HUUUGE INC. GROUP
CONSOLIDATED FINANCIAL STATEMENTS

as of and for the year ended December 31, 2022

prepared in accordance with International Financial Reporting Standards
as adopted by the European Union

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Consolidated statement of comprehensive income

	Note	Year ended December 31, 2022	Year ended December 31, 2021 Reclassified
Revenue	6	**318,622**	**373,739**
Cost of sales	7	(96,886)	(112,195)
Gross profit on sales		**221,736**	**261,544**
Sales and marketing expenses:	7	(88,814)	(146,239)
thereof, User acquisition marketing campaigns	7	(73,725)	(130,031)
thereof, General Sales and marketing expenses	7	(15,089)	(16,208)
Research and development expenses	7	(29,577)	(33,128)
General and administrative expenses	7	(39,611)	(37,989)
Impairment of intangible assets	11	(26,087)	-
Other operating income/(expense), net		961	389
Operating result		**38,608**	**44,577**
Finance income	9	2,172	20
Finance expense	9	(1,726)	(45,598)
Profit/(loss) before tax		**39,054**	**(1,001)**
Income tax	10	(7,046)	(8,680)
Net result for the year		**32,008**	**(9,681)**
Other comprehensive income			
Items that may be reclassified to profit or loss			
Exchange gains/(losses) on translation of foreign operations		(2,912)	(1,021)
Total other comprehensive income		**(2,912)**	**(1,021)**
Total comprehensive income/ (loss) for the year		**29,096**	**(10,702)**
Net result for the year attributable to:			
owners of the Parent		32,008	(9,681)
Total comprehensive income for the year attributable to:			
owners of the Parent		29,096	(10,702)
Earnings per share (in USD)			
Basic	12 (f)	0.40	(0.12)
Diluted	12 (f)	0.40	(0.12)

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

(all amounts in tables presented in thousand USD, except where stated otherwise)

Consolidated statement of financial position

	Note	As of December 31, 2022	As of December 31, 2021
Assets			
Non-current assets			
Property, plant and equipment		3,221	3,739
Right-of-use asset	20	12,965	17,479
Goodwill	18	2,462	2,693
Intangible assets	11	12,057	40,217
Deferred tax assets	10	4,489	989
Long-term lease receivables	20	540	-
Other long-term assets		1,708	2,395
Total non-current assets		**37,442**	**67,512**
Current assets			
Trade and other receivables	13	25,855	27,671
Short-term lease receivables	20	209	-
Corporate income tax receivable		566	348
Cash and cash equivalents	14	222,245	204,415
Total current assets		**248,875**	**232,434**
Total assets		**286,317**	**299,946**
Equity			
Share capital		2	2
Treasury shares	15	(20,942)	(19,954)
Supplementary capital	15	305,261	321,823
Employee benefit reserve	16	22,894	19,812
Foreign exchange reserve		(2,634)	278
Retained earnings/(Accumulated losses)		(63,854)	(95,862)
Total equity		**240,727**	**226,099**
Equity attributable to owners of the Company		*240,727*	*226,099*
Non-current liabilities			
Long-term lease liabilities	20	9,812	12,982
Other long-term liabilities		164	-
Total non-current liabilities		**9,976**	**12,982**
Current liabilities			
Trade and other payables	19	24,302	52,687
Deferred income	19	2,680	3,126
Corporate income tax liabilities		4,617	723
Short-term lease liabilities	20	4,015	4,275
Other provisions		-	54
Total current liabilities		**35,614**	**60,865**
Total equity and liabilities		**286,317**	**299,946**

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(all amounts in tables presented in thousand USD, except where stated otherwise)

Consolidated statement of changes in equity

	Note	Share capital	Treasury shares	Supplementary capital	Employee benefit reserve	Retained earnings/ (Accumulated losses)	Foreign exchange reserve	Equity attributable to owners	Non-controlling interest	Equity
As of January 1, 2022		**2**	**(19,954)**	**321,823**	**19,812**	**(95,862)**	**278**	**226,099**	**-**	**226,099**
Net profit/(loss)		-	-	-	-	32,008	-	32,008	-	32,008
Other comprehensive income - foreign currency exchange gains/(losses)		-	-	-	-	-	(2,912)	(2,912)	-	(2,912)
Total comprehensive income for the period		**-**	**-**	**-**	**-**	**32,008**	**(2,912)**	**29,096**	**-**	**29,096**
Shares issued/(repurchased)*	15	0	(20,090)	-	-	-	-	(20,090)	-	(20,090)
Exercise of stock options	15, 16	-	18,791	(16,251)	-	-	-	2,540	-	2,540
Delivery of shares to former owners of Double Star Oy	16	-	311	(311)	-	-	-	-	-	-
Employee share schemes – value of employee services	15	-	-	-	3,082	-	-	3,082	-	3,082
As of December 31, 2022		**2**	**(20,942)**	**305,261**	**22,894**	**(63,854)**	**(2,634)**	**240,727**	**-**	**240,727**

* 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 consolidated financial statements. On August 2, 2022, the Company suspended the purchase of its own shares.

(all amounts in tables presented in thousand USD, except where stated otherwise)

	Note	Share capital	Treasury shares	Supplementary capital	Employee benefit reserve	Retained earnings/ (Accumulated losses)	Foreign exchange reserve	Equity attributable to owners	Non-controlling interest	Equity
As of January 1, 2021		**2**	**(33,994)**	**14,814**	**8,052**	**(86,181)**	**1,299**	**(96,008)**	**-**	**(96,008)**
Net profit/(loss)		-	-	-	-	*(9,681)*	-	*(9,681)*	-	*(9,681)*
Other comprehensive income - foreign currency exchange gains/(losses)		-	-	-	-	-	*(1,021)*	*(1,021)*	-	*(1,021)*
Total comprehensive income for the period		**-**	**-**	**-**	**-**	**(9,681)**	**(1,021)**	**(10,702)**	**-**	**(10,702)**
Redemption of treasury shares	15	-	33,994	(33,994)	-	-	-	-	-	-
Conversion of preference shares	15, 17	0	-	215,603	-	-	-	215,603	-	215,603
Shares issued/(repurchased)	15	0	(43,976)	152,929	-	-	-	108,953	-	108,953
Exercise of stock options	15, 16	-	24,022	(22,672)	-	-	-	1,350	-	1,350
Employee share schemes - value of employee services	16	-	-	-	11,830	-	-	11,830	-	11,830
Earn-out consideration - value of employee services	16	-	-	-	(70)	-	-	(70)	-	(70)
Transaction costs of an issuance of equity instruments *	15	-	-	(4,857)	-	-	-	(4,857)	-	(4,857)
As of December 31, 2021		**2**	**(19,954)**	**321,823**	**19,812**	**(95,862)**	**278**	**226,099**	**-**	**226,099**

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

(all amounts in tables presented in thousand USD, except where stated otherwise)

Consolidated statement of cash flows

	Note	Year ended December 31, 2022	Year ended December 31, 2021
Cash flows from operating activities			
Profit/(loss) before tax		**39,054**	**(1,001)**
Adjustments for:			
Depreciation and amortization	7, 11, 20	11,080	8,020
Finance (income)/expense, net	9, 20	(4,558)	2,507
Impairment of intangible assets	11	26,087	-
(Profit)/loss on disposal of property, plant and equipment		67	516
Non-cash employee benefits expense - share-based payments	16	3,082	11,760
Remeasurement of preference shares liability – finance expense	9	-	38,997
Changes in net working capital:			
Trade and other receivables, and other long-term assets	13	1,928	(38)
Trade and other payables	19	816	(13,132)
Deferred income	19	(446)	(234)
Other provisions		(54)	(7,705)
Other adjustments		101	(180)
Cash flows from operating activities		**77,157**	**39,510**
Income tax paid		(6,200)	(9,741)
Net cash flows from operating activities		**70,957**	**29,769**
Cash flows from investing activities			
Acquisition of IP rights	11	(29,400)	(9,500)
Software expenditure	11	(3,488)	(3,860)
Acquisition of property, plant and equipment		(1,013)	(2,595)
Interest received	9	1,346	-
Net cash flows from investing activities		**(32,555)**	**(15,955)**
Cash flows from financing activities			
Shares issued/(repurchased)	15	(20,090)	-
Lease repayment	20	(3,897)	(3,359)
Interest paid	9, 20	(400)	(575)
Exercise of stock options	15	2,540	1,350
Proceeds from issue of common shares for public subscription	15	-	152,929
Execution of stabilization option	15	-	(43,976)
Transaction costs of an issuance of equity instruments	15	-	(7,097)
Loss on foreign exchange forward contract	9	-	(2,662)
Net cash flows from financing activities		**(21,847)**	**96,610**
Net increase/(decrease) in cash and cash equivalents		**16,555**	**110,424**
Effect of exchange rate fluctuations and accrued interest		1,275	(167)
Cash and cash equivalents at the beginning of the period		**204,415**	**94,158**
Cash and cash equivalents at the end of the period		**222,245**	**204,415**

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

(all amounts in tables presented in thousand USD, except where stated otherwise)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General information

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

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

As of December 31, 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 December 31, 2022	As of December 31, 2021
Huuuge Games Sp. z o.o.	Szczecin, Poland	games development and operations	100%	100%
Huuuge Global Ltd	Limassol, Cyprus	games distribution, user acquisition	100%	100%
Huuuge Publishing Ltd (formerly Fun Monkey Ltd)	Limassol, Cyprus	games distribution	100%	100%
Huuuge Block Ltd (formerly Coffee Break Games Ltd)	Limassol, Cyprus	games distribution	100%	100%
Billionaire Games Limited	Limassol, Cyprus	games distribution	100%	-
Huuuge Digital Ltd	Tel Aviv, Israel	games development, R&D	100%	100%
Playable Platform B.V.	Amsterdam, Netherlands	games advertisement	100%	100%
Double Star Oy	Helsinki, Finland	games development	100%	100%
Huuuge UK Ltd	London, United Kingdom	corporate development	100%	100%
Huuuge Mobile Games Ltd	Dublin, Ireland	games distribution, user acquisition, in liquidation	100%	100%
Coffee Break Games United Ltd	Dublin, Ireland	games distribution, user acquisition, in liquidation	100%	100%
MDOK GmbH (formerly Huuuge Pop GmbH)	Berlin, Germany	games development, in liquidation	100%	100%
Huuuge Labs GmbH	Berlin, Germany	games development, R&D, in liquidation	100%	100%
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.

(all amounts in tables presented in thousands USD, except where stated otherwise)

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 December 31, 2022 and as of the date of signing of these 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 these changes, as of December 31, 2022, the composition of the Company's Board of Directors was the following:

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

Effective on March 7, 2023, Mr. Rod Cousens, co-CEO, and the Company reached a mutual agreement to end Mr. Cousens's executive service with the Company. Mr. Cousens will remain a member of the Issuer's Board of Directors. As a result, Mr. Anton Gauffin will be the sole Chief Executive Officer of the Company. After these changes, as of the date of signing of these consolidated financial statements the composition of the Company's Board of Directors is the following:

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

2. Basis for preparation of the consolidated financial statements

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards as adopted by the European Union ("IFRS") and were approved on March 24, 2023 by the Board of Directors.

