	Year ended December 31, 2019
Current income tax	7,248	3,889
Change in deferred income tax	(888)	694
<b>Income tax for the period</b>	<b>6,360</b>	<b>4,583</b>

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the statutory tax rate applied to profit of the consolidated entities as follows:

Effective tax rate reconciliation	Year ended December 31, 2020	Year ended December 31, 2019
Profit/(loss) before income tax	(76,244)	8,853
Statutory tax rate in the United States	21%	21%
Theoretical tax expense/(benefit) according to current tax rate in the United States	(16,011)	1,859
Tax impact of non-taxable revenues	-	(2)
Tax impact of non-deductible costs – ESOP	729	438
Tax impact of non-deductible costs – series C shares valuation	26,831	812
Tax impact of non-deductible costs – provision for Washington court case	(1,365)	1,365
Tax impact of non-tax costs/(income) – other	(475)	735
Adjustment for tax rates in foreign subsidiaries	(4,269)	(1,560)
Non-deductible withholding tax and other local income tax	132	44
Elimination of remuneration for shares' redemption	582	-
Temporary differences with no deferred tax recognized	395	10
Previous years' income taxes	(206)	(62)
Tax impact of other differences	17	944
<b>Tax charge</b>	<b>6,360</b>	<b>4,583</b>
<b>Effective tax rate</b>	<b>(8%)</b>	<b>52%</b>



The subsidiary companies are subject to taxes for their respective businesses in the countries of their registration at the rates prevailing in those jurisdictions. The average tax rate used for the year ended December 31, 2020 is (8%), compared to 52% for the year ended December 31, 2019. The tax rate was higher in 2019 due to the different of proportion of Huuuge Inc. profits in the profit of the Group and higher proportion of non-tax deductible costs, i.e. mainly costs related to the employee stock option plan ("ESOP") and the valuation of the series C preferred shares to profit before tax.

## Deferred tax reconciliation

Deferred tax assets	As of December 31, 2020	As of December 31, 2019
Intangible assets	61	114
Lease liabilities	1,817	619
Accrued expenses	1,922	975
Other deductible temporary differences	106	332
<b>Total</b>	<b>3,906</b>	<b>2,040</b>
Tax losses	43	82
<b>Deferred tax assets</b>	<b>3,949</b>	<b>2,122</b>
Compensation with deferred tax liabilities	(3,050)	(2,122)
<b>Deferred tax assets presented in the consolidated statement of financial position</b>	<b>899</b>	<b>-</b>

Deferred tax assets expected to be recovered within 12 months from the reporting date amounted to USD 2,651 thousand as of December 31, 2020 and USD 1,647 thousand as of December 31, 2019.

Deferred tax liabilities	As of December 31, 2020	As of December 31, 2019
Intangible assets	109	5
Property, plant and equipment owned	11	23
Right-of-use assets	1,728	608
Uninvoiced receivables	767	596
Prepaid expenses	75	66
Other differences	491	944
<b>Deferred tax liabilities</b>	<b>3,181</b>	<b>2,242</b>
Compensation with deferred tax assets	(3,050)	(2,122)
<b>Deferred tax liabilities presented in the consolidated statement of financial position</b>	<b>131</b>	<b>120</b>

Deferred tax liabilities expected to be settled within 12 months from the reporting date amounted to USD 1,765 thousand as of December 31, 2020 and USD 1,920 thousand as of December 31, 2019.

	As of December 31, 2020	As of December 31, 2019
Net deferred tax assets/(liabilities) at the beginning of the period	(120)	574
Net deferred tax assets/(liabilities) at the end of the period	768	(120)
<b>Deferred tax in the net profit for the period</b>	<b>(888)</b>	<b>694</b>

As of December 31, 2020 and December 31, 2019 there were no unused tax losses for which no deferred tax would be recognized in the consolidated statement of financial position.

## 12. Property, plant and equipment

	Leasehold improvements	Computers and other electronic devices	Other fixed assets	Fixed assets under construction	Total
<b>Gross book value as of January 1, 2020</b>	472	1,885	511	47	2,915
Additions	743	472	199	726	2,140
Disposals	-	(26)	-	-	(26)
Transfer from assets under construction	61	619	73	(753)	-
Net foreign exchange differences on translation	16	27	(23)	-	20
<b>Gross book value as of December 31, 2020</b>	<b>1,292</b>	<b>2,977</b>	<b>760</b>	<b>20</b>	<b>5,049</b>
<b>Accumulated depreciation as of January 1, 2020</b>	<b>(107)</b>	<b>(975)</b>	<b>(419)</b>	<b>-</b>	<b>(1,501)</b>
Depreciation charge for the period	(79)	(641)	(85)	-	(805)
Disposals	-	21	-	-	21
Net foreign exchange differences on translation	(11)	(41)	(9)	-	(61)
<b>Accumulated depreciation as of December 31, 2020</b>	<b>(197)</b>	<b>(1,636)</b>	<b>(513)</b>	<b>-</b>	<b>(2,346)</b>
<b>Net book value as of January 1, 2020</b>	<b>365</b>	<b>910</b>	<b>92</b>	<b>47</b>	<b>1,414</b>
<b>Net book value as of December 31, 2020</b>	<b>1,095</b>	<b>1,341</b>	<b>247</b>	<b>20</b>	<b>2,703</b>

	Leasehold improvements	Computers and other electronic devices	Other fixed assets	Fixed assets under construction	Total
<b>Gross book value as of January 1, 2019</b>	<b>196</b>	<b>1,315</b>	<b>410</b>	<b>84</b>	<b>2,005</b>
Additions	109	223	27	634	993
Disposals	(12)	(40)	(14)	-	(66)
Transfer from assets under construction	179	399	92	(670)	-
Net foreign exchange differences on translation	-	(12)	(4)	(1)	(17)
<b>Gross book value as of December 31, 2019</b>	<b>472</b>	<b>1,885</b>	<b>511</b>	<b>47</b>	<b>2,915</b>
<b>Accumulated depreciation as of January 1, 2019</b>	<b>(54)</b>	<b>(580)</b>	<b>(325)</b>	<b>-</b>	<b>(959)</b>
Depreciation charge for the period	(56)	(439)	(112)	-	(607)
Disposals	2	40	13	-	55
Net foreign exchange differences on translation	1	4	5	-	10
<b>Accumulated depreciation as of December 31, 2019</b>	<b>(107)</b>	<b>(975)</b>	<b>(419)</b>	<b>-</b>	<b>(1,501)</b>
<b>Net book value as of January 1, 2019</b>	<b>142</b>	<b>735</b>	<b>85</b>	<b>84</b>	<b>1,046</b>
<b>Net book value as of December 31, 2019</b>	<b>365</b>	<b>910</b>	<b>92</b>	<b>47</b>	<b>1,414</b>

During the reporting period the Group has not recognized any impairment loss on property, plant and equipment.

As at December 31, 2020, December 31, 2019 and as at the date of approval of these consolidated financial statements for issue there were no pledges or collaterals on the Group's property, plant and equipment.

## 13. Intangible assets

	IP rights	Software generated internally	Software acquired externally	Prepayments for intangible assets	Total
<b>Gross book value as of January 1, 2020</b>	-	572	119	87	778
Additions	-	-	726	571	1,297
Acquired as part of the business combinations	601	-	-	-	601
Disposals	-	-	-	(217)	(217)
Net foreign exchange differences on translation	-	(1)	1	1	1
<b>Gross book value as of December 31, 2020</b>	<b>601</b>	<b>571</b>	<b>846</b>	<b>442</b>	<b>2,460</b>
<b>Accumulated amortization as of January 1, 2020</b>	-	(547)	(116)	-	(663)
Amortization charge for the period	(70)	(17)	(259)	-	(346)
Disposals	-	-	-	-	-
Net foreign exchange differences on translation	-	1	7	-	8
<b>Accumulated amortization as of December 31, 2020</b>	<b>(70)</b>	<b>(563)</b>	<b>(368)</b>	-	<b>(1,001)</b>
<b>Net book value as of January 1, 2020</b>	-	25	3	87	115
<b>Net book value as of December 31, 2020</b>	<b>531</b>	<b>8</b>	<b>478</b>	<b>442</b>	<b>1,459</b>

	IP rights	Software generated internally	Software acquired externally	Prepayments for intangible assets	Total
<b>Gross book value as of January 1, 2019</b>	-	573	115	-	688
Additions	-	-	5	87	92
Net foreign exchange differences on translation	-	(1)	(1)	-	(2)
<b>Gross book value as of December 31, 2019</b>	-	572	119	87	778
<b>Accumulated amortization as of January 1, 2019</b>	-	(514)	(107)	-	(621)
amortization charge for the period	-	(35)	(10)	-	(45)
Net foreign exchange differences on translation	-	2	1	-	3
<b>Accumulated amortization as of December 31, 2019</b>	-	(547)	(116)	-	(663)
<b>Net book value as of January 1, 2019</b>	-	59	8	-	67
<b>Net book value as of December 31, 2019</b>	-	25	3	87	115

No indications for impairment were identified as at December 31, 2020 and December 31, 2019.

The research and development expenses that do not meet the criteria for capitalization amounted to USD 29,832 thousand for year 2020 and USD 15,843 thousand for year 2019. Those costs are presented in the separate line item in the statement of comprehensive income.

As of December 31, 2020, December 31, 2019 and as at the date of approval these consolidated financial statements for issue there were no pledges or collaterals on the Group's intangible assets.



## 14. Other long-term assets

	As of December 31, 2020	As of December 31, 2019
Long-term deposits	802	350
Prepaid expenses	-	25
Long-term investments	-	1
<b>Total long-term assets</b>	<b>802</b>	<b>376</b>

Other long-term assets as at December 31, 2020 and December 31, 2019 include long-term office rent deposits and long-term prepaid expenses.

## 15. Financial risk management

### (a) Introduction

Risk management performed by the Company and its subsidiaries is aimed at reducing the impact of adverse factors on the consolidated financial statements. This note presents information about the Group's exposure to specific risks arising from financial instruments as well as the Group's objectives aimed at maintaining effective process for risk management.

The Group is exposed in particular to the following risks arising from financial instruments:

- credit risk,
- liquidity risk,
- market risk.

### Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board of Directors continually identifies, evaluates and manages the risks faced by the Group, sets appropriate risk limits and controls and monitors risks.

### (b) Credit risk

#### *Credit risk relating to cash and cash equivalents*

The Group is exposed to credit risks mainly with regard to cash and cash equivalents, that include bank deposits and investments in money market funds, which could arise if a counterparty becomes insolvent and accordingly is unable to return the deposited funds or execute the obligations as a result of the insolvency. To mitigate this risk, wherever possible the Group's management conducts transactions and deposits funds with investment grade rated financial institutions, as well as monitors and limits the concentration of transactions with any single party. The Group's management uses Moody's credit ratings.

The information about the credit risk rating grades is presented in the table below.

Moody's Rating	As of December 31, 2020	As of December 31, 2019
Aaa	3,634	4,635
A2	4,643	760
Aa2	-	39
Aa3	85,699	15
Ba1	-	12,316
B3	182	8,505
<b>Total cash and cash equivalents</b>	<b>94,158</b>	<b>26,270</b>

Cash equivalents (investments in money market mutual funds) are kept in financial institutions with Aaa and Aa3 rating only.

According to Moody's, the investment ratings are ratings from Aaa to Baa3. The ratings Ba1 and B3 are below investment ratings, where Ba1 is a significant credit risk and B3 is high credit risk.

Cash and cash equivalents are kept at a limited number of major financial institutions. The Group's management monitors the creditworthiness of the institutions and mitigates concentration risk by not limiting the exposure to a single counter party, nevertheless at each reporting date there is a significant concentration of the credit risk.

As at December 31, 2020, the largest concentration of funds in two financial institutions was respectively 61% and 26% with the remaining funds not being concentrated more than 5% in a single financial institution. In comparison, as at December 31, 2019, the largest concentration in two financial institutions was respectively 47% and 32% with the remaining funds not being concentrated more than 9% in a single financial institution.

Total gross carrying amounts of cash and cash equivalents as of December 31, 2020 and December 31, 2019 were included in Stage 1, based on assessment that credit risk has not increased significantly since initial recognition. For financial assets in Stage 1, the Group recognizes 12 month ECL and recognizes interest income on a gross basis – interest will be calculated on the gross carrying amount of the financial asset before adjusting for ECL.

Management has assessed that the Group's provision for expected credit losses related to cash and cash equivalents would not be material in any of the periods presented.

The carrying amount of cash and cash equivalents balance represents the maximum credit exposure.

#### Credit risk with respect to trade receivables and other receivables

The carrying amount of trade receivables represents the maximum credit exposure. The maximum exposure to credit risk at the reporting dates was as follows:

Carrying amount	As of December 31, 2020	As of December 31, 2019
Trade receivables from third parties	25,007	19,023
Trade receivables from related parties	-	-
<b>Total</b>	<b>25,007</b>	<b>19,023</b>

The specifics of the Group's activity (numerous end-users worldwide, collection of cash payments via major distribution platforms with high credit ratings) limits considerably the potential credit risk with regard to trade receivables; the credit risk is concentrated as the Group has trade receivables from the few major distribution platforms (cash collection agents).

