



# HUUUGE

Play Together.

# **HUUUGE, INC.**

# **Interim Condensed Separate Financial Statements**

as at and for the six-month period ended June 30, 2023



**HUUUGE**

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## Interim condensed separate statement of comprehensive income

	Note	Six-month period ended June 30, 2023 Unaudited	Six-month period ended June 30, 2022 Unaudited	Three-month period ended June 30, 2023 Unaudited	Three-month period ended June 30, 2022 Unaudited
<b>Revenue</b>	5	1,068	1,346	197	682
Cost of sales		-	-	-	-
<b>Gross profit/(loss)</b>		1,068	1,346	197	682
Sales and marketing expenses	7	(56)	(37)	-	(11)
Research and development expenses	7	(419)	(1,013)	(90)	(518)
General and administrative expenses	7	(3,669)	(2,378)	(1,233)	(1,111)
Dividend income	5	94,693	-	-	-
Other operating income/(expense), net		(37)	(11)	(34)	36
<b>Operating result</b>		91,580	(2,093)	(1,160)	(922)
Finance income		1,794	65	1,173	63
Finance expense		-	(194)	-	(167)
<b>Profit/(loss) before tax</b>		93,374	(2,222)	13	(1,026)
Income tax	8	(1,204)	(433)	(1,278)	(433)
<b>Net result for the period</b>		92,170	(2,655)	(1,265)	(1,459)
<b>Other comprehensive income</b>		-	-	-	-
<b>Total comprehensive income/(loss) for the period</b>		92,170	(2,655)	(1,265)	(1,459)

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

## Interim condensed separate statement of financial position

	Note	As at June 30, 2023 Unaudited	As at December 31, 2022 Audited
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment		15	80
Right-of-use asset		25	62
Investment in subsidiaries	9	30,090	29,162
Other long-term non-financial assets		-	30
Deferred tax assets	8	27	112
<b>Total non-current assets</b>		<b>30,157</b>	<b>29,446</b>
<b>Current assets</b>			
Trade and other receivables		889	1,224
Other short-term non-financial assets		38	6
Cash and cash equivalents	10	177,315	86,210
<b>Total current assets</b>		<b>178,242</b>	<b>87,440</b>
<b>Total assets</b>		<b>208,399</b>	<b>116,886</b>
<b>Equity</b>			
Share capital	11	2	2
Treasury shares	11	(18,400)	(20,942)
Supplementary capital	11	301,213	304,487
Employee benefit reserve	12	23,864	22,894
Retained earnings/(Accumulated losses)		(101,583)	(193,753)
<b>Total equity</b>		<b>205,096</b>	<b>112,688</b>
<b>Current liabilities</b>			
Trade and other payables		2,578	4,092
Corporate income tax payable		698	39
Short-term lease liabilities		27	67
<b>Total current liabilities</b>		<b>3,303</b>	<b>4,198</b>
<b>Total equity and liabilities</b>		<b>208,399</b>	<b>116,886</b>

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

## Interim condensed separate statement of changes in equity

	Note	Share capital	Treasury shares	Supplementary capital	Employee benefit reserve	Retained earnings/ (accumulated losses)	Equity
<b>As at January 1, 2023, Audited</b>		<b>2</b>	<b>(20,942)</b>	<b>304,487</b>	<b>22,894</b>	<b>(193,753)</b>	<b>112,688</b>
<i>Net profit (loss)</i>		-	-	-	-	92,170	92,170
<b>Total comprehensive income for the period</b>		-	-	-	-	<b>92,170</b>	<b>92,170</b>
Exercise of stock options	11,12	-	3,619	(3,274)	-	-	345
Employee share schemes - value of employee services	12	-	-	-	970	-	970
Transaction costs related to SBB program *		-	(1,077)	-	-	-	(1,077)
<b>As at June 30, 2023, Unaudited</b>		<b>2</b>	<b>(18,400)</b>	<b>301,213</b>	<b>23,864</b>	<b>(101,583)</b>	<b>205,096</b>

\* Transaction costs related to the Share Buyback (“SBB”) program include directly attributable costs incurred before June 30, 2023, recognized as a deduction from equity. The change of trade and other payables presented in the interim statement of financial position as at June 30, 2023 does not equal the change in the interim separate statement of cash flows for the six-months period ended June 30, 2023. The difference is due to the transaction costs related to SBB, presented in the cash flows from financing activities in the interim statement of cash flows, which were not fully paid as at June 30, 2023.

	Note	Share capital	Treasury shares	Supplementary capital	Employee benefit reserve	Retained earnings/ (accumulated losses)	Equity
<b>As at January 1, 2022, Audited</b>		<b>2</b>	<b>(19,954)</b>	<b>321,049</b>	<b>19,813</b>	<b>(186,041)</b>	<b>134,869</b>
<i>Net profit (loss)</i>		-	-	-	-	(2,655)	(2,655)
<b>Total comprehensive loss for the period</b>		-	-	-	-	<b>(2,655)</b>	<b>(2,655)</b>
Shares issued/(repurchased) *	11	-	(16,133)	-	-	-	(16,133)
Exercise of stock options **	11,12	-	9,037	(6,875)	-	-	2,162
Delivery of shares to former owners of Double Star Oy	11	-	311	(311)	-	-	-
Employee share schemes - value of employee services	12	-	-	-	1,019	-	1,019
<b>As at June 30, 2022, Unaudited</b>		<b>2</b>	<b>(26,739)</b>	<b>313,863</b>	<b>20,832</b>	<b>(188,696)</b>	<b>119,262</b>

\* Shares issued/(repurchased) line includes payments in the amount of USD 468 thousand made for the purchase of 115,387 own shares under the buy-back program, which were not yet registered at Central Securities Depository as at June 30, 2022.

