CONSOLIDATED Q3 2021 REPORT

THE HUUUGE, INC. GROUP
for the nine-month period ended September 30, 2021

Disclaimer

This constitutes the quarterly report for the nine-month period ended September 30, 2021 (“9M 2021”) prepared in accordance with the Regulation of the Minister of Finance of March 29, 2018 on current and periodic information published by issuers of securities and the conditions for recognizing information as equivalent required by the law of a non-member state (the “Quarterly Report”). This Quarterly Report should be read in conjunction with the interim condensed consolidated financial statements for the nine-month period ended September 30, 2021 prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

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

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

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

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

Industry and Market Data

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

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

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

Key Performance Indicators

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

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

Forward-looking statements

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

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

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President's Letter

Dear Shareholders,

It is my pleasure to present our report for the nine-month period of 2021. In the third quarter we achieved double-digit 17% YoY growth in revenue despite the market slowdown. This increase was driven both by our core titles and new franchises. The significant contributor to our growth was Traffic Puzzle, which performed very well. The game's revenue for the third quarter increased almost sixfold YoY, and amounted to USD 8.7m. The user base keeps growing, and we are proud to announce that the number of DAUs in October 2021surpassed 220,000. Revenue from our core franchises in the third quarter increased by 9.5% YoY which is above the social casino segment dynamics. The main driver for this growth was the increase in monetization metrics.

The whole social casino sector is a real evergreen category that continues to deliver more and more value over coming years. At the same time market data tells us that the value creation is being done more by entertaining and engaging audiences that are already playing social casino games vs. bringing in new players that would be completely new players to the genre. This has a big impact on the player expectations already from the get-go and there is also a need for a different marketing playbook, which is why our nearterm strategic focus is to optimize both our new user onboarding flows and user acquisition spend for these flagship games. Strategically this will also improve profitability and cash generation of our core portfolio allowing us to invest & expand our network with new franchises.

There is a strong conviction that our real time multiplayer and the more social gameplay that we provide, leads into a more engaging and rewarding player experience which is eventually what the players want and seek for. That said, we are excited to explore new ways to distribute and expand our business to entertain new audiences and we are excited about the new opportunities provided by blockchain technologies and where the latest evolution of the industry is heading. Expect to hear more on this topic soon.

Good operating results and revenue growth translated into an increase in adjusted EBITDA of 106% YoY, to USD 17.7m, and in adjusted net profit of 45% YoY, to USD 11.4m. We are on track to deliver the record high revenue and adjusted EBITDA for the full year 2021.

2021 has been a unique year in Huuuge's history. In February we began our journey as a publicly listed company, and in April we completed the Company's most important M&A transaction to date—the acquisition of Traffic Puzzle, which continues to strengthen the potential of the Buy component in our "Build & Buy" strategy. These unprecedented events were only possible thanks to the vision we had and efforts we took long before 2021.

When reviewing our path in the last nine months, we are also looking to the future. This resulted in adjusting our management structure. The time has come for the next generation of Huuuge leadership to take on additional responsibilities and bring their professional excellence and unique perspectives to the executive team. In October we announced this team's new composition.

We believe the long-term prospects of the mobile gaming market remain very good. Mobile game revenues are expected to outperform both console and PC in the next few years, and will account for more than half of the global games market already at the end of 2021.

At Huuuge, we continue to do what we do best: empowering millions of people to play together and realizing our vision of transforming mobile gaming into a massively social experience. Our goal is to remain one of the fastest-growing mobile free-to-play game developers and publishers, to bring fun to our players and build value for our shareholders.

Best regards,

Anton Gauffin

Anton Markus Gauffin Digitally signed by Anton Markus Gauffin Date: 2021.11.24 17:04:15 +02'00'

Anton Gauffin
President and CEO of Huuuge, Inc.