Below are disclosed the concentrations of main trade receivables as at the respective balance sheet dates and their share in trade receivables from third parties:

	As of December 31, 2020	%	As of December 31, 2019	%
Google	11,581	46%	9,389	49%
Apple	9,703	39%	7,042	37%
Facebook	1,807	7%	1,873	10%
Amazon	596	3%	588	3%
Other	1,320	5%	131	1%
<b>Trade receivables from third parties</b>	<b>25,007</b>	<b>100%</b>	<b>19,023</b>	<b>100%</b>

#### Allowance for expected credit losses

The Group's management recognizes allowance for expected credit losses according to IFRS 9 *Financial Instruments*, considering all reasonable and supportive information (e.g. customer rating, historical recoverability).

As there are only a few important business partners, each of them with high credit ratings (Aa1 to A1 for the years ended December 31, 2020 and December 31, 2019) the Group does not apply the portfolio approach and performs the analysis on the individual basis instead. Taking into account that Group's trade receivables are from a few large Platform Providers and there were no issues with historical recoverability, the related expected credit losses had been assessed as immaterial.

All trade receivables are classified to Stage 2 as those are receivables for which the ECL is calculated using the simplified approach allowed under IFRS 9; there are no trade receivables in Stage 3 (e.g. receivables which are overdue more than 90 days or individually identified as impaired).

As at the end of the reporting period the Group's management identified impairment on employee receivable which is a non-financial asset and accounted for a respective loss allowance. For movement in the allowance for expected credit losses please refer to Note 16 *Trade and other receivables*.

The aging of trade receivables at the reporting dates was as follows:

<b>As of December 31, 2020</b>	<b>Total</b>	<b>not due and overdue up to 1 month</b>	<b>over 1 month to 3 months</b>	<b>over 3 months to 6 months</b>	<b>over 6 months to 1 year</b>	<b>over 1 year</b>
Trade receivables	25,007	24,921	86	-	-	-
Allowance for expected credit losses	-	-	-	-	-	-
<b>Trade receivables, net</b>	<b>25,007</b>	<b>24,921</b>	<b>86</b>	<b>-</b>	<b>-</b>	<b>-</b>

<b>As of December 31, 2019</b>	<b>Total</b>	<b>not due and overdue up to 1 month</b>	<b>over 1 month to 3 months</b>	<b>over 3 months to 6 months</b>	<b>over 6 months to 1 year</b>	<b>over 1 year</b>
Trade receivables	19,023	19,011	11	-	-	1
Allowance for expected credit losses	-	-	-	-	-	-
<b>Trade receivables, net</b>	<b>19,023</b>	<b>19,011</b>	<b>11</b>	<b>-</b>	<b>-</b>	<b>1</b>

**(c) Liquidity risk**

Liquidity risk means the risk that the Group may encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's management approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. Liquidity risk is assessed in conjunction with the Group's budgeted cash flows and by managing a proper current liabilities structure. In addition, as described in Note 32 *Subsequent events*, in February 2021 HUUUGE Inc, has launched its initial public offering, with final listing date on the Warsaw Stock Exchange was February 19, 2021. Net proceeds from the issuance of the newly issued shares amounted to approximately USD 101 million after deduction of costs and expenses associated with the offering, and after execution of the stabilization process described in Note 32 *Subsequent events*. Unexpected business circumstances that may lead to deteriorating liquidity position are balanced with the demand for the Company's debt. The method of measuring the liquidity risk consists of the analysis of the cover of current liabilities with available cash resources.

There are no bank loan balances and bank loan agreements in force as at December 31, 2020, December 31, 2019 and as at date of approval these consolidated financial statements for issue, thus also interest rate risk is remote from the Group's perspective. Moreover, it is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

The Group's operations, and thus its liquidity, have not been adversely affected by the global COVID-19 pandemic.



The following are the contractual maturities of financial liabilities including estimated interest payments as of respective balance sheet dates:

As of December 31, 2020	Carrying amount	Contractual cash flows	6 months or less	6 - 12 months	1 - 2 years	2 - 5 years	over 5 years
Trade payables	11,960	11,961	11,939	22	-	-	-
Accrued expenses (except taxes and employee-related)	18,507	18,507	18,507	-	-	-	-
Lease liabilities	9,061	9,508	1,494	1,303	3,212	3,499	-
<b>Non derivative financial liabilities</b>	<b>39,528</b>	<b>39,976</b>	<b>31,940</b>	<b>1,325</b>	<b>3,212</b>	<b>3,499</b>	-

As of December 31, 2019	Carrying amount	Contractual cash flows	6 months or less	6 - 12 months	1 - 2 years	2 - 5 years	over 5 years
Trade payables	5,988	5,988	5,962	27	-	-	-
Accrued expenses (except taxes and employee-related)	1,318	1,318	1,318	-	-	-	-
Lease liabilities	2,869	3,016	754	647	807	808	-
<b>Non derivative financial liabilities</b>	<b>10,175</b>	<b>10,322</b>	<b>8,034</b>	<b>674</b>	<b>807</b>	<b>808</b>	-

Series C preference shares are not included in the maturity analysis as they may be settled by delivery of the Group's own equity instruments, and, consequently, its settlement will not impact the overall liquidity position of the Group or settled in cash but the redemption in cash is within the Company's control.

There were no derivative financial instruments in the reported periods.

The changes in liabilities arising from financing activities are presented in Note 24 *Lease* and in Note 20 *Series C preference shares*.

## (d) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices may affect the Group's income or the value of the financial instruments held. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The Group does not apply hedge accounting in order to manage volatility in profit or loss and so far neither has entered into derivatives nor incurred external financial liabilities.

### (i) Currency risk

One of the main risks to which the Group is exposed is the currency risk related to the exchange rate volatility between EUR and USD and functional currencies of respective Group entities. The Group is exposed to the currency risks resulting from the foreign currency balances (cash and cash equivalents, trade receivables, trade payables except taxes and employee-related payables) and from the business operations.

The Group has not entered into derivative transactions with banks yet but is considering doing so in the future. For the time being due to the mix of currencies for accounts receivable and accounts payable, as described above, the Group takes advantage of a reduced currency risk due to the fact that that currency differences resulting from accounts receivable and accounts payable have the opposite effect, i.e. exposures are netted.

The Group's exposure to foreign currency risk for the most significant currencies is illustrated in the table below.

Foreign currency denominated	As of December 31, 2020	As of December 31, 2019
<b>Trade receivables</b>	<b>25,007</b>	<b>19,023</b>
USD - foreign	-	2
PLN - foreign	-	-
EUR - foreign	1,474	9,390
ILS - foreign	-	-
Functional currencies	23,533	9,631
<b>Cash and cash equivalents</b>	<b>94,158</b>	<b>26,270</b>
USD – foreign	15,731	5,347
PLN – foreign	4,452	70
EUR – foreign	8,407	9,855
ILS – foreign	-	-
Functional currencies	65,568	10,998
<b>Trade payables and accrued expenses (except taxes and employee-related)</b>	<b>(30,467)</b>	<b>(7,306)</b>
USD - foreign	(66)	(22)
PLN - foreign	-	(9)
EUR - foreign	(407)	(72)
ILS - foreign	-	-
JPY - foreign	-	-
Functional currencies	(29,994)	(7,203)

Net balances in foreign currencies	As of December 31, 2020	As of December 31, 2019
USD	15,665	5,327
PLN	4,452	61
EUR	9,474	19,173
JPY	-	-
Gross exposure	<b>29,591</b>	<b>24,561</b>

The gross exposure is equal to the net exposure, as the Group did not enter into hedging transactions.

### Sensitivity analysis

A strengthening or weakening of foreign currencies, as indicated below, against all functional currencies would have increased or decreased, respectively, net profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

As of December 31, 2020	EUR/USD	USD/PLN	EUR/PLN	USD/ILS	ILS/EUR	ILS/PLN	PLN/JPY	Total exposure
USD	-	17,030	-	3,062	-	-	-	20,092
EUR	7,436	-	-	-	19	-	-	7,455
PLN	-	-	2,036	-	-	8	-	2,044
ILS	-	-	-	-	-	-	-	-
JPY	-	-	-	-	-	-	-	-
Gross exposure	7,436	17,030	2,036	3,062	19	8	-	29,591
								<b>Total P&amp;L impact</b>
Reasonable shift +10%	743	1 703	204	306	2	1	-	2,959
Reasonable shift -10%	(743)	(1,703)	(204)	(306)	(2)	(1)	-	(2,959)

  

As of December 31, 2019	EUR/USD	USD/PLN	EUR/PLN	USD/ILS	ILS/EUR	ILS/PLN	PLN/JPY	Total exposure
USD	-	4,760	-	622	-	-	-	5,382
EUR	17,940	-	-	-	-	-	-	17,940
PLN	-	-	1,231	-	-	-	-	1,231
ILS	-	-	-	-	8	-	-	8
JPY	-	-	-	-	-	-	-	-
Gross exposure	17,940	4,760	1,231	622	8	-	-	24,561
								<b>Total P&amp;L impact</b>
Reasonable shift +10%	1,794	476	123	62	1	-	-	2,456
Reasonable shift -10%	(1,794)	(476)	(123)	(62)	(1)	-	-	(2,456)

**(ii) Interest rate risk**

As the Group has not entered in bank loan agreements in all presented periods till December 31, 2020, the interest rate risk is marginal. The Group has recognized the lease liability; the lease liability bears fixed interest rate thus exposes the Group to the fair value risk; nevertheless, as these liabilities are not measured at fair value, such risk does not impact profit or loss.

The Group does not have any significant interest bearing liabilities at variable rate which would exposure the Group to the cash flow risk.

The Group's interest bearing assets are cash and cash equivalents. The cash at banks is on current account at variable interest rate. The investments in money market funds are at variable interest rate. The interest bearing assets at variable rate expose the Group to cash flow risk.

Taking into account the level of the interest rates on the bank accounts and on the short-term investments in money market funds (i.e. actual interest income generated in 2020 amounts to USD 67 thousand, in 2019 amounts to USD 519 thousand) the Group's profit or loss is not sensitive to reasonably possible changes in interest rates therefore the detailed sensitivity analysis is not presented.

**(iii) Other price risk – liability arising from series C preference shares**

The carrying amount of the Company's liability resulting from series C preference shares is susceptible to market price risk arising from uncertainties about fair value of underlying ordinary shares for which series C preference shares would be converted at a given date, based on contractual conversion factor. For more details regarding series C preference shares please refer to Note 4 *Significant accounting policies*, point (n) *Series C preference shares* of these consolidated financial statements. As the series C preference shares are measured at fair value through profit or loss and the fair value of the underlying ordinary shares is the major input to the valuation model (see also Note 5 *Determination of fair values*), fluctuations in the market value of ordinary shares impact net profit and total equity.

The following table demonstrates the sensitivity as at December 31, 2020 and December 31, 2019 to a reasonably possible change in fair value of the ordinary shares and their impact on the valuation of the liability resulting from issue of series C preference shares. With all other variables held constant, the Group's profit before tax and equity would be affected, as follows:

	Increase/ decrease in %	Effect on profit before tax	Effect on equity
<b>December 31, 2020</b>			
Ordinary share fair value	+10%	12,777	12,777
	-10%	(12,777)	(12,777)
<b>December 31, 2019</b>			
Ordinary share fair value	+10%	(302)	(302)
	-10%	302	302

Further details regarding the determination of the fair value of the ordinary shares and the resulting fair value of the series C preference shares liability is provided in Note 15 *Financial risk management*, point (g) *Accounting classifications and fair values – series C preference shares*.

#### (e) Capital management

The Board of Directors manages the Group's capital structure and makes adjustments in light of changes in economic conditions.

The Board's of Directors policy is to maintain a strong capital base so as to maintain investors' and market confidence and to sustain future development of the business. The Group's management seeks to maintain a sufficient capital base for meeting the Group's operational and strategic needs, with the objective to safeguard the ability to continue as a going concern and optimize the capital structure in order to reduce the cost of capital and maximize the return on capital to the shareholders. The amount of capital maintained in each reporting period (see table below) met management's objectives.

The capital managed by the Group's management includes equity and preferences shares series C, classified as non-current financial liabilities. As such, managed capital consists of ordinary shares, preference shares of series A and B, repurchased own shares and options, as well as preference shares of series C. For the amounts please refer to respective Note 18 *Share capital*, of these consolidated financial statements. There are no externally imposed capital management requirements (such as covenants or similar).

The Group's management monitors the return on capital on the basis of the basic and diluted earnings per share ratios. Further information on calculation of EPS is presented in Note 15 *Financial risk management*, point (f) *Earnings per share*. The objective of the Management is to maximize the return on capital to the shareholders.