\*\* Exercise of stock options line includes payments received from the employees in the amount of USD 265 thousand for shares which have not yet been delivered to the employees and are presented in supplementary capital as at June 30, 2022.

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

## Interim condensed separate statement of cash flows

	Note	Six-month period ended June 30, 2023 Unaudited	Six-month period ended June 30, 2022 Unaudited
<b>Cash flows from operating activities</b>			
Profit/(loss) before tax		93,374	(2,222)
<b>Adjustments for:</b>			
Depreciation and amortization		52	52
Non-cash employee benefits expense – share-based payments	12	42	384
Finance (income)/expense, net		(1,739)	(11)
(Profit)/loss on disposal of property, plant and equipment		50	-
<i>Changes in net working capital:</i>			
Trade and other receivables		335	529
Trade and other payables		(2,530)	869
Other non-financial assets		(2)	-
<b>Cash flows from operating activities</b>		<b>89,582</b>	<b>(399)</b>
Income tax (paid)/received		(460)	(7)
<b>Net cash flows from/(used in) operating activities</b>		<b>89,122</b>	<b>(406)</b>
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment and intangible assets		-	(8)
Interest received		2,029	63
<b>Net cash flows from investing activities</b>		<b>2,029</b>	<b>55</b>
<b>Cash flows from financing activities</b>			
Exercise of stock options	11	345	2,162
Lease repayment and interest paid		(40)	(39)
Transaction costs related to SBB		(61)	-
Shares issued/(repurchased)	11	-	(16,133)
<b>Net cash flows from/(used in) financing activities</b>		<b>244</b>	<b>(14,010)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>91,395</b>	<b>(14,361)</b>
Effect of exchange rate fluctuations and accrued interest		(290)	(52)
<b>Cash and cash equivalents at the beginning of the period</b>		<b>86,210</b>	<b>106,330</b>
<b>Cash and cash equivalents at the end of the period</b>		<b>177,315</b>	<b>91,917</b>

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



# Notes to the interim condensed separate financial statements

**HUUUGE**



## 1. General information

Huuuge Inc. (hereinafter the “Company”, the “Parent Company”) is a company registered in the United States of America. The Company’s registered office is located in Dover, Delaware, 850 Burton Road, Suite 201, DE 19904, and the operating office is located in Las Vegas, Nevada, 2300 W. Sahara Ave., Suite 800, Mailbox #32, NV 89102.

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

The Company has an unlimited period of operation.

The core business activity of Huuuge Inc. is holding activity for the Huuuge Inc. Group (the “Group”), for which the Company is the ultimate parent. 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.

### Identification of consolidated financial statements

The Company is the ultimate parent of the Huuuge Inc Group. The Company has prepared interim condensed consolidated financial statements for the period ended June 30, 2023, which were approved on September 7, 2023 by the Board of Directors.

### Composition of the Company’s Board of Directors as at June 30, 2023 and as at the date of signing of these interim condensed separate financial statements

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

As at December 31, 2022, the composition of the Company’s Board of Directors was the following:

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

Effective on March 7, 2023, Mr. Rod Cousens, co-CEO, and the Company reached a mutual agreement to end Mr. Cousens’s executive service with the Company. Mr. Cousens remains a member of the Issuer’s Board of Directors. As a result, Mr. Anton Gauffin remains the sole Chief Executive Officer of the Company. After these changes, as at June 30, 2023 and as at the date of signing of these interim condensed separate financial statements, the composition of the Company’s Board of Directors was the following:

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

## Investments in subsidiaries

The Company has an interest in share capital of the following subsidiaries:

Name of entity	Registered seat	Activities	Company's share in capital	
			As at June 30, 2023	As at December 31, 2022
Huuuge Games Sp. z o.o.	Szczecin, Poland	games development and operations	100%	100%
Huuuge Global Ltd	Limassol, Cyprus	games distribution, user acquisition	100%	100%
Huuuge Publishing Ltd (formerly Fun Monkey Ltd)	Limassol, Cyprus	games distribution	100%	100%
Huuuge Block Ltd (formerly Coffee Break Games Ltd)	Limassol, Cyprus	games distribution	100%	100%
Billionaire Games Limited	Limassol, Cyprus	games distribution	100%	100%
Huuuge Digital Ltd	Tel Aviv, Israel	games development, R&D	100%	100%
Playable Platform B.V.	Amsterdam, Netherlands	games development, R&D	100%	100%
Double Star Oy	Helsinki, Finland	games development	100%	100%
Huuuge UK Ltd	London, United Kingdom	corporate development	100%	100%
Huuuge Mobile Games Ltd	Dublin, Ireland	games distribution, user acquisition, in liquidation	100%	100%
Coffee Break Games United Ltd	Dublin, Ireland	games distribution, user acquisition, in liquidation	100%	100%
MDOK GmbH (formerly Huuuge Pop GmbH)	Berlin, Germany	games development, in liquidation	100%	100%
Huuuge Labs GmbH	Berlin, Germany	games development, R&D, in liquidation	100%	100%

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

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

These interim condensed separate financial statements (hereinafter "interim condensed financial statements") as at and for the six-month period ended June 30, 2023 have been prepared in accordance with the IAS 34 Interim Financial Reporting as adopted by the European Union.