(b) Historical cost convention

These consolidated financial statements are prepared on the historical cost basis, except for the series C preference shares 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.

(c) Functional and presentation currency

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

Name of entity	Functional currency
Huuuge Inc.	US dollar ("USD")
Huuuge Games Sp. z o.o.	Polish zloty ("PLN")
Huuuge Global Ltd	US dollar ("USD")
Huuuge Publishing Ltd	US dollar ("USD")
Huuuge Block Ltd	US dollar ("USD")
Billionaire Games Limited	US dollar ("USD")
Huuuge Digital Ltd	Israeli shekel ("ILS")
Huuuge Labs GmbH	Euro ("EUR")
Huuuge Mobile Games Ltd	Euro ("EUR")
Coffee Break Games United Ltd	Euro ("EUR")
Playable Platform B.V.	Euro ("EUR")
Double Star Oy	Euro ("EUR")
MDOK GmbH	Euro ("EUR")
Huuuge UK Ltd	Pound sterling ("GBP")

The presentation currency of the consolidated financial statements is USD.

(d) Key judgements and estimates

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

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

Model of revenue recognition

Estimate of the progress towards complete satisfaction of the performance obligation

Management evaluates what is the most adequate model of accounting for revenue from micro-payments from customers. In gaming applications, in-app purchases concern mostly immediate purchase of virtual coins (consumable goods), which can be used by the players in the future. Purchase of the virtual coins by the player represents a prepayment for the gaming service. The coins do not have expiry date and the players decide when to use them in the game. In principle, providing access to game functionalities in exchange for the redeemed coins is a performance obligation that the Group fulfils over time. The output method is used to measure the progress of satisfaction by the Group of its performance obligation. At the moment when the player purchases the virtual coins, the Group recognizes the contract liability. The amounts recognized as contract liability are transferred to revenue in line with the pattern of usage of the coins in the game by the customers. Analysis of consumption of coins is not tracked on an individual player basis but is estimated using cumulative method to determine the average days of usage. According to management's assessment, supported by historical data analysis, coins are generally used within 2 days after purchase (consistently over the years 2022 and 2021).

The Group recognizes a contract liability for any consideration received that is attributable to player's unused coins (i.e. player's unexercised rights), taking into account estimated breakage rate (i.e., percentage of coins not expected to be redeemed) at the end of the reporting period. In management's estimate all coins will be used, therefore the breakage rate is zero. The amount of the contract liability is presented in Note 19 *Trade, other payables and deferred income* as deferred income and amounted to USD 2,680 thousand as at December 31, 2022 and USD 3,126 thousand as at December 31, 2021.

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

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

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

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

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

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

Platform Providers charge usually 30% fees on the prices paid by the users only when the virtual items are purchased. If there are no purchases of the virtual items, the distributors are not entitled to any commissions. The fees cover all services performed by the Platform Providers, such as granting access to the sales platform, ensuring the relevant IT environment (an ongoing service provided by the Platform Provider) and collecting sales proceeds from the users.

Those fees are treated as the costs to fulfill the contract and are recognized as an asset. Contract cost asset is presented in "Trade and other receivables" line item in the statement of financial position. Those costs are charged to profit/loss over time matching the pattern of revenue recognition and the charge is presented in the consolidated statement of comprehensive income in the "Cost of sales" line. Further accounting policy applied by the Group when recognizing revenue are described in Note 4 *Significant accounting policies*, point (c) *Revenue*.

Agent vs principal considerations in publishing contracts

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

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

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

Money market mutual funds

As part of its liquidity management, the Group makes overnight deposits of its daily cash surpluses in money market mutual funds. The money market fund is an open-ended mutual fund that invests in short-term debt instruments (typically one day to one year) such as treasury bills, certificates of deposit, bonds, government gilts and commercial paper with high ratings (mainly A3 based on Moody's rating). The main goals are the preservation of principal, high liquidity and a modest incremental return over short-term interest rates or a benchmark rate.

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

Investments in money market funds have a determinable market value and they are puttable, with a short notice period. The Group can dispose the investments in funds at its discretion any time (same-day access), funds are not closed for a selected group of participants. They are convertible into a cash and the cash amount to be received on redemption is known at the time of the investment because at the time of the initial investment, the risk of changes in value is insignificant. The volatility of changes in fair value, in particular the credit and liquidity risk, is limited taking into account the level of diversification of the portfolio and its weighted average life of the underlying assets of the funds. The exposure to benchmark interest rate risk is also assessed to be low because of short period of time until the next repricing of the assets held by the fund to current benchmark interest rates. These facts support the view that the investment is liquid.

In addition, the Group considered the assets held by the fund to establish whether substantially all of its investments qualify individually as cash and cash equivalents. The consideration referred to all potential investments allowed by the investment rules set for the fund, and not only the assets that the fund holds as of the evaluation date. It was assessed that in general the investments' maturity is less than three months and thus, investments qualify individually as cash and cash equivalents.

Due to the above, in the management's opinion, the Group's investments in money market funds have the attributes to be considered a cash equivalent. This analysis is performed at each reporting period. For details on the funds and their credit ratings please refer to Note 12 *Financial risk management*, point (b) *Credit risk*. For carrying amounts as at December 31, 2022 and December 31, 2021 please refer to Note 14 *Cash and cash equivalents*.

Impairment of intangible assets

As of December 31, 2022, the value of the IP rights associated with the Traffic Puzzle game was tested for impairment, where the results of this test indicated a loss to the asset's value. Accordingly, the book value of the Traffic Puzzle game asset was reduced by USD 26,087 thousand to the amount of USD 6,330 thousand being its value in use. The game will remain live and available in the app stores and will continue to generate revenue. However, there are no plans to incur any further material user acquisition and development expenses on the title as of December 31, 2022. The actual performance of the title, revised approach to the marketing strategy and the decision regarding the sunset of Traffic Puzzle studio triggered the test for impairment of the game's value, which resulted in recognition of the impairment loss. Some of the studio's employees will form a new pod focused on building new game titles.

The income approach was used to derive value by estimating reasonable future cash flows to the entity and/or equity holders and discounting them to present value using a risk-adjusted discount rate or capitalization rate consistent with the riskiness of the forecasts. In assessing value in use, the estimated future cash flows were discounted to their present value at a rate of return that incorporates the risk associated with the particular asset. The discount rate used equals 13% reflecting the Company's weighted average cost of capital which provides an expected rate of return based on the Company's capital structure, the required yield on the Company's equity, and the required yield on the interest-bearing debt. For the purposes of the analysis discounted cash flows method was utilized based on the weighted probability of the three forecast scenarios: a base, an upside, and a downside case.

Estimation uncertainty

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

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

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

The recognition of a deferred tax asset is based on the assumption that it will be recoverable against future taxable income. The deterioration of tax results in the future could cause that this assumption could not be justified. When accounting for transactions the Group takes into account uncertainties as to whether its treatment will be accepted by the tax authorities.

Estimates used for the recognition of deferred tax assets are updated annually with factors such as expected tax rates and expected future tax results of the Group.

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

For more details on deferred tax assets and liabilities please refer to Note 4 *Significant accounting policies*, point (d) *Income tax* and to Note 10 *Income tax*.

Provisions and contingent liabilities

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

Preference shares

In September 2017, the Company issued series C preference shares to several investors. The series C preference shares were converted into ordinary shares on February 5, 2021. For further detail please refer to Note 17 *Conversion of series C preference shares* and Note 5 *Determination of fair values*, point (a) *Preference shares liability measured at fair value through profit or loss*.

Prior to conversion, the management concluded that the series C preference shares met the definition of a financial liability because they were effectively convertible into a variable number of ordinary shares upon occurrence of an uncertain future events, such as share split, combination or issuance of shares which are genuine and outside of the Company's control (IAS 32 paragraph 16(b) and 25). Accordingly, the series C preference shares were classified as a financial liability and measured initially and subsequently at fair value through profit or loss. As of December 31, 2022 and as of December 31, 2021, after the conversion, there was no such liability, however the finance expenses for the year 2021 include the valuation of preference shares series C prior to conversion into common shares. For further details please refer to Note 9 *Finance income and finance expense*.

Execution of stabilization option

In relation to the initial public offering, on February 5, 2021 the Company and IPOPEMA Securities S.A. ("Stabilization Manager") signed 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. For the purpose of accounting for the stabilisation transaction, the Company treated the entire stabilisation agreement as a financing transaction, i.e. repurchase of own shares from the market in the scope of IAS 32 and IFRS 9. The remuneration of the Stabilization Manager was treated as a share-based payment in accordance with IFRS 2 because the amount of the remuneration was based on the value of the shares. For more details, please refer to Note 15 *Share capital*.

(e) Changes in the presentation of amortization of acquired titles

During the year ended December 31, 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 3,890 thousand in the line "Cost of sales" (please, refer to the Note 7 *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: in a result of this change, the amount transferred from the "General and administrative expenses" to the line "Cost of Sales" was USD 2,594 thousand for the year ended December 31, 2021. This change did not have an impact on total operating expenses for the year ended December 31, 2021.

3. Adoption of new and revised Standards

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

In preparing these consolidated financial statements the Group did not early adopt any new Standards which have already been published and adopted by the European Union and which should be applied for periods beginning on or after January 1, 2023.

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

- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture (issued on September 11, 2014): the endorsement process of these Amendments has been postponed by the EU – the effective date was deferred indefinitely by the International Accounting Standards Board;

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

- Amendments to IAS 1: Presentation of Financial Statements: Classification of Liabilities as Current or Non-current – Deferral of Effective Date and Non-current Liabilities with Covenants (issued on January 23, 2020 and July 15, 2020 and 31 October 2022, respectively): not yet endorsed by the EU at the date of approval of these consolidated financial statements for issue – effective for financial years beginning on or after January 1, 2024;

- Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback (issued on 22 September 2022): not yet endorsed by the EU at the date of approval of these consolidated financial statements for issue – effective for financial years beginning on or after January 1, 2024;

- Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on February 12, 2021): effective for financial years beginning on or after January 1, 2023;

- Amendments to IAS 8: Definition of Accounting Estimates (issued on February 12, 2021): effective for financial years beginning on or after January 1, 2023;

- Amendments to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (issued on May 7, 2021): effective for financial years beginning on or after 1 January 2023;

- Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information (issued on 9 December 2021): effective for financial years beginning on or after 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.

New International Financial Reporting Standards and Interpretations effective for the first time for financial year 2022

During the year 2022, the following IFRS and amendments to IFRS or interpretations entered into force:

- 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.

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

4. Significant accounting policies

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

(a) Basis for consolidation

(i) Subsidiaries

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

(ii) Business combinations

The acquisition method of accounting is used to account for all business combinations. In order to assess whether the acquired set of assets comprises a business, the Company analyzes the requirements of IFRS 3 *Business Combinations*, including *Amendments to IFRS 3 Definition of a Business*.