No dividends were declared and paid by the Company to its shareholders in the years ending December 31, 2020 and December 31, 2019.

	As of December 31, 2020	As of December 31, 2019
Equity	(96,008)	(19,826)
Preference shares series C (non-current liability)	176,606	48,354
<b>Total capital</b>	<b>80,598</b>	<b>28,528</b>

#### (f) Earnings per share

Basic EPS is calculated by dividing profit or loss attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding.

Diluted EPS is calculated by adjusting the earnings per share for the effects of dilutive employee share options, preference shares classified as equity and preferred shares classified as liability. Convertible preference shares classified as equity are dilutive if the amount of dividend declared on such share per ordinary share obtainable on conversion is below basic EPS. Convertible preference shares classified as debt are dilutive if the fair value measurement change recorded in profit and loss, net of tax per ordinary share obtainable on conversion, is lower than basis EPS.

Series A and B preference shares are non-cumulative equity instruments – a dividend on ordinary shares can only be declared if the dividend on preference shares is also declared in the amount that is at least the same but the Group otherwise does not have an obligation to declare preferred dividends. Thus series A and B shares are treated as participating equity instruments (IAS 33 A13(a)). Therefore, in the calculation of basic EPS the amount of undistributed earnings is allocated to both ordinary shareholders and participating preference shareholders irrespective of whether any dividends were declared during the period. Although, no dividends were declared in the presented periods, the numerator for basic EPS is adjusted for the effects of those instruments (i.e. the amount of dividend attributable to those shareholders).



All preference shares are mandatorily convertible only upon a qualifying US IPO and since the mandatory conversion is contingent, for the purpose of the EPS calculation, the preference shares are not included in number of the ordinary (i.e. are not classified as mandatorily convertible instruments), but considered as potential ordinary shares for the purpose of diluted EPS calculation.

Options granted to employees under the ESOP are considered to be potential ordinary shares. They have been included in the determination of diluted earnings per share. The options have not been included in the determination of basic earnings per share. Details relating to the options are set out in Note 19 *Share-based arrangements*.

Treasury shares represent the repurchased own shares and they are excluded from the calculation of earnings per share as they are not outstanding.

### Basic EPS

		Year ended December 31, 2020	Year ended December 31, 2019
Net result attributable to the owners of the Parent	[A]	(82,604)	4,270
Undistributed profit (loss) attributable to holders of series A and B preference shares*	[B]	(20,537)	1,217
<b>Profit (loss) attributable to holders of ordinary shares</b>	<b>[C]=[A]-[B]</b>	<b>(62,067)</b>	<b>3,053</b>

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

		Year ended December 31, 2020	Year ended December 31, 2019
			<b>Restated</b>
Weighted average number of ordinary shares**	[D]	42,385,427	41,871,266
Basic EPS	[E] = [C] / [D]	(1.46)	0.07

\*\*The weighted average number of shares was adjusted for the event of share split which took place on January 20, 2021, i.e. after the balance sheet date but before the date of approval of these consolidated financial statements for issue. In accordance with IAS 33 *Earnings per share* the weighted average number of shares has to be adjusted retrospectively for all periods presented, therefore the additional shares are treated as having been in issue during the year ended December 31, 2020, and also included in the EPS calculation of the earlier period presented ended December 31, 2019 so as to give a comparable result. In the result of the share split each one of common and preferred shares was automatically reclassified as five shares of common or preferred shares accordingly, i.e. share split on a one for five basis. For more information please refer to Note 32 *Subsequent events*.

### Diluted EPS

Series C preference shares, classified as debts, are anti-dilutive considering the effect of the fair value measurement recognized in profit and loss (please refer to Note 10 *Finance income and finance expense*) and the number of ordinary shares that would be transferred for these instruments.

Series A and B preference shares do not have dilutive effect.

The effects of anti-dilutive potential ordinary shares are ignored in calculating diluted EPS.

The reconciliation between profit (loss) attributable to holders of ordinary shares and profit (loss) attributable to ordinary equity holders of the parent adjusted for the effect of dilution is presented below:

		Year ended December 31, 2020	Year ended December 31, 2019
<b>Profit (loss) attributable to holders of ordinary shares</b>	[C]	(62,067)	3,053
Undistributed profit (loss) attributable to holders of series A and B preference shares	[E]	-	-
Valuation of series C preference shares	[F]	-	-
<b>Profit (loss) attributable to ordinary equity holders of the parent adjusted for the effect of dilution*</b>	<b>[H]=[C]-[E] +[F]</b>	<b>(62,067)</b>	<b>3,053</b>

The reconciliation between weighted average number of ordinary shares and weighted average number of ordinary shares adjusted for the effect of dilution together with diluted EPS is presented below:

		Year ended December 31, 2020	Year ended December 31, 2019
			Restated
<b>Weighted average number of issued ordinary shares used in calculating basic earnings per share*</b>	[D]	42,385,427	41,871,266
Series A preference shares		-	-
Series B preference shares		-	-
Series C preference shares		-	-
Employee Stock Option Plan**		-	2,777,779
<b>Weighted average number of issued ordinary shares and potential ordinary shares used in calculating diluted earnings per share*</b>	[I]	42,385,427	44,649,045
Diluted EPS	[J]=[H] / [I]	(1.46)	0.07

\*The weighted average number of shares is adjusted for the event of share split which took place on January 20, 2021, i.e. after the balance sheet date but before the date of approval of these consolidated financial statements for issue. In accordance with IAS 33 *Earnings per share* the weighted average number of shares has to be adjusted retrospectively for all periods presented, therefore the additional shares are treated as having been in issue during the year ended December 31, 2020, and also included in the EPS calculation of the earlier period presented ended December 31, 2019 so as to give a comparable result. In the result of the share split each one of common and preferred shares was automatically reclassified as five shares of common or preferred shares accordingly, i.e. share split on a one for five basis. For more information please refer to Note 32 *Subsequent events*.

\*\* In addition to the Employee Stock Option Plan, the Group accounts, in accordance with IFRS 2, for the earn-out consideration related to the acquisition of Double Star Oy, which is payable in ordinary shares of HUUUGE Inc. and is dependent on Double Star's financial performance and the continuing employment of the sellers of Double Star Oy. The shares which would be potentially payable to the sellers of Double Star Oy after meeting the performance and service conditions, are contingently issuable ordinary shares. At each reporting date the Group's management assesses how many ordinary shares would be issuable if the reporting date was the end of the contingency period, i.e. the Group's management assesses if both performance and continuing employment conditions are met. No dilutive effect has been identified regarding the earn-out consideration in the year ended December 31, 2020 due to the fact that the performance condition has not been met, assuming December 31, 2020 was the end of the contingency period.

(g) Accounting classifications of financial instruments and fair values

The fair values of financial assets and liabilities, together with the carrying amounts presented in the statement of financial position are as follows:

As of December 31, 2020	Financial assets measured at amortized cost	Financial liabilities measured at fair value	Financial liabilities at amortized cost	Financial liabilities out of scope of IFRS 9	Total carrying amount	Fair value
<b>Assets</b>	<b>119,165</b>	-	-	-	<b>119,165</b>	<b>119,165</b>
Trade receivables	25,007	-	-	-	25,007	25,007
Cash and cash equivalents	94,158	-	-	-	94,158	94,158
<b>Liabilities</b>	-	<b>176,606</b>	<b>11,960</b>	<b>9,061</b>	<b>197,627</b>	<b>197,627</b>
Preference shares	-	176,606	-	-	176,606	176,606
Lease liability	-	-	-	9,061	9,061	9,061
Trade payables	-	-	11,960	-	11,960	11,960
<b>TOTAL</b>	<b>119,165</b>	<b>176,606</b>	<b>11,960</b>	<b>9,061</b>	<b>316,792</b>	<b>316,792</b>

As of December 31, 2019	Financial assets measured at amortized cost	Financial liabilities measured at fair value	Financial liabilities at amortized cost	Financial liabilities out of scope of IFRS 9	Total carrying amount	Fair value
<b>Assets</b>	<b>45,293</b>	-	-	-	<b>45,293</b>	<b>45,293</b>
Trade receivables	19,023	-	-	-	19,023	19,023
Cash and cash equivalents	26,270	-	-	-	26,270	26,270
<b>Liabilities</b>	-	<b>48,354</b>	<b>5,988</b>	<b>2,869</b>	<b>57,211</b>	<b>57,211</b>
Preference shares	-	48,354	-	-	48,354	48,354
Lease liability	-	-	-	2,869	2,869	2,869
Trade payables	-	-	5,988	-	5,988	5,988
<b>TOTAL</b>	<b>45,293</b>	<b>48,354</b>	<b>5,988</b>	<b>2,869</b>	<b>102,504</b>	<b>102,504</b>

As at December 31, 2020 and December 31, 2019 the Group's management did not identify any financial assets measured at fair value – neither through profit or loss nor through other comprehensive income.

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

#### *Series C preference shares*

Series C preference shares liability is measured at fair value initially with gains/losses on subsequent remeasurements being recognized in profit or loss at each reporting period. The fair value measurements of series C preference shares are classified as Level 3 of the fair value hierarchy.

The following methods and assumptions were used to estimate the fair values:

- As of December 31, 2020, the fair values of the non-listed common shares of the Company which are the basis for valuation of liability resulting from issuance of series C preference shares has been estimated using the Hybrid Method, a combination of PWERM and OPM. PWERM is rooted in a decision-tree analysis and models potential future expected outcomes on the basis of potential probability of certain circumstances (e.g. sale or merger, IPO, dissolution, or continuation as a going concern).  
Under PWERM, the Group's management estimated the probability of future IPO under three different outcome scenarios, and the probability of continuation of its business without significant changes. Under each of three outcome scenarios of IPO, the equity value was estimated accordingly. Under the scenario of continuation of the Group's business as so far, share price was estimated by applying the OPM similar to the method applied in the previous reporting period as described below.
- As of December 31, 2019, the fair value of these shares has been estimated using solely the OPM. The OPM considers the various terms of the shareholder agreements, including the level of seniority among the securities, dividend policy, conversion ratios, and cash allocations (upon liquidation of the enterprise). Additionally, the method implicitly considers the effect of the liquidation preference as of the future liquidation date, not as of the valuation date.
- It is common that the OPM which permits to allocate the value for early stage companies with complex capital structures might be supported by various different methods of valuation e.g. Comparable Company Method, Comparable Transactions Method or Common Stock Transactions. The abovementioned methods might consider factors such as historical data of the Company and similar companies, mergers and acquisitions data or transactions on the Company's shares.
- When there are recent transactions on the company's own securities, and under certain premises, the valuation guidance allows for, and considers the indication of value coming from such transaction as a relevant input to determine the equity value Company. In assessing the market value of equity of HUUUGE using a market approach, the most recent preferred stock transactions were considered.
- The valuation requires management to use unobservable inputs in the model (if observable inputs are not available), of which the significant unobservable inputs are disclosed in the table below. Management regularly assesses a range of reasonably possible alternatives for those significant unobservable inputs and determines their impact on the total fair value.
- There is no active market for the Group's common shares and preference shares as at December 31, 2020 and December 31, 2019.

The significant unobservable inputs used in the fair value measurements categorized within Level 3 of the fair value hierarchy, together with a quantitative sensitivity analysis as at December 31, 2020 and December 31, 2019 are shown below:

Valuation technique	Significant unobservable inputs	Range	Sensitivity of the input to fair value
Option-Pricing Method (Company would stay private)	EBITDA multiple	2020: 11.3 – 15.9 2019: 13.6 – 15.0	5% (2019: 5%) increase (decrease) in the multiple would result in an increase (decrease) in fair value by USD 593 thousand (2019: USD 520 thousand)
	Discount for lack of marketability	2020: 29% 2019: 35%	5% (2019: 5%) increase (decrease) in the discount would decrease (increase) the fair value by USD 1,869 thousand (2019: USD 3,720 thousand)
	Revenue multiple	2020: 1.8 – 2.9 2019: 2.7 – 3.5	5% (2019: 5%), increase (decrease) in the multiple would result in an increase (decrease) in fair value by USD 579 thousand (2019: 737 thousand)
Probability-Weighted Expected Return Method (likelihood of IPO)	Discount rate	2020: 25% 2019: N/A	5% (2019: N/A) increase (decrease) in the discount rate applied to derive the present value of potential future values would result in a decrease (increase) in fair value by USD 898 thousand (2019: N/A)
	Discount for lack of marketability	2020: 13% 2019: N/A	5% (2019: N/A) increase (decrease) in the discount would decrease (increase) the fair value by USD 8,625 thousand (2019: N/A)
	IPO probability	2020: 80% 2019: N/A	5% (2019: N/A) increase (decrease) in the IPO probability would result in an increase (decrease) in fair value by USD 2,617 thousand (2019: N/A)

Significant increases (decreases) in EBITDA multiple, revenue multiple, discount rate as well as IPO probability in isolation would result in a significantly higher (lower) fair value. However, an increase in the discount for lack of marketability would lead to a decrease in fair value.