Selected financial data

in thousand	USD 9M 2021	USD 9M 2020	EUR 9M 2021	EUR 9M 2020	PLN 9M 2021	PLN 9M 2020
Revenue	285,232	243,529	238,403	206,433	1,084,390	923,508
Operating profit/(loss)	29,021	50,118	24,256	42,484	110,332	190,057
Pre-tax profit/(loss)	(15,543)	31,929	(12,991)	27,065	(59,091)	121,081
Net profit/(loss)	(21,059)	24,755	(17,602)	20,984	(80,062)	93,876
Net cash flows from operating activities	18,946	58,811	15,835	49,853	72,029	223,022
Net cash flows from investing activities	(13,696)	(3,601)	(11,447)	(3,052)	(52,069)	(13,656)
Net cash flows from financing activities	97,551	657	81,535	557	370,868	2,491
Total net cash flows	102,801	55,867	85,923	47,357	390,827	211,858
Cash and cash equivalents at the end of period	195,560	82,161	168,528	70,163	780,773	317,592
Number of shares at the end of period	84,246,697	13,352,991				
Weighted average number of shares (1)	75,724,784	45,465,757				
Earnings per share basic (EPS) (1)	(0.27)	0.44				
Earnings per share diluted (EPS) (1)	(0.27)	0.41				

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

	EUR 9M 2021	PLN 9M 2021	EUR 9M 2020	PLN 9M 2020
Average exchange rate for the reported period	1.1964	0.2630	1.1797	0.2637
Exchange rate at the end of the reported period	1.1604	0.2505	1.1710	0.2587

The Huuuge Inc. Group Interim Condensed Consolidated Financial Statements

as at and for the nine-month period ended September 30, 2021

Interim condensed consolidated statement of comprehensive income

	Note	Nine-month period ended September 30, 2021 Unaudited	Nine-month period ended September 30, 2020 Unaudited
Revenue	5	**285,232**	**243,529**
Cost of sales	6	(83,820)	(73,288)
Gross profit on sales		**201,412**	**170,241**
Sales and marketing expenses:	6	(116,596)	(81,575)
thereof User acquisition marketing campaigns	6	(103,777)	(71,603)
thereof General sales and marketing expenses	6	(12,819)	(9,972)
Research and development expenses	6	(25,466)	(21,242)
General and administrative expenses	6	(31,022)	(17,402)
Other operating income/(expense), net		693	96
Operating result		**29,021**	**50,118**
Finance income	7	10	992
Finance expense	7	(44,574)	(19,181)
Profit/(loss) before tax		**(15,543)**	**31,929**
Income tax	8	(5,516)	(7,174)
Net result for the period		**(21,059)**	**24,755**
Other comprehensive income			
Items that can be later reversed in profit or loss			
Exchange gains/(losses) on translation of foreign operations		(736)	(992)
Total other comprehensive income		**(736)**	**(992)**
Total comprehensive income for the period		**(21,795)**	**23,763**
Net result for the period attributable to:			
owners of the Parent		(21,059)	24,755
non-controlling interest			
Total comprehensive income for the period attributable to:			
owners of the Parent		(21,795)	23,763
non-controlling interest			
Earnings per share (in USD)			
Basic	11	(0.27)	0.44
Diluted	11	(0.27)	0.41

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

Interim condensed consolidated statement of financial position

	Note	As of September 30, 2021 Unaudited	As of December 31, 2020 Audited
Assets			
Non-current assets			
Property, plant and equipment		3,015	2,703
Right-of-use assets	16	5,782	8,646
Goodwill		2,682	2,838
Intangible assets	9	40,369	1,459
Deferred tax assets		1,514	899
Other long-term assets		1,220	802
Total non-current assets		**54,582**	**17,347**
Current assets			
Trade and other receivables		28,672	29,226
Corporate income tax receivable		574	1,101
Cash and cash equivalents	10	195,560	94,158
Total current assets		**224,806**	**124,485**
Total assets		**279,388**	**141,832**
Equity			
Share capital	13	2	2
Treasury shares	13	(30,710)	(33,994)
Supplementary capital		331,994	14,814
Employee benefit reserve	14	17,172	8,052
Foreign exchange reserve		563	1,299
Retained earnings/(accumulated losses)		(107,240)	(86,181)
Total equity		**211,781**	**(96,008)**
Equity attributable to owners of the Company		*211,781*	*(96,008)*
Non-controlling interests			-
Non-current liabilities			
Preference shares	15	-	176,606
Long-term lease liabilities	16	3,997	6,282
Deferred tax liabilities		-	131
Total non-current liabilities		**3,997**	**183,019**
Current liabilities			
Trade and other payables		56,091	37,797
Deferred income		2,673	3,360
Corporate income tax liabilities		2,569	3,126
Short-term lease liabilities	16	2,161	2,779
Other provisions	18	116	7,759
Total current liabilities		**63,610**	**54,821**
Total equity and liabilities		**279,388**	**141,832**

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

Interim condensed consolidated statement of changes in equity

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

* Exercise of stock options line includes payments received from the employees in the amount of USD 77 thousand for shares which have not yet been delivered to the employees, and are presented in supplementary capital as at the date of these interim consolidated financial statements.

