CONSOLIDATED Q3 2022 REPORT

THE HUUUGE, INC. GROUP
for the nine-month period ended September 30, 2022

Warsaw, November 22, 2022

Disclaimer

This constitutes the quarterly report for the nine-month period ended September 30, 2022 (the "Quarterly Report") prepared in accordance with the Regulation of the Minister of Finance of March 29, 2018 on current and periodic information published by issuers of securities and the conditions for recognizing information as equivalent required by the law of a non-member state. This Quarterly Report should be read in conjunction with the interim condensed consolidated financial statements for the nine-month period ended September 30, 2022 prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

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

Unless implied otherwise in this Quarterly Report, the terms "we" or the "Group", refer to the Company together with all of its subsidiaries and the term the "Company" or "Issuer", refers to Huuuge, Inc.

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

Certain arithmetical data contained in this Quarterly Report, including financial and operating information, have been rounded. Therefore, in certain instances, the sum of the numbers in a column or a row in tables contained in this Quarterly Report may not conform exactly to the total figure given for that column or row.

Industry and Market Data

This Quarterly Report may include market share and industry data that we obtained from various third-party sources, including publicly available information concerning global social gaming industries. The information in this Quarterly Report that has been sourced from third parties has been accurately reproduced with reference to these sources in the relevant paragraphs and, as far as we are aware and able to ascertain from the information published by that third party, no facts have been omitted that would render the reproduced information provided inaccurate or misleading. Where third-party information has been sourced in this Quarterly Report, the source of such information has been identified. Industry publications, surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable. To the extent these industry publications, surveys and forecasts are accurate and complete, we believe we have correctly extracted and reproduced the information from such sources. Additionally, industry publications generally state that the information contained therein has been obtained from sources believed to be reliable but that the accuracy and completeness of such information is not guaranteed and in some instances state that they do not assume liability for such information. We cannot therefore assure you of the accuracy and completeness of such information, and we have not independently verified such information.

In addition, in many cases, statements in this Quarterly Report regarding our industry and our position in the industry are based on our experience and our own investigation of market conditions. Comparisons between our reported financial or operational information and that of other companies operating in our industry using this information may not fully reflect the actual market share or position in the market, as such information may not be defined consistently or reported for all companies from our industry in line with how we define or report such information in this Quarterly Report.

While we are not aware of any mis-statements regarding the industry data presented herein, our estimates involve certain assumptions, risks and uncertainties and are subject to change based on various factors.

Key Performance Indicators

Certain KPIs included in this Quarterly Report, including DAU, MAU, DPU, MPU, ARPDAU, ARPPU and Monthly Conversion, are derived from management estimates, are not part of our financial statements or financial accounting records and have not been audited or otherwise reviewed by independent auditors, consultants or experts.

Our use or computations of these KPIs may not be comparable to the use or computations of similarly titled measures reported by other companies in our industry, by research agencies or by market reports. For that reason, comparisons using this information may not be reliable. Other companies, research agencies or market reporters may include other items or factors in their calculation of similar metrics and may use certain estimates and assumptions that we do not use when calculating these metrics. These factors may cause the calculations by others of similar metrics to differ substantially from our calculations if their methodologies were used to calculate our KPIs. The KPIs are not accounting measures, but management believes that each of these measures provides useful information concerning the usage and monetization patterns of our games, as well as the costs associated with attracting and retaining our players. None of the KPIs should be considered in isolation or as an alternative measure of performance under IFRS, and their inclusion in this Quarterly Report does not mean that the Issuer will continue to report these KPIs in the future.

Forward-looking statements

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

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

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President's Letter

Dear Shareholders,

It is with pleasure that I present to you our report for the first nine months of 2022. In the last quarter, we saw double-digit adjusted EBITDA growth YoY and QoQ and record high adjusted EBITDA profitability.

The mobile gaming sector is continuing its realignment to the changing market reality, in the context of the post-pandemic environment and structural changes to IDFA tracking. Data reported by Sensor Tower suggests that the global mobile games market declined by 12.7% in the third quarter of 2022. This slowdown is a major challenge for game operators and developers. Nevertheless, the sector presents significant opportunities for the right products and strategies. Bringing together market-leading core products, Huuuge has out-performed its own previous results and many others in its sector.

In the third quarter of 2022, we took steps to optimize the earnings efficiency of our core franchises. Thanks to the major game economy update we rolled out in August, as well as a shift towards optimizing user acquisition, our flagship titles generated similar revenue quarter-on-quarter and we achieved this with a lower marketing spend. The effectiveness of our strategy has been reflected in our key monetization metrics, as we increased both Average Revenue per Daily Active User (ARPDAU) and Daily Average Revenue per Paying User (ARPPU) for our core franchises quarter-on-quarter. Indeed, ARPDAU for these products now stands at a record high, surpassing even the level reached during the pandemic lockdowns.

A priority task now for Huuuge is the upgrade of the Traffic Puzzle product, as we move away from higher user acquisition spend and enhance product performance indicators. We see early signs that this approach is proving effective, as we implement architectural features to broaden the game's franchise. By the last month of Q3, we had already achieved a positive sales margin for Traffic Puzzle and we are committed to building on this in the coming quarter.

New game development is a continuous process at Huuuge. Our studios are actively working on new and enhanced concepts, including a new product based on the Traffic Puzzle code base. This work is well advanced and we expect all technical preparation to be completed in the next few months, with a target date for the game's soft launch late in the first quarter of 2023.

We remain open to considering new forms of relationships and partnerships that may benefit the company and its shareholders. We are reviewing our strategic options and will report back to the market once this process has been concluded.

Our resilient core franchises and management's proven ability to move fast and flexibly are key assets of our company. Under current conditions, only those businesses with the strongest fundamentals will be able to grow and thrive. Our latest results show that Huuuge is one such business and is well positioned to succeed into the future. We look forward to sharing that future together with all our stakeholders.

Best regards,

Anton Gauffin
President and co-CEO of Huuuge, Inc.

Anton Gauffin

Rod Cousens
Co-CEO of Huuuge, Inc.

Rod Cousens

Selected financial data

in thousand	USD 9m 2022	USD 9m 2021	EUR 9m 2022	EUR 9m 2021	PLN 9m 2022	PLN 9m 2021
Revenue	240,948	285,232	226,097	238,403	1,055,323	1,084,390
Operating profit (loss)	40,375	29,021	37,887	24,256	176,838	110,332
Pre-tax profit (loss)	39,300	(15,543)	36,878	(12,991)	172,129	(59,091)
Net profit (loss)	32,862	(21,059)	30,837	(17,602)	143,932	(80,062)
Net cash flows from operating activities	42,076	18,946	39,483	15,835	184,288	72,029
Net cash flows from investing activities	(31,986)	(13,696)	(30,015)	(11,447)	(140,095)	(52,069)
Net cash flows from financing activities	(21,052)	97,551	(19,754)	81,535	(92,205)	370,868
Total net cash flows	(10,962)	102,801	(10,286)	85,923	(48,012)	390,827
Cash and cash equivalents at end of period	193,139	195,560	196,451	168,528	956,675	780,773

	USD 9m 2022	USD 9m 2021	EUR 9m 2022	EUR 9m 2021	PLN 9m 2022	PLN 9m 2021
Number of shares at end of period	84,246,697	84,246,697	84,246,697	84,246,697	84,246,697	84,246,697
Weighted average number of shares*	81,237,286	75,724,784	81,237,286	75,724,784	81,237,286	75,724,784
Earnings per share basic (EPS)*	0.41	(0.27)	0.38	(0.23)	1.80	(1.03)
Earnings per share diluted (EPS)*	0.40	(0.27)	0.38	(0.23)	1.75	(1.03)

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

	EUR 9m 2022	PLN 9m 2022	EUR 9m 2021	PLN 9m 2021
Annual average exchange rate	1.0657	0.2283	1.1964	0.2630
Exchange rate at end of reported period	0.9831	0.2019	1.1604	0.2505

The Huuuge Inc. Group Interim Condensed Consolidated Financial Statements

as at and for the nine-month period ended September 30, 2022

Interim condensed consolidated statement of comprehensive income

	Note	Nine-month period ended September 30, 2022 Unaudited	Nine-month period ended September 30, 2021 Unaudited, Reclassified	Three-month period ended September 30, 2022 Unaudited	Three-month period ended September 30, 2021 Unaudited, Reclassified
Revenue	5	**240,948**	**285,232**	**77,521**	**91,998**
Cost of sales	6	(73,256)	(85,442)	(23,757)	(27,987)
Gross profit on sales		**167,692**	**199,790**	**53,764**	**64,011**
Sales and marketing expenses:	6	(74,965)	(116,596)	(17,695)	(34,058)
thereof, User acquisition marketing campaigns	6	*(63,644)*	(103,777)	*(14,211)*	*(29,863)*
thereof, General sales and marketing expenses	6	*(11,321)*	(12,819)	*(3,484)*	*(4,195)*
Research and development expenses	6	(23,127)	(25,466)	(6,288)	(9,599)
General and administrative expenses	6	(29,862)	(29,400)	(11,629)	(9,915)
Other operating income/(expense), net		637	693	364	838
Operating result		**40,375**	**29,021**	**18,516**	**11,277**
Finance income	7	893	10	748	10
Finance expense	7	(1,968)	(44,574)	(679)	(1,521)
Profit/(loss) before tax		**39,300**	**(15,543)**	**18,585**	**9,766**
Income tax	8	(6,438)	(5,516)	(3,286)	(2,390)
Net result for the period		**32,862**	**(21,059)**	**15,299**	**7,376**
Other comprehensive income					
Items that can be later reversed in profit or loss					
Exchange gains/(losses) on translation of foreign operations		(5,394)	(736)	(2,045)	(694)
Total other comprehensive income		**(5,394)**	**(736)**	**(2,045)**	**(694)**
Total comprehensive income for the period		**27,468**	**(21,795)**	**13,254**	**6,682**
Net result for the period attributable to:					
owners of the Parent		32,862	(21,059)	15,299	7,376
Total comprehensive income for the period attributable to:					
owners of the Parent		27,468	(21,795)	13,254	6,682
Earnings per share (in USD)					
Basic	11	0.41	(0.27)	0.19	0.16
Diluted	11	0.40	(0.27)	0.19	0.16

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

Interim condensed consolidated statement of financial position

	Note	As of September 30, 2022 Unaudited	As of December 31, 2021 Audited
Assets			
Non-current assets			
Property, plant and equipment		2,977	3,739
Right-of-use assets	16	12,941	17,479
Goodwill		2,272	2,693
Intangible assets	9	38,893	40,217
Deferred tax assets		965	989
Long-term lease receivables	16	512	-
Other long-term assets		1,749	2,395
Total non-current assets		**60,309**	**67,512**
Current assets			
Trade and other receivables		23,889	27,671
Short-term lease receivables	16	219	-
Corporate income tax receivables		940	348
Cash and cash equivalents	10	193,139	204,415
Total current assets		**218,187**	**232,434**
Total assets		**278,496**	**299,946**
Equity			
Share capital	13	2	2
Treasury shares	13	(27,154)	(19,954)
Supplementary capital		311,346	321,823
Employee benefit reserve	14	21,901	19,812
Foreign exchange reserve		(5,116)	278
Retained earnings/(accumulated losses)		(63,000)	(95,862)
Total equity		**237,979**	**226,099**
Equity attributable to owners of the Company		*237,979*	*226,099*
Non-current liabilities			
Long-term lease liabilities	16	9,680	12,982
Other long-term liabilities		151	-
Total non-current liabilities		**9,831**	**12,982**
Current liabilities			
Trade and other payables	9	22,078	52,687
Deferred income		2,326	3,126
Corporate income tax liabilities		2,352	723
Short-term lease liabilities	16	3,930	4,275
Other provisions		-	54
Total current liabilities		**30,686**	**60,865**
Total equity and liabilities		**278,496**	**299,946**

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

Interim condensed consolidated statement of changes in equity

	Note	Share capital	Treasury shares	Supplementary capital	Employee benefit reserve	Retained earnings	Foreign exchange reserve	Equity attributable to owners	Non-controlling interest	Equity
As of January 1, 2022, audited		**2**	**(19,954)**	**321,823**	**19,812**	**(95,862)**	**278**	**226,099**	**-**	**226,099**
Net profit (loss) for the period		-	-	-	-	32,862	-	32,862	-	32,862
Other comprehensive income –foreign currency exchange gains/(losses)		-	-	-	-	-	(5,394)	(5,394)	-	(5,394)
Total comprehensive income for the period		**-**	**-**	**-**	**-**	**32,862**	**(5,394)**	**27,468**	**-**	**27,468**
Shares issued/(repurchased)*	13	-	(20,090)	-	-	-	-	(20,090)	-	(20,090)
Exercise of stock options **	13, 14	-	12,579	(10,166)	-	-	-	2,413	-	2,413
Delivery of shares to former owners of Double Star Oy	13	-	311	(311)	-	-	-	-	-	-
Employee share schemes – value of employee services	14	-	-	-	2,089	-	-	2,089	-	2,089
As of September 30, 2022, unaudited		**2**	**(27,154)**	**311,346**	**21,901**	**(63,000)**	**(5,116)**	**237,979**	**-**	**237,979**

* Shares issued/(repurchased) line includes payments for the purchase of 4,989,608 own shares under the buy-back program, which were registered at Central Securities Depository as of the date of these interim condensed consolidated financial statements. On August 2, 2022, the Company suspended the purchase of its own shares.

** Exercise of stock options line includes payments received from the employees in the amount of USD 51 thousand for shares that have not yet been delivered to the employees as of September 30, 2022 and are presented in supplementary capital as at the date of these interim condensed consolidated financial statements.

	Note	Share capital	Treasury shares	Supplementary capital	Employee benefit reserve	Retained earnings	Foreign exchange reserve	Equity attributable to owners	Non-controlling interest	Equity
As of January 1, 2021, audited		**2**	**(33,994)**	**14,814**	**8,052**	**(86,181)**	**1,299**	**(96,008)**	**-**	**(96,008)**
Net profit (loss) for the period		-	-	-	-	(21,059)	-	(21,059)	-	(21,059)
Other comprehensive income – foreign currency exchange gains/(losses)		-	-	-	-	-	(736)	(736)	-	(736)
Total comprehensive income for the period		-	-	-	-	**(21,059)**	**(736)**	**(21,795)**	-	**(21,795)**
Shares issued/(repurchased)	13	0	(43,976)	152,929	-	-	-	108,953	-	108,953
Exercise of stock options*	13, 14	-	13,266	(12,501)	-	-	-	765	-	765
Employee share schemes –value of employee services	14	-	-	-	9,087	-	-	9,087	-	9,087
Earn-out consideration – value of employee services	14	-	-	-	33	-	-	33	-	33
Conversion of preference shares	15	0	-	215,603	-	-	-	215,603	-	215,603
Redemption of treasury shares	13	-	33,994	(33,994)	-	-	-	-	-	-
Transaction costs of an issuance of equity instruments		-	-	(4,857)	-	-	-	(4,857)	-	(4,857)
As of September 30, 2021, unaudited		**2**	**(30,710)**	**331,994**	**17,172**	**(107,240)**	**563**	**211,781**	**-**	**211,781**

* Exercise of stock options line includes payments received from the employees in the amount of USD 77 thousand for shares that have not been delivered to the employees as of September 30, 2021 and were presented in supplementary capital.