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

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

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

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

The Group recognizes any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of

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

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

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

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

(iii) Transactions eliminated on consolidation

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

(iv) Foreign operations

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

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet,
- income and expenses for each statement of comprehensive income are translated at exchange rates at the dates of the transactions (or at average exchange rates if they are reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates), and
- all resulting exchange differences are recognized in other comprehensive income.

(b) Foreign currency transactions – transactions and balances

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

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

(c) Revenue

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

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

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

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

The Group makes the mobile game application available on players' mobile devices such as smart phones, iPhones, iPad, etc. mostly by using the recognized distribution channels provided by the distributors, as well as direct channels (webshop) which for the year ended December 31, 2022 did not constitute a significant portion of in-app purchases. The distributors act as the intermediary parties which provides IT infrastructure/ distribution channels and marketing activities as well as collecting and disbursing cash from the players on behalf of the Group.

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

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

Revenue from in-app purchases in gaming applications

Vast majority of in-app purchases are sold through Application Marketplaces ("Platform Providers") such as Apple App Store, Google Play, Facebook and Amazon App Store, as well as directly through webshop for VIP players.

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

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

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

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

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

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

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

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

Given the fact that the Group grants players the option to acquire additional virtual items at a price that would reflect the stand-alone selling price for those items, the option does not provide a material right to players. For this reason, the Group accounts for future purchases of virtual items only when players exercise the option to purchase virtual items (the contract liability is recognized at the date of the purchase which is subsequently accounted for as explained above). When the virtual items are granted for players for free (e.g. for promoting purposes), the Group does not recognize neither revenues, nor costs.

<u>Revenue from the advertising activities</u>

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

For both revenue streams, i.e. revenue from in-app purchases in gaming applications and revenue from the advertising activities, management assesses that the Group does not have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. In a result, the Group does not adjust any of the transaction prices for the time value of money. A receivable is recognized when the consideration is unconditional because only the passage of time is required before the payment is due. Revenue is collected not directly from end-users but via distribution platforms that charge their commission for the service. The payment terms with major distribution platforms are described in Note 13 *Trade and other receivables*.

(d) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items are recognized directly in equity or in other comprehensive income. Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

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

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

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

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

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

(e) Property, plant and equipment

(i) Recognition and measurement

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

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

(ii) Depreciation

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

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

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

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

(f) Leases

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

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

Right-of-use assets

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

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

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

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

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

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

Lease liabilities

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

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

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

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

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

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

(g) Intangible assets

Internally generated intangible assets

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

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

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

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

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

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

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

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

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

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

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

Software acquired externally and other intangible assets

Software licenses for software acquired externally and other intangible assets are measured in the consolidated statement of financial position at cost less accumulated amortization and any accumulated impairment losses. Amortization commences when the assets are available for their intended use. Software acquired externally and other intangible assets are amortized on a straight line basis over their expected economic useful lives which generally are from 1 to 3 years. Economic useful life for intangible asset acquired during the year 2021, Traffic Puzzle Game, was estimated for 10 years.

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

Intangible assets recognized as part of the business combination

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

(h) Financial instruments

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

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

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

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

(i) Impairment

(i) *Financial assets*

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

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

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

(ii) *Non-financial assets (other than goodwill)*

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

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

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

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

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

As at December 31, 2022 and December 31, 2021 the Group had no intangible assets with an indefinite useful life.

(iii) *Goodwill*

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

Goodwill is tested for impairment annually as at December 31 or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

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

Gains and losses on the disposal of the business operations include the carrying amount of goodwill relating to the business sold.

(iv) Cash and cash equivalents

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

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

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

(v) Trade and other receivables

Trade receivables are recognized initially at the amount of consideration that is unconditional, unless they contain significant financing components when they are recognised at fair value. Subsequently, they are carried at amortized cost using the effective interest method, less loss allowance. The loss allowance is determined according with the accounting policy presented in Note 4 *Significant accounting policies,* point (i) *Impairment* (i) *Financial assets*.

Accrued revenues included in trade and other receivables are recognized initially at the amount of consideration based on the sales reports provided by platforms.

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

(j) Trade and other payables and deferred income

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

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

(k) Share capital and other components of the equity

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

As of December 31, 2022 and December 31, 2021 all ordinary shares and preference shares (series A and B) are classified as equity. Preferences attributable to series A and B of preference shares are described in Note 15 *Share capital*.

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

Any excess of the fair value of consideration received over the nominal value of shares issued is recorded as share premium in equity, i.e. supplementary capital.

In the line “Treasury shares”, the Group presents the own shares repurchased, which are recognized at cost and are deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group shares. Any difference between the carrying amount and the consideration, if reissued, is recognized in the supplementary capital. Incremental costs directly attributable to the repurchase of own shares are presented as the deduction of equity, i.e. in the line “Treasury shares”.

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

1. Out of its surplus, being the excess of its net assets over its capital (all or part of the consideration received by the corporation in exchange for its capital stock, as determined by the Board of Directors); or

2. In case there shall be no such surplus, out of its net profits for the fiscal year in which the dividend is declared and/or the preceding fiscal year.

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

Employee benefits reserve results from the share-based payment arrangements and is described in details in Note 4 *Significant accounting policies*, (m) *Employee benefits*, (i) *Share-based payment arrangements* and Note 16 *Share-based payment arrangements*.

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

(l) Earnings per share

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

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

a. any dividends or other items related to dilutive potential ordinary shares deducted in arriving at profit or loss attributable to ordinary equity holders of Huuuge Inc.;

b. any interest recognized in the period related to dilutive potential ordinary shares; and

c. any other changes in income or expense that would result from the conversion of the dilutive potential ordinary shares

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

(m) Employee benefits

(i) Share-based payment arrangements

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

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The grant date fair value of the awards is determined using a share option pricing model. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Note 16 *Share-based payment arrangements*.

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

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

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an expense (employee benefit expense), with a corresponding increase in equity, over the vesting period of the awards.

IFRS 2 *Share-based Payment* does not address whether an increase in equity recognized in connection with a share-based payment transaction should be presented in a separate component within equity or within retained earnings. Such an increase is presented in the line "Employee benefit reserve".

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

Share - based payment transactions with non-employees

Share-based payment transactions with non-employees include the transactions in which non-employees provide services to the Group in exchange for free options which entitle them to purchase the shares in the Company.

In accordance with IFRS 2, the Group measures the services received, and the corresponding increase in equity, directly, at the fair value of the goods or services received, unless that fair value cannot be estimated reliably. If the fair value of the services received cannot be estimated reliably, the Group measures their value, and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted.

The Group recognizes the expense charge in the consolidated statement of comprehensive income over the vesting period for which the related services are provided with the corresponding increase in equity in the line "Employee benefit reserve".

(ii) Defined contribution plans – retirement benefits

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

(iii) Other employee benefits

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

(n) Provisions

A provision is recognized when the Group, as a result of a past event, has a present obligation (legal or constructive) that can be estimated reliably, and it is probable that the Group will be required to settle that obligation (an outflow of economic benefits will be required). Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period and are discounted to present value where the effect is material.

(o) Cost of sales

In the line "Cost of sales", the Group recognizes platform fees to distributors, which are related to revenues from in-app purchases and costs of using servers of external suppliers. Platform fees to distributors are recognized over time in line with the recognition of revenues from in-app purchases. Server costs are recognized when incurred.

In addition, this line includes amortization of the acquired titles, i.e. amortization of Traffic Puzzle game for the year ended December 31, 2022 and December 31, 2021 which is recognized on a straight-line basis over the estimated period of the economic useful life of the title.

(p) Research and development expenses

In the line "Research and development expenses", the Group recognizes costs of the maintenance of the existing games and development of the new games and fees paid to external developers related to the publishing contracts. In addition, this line includes costs of salaries and share-based payment arrangements of the technology department, as well as the research and development expenses that do not meet the criteria for capitalization.

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

These costs are recognized when incurred. Details regarding lack of capitalization of these costs are presented, respectively, in Note 4 *Significant accounting policies,* point (g) *Intangible assets* and in Note 2 *Basis for preparation of the consolidated financial statements,* point (d) *Key judgements and estimates – Agent vs principal considerations in publishing contracts.*

(q) Sales and marketing expenses

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

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

These costs are recognized when incurred.

(r) Finance income and expense

Finance income comprises mainly interest income on funds invested, i.e, bank deposits, money market mutual fund investments and money market interest-bearing accounts. Interest income is recognized as it accrues in profit or loss, using the effective interest method.

Finance expenses comprise mainly foreign exchange differences on currency translation and interest expense on leases liabilities.

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

5. Determination of fair values

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

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

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

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

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

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

On February 5, 2021 series C preference shares were converted into common shares. At the date of the conversion series C preference shares liability was measured to fair value based on the value of shares established for the Company's initial public offering, with the loss recognized in profit or loss. For more information, please refer to Note 15 *Share capital*.

Prior to conversion, series C preference shares liability was measured at fair value initially and after initial recognition with the gains/loss on subsequent remeasurements being recognized in profit or loss.

(b) Trade and other receivables measured at amortized cost

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

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

For trade accounts payable, the Group's management considers their carrying amounts to be the best estimation of their respective fair values, determined for disclosure purposes, due to the short-term nature of these instruments. Fair value of non-derivative financial liabilities other than trade accounts payable, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For lease liabilities an interest rate implicit in the lease is used, if that rate can be readily determined; if that rate cannot be readily determined, the lessee's incremental borrowing rate is used.

As of December 31, 2022 and December 31, 2021 the Group does not classify any assets or liabilities to be subsequently measured at fair value.

6. Revenue and 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 December 31, 2022 the co-CEOs were 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:

	Year ended December 31, 2022	Year ended December 31, 2021
Gaming applications	308,852	358,638
Advertising	9,770	15,101
Total revenue	**318,622**	**373,739**

(all amounts in tables presented in thousands USD, except where stated otherwise)

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

For the gaming services, the transaction price is prepaid by the customers when the virtual coins are purchased to allow continuation of the game; the payments result in the recognition of the contract liability in the statement of financial position. The amounts recognized as deferred income are recognized as revenue on average within 2 days in the year 2022 (two days in the year 2021).

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

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

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

	Year ended December 31, 2022	**Year ended December 31, 2021**
Huuuge Casino	188,656	214,554
Billionaire Casino	99,418	113,515
Traffic Puzzle*	26,172	34,008
Other games	4,376	11,662
- including games developed by external developers based on publishing contracts	*939*	*578*
Total revenue	**318,622**	**373,739**

* In April 2021 the Group became the owner of the Traffic Puzzle game; therefore, revenues for the year ended December 31, 2022 include revenues generated after the acquisition of the game. Traffic Puzzle revenues for the year ended December 31, 2021 include revenues based on a publishing agreement and revenues after acquisition of the game.