	Note	Share capital	Treasury shares	Supplementary capital	Employee benefit reserve	Retained earnings	Foreign exchange reserve	Equity attributable to owners	Non-controlling interest	Equity
As of January 1, 2020, audited		**2**	**(36,604)**	**13,725**	**4,294**	**(2,052)**	**809**	**(19,826)**	**-**	**(19,826)**
Net profit (loss) for the period		-	-	-	-	24,755	-	24,755	-	24,755
Other comprehensive income - foreign currency exchange gains/(losses)		-	-	-	-	-	(992)	(992)	-	(992)
Total comprehensive income for the period		**-**	**-**	**-**	**-**	**24,755**	**(992)**	**23,763**	**-**	**23,763**
Shares issued/(repurchased)	13	-	1,979	-	-	-	-	1,979	-	1,979
Exercise of stock options	13, 14	-	-	150	-	-	-	150	-	150
Acquisition of a subsidiaries (payment in treasury shares reissued)		-	631	226	-	-	-	857		857
Employee share schemes - value of employee services	14	-	-	-	2,008	-	-	2,008	-	2,008
Earn-out consideration – value of employee services	14	-	-	-	219			219	-	219
As of September 30, 2020, unaudited		**2**	**(33,994)**	**14,101**	**6,521**	**22,703**	**(183)**	**9,150**	**-**	**9,150**

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

Interim condensed consolidated statement of cash flows

	Note	Nine-month period ended September 30, 2021 Unaudited	Nine-month period ended September 30, 2020 Unaudited
Cash flows from operating activities			
Profit/(loss) before tax		**(15,543)**	**31,929**
Adjustments for:			
Depreciation and amortization	6	5,489	1,862
Finance (income)/cost, net		3,806	(1,029)
(Profit)/loss on disposal of property, plant and equipment		431	(17)
Non-cash employee benefits expense – share-based payments	14	9,120	2,227
Remeasurement of preference shares liability - finance expense	7	38,997	19,072
Changes in net working capital:			
Trade and other receivables, and other long-term assets		136	(6,618)
Trade and other payables	17	(9,496)	14,602
Deferred income		(687)	(256)
Other provisions	18	(7,643)	631
Other adjustments		12	171
Cash flows from operating activities		**24,622**	**62,574**
Income tax paid		(5,676)	(3,763)
Net cash flows from operating activities		**18,946**	**58,811**
Cash flows from investing activities			
Acquisition of property, plant and equipment		(1,370)	(1,079)
Software expenditure		(2,836)	(501)
Acquisition of subsidiaries, net of cash acquired		-	(2,088)
Acquisition of IP rights		(9,500)	-
Interest received		10	67
Net cash from investing activities		**(13,696)**	**(3,601)**
Cash flows from financing activities			
Proceeds from issue of common shares for public subscription	13	152,929	-
Execution of stabilization option	13	(43,976)	-
Transaction costs of an issuance of equity instruments		(7,097)	-
Loss on foreign exchange forward contract	7	(2,662)	-
Proceeds from issue of common shares and shares series A and B	13		8,234
Proceeds from issue of share series C	13		1,447
Repurchase of own shares Series A and B			(6,255)
Repurchase of own shares Series C	15		(1,444)
Lease repayment	16	(1,983)	(1,374)
Interest paid	16	(425)	(101)
Exercise of stock options		765	150
Net cash from financing activities		**97,551**	**657**
Net increase/(decrease) in cash and cash equivalents		**102,801**	**55,867**
Effect of exchange rate fluctuations		(1,399)	24
Cash and cash equivalents at the beginning of the period		**94,158**	**26,270**
Cash and cash equivalents at the end of the period		**195,560**	**82,161**

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

Notes to the interim condensed consolidated financial statements

1. General information

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

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

As of September 30, 2021 and December 31, 2020 the Huuuge Inc. Group (the Company and its subsidiaries collectively referred to as the "Group") comprised the Parent Company and its subsidiaries, as listed below.