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

Interim condensed consolidated statement of cash flows

	Note	Nine-month period ended September 30, 2022 Unaudited	Nine-month period ended September 30, 2021 Unaudited
Cash flows from operating activities			
Profit/(loss) before tax		**39,300**	**(15,543)**
Adjustments for:			
Depreciation and amortization	6	8,106	5,489
(Profit)/loss on disposal of property, plant and equipment		47	431
Finance (income)/cost, net		(3,990)	3,806
Non-cash employee benefits expense – share-based payments	14	2,089	9,120
Remeasurement of preference shares liability – finance expense	7	-	38,997
Changes in net working capital:			
Trade and other receivables, and other long-term assets		3,884	136
Trade and other payables		(1,674)	(9,496)
Deferred income		(800)	(687)
Other provisions		(54)	(7,643)
Other adjustments		(68)	12
Cash flows from operating activities		**46,840**	**24,622**
Income tax paid		(4,764)	(5,676)
Net cash flows from operating activities		**42,076**	**18,946**
Cash flows from investing activities			
Acquisition of property, plant and equipment		(710)	(1,370)
Acquisition of IP rights	9	(29,400)	(9,500)
Software expenditures		(2,294)	(2,836)
Interest received		418	10
Net cash from investing activities		**(31,986)**	**(13,696)**
Cash flows from financing activities			
Shares issued/(repurchased)	13	(20,090)	-
Exercise of stock options	13	2,413	765
Lease repayment	16	(3,048)	(1,983)
Interest paid	16	(327)	(425)
Proceeds from issue of common shares for public subscription	13	-	152,929
Execution of stabilization option	13	-	(43,976)
Transaction costs of an issuance of equity instruments		-	(7,097)
Loss on foreign exchange forward contract	7	-	(2,662)
Net cash from financing activities		**(21,052)**	**97,551**
Net increase/(decrease) in cash and cash equivalents		**(10,962)**	**102,801**
Effect of exchange rate fluctuations and accrued interest		(314)	(1,399)
Cash and cash equivalents at the beginning of the period		**204,415**	**94,158**
Cash and cash equivalents at the end of the period		**193,139**	**195,560**

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

Notes to the interim condensed consolidated financial statements

1. General information

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

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

As of September 30, 2022 and December 31, 2021, the Huuuge Inc. Group (the Company and its subsidiaries collectively referred to as the "Group") comprised the Parent Company and its subsidiaries, as listed below.

Name of entity	Registered seat	Activities	Parent Company's share in capital	
			As of September 30, 2022	As of December 31, 2021
Huuuge Games Sp. z o.o.	Szczecin, Poland	games development and operations	100%	100%
Huuuge Global Ltd	Larnaca, Cyprus	games distribution, user acquisition	100%	100%
Huuuge Publishing Ltd (formerly Fun Monkey Ltd)	Larnaca, Cyprus	games distribution	100%	100%
Huuuge Block Ltd (formerly Coffee Break Games Ltd)	Larnaca, Cyprus	games distribution	100%	100%
Billionaire Games Limited	Larnaca, Cyprus	games distribution	100%	-
Huuuge Digital Ltd	Tel Aviv, Israel	games development, R&D	100%	100%
Playable Platform B.V.	Amsterdam, Netherlands	games advertisement	100%	100%
Double Star Oy	Vantaa, Finland	games development	100%	100%
Huuuge UK Ltd	London, United Kingdom	corporate development	100%	100%
Huuuge Mobile Games Ltd	Dublin, Ireland	games distribution, user acquisition, 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	100%	100%
Huuuge Labs GmbH	Berlin, Germany	games development, R&D	100%	100%
Huuuge Tap Tap Games Ltd	Hong Kong	games development, user acquisition	-	100%

On April 8, 2022, Coffee Break Ltd., a subsidiary wholly owned by Huuuge Global Ltd changed its name to Huuuge Block Ltd.

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

On May 4, 2022, a new subsidiary wholly owned by Huuuge Global Ltd was registered under the name Billionaire Games Limited.

The core business activities of the Group include:

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

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

Composition of the Company's Board of Directors as of September 30, 2022 and as of the date of signing of these interim condensed consolidated financial statements

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

As of December 31, 2021, the Company's Board of Directors consisted of the Chief Executive Officer, who was also an executive director, and non-executive directors. The Chief Executive Officer and executive director was Mr. Anton Gauffin, and non-executive directors were:

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

On April 7, 2022 Mr. Rod Cousens was appointed as a co-CEO, and Mr. Tom Jacobsson was elected as a non-executive director. After this change, as of September 30, 2022, and as of the date of signing of these interim condensed consolidated financial statements the composition of the Company's Board of Directors was the following:

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

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

These interim condensed consolidated financial statements as of and for the nine-month period ended September 30, 2022 have been prepared in accordance with the IAS 34 Interim Financial Reporting as adopted by the European Union.

These interim condensed consolidated financial statements do not include all the information and disclosure required in the annual financial statements, and should be read in conjunction with the Group's consolidated financial statements as of and for the year ended December 31, 2021 prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS").

These interim condensed consolidated financial statements as of and for the nine-month period ended September 30, 2022 were approved on November 22, 2022 by the Board of Directors.

These interim condensed consolidated financial statements are prepared on the historical cost basis, except for the preferred shares C series, which were measured at fair value with the gains/losses recognized in profit or loss until their redemption in February 2021, and derivatives, which were measured at fair value with the gains/losses recognized in profit or loss prior to its execution during the year 2021.

Changes in presentation of amortization of the acquired titles

During the nine-month period ended September 30, 2022, the Company management analyzed the presentation of the operating expenses and decided on a change in the presentation of the amortization of acquired titles (games). In 2021, the amortization of the acquired game was allocated to the "General and administrative expenses" in the statement of comprehensive income. Starting from January 1, 2022, management decided to present the amortization of the acquired game that amounted to USD 2,918 thousand in the line "Cost of sales" (please, refer to the Note 6 *Operating expenses*).

Such a presentation is relevant to an understanding of the Group's operating expenses structure. In the management's view, the amended presentation enhances the presentation of the statement of the comprehensive income, and as a result the financial statements are more comparable to the industry. The change was implemented retrospectively, i.e. the comparative figures conform to the new presentation: as a result of this change, the amount transferred from the "General and administrative expenses" to the line "Cost of Sales" is USD 1,622 thousand for the nine-month period ended September 30, 2021. This change did not have an impact on total operating expenses for the nine-month period ended September 30, 2021, nor for the year ended December 31, 2021.

3. Adoption of new and revised standards

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

In preparing these interim condensed consolidated financial statements, the Group's management has analyzed new Standards that have already been adopted by the European Union and that should be applied for periods beginning on or after January 1, 2022.

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

- IFRS 14 Regulatory Deferral Accounts (issued on January 30, 2014): The European Commission has decided not to launch the endorsement process of this interim standard but to wait for the final standard (not yet endorsed by the EU at the date of approval of these interim condensed consolidated financial statements for issue) effective for financial years beginning on or after January 1, 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 the EU – the effective date was deferred indefinitely by the International Accounting Standards Board;

- IFRS 17 Insurance Contracts (issued on May 18, 2017) including Amendments to IFRS 17 (issued on June 25, 2020): effective for financial years beginning on or after January 1, 2023;

- Amendments to IAS 1: Presentation of Financial Statements: Classification of Liabilities as Current or Non-current – Deferral of Effective Date (issued on January 23, 2020 and July 15, 2020): not yet endorsed by the EU at the date of approval of these interim condensed consolidated financial statements for issue – effective for financial years beginning on or after January 1, 2023;

- Amendments to IFRS 3: Reference to the Conceptual Framework (issued on May 14, 2020): 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): 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): effective for financial years beginning on or after January 1, 2022;
- Annual Improvements to IFRS Standards 2018–2020 (issued on May 14, 2020): effective for financial years beginning on or after January 1, 2022;
- Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on February 12, 2021): effective for financial years beginning on or after January 1, 2023;
- Amendments to IAS 8: Definition of Accounting Estimates (issued on February 12, 2021): effective for financial years beginning on or after January 1, 2023;
- Amendments to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (issued on May 6, 2021): not yet endorsed by the EU at the date of approval of these interim condensed consolidated financial statements – effective for financial years beginning on or after 1 January 2023;
- Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information (issued on 9 December 2021): not yet endorsed by the EU at the date of approval of these interim condensed consolidated financial statements – effective for financial years beginning on or after 1 January 2023;

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

4. Significant accounting policies, key judgments and estimates

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's consolidated financial statements as of and for the year ended December 31, 2021, except for the adoption of new standards effective as of January 1, 2022. The Group has not early-adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments and interpretations apply for the first time in 2022 but do not have an impact on the interim condensed consolidated financial statements of the Group. In preparing these interim condensed consolidated financial statements, the significant judgements and estimates made by management in applying the Group's accounting policies have been consistently applied by the Group and are consistent across the reported periods.

5. Revenue & segment information

Huuuge's business, development and sales of casual games for mobile platforms is global, and both games and sales channels are the same, regardless of where the players (customers) are located. Management measures and monitors the Group's revenue in respect of each game, but does not allocate all costs, assets and liabilities by game and does not measure the operating results by game. In management's view, the operations and the Group's financial performance and position cannot be divided into different segments in such a way that it improves the ability to analyze and manage the Group. As of September 30, 2022 the co-CEOs are the Chief operating decision-makers and for this reason, the co-CEOs analyze the consolidated financial position and operating results of the Group as a whole; therefore, it has been determined that the Group has only one operating segment ("online mobile games").

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

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

	Nine-month period ended September 30, 2022 Unaudited	Nine-month period ended September 30, 2021 Unaudited
Gaming applications	232,582	273,974
Advertising	8,366	11,258
Total revenue	**240,948**	**285,232**

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

For the gaming services, the transaction price is prepaid by the customers when virtual coins are purchased to allow continuation of the game; the payments result in the recognition of the contract liability in the interim condensed consolidated statement of financial position. The amounts recognized as deferred income are recognized as revenue within an average of two days.

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

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

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

	Nine-month period ended September 30, 2022 Unaudited	Nine-month period ended September 30, 2021 Unaudited
Huuuge Casino	140,933	163,933
Billionaire Casino	74,265	86,963
Traffic Puzzle*	22,113	24,621
Other games	3,637	9,715
- including games developed by external developers based on publishing contracts	*879*	445
Total revenue	**240,948**	**285,232**

* In April 2021 the Group became the owner of the Traffic Puzzle game; therefore, revenues for the nine-month period ended September 30, 2022 include revenues generated after the acquisition of the game. Traffic Puzzle revenues for the nine-month period ended September 30, 2021 include revenues based on a publishing agreement and revenues after acquisition of the game.

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

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

Revenue was generated in the following countries:

	Nine-month period ended September 30, 2022 Unaudited	Nine-month period ended September 30, 2021 Unaudited
United States	143,275	170,342
Germany	17,088	20,463
United Kingdom	7,287	8,651
Canada	7,252	9,158
Japan	6,233	7,636
France	6,079	7,889
Netherlands	5,690	6,769
Australia	5,067	5,846
Poland	4,700	5,170
Switzerland	4,034	3,560
Taiwan	2,835	2,737
Italy	2,375	2,748
Republic of South Africa	1,838	2,221
Austria	1,756	1,854
Spain	1,701	1,850
Other	23,738	28,338
Total revenue	**240,948**	**285,232**

The above is the management's best estimate, as no geographical breakdown is available for some revenue sources. The allocation to regions is driven by the location of individual end-user customers. No individual end-user customer with whom the Group concludes transactions had a share of 10% or more in the Group's total revenues in the nine-month period ended September 30, 2022 or September 30, 2021. The vast majority of revenues is generated by several platform providers, such as Apple App Store, Google Play, Facebook and Amazon App Store.

6. Operating expenses

For the nine-month period ended September 30, 2022, operating, administrative and marketing expenses include:

Expenses by nature Unaudited	**Total**	**Cost of sales**	**Sales and marketing expenses:**		**Research and development expenses**	**General and administrative expenses**
			***thereof,* User acquisition marketing campaigns**	***thereof,* General sales and marketing expenses**		
Platform fees to distributors	69,376	69,376	-	-	-	-
External developers fees	1,123	-	-	-	1,123	-
Gaming servers expenses	962	962	-	-	-	-
External marketing and sales services	66,331	-	63,644	2,687	-	-
Salaries and employee-related costs	39,023	-	-	8,178	18,831	12,014
Employee stock option plan	2,089	-	-	456	1,130	503
Depreciation and amortization	8,106	2,918	-	-	-	5,188
Finance & legal services	4,601	-	-	-	-	4,601
Business travels & expenses	998	-	-	-	-	998
Property maintenance and external services	1,646	-	-	-	-	1,646
Other costs	6,955	-	-	-	2,043	4,912
Total operating expenses	**201,210**	**73,256**	**63,644**	**11,321**	**23,127**	**29,862**

Other costs under research and development expenses include costs of gaming content. Other costs under general and administrative expenses include mainly IT services, car fleet and office management service (including company events), and costs of recruitment and payment services.

For the nine-month period ended September 30, 2021, operating, administrative and marketing expenses include:

Expenses by nature Unaudited	Total	Cost of sales	Sales and marketing expenses:		Research and development expenses	General and administrative expenses
			thereof, User acquisition marketing campaigns	*thereof,* General sales and marketing expenses		
Platform fees to distributors	82,900	82,900	-	-	-	-
External developers fees	860	-	-	-	860	-
Gaming servers expenses	920	920	-	-	-	-
External marketing and sales services	106,941	-	103,777	3,164	-	-
Salaries and employee-related costs	40,414	-	-	8,664	21,156	10,594
Employee stock option plan	9,120	-	-	991	2,231	5,898
Depreciation and amortization	5,489	1,622	-	-	-	3,867
Finance & legal services	3,974	-	-	-	-	3,974
Business travels & expenses	302	-	-	-	-	302
Property maintenance and external services	1,188	-	-	-	-	1,188
Other costs	4,796	-	-	-	1,219	3,577
Total operating expenses	**256,904**	**85,442**	**103,777**	**12,819**	**25,466**	**29,400**

As of September 30, 2022, the amortization of acquired titles (games) is presented within "Cost of sales". The comparative figures have been reclassified accordingly, i.e. the amount of USD 1,622 thousand previously presented within "General and administrative expenses" has been reclassified to "Costs of sales". Please, refer to Note 2 *Basis for preparation of interim condensed consolidated financial statements,* point *Changes in the presentation of amortization of acquired titles*.

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

The future monthly expenditure related to the publishing contracts that were in force as at September 30, 2022 amounts to USD 40 thousand (USD 85 thousand as at September 30, 2021). The above commitments comprise the fixed fees contracted in the publishing arrangements and do not include the variable payments that are based on future cash flows from selling the games nor the future development fees subject to the specific arrangements and agreements between parties on a scope of services.

7. Finance income and finance expense

Finance expense

	Nine-month period ended September 30, 2022 Unaudited	Nine-month period ended September 30, 2021 Unaudited
Foreign exchange losses, net	1,593	2,488
Interest expense	375	427
Valuation of series C preference shares classified as non-current liabilities	-	38,997
Loss on foreign exchange forward contract	-	2,662
Total finance expense	**1,968**	**44,574**

In the nine-month period ended September 30, 2022, finance expense includes net foreign exchange losses in the amount of USD 1,593 thousand, and the interest expense in the amount of USD 375 thousand, which comprises interest expense recognized under IFRS 16 on lease liabilities, as well as interest expense from banks. In the nine-month period ended September 30, 2022, finance income amounted to USD 893 thousand, which comprises mainly interest income from banks, including interest accrued in the amount of USD 422 thousand.