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

These interim condensed financial statements as at and for the six-month period ended June 30, 2023 were approved on September 7, 2023 by the Board of Directors.

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

### 3. Adoption of new and revised Standards

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

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

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

- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture (issued on September 11, 2014): the endorsement process of these Amendments has been postponed by the EU – the effective date was deferred indefinitely by the International Accounting Standards Board;
- Amendments to IAS 1: Presentation of Financial Statements: Classification of Liabilities as Current or Non-current – Deferral of Effective Date and Non-current Liabilities with Covenants (issued on January 23, 2020 and July 15, 2020 and October 31, 2022, respectively): not yet endorsed by the EU at the date of approval of these interim condensed separate financial statements for issue – effective for financial years beginning on or after January 1, 2024;
- Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback (issued on 22 September 2022): not yet endorsed by the EU at the date of approval of these interim condensed separate financial statements for issue – effective for financial years beginning on or after January 1, 2024;
- Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements (Issued on 25 May 2023): not yet endorsed by the EU at the date of approval of these interim condensed separate financial statements for issue – effective for financial years beginning on or after January 1, 2024;
- Amendments to IAS 12 Income taxes: International Tax Reform – Pillar Two Model Rules (issued 23 May 2023): not yet endorsed by the EU at the date of approval of these interim condensed separate financial statements for issue – the effective date is depending on requirement as defined by the International Accounting Standards Board.

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

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

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Company's financial statements as at and for the year ended December 31, 2022, except for the adoption of new standards effective as at January 1, 2023. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments and interpretations apply for the first time in 2023, but do not have an impact on the interim condensed financial statements of the Company. In preparing these interim condensed financial statements, the significant judgements and estimates made by management in applying the Company's accounting policies have been consistently applied by the Company and are consistent across the reported periods.

## 5. Revenue and dividend income

The Company's revenue is generated by services rendered to the other entities in the Group. The Company's revenue comprises revenues from stewardship activities as well as facilitating the advertisement services on behalf of Huuuge Global Ltd.. The Company as an agent presents revenues from advertising services in net amounts, as described in Note 2 *Basis for preparation of the financial statements*, point (d) *Key judgements and estimates* of the Company's financial statements as at and for the year ended December 31, 2022.

In the six-month period ended June 30, 2023 the Company's revenues amounted to USD 1,068 thousand (USD 972 thousand from game design services and USD 96 thousand from stewardship services), and in the six-month period ended June 30, 2022 - USD 1,346 thousand (USD 1,288 thousand from game design services and USD 58 thousand from stewardship).

During the six-month period ended June 30, 2023, the Company recognized dividend income in the amount of USD 94,693 thousand as presented in the line "Dividend income" in the interim condensed separate statement of comprehensive income. The dividend was paid out of the profits for the years 2019, 2020 and 2021 of Huuuge Global Limited: USD 4,590 thousand was received on March 15, 2023, 4,000 thousand was received on March 16, 2023 and the remaining USD 86,103 thousand was received on May 26, 2023.

## 6. Segment information

The Company uses the exemption with respect to the disclosures of segment information in accordance with IFRS 8.4, therefore, the analysis of the activities of the Company's operating segments has been presented in the interim condensed consolidated financial statements as at and for the six-month period ended June 30, 2023.

## 7. Operating expenses

For the six-month periods ended June 30, 2023 and June 30, 2022 operating expenses include:

Expenses by nature	Six-month period ended June 30, 2023 Unaudited	Six-month period ended June 30, 2022 Unaudited
Salaries and employee-related costs	2,366	1,274
Finance & legal services	1,543	1,550
Share-based payment expense	42	384
Property maintenance and external services	45	43
Other costs	148	177
<b>Total operating expenses</b>	<b>4,144</b>	<b>3,428</b>

## 8. Income tax

	Six-month period ended June 30, 2023 Unaudited	Six-month period ended June 30, 2022 Unaudited
Current income tax	1,119	432
Change in deferred income tax	85	1
<b>Income tax for the period</b>	<b>1,204</b>	<b>433</b>

Higher current income tax in the six-month period ended June 30, 2023 is due to the changes introduced to the U.S. tax treatment of research and development costs. Starting from 2022, U.S. taxpayers are required to capitalize and amortize costs related to research and development activities for the tax purposes. The changes resulted in lower tax-deductible costs, and consequently higher global intangible low-taxed income ("GILTI").

## 9. Investments in subsidiaries

	As at June 30, 2023 Unaudited	As at December 31, 2022 Audited
Investment in subsidiaries:		
Huuuge Global Ltd	3,593	3,593
Huuuge Games Sp. z o.o.	2,326	2,326
Playable Platform B.V.	1,826	1,826
Huuuge UK	345	345
Huuuge Digital Ltd	0	0
Impairment	-	-
Options granted to employees of the Company's subsidiaries under stock option program	22,000	21,072
<b>Total investment in subsidiaries</b>	<b>30,090</b>	<b>29,162</b>

As at June 30, 2023 and December 31, 2022 there was no impairment of the investment in subsidiaries recognized due to the lack of the impairment indicators. When reviewing the indicators of impairment, the Company's management has considered the following factors:

- 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 of the assets before than previously expected.