Name of entity	Registered seat	Activities	Parent Company's share in capital	
			As of September 30, 2021 Unaudited	As of December 31, 2020 Audited
Huuuge Games Sp. z o.o.	Szczecin, Poland	games development and operations	100%	100%
Huuuge Global Ltd	Larnaca, Cyprus	games distribution, user acquisition	100%	100%
Huuuge Labs GmbH	Berlin, Germany	games development, R&D	100%	100%
Huuuge Digital Ltd	Tel Aviv, Israel	games development, R&D	100%	100%
Huuuge Tap Tap Games Ltd	Hong Kong	games development, user acquisition	100%	100%
Huuuge Publishing Ltd	Larnaca, Cyprus	games distribution	100%	100%
Coffee Break Games Ltd	Larnaca, Cyprus	games distribution	100%	100%
Huuuge Mobile Games Ltd	Dublin, Ireland	games distribution, user acquisition	100%	100%
Billionaire Games Ltd**	Dublin, Ireland	games distribution, user acquisition	100%	100%
Coffee Break Games United Ltd	Dublin, Ireland	games distribution, user acquisition	100%	100%
Fun Monkey Games Ltd**	Dublin, Ireland	games distribution, user acquisition	100%	100%
Playable Platform B.V.	Amsterdam, Netherlands	games advertisement	100%	100%
Double Star Oy	Vantaa, Finland	games development	100%	100%
Huuuge Pop GmbH**	Berlin, Germany	games development	100%	100%
Huuuge UK Ltd.*	London, United Kingdom	corporate development	100%	-

*On July 1, 2021 new entity Huuuge UK Ltd. (incorporated in United Kingdom) was established. 100% of shares of this entity were taken up by Huuuge Inc. The entity was established with a share capital amounting to GBP 250 thousand. This transaction does not have an impact on the consolidated financial statements of the Group due to the fact that establishment of the subsidiaries is eliminated in full. The new entity was established in United Kingdom for the purposes of extension of international presence of the Group.

** On November 18, 2021 the owner decided about the change of the names of the companies as follows: Billionaire Games Ltd changed its name to Emanon Ltd, Fun Monkey Games Ltd changed its name to Cireneg Ltd, Huuuge Pop GmbH changed its name to MDOK GmbH.

The core business activities of the Group include:

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

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

Composition of the Company’s Board of Directors as of September 30, 2021 and as of the date of signing of these interim condensed consolidated financial statements

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

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

As of September 30, 2021 and as of the date of signing of these interim condensed consolidated financial statements, Chief Executive Officer and executive director was Mr Anton Gauffin.

On February 3, 2021, the following directors were elected, and after this change, as of September 30, 2021 and as of the date of signing of these interim condensed consolidated financial statements non-executive directors were:

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

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

These interim condensed consolidated financial statements as of and for the nine-month period ended September 30, 2021 have been prepared in accordance with the IAS 34 Interim Financial Reporting as adopted by the European Union.

These interim condensed consolidated financial statements do not include all the information and disclosure required in the annual financial statements, and should be read in conjunction with the Group’s consolidated financial statements as of and for the year ended December 31, 2020 prepared in accordance with International Financial Reporting Standards as adopted by the European Union (“IFRS”).

These interim condensed consolidated financial statements as of and for the nine-month period ended September 30, 2021 were approved on November 23, 2021 by the Board of Directors.

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

Changes in presentation of operating costs

In 2020, management of the Company analysed the presentation of the operating expenses and decided about a change impacting the general sales and marketing expenses. Within the total of sales and marketing expenses, management decided to provide the further disaggregation and added a split of sales and marketing expenses line between the user acquisition marketing campaigns and general sales and marketing expenses. For more details about the nature of these costs, please refer to Note 4 *Significant accounting policies*, point (u) *Sales and marketing expense* to consolidated financial statements as of and for the year ended December 31, 2020. Such a presentation is relevant to an understanding of the Group's structure of the operating expenses. In the management’s view, the amended presentation enhances the presentation of the statement of the comprehensive income, and it results in the financial statements to be more comparable to the industry. In addition, in 2020 during the preparation of the financial statements, it was noted that the expenses related to the employee stock option plan and employee bonuses require allocation to the costs by function, i.e. Sales and marketing expenses, Research and development expenses and General and administrative expenses (as presented in the tables in Note 6 *Operating expenses*).