In addition to finance income and expenses, the "Finance (income)/cost, net" line presented in the interim condensed consolidated statements of cash flows includes the effect of exchange gains and losses on translation of foreign operations to the presentation currency, i.e. USD. In the nine-month period ended September 30, 2021, finance expenses included mainly valuation of series C preference shares classified as a non-current liability in the amount of USD 38,997 thousand. On February 5, 2021, series C preference shares were converted into common shares. For more information, please refer to Note 13 *Share capital.*

In addition, during the nine-month period ended September 30, 2021, prior to the initial public offering, the Company entered into a foreign exchange forward contract contingent upon the event of an initial public offering. Upon the occurrence of an initial public offering event, the Company received proceeds from the newly issued shares converted to USD at a fixed PLN/USD exchange rate, as determined in the forward contract. The Group's policy choice is to present the profit or loss on forward contracts as a finance income or expense accordingly. Effectively, a loss of USD 2,662 thousand was incurred on the forward contract settlement date, presented in the line "Finance expense" in the interim condensed consolidated statement of comprehensive income for the nine-month period ended September 30, 2021.

8. Income tax

	Nine-month period ended September 30, 2022 Unaudited	Nine-month period ended September 30, 2021 Unaudited
Current income tax	6,414	6,262
Change in deferred income tax	24	(746)
Income tax for the period	**6,438**	**5,516**

The subsidiary companies are subject to taxes for their respective businesses in the countries of their registration at the rates prevailing in those jurisdictions. Income tax expense is recognized based on management's estimate of the weighted average effective annual income tax rate expected for the full financial year.

The average tax rate used for the nine-month period ended September 30, 2022 is 16.4%, compared to (35.5)% for the nine-month period ended September 30, 2021. The tax rate was higher in the nine-month period ended September 30, 2022 mainly due to the lower proportion of non-tax deductible costs in comparison to the prior period, i.e., the valuation of the series C preference shares and costs related to the employee stock option plan ("ESOP") to profit before tax. In addition, the higher current income tax in the nine-month period ended September 30, 2022 is due to the changes introduced to the US tax treatment of research and development costs. Starting from 2022, US taxpayers are required to capitalize and amortize costs related to research and development activities for tax purposes. The changes resulted in lower tax-deductible costs in the nine-month period ended September 30, 2022 and consequently higher global intangible low-taxed income ("GILTI").

9. Intangible assets

	IP rights	Software generated internally	Software acquired externally	Prepayments for intangible assets	Total
Gross book value as of January 1, 2022	**39,695**	**529**	**2,149**	**2,499**	**44,872**
Additions	-	-	1,266	1,568	2,834
Transfer from assets under construction	-	2,873	(51)	(2,822)	-
Net foreign exchange differences on translation	(15)	-	(91)	45	(61)
Gross book value as of September 30, 2022	**39,680**	**3,402**	**3,273**	**1,290**	**47,645**
Accumulated depreciation as of January 1, 2022	**(2,965)**	**(529)**	**(1,161)**	**-**	**(4,655)**
Depreciation charge for the period	(3,008)	(274)	(850)	-	(4,132)
Disposals	-	-	(22)	-	(22)
Net foreign exchange differences on translation	(1)	-	58	-	57
Accumulated depreciation as of September 30, 2022	**(5,974)**	**(803)**	**(1,975)**	**-**	**(8,752)**
Net book value as of January 1, 2022, Audited	**36,730**	**-**	**988**	**2,499**	**40,217**
Net book value as of September 30, 2022, Unaudited	**33,706**	**2,599**	**1,298**	**1,290**	**38,893**

	IP rights	Software generated internally	Software acquired externally	Prepayments for intangible assets	Total
Gross book value as of January 1, 2021	**601**	**571**	**846**	**442**	**2,460**
Additions	39,090	-	931	1,776	41,797
Transfers and disposals	-	-	(5)	(442)	(447)
Net foreign exchange differences on translation	83	(22)	(23)	-	38
Gross book value as of September 30, 2021	**39,774**	**549**	**1,749**	**1,776**	**43,848**
Accumulated depreciation as of January 1, 2021	**(70)**	**(563)**	**(368)**	**-**	**(1,001)**
Depreciation charge for the period	(1,902)	(8)	(611)	-	(2,521)
Disposals	-	-	5	-	5
Net foreign exchange differences on translation	2	22	14	-	38
Accumulated depreciation as of September 30, 2021	**(1,970)**	**(549)**	**(960)**	**-**	**(3,479)**
Net book value as of January 1, 2021, Audited	**531**	**8**	**478**	**442**	**1,459**
Net book value as of September 30, 2021, Unaudited	**37,804**	**-**	**789**	**1,776**	**40,369**

No impairment was recognised as at September 30, 2022 and December 31, 2021. As of September 30, 2022, and as at the date of approval of these interim condensed consolidated financial statements for issue, there were no pledges or collaterals on the Group's intangible assets.

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

Acquisition of Traffic Puzzle game and repayment of consideration

On April 27, 2021, Huuuge Global Ltd. entered into the Asset Purchase Agreement ("APA") under which it acquired from PICADILLA GAMES Adziński, Porzucek, Czerenkiewicz sp. K. with its registered office in Wrocław, Poland ("Picadilla") the mobile game Traffic Puzzle together with the related rights and assets for the amount of USD 38,900 thousand ("Purchase Price"). The transaction resulted in recognition of an intangible asset in the amount of USD 38,900 thousand that has been classified as an asset with definite useful life. Based on the analysis of all relevant factors, the useful life of the acquired asset has been estimated as ten years.

In accordance with the payment schedule, as of the date of these interim condensed financial statements, all three tranches in the amount of USD 38,900 thousand have been already paid (the first tranche in the amount of USD 9,500 thousand was paid in 2021; the second and third tranches in the amount of USD 25,000 thousand and USD 4,400 thousand, respectively, were paid during the nine-month period ended September 30, 2022, which resulted in the according decrease in "Trade and other payables" in the amount of USD 29,400 thousand during the period). For more details regarding the transaction, please refer to the Group's consolidated financial statements as of and for the year ended December 31, 2021.

10. Cash and cash equivalents

	As of September 30, 2022 Unaudited	As of December 31, 2021 Audited
Deposits	153,800	-
Cash at banks (current accounts)	39,011	204,169
Money market mutual funds	327	245
Cash in hand	1	1
Total cash and cash equivalents	**193,139**	**204,415**

As of September 30, 2022, there were short-term cash deposits amounting to USD 153,800 thousand. Maturity of these investments is three months, they are repayable on demand, thus the investments are highly liquid, readily convertible to known amounts of cash, and are subject to an insignificant risk of changes in value, and meet the criteria indicated in IAS 7 Statement of Cash Flows, and have been considered in substance as cash equivalents.

Bank deposits include the accrued interest in the amount of USD 422 thousand, of which USD 420 thousand was received before the date of these interim condensed financial statements.

Money market mutual fund investments are classified as cash equivalents. For the details, please refer to Note 2 *Basis for preparation of the consolidated financial statements*, point (d) *Key judgements and estimates* in the consolidated financial statements as of and for the year ended December 31, 2021.

As of September 30, 2022, there was restricted cash in the amount of USD 233 thousand mostly related to the cash balances of Huuuge Mobile Games Ltd and Coffee Break Games United Ltd, which are under liquidation process (USD 19 thousand as of December 31, 2021).

11. Earnings per share

Detailed methodology of calculation of basic and diluted earnings per share is presented in the Group's consolidated financial statements as of and for the year ended December 31, 2021.

Basic EPS		**Nine-month period ended September 30, 2022 Unaudited**	**Nine-month period ended September 30, 2021 Unaudited**
Net result attributable to the owners of the Parent	[A]	32,862	(21,059)
Undistributed profit (loss) attributable to holders of series A and B preference shares*	[B]	-	(488)
Profit (loss) attributable to holders of common shares	**[C]=[A]-[B]**	**32,862**	**(20,571)**

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

		Nine-month period ended September 30, 2022 Unaudited	**Nine-month period ended September 30, 2021 Unaudited**
Weighted average number of common shares*	[D]	80,844,400	75,724,784
Basic EPS	[E] = [C] / [D]	0.41	(0.27)

* The weighted average number of shares in the nine-month period ended September 30, 2021 was adjusted for the event of the share split that took place on January 20, 2021. In accordance with IAS 33 Earnings per share, the weighted average number of shares has to be adjusted retrospectively; therefore the additional shares are treated as having been in issue before January 20, 2021 to give a comparable result. As a result of the share split, each one common and preferred share was automatically reclassified as five shares of common or preferred shares accordingly, i.e., a share split on a one-for-five basis. For more information please refer to Note 13 *Share capital*.

Diluted EPS		**Nine-month period ended September 30, 2022 Unaudited**	**Nine-month period ended September 30, 2021 Unaudited**
Profit (loss) attributable to holders of common shares	**[C]**	32,862	**(20,571)**
Profit (loss) attributable to ordinary equity holders of the parent adjusted for the effect of dilution	**[H]**	**32,862**	**(20,571)**

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

		Nine-month period ended September 30, 2022 Unaudited	Nine-month period ended September 30, 2021 Unaudited
Weighted average number of issued common shares used in calculating basic earnings per share*	**[D]**	80,844,400	75,724,784
Employee Stock Option Plan		392,886	-
Weighted average number of issued common shares and potential common shares used in calculating diluted earnings per share*	**[I]**	**81,237,286**	**75,724,784**
Diluted EPS	[J]=[H] / [I]	0.40	(0.27)

* The weighted average number of shares in the nine-month period ended September 30, 2021 was adjusted for the event of the share split that took place on January 20, 2021. In accordance with IAS 33 *Earnings per share*, the weighted average number of shares has to be adjusted retrospectively; therefore, the additional shares are treated as having been in issue before January 20, 2021 to give a comparable result. As a result of the share split, each one common and preferred share was automatically reclassified as five shares of common or preferred shares, accordingly, i.e., a share split on a one-for-five basis. For more information please refer to Note 13 *Share capital*.

12. Accounting classifications of financial instruments and fair values

As of September 30, 2022 and December 31, 2021, the Group's management did not identify any financial assets measured at fair value – neither through profit or loss nor through other comprehensive income.

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

Series C preference shares

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

13. Share capital

As of September 30, 2022 and September 30, 2021, the Group's share capital comprised of common shares and preference shares series A and B. Below are presented movements on different components of equity divided in the categories of shares (nominal values presented in USD, not thousand USD):

Shares classified as equity instruments as of September 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
As of January 1, 2022 Audited	**82,690,347**	**1,655**	**2**	**0**	**1,556,348**	**31**	**-**	**-**	**84,246,697**	**1,686**	**12,467,461**	**249**	**96,714,158**	**1,935**
Reduction of shares allocated for the existing share-based payment programs (not issued)	-	-	-	-	-	-	-	-	-	-	(963,979)	(19)	(963,979)	(19)
Allocation of shares to Share-based payment program	-	-	-	-	(963,979)	(19)	963,979	19	-	-	-	-	-	-
Exercise of stock options	963,979	19	-	-	-	-	(963,979)	(19)	-	-	-	-	-	-
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")	(4,989,608)	(100)	-	-	4,989,608	100	-	-	-	-	-	-	-	-
As of September 30, 2022 Unaudited	**78,687,764**	**1,574**	**2**	**0**	**5,558,931**	**112**	**-**	**-**	**84,246,697**	**1,686**	**11,503,482**	**230**	**95,750,179**	**1,916**

Shares classified as equity instruments as of September 30, 2021, i.e. including preference shares of series C after conversion (see Note 15 *Conversion of series C preference shares*):

	Common shares		Preference shares (incl series C)		Treasury shares		Treasury shares allocated for the existing share-based payment programs		Sub-total (issued)		Shares allocated for the existing share-based payment programs (not issued)		Grand total	
	Number of shares	Nominal value	Number of shares	Nominal value	Number of shares	Nominal value	Number of shares	Nominal value	Number of shares	Nominal value	Number of shares	Nominal value	Number of shares	Nominal value
As of January 1, 2021 Audited	**8,618,959**	**863**	**5,963,949**	**596**	**1,390,019**	**139**	**794,442**	**80**	**16,767,369**	**1,678**	**881,071**	**88**	**17,648,440**	**1,766**
Redemption of treasury shares	-	-	-	-	**(1,390,019)**	**(139)**	**(794,442)**	**(80)**	**(2,184,461)**	**(219)**	**-**	**-**	**(2,184,461)**	**(219)**
Exercise of stock options	6,411	1	-	-	-	-	-	-	6,411	1	(6,411)	(1)		-
Allocation of shares to share-based payment program	-	-	-	-	-	-	-	-	-	-	794,442	80	794,442	80
All shares before share split	***8,625,370***	***864***	***5,963,949***	***596***	***-***	***-***	***-***	***-***	***14,589,319***	***1,460***	***1,669,102***	***167***	***16,258,421***	***1,627***
All shares after share split	***43,126,850***	***864***	***29,819,745***	***596***	***-***	***-***	***-***	***-***	***72,946,595***	***1,460***	***8,345,510***	***167***	***81,292,105***	***1,627***
Conversion of preference shares	29,819,745	596	(29,819,745)	(596)	-	-	-	-	-	-	-	-	-	-
Shares issued	11,300,100	226	-	-	-	-	-	-	11,300,100	226	-	-	11,300,100	226
Stabilization option	(3,331,668)	(67)	-	-	3,331,668	67	-	-	-	-	-	-	-	-
Preference shares issued	-	-	2	0	-	-	-	-	2	0	-	-	2	0
Reduction of shares allocated for existing share-based payment programs (not issued)	-	-	-	-	-	-	-	-	-	-	(997,796)	(20)	(997,796)	(20)
Allocation of treasury shares to share-based payment program	-	-	-	-	(997,796)	(20)	997,796	20	-	-	5,897,271	118	5,897,271	118
Exercise of stock options	980,286	20	-	-	-	-	(980,286)	(20)	-	-	-	-	-	-
As of September 30, 2021 Unaudited	**81,895,313**	**1,639**	**2**	**0**	**2,333,872**	**47**	**17,510**	**0**	**84,246,697**	**1,686**	**13,244,985**	**265**	**97,491,682**	**1,951**

* Treasury shares include 127,710 exercised options, as presented in Note 14 *Share-based payment arrangements*, that had not been delivered to the employees as at September 30, 2021.

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

As of September 30, 2022, 2,762,345 shares were allocated to a reserve that could be issued only with majority shareholders' approval. This is a consequence of using the treasury shares for: the Group's ESOP obligations in the amount of 1,775,320 shares during the year 2021 and 963,979 during the nine-month period ended September 30, 2022, as well as the delivery of 23,046 treasury shares to the former owners of Double Star Oy (as presented in the tables above), which otherwise would need to be satisfied via issuance of new shares.

As of September 30, 2022, the share capital of the Company comprised 84,246,697 shares with a par value of USD 0.00002 per share and the total value of USD 1,686 (not thousand), including 78,687,764 common shares held by shareholders, two preference shares (one preference share of series A and one preference share of series B), and 5,558,931 common shares reacquired by the Company and not redeemed (treasury shares and treasury shares allocated to the existing share-based payment programs).

As of September 30, 2021, the share capital of the Company comprised 84,246,697 shares with a par value of USD 0.00002 per share and a total value of USD 1,686 (not thousand), including 81,895,313 common shares held by shareholders, two preference shares (one preference share of series A and one preference share of series B), and 2,351,382 common shares reacquired by the Company and not redeemed (treasury shares and treasury shares allocated for the existing share-based payment programs).