Further information regarding the gain/loss recognized in presented period on the remeasurement of the preference shares liability is presented in Note 20 *Series C preference shares*.

## 16. Trade and other receivables

	As of December 31, 2020	As of December 31, 2019
Trade accounts receivable from third parties	25,007	19,023
Receivables from related entities	-	-
Contract cost	1,008	861
Tax receivables other than from corporate income taxes	1,276	645
Other receivables	1,268	517
Prepaid expenses	911	665
Allowance for expected credit losses	(244)	(171)
<b>Total trade and other receivables</b>	<b>29,226</b>	<b>21,540</b>



The whole amount of the credit loss relates to "Other receivables" which are a non-financial assets and specifically relates to the receivable from an employee. The amount of an impairment losses in relation to trade receivable is not material (see Note 16 *Trade and other receivables*).

<b>Allowance for expected credit losses</b>	<b>As of December 31, 2020</b>	<b>As of December 31, 2019</b>
Opening balance	(171)	(187)
- increase	(73)	-
- decrease - use	-	16
<b>Total allowance for expected credit losses</b>	<b>(244)</b>	<b>(171)</b>

The majority of trade accounts receivable from main customers (platform distributors) are due within 30 days.

Prepaid expenses include advance payments for services, that will be received in the future. Main types of prepayments are: subscription of Internet services, expenses from cloud computing arrangements which do not include an intangible asset (software as a service contracts) and domain costs.

Allowance for expected credit losses is recognized in other operating expenses or finance costs (accrued interest) in the consolidated statement of comprehensive income, based on the nature of the underlying balance.

The allowance for expected credit losses referred solely to "Other receivables" in the amount of USD 244 thousand as at December 31, 2020 and USD 171 thousand as at December 31, 2019.

## 17. Cash and cash equivalents

	<b>As of December 31, 2020</b>	<b>As of December 31, 2019</b>
Cash in hand	2	1
Cash at banks (current accounts)	86,887	21,634
Money market mutual fund investments	7,269	4,635
<b>Total cash and cash equivalents</b>	<b>94,158</b>	<b>26,270</b>

Money market mutual fund investments have been classified as cash equivalents. For the reasoning please refer to Note 2 *Basis for preparation of the consolidated financial statements*, point (d) *Key judgements and estimates*.

As of December 31, 2020 there was restricted cash of USD 15 thousand (USD 32 thousand as of December 31, 2019).

## 18. Share capital

Share capital of the Company is composed of ordinary and preference shares series A and B. Below are presented movements on different components of equity divided in the categories of shares (value of movements presented in USD, not thousand USD):

Shares classified as equity instruments (i.e. excluding preference shares of series C):

	Ordinary shares		Preference shares (excl series C)		Treasury shares		Treasury shares allocated for share-based payment program		Sub-total (issued)		Shares allocated for the share-based payment program		Grand total	
	Number of shares	Value of movements	Number of shares	Value of movements	Number of shares	Value of movements	Number of shares	Value of movements	Number of shares	Value of movements	Number of shares	Value of movements	Number of shares	Value of movements
<b>As of January 1, 2019</b>	<b>8,365,558</b>	<b>837</b>	<b>3,380,000</b>	<b>338</b>	<b>1,448,322</b>	<b>145</b>	<b>-</b>	<b>-</b>	<b>13,193,880</b>	<b>1,320</b>	<b>1,088,443</b>	<b>109</b>	<b>14,282,323</b>	<b>1,429</b>
Shares issued/(repurchased)	-	-	(847,550)	(85)	847,550	85	-	-	-	-	-	-	-	-
Allocation of shares to Share-based payment program	-	-	-	-	(405,000)	(41)	405,000	41	-	-	-	-	-	-
Exercise of stock options	31,363	3	-	-	-	-	-	-	31,363	3	(31,363)	(3)	-	-
<b>As of December 31, 2019</b>	<b>8,396,921</b>	<b>840</b>	<b>2,532,450</b>	<b>253</b>	<b>1,890,872</b>	<b>189</b>	<b>405,000</b>	<b>41</b>	<b>13,225,243</b>	<b>1,323</b>	<b>1,057,080</b>	<b>106</b>	<b>14,282,323</b>	<b>1,429</b>
Shares reissued/(repurchased)	-	-	192,802	19	(192,802)	(19)	-	-	-	-	-	-	-	-
Acquisition of subsidiaries	46,029	5	-	-	(46,029)	(5)	-	-	-	-	-	-	-	-
Allocation of shares to Share-based payment program	-	-	-	-	(389,442)	(39)	389,442	39	-	-	-	-	-	-
Exercise of stock options	176,009	18	-	-	-	-	-	-	176,009	18	(176,009)	(18)	-	-
<b>As of December 31, 2020</b>	<b>8,618,959</b>	<b>863</b>	<b>2,725,252</b>	<b>272</b>	<b>1,262,599</b>	<b>126</b>	<b>794,442</b>	<b>80</b>	<b>13,401,252</b>	<b>1,341</b>	<b>881,071</b>	<b>88</b>	<b>14,282,323</b>	<b>1,429</b>

All shares managed as capital (see Note 15 *Financial risk management* point (e) *Capital management*) thus comprising the equity and liability instruments (i.e. including preference shares of series C):

	Ordinary shares		Preference shares (incl series C)		Treasury shares		Treasury shares allocated for share-based payment program		Sub-total (issued)		Shares allocated for the share-based payment program		Grand total	
	Number of shares	Value of movements	Number of shares	Value of movements	Number of shares	Value of movements	Number of shares	Value of movements	Number of shares	Value of movements	Number of shares	Value of movements	Number of shares	Value of movements
<b>As of January 1, 2019</b>	<b>8,365,558</b>	<b>837</b>	<b>6,746,117</b>	<b>675</b>	<b>1,448,322</b>	<b>145</b>	<b>-</b>	<b>-</b>	<b>16,559,997</b>	<b>1,657</b>	<b>1,088,443</b>	<b>109</b>	<b>17,648,440</b>	<b>1,766</b>
Shares issued/(repurchased)	-	-	(996,496)	(100)	996,496	100	-	-	-	-	-	-	-	-
Allocation of shares to Share-based payment program	-	-	-	-	(405,000)	(41)	405,000	41	-	-	-	-	-	-
Exercise of stock options	31,363	3	-	-	-	-	-	-	31,363	3	(31,363)	(3)	-	-
<b>As of December 31, 2019</b>	<b>8,396,921</b>	<b>840</b>	<b>5,749,621</b>	<b>575</b>	<b>2,039,818</b>	<b>204</b>	<b>405,000</b>	<b>41</b>	<b>16,591,360</b>	<b>1,660</b>	<b>1,057,080</b>	<b>106</b>	<b>17,648,440</b>	<b>1,766</b>
Shares reissued/(repurchased)	-	-	214,328	21	(214,328)	(21)	-	-	-	-	-	-	-	-
Acquisition of subsidiaries	46,029	5	-	-	(46,029)	(5)	-	-	-	-	-	-	-	-
Allocation of shares to Share-based payment program	-	-	-	-	(389,442)	(39)	389,442	39	-	-	-	-	-	-
Exercise of stock options	176,009	18	-	-	-	-	-	-	176,009	18	(176,009)	(18)	-	-
<b>As of December 31, 2020</b>	<b>8,618,959</b>	<b>863</b>	<b>5,963,949</b>	<b>596</b>	<b>1,390,019</b>	<b>139</b>	<b>794,442</b>	<b>80</b>	<b>16,767,369</b>	<b>1,678</b>	<b>881,071</b>	<b>88</b>	<b>17,648,440</b>	<b>1,766</b>

As of December 31, 2020 the presentation of the movements of different components of equity divided in the categories of shares, i.e. the table above, has been changed in comparison to the presentation included in consolidated historical financial information. The comparative amounts have been reclassified accordingly.

The change relates to the transfer of the treasury shares allocated for the share-based payment program to a separate column from the non-treasury shares allocated for the share-based payment program, and such a presentation is relevant to an understanding of Company's share capital structure.

The Company is authorized to issue up to 24,394,876 shares with a par value of USD 0.0001 (17,648,759 of common shares and 6,746,117 of convertible preference shares).

As of December 31, 2020 there were ordinary and preference shares, including shares reacquired by HUUUGE Inc. and not redeemed (so-called treasury shares) of the nominal value of USD 0.0001 per share and the total value of USD 1,598 (not thousand). 9,226,810 ordinary shares include: 8,618,959 ordinary shares held by shareholders and 607,851 of ordinary shares reacquired by the Company and not redeemed.

As of December 31, 2019 there were ordinary and preference shares, including shares reacquired by HUUUGE Inc. and not redeemed (so-called treasury shares) of the nominal value of USD 0.0001 per share and the total value of USD 1,619 (not thousand). 9,440,243 ordinary shares include: 8,396,921 ordinary shares held by shareholders and 1,043,322 of ordinary shares reacquired by the Company and not redeemed.

As of December 31, 2020 there were 6,746,117 preference shares, out of which 782,168 were reacquired by HUUUGE Inc. and not redeemed (treasury stock), including 257,103 preference shares of series A, 397,645 preference shares of series B and 127,420 shares of series C (presented in the consolidated financial statements within financial liabilities).

As of December 31, 2019 there were 6,746,117 preference shares, out of which 996,496 were reacquired by HUUUGE Inc. and not redeemed (treasury stock), including 847,550 preference shares of series A and series B (506,000 series A, 341,550 series B) and 148,946 shares of series C (presented in the consolidated financial statements within financial liabilities).

Over the year 2020, 389,442 ordinary shares allocated in 2017 to "Treasury shares" were reserved for the purpose of the Stock Option Plan established in year 2019, to be granted in exchange for options.

As of December 31, 2020 1,675,513 shares were reserved for two stock option programs: 881,071 shares for the stock option program established in year 2015 and 794,442 share for the stock option program established in 2019.

Over the year 2019, 405,000 ordinary shares allocated in 2017 to "Treasury shares" were reserved for the purpose of the Stock Option Plan established in year 2019, to be granted in exchange for options.

As of December 31, 2019 1,462,080 shares were reserved for two stock option programs: 1,057,080 shares for the stock option program established in year 2015 and 405,000 share for the stock option program established in 2019.

In 2020 and 2019, some share options held by the employees under the share based payment program were exercised, resulting in the issue of ordinary shares with the difference between the exercise price paid by the employee and the nominal amount of shares recognized as share premium (presented within "Supplementary capital") of USD 202 thousand in 2020 and USD 21 thousand in 2019. The exercise price was paid by the employees in cash. Further information on the share-based program is presented in Note 19 *Share-based payment arrangements*.

In the year ended December 31, 2020, the Group made two payments in the form of common shares in respect of business combinations that took place during this period (please see also Note 21 *Business combinations*). These transactions were recognized as decrease in the line "Treasury shares" by USD 631 thousand (carrying amount at USD 13,72 per share) and increase in the line "Supplementary capital" by USD 226 thousand (difference between fair value and carrying amount of common shares paid).

In the year ended December 31, 2020 the following transactions in preference shares took place:

- On July 2, 2020 Huuuge Inc. entered into an agreement to repurchase shares from the Kiwoom Cultural Venture Fund 1 for the cash consideration of USD 7,699 thousand (USD 27.91 per share). Under the agreement Huuuge Inc. repurchased 224,100 series B preference shares and 51,739 series C preference shares, as presented below:

Shareholder	Series	No. of repurchased shares	Repurchase price
Kiwoom Cultural Venture Fund 1	B	224,100	6,255
Kiwoom Cultural Venture Fund 1	C	51,739	1,444
<b>Total</b>		<b>275,839</b>	<b>7,699</b>

Repurchase of series B preference shares was recognized as an increase in the line "Treasury shares" by USD 6,255 thousand. Repurchase of series C preference shares was recognized as decrease of "Preference shares" by USD 963 thousand (carrying amount at USD 18.62 per share as of June 30, 2020) and finance costs in the amount of USD 481 thousand.

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

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

Reissue of series A and B preference shares was recognized as increase in the line "Treasury shares" by USD 8,234 thousand. Reissue of series C preference shares was recognized as increase in the line "Preference shares" by USD 1,447 thousand.

On December 17, 2019 Huuuge Inc. repurchased some preference shares from certain Korean investment funds for the total amount of USD 19,681 thousand (USD 19.75 per share), as per the table below, out of which series A and B for the total amount of USD 16,739 and series C for the total amount of USD 2,942 (please refer also to Note 20 *Series C preference shares*). The repurchase was performed, in line with Group's investment strategy, and allowed the Group to maintain control over the ownership structure.