## 10. Cash and cash equivalents

	As at June 30, 2023 Unaudited	As at December 31, 2022 Audited
Restricted cash held for the purpose of share buy-back	150,461	-
Money market mutual funds	25,673	9,967
Cash at banks (current accounts)	1,181	1,053
Deposits	-	70,090
Money market interest-bearing accounts	-	5,100
<b>Total cash and cash equivalents</b>	<b>177,315</b>	<b>86,210</b>

As at June 30, 2023 cash in the amount of USD 150,461 thousand, including interest accrued, was reserved at the brokerage account for the purpose of acquisition and transfer of ownership of the shares offered in response to a time-limited invitation to submit to the Company sale offers relating to shares in the Company, at a predetermined and fixed price per share, open to all shareholders of the Company (the "Invitation") (or the Share Buyback "SBB") announced by the Company on May 30, 2023. The settlement of the SBB took place on July 4, 2023 (the "Settlement Date") outside the organized system of trading in financial instruments through IPOPEMA Securities S.A. (the "Broker").

While the use of this cash held on the brokerage account as of 30 June 2023 is restricted by the contract with the Broker, it still meets the definition of cash and cash equivalents based on the brokerage account's nature.

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

Other than restricted cash held for the purpose of share buy-back as presented in the table above, as at June 30, 2023, there was restricted cash in the amount of USD 15 thousand (USD 15 thousand as at December 31, 2022).

As at December 31, 2022, there was a short-term cash deposit amounting to USD 70,090 thousand. Maturity of this investment was three months, it is repayable on demand, thus the investment is highly liquid, readily convertible to known amounts of cash, is subject to an insignificant risk of changes in value and meet the criteria indicated in IAS 7 Statement of Cash Flows and have been considered in substance as cash equivalents.

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

## 11. Share capital

As at June 30, 2023 and June 30, 2022 Company's share capital comprised common shares and preference shares series A and B. Below are presented movements on different components of equity divided in the categories of shares (nominal values presented in USD, not thousand USD):

Shares classified as equity instruments as at June 30, 2023:

	Common shares		Preference shares (series A and B)		Treasury shares		Treasury shares allocated for the existing share-based payment programs		Sub-total (issued)		Shares allocated for the existing share-based payment programs (not issued)		Grand total	
	Number of shares	Nominal value	Number of shares	Nominal value	Number of shares	Nominal value	Number of shares	Nominal value	Number of shares	Nominal value	Number of shares	Nominal value	Number of shares	Nominal value
<b>As at January 1, 2023 Audited</b>	<b>79,183,513</b>	<b>1,584</b>	<b>2</b>	<b>0</b>	<b>5,063,182</b>	<b>102</b>	<b>-</b>	<b>-</b>	<b>84,246,697</b>	<b>1,686</b>	<b>11,007,733</b>	<b>220</b>	<b>95,254,430</b>	<b>1,906</b>
Reduction of shares allocated for the existing share-based payment programs (not issued)	-	-	-	-	-	-	-	-	-	-	(748,971)	(15)	(748,971)	(15)
Allocation of shares to Share-based payment program	-	-	-	-	(748,971)	(15)	748,971	15	-	-	-	-	-	-
Exercise of stock options	748,971	15	-	-	-	-	(748,971)	(15)	-	-	-	-	-	-
<b>As at June 30, 2023 Unaudited</b>	<b>79,932,484</b>	<b>1,599</b>	<b>2</b>	<b>0</b>	<b>4,314,211</b>	<b>87</b>	<b>-</b>	<b>-</b>	<b>84,246,697</b>	<b>1,686</b>	<b>10,258,762</b>	<b>205</b>	<b>94,505,459</b>	<b>1,891</b>

Huuuge, Inc. interim condensed separate financial statements as at and for the six-month period ended June 30, 2023 prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the European Union.

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

Shares classified as equity instruments as at June 30, 2022:

	Common shares		Preference shares (series A and B)		Treasury shares		Treasury shares allocated for the existing share-based payment programs		Sub-total (issued)		Shares allocated for the existing share-based payment programs (not issued)		Grand total	
	Number of shares	Nominal value	Number of shares	Nominal value	Number of shares	Nominal value	Number of shares	Nominal value	Number of shares	Nominal value	Number of shares	Nominal value	Number of shares	Nominal value
<b>As at January 1, 2022 Audited</b>	<b>82,690,347</b>	<b>1,655</b>	<b>2</b>	<b>0</b>	<b>1,556,348</b>	<b>31</b>	<b>-</b>	<b>-</b>	<b>84,246,697</b>	<b>1,686</b>	<b>12,467,461</b>	<b>249</b>	<b>96,714,158</b>	<b>1,935</b>
Reduction of shares allocated for the existing share-based payment programs (not issued)	-	-	-	-	-	-	-	-	-	-	(688,437)	(14)	(688,437)	(14)
Allocation of shares to Share-based payment program	-	-	-	-	(688,437)	(14)	688,437	14	-	-	-	-	-	-
Exercise of stock options	684,981	14	-	-	-	-	(684,981)	(14)	-	-	-	-	-	-
Delivery of shares to former owners of Double Star Oy	23,046	0	-	-	(23,046)	0	-	-	-	-	-	-	-	-
Repurchase of common shares under Share Buyback Scheme ("SBB")	(3,847,083)	(77)	-	-	3,847,083	77	-	-	-	-	-	-	-	-
<b>As at June 30, 2022 Unaudited</b>	<b>79,551,291</b>	<b>1,592</b>	<b>2</b>	<b>0</b>	<b>4,691,948</b>	<b>94</b>	<b>3,456</b>	<b>-</b>	<b>84,246,697</b>	<b>1,686</b>	<b>11,779,024</b>	<b>235</b>	<b>96,025,721</b>	<b>1,921</b>

Huuuge, Inc. interim condensed separate financial statements as at and for the six-month period ended June 30, 2023 prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the European Union.