During the nine-month period ended September 30, 2022, the number of shares (not issued) allocated to the existing share-based payment programs was reduced by 963,979 shares. This is because 963,979 treasury shares were delivered to employees for the options exercised during the nine-month period ended September 30, 2022. As of September 30, 2022, 11,503,482 shares with a par value of USD 0.00002 per share were reserved for two stock option programs established in 2015 and 2019.

As of September 30, 2021, 13,244,985 shares with a par value of USD 0.00002 per share were reserved for two stock option programs established in 2015 and 2019.

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

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

As at September 30, 2022 and December 31, 2021, no shareholder owned over 50% of the Company's equity or had more than 50% of voting rights. The Company's major shareholder is Mr. Anton Gauffin, co-CEO and President, who participates in the Company's ordinary shares indirectly (through shares of Big Bets OU).

As of September 30, 2022, the share capital of the Company amounted to USD 1,686 (USD 1,686 as of December 31, 2021).

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

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

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

On February 15, 2022, the Group decided to repurchase its common shares listed for trading on the Warsaw Stock Exchange. The share buy-back started on March 29, 2022. The purpose of the Share Buyback Scheme is 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. On August 2, 2022, the Company indefinitely suspended the purchase of its own shares.

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

During the nine-month period ended September 30, 2022, 4,989,608 common shares were repurchased under the SBB program and were registered at Central Securities Depository as of the date of these interim condensed consolidated financial statements. Payments made for the purchase of own shares in the amount of USD 20,090 thousand were recognized in Equity (Treasury shares).

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

In the nine-month period ended September 30, 2022, 1,980,055 share options held by employees under the share-based payment program were exercised, out of which for 997,753 options exercised treasury shares were delivered to employees before September 30, 2022 (the difference is due to cashless exercises and number of options exercised but not delivered as of September 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 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 10,166 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.

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

In the nine-month period ended September 30, 2022, 23,046 shares were delivered to the former owners of Double Star Oy based on the Share Sale and Purchase Agreement, corrected by the First Amendment dated October 19, 2021. For details of the earn-out consideration, please see Note 14 *Share-based payment arrangements*. The movement resulted in an increase in share capital in the amount of the 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).

In the nine-month period ended September 30, 2021, the following transactions in common and preference shares took place:

- **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 reverted to the status of authorized but unissued shares; preferred shares were eliminated to no longer be issued or outstanding shares.

The redemption of treasury shares has been recognized as a decrease in supplementary capital in the amount of USD 33,994 thousand in the interim condensed consolidated statement of changes in equity for the period ended September 30, 2021.

- **Share split**

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

The total number of shares of all classes of stock that Huuuge Inc. has authority to issue is 118,063,540 shares, which shall be divided into:

(i) 88,243,795 common shares, with a par value of USD 0.00002 per share, and

(ii) 29,819,745 preferred shares series consisting of:

a) 8,714,485 series A preferred shares, with a par value of USD 0.00002 per share,
b) 4,911,775 series B preferred shares, with a par value of USD 0.00002 per share, and
c) 16,193,485 series C preferred shares, with a par value of USD 0.00002 per share.

After this amendment, each one common and each one preferred share, with a par value of USD 0.0001 per share, issued and outstanding or held by Huuuge Inc. as treasury shares was automatically reclassified as five shares of common or preferred shares accordingly, with a par value of USD 0.00002 per share.

Split of shares required weighted average number of shares presented in Note 11 *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*.

- **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 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

- **Issuance of series A and series B preference shares**

On February 5, 2021, the Board of Directors, issued one series A preference share to RPII HGE LLC (Raine Group), with a par value of USD 0.00002 per share for cash consideration of USD 50 and one series B preference share to Big Bets OU, with a par value of USD 0.00002 per share, for cash consideration of USD 50, for which total cash consideration amounting to USD 100 was received in February 2021. The difference between the nominal amount and the consideration received was recognized in the supplementary capital in the interim condensed consolidated statement of changes in equity.

- **Initial public offering**

On January 27, 2021 Huuuge Inc. published its prospectus and launched its initial public offering. The offering comprised a public subscription for 11,300,100 newly issued shares. The final share price for offering shares was determined as PLN 50 per share (approx. USD 13.53 per share). The difference between the nominal amount of newly issued shares and the cash consideration received was in the supplementary capital in the interim condensed consolidated statement of changes in equity.

- **Execution of stabilization option**

On February 5, 2021, the Company and IPOPEMA Securities S.A. ("Stabilization Manager") signed a Stabilization Agreement. The purpose of the Stabilization Agreement was to stabilize the price of the Huuuge Inc. shares at a level higher than the level which would otherwise have prevailed. When the Company entered the contract, the liability was recognized in correspondence with equity. At the same time, the Company recognized a prepayment (financial asset) in the same amount to reflect the fact that the stabilization activities were funded from the proceeds from the offering. The liability and the assets were measured at fair value through profit or loss until the stabilization transactions were completed. As such, these transactions had no net impact on profit or loss.

On February 26, 2021 the Company ended the stabilization process, which started upon the initial public offering on February 19, 2021, and the above-mentioned liability and asset have been derecognized. The Company repurchased, via Stabilization Manager, its own shares in the total number of 3,331,668 in the price range PLN 38.4000–49.9850 (USD 10.35–13.51). The repurchased shares were recognized as a decrease in equity (treasury shares) in the total amount of USD 43,976 thousand, calculated as the number of shares repurchased, multiplied by the price per share plus the remuneration paid to Stabilization Manager representing the transaction cost of this capital transaction.

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

  In the nine-month period ended September 30, 2021, before the share split, 6,411 share options (equivalent of 32,055 options after share split) held by employees under the share-based payment program were exercised, resulting in the issuance of common shares, with the difference between the exercise price paid by the employee and the nominal amount of shares recognized as a share premium (presented within "Supplementary capital") of USD 3 thousand. The exercise price was paid by the employees in cash.

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

  In the nine-month period ended September 30, 2021, after the share split, 1,107,996 share options held by employees under the share-based payment program were exercised, out of which for 980,286 options exercised treasury shares were delivered to employees before September 30, 2021. 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 any difference between the value of treasury shares and the cash consideration received 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.

14. Share-based payment arrangements

A detailed description of the Group's equity share-based payment program, i.e. ESOP, and a fair value measurement of the employee share options are presented in the Group's consolidated financial statements as of and for the year ended December 31, 2021.

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

	Nine-month period ended September 30, 2022	
	Number of options	**Weighted average exercise price**
Balance as at January 1	**8,839,097**	**5.80**
Granted during the period	656,971	3.99
Forfeited during the period	(2,212,494)	5.54
Exercised during the period	(1,980,055)	2.68
Expired during the period	(234,167)	5.04
Balance as at September 30	**5,069,352**	**4.47***

* The weighted average exercise price of the balance outstanding as at September 30, 2022 includes the effect of modification of the share-based payment program as described further below in this note. The weighted average exercise price of the balance outstanding as at January 1, 2022 is presented in the amount prior to the modification.

	Nine-month period ended September 30, 2021	
	Number of options	Weighted average exercise price
Balance as at January 1	**1,435,584**	**12.01**
Exercised during the period	(6,411)	0.45
Forfeited during the period	(2,056)	4.15
All options before share split	**1,427,117**	
All options after share split	**7,135,585**	
Granted during the period	4,111,765	9.70
Forfeited during the period	(101,016)	3.11
Exercised during the period	(1,107,996)	0.69
Expired during the period	(20,035)	0.85
Balance as at September 30	**10,018,303**	**5.59**

On August 1, 2022 the Board of Directors approved the grant of 338,803 options to its employees within the employee stock option program with a weighted average exercise price of USD 3.90.

As at September 30, 2022, 1,568,546 share options were exercisable, with the weighted average exercise price of USD 3.00 per share. As at September 30, 2021 (after share split), 2,817,023 share options were exercisable, with the weighted average exercise price of USD 2.17 per share.

During the nine-month period ended September 30, 2022, 1,980,055 options were exercised in total under the share-based payment program, out of which 963,979 treasury shares were delivered for 997,753 options exercised (the difference of 33,774 options is due to cashless exercises). For the remaining 982,302 options exercised during the nine-month period ended September 30, 2022, the shares were pending delivery as of September 30, 2022. Cash payments received for the shares delivered to employees before September 30, 2022 amounted to USD 2,362 thousand and, for the shares that were pending delivery to employees as of September 30, 2022, amounted to USD 51 thousand. The difference between the cash payments received and the exercise price of the options pending delivery to employees as of September 30, 2022 is due to the cashless exercises.

During the nine-month period ended September 30, 2021, before the share split, 6,411 common shares were issued (equivalent of 32,055 common shares after share split) and 980,286 treasury shares were delivered under the share-based payment program as described in Note 13 *Share capital.* The Group also received cash payments in the amount of USD 77 thousand for the shares not yet delivered as of September 30, 2021, which were recognized in supplementary capital.

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

As at September 30, 2021, after the share split as described in Note 13 *Share capital*, the total number of shares to be vested during the period of three years after the transaction was estimated at 67,752 shares.

On February 21, 2022, 23,046 treasury shares were delivered to the former owners of Double Star Oy as presented in Note 13 *Share capital*. As at September 30, 2022, it is not expected that additional shares, except for those delivered, would vest under earn-out consideration.

Total expense related to share-based payment arrangements for the nine-month period ended September 30, 2022 amounted to USD 2,089 thousand. (This expense includes Mr. Anton Gauffin's options and the options payable to a consultant under the advisory agreement in the total amount of USD 410 thousand, which are both explained in detail further below.)

Total expense related to share-based payment arrangements for the nine-month period ended September 30, 2021 comprises ESOP in the amount of USD 9,087 thousand (this expense includes USD 337 thousand related to Mr Anton's Gauffin options which is explained in detail further below) and earn-out consideration in the amount of USD 33 thousand.

These costs were allocated to Sales and marketing expenses, Research and development expenses and General and administrative expenses lines in the interim condensed consolidated statement of comprehensive income.

Modification of the share-based payment program

On July 25, 2022, the Company's Board of Directors adopted a resolution on the voluntary modification of the terms of the grants that took place between August 2021 and February 2022.

Effectively, for 1,633,702 options under the Company's employee stock option plan, i.e., "ESOP 2019," the vesting schedule was extended and the exercise price was decreased. For 713,713 options under the Company's employee stock option plan, i.e. "ESOP 2019," the exercise price was decreased without changes to the vesting schedule.

As of the date of approval of these interim condensed consolidated financial statements, the process of the voluntary choice by the employees was finalized and resulted in the modification for 2,347,415 options in total.

CEO options

The remuneration of Mr. Anton Gauffin, holding the positions of the President and co-Chief Executive Officer of the Company, for the period ending at the 2022 Annual General Meeting of the Company, consisted solely of share options. All options can be exercised at a price of PLN 50, i.e., the price of the Company's shares in the initial public offering.

The vesting conditions for the options is the following:

- 50,000 options with a vesting condition to provide the service continuously for about four years from the service commencement date. The Group's management expects Mr. Anton Gauffin to fulfill the service condition.
- 75,000 options with 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 since the performance condition was not met.
- 375,000 options with a variable vesting period due to the market condition, i.e., condition to meet the Company's market capitalization milestones. The Group's management estimated that a total of six years of continuous service from the service commencement date will be required for options to vest.

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

Advisory agreement

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

15. Conversion of series C preference shares

On February 5, 2021, all preference shares series C were converted into common shares. For more information, please refer to Note 13 *Share capital*. As a result of the conversion, financial liability arising from preference shares was decreased with the corresponding increase in supplementary capital as presented in the interim condensed consolidated statement of changes in equity as of September 30, 2021.

16. Leases

The Group is committed to making payments for leases based on car fleet agreements, office space rental agreements and short-term apartment rental agreements. The Group entities have also concluded contracts regarding low-value office equipment, such as coffee machines.

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

The table below presents the carrying amounts of recognized right-of-use assets and the movements in the nine-month period ended September 30, 2022 and in the nine-month period ended September 30, 2021:

	Offices	Cars	Total
as at January 1, 2022, Audited	**17,229**	**250**	**17,479**
additions (new leases)	663	-	663
transfer to lease receivables *	(731)	-	(731)
lease modifications	1,025	-	1,025
foreign exchange differences on translation	(2,393)	(44)	(2,437)
depreciation	(2,979)	(79)	(3,058)
as at September 30, 2022, Unaudited	**12,814**	**127**	**12,941**

* Transfer to the lease receivables line reflects the derecognition of the remaining right-of-use balance of the original lease agreement, for which the Group has entered into the sublease agreement classified as finance leases in accordance with IFRS 16. Group's sublease arrangements are described further below.

	Offices	Cars	Total
as at January 1, 2021, Audited	**8,501**	**145**	**8,646**
remeasurement	833	-	833
additions (new leases)	-	233	233
lease modifications	(1,537)	-	(1,537)
foreign exchange differences on translation	(196)	(17)	(213)
depreciation	(2,101)	(79)	(2,180)
as at September 30, 2021, Unaudited	**5,500**	**282**	**5,782**

The table below presents the book values of lease liabilities and movements in the nine-month period ended September 30, 2022 and in the nine-month period ended September 30, 2021:

	Nine-month period ended September 30, 2022	Nine-month period ended September 30, 2021
as at January 1, Audited	**17,257**	**9,061**
additions (new leases)	663	221
lease modifications	1,035	(1,731)
Remeasurement	-	894
interest expense on lease liabilities	222	99
lease payments	(3,270)	(2,082)
foreign exchange differences on translation to local currency	76	2
foreign exchange differences on translation to USD	(2,373)	(306)
as at September 30, Unaudited	**13,610**	**6,158**
long-term	9,680	3,997
short-term	3,930	2,161

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

- cash payments of the capital component of lease liabilities in the nine-month period ended September 30, 2022 amounting to USD 3,048 thousand (USD 1,983 thousand in the nine-month period ended September 30, 2021) – as part of financing activities (lease repayment),

- cash interest payments on leases in the nine-month period ended September 30, 2022 amounting to USD 222 thousand (USD 99 thousand in the nine-month period ended September 30, 2021) – as part of financing activities (interest paid),
- leases of low-value assets and short-term leases not included in the measurement of lease liabilities in the nine-month period ended September 30, 2022 amounting to USD 307 thousand (USD 396 thousand in the nine-month period ended September 30, 2021) – as part of operating activities.

The Group had total cash outflows due to leases of USD 3,577 thousand in the nine-month period ended September 30, 2022 and USD 2,478 thousand in the nine-month period ended September 30, 2021.

Sublease agreements

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

The income from the operating lease amounted to USD 1,212 thousand during the nine-month period ended September 30, 2022. The lease receivable from the finance lease amounted to USD 731 thousand as at September 30, 2022.

17. Contingencies

Tax contingent liabilities

Tax settlements are subject to review and investigation by tax authorities, which are entitled to impose severe fines, penalties and interest charges. Tax regulations in the United States, Poland and Israel, which apart from Cyprus constitute the main operating environments of the Group, have been changing recently, which may lead to 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 three years in the United States (and up to six years in case of substantial errors), five years in Poland, seven years in Cyprus (and up to 12 years in case of substantial errors) and seven years in Israel. Consequently, the Parent Company and subsidiaries may be subject to additional tax liabilities, which may arise as a result of tax audits. The Board of Directors of the Parent Company believes that there was no need to record any provisions for known and quantifiable risks in this regard as, in their assessment, there are no such uncertain tax positions for which it would be probable that the taxation authority will not accept the tax treatment applied by the Group.