(all amounts in tables presented in thousands USD, except where stated otherwise)

Revenue was generated in the following countries:

	Year ended December 31, 2022	Year ended December 31, 2021
United States	188,362	221,797
Germany	23,018	26,867
Canada	9,509	11,709
United Kingdom	9,493	11,357
Japan	8,114	10,054
France	8,114	10,105
Netherlands	7,713	8,908
Australia	6,421	7,756
Poland	6,337	7,082
Switzerland	5,257	4,978
Taiwan	3,642	3,795
Italy	3,188	3,615
Republic of South Africa	2,399	2,981
Austria	2,351	2,555
Spain	2,254	2,526
Other	32,450	37,654
Total revenue	**318,622**	**373,739**

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 customer.

No individual end-user customer with whom the Group concludes transactions had a share of 10% or more in the Group's total revenues in annual reporting periods ended December 31, 2022 and December 31, 2021. Vast majority of revenues is generated in cooperation with the several platform providers, such as Apple App Store, Google Play, Facebook and Amazon App Store as described in Note 4 *Significant accounting policies,* point (c) *Revenue*.

Split of assets by geographical locations does not determine the Group's operations. Right-of-use assets and property, plant and equipment are split based on the location of the offices of subsidiaries, IP rights are located in Cyprus.

(all amounts in tables presented in thousands USD, except where stated otherwise)

7. Operating expenses

For the year ended December 31, 2022 the operating expenses include:

Expenses by nature	Note	Total	Cost of sales	Sales and marketing expenses:		Research and development expenses	General and administrative expenses
				thereof User acquisition marketing campaigns	*thereof* General sales and marketing expenses		
Platform fees to distributors		91,721	91,721	-	-	-	-
External developers fees		1,285	-	-	-	1,285	-
Gaming servers expenses		1,275	1,275	-	-	-	-
External marketing and sales services		77,778	-	73,725	4,053	-	-
Salaries and employee-related costs	8	49,470	-	-	10,393	23,840	15,237
Employee stock option plan	8	3,082	-	-	587	1,605	890
Depreciation and amortization		11,080	3,890	-	-	-	7,190
Finance & legal services		6,917	-	-	-	-	6,917
Business travels expenses		1,316	-	-	-	-	1,316
Property maintenance and external services		2,231	-	-	-	-	2,231
Other costs		8,733	-	-	56	2,847	5,830
Total operating expenses		**254,888**	**96,886**	**73,725**	**15,089**	**29,577**	**39,611**

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.

(all amounts in tables presented in thousands USD, except where stated otherwise)

For the year ended December 31, 2021 the operating expenses include :

Expenses by nature	Note	Total	Cost of sales	Sales and marketing expenses:		Research and development expenses	General and administrative expenses
				thereof User acquisition marketing campaigns	*thereof* General sales and marketing expenses		
Platform fees to distributors		108,364	108,364	-	-	-	-
External developers fees		1,279	-	-	-	1,279	-
Gaming servers expenses		1,237	1,237	-	-	-	-
External marketing and sales services		134,309	-	130,031	4,278	-	-
Salaries and employee-related costs	8	50,791	-	-	10,646	26,631	13,514
Employee stock option plan	8	11,760	-	-	1,284	3,422	7,054
Depreciation and amortization		8,020	2,594	-	-	-	5,426
Finance & legal services		4,955	-	-	-	-	4,955
Business travels expenses		543	-	-	-	-	543
Property maintenance and external services		1,689	-	-	-	-	1,689
Other costs		6,604	-	-	-	1,796	4,808
Total operating expenses		**329,551**	**112,195**	**130,031**	**16,208**	**33,128**	**37,989**

(all amounts in tables presented in thousands USD, except where stated otherwise)

As of December 31, 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 2,594 thousand previously presented within “General and administrative expenses” has been reclassified to “Costs of sales”. Please, refer to Note 2 *Basis for preparation of consolidated financial statements,* point (e) *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 December 31, 2022 amounts to USD 120 thousand and as at December 31, 2021 USD 294 thousand. The above commitments comprise the fixed fees contracted in the publishing arrangements and do not include the variable payments which are based on the future cash flows from selling the games, and the future development fees subject to the specific arrangements and agreements between parties on a scope of services.

8. Salaries and employee-related costs

The table below presents the amounts of salaries and employee-related costs, including remuneration of executive management, for the year ended December 31, 2022 and December 31, 2021.

	Year ended	**Year ended**
	December 31, 2022	**December 31, 2021**
Salaries	41,963	41,866
Social security contributions	5,786	6,235
Share-based payment expense	3,082	11,760
Other employee-related costs	1,721	2,690
Total salaries and employee-related costs	**52,552**	**62,551**

(all amounts in tables presented in thousands USD, except where stated otherwise)

The tables below present the headcount and the average headcount as of and for the year ended December 31, 2022 and December 31, 2021 respectively.

Headcount at year-end	As of December 31, 2022	As of December 31, 2021
Sales and marketing	123	144
Game development	329	363
Back office	121	122
Executive management	9	9
Total number of employees	**582**	**638**

Average headcount	Year ended December 31, 2022	Year ended December 31, 2021
Sales and marketing	129	147
Game development	326	383
Back office	129	109
Executive management	9	11
Total average number of employees	**593**	**650**

Number of employees is calculated based on the actual persons employed, including self-employed, irrespective of full or part-time equivalents. The table above also includes employees on long-term absences.

9. Finance income and finance expense

Finance income

	Year ended December 31, 2022	Year ended December 31, 2021
Total finance income - Interest income	2,172	20

In the year ended December 31, 2022, finance income amounted to USD 2,172 thousand, which comprises mainly interest income on deposits, money market mutual funds accounts, and money market interest bearing accounts, including interest accrued in the amount of USD 763 thousand.

(all amounts in tables presented in thousands USD, except where stated otherwise)

Finance expense

	Year ended December 31, 2022	Year ended December 31, 2021
Foreign exchange losses, net	1,398	3,293
Interest expense	328	646
Valuation of preferred shares series C classified as non-current liabilities	-	38,997
Loss on foreign exchange forward contract	-	2,662
Total finance expense	**1,726**	**45,598**

In the year ended December 31, 2022, finance expense includes net foreign exchange losses in the amount of USD 1,398 thousand, and the interest expense in the amount of USD 328 thousand, which comprises interest expense recognized under IFRS 16 on lease liabilities, as well as interest expense from banks.

In addition to finance income and expenses, the “Finance (income)/cost, net” line presented in the 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 year ended December 31, 2021, finance expenses included mainly valuation of preference shares from the series C previously (prior to conversion into common 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. In addition, during the year ended December 31, 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 consolidated statement of comprehensive income for the year ended December 31, 2021.

In the year ended December 31, 2021, finance expenses additionally included net foreign exchange losses in the amount USD 3,293 thousand, and interest expense in the amount of USD 646 thousand, which includes interest expense recognized under IFRS 16 on lease liabilities, as well as interest expense from banks.

10. Income tax

	As of December 31, 2022	As of December 31, 2021
Deferred tax assets	4,489	989
Deferred tax liabilities	-	-
Net deferred tax assets/(liabilities)	**4,489**	**989**

	Year ended December 31, 2022	Year ended December 31, 2021
Current income tax	10,546	8,901
Change in deferred income tax	(3,500)	(221)
Income tax for the period	**7,046**	**8,680**

(all amounts in tables presented in thousands USD, except where stated otherwise)

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

Effective tax rate reconciliation	Year ended December 31, 2022	Year ended December 31, 2021
Profit/(loss) before income tax	39,054	(1,001)
Statutory tax rate in the United States	21%	21%
Theoretical tax expense/(benefit) according to current tax rate in the United States	8,201	(210)
Tax impact of non-deductible costs – ESOP	656	2,463
Tax impact of non-deductible costs – series C shares valuation	-	8,189
Tax impact of non-tax costs/(income) – other	311	198
GILTI* income net of FDII** deduction, net of foreign tax credit	2,128	1,234
Adjustment for tax rates in foreign subsidiaries	(3,635)	(3,503)
Temporary differences with no deferred tax recognized	(11)	268
Previous years' income taxes	(568)	150
Tax impact of other differences	(36)	(109)
Tax charge	**7,046**	**8,680**
Effective tax rate	**18%**	**(867%)**

* GILTI – Global Intangible Low-Taxed Income ** FDII – Foreign-Derived Intangible Income. This is a reconciling item since the Company cannot recognize tax benefit on the tax loss due to the foreign-derived intangible income.

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 year ended December 31, 2022 is 18%, compared to negative 867% for the year ended December 31, 2021. The tax rate was higher in the year ended December 31, 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 year ended December 31, 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 year ended December 31, 2022 and consequently higher global intangible low-taxed income ("GILTI").

(all amounts in tables presented in thousands USD, except where stated otherwise)

Deferred tax reconciliation

Deferred tax assets	**As of December 31, 2022**	**As of December 31, 2021**
Intangible assets	7	15
Lease liabilities	2,516	3,744
Accrued expenses	1,220	1,585
Traffic Puzzle game Impairment	3,261	-
Other deductible temporary differences	145	150
Total	**7,149**	**5,494**
Tax losses	-	-
Deferred tax assets	**7,149**	**5,494**
Compensation with deferred tax liabilities	(2,660)	(4,505)
Deferred tax assets presented in the consolidated statement of financial position	**4,489**	**989**

Deferred tax assets expected to be recovered within 12 months from the reporting date amounted to USD 2,918 thousand as of December 31, 2022 and USD 2,677 thousand as of December 31, 2021.

Deferred tax liabilities	**As of December 31, 2022**	**As of December 31, 2021**
Intangible assets	-	-
Property, plant and equipment owned	15	16
Right-of-use assets	2,490	3,696
Uninvoiced receivables	135	781
Prepaid expenses	-	-
Other differences	20	12
Deferred tax liabilities	**2,660**	**4,505**
Compensation with deferred tax assets	(2,660)	(4,505)
Deferred tax liabilities presented in the consolidated statement of financial position	**-**	**-**

Deferred tax liabilities expected to be settled within 12 months from the reporting date amounted to USD 883 thousand as of December 31, 2022 and USD 1,734 thousand as of December 31, 2021.

	As of December 31, 2022	**As of December 31, 2021**
Net deferred tax assets/(liabilities) at the beginning of the period	989	768
Net deferred tax assets/(liabilities) at the end of the period	4,489	989
Deferred tax in the net profit for the period	**(3,500)**	**(221)**

As of December 31, 2022 and December 31, 2021 there was no deferred tax asset recognized on unused tax losses in the consolidated statement of financial position.