Shareholder	Series	No. of repurchased shares	Repurchase price
Korea Investment Global Contents Fund	A	379,500	7,496
Korea Investment Global Contents Fund	C	40,303	796
Naver KIP Cheer up! Gamers Fund	A	126,500	2,498
Naver KIP Cheer up! Gamers Fund	C	12,266	242
Woori Technology Investment CO., Ltd	B	227,700	4,497
Woori Technology Investment CO., Ltd	C	43,808	865
Kiwoom Cultural Venture Fund 1	B	75,900	1,499
Kiwoom Cultural Venture Fund 1	C	17,523	346
Seoul Investment Patent Venture Fund	B	37,950	750
Seoul IP Growth Industry Venture Fund	C	35,046	692
<b>Total</b>		<b>996,496</b>	<b>19,681</b>

The terms and conditions attributable to the preferred shares being the subject of the transactions described above remained unchanged.

Holders of the preference shares have various rights additional to the ones of the common shareholders which may vary for series A and B (series C is presented in the consolidated financial statements within financial liabilities and described in Note 20 *Series C preference shares*). These rights are stipulated in the corporate documents of HUUUGE Inc., in particular in the Third Amended and Restated Certificate of Incorporation dated September 19, 2017. Essentially, the rights refer to:

- protective provisions in case of liquidation, dissolution, winding up, certain mergers, consolidations and sale of assets of HUUUGE Inc. or conversion to common shares – the holders of series A or B preference shares shall be entitled to be paid out of the assets of the Company available for distribution to its shareholders after any payment shall be made to the holders of series C shares and before the holders of common shares,
- priority over common shareholders in dividend distribution; in case the dividends are declared, they shall be received first or simultaneously by the holders of series A and B preference shares to dividends on shares of any other class or series of capital shares of the Company,
- election of a director for every separate class of preference shares 1 per each series of preference shares (series A, B); 2 by the holders of common shares.

As of December 31, 2020 and December 31, 2019 there were no dividends declared. The preference shares can be converted into common shares at the following initial conversion rates: for series A at USD 2.00, for series B at USD 3.33 and for series C (classified as liability – see Note 20 *Series C preference shares*) at initial rate of USD 14.438 per share, which is subject to potential adjustments upon the occurrence of contractually specified matters, such as share split, combination or issuance of shares.

As at December 31, 2020 the Parent entity HUUUGE Inc. held own shares repurchased and not redeemed in the total amount of USD 33,994 thousand (1,402,293 own ordinary shares repurchased and not redeemed by HUUUGE Inc. in year 2017 at a price of USD 13.716 per share, out of which 794,442 shares were allocated to share-based program, 430,648 preference shares series A and series B repurchased and not redeemed by HUUUGE Inc. in year 2019 at a price of USD 19.75 per share and 224,100 preference shares series B repurchased and not redeemed by HUUUGE Inc. in year 2020 at a price of USD 27.91 per share).

As at December 31, 2019 the Parent entity HUUUGE Inc. held own shares repurchased and not redeemed in the total amount of USD 36,604 thousand (1,448,332 own ordinary shares repurchased and not redeemed by HUUUGE Inc. in year 2017 at a price of

USD 13.716 per share, out of which 405,000 shares were allocated to share-based program and 847,550 preference shares series A and series B repurchased and not redeemed by HUUUGE Inc. in year 2019 at a price of USD 19.75 per share).

Apart from the payments in the form of common shares in respect of business combinations that took place in 2020 and repurchase of own shares by HUUUGE Inc. in 2019, movements in common shares included exercise of ESOP – for further details please refer to Note 19 *Share-based payment arrangements*.

## Ownership structure

Excluding preference shares of series C:

Shareholders	As of December 31, 2020		As of December 31, 2019	
	number of shares*	% of shares	number of shares*	% of shares
RPII HGE LLC (Raine)	846,877	7.47%	429,975	3.93%
Korea Investment Global Contents Fund	1,120,500	9.88%	1,120,500	10.25%
Naver KIP Cheer up! Gamers Fund	373,500	3.29%	373,500	3.42%
Woori Technology Investment Co., Ltd	672,300	5.93%	672,300	6.15%
Kiwoom Cultural Venture Fund 1	-	0.00%	224,100	2.05%
Seoul Investment Patent Venture Fund	112,050	0.99%	112,050	1.03%
Big Bets OU	5,575,761	49.15%	5,575,761	51.02%
Anton Gauffin	544,140	4.80%	544,140	4.98%
Sebastian Szczygieł	436,835	3.85%	436,835	4.00%
Henric Suuronen	294,582	2.60%	294,582	2.70%
Wojciech Wronowski	152,936	1.35%	152,936	1.40%
Adam Bonalski	114,702	1.01%	114,702	1.05%
Grzegorz Tarczyński	114,702	1.01%	114,702	1.05%
Marcin Moys	114,702	1.01%	114,702	1.05%
Seppo Helava	112,500	0.99%	112,500	1.03%
Aito Ventures Pte Ltd	104,081	0.92%	104,081	0.95%
Applovin Inc.	100,000	0.88%	100,000	0.91%
Wilhelmus Wagenmans	62,474	0.55%	62,474	0.57%
John Lindfors	30,000	0.26%	30,000	0.27%
Others	461,569	4.06%	239,531	2.19%
<b>Subtotal 1</b>	<b>11,344,211</b>	<b>100.00%</b>	<b>10,929,371</b>	<b>100.00%</b>
Share options assigned, not yet exercised	1,435,584		919,010	
Unallocated shares (reserved for option holders)	239,929		543,070	
<b>Subtotal 2</b>	<b>13,019,724</b>		<b>12,391,451</b>	
Treasury stock	1,262,599		1,890,872	
<b>Total</b>	<b>14,282,323</b>		<b>14,282,323</b>	

\* diluted, i.e. including common and preference shares

Including preference shares of series C:

Shareholders	As of December 31, 2020		As of December 31, 2019	
	number of shares*	% of shares	number of shares*	% of shares
RPII HGE LLC (Raine)	3,690,609	22.70%	3,200,442	20.50%
Korea Investment Global Contents Fund	1,239,499	7.62%	1,239,499	7.94%
Naver KIP Cheer up! Gamers Fund	409,717	2.52%	409,717	2.62%
Woori Technology Investment Co., Ltd	801,646	4.93%	801,646	5.14%
Kiwoom Cultural Venture Fund 1	-	0.00%	275,839	1.77%
Seoul Investment Patent Venture Fund	112,050	0.69%	112,050	0.72%
Seoul IP Growth Venture Fund 1	103,477	0.64%	103,477	0.66%
Big Bets OU	5,575,761	34.29%	5,575,761	35.72%
Anton Gauffin	544,140	3.34%	544,140	3.49%
Sebastian Szczygiel	436,835	2.69%	436,835	2.80%
Henric Suuronen	294,582	1.81%	294,582	1.89%
Wojciech Wronowski	152,936	0.94%	152,936	0.98%
Adam Bonalski	114,702	0.71%	114,702	0.73%
Grzegorz Tarczyński	114,702	0.71%	114,702	0.73%
Marcin Moys	114,702	0.71%	114,702	0.73%
Seppo Helava	112,500	0.69%	112,500	0.72%
Aito Ventures Pte Ltd	104,081	0.64%	104,081	0.67%
Applovin Inc.	100,000	0.61%	100,000	0.64%
Wilhelmus Wagenmans	62,474	0.38%	62,474	0.40%
John Lindfors	36,926	0.23%	36,926	0.24%
Others	461,569	2.84%	239,531	1.53%
<b>Subtotal 1</b>	<b>14,582,908</b>	<b>89.69%</b>	<b>14,146,542</b>	<b>90.63%</b>
Share options assigned, not yet exercised	1,435,584	8.83%	919,010	5.89%
Unallocated shares (reserved for option holders)	239,929	1.48%	543,070	3.48%
<b>Subtotal 2</b>	<b>16,258,421</b>	<b>100.00%</b>	<b>15,608,622</b>	<b>100.00%</b>
Treasury stock	1,390,019		2,039,818	
<b>Total</b>	<b>17,648,440</b>		<b>17,648,440</b>	

\* diluted, i.e. including common and preference shares

Voting rights, including series C preference shares:

Shareholders	As of December 31, 2020		As of December 31, 2019	
	number of shares*	% share in voting rights	number of shares*	% share in voting rights
RPII HGE LLC (Raine)	3,690,609	25.31%	3,200,442	22.62%
Korea Investment Global Contents Fund	1,239,499	8.50%	1,239,499	8.76%
Naver KIP Cheer up! Gamers Fund	409,717	2.81%	409,717	2.90%
Woori Technology Investment Co., Ltd	801,646	5.50%	801,646	5.67%
Kiwoom Cultural Venture Fund 1	-	0.00%	275,839	1.95%
Seoul Investment Patent Venture Fund	112,050	0.77%	112,050	0.79%
Seoul IP Growth Venture Fund 1	103,477	0.71%	103,477	0.73%
Big Bets OU	5,575,761	38.23%	5,575,761	39.41%
Anton Gauffin	544,140	3.73%	544,140	3.85%
Sebastian Szczygieł	436,835	3.00%	436,835	3.09%
Henric Suuronen	294,582	2.02%	294,582	2.08%
Wojciech Wronowski	152,936	1.05%	152,936	1.08%
Adam Bonalski	114,702	0.79%	114,702	0.81%
Grzegorz Tarczyński	114,702	0.79%	114,702	0.81%
Marcin Moys	114,702	0.79%	114,702	0.81%
Seppo Helava	112,500	0.77%	112,500	0.80%
Aito Ventures Pte Ltd	104,081	0.71%	104,081	0.74%
Applovin Inc.	100,000	0.69%	100,000	0.71%
Wilhelmus Wagenmans	62,474	0.43%	62,474	0.44%
John Lindfors	36,926	0.25%	36,926	0.26%
Others	461,569	3.15%	239,531	1.69%
<b>Total</b>	<b>14,582,908</b>	<b>100.00%</b>	<b>14,146,542</b>	<b>100.00%</b>

\* diluted, i.e. including common and preference shares

As at December 31, 2020 and December 31, 2019 no shareholder owned over 50% of Company's equity or had more than 50% of voting rights. Company's major shareholder is Mr Anton Gauffin, CEO and the Founder, who participates in the Company's ordinary shares both directly and indirectly (through shares of Big Bets OU).

The supplementary capital derives mainly from the share premium gained on issuance of shares.

## 19. Share-based payment arrangements

As at December 31, 2020 and as at December 31, 2019 the Group had an equity incentive plan, i.e. ESOP. The first stock option program (the employee stock option plan or "ESOP 2015") was established by the Company's Board of Directors on April 3, 2015, the second one on October 19, 2019 ("ESOP 2019"). The program entitles employees and some consultants to purchase shares in the Company. Each option stands for one common share of the Company.

The vesting condition of both programs is to provide the service continuously for at least 4 years from the grant date, whereby about 25% of the shares options vest and become exercisable on a 12-month anniversary of the vesting commencement date and then after end of each consecutive month 1/36 of the remaining shares options vest and become exercisable. For such share-based payments staged vesting applies i.e. each instalment with different vesting period is treated as a separate award with a different vesting period.

As of December 31, 2020 there were 1,675,513 shares reserved for the ESOP, out of which 239,929 were not yet allocated to specific employee and 1,435,584 attributed to specific option holders. As of December 31, 2019 there were 1,462,080 shares reserved for the ESOP, out of which 543,070 were not yet allocated to specific employee and 919,010 attributed to specific option holders. This is at the Group discretion whether the unallocated shares will be allocated within the share-based program to the employees or unused or withdraw from the program.

In 2020 the Company's Board of Directors granted 738,024 options to its employees and consultants (243,525 in 2019). Each option can be exercised at a weighted exercise price of USD 16.75 (not in thousand). Shares option expense for year 2020 amounts to USD 3,469 thousand (USD 2,053 thousand in 2019) and was booked against equity (employee benefit reserve) which amounted USD 8,052 thousand as of December 31, 2020 (USD 4,294 thousand as of December 31, 2019).



Details of the grants are presented in the table below:

Grant date	Number of instruments granted	Expiry date
Granted in 2015	293,292	June 1, 2025
Granted in 2016	175,058	June 1, 2026 – December 1, 2026
Granted in 2017	386,310	February 1, 2027 – December 1, 2027
Granted in 2018	131,000	December 1, 2024
January 22, 2019	14,500	January 22, 2025
March 25, 2019	20,070	March 25, 2025
March 25, 2019	179,250	March 25, 2025
April 1, 2019	9,000	April 1, 2025
June 3, 2019	5,205	December 1, 2024
June 3, 2019	500	December 1, 2024
October 21, 2019	3,000	October 21, 2025
November 6, 2019	12,000	November 6, 2025
Granted in 2019	243,525	
April 1, 2020	10,000	April 1, 2027
April 7, 2020	263,005	April 7, 2027
April 9, 2020	5,000	April 9, 2027
April 17, 2020	26,000	April 17, 2027
July 22, 2020	81,416	July 22, 2027
November 11, 2020	352,603	November 11, 2027
Granted in 2020	738,024	
<b>Total</b>	<b>1,967,209</b>	

Movements in share options since the first grant date were as follows:

	Year ended December 31, 2020		Year ended December 31, 2019	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance at the beginning of the year	919,010		803,692	
Granted during the year	738,024	16.75	243,525	12.53
Forfeited during the year	(25,066)	9.81	(66,406)	6.66
Exercised during the year	(176,009)	1.15	(31,363)	0.62
Expired during the year	(20,375)	5.83	(30,438)	4.37
<b>Balance at the year-end</b>	<b>1,435,584</b>	<b>12.01</b>	<b>919,010</b>	<b>6.21</b>

The weighted average exercise prices are presented in USD, not in thousand USD.