18. Related party transactions

On February 5, 2021, one series A preference share was issued to RP II HE LLC - the Group's shareholder holding 12.96 % of the Company's shares and exercising the significant influence as at the date of approval of these interim condensed consolidated financial statements for issue, with a par value of USD 0.00002 per share for cash consideration of USD 50, and one series B preference share was issued to Anton Gauffin (through Big Bets OU) – the Group's shareholder holding 30.68% of the Company's shares, with a par value of USD 0.00002 per share, for cash consideration of USD 50.

There were no transactions with related parties during the period ended September 30, 2022.

There is no ultimate controlling party.

19. 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.

Nine-month period ended September 30, 2022 Unaudited	Board of Directors of Huuuge Inc.	Executive management team	Total
Base salaries	327	1,915	2,242
Bonuses and compensation based on the Group's financial result for the period	-	1,548	1,548
Share-based payments	-	109	109
Total	**327**	**3,572**	**3,899**

Nine-month period ended September 30, 2021 Unaudited	Board of Directors of Huuuge Inc.	Group Global Management	Total
Base salaries	205	2,376	2,581
Bonuses and compensation based on the Group's financial result for the period	-	665	665
Share-based payments	1	5,288	5,289
Total	**206**	**8,329**	**8,535**

The remuneration of the Executive Management Team ("Group Global Management" during the period ended September 30, 2021) presented in the tables above includes USD 309 thousand related to Mr. Anton Gauffin's options for the period ended September 30, 2022, as well as USD 307 thousand of base salary and accrued bonuses.

For the period ended September 30, 2021, remuneration presented in the tables above includes USD 337 thousand related to Mr Anton Gauffin's options, base salary and accrued bonuses -— in the amount of USD 161 thousand.

Share-based payment remuneration includes cost recognized during the period in accordance with the vesting schedule, as well as cost derecognition when the member of the executive management team ends the tenure with the Company, i.e., when the service condition is not met. During the nine-month period ended September 30, 2022, the cost recognized amounted to USD 1,298 thousand and the cost reversal amounted to USD 1,189 thousand.

During the period ended September 30, 2022, members of the Board of Directors and Executive Management team exercised 8,360 options. For additional information, please refer to Note 14 *Share-based payment arrangements*.

The non-executive directors are remunerated with a fixed annual salary and an additional salary for holding a position of president of the Audit Committee or the Remuneration and Nomination Committee or being a member of the Audit Committee or the Remuneration and Nomination.

During the nine-month period ended September 30, 2021, there was no additional compensation for the Board of Directors of Huuuge Inc. except for the remuneration of Mr. Anton Gauffin as described above.

20. Impact of COVID-19

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

The positive operating result for the nine-month period ended September 30, 2022 and for the nine-month period ended September 30, 2021 indicates that the COVID-19 pandemic had no negative impact on the Group's business.

Based on the analysis performed by the Group's management as of September 30, 2022 and September 30, 2021, the COVID-19 pandemic has had no negative impact on the Group's liquidity. Due to the fact that the Group's receivables are settled by large platform providers, such as Apple App Store, Google Play, Facebook and Amazon App Store, the Group's management assessed the risk of receivables irrecoverability as minimal. The Group's management has not identified any evidence to modify the assumptions used to assess expected credit losses.

21. Unusual events

War in Ukraine

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

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

22. Subsequent events

After September 30, 2022 and up to the date of approval of these interim condensed consolidated financial statements for issue, no significant events except the following have occurred.

Delivery of treasury shares for the options exercised

After September 30, 2022 and up to the date of approval of these interim condensed consolidated financial statements for issue the Company delivered to its employees 434,987 treasury shares for the options exercised during the nine-month period ended September 30, 2022.

Any difference between shares delivered and options exercised is due to the cashless exercises. The delivery took place under the stock option plan presented in Note 14 *Share-based payment arrangements*.

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

Anton Markus Gauffin

Digitally signed by Anton Markus Gauffin
Date: 2022.11.22 13:28:00 +02'00'

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Anton Gauffin

President of Huuuge, Inc., co-CEO

November 22, 2022

Additional information to the quarterly report

HUUGE

1. General information

Business profile

Huuuge, Inc. (the “Company”, “Huuuge”) is registered in the United States of America. Huuuge’s registered office is located in Dover, Delaware, 850 Burton Road, Suite 201, DE 19904 and the operating office is located in Las Vegas, Nevada, 2300 W. Sahara Ave., Suite 680, NV 89102. The Company was established on February 11, 2015.

MISSION

Empower billions of people to play together

VISION

Transform mobile gaming into a massively social experience

Huuuge Games is a global game developer and publisher on a mission to build the world’s most social real-time, free-to-play mobile gaming platform. Huuuge operates two core franchises. Huuuge Casino is our flagship title and the world’s first social casino community where users can club together to play the best slot machines and compete in leagues. Billionaire Casino was built on the success of Huuuge Casino, with over 100 slot machines set within a differentiated aesthetic. Huuuge also operates Traffic Puzzle, a unique puzzle game with elements of match-3. The company has its headquarters in the US and is listed in Warsaw, Poland, with nine offices worldwide. Huuuge employs approximately 590 people at nine offices around the world. Huuuge shares have been listed on the Warsaw Stock Exchange since February 19, 2021.

Key products

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

Our core franchises are Huuuge Casino and Billionaire Casino. Combined, these generate 92% of Huuuge’s total revenues. Traffic Puzzle generates 7% of our revenue and our other franchises generate 1%.

Huuuge Casino: The game was launched in June 2015. It is Huuuge’s flagship title, responsible for 60% of total Q3 2022 revenue and for over USD 1.0 billion in lifetime revenue. Huuuge Casino was a true pioneer with its mobile-first user experience and real-time PvP-style gameplay. We believe that it was the first social casino game to introduce features such as clubs to the realm of social casino games. Huuuge Casino offers players over 100 casino slot machines, as well as card games and roulette. The game enables players to join a club and compete in a Billionaire League, with multiplayer slots where they can play with friends and compete against each other. Huuuge Casino is ranked #17 (Apple App Store) and #9 (Google Play) among social casino apps in the United States in terms of revenue as at September 30, 2022.

Billionaire Casino: The game was launched in October 2016. Its revenue has grown rapidly since its release. It has achieved over USD 480 million of lifetime revenue and constitutes 31% of our total Q3 2022 revenues. Due to its aesthetic, which is different from that of Huuuge Casino, Billionaire Casino is targeted at a different player base in terms of demographics. Similarly to Huuuge Casino, Billionaire Casino offers players casino slot machines, as well as card games and roulette. Billionaire Casino allows players to create a club with their friends or join a club and meet new people while playing slot machines. In addition, the game allows players to participate in club events by playing slots and other casino games. Billionaire Casino is ranked #29 (App Store) and #22 (Google Play) among social casino apps in the United States in terms of revenue as at September 30, 2022.

Traffic Puzzle: The game was acquired by Huuuge in April 2021. Traffic Puzzle is a unique match-3 game, positioned to build a top-grossing mobile title. In Traffic Puzzle, the player tries to clear a clogged road by matching three cars of the same color. The game offers different levels in which players assist vehicles such as the police, fire trucks and ambulances to reach their destinations. Traffic Puzzle's monetization model is based on in-app purchases and advertising. Traffic Puzzle was responsible for 7% of our total revenue in Q3 2022. We are in the process of building a platform to facilitate a multi-product franchise. Technical release of a new product based on the Traffic Puzzle platform is scheduled for the end of 2022.

Other titles

In addition to our three main titles described above, we have other games at different stages of life cycle, as well as further titles in our publishing division.

Shares and shareholding structure

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

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

Shareholder	Shares	% of share capital and % of votes at the General Meeting
Anton Gauffin (through Big Bets OÜ)[1]	25,849,506	30.68
Raine Group (through RPII HGE LLC)[1]	10,919,646	12.96
Nationale-Nederlanden FUNDS	5,688,696	6.75
Others[2]	41,788,849	49.60
Total[3]	**84,246,697**	**100.00**

[1] Includes one Preferred Share

[2] Includes 5,123,944 treasury shares, which carry no voting rights (as of November 21, 2022)

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

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

Treasury Shares

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

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

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

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

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

On July 4, 2022, the Huuuge, Inc. Board of Directors approved the allocation of up to 106,247 treasury shares (all of which have been exercised and allocated) for the purpose of satisfying exercise requests from participants in the share option plan.

On August 9, 2022, the Huuuge, Inc. Board of Directors approved the allocation of up to 169,295 treasury shares (all of which have been exercised and allocated) for the purpose of satisfying exercise requests from participants in the share option plan.

As at September 30, 2022, the Company held 5,558,931 treasury shares.

On October 5, 2022, the Huuuge, Inc. Board of Directors approved the allocation of up to 434,987 treasury shares (all of which have been exercised and allocated) for the purpose of satisfying exercise requests from participants in the share option plan.

As of November 21, the Company holds 5,123,944 treasury shares. The nominal value of all retained shares is USD 102.5. These shares represent approximately 6.08% of the share capital.

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

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

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

[1] Anton Gauffin also holds one Series B Preferred Share through Big Bets OÜ.

For the period ending at the 2022 Annual General Meeting of the Company, the remuneration of Mr. Anton Gauffin, holding the positions of the President and Co-Chief Executive Officer of the Company, consisted solely of share options. All options can be exercised at a price of PLN 50, i.e., the price of the Company's shares in the initial public offering.

The vesting conditions for the options are the following:

(i) 50,000 options with a vesting condition to provide the service continuously for about four years from the service commencement date. The Group's management expects Mr. Anton Gauffin to fulfill the service condition.

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

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

Principles for the preparation of the interim condensed consolidated financial statements

The interim condensed consolidated financial statements as at and for the nine-month period ended September 30, 2022 have been prepared in accordance with the IAS 34 Interim Financial Reporting as adopted by the European Union.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's consolidated financial statements as at and for the year ended December 31, 2021 prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS").

Changes in the organization of the Capital Group

On April 29, 2022, Huuuge Tap Games Ltd, the Group's dormant Hong Kong subsidiary, was successfully deregistered and dissolved.

On May 4, 2022, Billionaire Games Limited with its registered office in Larnaca (as of now, registered office in Limassol), Cyprus was incorporated.

Starting from April 8, 2022, Coffee Break Games HGL Limited with its registered office in Larnaca (as of now, registered office in Limassol), Cyprus has changed its corporate name and it is registered under the name Huuuge Block Limited.

Moreover, the liquidation of Coffee Break Games United Limited with its registered office in Dublin was opened on August 19, 2022, while the liquidation of Huuuge Mobile Games Limited with its registered office in Dublin started officially on September 22, 2022.

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

Traffic Puzzle handover and payments

In January 2022, we finalized the Traffic Puzzle handover process and, since then, have been making changes to the product. We believe in the potential of this unique match-3 game and that, once we have made important improvements to the product and its features, it will be ready for further scaling. Moreover, we plan to expand the game into a multi-SKU franchise. The work on a new product based on the Traffic Puzzle code base is well advanced and we expect all technical preparation to be completed in the next few months, with a target date for the game's soft launch late in the first quarter of 2023.

Events deemed unusual due to their nature, value or frequency and that significantly affected the Group's assets, liabilities, equity (as at September 30, 2022), net result, or cash flows for the nine-month period ended September 30, 2022 included repayment of the second and third tranches for the Traffic Puzzle game, described in Note 9 "Intangible assets" to the Interim Condensed Consolidated Financial Statements.

Share Buy Back

Events deemed unusual due to their nature, value or frequency that significantly affected the Group's assets, liabilities, equity (as at September 30, 2022), net result, or cash flows for the nine-month period ended September 30, 2022 included the Share Buyback Scheme ("SBB") (i.e., repurchase of own common shares), described in Note 13 "Share capital" to the Interim Condensed Consolidated Financial Statements. Share Buy Back is also described in the "Treasury Shares" section of this report.

Removal of Category 3 (CAT3) restrictions

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

Webshop

In early 2022, we launched our direct-to-consumer platform for our VIP players – Huuuge Webshop. The platform has been tested and launched initially in the US, covering gradually more and eventually all US States. Recently, we opened the webshop to four countries in the EU (Germany, France, Italy and the Netherlands). In addition, in the coming months, we plan to open the Webshop in Australia and Canada followed by the rest of the EU to further broaden our geographic footprint. Our Webshop should be supportive for our margins as a result of lower platform processing fees. Moreover, in 2023 we are planning to release a fully playable browser-based version of HC & BC, which would also provide for a seamless experience of playing and paying on the same platform.

3. Factors affecting our results

Mobile gaming and Social Casino market environment

According to Sensor Tower, consumer spending on mobile games declined 12.7% YoY to USD 19.3 billion in Q3 2022, with both App Store and Google Play seeing less revenue compared to the corresponding period in the previous year. Mobile games on Apple's platform achieved USD 11.9 billion, down 9.8% YoY, while Google Play saw its mobile game revenue decline 16.9% YoY to USD 7.4 billion.

According to Eilers & Krejcik, the social casino market declined 1.7% YoY and grew 0.4% QoQ in Q3 2022. The long-term forecast was lowered in Q2 2022 and has been maintained at this lower level in the Q3 2022 update, with the social casino market expected to decline at 0.6% CAGR from 2021–25E (resulting in a USD 7.4 billion market by 2025).

User Acquisition and post-IDFA mobile advertising market update

Measurement of marketing performance has deteriorated significantly with the depreciation of the IDFA. This has made it more challenging to acquire the right profile of a player, thereby negatively affecting our ability to undertake large-scale user acquisition and maintain existing payback periods. In response, we have been actively lowering spend levels to maintain and/or improve our payback periods. This has had an impact on our revenue dynamics. Whilst IDFA changes were introduced in April 2021 with iOS 14.5, the ATT framework was present on a majority of iOS devices only from H2 2021 onwards. Therefore, its impact is particularly evident on a year-over-year basis when comparing 3Q 2022 vs 3Q 2021. We continue to adapt our user acquisition strategy to the new post-IDFA market reality, such that budgets have been shifted to partners with better post-change performance. We are continuously testing new tools and features to improve current measurement possibilities while strictly adhering to data privacy regulations. We are also increasingly exploring the capabilities of Apple's SKAdNetwork and closely monitoring the expected introduction of new functionality and features within upcoming releases.

Completion of Traffic Puzzle integration and positioning for future growth

In January 2022, we finalized the handover process of Traffic Puzzle. On February 4, 2022, the Group made the payment of a second tranche amounting to USD 25,000 thousand for the Traffic Puzzle game according to the schedule stipulated in the purchase agreement. The last remaining tranche of USD 4,400 thousand was paid in August 2022. Having acquired the full source code to the game, we have since begun making the necessary changes to the product to support higher levels of engagement, retention and monetization. As the studio rolls out new product features and makes architectural changes to support a multi-SKU franchise, we have temporarily reduced marketing spend. We will be proceeding with caution and patience, scaling investment in UA concurrently with measurable product improvements. New feature roll-outs are already driving tangible improvements to product KPIs and these, combined with lower UA spend, meant that September 2022 was the first month of positive sales margin for the game. We expect to see further performance improvements as we roll out additional changes, including an improved FTUE. Another focus of the studio is working towards releasing a new product based on the Traffic Puzzle code base and architecture. This allows us to lower cost per install whilst leveraging the successful core gameplay and features (both existing and upcoming) of Traffic Puzzle. We expect to technically release the new game later this year, thereby allowing us to prepare for a soft launch in Q1 2023.