(all amounts in tables presented in thousands USD, except where stated otherwise)

11. 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	-	-	1,332	2,485	3,817
Transfer from assets under construction	-	3,124	(51)	(3,073)	-
Net foreign exchange differences on translation	-	-	(31)	(7)	(38)
Gross book value as of December 31, 2022	**39,695**	**3,653**	**3,399**	**1,904**	**48,651**
Accumulated amortization as of January 1, 2022	**(2,965)**	**(529)**	**(1,161)**	**-**	**(4,655)**
Impairment	(26,087)	-	-	-	(26,087)
Amortization charge for the period	(4,010)	(645)	(1,176)	-	(5,831)
Disposals	-	-	(22)	-	(22)
Net foreign exchange differences on translation	(17)	-	18	-	1
Accumulated amortization and impairment as of December 31, 2022	**(33,079)**	**(1,174)**	**(2,341)**	**-**	**(36,594)**
Net book value as of January 1, 2022	**36,730**	**-**	**988**	**2,499**	**40,217**
Net book value as of December 31, 2022	**6,616**	**2,479**	**1,058**	**1,904**	**12,057**

	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	38,930	-	1,355	2,505	**42,790**
Transfers and Disposals	190	-	(7)	(425)	**(242)**
Net foreign exchange differences on translation	(26)	(42)	(45)	(23)	**(136)**
Gross book value as of December 31, 2021	**39,695**	**529**	**2,149**	**2,499**	**44,872**
Accumulated amortization as of January 1, 2021	**(70)**	**(563)**	**(368)**	**-**	**(1,001)**
Amortization charge for the period	(2,934)	(19)	(816)	-	**(3,769)**
Disposals	-	-	6	-	**6**
Net foreign exchange differences on translation	39	53	17	-	**109**
Accumulated amortization as of December 31, 2021	**(2,965)**	**(529)**	**(1,161)**	**-**	**(4,655)**
Net book value as of January 1, 2021	**531**	**8**	**478**	**442**	**1,459**
Net book value as of December 31, 2021	**36,730**	**-**	**988**	**2,499**	**40,217**

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

December 31, 2022 and as at the date of approval these consolidated financial statements for issue there were no pledges or collaterals on the Group's intangible assets.

No indications for impairment were identified as of December 31, 2022 in relation to intangible assets other then IP rights as described below. No indications for impairment were identified as of December 31, 2021.

(all amounts in tables presented in thousands USD, except where stated otherwise)

Acquisition of Traffic Puzzle game

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 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 year ended December 31, 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.

The change of trade and other payables presented in the consolidated statement of financial position as of December 31, 2022 does not equal the change in the consolidated statement of cash flows for the year ended December 31, 2022. The difference is due to the second and third tranches paid in the total amount of USD 29,400 thousand were presented in the cash flows from investing activities line in the consolidated statement of cash flows for the year ended December 31, 2022.

Impairment of Traffic Puzzle Game

As of December 31, 2022, the value of the IP rights associated with the Traffic Puzzle game was tested for impairment, where the results of this test indicated a loss to the asset's value. Accordingly, the book value of the Traffic Puzzle game asset was reduced by USD 26,087 thousand, as a result the net book value of the Traffic Puzzle game as of December 31, 2022 amounted to USD 6,330 thousand.

The impairment loss was recognised in the line "Impairment of intangible assets" in the Group's consolidated statement of comprehensive income for the year ended December 31, 2022. The Traffic Puzzle game will remain live and available to players and is expected to continue generating revenue.

12. Financial risk management

(a) Introduction

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

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

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

Risk management framework

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

(b) Credit risk

Credit risk relating to cash and cash equivalents

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

Moody's Rating	As of December 31, 2022	As of December 31, 2021
Aaa	-	105
Aa3	48,581	16,032
A2	213	1,157
A3	173,129	186,623
Baa1	14	11
Ba2	308	-
B1	-	487
Total cash and cash equivalents	**222,245**	**204,415**

Investments in money market mutual funds are kept in financial institutions with A3 rating only.

According to Moody's, the investment ratings are ratings from Aaa to Baa3. Activities in non-investment ratings are limited to the minimum and are connected to the Group presence in the particular jurisdictions.

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

As at December 31, 2022, the largest concentration of funds in two financial institutions was respectively 66% and 22% with the remaining funds not being concentrated more than 12% in a single financial institution. In comparison, as at December 31, 2021, the largest concentration in two financial institutions was respectively 84% and 8% with the remaining funds not being concentrated more than 8% in a single financial institution.

Total gross carrying amounts of cash and cash equivalents as of December 31, 2022 and December 31, 2021 were included in Stage 1, based on assessment that credit risk has not increased significantly since initial recognition. For financial assets in Stage 1, the Group recognizes 12 month ECL and recognizes interest income on a gross basis – interest will be calculated on the gross carrying amount of the financial asset before adjusting for ECL.

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

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

(all amounts in tables presented in thousands USD, except where stated otherwise)

Credit risk with respect to trade receivables and other receivables

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

Carrying amount	As of December 31, 2022	As of December 31, 2021
Trade receivables from third parties	20,970	23,848
Total	**20,970**	**23,848**

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

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

	As of December 31, 2022	%	As of December 31, 2021	%
Google	9,020	43%	10,414	44%
Apple	8,079	39%	9,553	40%
Facebook	955	5%	1,578	7%
Amazon	472	2%	505	2%
Other	2,444	11%	1,798	7%
Trade receivables from third parties	**20,970**	**100%**	**23,848**	**100%**

Allowance for expected credit losses

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

As there are only a few important business partners, each of them with high credit ratings (Aa1 to A1 for the years ended December 31, 2022 and December 31, 2021) the Group does not apply the portfolio approach and performs the analysis on the individual basis instead. Taking into account that Group's trade receivables are from a few large Platform Providers and there were no issues with historical recoverability, the related expected credit losses had been assessed as immaterial.

All trade receivables are classified to Stage 2 as those are receivables for which the ECL is calculated using the simplified approach allowed under IFRS 9; there are no trade receivables classified to Stage 3 (based on the individual analysis, receivables which are overdue more than 90 days are recoverable, and therefore not impaired).

For movement in the allowance for expected credit losses please refer to Note 13 *Trade and other receivables.*

(all amounts in tables presented in thousands USD, except where stated otherwise)

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

As of December 31, 2022	**Total**	**not due and overdue up to 1 month**	**over 1 month to 3 months**	**over 3 months to 6 months**	**over 6 months to 1 year**	**over 1 year**
Trade receivables	20,970	19,075	1,283	212	4	396
Allowance for expected credit losses	-	-	-	-	-	-
Trade receivables, net	**20,970**	**19,075**	**1,283**	**212**	**4**	**396**

As of December 31, 2021	**Total**	**not due and overdue up to 1 month**	**over 1 month to 3 months**	**over 3 months to 6 months**	**over 6 months to 1 year**	**over 1 year**
Trade receivables	23,848	22,371	1,426	18	33	-
Allowance for expected credit losses	-	-	-	-	-	-
Trade receivables, net	**23,848**	**22,371**	**1,426**	**18**	**33**	**-**

(all amounts in tables presented in thousands USD, except where stated otherwise)

(c) Liquidity risk

Liquidity risk means the risk that the Group may encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's management approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. Liquidity risk is assessed in conjunction with the Group's budgeted cash flows and by managing a proper current liabilities structure. The method of measuring the liquidity risk consists of the analysis of the cover of current liabilities with available cash resources.

There are no bank loan balances and bank loan agreements in force as at December 31, 2022, December 31, 2021 and as at date of approval these consolidated financial statements for issue, thus also interest rate risk is remote from the Group's perspective. Moreover, it is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

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

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

As of December 31, 2022	Carrying amount	Contractual cash flows	6 months or less	6 – 12 months	1 – 2 years	2 – 5 years	over 5 years
Trade payables	3,297	3,297	3,297	-	-	-	-
Accrued expenses (except taxes)	17,975	17,975	17,975	-	-	-	-
Lease liabilities	13,827	13,827	2,099	1,916	3,727	6,085	-
Non derivative financial liabilities	**35,099**	**35,099**	**23,371**	**1,916**	**3,727**	**6,085**	**-**

As of December 31, 2021	Carrying amount	Contractual cash flows	6 months or less	6 – 12 months	1 – 2 years	2 – 5 years	over 5 years
Trade payables	3,204	2,717	2,460	255	2	-	-
Deferred payment for Traffic Puzzle Game	29,400	29,400	29,400	-	-	-	-
Accrued expenses (except taxes)	17,226	17,226	17,226	-	-	-	-
Lease liabilities	17,257	17,257	2,279	1,996	3,772	9,210	-
Non derivative financial liabilities	**67,087**	**66,600**	**51,365**	**2,251**	**3,774**	**9,210**	**-**

There were no derivative financial instruments at the end of reported periods.

The changes in liabilities arising from financing activities are presented in Note 20 *Leases* and in Note 17 *Conversion of series C preference shares*.

(all amounts in tables presented in thousands USD, except where stated otherwise)

(d) Market risk

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

(i) Currency risk

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

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

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

Foreign currency denominated	As of December 31, 2022	As of December 31, 2021
Trade receivables	**20,970**	**23,848**
USD – foreign	559	2,923
EUR – foreign	9,085	370
Functional currencies	11,326	20,555
Cash and cash equivalents	**222,245**	**204,415**
USD – foreign	9,117	15,508
PLN – foreign	339	7,645
EUR – foreign	5,801	10,244
Functional currencies	206,988	171,018
Trade payables and accrued expenses (except taxes and employee-related)	**(21,272)**	**(49,830)**
USD – foreign	(851)	(340)
PLN – foreign	(558)	253
EUR – foreign	(1,295)	(1,022)
ILS – foreign	(40)	(20)
JPY – foreign	(83)	(76)
GBP – foreign	(317)	(158)
Functional currencies	(18,128)	(48,467)

(all amounts in tables presented in thousands USD, except where stated otherwise)

Net balances in foreign currencies	As of December 31, 2022	As of December 31, 2021
USD	8,825	18,091
PLN	(219)	7,898
EUR	13,591	9,593
ILS	(40)	(20)
JPY	(83)	(76)
GBP	(317)	(158)
Gross exposure	**21,757**	**35,328**

The Group did not enter into hedging transactions.

Sensitivity analysis

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

As of December 31, 2022	EUR/ USD	USD/ PLN	EUR/ PLN	USD/ ILS	ILS/ EUR	ILS/ PLN	PLN/ JPY	USD/ GBP	EUR/ GBP	PLN/ GBP	USD/ JPY	ILS/ GBP	Total exposure
USD	-	4,981	-	3,977	(67)	-	-	(370)	-	-	(41)	-	**8,480**
EUR	12,683	-	-	-	-	-	-	-	(65)	-	-	-	**12,618**
PLN	-	-	771	-	-	(10)	-	-	-	(53)	-	-	**708**
ILS	-	-	-	-	-	-	-	-	-	-	-	(4)	**(4)**
JPY	-	-	-	-	-	-	(45)	-	-	-	-	-	**(45)**
Gross exposure	**12,683**	**4,981**	**771**	**3,977**	**(67)**	**(10)**	**(45)**	**(370)**	**(65)**	**(53)**	**(41)**	**(4)**	**21,757**
Reasonable shift +10%	1,268	498	77	398	(7)	(1)	(5)	(37)	(7)	(5)	(4)	0	
Reasonable shift -10%	(1,268)	(498)	(77)	(398)	7	1	5	37	7	5	4	0	

As of December 31, 2021	EUR/ USD	USD/ PLN	EUR/ PLN	USD/ ILS	PLN/ JPY	USD/ GBP	EUR/ GBP	PLN/ GBP	USD/ JPY	Total exposure
USD	-	18,783	-	7,232	-	(217)	-	-	(35)	**25,763**
EUR	7,165	-	-	-	-	-	(72)	-	-	**7,093**
PLN	-	-	2,527	-	-	-	-	(15)	-	**2,512**
ILS	-	-	-	-	-	-	-	-	-	**-**
JPY	-	-	-	-	(40)	-	-	-	-	**(40)**
Gross exposure	7,165	18,783	2,527	7,232	(40)	(217)	(72)	(15)	(35)	**35,328**
Reasonable shift +10%	717	1,878	253	723	(4)	(22)	(7)	(2)	(4)	
Reasonable shift -10%	(717)	(1,878)	(253)	(723)	4	22	7	2	4	

(all amounts in tables presented in thousands USD, except where stated otherwise)

(ii) Interest rate risk

As the Group has not entered in bank loan agreements in all presented periods till December 31, 2022, the interest rate risk is marginal. The Group has recognized the lease liability; the lease liability bears fixed interest.