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



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

As at June 30, 2023, 4,007,065 shares were allocated to a reserve that could be issued only with majority shareholders' approval (2,486,803 as at June 30, 2022).

As at June 30, 2023, the share capital of the Company comprised 84,246,697 shares (fully paid) with a par value of USD 0.00002 per share and the total value of USD 1,686 (not thousands), including 79,932,484 common shares held by shareholders, two preference shares (one preference share of series A and one preference share of series B), and 4,314,211 common shares reacquired by the Company and not redeemed (treasury shares and treasury shares allocated to the existing share-based payment programs).

As at June 30, 2022, the share capital of the Company comprised 84,246,697 shares (fully paid) with a par value of USD 0.00002 per share and a total value of USD 1,686 (not thousands), including 79,551,291 common shares held by shareholders, two preference shares (one preference share of series A and one preference share of series B) and 4,695,404 common shares reacquired by the Company and not redeemed (treasury shares and treasury shares allocated for the existing share-based payment programs).

During the six-month period ended June 30, 2023, the number of shares (not issued) allocated to the existing share-based payment programs was reduced by 748,971 shares. This is because 748,971 treasury shares were delivered to employees for the options exercised during the six-month period ended June 30, 2023. As at June 30, 2023, 10,258,762 shares with a par value of USD 0.00002 per share were reserved for two stock option programs established in 2015 and 2019.

As at June 30, 2022, 11,779,024 shares with a par value of USD 0.00002 per share were reserved for two stock option programs established in 2015 and 2019.

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

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

As at June 30, 2023 and December 31, 2022, no shareholder owned over 50% of the Company's equity or had more than 50% of voting rights. The Company's major shareholder is Mr. Anton Gauffin, CEO and President, who participates in the Company's ordinary shares indirectly (through shares of Big Bets OU).

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

In the six-month period ended June 30, 2023 the following transactions in common and preference shares took place:

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

In the six-month period ended June 30, 2023, 1,340,340 share options held by employees under the share-based payment program were exercised, out of which for 748,971 options exercised treasury shares were delivered to employees before June 30, 2023 (the difference is due to cashless exercises).

The delivery of treasury shares was presented as a movement from treasury shares to common shares. The movement resulted in an increase in share capital in the amount of the nominal value of the shares delivered, and the difference between the value of treasury shares and the cash consideration received in the amount of USD 3,274 thousand was recognized in supplementary capital. At the same time, the movement decreased the number of shares (not issued) allocated to the existing share-based payment programs.

- **Acquisition of shares under share Buyback Scheme ("SBB")**

As reported in the current report no. 25/2023 dated July 4, 2023, as a result of the settlement of the acquisition and transfer of ownership of the shares offered in response to a time-limited invitation to submit to the Company sale offers relating to shares in the Company, at a pre-determined and fixed price per share, open to all shareholders of the Company (the "Invitation") (the "SBB") announced by the Company on May 30, 2023 in the current report no. 19/2023 (as subsequently amended and announced by the Company in current report no. 23/2023 on June 19, 2023), the Company acquired 17,121,919 of its common shares that represent 20.32% of the share capital of the Company and that entitled their holders to exercise 21.42% of the total number of votes at the general meeting of the Company for a total consideration of USD 149,999,996.

The settlement of the SBB took place on July 4, 2023 (the "Settlement Date") outside the organized system of trading in financial instruments through IPOPEMA Securities S.A. The acquisition was made at a gross price of USD 8.7607 per share. Amounts due to investors, after withholding of applicable taxes, have been converted from USD to PLN in accordance with the interbank exchange rate applicable as at July 3, 2023 (as the day preceding the Settlement Date), which is 4.0735.

The shares were acquired on the basis of the Company's Board of Directors resolution dated May 30, 2023 launching the acquisition of the Company's common shares listed on the Warsaw Stock Exchange by way of a time-limited Invitation to Sell, establishing detailed conditions and procedures for participation in and execution of the SBB.

Prior to the SBB settlement, the Company owned 4,314,211 common shares that represented 5.12% of the Company's share capital and did not entitle the Company to voting rights. Following the settlement of the SBB, the Company owns a total of 21,436,130 shares that represent 25.44% of the Company's share capital and do not entitle the Company to voting rights. Consequently, following the settlement of the SBB, there are 84,246,697 shares of the Company outstanding and conferring 62,810,567 votes in total at the general meeting of the Company. The Company acquired the shares under the SBB with the intention that the shares will be retired, other than those shares necessary, in the Company's view, to satisfy its ongoing needs under the Company's employee stock option plans. Treatment of the acquired shares will be determined in due course by the Issuer's Board of Directors, in accordance with its Certificate of Incorporation.