As at December 31, 2020 565,508 share options were exercisable, with weighted average exercise price of USD 6.33 per share.

As at December 31, 2019, 550,869 share options were exercisable, with weighted average exercise price of USD 3.58 per share.

The below table presents a summary of share prices at the exercise dates:

Exercise date	Grant date	Exercise price	Fair Market Value on exercise date	Number of stock options exercised
Exercised in 2019	May 29, 2015 – December 1, 2018	\$0.0002 – \$4.1500	\$14.0900 – \$15.0300	31,363
Exercised in 2020	May 29, 2015 – November 6, 2019	\$0.0002 – \$13.500	\$15.0300 – \$18.6200	176,009

For share options outstanding at the end of the reporting periods, the range of exercise prices and weighted-average remaining contractual life was as follows:

As at December 31, 2020:

Exercise price	Number of outstanding stock options	Weighted average remaining contractual life (in years)
0.0002	76,166	4.41
0.55	35,805	5.42
0.79	84,773	5.98
4.15	184,160	6.91
13.5	320,656	4.16
15.03	381,421	6.33
18.62	352,603	6.89
<b>Total:</b>	<b>1,435,584</b>	<b>5.91</b>

As at December 31, 2019:

Exercise price	Number of outstanding stock options	Weighted average remaining contractual life (in years)
0.0002	195,375	4.65
0.55	56,998	5.66
0.79	99,109	6.21
4.15	220,660	7.15
13.50	346,868	4.81
<b>Total:</b>	<b>919,010</b>	<b>5.54</b>

The fair value of the employee share options has been measured using the Black-Scholes formula by an independent appraiser, assuming no dividends and using the valuation assumptions summarized below. The underlying price of the common stock was determined using the fair value as of the option grant dates. The exercise prices of the options were determined by the Board of Directors of the Company in the contract with the employee. The risk-free rate is based on the U.S. Treasury yield curve in effect at the time of each grant date and corresponding to expiration. In assessing the appropriate time to expiration, the appraiser examined the expiration period, the vesting period and the option grant dates.

Expected volatility was based on historic volatility of a similar industry sector. Based on the analysis and the factors specific to the Company, an equity volatility of 60.0 – 80.0 was used in option pricing model.

The inputs used in the measurement of the fair values at grant date of the equity-settled share-based payment plan are as follows:

	Year ended December 31, 2020	Year ended December 31, 2019
Fair value at grant date	0.0001 – 31.64	0.0001 – 11.17
Share price at grant date	0.0002 – 44.26	0.0002 – 15.03
Exercise price	0.0002 – 18.62	0.0002 – 13.50
Expected volatility (weighted average)	60% – 80%	60%
Expected life (weighted average)	3.00 – 7.30	3.00 – 7.30
Risk-free interest rate	0.27% – 2.80%	1.48% – 2.80%

The effect of the fair value measurement is reflected in the profit and loss against equity (USD 3,469 thousand was expensed in 2020 and USD 2,052 thousand in 2019) – for details on the related employee benefit expenses please refer to Note 8 *Salaries and employee-related costs* and to the consolidated statement of changes in shareholders' equity.

Other than the share-based payment arrangements described above, the Group accounts for the earn-out consideration payable in shares dependent on performance condition and the continuing employment condition as a share-based payment for the sellers of Double Star Oy. For more information please refer to Note 21 *Business combinations*.

In this arrangement, the fair value of the share price at a grant date is estimated at USD 29.74. As at a grant date, the total number of shares to be vested during the period of 3 years after the transaction was estimated at 50,330 shares. Due to the increased fair value of share price as at December 31, 2020 (USD 54.53) in comparison to the grant date (USD 29.74) the total number of shares to be vested during the period of 3 years after the transaction is estimated at 46,213 shares as at December 31, 2020.

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

Input	Assumptions	Rational change +10%/(-10%)
Share price	The estimated future fair value of the share price (calculated based on the Sale and Purchase Agreement and referring to the USD value of HUUUGE Inc.) which will be used as a basis for calculation of the number of shares to be vested. As at December 31, 2020 share price of USD 54.53 is used as a basis for calculation of the number of shares to be vested.	+10% = (4,201) shares – decrease in number -10% = 5,135 shares – increase in number
Estimated amount of earn-out consideration*	Based on the estimation as at December 31, 2020 the future earn-out consideration is estimated at amount USD 2,520 thousand.	+10% = 4,621 shares – increase in number -10% = (4,621) shares – decrease in number

\* For more details regarding the methodology of calculating the number of shares to be transferred to the sellers and the amount of earn-out consideration please refer to Note 21 *Business combinations*.

Total expense related to share-based payment arrangements for the year ended December 31, 2020 comprises ESOP in the amount of USD 3,469 thousand and earn-out consideration in the amount of USD 289 thousand. Total expense related to share-based payment arrangements for the year ended December 31, 2019 comprises ESOP in the amount of USD 2,053 thousand. These costs were allocated to Sales and marketing expenses, Research and development expenses and General and administrative expenses lines in consolidated statement of comprehensive income.

## 20. Series C preference shares

Changes in financial liability arising from preference shares, including both changes arising from cash flows and non-cash changes, presented as a reconciliation between the opening and closing balances in the statement of financial position:

<b>As at January 1, 2019</b>	<b>47,429</b>
Repurchase of series C preference shares	(2,942)
Remeasurement recognized in statement of profit or loss during the period in (finance income)/finance expense	3,867
<b>As at December 31, 2019</b>	<b>48,354</b>
<b>As at January 1, 2020</b>	<b>48,354</b>
Repurchase of series C preference shares	(1,444)
Finance expense recognized on repurchase of series C preference shares	481
Reissue of series C preference shares	1,447
Remeasurement recognized in statement of profit or loss during the period in (finance income)/finance expense	127,768
<b>As at December 31, 2020</b>	<b>176,606</b>

The series C preference shares are classified as liability and presented in the separate line item in the statement of financial position within non-current liabilities. Further information about the classification and the measurement of this liability is provided in Note 2(d) *Key judgement and estimates – preference shares* and Note 15(g) *Financial risk management – Accounting classification and fair values - series C preference shares*.

In 2020, HUUUGE Inc. entered into an agreement to repurchase shares from the Kiwoom Cultural Venture Fund 1 for the cash consideration of USD 1,444 thousand (USD 27.91 per share). Under the agreement HUUUGE Inc. repurchased 51,739 series C preference shares.

In addition, in 2020, RP II HGE LLC (Raine) purchased from HUUUGE Inc. 73,265 series C preference shares for total amount of USD 1,447 thousand. These shares had been earlier purchased and not redeemed by HUUUGE Inc. from the Korean funds in December 2019 by the same price USD 19.75, please refer also to Note 18 *Share capital*.

In 2019, HUUUGE Inc. repurchased some preference shares series C from the Korean investment funds for the total amount of USD 2,942 thousand (for details please refer to Note 18 *Share capital*).

Holders of the series C preference shares classified as liability have various rights additional to the ones of the common shares and series A and B preference shares. These rights are stipulated in the corporate documents of HUUUGE Inc., in particular in the Third Amended and Restated Certificate of Incorporation dated September 19, 2017.

Essentially, the rights refer to:

- protective provisions in case of liquidation, dissolution, winding up, certain mergers, consolidations and sale of assets of Huuuge Inc. or conversion to common shares - the holders of series C preference shares shall be entitled to be paid out of the assets of the Company available for distribution to its shareholders before any payment shall be made to the holders of series A, B preference shares and common shares.
- priority over common shareholders in dividend distribution; in case the dividends are declared, they shall be received first or simultaneously to dividends on shares of any other class or series of capital shares of the Company,
- election of 1 director by the owners of series C preference shares.

## 21. Business combinations

### Acquisition of Playable Platform B.V.

On May 29, 2020 Huuuge Inc. acquired 100% shares in a Dutch entity Playable Platform B.V., an advertising technology company creating interactive advertisements for a total price consisting of cash (USD 1,160 thousand) and equity consideration in existing treasury shares (22,998 ordinary shares of Huuuge Inc.).

The acquisition is intended to enhance and improve the marketing activities around the Group's mobile games, by the means of interactive and playable ads based on creative optimization technology and advanced analytical functions. In addition, the acquisition allows the Group to increase its range of operations in Europe.

The business combination has been accounted for using the acquisition method.

Fair values of the identifiable major class of assets and liabilities of Playable Platform B.V as at the date of the acquisition were:

<b>Assets</b>	
Intangible assets	601
Inventory	4
Trade and other receivables	39
Cash and cash equivalents	8
Corporate income tax receivable	29
	<b>681</b>
<b>Liabilities</b>	
Trade payables and other payables	71
Deferred tax liabilities	120
	<b>191</b>
<b>Total net identifiable assets acquired</b>	<b>490</b>

The fair value of receivables reflects the gross contractual amounts receivables. The contractual cash flows from receivables, that are not expected to be collected are immaterial.

The accounting of the acquisition and valuation of assets acquired and liabilities assumed has been finalized as of the date of consolidated financial statements were approved for issue by the Board of Directors. In particular, the finalization of valuation of



the acquired intangibles assets, i.e. unique technology for production of self-optimized payable advertising. Deferred tax of USD 120 thousand has been provided in relation to these fair value adjustments.

Fair value of purchase consideration transferred as at the date of the acquisition consisted of:

Fair value of ordinary shares of Huuuge Inc. held as treasury shares	428
Cash*	1,160
<b>Total purchase consideration</b>	<b>1,588</b>

Considering the above, goodwill arising on acquisition amounted to USD 1,098 thousand.

The goodwill recognized is primarily attributed to the expected synergies and other benefits from combining the assets and activities of Playable Platform B.V. with those of the Group. The goodwill is not deductible for income tax purposes.

Cash flows on acquisition:

Net cash acquired together with the subsidiary	8
Consideration in cash transferred*	(1,072)
<b>Net cash outflow (presented as cash flows used in investing activities)</b>	<b>(1,064)</b>

\* The difference between USD 1,072 to USD 1,160 thousand results from hold-back amount to be paid within 12 months after the acquisition date, included in the line "Trade and other payables" in consolidated statements of financial positions, and the exchange rate differences.

Transaction costs of USD 39 thousand have been expensed and are included in the "General and administrative expenses" line in the statement of comprehensive income and are part of "Cash flows from operating activities" in the statement of cash flows.

The consolidated financial statements include the results of Playable Platform B.V. for the seven months period from the acquisition date.

From the date of acquisition, Playable Platform B.V. has not contributed any revenue and incurred a loss of USD 707 thousand, included in loss before tax from the continuing operations of the Group.

The Group does not disclose the amount of consolidated revenue and profit from continuing operations as if the acquisition had taken place at the beginning of the year, because it is impracticable in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. The Group is not able to disclose that amount after making every reasonable effort to do so, due to the limitations of the available financial information. These amounts are immaterial at the Group level.

#### Acquisition of Double Star Oy

On July 16, 2020, the Group acquired 100% of the shares of Finnish entity Double Star Oy, developer of Bow Land game, for a total consideration consisting of cash consideration (USD 1,256 thousand paid at the closing of the purchase, USD 1,000 thousand paid in January 2021, subject to certain claw back conditions), payment in the form of existing treasury shares (23,031 ordinary shares of Huuuge Inc.) transferred at the closing of the purchase and Earn-Out Consideration calculated on the basis of revenue and EBITDA (i.e. net profit excluding income tax, finance income and expense, amortization and other adjustments as defined in the Sale and Purchase Agreement) after the transaction date, to be paid in the form of common treasury shares. Maximum value of these shares which can be obtained by the sellers is up to USD 29,000 thousand, subject to continuing employment condition for the sellers of Double Star Oy. Therefore, it is not treated as part of the purchase price of the entity.

The purpose of this acquisition is to extend the Group's portfolio of mobile games and increase Group's presence in Europe.

The business combination has been accounted for using the acquisition method.

Fair values of the identifiable major class of assets and liabilities of Double Star Oy as at the date of the acquisition were:

<b>Assets</b>	
Trade and other receivables	6
Cash and cash equivalents	232
	<b>238</b>
<b>Liabilities</b>	
Trade and other payables	61
	<b>61</b>
<b>Total net identifiable assets acquired</b>	<b>177</b>

The fair value of receivables reflects the gross contractual amounts receivables. The contractual cash flows from receivables, that are not expected to be collected are immaterial.