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

The Group's interest bearing assets are cash and cash equivalents. The deposits, and the investments in money market funds and money market accounts are at a variable interest rate. These are investments which are either readily available, or with a short-term maturity date. Since the expected reasonable shift of the interest rate is insignificant during the maturity period of the investments, profit or loss is not sensitive to the changes of interest rates. Therefore the interest bearing assets at variable rate do not expose the Group to cash flow risk.

(e) Capital management

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

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

The capital managed by the Group's management includes equity. As such, managed capital consists of ordinary shares, preference shares of series A and B, as well as repurchased own shares and options as of year-ended December 31, 2022. For the amounts please refer to respective Note 15 *Share capital*, of these consolidated financial statements. There are no externally imposed capital management requirements (such as covenants or similar).

The Group's management monitors the return on capital on the basis of the basic and diluted earnings per share ratios. Further information on calculation of EPS is presented in Note 12 *Financial risk management*, point (f) *Earnings per share*. The objective of the Management is to maximize the return on capital to the shareholders.

No dividends were declared and paid by the Company to its shareholders in the years ending December 31, 2022 and December 31, 2021.

	As of December 31, 2022	As of December 31, 2021
Equity	240,727	226,099
Total capital	**240,727**	**226,099**

(f) Earnings per share

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

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

(all amounts in tables presented in thousands USD, except where stated otherwise)

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

Options granted to employees under the ESOP are considered to be potential ordinary shares. They have been included in the determination of diluted earnings per share. The options have not been included in the determination of basic earnings per share. Details relating to the options are set out in Note 16 *Share-based payment arrangements.*

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

Basic EPS

		Year ended December 31, 2022	**Year ended December 31, 2021**
Net result attributable to the owners of the Parent	[A]	32,008	(9,681)
Undistributed profit (loss) attributable to holders of series A and B preference shares	[B]	-	(165)
Profit (loss) attributable to holders of ordinary shares	**[C]=[A]-[B]**	**32,008**	**(9,516)**

		Year ended December 31, 2022	**Year ended December 31, 2021**
Weighted average number of ordinary shares*	[D]	80,389,472	77,342,078
Basic EPS	[E] = [C] / [D]	0.40	(0.12)

* The weighted average number of shares in the year ended December 31, 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 15 *Share capital*.

Diluted EPS

The effects of anti-dilutive potential ordinary shares are ignored in calculating diluted EPS. Consequently, profit (loss) attributable to ordinary equity holders of the parent adjusted for the effect of dilution is equal to profit (loss) attributable to holders of ordinary shares.

(all amounts in tables presented in thousands USD, except where stated otherwise)

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

		Year ended December 31, 2022	Year ended December 31, 2021
Profit (loss) attributable to holders of ordinary shares	[C]	32,008	(9,516)
Profit (loss) attributable to ordinary equity holders of the parent adjusted for the effect of dilution*	[H]	32,008	(9,516)

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

		Year ended December 31, 2022	Year ended December 31, 2021
Weighted average number of issued ordinary shares used in calculating basic earnings per share	[D]	80,389,472	77,342,078
Employee Stock Option Plan		197,311	-
Weighted average number of issued ordinary shares and potential ordinary shares used in calculating diluted earnings per share*	[I]	80,586,783	77,342,078
Diluted EPS	[J]=[H]/[I]	0.40	(0.12)

(all amounts in tables presented in thousands USD, except where stated otherwise)

(g) Accounting classifications of financial instruments and fair values

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

As of December 31, 2022	Financial assets measured at amortized cost	Financial liabilities measured at fair value	Financial liabilities at amortized cost	Financial liabilities out of scope of IFRS 9	Total carrying amount	Fair value
Assets	**243,215**		**-**		**243,215**	**243,215**
Trade receivables	20,970	-	-	-	20,970	20,970
Cash and cash equivalents	222,245	-	-	-	222,245	222,245
Liabilities	**-**	**-**	**3,297**	**13,827**	**17,124**	**17,124**
Lease liability	-	-	-	13,827	13,827	13,827
Trade payables	-	-	3,297	-	3,297	3,297
Total financial assets	**243,215**	**-**	**3,297**	**13,827**	**260,339**	**260,339**

As of December 31, 2021	Financial assets measured at amortized cost	Financial liabilities measured at fair value	Financial liabilities at amortized cost	Financial liabilities out of scope of IFRS 9	Total carrying amount	Fair value
Assets	**228,263**	**-**	**-**	**-**	**228,263**	**228,263**
Trade receivables	23,848	-	-	-	23,848	23,848
Cash and cash equivalents	204,415	-	-	-	204,415	204,415
Liabilities	**-**	**-**	**32,604**	**17,257**	**49,861**	**49,861**
Lease liability	-	-	-	17,257	17,257	17,257
Trade payables	-	-	32,604	-	32,604	32,604
Total financial liabilities	**228,263**	**-**	**32,604**	**17,257**	**278,124**	**278,124**

(all amounts in tables presented in thousands USD, except where stated otherwise)

As at December 31, 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. Trade and other receivables

	As of December 31, 2022	As of December 31, 2021
Trade accounts receivable and accrued revenues from third parties	20,970	23,848
Contract cost	804	938
Tax receivables other than from corporate income taxes	2,779	1,952
Other receivables	566	363
Prepaid expenses	932	782
Allowance for expected credit losses	(196)	(212)
Total trade and other receivables	**25,855**	**27,671**

Allowance for expected credit losses	As of December 31, 2022	As of December 31, 2021
Opening balance	(212)	(244)
- increase	-	-
- decrease – valuation	16	32
Total allowance for expected credit losses	**(196)**	**(212)**

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

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

Allowance for expected credit losses is recognized in other operating expenses or finance costs (accrued interest) in the consolidated statement of comprehensive income, based on the nature of the underlying balance. The allowance for expected credit losses referred solely to "Other receivables" in the amount of USD 196 thousand as at December 31, 2022 and USD 212 thousand as at December 31, 2021.

(all amounts in tables presented in thousands USD, except where stated otherwise)

14. Cash and cash equivalents

	As of December 31, 2022	As of December 31, 2021
Deposits	177,661	-
Cash at banks (current accounts)	17,921	189,163
Money market interest-bearing accounts	16,695	15,006
Money market mutual fund investments	9,968	245
Cash in hand	-	1
Total cash and cash equivalents	**222,245**	**204,415**

As of December 31, 2022, there were short-term cash deposits amounting to USD 177,661 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.

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

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

During the year ended December 31, 2022, deposits, money market mutual fund investments and money market interest-bearing accounts generated interest income in the total amount of USD 2,089 thousand. This includes the accrued interest from bank deposits in the amount of USD 763 thousand (received before the date of these financial statements). For the details, please refer to Note 9 *Finance income and finance expense*.

As of December 31, 2022, there was restricted cash in the amount of USD 249 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).

(all amounts in tables presented in thousands USD, except where stated otherwise)

15. Share capital

As of December 31, 2022 and December 31, 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 December 31, 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	**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)	-	-	-	-	-		-	-	-	-	(1,459,728)	(29)	(1,459,728)	(29)
Allocation of shares to Share-based payment program	-	-	-	-	(1,459,728)	(29)	1,459,728	29	-	-	-	-	-	-
Exercise of stock options	1,459,728	29	-	-	-	-	(1,459,728)	(29)	-	-	-	-	-	-
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 December 31, 2022	**79,183,513**	**1,584**	**2**	**0**	**5,063,182**	**102**	-	-	**84,246,697**	**1,686**	**11,007,733**	**220**	**95,254,430**	**1,906**

(all amounts in tables presented in thousands USD, except where stated otherwise)

Shares classified as equity instruments as of December 31, 2021, i.e. including preference shares series C after conversion.

	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	**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 the existing share-based payment programs (not issued)	-	-	-	-	-	-	-	-	-	-	(1,775,320)	(36)	(1,775,320)	(36)
Allocation of treasury shares to share-based payment program	-	-	-	-	(1,775,320)	(36)	1,775,320	36	-	-	5,897,271	118	5,897,271	118
Exercise of stock options	1,775,320	36	-	-	-	-	(1,775,320)	(36)	-	-	-	-	-	-
As of December 31, 2021	**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**

(all amounts in tables presented in thousands USD, except where stated otherwise)

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

As of December 31, 2022, 3,258,094 shares were allocated to a reserve which could be issued only with majority shareholders approval (1,775,320 as of December 31, 2021). This is a consequence of using the treasury shares for: the Group's ESOP obligations in the amount of 1,459,728 shares during the year 2022 and 1,775,320 shares during the year 2021, 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 December 31, 2022, the share capital of the Company comprised 84,246,697 shares (fully paid) with a par value of USD 0.00002 per share and the total value of USD 1,686 (not thousand), including 79,183,513 common shares held by shareholders, two preference shares (one preference share of series A and one preference share of series B), and 5,063,182 common shares reacquired by the Company and not redeemed (treasury shares and treasury shares allocated to the existing share-based payment programs).

As of December 31, 2021, the share capital of the Company comprised 84,246,697 shares (fully paid) with a par value of USD 0.00002 per share and the total value of USD 1,686 (not thousand), including 82,690,347 common shares held by shareholders, 2 preference shares (one preference share of series A and one preference share of series B), and 1,556,348 of common shares reacquired by the Company and not redeemed (treasury shares and treasury shares allocated for the existing share-based payment programs).

During the year 2022, the number of shares (not issued) allocated to the existing share-based payment programs was reduced by 1,459,728 shares. This is because 1,459,728 treasury shares were delivered to employees for the options exercised during the year ended December 31, 2022. As of December 31, 2022, 11,007,733 shares with a par value of USD 0.00002 per share were reserved for two stock option programs established in 2015 and 2019.

During the year 2021, the number of shares (not issued) allocated for the existing share-based payment programs was reduced by 1,775,320 shares. This is because the treasury shares were delivered to employees for the part of options exercised during the year ended December 31, 2021. On August 9, 2021 the number of shares allocated (not issued) for employee stock option plan was extended by additional 5,897,271 shares. After the changes, as of December 31, 2021 12,467,461 shares with a par value of USD 0.00002 per share were reserved for two stock option programs established in 2015 and 2019 years.