Core Franchises focus on profitability

Given challenges in the gaming market, a slowing macro-economic outlook and the continued impact of IDFA depreciation, we are remaining highly prudent with our approach to user acquisition. For our core franchises in particular, our strategy is to optimize User Acquisition spend and further focus on improving the profitability and cash generation of these games through improved retention, alternative distribution channels and overall opex discipline. We have a robust product roadmap that we are focusing on executing against. For example, thanks to the major game economy update we rolled out in August, our flagship titles generated solid bookings despite lower marketing spend.

General external factors

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

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

A major change to the US tax treatment of R&D expenditures took effect on January 1, 2022. The change – a provision in the Tax Cuts and Jobs Act of 2017 (TCJA) – no longer allows R&D expenditures to be deducted in the year in which they are incurred (R&D expensing). Instead, these costs must be amortized over five years (or 15 years in the case of foreign expenditures) (R&D capitalization). In the case that there are no further amendments to the tax law, R&D capitalization increases our tax burden.

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

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

War in Ukraine

On February 24, 2022, the invasion of Ukraine by the Russian Federation began. Representatives of the European Union imposed sanctions on Russia. The Company also took the decision to stop the distribution of new games in Russia and Belarus. The Russian and Belarusan markets were responsible for less than 1% of total revenue generated by Huuuge in 2021, which means that changes made with respect to the distribution of our games in these jurisdictions should not have a material impact on Huuuge's performance and operations. Huuuge has analyzed and is continuously monitoring the impact that the political and economic situation in Ukraine has on its and the Group's operations and financial results. The Company is unable to reliably determine the impact that the situation in Ukraine will have on the state of the European economy and, consequently, on the Group's activity.

4. Key Performance Indicators

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

- **Daily Active Users (DAU):** DAU is defined as the number of individual users who played a game on a particular day. In order to more accurately reflect reality, we identify the users based on (human) ID (HID) rather than device ID. That allows us to eliminate the double counting of individuals playing games on multiple devices. The ability to identify and analyze actual players rather than accounts allows for substantially greater accuracy, including better in-game targeting of offers (the right offer, to the right person, at the right time), better retargeting capabilities and better predictive models. Average DAU for a period is the average of the monthly average DAU for the period. It is not a KPI that we internally use as an objective (we focus primarily on the number of paying users – e.g., DPU).

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

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

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

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

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

The table below presents our KPIs for Q3 2022 and Q3 2021 for the Group and "core franchises," i.e., Huuuge Casino and Billionaire Casino.

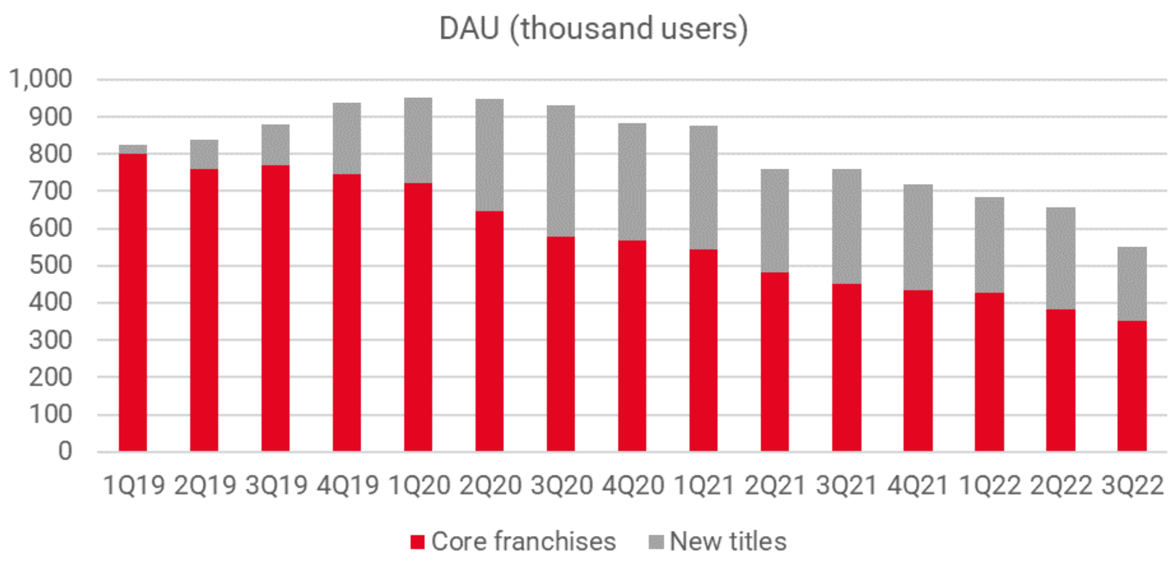
	All games		Core franchises Huuuge Casino and Billionaire Casino	
KPI	**Q3 2022**	**Q3 2021**	**Q3 2022**	**Q3 2021**
DAU (in thousands)	557.7	769.7	353.6	453.0
DPU (in thousands)	21.0	24.4	17.3	19.1
ARPDAU (in USD)	1.50	1.30	2.17	1.93
ARPPU (in USD)	38.94	39.31	44.41	45.73
Monthly Conversion (%)	7.0	5.5	10.7	9.0

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

Daily Active Users

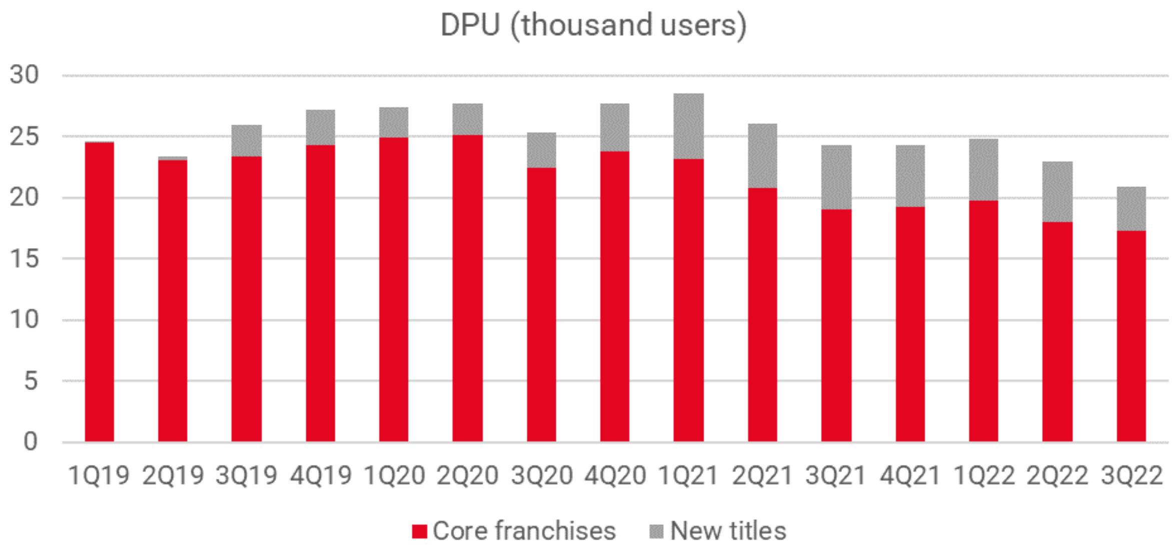
In Q3 2022, we observed a decline YoY and QoQ in DAU for our core franchises and new franchises. The downward trend in DAU reflects the market trends and, internally, a stronger focus on user acquisition optimization and prioritizing RoI. New titles decline in DAU (-36% YoY and -28% QoQ) was connected with significantly lower user acquisition spend on Traffic Puzzle, as the game is undergoing significant architectural changes in order to build out a multi-SKU franchise.

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



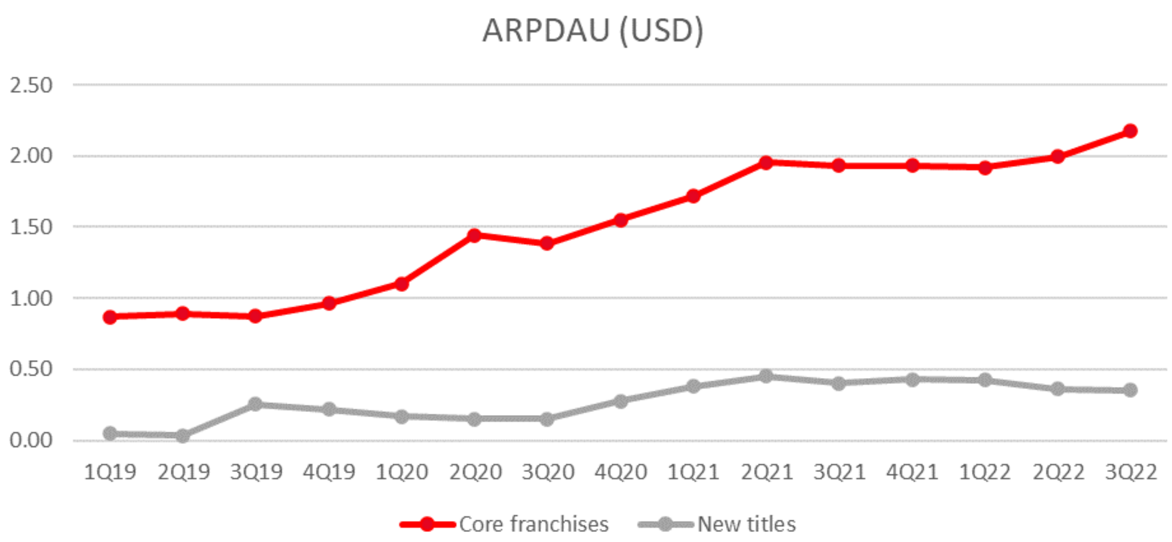
Daily Paying Users

In Q3 2022, we saw a 14% YoY and 9% QoQ decrease in the overall number of DPUs. Core franchise DPUs declined by 9% YoY and 4% QoQ, much below the decline in overall DAU. The DPUs of our new franchises (Traffic Puzzle and other titles) decreased by 30% YoY and 26% QoQ, mainly due to the lower marketing spend.



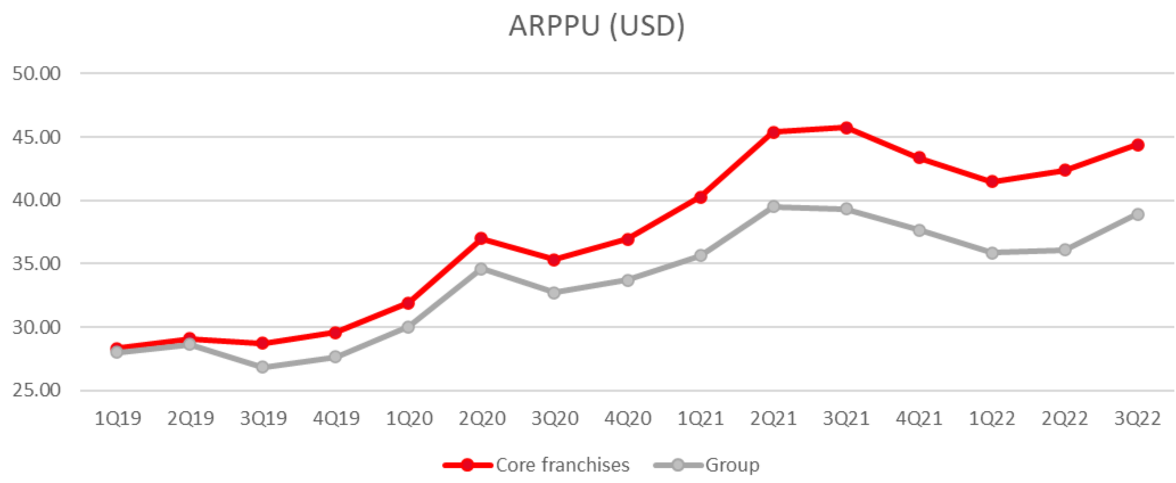
Average Revenue per Daily Active User

ARPDAU indicates how well we monetize our games taking into account our whole player base. Thanks to our competences in marketing, as well as our technology, we have seen sustained growth in the monetization of our core games, i.e., Huuuge Casino and Billionaire Casino. These two games continued to exhibit ARPDAU rates exceeding the category averages, and we saw further improvement in this KPI in Q3 2022, both QoQ and YoY. At the same time, the ARPDAU of new titles declined by 13% YoY and 3% QoQ, with a decline observed both for Traffic Puzzle as well as other games. In the case of Traffic Puzzle, the studio is focusing on implementing architectural changes that will facilitate transforming the game into a multi-SKU franchise. As for other games, it reflects the cessation of investments in some games that were in the portfolio in Q3 2021 and are no longer a priority.



Daily Average Revenue per Paying User

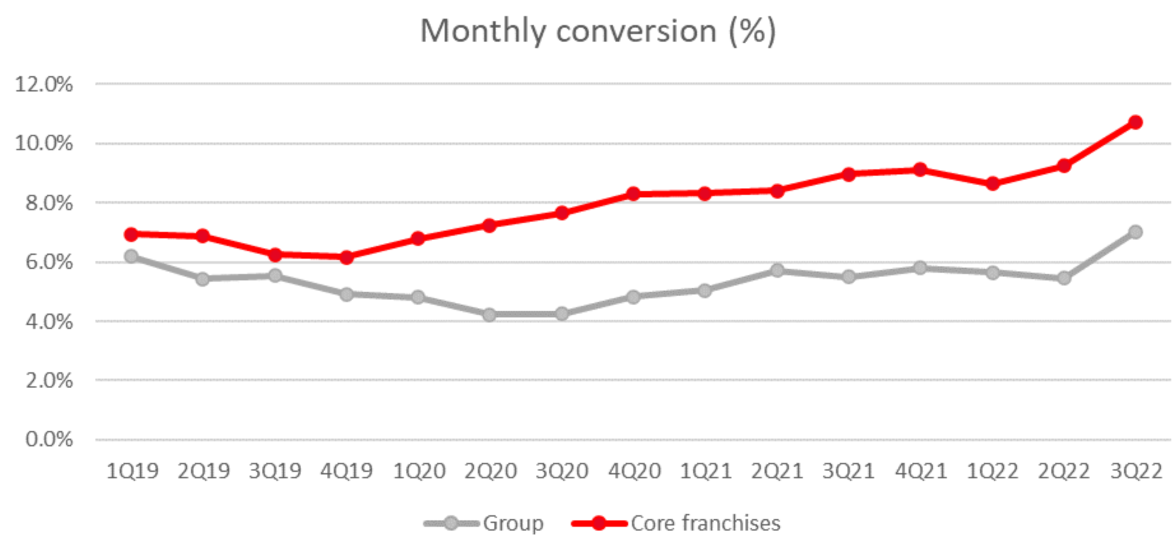
In recent years, we have been able to consistently improve the ARPPU of our core franchises owing to the social features of our games and to our constant focus on live events and special offers. Core franchises ARPPU declined 3% YoY and increased 5% QoQ. The latest trends observed in ARPPU prove that our loyal paying customer base keeps enjoying our games and that we haven't reached a "monetization ceiling" yet. Our 3Q 2022 numbers for our core franchises also reflect the positive impact of the recent game economy upgrade on our player behavior.