The accounting of the acquisition and valuation of assets acquired and liabilities assumed has been finalized as of the date of consolidated financial statements were approved for issue by the Board of Directors. In particular, no potential intangible assets were recognized, such as intellectual property rights relating to the games.

Fair value of purchase consideration transferred as at the date of the acquisition consisted of:

Fair value of ordinary shares of HUUUGE Inc. held as treasury shares	429
Cash	1,256
<b>Total purchase consideration</b>	<b>1,685</b>

Considering the above, goodwill arising on acquisition amounted to USD 1,508 thousand.

The goodwill recognized is primarily attributed to the talented team of game designers, the potential of the Bow Land game under development, expected synergies and other benefits from combining the assets and activities of Double Star Oy with those of the Group.

The goodwill is not deductible for income tax purposes.

Cash flows on acquisition:

Net cash acquired together with the subsidiary	232
Consideration in cash transferred	(1,256)
<b>Net cash outflow (presented as cash flows used in investing activities)</b>	<b>(1,024)</b>

Consideration not included in the measure of the consideration transferred

The amount of USD 1,000 thousand paid in January 2021 was not included in the measure of the consideration transferred due to the continuing employment claw back condition for the sellers of Double Star Oy for the period of one year after the acquisition date. In management's assessment, this contingent consideration constitutes remuneration for post-combination services and is included in salaries and employee-related costs on a straight-line basis throughout the period of their service in accordance with IAS 19 *Employee benefits*. The corresponding liability is included in the line "Trade and other payables" in the consolidated statements of financial positions in the amount of USD 458 thousand accounted for the period from July to December 2020.

The earn-out contingent consideration payable in common shares, which could be distributed to the sellers of Double Star Oy under certain conditions, of up to maximum value of these shares amounting to USD 29,000 thousand (maximum value of ordinary shares USD 4,000 thousand to be transferred in the first, maximum value of ordinary shares USD 9,000 thousand to be transferred in the second and maximum value of ordinary shares USD 16,000 thousand to be transferred in the third anniversary of the acquisition date) is dependent on continuing employment condition for the sellers for the period of three years after the acquisition date. The earn-out consideration would be paid in the Huuuge Inc. shares. The number of shares is dependent on meeting certain performance conditions and will result by dividing the monetary value of earn-out consideration by the share price upon vesting.

In management's assessment, this contingent consideration constitutes remuneration for post-combination services and will be included in salaries and employee-related costs on a graded vesting basis throughout the period of their service with the corresponding increase in equity included in the line "Employee benefit reserve" (equity-settled share-based arrangement, accounted for in accordance with IFRS 2 *Share-based Payment*). At the acquisition date, fair value of the total earn-out consideration amounted to USD 1,497 thousand, consisting of three tranches to be transferred to the sellers of Double Star Oy in each of the following years were: USD 777 thousand in the first, USD 213 thousand in the second and USD 507 thousand in the third anniversary of the acquisition date. As of December 31, 2020 fair value of the total earn-out consideration amounted to USD 2,520 thousand, i.e. USD 527 thousand in the first, USD 1,016 thousand in the second and USD 977 thousand in the third anniversary of the acquisition date. These amounts were estimated based on the value of the future expected cash flows. The estimates are based on the assumed probability-adjusted revenue and expected EBITDA in Double Star Oy. The key inputs for the model used to calculate the expected payment are presented in the table below, along with the sensitivity analysis of the expected payment to changes of particular inputs as of December 31, 2020, provided that the other inputs remain constant.

Inputs	Assumptions	Rational change +10%/(-10%)
Average revenue per user	10% increase starting from the year 2021	+10% = 351 -10% = (222)
Future revenues	10% annual increase in the following 3 years after the transaction date	+10% = 325 -10% =(325)
Expected EBITDA	10% annual increase in the following 3 years after the transaction date	+10% = 148 -10% =(148)

For more details regarding the impact of the estimated amount of earn-out consideration on the number of shares expected to vest, please refer to Note 19 *Share-based payment arrangements*.

Detailed method of determining the number of shares to be transferred was included in the Sale and Purchase Agreement and depends on the actual results of Double Star Oy, which are recalculated in accordance with established formula to provide USD value of Huuuge Inc. shares to be transferred to the Sellers. The USD value of Huuuge Inc. shares to be transferred will be translated to the number of Huuuge Inc. shares based on pre-money valuation which is equal to the unweighted average market capitalization of Huuuge Inc. at the close of trading in the 28 days prior to the each anniversary of transaction date. Huuuge Inc. share price will be derived by dividing this valuation by the fully diluted shares outstanding. Earn-out consideration will be then divided by the calculated share price to determine the number of shares to be transferred.

Transaction costs of about USD 60 thousand have been expensed and are included in the "General and administrative" line in the statement of comprehensive income and are part of "Cash flows from operating activities" in the statement of cash flows.

The consolidated financial statements include the results of Double Star Oy for the five and a half months period from the acquisition date.

From the date of acquisition, Double Star Oy has not contributed any revenues and incurred a loss of USD 1,476 thousand, included in loss before tax from the continuing operations of the Group.

The Group does not disclose the amount of consolidated revenue and profit from continuing operations if the acquisition had taken place as at the beginning of the year, because it is impracticable in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. The Group is not able to disclose that amount after making every reasonable effort to do so, due to the limitations of the available financial information. These amounts are immaterial at the Group level.

## 22. Goodwill

For the purpose of impairment testing, the whole Group is determined to be one cash-generating unit, to which goodwill resulting from business combinations is allocated in full. Reconciliation of the carrying amount of goodwill in each of the reporting periods was as follows:

	As of December 31, 2020	As of December 31, 2019
<b>Amount as the beginning of the period</b>	-	-
Goodwill arising from the acquisition of Playable Platform B.V.	1,098	-
Goodwill arising from the acquisition of Double Star Oy	1,508	-
Foreign exchange differences	232	
Impairment	-	-
<b>Amount as the end of the period</b>	<b>2,838</b>	-

Since the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit was tested for impairment before the end of the current annual period, i.e. December 31, 2020 (irrespective of the impairment indicators analysis).

The recoverable amount of the net assets of the Group has been determined based on their fair value as at December 31, 2020. The test results show no goodwill impairment as at the balance sheet date. The significant unobservable inputs used in the fair value measurements are categorized within Level 3 of the fair value hierarchy. For detailed list of such inputs please refer to Note 15 *Financial risk management*, point (g) *Accounting classifications of financial instruments and fair values*.

When performing the test for impairment, the recoverable amount of a cash-generating unit is determined based on the fair value less costs of disposal, and then compared to the cash-generating unit's carrying amount. Once fair value of the cash-generating unit falls below its carrying amount an additional value in use calculation is performed.

The calculation of fair value is most sensitive to the following assumptions:

- revenue multiple,
- EBITDA multiple,
- discount for lack of marketability,
- discount rate.

In the following periods, during the year the Group will consider the following factors, when reviewing for indicators of impairment:

- external sources, such as: observable indications that the assets' value has declined significantly more than would be expected; significant changes with an adverse effect in the technological, market, economic or legal environment; market capitalization;
- internal sources, such as: evidence of obsolescence or physical damage of the assets; evidence that economic performance of the assets is or will be worse than expected; plans to discontinue or restructure the operation, plans to dispose the assets before than previously expected.



## 23. Trade, other payables and deferred income

	As of December 31, 2020	As of December 31, 2019
Trade accounts payable to third parties	11,960	5,988
Tax payables other than from corporate income taxes	686	696
Other accounts payable	2,724	775
Accrued expenses	22,427	3,394
Other payables	-	100
<b>Trade and other payables</b>	<b>37,797</b>	<b>10,953</b>

As of December 31, 2020 accrued expenses mainly include marketing and advertising expenses, expenses related to the initial public offering and bonuses for employees and consultants.

The change of trade and other payables presented in the consolidated statement of cash flows for the year ended December 31, 2020 includes in addition the transaction costs incurred in anticipation of an issuance of equity instruments, but not yet paid, which amounted to USD 589 thousand and have been recognized as decrease in equity.

Deferred income, presented in a separate line of the statement of the financial position, amounting to USD 3,360 thousand as at December 31, 2020 (USD 2,871 as at December 31, 2019), is a contract liability related to players' unused coins at the end of the reporting period as described in Note 2 (d) *Key judgement and estimates – estimate of the progress towards complete satisfaction of the performance obligation*.

## 24. Leases

The Group is committed to make payments for leases based on car fleet agreements, office space rental agreements and short-term apartment rental agreements. The Group entities have also concluded contracts regarding low value office equipment, such as coffee machines. In 2020 the Group signed two significant lease contracts regarding offices in Tel Aviv and Warsaw. The minimum lease terms are 4 and 5 years respectively and as of today the Group does not intend to extend them. The contracts do not contain variable payments and no material lease improvements have been made to December 31, 2020.

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

In 2020 the Group's management revised its plans regarding using of three office spaces leased by the Group, these are: rental space in Warsaw, Wroclaw and Berlin. It was decided to vacate those buildings in March 2021, December 2020 and January 2021, respectively. Group has updated its estimate of the useful life of the right-of-use asset to ensure that the to-be-abandoned right-of-use asset will be depreciated to its residual value over the remaining expected use. The residual value of the to-be-abandoned right-of-use asset is expected to be zero, and the revised useful life will be between the decision date to abandon the office space and the expected cease-use date. The original economic useful lives of these office spaces ended in August 2022, December 2022 and May 2023. There is no change to the accounting of the lease liability, i.e. as if there is no abandonment of the right-of-use asset.

The table below presents the carrying amounts of recognized right-of-use assets and the movements over the year 2020 and 2019:

	Offices	Cars	Total
<b>as at January 1, 2020</b>	<b>2,773</b>	<b>44</b>	<b>2,817</b>
remeasurement	(107)	-	(107)
additions (new leases)	7,823	142	7,965
lease modifications	(165)	10	(155)
foreign exchange differences on translation	305	-	305
depreciation	(2,128)	(51)	(2,179)
<b>as at December 31, 2020</b>	<b>8,501</b>	<b>145</b>	<b>8,646</b>
	Offices	Cars	Total
<b>as at January 1, 2019</b>	<b>3,867</b>	<b>127</b>	<b>3,994</b>
additions (new leases)	216	-	216
lease modifications	-	-	-
foreign exchange differences on translation	(14)	(2)	(16)
depreciation	(1,296)	(81)	(1,377)
<b>as at December 31, 2019</b>	<b>2,773</b>	<b>44</b>	<b>2,817</b>

The table below presents the book values of lease liabilities and movements over the year 2020 and 2019.

	Year ended December 31, 2020	Year ended December 31, 2019
<b>as at January 1</b>	<b>2,869</b>	<b>3,994</b>
additions (new leases)	7,919	216
lease modifications	(163)	-
remeasurement	(171)	-
interest expense on lease liabilities	139	110
lease payments	(1,923)	(1,451)
foreign exchange differences on translation to local currency	143	-
foreign exchange differences on translation to USD	248	-
<b>as at December 31</b>	<b>9,061</b>	<b>2,869</b>
long-term	6,282	1,672
short-term	2,779	1,197

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

- cash payments of the capital component of lease liabilities in the year 2020 amounting to USD 1,784 thousand (USD 1,341 thousand in the year 2019) – as part of financing activities (lease repayment),
- cash payments of interest on a lease liability in the year 2020 amounting to USD 139 thousand (USD 110 thousand in the year 2019) – as part of financing activities (interest paid),
- leases of low-value assets and short-term leases not included in the measurement of lease liabilities in the year 2020 amounting to USD 50 thousand (USD 1 thousand in the year 2019) as part of operating activities.

The table below presents the amounts of income, costs, gains and losses resulting from leases which are recognized in the consolidated statement of comprehensive income for year 2020 and 2019.

	Year ended December 31, 2020	Year ended December 31, 2019
Depreciation expense of right-of-use assets	2,179	1,377
Interest expense on lease liabilities	139	110
Foreign exchange differences	143	-
Expense related to short-term leases (included in general and administrative expenses)	47	-
Expense related to leases of low-value assets (included in general and administrative expenses)	3	1
<b>Total amount recognized in the consolidated statement of comprehensive income</b>	<b>2,511</b>	<b>1,488</b>

The Group had total cash outflows due to leases of USD 1,923 thousand in the year 2020 (USD 1,451 thousand in year 2019).