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 December 31, 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, CEO and President, who participates in the Company's ordinary shares indirectly (through shares of Big Bets OU).

As of December 31, 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 difference between nominal value and the market price on issuance of shares, or the difference between the book value and purchase price on re-issue of treasury shares.

In the year ended December 31, 2022 the following transactions in common and preference shares took place:

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

On February 15, 2022, the Group decided to repurchase its common shares listed for trading on the Warsaw Stock Exchange. The share buy-back started on March 29, 2022. The purpose of the Share Buyback Scheme 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 year ended December 31, 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 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 year ended December 31, 2022, 2,072,355 share options held by employees under the share-based payment program were exercised, out of which for 1,459,728 options exercised treasury shares were delivered to employees before December 31, 2022 (the difference is due to cashless exercises).

The delivery of treasury shares was presented as a movement from treasury shares to common shares. The movement resulted in an increase in share capital in the amount of the nominal value of the shares delivered, and the difference between the value of treasury shares and the cash consideration received in the amount of USD 16,251 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 year ended December 31, 2022, 23,046 shares were delivered to the former owners of Double Star Oy based on the Share Sale and Purchase Agreement, corrected by the First Amendment dated October 19, 2021. For details of the earn-out consideration, please see Note 16 *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 year ended December 31, 2021 the following transactions in 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 – 1,402,293 shares
- series A preference shares – 257,103 shares
- series B preference shares – 397,645 shares
- series C preference shares – 127,420 shares.

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

Redemption of treasury shares has been recognized as a decrease in supplementary capital in the consolidated statement of changes in equity in the amount of USD 33,994 thousand.

- **Share split**

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

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

(i) 88,243,795 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 12 *Financial risk management*, point (f) *Earnings per share* to be adjusted in the calculation of both basic and diluted earnings per share for the period ended December 31, 2021 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 the conversion			After conversion
	Series A preference shares	**Series B preference shares**	**Series C preference shares**	**Common shares**
Number of shares	8,714,485	4,911,775	16,193,485	29,819,745

Conversion of preference shares A,B and C has been recognized as an increase in supplementary capital in the consolidated statement of changes in equity in the amount of USD 215,603 thousand.

- **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 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 recognized in the supplementary capital in the consolidated statement of changes in equity.

(all amounts in tables presented in thousands USD, except where stated otherwise)

- **Execution of stabilization option**

In relation to the initial public offering, on February 5, 2021 the Company and IPOPEMA Securities S.A. ("Stabilization Manager") signed 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 year ended December 31, 2021, before share split 6,411 share options (equivalent of 32,055 options after share split) held by the 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 share premium (presented within "Supplementary capital"). The exercise price was paid by the employees in cash.

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

In the year ended December 31, 2021, after the share split 1,851,622 share options held by the employees under the share-based payment program were exercised, out of which for 1,775,320 options exercised treasury shares were delivered to employees before December 31, 2021 (the difference is due to cashless exercises). The delivery of treasury shares was presented as a movement from treasury shares to common shares. The movement resulted in an increase in share capital in the amount of nominal value of the shares delivered, and difference between the value of treasury shares and the cash consideration received in the amount of USD 22,672 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.

16. Share-based payment arrangements

As at December 31, 2022 and as at December 31, 2021 the Group had an equity incentive plan, i.e. ESOP. The first stock option program (the employee stock option plan or "ESOP 2015") was established by the Company's Board of Directors on April 3, 2015, the second one on October 19, 2019 ("ESOP 2019"), the grant dates were determined at the dates when the contracts with eligible employees were signed. Additionally, during the period ended December 31, 2021 stock option plan was granted to Mr. Anton Gauffin as described below in this note. The program entitles employees and some consultants to purchase shares in the Company. Each option stands for one common or treasury share of the Company.

The vesting condition of both ESOP 2015 and 2019 programs is to provide the service continuously for at least 4 years from the grant date and the following vesting schedule is applicable depending on the particular grant:

- about 25% of the shares options vest and become exercisable on a 12-month anniversary of the vesting commencement date and then after end of each consecutive month 1/36 of the remaining shares options vest and become exercisable; or
- the options vest and become exercisable with respect to 1/48th of the total option shares when the optionee completes each full month of continuous service after the grant date.

For such share-based payments staged vesting applies i.e. each instalment with different vesting period is treated as a separate award with a different vesting period.

As of December 31, 2022 there were 11,007,733 shares reserved for the ESOP that were not yet allocated to specific employees (12,467,461 as of December 31, 2021). This is at the Group discretion whether the unallocated shares will be allocated within the share-based program to the employees or unused or withdrawn from the program.

In 2022 the Company's Board of Directors granted 656,971 options to its employees and consultants (4,111,765 in 2021).

Shares option expense for year 2022 amounts to USD 3,082 thousand (USD 11,830 thousand in 2021) and was booked against equity (employee benefit reserve) which amounted to USD 22,894 thousand as of December 31, 2022 (USD 19,812 thousand as of December 31, 2021).

Details of the grants are presented in the table below:

Grant date	Number of instruments granted	Expiry date
Granted in 2015	293,292	June 1, 2025
Granted in 2016	175,058	June 1, 2026 – December 1, 2026
Granted in 2017	386,310	February 1, 2027 – December 1, 2027
Granted in 2018	131,000	December 1, 2024
Granted in 2019	243,525	December 1, 2024 – November 6, 2025
Granted in 2020	738,024	April 1, 2027– November 11, 2027
Granted in 2021	4,111,765	February 2,2028 - September 10, 2028
January 3, 2022	322,945	January 3, 2029
February 7, 2022	28,665	February 7, 2029
August 5, 2022	305,361	August 5, 2029
Subtotal granted in 2022	656,971	
Total	**6,735,945**	

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

	Year ended December 31, 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	(2,345,282)	5.46
Exercised during the period	(2,072,355)	2.70
Expired during the period	(300,331)	5.56
Balance as at December 31	**4,778,100**	**4.46***

* The weighted average exercise price of the balance outstanding as at December 31, 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.

(all amounts in tables presented in thousands USD, except where stated otherwise)

	Year ended December 31, 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	(518,371)	7.44
Exercised during the period	(1,851,622)	1.02
Expired during the period	(38,260)	2.03
Balance as at December 31	**8,839,097**	**5.80**

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

As at December 31, 2022 1,585,019 share options were exercisable, with weighted average exercise price of USD 3.1 per share. As at December 31, 2021 2,836,827 share options (after share split) were exercisable, with weighted average exercise price of USD 2.89 per share.

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

Exercise date	Grant date	Exercise price	Fair Market Value on exercise date	Number of stock options exercised
Exercised in 2020	May 29, 2015 – November 6, 2019	$0.0002 – $13.500	$15.0300 – $18.6200	176,009
Exercised in 2021 (before share split)	May 29, 2015 – December 1, 2016	$0.0002 – $0.79	$54.53	6,411
Exercised in 2021 (after share split)	May 29, 2015 – November 20, 2020	$0.00004 – $3.72402	$6.2348 – $12.0319	1,851,622
Exercised in 2022	May 29, 2015 – January 3, 2022	$0.11 – $4.13	$3.5835 – $5.6779	2,072,355

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

(all amounts in tables presented in thousands USD, except where stated otherwise)

As at December 31, 2022:

Exercise price in USD	Number of outstanding stock options	Weighted average remaining contractual life (in years)
0.00004 - 0.83	268,694	4.21
2.7 - 3.92	3,448,626	5.58
4.13 - 13.51	1,060,780	6.15
Total:	**4,778,100**	**5.63**

As at December 31, 2021:

Exercise price in USD	Number of outstanding stock options	Weighted average remaining contractual life (in years)
0.00004 - 0.83	495,579	4.18
2.7 - 3.72	4,776,838	2.85
9.55 - 13.51	3,566,680	6.18
Total:	**8,839,097**	**4.27**

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

Expected volatility was based on historical volatility of a similar industry sector. Based on the analysis and the factors specific to the Company, an equity volatility of 54.2% - 80.0% (55.4% - 80.0% for the year ended 31 December, 2021) was used in option pricing model.

The inputs used in the measurement of the fair values at the grant dates of the equity-settled share-based payment plan for the options outstanding as of December 31, 2022 and as of December 31, 2021, were as follows:

	As of December 31, 2022	As of December 31, 2021
Fair value at grant date	0.00002 – 8.66	0.00002 – 8.66
Share price at grant date	2.5 – 10.91	0.00004 – 10.91
Exercise price	0.00004 – 13.5146	0.00004 – 13.5146
Expected volatility (weighted average)	54.2% – 80%	55.4% – 80%
Expected life (weighted average)	2.42 – 6.60	3.00 – 7.30
Risk-free interest rate	0.21% – 3.27%	0.21% – 2.80%

(all amounts in tables presented in thousands USD, except where stated otherwise)

The effect of the fair value measurement is reflected in the profit and loss against equity (USD 3,082 thousand was expensed in 2022 and USD 11,830 thousand in 2021) – for details on the related employee benefit expenses please refer to Note 8 *Salaries and employee-related costs* and to the consolidated statement of changes in shareholders' equity.

During the year ended December 31, 2022, 2,072,355 options were exercised in total under the share-based payment program, out of which 1,459,728 treasury shares were delivered for all options exercised (the difference of 612,627 options is due to cashless exercises). Cash payments received for the shares delivered to employees before December 31, 2022 amounted to USD 2,540 thousand.

During the year ended December 31, 2021, before share split, 6,411 common shares were issued (equivalent of 32,055 common shares after share split) and 1,775,320 treasury shares were delivered from the share-based payment program as described in Note 15 *Share capital*. During the year ended December 31, 2021, the Group received cash payments for the shares that were delivered to employees as of December 31, 2021.

Other than the share-based payment arrangements described above, in a result of the acquisition that took place on July 16, 2020, the Group accounted for the earn-out consideration payable in shares dependent on a performance condition and a continuing employment condition as a share-based payment for the sellers of Double Star Oy. On February 21, 2022, 23,046 treasury shares were delivered to the former owners of Double Star Oy as presented in Note 15 *Share capital*. As at December 31, 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 year ended December 31, 2022 amounted to USD 3,082 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 557 thousand, which are both explained in detail further below.

Total expense related to share-based payment arrangements for the year ended December 31, 2021 comprises ESOP in the amount of USD 11,830 thousand (this expense includes USD 381 thousand related to Mr Anton's Gauffin options which are explained in detail further below) and earn-out consideration expense reversal in the amount of USD 70 thousand.

These costs were allocated to Sales and marketing expenses, Research and development expenses and General and administrative expenses lines in the 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 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. Total expense related to modification of options for the year ended December 31, 2022 amounted to USD 552 thousand.

CEO options

The remuneration of Mr. Anton Gauffin, holding the positions of the President and Chief Executive Officer of the Company , for the period ending at the 2022 Annual General Meeting of the Company, consisted solely of 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 instalment has a different vesting period and is treated as a separate award with a different vesting period.