- **Retirement of shares purchased by the Company during the share buyback**

On August 29, 2023, the Company's Board of Directors in accordance with Section 243 of the Delaware General Corporation law, adopted a resolution on the retirement of 17,121,919 shares of common stock of the Company representing 20.3% of the issued share capital of the Company comprising of 84,246,697 shares (as announced in current report no 37/2023). The retirement is effective as of the adoption of the resolution by the Board of Directors. The shares that were subject to the retirement were purchased by the Company during the share buyback (current report no. 25/2023 dated July 4, 2023) with the intention that the shares will be retired, other than those shares necessary, in the Company's view, to satisfy its ongoing needs under the Company's employee stock option plans.

Effective as of the adoption of the resolution of the Board of Directors, the retired shares resumed the status of authorized and unissued shares of the common shares of the Company. At the same time, the Company's issued share capital decreased from 84,246,697 to 67,124,778 shares.

Further, following a review, the Board of Directors concluded that such a high authorized capital is not necessary and therefore the Board of Directors decided that it will recommend that on the next Annual General Meeting the stockholders approve an amendment to the Company's Certificate of Incorporation to decrease the authorized capital of the Company by 21,128,984 shares of common shares of the Company, as a result reducing the total number of the authorized shares from 113,881,420 to 92,752,436 where 67,124,778 will be the issued shares and 25,627,658 authorized and unissued shares. The authorized and unissued shares in the amount of 25,627,658 will be used, among others, for the Company's employee stock option plans.

In the six-month period ended June 30, 2022 the following transactions in common and preference shares took place:

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

On February 15, 2022, the Company decided to repurchase its common shares listed for trading on the Warsaw Stock Exchange. The share buy-back started on March 29, 2022. The purpose of the Share Buyback Scheme was to satisfy the Group's needs related to the exercise of options under its Employee Stock Option Plans in the foreseeable future. On May 22, 2022, the Board of Directors adopted a resolution according to which the number of Company's shares capable of being repurchased by the Company under the SBB has been set to the 6,500,000 shares.

The common shares repurchased were presented in treasury shares line in the statement of financial position.

During the six-month period ended June 30, 2022, 3,847,083 common shares were repurchased under SBB program. Payments made for the purchase of own shares in the amount of USD 16,133 thousand were recognized in Equity (Treasury shares).

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

In the six-month period ended June 30, 2022, 828,458 share options held by the employees under the share-based payment program were exercised, out of which for 684,981 options exercised treasury shares were delivered to employees before June 30, 2022 (the difference is due to cashless exercises and number of options exercised, but not delivered as of June 30, 2022).

The delivery of treasury shares was presented as a movement from treasury shares to common shares. The movement resulted in an increase in share capital in the amount of nominal value of the shares delivered, and difference between the value of treasury shares and the cash consideration received in the amount of USD 6,875 thousand was recognized in supplementary capital. At the same time, the movement decreased the number of shares (not issued) allocated for the existing share-based payment programs.

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

In the six-month period ended June 30, 2022, 23,046 shares were delivered to former owners of Double Star Oy based on the Share Sale and Purchase Agreement, corrected by the First Amendment dated October 19, 2021. For details of the earn-out consideration, please see Note 12 *Share-based payment arrangements*. The movement resulted in an increase in share capital in the amount of nominal value of the shares delivered, and a decrease in supplementary capital in the amount of USD 311 thousand (amount reflects the value of treasury shares, since the shares were delivered with no cash consideration).

## 12. Share-based payment arrangements

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

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

	Six-month period ended June 30, 2023	
	Number of options	Weighted average exercise price
<b>Balance as at January 1</b>	<b>4,778,100</b>	<b>4.46</b>
Granted during the period	-	-
Forfeited during the period	(488,952)	3.96
Exercised during the period	(1,340,340)	2.96
Expired during the period	(37,140)	4.21
<b>Balance as at June 30</b>	<b>2,911,668</b>	<b>5.23</b>

	Six-month period ended June 30, 2022	
	Number of options	Weighted average exercise price *
<b>Balance as at January 1</b>	<b>8,839,097</b>	<b>5.80</b>
Granted during the period	351,610	4.67
Forfeited during the period	(1,866,900)	5.17
Exercised during the period	(828,458)	2.80
Expired during the period	(195,047)	4.69
<b>Balance as at June 30</b>	<b>6,300,302</b>	<b>6.35</b>

\* The weighted average exercise prices in the table above are prior to the modification that took place after June 30, 2022.

As at June 30, 2023, 504,498 share options were exercisable, with the weighted average exercise price of USD 3.56 per share. As at June 30, 2022, 2,670,991 share options were exercisable, with the weighted average exercise price of USD 3.30 per share.

During the six-month period ended June 30, 2023, 1,340,340 options were exercised under the share-based payment program, out of which, 748,971 treasury shares were delivered (the difference of 591,369 options is due to cashless exercises). Cash payments received for the shares delivered to employees before June 30, 2023 amounted to USD 345 thousand.

During the six-month period ended June 30, 2022, 828,458 options were exercised in total under the share-based payment program, out of which 684,981 treasury shares were delivered for 691,013 options exercised (the difference of 6,032 options is due to cashless exercises). For the remaining 137,445 options exercised during the six-month period ended June 30, 2022, the shares were pending delivery as of June 30, 2022. Cash payments received for the shares delivered to employees before June 30, 2022 amounted to USD 1,897 thousand, and for the shares that were pending delivery to employees as at June 30, 2022, cash payments amounted to USD 265 thousand.