Monthly Conversion

Monthly Conversion is an indicator of our ability to convert players into payers. In Q3 2022, our core franchises' monthly conversion increased from 9.0% in Q3 2021 to 10.7% in Q3 2022, driven largely by our focus on paying players and preventing them from churning. The increase also reflects a positive impact of the recently upgraded game economy. Total monthly conversion for the whole portfolio saw the same trend and increased from 5.5% in Q3 2022 to 7.0% in Q3 2022.

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



5. Results of operations

The following table presents our consolidated statement of comprehensive income for the nine-month periods ended September 30, 2022 and September 30, 2021.

in thousand USD	9m 2022	9m 2021	Change	Q3 2022	Q3 2021	Change
Revenue	**240,948**	**285,232**	**(44,284)**	**77,521**	**91,998**	**-15.7%**
Cost of sales	(73,256)	(85,442)	12,186	(23,757)	(27,987)	-15.1%
Gross profit/(loss) on sales	**167,692**	**199,790**	**(32,098)**	**53,764**	**64,011**	**-16.0%**
Sales and marketing expenses	(74,965)	(116,596)	41,631	(17,695)	(34,058)	-48.0%
thereof, user acquisition marketing campaigns	*(63,644)*	*(103,777)*	*40,133*	*(14,211)*	*(29,863)*	-52.4%
thereof, general sales and marketing expenses	*(11,321)*	*(12,819)*	*1,498*	*(3,484)*	*(4,195)*	-16.9%
Research and development expenses	*(23,127)*	*(25,466)*	*2,339*	*(6,288)*	*(9,599)*	-34.5%
General and administrative expenses	*(29,862)*	*(29,400)*	*(462)*	*(11,629)*	*(9,915)*	17.3%
Other operating income/(expense), net	*637*	*693*	*(56)*	*364*	*838*	-56.6%
Operating result	**40,375**	**29,021**	**11,354**	**18,516**	**11,277**	**64.2%**
Finance income	893	10	883	748	10	>999.9%
Finance expense	(1,968)	(44,574)	42,606	(679)	(1,521)	-55.4%
Profit/(loss) before tax	**39,300**	**(15,543)**	**54,843**	**18,585**	**9,766**	**90.3%**
Income tax	(6,438)	(5,516)	(922)	(3,286)	(2,390)	37.5%
Net result for the period	**32,862**	**(21,059)**	**53,921**	**15,299**	**7,376**	**107.4%**
Exchange gains/(losses)	(5,394)	(736)	(4,658)	(2,045)	(694)	194.7%
Total comprehensive income for the period	**27,468**	**(21,795)**	**49,263**	**13,254**	**6,682**	**98.4%**

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

in thousand USD	9m 2022	9m 2021	Change	Q3 2022	Q3 2021	Change
EBITDA	**48,481**	**34,510**	**40.5%**	**21,408**	**13,622**	**57.2%**
EBITDA *margin* (%)	20.1%	12.1%	8pp	27.6%	14.8%	12.8pp
Adjusted EBITDA	**52,575**	**43,630**	**20.5%**	**24,483**	**17,651**	**38.7%**
Adjusted EBITDA *margin* (%)	**21.8%**	**15.3%**	***6.5pp***	**31.6%**	**19.2%**	***12.4pp***
Sales Profit	104,048	96,013	8.4%	39,553	34,148	15.8%
Sales Profit *margin* (%)	43.2%	33.7%	9.5pp	51.0%	37.1%	13.9pp
User acquisition marketing campaigns as % of revenue	26.4%	36.4%	-10pp	18.3%	32.5%	-14.1pp
Adjusted Net Result	**36,956**	**27,058**	**36.6%**	**18,374**	**11,405**	**61.1%**
Adjusted Net Result (%)	**15.3%**	**9.5%**	**5.8pp**	**23.7%**	**12.4%**	**11.3pp**

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

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

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

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

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

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

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

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

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

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

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

Sales Profit and Sales Profit Margin

in thousand USD	9m 2022	9m 2021	Change	Q3 2022	Q3 2021	Change
Revenue	**240,948**	**285,232**	**-15.5%**	**77,521**	**91,998**	**-15.7%**
Gross profit/(loss) on sales	167,692	199,790	-16.1%	53,764	64,011	-16.0%
User acquisition marketing campaigns	63,644	103,777	-38.7%	14,211	29,863	-52.4%
Sales profit	**104,048**	**96,013**	**8.4%**	**39,553**	**34,148**	**15.8%**
Sales profit %	***43.2%***	***33.7%***	**9.5pp**	***51.0%***	***37.1%***	**13.9pp**

Adjusted EBITDA reconciliation

in thousand USD	9m 2022	9m 2021	Change	Q3 2022	Q3 2021	Change
Net result for the period	**32,862**	**(21,059)**	**-256.0%**	**15,299**	**7,376**	**107.4%**
Income tax	6,438	5,516	16.7%	3,286	2,390	37.5%
Finance expense	1,968	44,574	-95.6%	679	1,521	-55.4%
Finance income	(893)	(10)	>999.9%	(748)	(10)	>999.9%
Depreciation and amortization	8,106	5,489	47.7%	2,892	2,345	23.3%
EBITDA	**48,481**	**34,510**	**40.5%**	**21,408**	**13,622**	**57.2%**
EBITDA Margin	**20.1%**	**12.1%**	**8pp**	**27.6%**	**14.8%**	**12.8pp**
Employee benefits costs – share-based plan[1]	2,089	9,120	-77.1%	1,070	4,029	-73.4%
Costs related to strategic options review	2,005	-	n/a	2,005	-	n/a
Adjusted EBITDA	**52,575**	**43,630**	**20.5%**	**24,483**	**17,651**	**38.7%**
Adjusted EBITDA Margin	**21.8%**	**15.3%**	**6.5pp**	**31.6%**	**19.2%**	**12.4pp**

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

Adjusted Net Result

in thousand USD	9m 2022	9m 2021	Change	Q3 2022	Q3 2021	Change
Net result for the period	**32,862**	**(21,059)**	**-256.0%**	**15,299**	**7,376**	**107.4%**
Employee benefits costs – share-based plan[1]	2,089	9,120	-77.1%	1,070	4,029	-73.4%
Series C revaluation	-	38,997	n/a	-	-	-
Costs related to strategic options review	2,005	-	n/a	2,005	-	n/a
Adjusted Net Result	**36,956**	**27,058**	**36.6%**	**18,374**	**11,405**	**61.1%**

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

Revenue

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

in thousand USD	9m 2022	9m 2021	Change	Q3 2022	Q3 2021	Change
Gaming applications	232,582	273,974	-15.1%	75,627	88,123	-14.2%
Advertising	8,366	11,258	-25.7%	1,894	3,875	-51.1%
Total revenue	**240,948**	**285,232**	**-15.5%**	**77,521**	**91,998**	**-15.7%**

Revenue decreased by USD 44,284 thousand – i.e., 15.5%, from USD 285,232 thousand for the nine months ended September 30, 2021, to USD 240,948 thousand for the nine months ended September 30, 2022.

As a result of a decline in DAU and DPU driven by lower marketing spend, revenue generated by in-app purchases in gaming applications decreased by 15.1% for the nine months ended September 30, 2022 compared to the corresponding period of 2021, while revenue generated by advertising decreased by 25.7% for the nine months ended September 30, 2022 compared to the corresponding period of 2021. We also note a high base for comparison, given that, in 2021, we were still observing Covid-19 related uplift in player monetization.

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

in thousand USD	9m 2022	9m 2021	Change	Q3 2022	Q3 2021	Change
Huuuge Casino	140,933	163,933	-14.0%	46,562	52,624	-11.5%
Billionaire Casino	74,265	86,963	-14.6%	24,398	27,890	-12.5%
Total Core Franchises	**215,198**	**250,896**	**-14.2%**	**70,960**	**80,514**	**-11.9%**
Traffic Puzzle	22,113	24,621	-10.2%	5,661	8,734	-35.2%
Other	3,637	9,715	-62.6%	900	2,750	-67.3%
Total New Franchises	**25,750**	**34,336**	**-25.0%**	**6,561**	**11,484**	**-42.9%**
Total revenue	**240,948**	**285,232**	**-15.5%**	**77,521**	**91,998**	**-15.7%**
- including games developed by external developers based on publishing contracts	879	445	97.5%	487	105	363.8%

Revenue generated by our core games (i.e., Huuuge Casino and Billionaire Casino) decreased by 14.2% for the nine months ended September 30, 2022 compared to the corresponding period of 2021 and decreased by 11.9% for Q3 2022 compared to the corresponding quarter of 2021. This is related to lower marketing spend driving the decline in DAU and DPU, as well as the abovementioned higher player monetization metrics (namely ARPPU) observed in the corresponding period or 2021.

With regard to Traffic Puzzle, revenue decreased by 2,508 thousand, i.e., by 10.2% between the nine months ended September 30, 2022 and the nine months ended September 30, 2021 and by 35.2% for Q3 2022 compared to the corresponding quarter of 2021. This follows the trend of DAU related to lower user acquisition spend and architectural changes discussed in the KPI section.

The significant decrease in Other revenue of 62.6% for the nine months ended September 30, 2022 compared to the corresponding period of 2021 is a result of discontinued marketing spend and a number of these games having been put in maintenance mode (which also resulted in a drop in DAU).

Operating expenses

The table below presents a breakdown of our operating expenses.

in thousand USD	9m 2022	9m 2021	Change	Q3 2022	Q3 2021	Change
Cost of sales	(73,256)	(85,442)	-14.3%	(23,757)	(27,987)	-15.1%
Sales and marketing expenses:	(74,965)	(116,596)	-35.7%	(17,695)	(34,058)	-48.0%
thereof, User acquisition marketing campaigns	*(63,644)*	*(103,777)*	*-38.7%*	*(14,211)*	*(29,863)*	*-52.4%*
thereof, General sales and marketing expenses	*(11,321)*	*(12,819)*	*-11.7%*	*(3,484)*	*(4,195)*	*-16.9%*
Research and development expenses	(23,127)	(25,466)	-9.2%	(6,288)	(9,599)	-34.5%
General and administrative expenses	(29,862)	(29,400)	1.6%	(11,629)	(9,915)	17.3%
Total operating expenses	**(201,210)**	**(256,904)**	**-21.7%**	**(59,369)**	**(81,559)**	**-27.2%**

Operating expenses for the nine months ended September 30, 2022 decreased by USD 55,694 thousand (i.e., by 21.7% compared to the nine months ended September 30, 2021). This change resulted primarily from the decrease in User Acquisition Marketing Campaigns constituting a dominant part of the Sales and Marketing expenses, and it reflected our user acquisition strategy discussed in the User Acquisition and post-IDFA mobile advertising market update section. Measurement of marketing performance has deteriorated significantly with the depreciation of the IDFA. This has made it more challenging to acquire the right profile of player, thereby negatively affecting our ability to undertake large-scale user acquisition and maintain existing payback periods.

The second-largest operating expenses item (i.e., cost of sales for the nine months ended September 30, 2022) decreased by USD 12,186 thousand (i.e., 14.3% compared to the corresponding period of 2021) and by USD 4,230 thousand (i.e., 15.1% for Q3 2022 compared to the corresponding quarter of 2021). As the cost of sales is mostly driven by commissions to distributors (platform fees), the 15.1% decrease in revenue generated by in-app purchases resulted in a similar decrease in cost of sales. The difference in the decrease ratio (14.3% vs 15.1%) was primarily due to Traffic Puzzle game amortization amounting to USD 2,918 thousand in the nine months ended September 30, 2022 compared to USD 1,622 thousand for the corresponding period of 2021. In Q3 2022, we observe the opposite trend. Cost of sales decreased by 15.1% compared to the corresponding quarter of 2021, while the revenue generated by in-app purchases declined by only 14.2%. The difference in the decrease ratio resulted mainly from the expansion of the direct-to-consumer webshop platform for our VIP players with significantly lower platform processing fees.

General Sales and Marketing expenses for the nine months ended September 30, 2022 decreased by USD 1,498 thousand (i.e., 11.7% compared to the corresponding period of 2021) and by USD 711 thousand (i.e., 16.9% for Q3 2022 compared to the corresponding quarter of 2021), which can be attributed primarily to a decrease in ESOP and salaries and employee-related costs.

Research and Development expenses for the nine months ended September 30, 2022 decreased by USD 2,339 thousand (i.e., 9.2% compared to the corresponding period of 2021) and by USD 3,311 thousand (i.e., 34.5% for Q3 2022 compared to the corresponding quarter of 2021) The decrease was mainly driven by a decrease in ESOP and salaries and employee-related costs.

Our General and Administrative expenses for the nine months ended September 30, 2022 increased by USD 462 thousand (i.e., 1.6% compared to the corresponding period of 2021) which is a combined effect of increases in salaries and employee-related costs, depreciation and amortization mostly related to long-term leases, and other various categories as a result of the post-pandemic reality offset by a significant decrease in costs of the employee stock option plan. General and Administrative expenses for Q3 2022 increased by USD 1,714 thousand, i.e., 17.3% compared to the corresponding quarter of 2021, which is primarily related to the increase in finance and legal services driven by advisory fees of the strategic options review.

Profitability

Despite the decrease in revenue, our sales profit increased by USD 8,035 thousand and the sales profit margin by 9.5pp for the nine months ended September 30, 2022 compared to the corresponding period of 2021, mostly as a result of a lower user acquisition spend level. A similar trend is visible in Q3 2022, when our sales profit increased by USD 5,405 thousand (i.e., 15.8% in Q3 2022) and sales profit margin increased by 13.9pp compared to the corresponding quarter of 2021.

The adjusted EBITDA increased by USD 8,945 thousand and the adjusted EBITDA margin by 6.5pp in the nine months ended September 30, 2022 compared to the corresponding period of 2021, mostly as a result of a similar increase in Sales Profit (as discussed above). In Q3 2022, the adjusted EBITDA increased by USD 6,832 thousand (i.e., 38.7%) compared to Q3 2021, which was also mostly driven by an increase in sales profit.

Finance expenses, net

in thousand USD	9m 2022	9m 2021	Change	Q3 2022	Q3 2021	Change
Finance income	893	10	100.0%	748	10	>999.9%
Finance expense	(1,968)	(44,574)	-95.6%	(679)	(1,521)	-55.4%
Finance expense, net	**(1,075)**	**(44,564)**	**-97.6%**	**69**	**(1,511)**	**-104.6%**

Finance expenses, net for the nine months ended September 30, 2022 decreased by USD 43,489 thousand, i.e., by 97.6% (to USD 1,075 from USD 44,564 thousand for the nine months ended September 30, 2021). Finance expenses, net for the nine months ended September 30, 2022 are mainly attributable to foreign-exchange-rate fluctuations partially offset by finance income generated on interests on short-term bank deposits (USD 865 thousand), while Finance expenses, net for the nine months ended September 30, 2021 were affected by the remeasurement of the fair value of Series C preferred shares (financial expense of USD 38,997 thousand for the nine-month period ended September 30, 2021), as well as a loss of USD 2,662 thousand on a foreign exchange forward contract. Foreign exchange rate fluctuations during 9m 2022 varied from quarter to quarter, intensifying in Q2 2022, and continued in Q3 mainly driven by the unfavorable trend in the EUR/USD exchange rate.