Advisory agreement

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

17. 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 15 *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 consolidated statement of changes in equity as of December 31, 2021.

18. Goodwill

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

	As of December 31, 2022	As of December 31, 2021
Amount as the beginning of the period	**2,693**	**2,838**
Goodwill arising from the acquisition of Playable Platform B.V.	1,098	1,098
Goodwill arising from the acquisition of Double Star Oy	1,508	1,508
Foreign exchange differences	(144)	87
Impairment	-	-
Amount as the end of the period	**2,462**	**2,693**

The recoverable amount of the net assets of the Group has been determined based on their fair value (Level 1) as at December 31, 2022. The test results show no goodwill impairment as at December 31, 2022.

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

(all amounts in tables presented in thousands USD, except where stated otherwise)

19. Trade, other payables and deferred income

	As of December 31, 2022	As of December 31, 2021
Trade accounts payable to third parties	3,297	3,204
Deferred payment for Traffic Puzzle Game	-	29,400
Tax payables other than from corporate income taxes	2,463	2,339
Other accounts payable	567	518
Accrued expenses	17,975	17,226
Trade and other payables	**24,302**	**52,687**

As of December 31, 2022 and December 31, 2021 accrued expenses mainly include marketing and advertising expenses, expenses related to bonuses for employees and consultants, unused vacation and the audit.

Deferred income, presented in a separate line of the statement of the financial position, amounting to USD 2,680 thousand as at December 31, 2022 (USD 3,126 thousand as at December 31, 2021), is a contract liability related to players' unused coins at the end of the reporting period as described in Note 2 *Basis for preparation of the consolidated financial statements*, point (d) *Key judgement and estimates – estimate of the progress towards complete satisfaction of the performance obligation.*

20. Leases

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

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

The table below presents the carrying amounts of recognized right-of-use assets and the movements over the year 2022 and 2021:

	Offices	Cars	Total
as at January 1, 2022	**17,229**	**250**	**17,479**
additions (new leases)	663	-	663
transfer to lease receivables *	(749)	-	(749)
lease modifications	1,266	(12)	1,254
foreign exchange differences on translation	(1,619)	(29)	(1,648)
Depreciation	(3,931)	(103)	(4,034)
as at December 31, 2022	**12,859**	**106**	**12,965**

* 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.

(all amounts in tables presented in thousands USD, except where stated otherwise)

	Offices	Cars	Total
as at January 1, 2021	**8,501**	**145**	**8,646**
Remeasurement due to indexation and other	833	-	833
additions (new leases)	11,462	233	11,695
lease modifications	(660)	3	(657)
foreign exchange differences on translation	17	(21)	(4)
Depreciation	(2,924)	(110)	(3,034)
as at December 31, 2021	**17,229**	**250**	**17,479**

During the year ended December 31, 2022, lease agreement for new office building in London was signed, where lease payments denominated in British pound sterling and lease term is 2 years.

There were two significant lease agreements signed during the year ended December 31, 2021, new office building in Tel Aviv and additional floor space in Warsaw. Lease payments for the Tel Aviv office are denominated in Israeli Shekel. Lease payments for additional floor space in Warsaw are denominated in euro, subject to indexation. The minimum lease terms are 5 years each, and as of today the Group does not intend to extend them. The contracts do not contain variable payments and no material lease improvements have been made to December 31, 2021.

The table below presents the book values of lease liabilities and movements over the year 2022 and 2021.

	Year ended December 31, 2022	Year ended December 31, 2021
as at January 1	**17,257**	**9,061**
additions (new leases)	663	11,110
lease modifications	1,268	(853)
Remeasurement due to indexation and other	-	894
interest expense on lease liabilities	288	162
lease payments	(4,185)	(2,952)
foreign exchange differences on translation to local currency	218	63
foreign exchange differences on translation to USD	(1,682)	(228)
as at December 31	**13,827**	**17,257**
long-term	9,812	12,982
short-term	4,015	4,275

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

- cash payments of the capital component of lease liabilities in the year 2022 amounting to USD 3,897 thousand (USD 2,790 thousand in the year 2021) – as part of financing activities (lease repayment),
- cash interest payments on leases in the year 2022 amounting to USD 288 thousand (USD 162 thousand in the year 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 year 2022 amounting to USD 492 thousand (USD 402 thousand in the year 2021) as part of operating activities.

(all amounts in tables presented in thousands USD, except where stated otherwise)

The table below presents the amounts of income, costs, gains and losses resulting from leases which are recognized in the consolidated statement of comprehensive income for year 2022 and 2021.

	Year ended December 31, 2022	Year ended December 31, 2021
Depreciation expense of right-of-use assets	4,034	3,034
Interest expense on lease liabilities	288	162
Foreign exchange differences	218	63
Total amount recognized in the consolidated statement of comprehensive income	**4,540**	**3,259**

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, recognises lease receivable from sublease, 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 1,679 thousand is presented in the line "Other operating income/(expense), net" in the consolidated statement of comprehensive income during the year ended December 31, 2022. The lease receivable from the finance lease amounted to USD 749 thousand as at December 31, 2022.

21. 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.

22. Pledges and collaterals

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

(all amounts in tables presented in thousands USD, except where stated otherwise)

23. Related party transactions

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

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 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 is no ultimate controlling party.

24. 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.

Board of Directors of Huuuge Inc. and Executive Management	Year ended December 31, 2022	Year ended December 31, 2021
Base salaries	3,215	3,283
Bonuses and compensation based on the Group's financial result for the previous year	1,706	988
Share-based payments	438	6,871
Total	**5,359**	**11,142**

The amounts presented for the year ended December 31, 2022 and December 31, 2021 reflect the change in composition of the executive management team during the year.

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 year ended December 31, 2022, the cost recognized amounted to USD 1,627 thousand and the cost reversal amounted to USD 1,189 thousand.

During the year ended 31 December 2022, members of the Board of Directors and Executive Management team exercised 8,360 options (395,877 options during the year ended 31 December 2021).

The non-executive directors are remunerated with a fixed annual salary and an additional salary for holding a position of president of the Audit Committee or the Remuneration and Nomination Committee or being a member of the Audit Committee or the Remuneration and Nomination. For additional information about recommendation from the Nomination and Remuneration Committee on executive and non-executive compensation, please refer to Note 16 *Share-based payment arrangements*.

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

(all amounts in tables presented in thousands USD, except where stated otherwise)

25. Audit fees

	Year ended December 31, 2022	Year ended December 31, 2021
Audit of financial statements	311	255
Voluntary audit of financial statements	-	130
Remuneration for additional services performed	-	-
Total	**311**	**385**

Audit of financial statements relates to the audit of standalone financial statements of Huuuge Inc., and the audit of the Group's consolidated financial statements prepared in accordance with IFRS, as well as the audit of separate financial statements of the Group's subsidiaries prepared in accordance with local generally accepted accounting principles, to the extent performed by the Group Auditor.

For the year ended December 31, 2021 the voluntary audit of financial statements relates to the audit of the Group's consolidated financial statements prepared in accordance with Generally Accepted Accounting Principles in the United States.

26. 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 Belarusian markets were responsible for less than 1% of total revenue generated by Huuuge in 2022, 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.

27. 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 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 year ended December 31, 2022 and for the year ended December 31, 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 December 31, 2022 and December 31, 2021, the COVID-19 pandemic has had no negative impact on the Group's liquidity.

(all amounts in tables presented in thousands USD, except where stated otherwise)

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.

28. Subsequent events

After December 31, 2022 and up to the date of approval of these consolidated financial statements for issue no significant events except the following have occurred.

Delivery of treasury shares for the options exercised

After December 31, 2022 and up to the date of approval of these consolidated financial statements for issue the Company delivered to its employees 439,835 treasury shares for 839,748 options exercised after December 31, 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 16 *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.

Completion of review of strategic options

On February 15, 2023, the Board of Directors decided to conclude the previously announced review of strategic options for the future of the Company. The Board has concluded that a portion of the Company's cash reserves should be distributed to its stockholders while leaving adequate cash reserves for the Company's ongoing and anticipated operational needs and to support publishing projects and future growth plans.The Company's Board has resolved to allocate a maximum amount of USD 150 million from the Company's reserves for the purpose of purchasing the Company's common shares listed for trade on the Warsaw Stock Exchange (the "SBB"), subject to the Board's discretion to increase or decrease the aforementioned amount.

Exposure to Silicon Valley Bank and cash balance of the Group

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

On March 12, 2023, a joint statement was released by the US Secretary of the Treasury, Federal Reserve Board Chair and the FDIC Chairman informing that the US Secretary of the Treasury approved actions enabling the FDIC to complete its resolution of Silicon Valley Bank, Santa Clara, California, in a manner that fully protects all depositors.

On March 13, 2023, The FDIC transferred all deposits, both insured and uninsured, and substantially all the assets of the former Silicon Valley Bank of Santa Clara, California, to a newly created, full-service FDIC-operated 'bridge bank' in an action designed to protect all depositors of Silicon Valley Bank. Depositors and borrowers automatically became customers of Silicon Valley Bridge Bank, N.A.

This event does not have any impact on the cash and cash equivalents balance of the Group as of December 31, 2022. This event after the reporting period is only indicative of a condition that arose after the end of the reporting period and is considered as a non-adjusting event after the reporting period.

As of December 31, 2022, USD 26,764 thousands of cash and securities were held at SVB, out of which USD 16,796 thousand were held in operating and money market accounts and USD 9,968 thousand were held in money market funds. Please, refer to Note 14 *Cash and cash equivalents*.

As of the date of signing of these consolidated financial statements for issue USD 556 thousand is still held in SVB, out of which USD 226 thousand is held in operating accounts and USD 330 thousand is held in money market funds.

Decision on the intention to carry out collective redundancies

On March 20 2023, in accordance with the provisions of the Act on specific rules for terminating employment relationships with employees for reasons not related to employees dated March 13, 2003 (i.e. Journal of Laws of 2003 no 90 item 844), the Management Board of Huuuge Games sp. z o.o. (the "Subsidiary") adopted a resolution on the intention to carry out collective redundancies and to start the consultation procedure regarding the collective redundancies.

The collective redundancies in the Subsidiary are intended to be completed by the end of April 2023 and to cover approximately 10% of the Issuer's Group headcount in total (as of December 31, 2022). In accordance with the requirements under law, following the adoption of a resolution on the intention to carry out collective redundancies and the commencement of the consultation procedure by the Management Board of the Subsidiary, the Subsidiary will notify the employee representative. In addition, the Subsidiary will notify the relevant labour offices about the intention to carry out the collective redundancies.

Filed complaint

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

The Company intends to defend itself in this matter vigorously and believes that there are meritorious legal and factual defenses against the plaintiff's allegations and requests for relief. As the case is in preliminary stages, the Company is unable to reasonably estimate the loss or range of loss, if any, arising from this litigation. As of the date of signing of these consolidated financial statements, to the best of the Company's knowledge, this litigation is not expected to have a material impact on the Company's operations, financial condition or cashflows.

Electronically signed
Anton Gauffin
President of Huuuge Inc., CEO

March 27, 2023

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