Other than the share-based payment arrangements described above, as a result of the acquisition that took place on July 16, 2020, the Group accounted for the earn-out consideration payable in shares dependent on a performance condition and a continuing employment condition as a share-based payment for the sellers of Double Star Oy. On February 21, 2022, 23,046 treasury shares were delivered to the former owners of Double Star Oy as presented in Note 11 *Share capital*. As at June 30, 2023, it is not expected that additional shares, except for those delivered, would vest under earn-out consideration.

The effect of the fair value measurement of options granted to employees of the Company, i.e. total expense related to share-based payment arrangements for the six-month period ended June 30, 2023 amounted to USD 42 thousand (for the six-month period ended June 30, 2022 - 384 USD thousand), including the reversal of costs for the options forfeited during the period. This expense includes Mr. Anton's Gauffin options and the options payable to a consultant under the advisory agreement in the total amount of USD 327 thousand (for the six-month period ended June 30, 2022 - 265 USD thousand), which both are explained in detail further below. These costs were allocated to Research and development expenses and General and administrative expenses lines in the interim condensed statement of comprehensive income.

The effect of the fair value measurement of options granted to employees of the Company's subsidiaries during the six-month period ended June 30, 2023 is reflected in the Company's assets as investment in subsidiaries in the amount of USD 928 thousand (USD 635 thousand during the six-month period ended June 30, 2022).

#### *CEO options*

The remuneration of Mr. Anton Gauffin, holding the positions of the President and Chief Executive Officer of the Company, for the period ending at the 2022 Annual General Meeting of the Company, consisted solely of 500,000 share options, out of which 75,000 had a vesting condition to provide the service continuously for about four years from the service commencement date and to meet 2021 EBITDA target. These options were forfeited in 2022 as the performance condition was not met. All options can be exercised at a price of PLN 50, i.e., the price of the Company's shares in the initial public offering.

The vesting conditions for the options are the following:

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

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

#### *Advisory agreement*

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

## **13. 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 have been changing recently, which may lead to lack of their clarity and integrity. Furthermore, frequent contradictions in tax interpretations, both within government bodies and between companies and government bodies create uncertainties and conflicts.

Tax authorities may examine accounting records retrospectively: for 3 years in the United States (and up to 6 years in case of substantial errors). Consequently, the Company may be subject to additional tax liabilities, which may arise as a result of tax audits. The Board of Directors of the 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 Company.

## Litigation and other legal proceedings

Company operates in a highly regulated and litigious environment. Company has and may become involved in legal proceedings, including litigation, arbitration and other claims, and investigations, inspections, audits, claims, inquiries and similar actions. Legal proceedings, in general, can be expensive and disruptive. Some of these suits are class actions and/or involve parties seeking large and/or indeterminate amounts, including punitive or exemplary damages, and may remain unresolved for several years.

Player use of our games is subject to our privacy policy and terms of service. If we fail to comply with our posted privacy policy, terms of service or similar agreements, or if we fail to comply with applicable privacy-related or data protection laws and regulations, this could result in litigation, proceedings or investigations against us by governmental authorities, players or others, which could result in fines or judgments against us, damage our reputation or goodwill, impact our financial condition and harm our business.

Company cannot predict with certainty the outcomes of any legal proceedings and other contingencies, and the costs incurred in litigation can be substantial, regardless of the outcome. As a result, Company could from time to time incur judgments, enter into settlements or revise our expectations regarding the outcome of certain matters, and such developments could harm our reputation and have a material adverse effect on our results of operations in the period in which the amounts are accrued and/or our cash flows in the period in which the amounts are paid. In addition, as a result of the ongoing legal proceedings, Company may be subject to damages, civil fines, or other sanctions. Additionally, defending against these lawsuits and proceedings may involve significant expense and diversion of management's attention and resources

As at the date of approval of these interim condensed separate financial statements for issue, Company has become involved in a number of pending litigations:

- On March 8, 2023, a plaintiff filed a complaint in the Circuit Court of Franklin County Alabama alleging that the Company's social casino games are unlawful gambling under Alabama law. The lawsuit seeks to recover all amounts paid by Alabama residents to the Company in those games during the period beginning one year before the filing of the lawsuit (i.e., March 8, 2022) until the case is resolved. The Company does not agree with the allegations and requests for relief made in the complaint and believes that there are meritorious legal and factual arguments supporting the Company's position. As of the date of the issuance of these interim condensed separate financial statements, to the best of the Company's knowledge, the litigation is not expected to have a material impact on the Company's operations, financial condition or cash flows.
- On May 18, 2023, the Company received a demand for arbitration, alleging that the Company's social casino games are unlawful gambling under Kentucky law. The claimant seeks to recover all amounts paid by Kentucky residents to the Company in those games during the period beginning five years before the filing of the demand (i.e., May 18, 2018) until the case is resolved. The Company does not agree with the allegations and requests for relief made in the complaint and believes that there are meritorious legal and factual arguments supporting the Company's position. As of the date of the issuance of these interim condensed separate financial statements, to the best of the Company's knowledge, this arbitration is not expected to have a material impact on the Company's operations, financial condition or cash flows.
- On June 2, 2023, plaintiffs filed a complaint in the US Federal District Court for the Central District of California, alleging: (a) that the Company's social casino games are unlawful gambling under the laws of California, Illinois, and potentially other US states; and (b) that the Company's display of sale pricing in its social casino games constitutes false advertising under the laws of California, Illinois and potentially other US states. The lawsuit purports to be a nationwide class action, which also includes potential California and Illinois subclasses. The Company does not agree with the allegations and requests for relief made in the complaint and believes that there are meritorious legal and factual arguments supporting the Company's position. As the case is in preliminary stages, the Company is unable to reasonably estimate the loss or range of loss, if any, arising from this litigation, or the impact, if any, on the Company's operations, financial condition or cash flows.
- On September 5, 2023, the Company received three similar demands for arbitration, alleging that the Company's social casino games are unlawful gambling under the laws of Ohio, Massachusetts and Kentucky. The Company does not agree with the allegations and requests for relief made in the complaint and believes that there are meritorious legal and factual arguments supporting the Company's position. As the arbitrations are in preliminary stages, the Company is unable to reasonably estimate the loss or range of loss, if any, arising from these arbitrations. As of the date of the issuance of these interim condensed separate financial statements, to the best of the Company's knowledge, these arbitrations, collectively and individually, are not expected to have a material impact on the Company's operations, financial condition or cash flows.