## 25. Provisions

The movements of provisions are presented below:

	Court case provision	JCT provision	Other provisions	Total
<b>As of January 1, 2019</b>	-	-	-	-
Arising during the year	6,500	535	-	7,035
<b>As of December 31, 2019</b>	<b>6,500</b>	<b>535</b>	<b>-</b>	<b>7,035</b>
Utilized	-	(535)	-	(535)
Arising during the year	-	1,173	86	1,259
<b>As of December 31, 2020</b>	<b>6,500</b>	<b>1,173</b>	<b>86</b>	<b>7,759</b>
long-term	-	-	-	-
short-term	6,500	1,173	86	7,759

### *Court case provision*

As of December 31, 2019 the Group recognized provision for a potential unfavourable outcome in the court case, presented in the line "Other provisions" in the consolidated statements of financial position. On or about April 6, 2018, a putative class action complaint was filed against the Company in the U.S. District Court for the Western District of Washington by a player plaintiff. The complaint sought damages for alleged violations of Washington law associated with plaintiff's alleged in-app purchases within one or more of the Company's games. Specifically, the plaintiff alleged violations for the recovery of money lost in gambling and for violations of the Washington Consumer Protection Act. The plaintiff additionally sought damages for unjust enrichment. The Company denied the plaintiff's allegations, denied that it violated any laws or regulations, denied that the suit should be treated as a class action, denied the plaintiff's damages claims, and has been vigorously defending itself against the plaintiff's claims. The Company filed a motion to compel arbitration on July 2, 2018, which the District Court denied on November 13, 2018. The Company timely filed a notice of appeal on December 6, 2018, and filed its opening brief in the Ninth Circuit Court of Appeals on March 6, 2019. The Company also filed a motion to stay the district court proceedings pending a

decision on its appeal, which was granted on March 1, 2019. The provision of USD 6,500 thousand was recognized in 2019 in the separate line item in the statement of the financial position as “Other provisions” and in the “Other operating income/(expense), net” line item in the statement of comprehensive income. The Group’s management estimated that the costs would be realized within a period for which the discounting effect would not be material and accounts for the provision in an undiscounted amount. The parties mediated on June 15, 2020 and reached agreement on a term sheet on a class action basis on June 16, 2020. On August 23, 2020, a class action settlement agreement was concluded between the class representatives, including the plaintiff, and filed with the court, intending to fully, finally and forever resolve, discharge and settle the claims related to this suit. The United States District Court finally approved the Settlement Agreement on February 11, 2021.

The Group may incur significant expenses defending other similar lawsuit to which it may be a party. Due to the fact that the plaintiff obtained a settlement in this lawsuit, the revenue from users in Washington could be negatively affected, and the Group could be restricted from operating social casino games in Washington. The Group has not received notice of any investigation or complaint by the Washington Attorney General or any other official in the State of Washington. Additional legal proceedings targeting the Group’s social casino games and claiming violations of state, federal or local laws in jurisdictions where it operates could occur based on the unique and specific laws of each jurisdiction.

The Group’s management cannot predict the likelihood, timing or scope of the consequences of such an outcome, or the outcome of any other legal proceedings to which it may be a party, any of which could have a material adverse effect on the business, operating results and financial condition.

#### *Consumption tax from the revenues from Japan*

The provision relates to the collected Japan Consumption Tax (“JCT”) applicable to sales to customers purchasing content on the App Store in Japan. For more information please refer to Note 2 *Basis for preparation of the consolidated financial statements*, point (d) *Key judgements and estimates – Provisions and contingent liabilities*.

## 26. Contingencies

### **Tax contingent liabilities**

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

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

## 27. Pledges and collaterals

During the reporting periods and till the date of issuing these consolidated financial statements neither the Group nor individual subsidiaries entered in a pledge or collateral agreement on the Group's assets.

## 28. Related party transactions

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

In August 2020, a Finnish entity Big Bets Finland Holding Oy controlled by one of the Global Management Team members bought from the Polish subsidiary of the Company a used car for the total consideration of PLN 149 thousand (approx. USD 40 thousand). The purchase price has been established at fair market price.

In 2019, the Company reimbursed to RPII HGE LLC the costs related to the support in obtaining external financing amounting to USD 31 thousand.

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

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

Year ended December 31, 2020	Board of Directors of HUUUGE Inc.	Group Global Management	Total
Base salaries	-	2,369	2,369
Bonuses and compensation based on the Group's financial result for the previous year	-	1,737	1,737
Share-based payments	1	1,919	1,920
<b>Total</b>	<b>1</b>	<b>6,025</b>	<b>6,026</b>

Year ended December 31, 2019	Board of Directors of HUUUGE Inc.	Group Global Management	Total
Base salaries	-	1,477	1,477
Bonuses and compensation based on the Group's financial result for the previous year	-	390	390
Share-based payments	3	779	782
<b>Total</b>	<b>3</b>	<b>2,646</b>	<b>2,649</b>



The remuneration of Group Global Management presented in the tables above includes base salary and accrued bonuses of Mr Anton Gauffin, Chief Executive Officer and director, in the amount of USD 417 thousand for the year ended December 31, 2020 (USD 294 thousand for the year ended December 31, 2019). Total benefits in kind (company cars, healthcare, life insurance, social fund benefits, electronic devices) provided to Mr Anton Gauffin in the year ended December 31, 2020 amounted to USD 54 thousand.

## 30. Audit fees

	Year ended December 31, 2020	Year ended December 31, 2019
Audit of financial statements, including:	221	45
- PwC	221	35
- Grant Thornton	-	10
Voluntary audit of financial statements - PwC	195	318
Remuneration for additional services performed – PwC	289	10
<b>Total</b>	<b>705</b>	<b>373</b>

For the year ended December 31, 2020 audit of financial statements relates to the audit of standalone financial statements of HUUUGE Inc., the Group's subsidiaries and the audit of the Group's consolidated financial statements prepared in accordance with IFRS. The voluntary audit of financial statements relates to the audit of the Group's consolidated financial statements prepared in accordance with Generally Accepted Accounting Principles in the United States.

For the year ended December 31, 2019 audit of financial statements relates to the audit of separate financial statements of the Group's subsidiaries. The voluntary audit of financial statements relates to the audit of the Group's consolidated financial statements under IFRS.

## 31. Impact of COVID-19

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

A significant increase of the Group's revenues and operating result for the year ended December 31, 2020 compared to the year ended December 31, 2019 indicates that COVID-19 pandemic had no negative impact on the Group's business.

Based on the analysis performed by the Group's management as of December 31, 2020, COVID-19 pandemic has no impact on the Group's liquidity. Due to the fact that the Group's receivables are settled by the large platform providers, such as Apple App Store, Google Play, Facebook and Amazon App Store, the Group's management assessed the risk of receivables irrecoverability as minimal. The Group's management has not identified any evidence to modify the assumptions used to assess expected credit losses.

## 32. Subsequent events

After December 31, 2020 and up to the date of approval of these consolidated financial statements for issue no significant events except the following have occurred.

### Redemption of treasury shares

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

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

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

Total value of treasury shares as of December 31, 2020 and as of the redemption date amounted to USD 33,994 thousand.

### Share split

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

- The total number of shares of all classes of stock which HUUUGE Inc. has authority to issue is 118,063,540 shares, which shall be divided into:
  - (i) 88,243,795 of common shares, with a par value of USD 0.00002 per share, and
  - (ii) 29,819,745 of three preferred shares series consisting of:
    - a) 8,714,485 series A preferred shares, with a par value of USD 0.00002 per share,
    - b) 4,911,775 series B preferred shares, with a par value of USD 0.00002 per share, and
    - c) 16,193,485 series C preferred shares, with a par value of USD 0.00002 per share.
- After this amendment each one of common and preferred share, with a par value of USD 0.0001 per share, issued and outstanding or held by HUUUGE Inc. as treasury shares was automatically reclassified as five shares of common or preferred shares accordingly, with a par value of USD 0.00002 per share.

Split of shares requires weighted average number of shares presented in Note 15 *Financial risk management*, point (f) *Earnings per share* to be adjusted in the calculation of both basic and diluted earnings per share for all periods presented in accordance with IAS 33 *Earnings per share*.

### Election of directors

On February 3, 2021 the following directors were elected:

- Mr Krzysztof Kaczmarczyk was elected as the series A preference shares holders' director,
- Mr Rod Cousens was elected as the series B preference shares holders' director,
- Mr John Salter was elected as the series C preference shares holders' director,
- Mr Anton Gauffin and Mr Henric Suuronen were elected as common shares holders' directors.

### Conversion of preference shares series A, B and C

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

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

After the conversion, preference shares series C will not be recognized as a long-term financial liability, and will be presented within equity in the future reporting periods.

### Changes in the number of shares authorized to be issue

On February 5, 2021 the Board of Directors approved the amendments to the Certificate of Incorporation of Huuuge Inc. The total number of shares of all classes for which the Company is authorized to issue is 113,881,420 shares, and consists of:

- 113,881,418 common shares, with a par value of USD 0.00002 per share,
- 1 share of series A preferred share, with a par value of USD 0.00002 per share,
- 1 share of series B preferred share, with a par value of USD 0.00002 per share.

Privileges and obligations for holders of series A and B preference shares:

1. In the event of any liquidation, dissolution or winding up of the Company, holders of each preference shares are entitled to receive an amount equal to USD 0.01 per share.
2. Series A and series B preference shares are subject to mandatory conversion into common shares with conversion ratio 1:1 in the following cases:
  - i. ceasing to own, together with affiliates, at least 50% or 10% for series A and series B preference shares, respectively, upon the opening of the first day of listing of common shares on the regulated marked operated by the Warsaw Stock Exchange, or
  - ii. transferring all preference shares to any entity other than their affiliates.

After conversion preference shares are automatically retired and not be reissued by the Company.
3. Series A and series B preference shares are exclusively entitled to elect one and two directors of the Company respectively, provided that one such series B holders' director shall be Mr Anton Gauffin.

### Issuance of series A and series B preference shares

On February 5, 2021 the Board of Directors, in respect to the above amendments to the Certificate of Incorporation of Huuuge Inc., issued one series A preference share to RPII HGE, with a par value of USD 0.00002 per share for cash consideration of USD 50 and one series B preference share to Big Bets OU, with a par value of USD 0.00002 per share, for cash consideration of USD 50.

### **Final approval of court case**

In relation to the court case described in Note 25 *Provisions*, on February 11, 2021 the Court granted final approval to the settlement. The Court finds that the settlement is fair, reasonable and adequate and it is a result of extensive, arm's-length negotiations. Subsequently the Court ordered the Group to settle final claims determinations, including payment and prospective relief. Payment was made March 26, 2021.

### **Remuneration of members of the Board of Directors**

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 Mr 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 above-mentioned 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.

### **Initial public offering**

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

Net proceeds from the issuance of the newly issued shares amounted to approximately USD 101 million after deduction costs and expenses associated with the offering, and after execution of the stabilization process as described below. Funds obtained from issuance of shares are planned to be spent on acquisition of entities and assets to expand the Group's offer and competences. Prior to the offering, Huuuge, Inc. has entered into foreign exchange forward contract contingent upon the event of initial public offering. In accordance with the agreement, upon the occurrence of the initial public offering event, the amount of PLN 379,000 thousand (out of net proceeds from the newly issued shares) will be converted to the USD at a fixed rate at the date of settlement of the contract.

The final share price for offering shares was determined as PLN 50 per share (approx. USD 13.31 per share).

On February 5, 2021 the Company and IPOPEMA Securities S.A. ("Stabilization Manager") signed stabilization agreement ("Stabilization Agreement"). The purpose of the Stabilization Agreement is to stabilize the price of the Huuuge Inc. shares at a level higher than the level which would otherwise have prevailed.

According to the Stabilization Agreement:

- Stabilization Manager is entitled to acquire on Warsaw Stock Exchange up to 3,331,668 Huuuge Inc. shares,

- The stabilization option will cover up to 3,331,668 HUUUGE Inc. shares,
- The final amount allocated to the stabilization actions will be PLN 166,583 thousand (approx. USD 44,358 thousand).

First listing date on the Warsaw Stock Exchange was February 19, 2021.

On February 26, 2021 the Company ended the stabilization process, which started on February 19, 2021. The Company acquired indirectly by Stabilization Manager its own shares in total number of 3,331,668 in the price range PLN 38,4000 – 49,9850 (approx. USD 10.35 – USD 13.51). Reacquired HUUUGE Inc. shares will be recognized as decrease in equity (treasury shares).

On April 6, 2021 current Report 11/2021 was issued about the information on the costs of the offering and stabilization actions incurred by HUUUGE Inc. The total costs incurred in connection with the offering amounted to USD 7,372 thousand. The total cost of the public offering has been accounted for by:

- a charge to current period expenses of USD 1,651 thousand of which USD 1,526 thousand was recorded in the year 2020 and USD 125 thousand was recorded in the year 2021, and
- a decrease in equity of USD 5,721 thousand of which USD 864 thousand decreased equity in the year 2020, and USD 4,857 thousand decreased equity in the year 2021.

None of these, except for the share split adjusting event included in Note 15 *Financial risk management*, point (f) *Earnings per share*, is expected to have a significant effect on these consolidated financial statements of the Group.

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*Anton Gauffin*

*President of HUUUGE Inc., CEO*

April 19, 2021