Net Financial Debt

The table below presents the Net Financial Debt of the Company as at September 30, 2022 and December 31, 2021.

in thousand USD	As at September 30, 2022	As at December 31, 2021
Cash and cash equivalents[1]	193,139	204,415
Short-term lease liabilities	3,930	4,275
Net current financial indebtedness	**(189,209)**	**(200,140)**
Long-term lease liabilities	9,680	12,982
Non-current financial indebtedness	**9,680**	**12,982**
Net financial debt	**(179,529)**	**(187,158)**

[1] includes cash in money market investment funds

Net financial debt of the Group between December 31, 2021 and September 30, 2022 increased by USD 7,629 thousand (to negative USD 179,529 thousand from negative USD 187,158 thousand), which resulted from the decrease in cash and cash equivalents by USD 11,276 thousand discussed in the Cash Flows and Liquidity section of this report offset by the decrease in the short-term and long-term lease liabilities by a total of USD 3,647 thousand.

Statement of Financial Position

Selected Consolidated Statements of Financial Position

in thousand USD	As at September 30		As at December 31	
	2022	Structure	2021	Structure
ASSETS				
Total non-current assets, incl.:	**60,309**	**21.7%**	**67,512**	**22.5%**
Right-of-use assets	*12,941*	4.6%	*17,479*	*5.8%*
Goodwill	*2,272*	0.8%	*2,693*	*0.9%*
Intangible assets	*38,893*	14.0%	*40,217*	*13.4%*
Other items	*6,203*	2.2%	*7,123*	*2.4%*
Total current assets, incl.:	**218,187**	**78.3%**	**232,434**	**77.5%**
Trade and other receivables	*23,889*	8.6%	*27,671*	*9.2%*
Cash and cash equivalents	*193,139*	69.4%	*204,415*	*68.2%*
Other items	*1,159*	0.4%	*348*	*0.1%*
Total assets	**278,496**	**100%**	**299,946**	**100.0%**
EQUITY				
Total equity	**237,979**	**85.5%**	**226,099**	**75.4%**
LIABILITIES				
Total non-current liabilities, incl.:	**9,831**	**3.5%**	**12,982**	**4.3%**
Long-term lease liabilities	*9,680*	3.5%	*12,982*	*4.3%*
Other Items	*151*	0.1%	-	-
Total current liabilities, incl.:	**30,686**	**11.0%**	**60,865**	**20.3%**
Trade and other payables	*22,078*	7.9%	*52,687*	*17.6%*
Other items	*8,608*	3.1%	*8,178*	*2.7%*
Total equity and liabilities	**278,496**	**100.0%**	**299,946**	**100.0%**

Assets

Total assets decreased by USD 21,450 thousand (i.e., 7.2% from USD 299,946 thousand as at December 31, 2021 to USD 278,496 thousand as at September 30, 2022).

The structure of total assets mostly remained unchanged and comprised the following items: (i) cash and cash equivalents (accounting for 69.4% and 68.2% of total assets as at September 30, 2022 and December 31, 2021, respectively); (ii) intangible assets (accounting for 14.0% and 13.4% of total assets as at September 30, 2022 and December 31, 2021, respectively) and (iii) trade and other receivables (accounting for 8.6% and 9.2% of total assets as at September 30, 2022 and December 31, 2021, respectively).

The decrease in total assets resulted from: (i) a decrease in total current assets of USD 14,247 thousand (i.e., 6.1%, from USD 232,434 thousand as at December 31, 2021 to USD 218,187 thousand as at September 30, 2022), mainly due to a change in cash and cash equivalents and a decrease in trade receivables (resulting mainly from the decline in revenue) and (ii) a decrease in total non-current assets of USD 7,203 thousand mainly due to the depreciation of the right-of-use assets not offset by the additions during the period (i.e., 10.7%, from USD 67,512 thousand as at December 31, 2021 to USD 60,309 thousand as at September 30, 2022).

Liabilities

Total liabilities decreased by USD 33,330 thousand – i.e., 45.1%, from USD 73,847 thousand as at December 31, 2021 to USD 40,517 thousand as at September 30, 2022. The decrease is mostly related to settlement of the second and third tranches for the Traffic Puzzle game for the amount of USD 29,400 thousand in total.

As at September 30, 2022, total liabilities mainly comprised (i) trade and other payables (accounting for 54.5% of total liabilities compared to 71.3% as at December 31, 2021) and (ii) long-term lease liabilities (accounting for 23.9% of total liabilities compared to 17.6% as at December 31, 2021).

Cash Flows and Liquidity

The following table summarizes selected net cash flows from operating, investing and financing activities for the nine-month period ended September 30, 2022 compared to the nine-month period ended September 31, 2021.

in thousand USD	9m 2022	9m 2021	Change
Cash flows from operating activities			
Profit/(loss) before tax	**39,300**	**(15,543)**	**-352.8%**
Adjustments for:			
Total of non-cash changes in depreciation, amortization, profits or losses on disposal	8,153	5,920	37.7%
Non-cash employee benefits expense – share-based payments	2,089	9,120	-77.1%
Non-cash remeasurement of preference shares liability – finance expense	-	38,997	-100.0%
Finance (income)/cost – net	(3,990)	3,806	-204.8%
Changes in net working capital	1,356	(17,690)	-107.7%
Other items	(68)	12	-666.7%
Cash flows from operating activities	**46,840**	**24,622**	**90.2%**
Income tax paid	(4,764)	(5,676)	-16.1%
Net cash flows from operating activities	**42,076**	**18,946**	**122.1%**
Cash flows from investing activities, incl.:			
Acquisition of property, plant and equipment and intangible assets	*(3,004)*	*(4,206)*	*-28.6%*
Acquisition of IP rights	*(29,400)*	*(9,500)*	*209.5%*
Other items	*418*	*10*	*>999.9%*
Net cash from investing activities	**(31,986)**	**(13,696)**	**133.5%**
Cash flows from financing activities, incl.:			
Shares issued/(repurchased)	*(20,090)*		*100.0%*
Proceeds from issue of common shares for public subscription	-	*152,929*	*-100.0%*
Execution of stabilization option		*(43,976)*	*-100.0%*
Transaction costs of issuance of equity instruments		*(7,097)*	*-100.0%*
Other items	*(962)*	*(4,305)*	*-77.7%*
Net cash from financing activities	**(21,052)**	**97,551**	**-121.6%**
Net increase/(decrease) in cash and cash equivalents	**(10,962)**	**102,801**	**-110.7%**
Cash and cash equivalents at the end of the period	**193,139**	**195,560**	**-1.2%**

Net cash flows from operating activities

Net cash inflows from operating activities for the nine-month period ended September 30, 2022 amounted to USD 42,076 thousand, which is mainly a combined effect of EBITDA generated during the period amounting to 48,481 USD and 4,764 USD of income tax paid during the current period.

Net cash flows from investing activities

Net cash outflows from investing activities for the nine-month period ended September 30, 2022 amounted to USD 31,986 thousand and resulted mainly from payment of the second and the third tranches for the Traffic Puzzle game in the total amount of USD 29,400 thousand.

Net cash flows from financing activities

Net cash outflows from financing activities for the nine-month period ended September 30, 2022 amounted to USD 21,052 thousand and resulted mainly from repurchase of common shares under the Share Buyback Scheme started on March 29, 2022 in the amount of USD 20,090 thousand.

6. Possibility of accomplishing previously published forecasts

The Issuer does not publish financial forecasts.

7. Significant proceedings pending in the courts

Neither the Issuer nor any of its subsidiaries were, as at September 30, 2022, or as at the date of issuing the financial statements, a party to any significant court or arbitration proceedings or before any public authority.

8. Transactions with related parties

Information regarding transactions with related entities is provided in Note 18 “Related Party Transactions” to the Interim Condensed Consolidated Financial Statement.

9. Granted sureties, loans, guarantees

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

10. Significant events after the balance sheet date

Significant events that occurred after the balance sheet date are presented in the Interim Condensed Consolidated Financial Statement for the period in Note 22 “Subsequent events.”

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

As of Q3 2022, the Company holds a high balance of USD 193.1 million in Cash and Equivalents. This not only secures our ability to meet our obligations but also gives us significant capacity to execute on our “Build & Buy” strategy and pursue potential further acquisitions.

Following a recommendation by the Remuneration and Nominations Committee of the Board and in accordance with Article V of the Bylaws, on April 7, 2022, Mr. Rod Cousens was appointed as co-CEO of the Company (Executive Director) alongside Mr. Anton Gauffin. At the same time, the Board expanded to six members by electing Mr. Jacobsson as an independent non-executive member of the Board (Non-executive Director). All members of the Board were reelected for an additional term at the Annual General Meeting of Stockholders held on June 6, 2022.

On June 15, 2022, Grzegorz Kania, the Group's Chief Financial Officer, and the Issuer reached a mutual agreement to end Grzegorz Kania’s tenure with the Issuer. Concurrently, Mr. Kania’s tenure as the Issuer’s Treasurer came to an end. The function of the Chief Financial Officer is being performed by Marek Chwałek, Executive Vice President Finance.

On August 2, 2022, the Board of Directors decided to commence a review of strategic options for the future of the Company to evaluate alternative courses of action intended to maximize value for the Issuer's shareholders. The Company has not set a timetable for the review; nor has it made any decisions related to strategic alternatives at this time. The Special Committee of the Board of Directors has engaged financial and legal advisers to support it in undertaking the review.

There is no other significant information of the above nature in the Issuer’s Capital Group as at September 30, 2022.

Selected Company's separate financial data

Company's separate statement of comprehensive income

	9m 2022	9m 2021	Q3 2022	Q3 2021
Revenue	**2,121**	**2,873**	**775**	**827**
Cost of sales	-	-	-	-
Gross profit/(loss)	**2,121**	**2,873**	**775**	**827**
Sales and Marketing expenses	(37)	(25)	-	(25)
Research and development expenses	(1,622)	(1,097)	(609)	(374)
General and administrative expenses	(6,128)	(4,354)	(3,750)	(1,165)
Other operating income/(expense), net	(14)	26	(3)	-
Operating result	**(5,680)**	**(2,577)**	**(3,587)**	**(737)**
Finance income	402	42	337	19
Finance expense	(328)	(42,195)	(134)	(40)
Profit/(loss) before tax	**(5,606)**	**(44,730)**	**(3,384)**	**(758)**
Income tax	(591)	-	(158)	-
Net result for the period	**(6,197)**	**(44,730)**	**(3,542)**	**(758)**
Other comprehensive income	-	-	-	-
Total other comprehensive income	**(6,197)**	**(44,730)**	**(3,542)**	**(758)**

Company's separate statement of financial position

	As of Sept 30, 2022	As of Dec 31, 2021
Assets		
Non-current assets		
Property, plant and equipment	79	87
Right-of-use asset	81	137
Investment in subsidiaries	28,363	26,856
Other non-financial assets	32	6
Deferred tax asset	96	48
Total non-current assets	**28,651**	**27,134**
Current assets		
Trade and other receivables	3,179	4,149
Corporate income tax receivable	9	303
Cash and cash equivalents	86,731	106,330
Total current assets	**89,919**	**110,782**
Total assets	**118,570**	**137,916**

Equity		
Share capital	2	2
Treasury shares	(27,154)	(19,954)
Supplementary capital	310,572	321,049
Employee benefit reserve	21,902	19,813
Retained earnings/(Accumulated losses)	(192,238)	(186,041)
Total equity	**113,084**	**134,869**
Non-current liabilities		
Long-term lease liabilities	6	66
Total non-current liabilities	**6**	**66**
Current liabilities		
Trade and other payables	5,400	2,903
Short-term lease liabilities	80	78
Total current liabilities	**5,480**	**2,981**
Total equity and liabilities	**118,570**	**137,916**

Company's separate statement of changes in equity

	Share capital	Treasury shares	Supplementary capital	Employee benefit reserve	Retained earnings	Equity
As of January 1, 2022	**2**	**(19,954)**	**321,049**	**19,813**	**(186,041)**	**134,869**
Net profit/(loss)	-	-	-	-	(6,197)	(6,197)
Total comprehensive income for the period	-	-	-	-	(6,197)	(6,197)
Shares issued/(repurchased)	0	(20,090)	-	-	-	(20,090)
Exercise of stock options	0	12,579	(10,166)	-	-	2,413
Delivery of shares to former owners of Double Star Oy	-	311	(311)	-	-	-
Employee share schemes – value of employee services	-	-	-	2,089	-	2,089
As of September 30, 2022	**2**	**(27,154)**	**310,572**	**21,902**	**(192,238)**	**113,084**

	Share capital	Treasury shares	Supplementary capital	Employee benefit reserve	Retained earnings	Equity
As of January 1, 2021	**2**	**(33,994)**	**14,040**	**8,053**	**(140,835)**	**(152,734)**
Net profit/(loss)	-	-	-	-	(44,730)	(44,730)
Total comprehensive income for the period	-	-	-	-	(44,730)	(44,730)
Shares issued/(repurchased)	0	(43,976)	152,929	-	-	108,953
Exercise of stock options	0	13,266	(12,501)	-	-	765
Employee share schemes – value of employee services	-	-	-	9,087	-	9,087
Earn-out consideration – value of employee services	-	-	-	33	-	33
Conversion of preference shares	0	-	215,603	-	-	215,603
Redemption of treasury shares	-	33,994	(33,994)	-	-	-
Transaction costs of issuance of equity instruments	-	-	(4,857)	-	-	(4,857)
As of September 30, 2021	**2**	**(30,710)**	**331,220**	**17,173**	**(185,565)**	**132,120**

Company's separate statement of cash flows

	9m period ended …	
	Sep 30, 2022	**Sept 30, 2021**
Cash flows from operating activities		
Profit/(loss) before tax	**(5,606)**	**(44,730)**
Adjustments for:		
Depreciation and amortization	77	70
Non-cash employee benefits expense – share-based payments	582	458
Remeasurement and other finance expenses related to preference shares liability	-	38,997
Finance (income)/expense, net	(461)	2,627
Changes in net working capital:		
Trade and other receivables	970	7,756
Trade and other payables	2,497	(637)
Provisions	-	(6,500)
Other non-financial assets	(26)	-
Other adjustments	(4)	27
Cash flows from operating activities	**(1,971)**	**(1,932)**
Income tax paid	(341)	-
Net cash from operating activities	**(2,312)**	**(1,932)**
Cash flows from investing activities		
Acquisition of property, plant and equipment and intangible assets	(13)	(70)
Purchase of shares in subsidiaries	-	(1,792)
Interest received	176	-
Net cash from investing activities	**163**	**(1,862)**
Cash flows from financing activities		
Shares issued/(repurchased)	(20,090)	-
Exercise of stock options	2,413	765
Lease repayment	(58)	(55)
Proceeds from issuance of common shares for public subscription	-	152,929
Execution of stabilization option	-	(43,976)
Transaction costs of issuance of equity instruments	-	(7,097)
Loss on foreign exchange forward contract	-	(2,662)
Cash flow from financing activities	**(17,735)**	**99,904**
Net increase/(decrease) in cash and cash equivalents	(19,884)	96,110
Effect of exchange rate fluctuations	285	-
Cash and cash equivalents at beginning of period	**106,330**	**7,284**
Cash and cash equivalents at end of period	**86,731**	**103,394**

Unusual events significantly affecting Huuuge Inc. stand-alone financial data

Unusual events due to their nature, value or frequency, which significantly affected the Company's assets, liabilities or equity as of September 30, 2022, or the Company's net result and cash flows for the nine-month period ended September 30, 2022 were the following:

- Share Buyback Scheme ("SBB"), i.e., repurchase of own common shares, described in Note 13 "Share capital" to the Interim Condensed Consolidated Financial Statements
- Modification of the share-based payment program described in Note 14 "Share-based payment arrangements" to the Interim Condensed Consolidated Financial Statements.

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