Except for the abovementioned proceedings, neither the Company nor any of its subsidiaries were, as at June 30, 2023, or as at the date of approval of these interim condensed separate financial statements, a party to any significant court or arbitration proceedings or before any public authority.

## 14. Related party transactions

The table below presents aggregated balances of transactions with related parties during the reporting and comparative periods.

Related party	During the six-month period ended, Unaudited	Sales to a related party	Purchase from a related party/other operating expense	Dividend income
Huuuge Global Ltd	June 30, 2023	2,318	-	94,693
	June 30, 2022	10,059	-	-
Huuuge Games Sp. z o.o.	June 30, 2023	-	7	-
	June 30, 2022	-	2	-
Huuuge Block Limited (formerly Coffee Break Games Ltd)	June 30, 2023	-	-	-
	June 30, 2022	-	8	-
Huuuge UK	June 30, 2023	-	358	-
	June 30, 2022	-	618	-
<b>Total for the six-month period ended June 30, 2023 (Unaudited)</b>		<b>2,318</b>	<b>365</b>	<b>94,693</b>
<b>Total for the six-month period ended June 30, 2022 (Unaudited)</b>		<b>10,059</b>	<b>628</b>	<b>-</b>

Related party	As at June 30, 2023(Unaudited) and as at December 31,2022 (Audited)	Trade receivables from a related party	Trade liabilities to a related party
Huuuge Global Ltd	June 30, 2023	597	-
	December 31, 2022	648	1
Huuuge Digital Ltd	June 30, 2023	32	-
	December 31, 2022	-	1
Huuuge Games Sp. z o.o.	June 30, 2023	-	-
	December 31, 2022	3	7
Huuuge UK	June 30, 2023	-	29
	December 31, 2022	449	-
<b>Total as at June 30, 2023 (Unaudited)</b>		<b>629</b>	<b>29</b>
<b>Total as at December 31, 2022 (Audited)</b>		<b>1,100</b>	<b>9</b>

Huuuge, Inc. interim condensed separate financial statements as at and for the six-month period ended June 30, 2023 prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the European Union.

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

Total gross revenue during six-months period ended June 30, 2023 and June 30, 2022 amounted to USD 2,318 thousand and USD 10,059 thousand respectively. Cost of re-invoiced services during six-months period ended June 30, 2023 and June 30, 2022 amounted to USD 1,249 thousand and USD 8,713 thousand respectively, thus the net revenue presented in the interim condensed statement of comprehensive income amounts to USD 1,068 thousand during six-months period ended June 30, 2023 and USD 1,346 thousand during six-months period ended June 30, 2022.

In addition, related parties' transactions include transactions with the management of the Company. Compensation of key management personnel of the Company comprised the base salaries, bonuses and compensation based on the financial result of the period, and share-based payments in the total amount of USD 2,023 thousand for the six-month period ended June 30, 2023. For more details, please refer to Note 18 *Transactions with management of the Parent Company and their close family members* to the interim condensed consolidated financial statements.

On July 4, 2023, Anton Gauffin (through Big Bets OÜ) and Raine Group (through RPII HGE LLC), sold 7,906,705 shares in total under the Share Buy-back amounting to USD 69,268 thousand.

## 15. Subsequent events

After June 30, 2023 and up to the date of approval of these interim condensed separate financial statements for issue no significant events except the following have occurred.

### **Settlement of shares under share Buyback Scheme ("SBB")**

The settlement of the SBB took place on July 4, 2023 (the "Settlement Date") outside the organized system of trading in financial instruments through IPOPEMA Securities S.A For details of the SBB, please, refer to Note 11 *Share capital*.

### **Retirement of shares purchased by the Company during the share buyback**

On August 29, 2023, the Company's Board of Directors adopted a resolution on the retirement of 17,121,919 shares of common stock of the Company representing 20.3% of the issued share capital of the Company comprising of 84,246,697 shares (as announced in current report no 37/2023). The retirement is effective as of the adoption of the resolution by the Board of Directors. For details of the SBB, please, refer to Note 11 *Share capital*.

.....  
*Anton Gauffin*  
*President of Huuuge Inc., CEO*  
*September 7, 2023*





# HUUUGE

## Play Together.

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