During the period ended September 30, 2020, the total costs related to the employee stock option plan and employee bonuses amounted to USD 4,783 thousand were allocated to the General and administrative expenses. Therefore, the proper reclassification was provided for the data presented for the period ended September 30,2020.

After the reclassification the sales and marketing costs amounted to USD 81,575 thousand, research and development expenses amounted to USD 21,242 thousand, and general and administrative costs amounted to USD 17,402 thousand (as presented in the consolidated historical financial information before the allocation of the employee stock option plan and employee bonuses: sales and marketing costs amounted to USD 80,147 thousand, research and development expenses amounted to USD 17,887 thousand, and general and administrative costs amounted to USD 22,185 thousand respectively). The above-mentioned changes were implemented retrospectively, i.e. the comparative figures conform to the new presentation; however, these changes did not have an impact on total operating expenses for the period ended September 30, 2020.

3. Adoption of new and revised Standards

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

In preparing these interim condensed consolidated financial statements the Group's management has analyzed new Standards which have already been adopted by the European Union and which should be applied for periods beginning on or after January 1, 2021 that those are not applicable for the Group.

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

- IFRS 14 Regulatory Deferral Accounts (issued on January 30, 2014) – The European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard – not yet endorsed by EU at the date of approval of these interim condensed consolidated financial statements for issue – effective for financial years beginning on or after January 1, 2016;
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture (issued on September 11, 2014) – the endorsement process of these Amendments has been postponed by EU - the effective date was deferred indefinitely by International Accounting Standards Board;
- IFRS 17 Insurance Contracts (issued on May 18, 2017) including Amendments to IFRS 17 (issued on June 25, 2020) – not yet endorsed by EU at the date of approval of these interim condensed consolidated financial statements for issue – effective for financial years beginning on or after January 1, 2023;
- Amendments to IAS 1: Presentation of Financial Statements: Classification of Liabilities as Current or Non-current - Deferral of Effective Date (issued on January 23, 2020 and July 15, 2020 respectively) – not yet endorsed by EU at the date of approval of these interim condensed consolidated financial statements for issue – effective for financial years beginning on or after January 1, 2023;
- Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on February 12, 2021) – not yet endorsed by EU at the date of approval of these interim condensed consolidated financial statements for issue – effective for financial years beginning on or after January 1, 2023;
- Amendments to IAS 8: Definition of Accounting Estimates (issued on February 12, 2021) – not yet endorsed by EU at the date of approval of these interim condensed consolidated financial statements for issue – effective for financial years beginning on or after January 1, 2023;
- Amendments to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (issued on May 6, 2021) – not yet endorsed by EU at the date of approval of these interim condensed consolidated financial statements – effective for financial years beginning on or after 1 January 2023;
- Amendments to IFRS 3: Reference to the Conceptual Framework (issued on 14 May 2020) – effective for financial years beginning on or after 1 January 2022;

- Amendments to IAS 16: Property, Plant and Equipment – Proceeds before Intended Use (issued on 14 May 2020) – effective for financial years beginning on or after 1 January 2022;
- Amendments to IAS 37: Onerous Contracts – Cost of Fulfilling a Contract (issued on 14 May 2020) - effective for financial years beginning on or after 1 January 2022;
- Annual Improvements to IFRS Standards 2018–2020 (issued on 14 May 2020) – effective for financial years beginning on or after 1 January 2022.

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

4. Significant accounting policies, key judgments and estimates

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's consolidated financial statements as of and for the year ended December 31, 2020, except for the adoption of new standards effective as of January 1, 2021. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments and interpretations apply for the first time in 2021, but do not have an impact on the interim condensed consolidated financial statements of the Group. In preparing these interim condensed consolidated financial statements, the significant judgements and estimates made by management in applying the Group's accounting policies have been consistently applied by the Group and are consistent across the reported periods.

5. Revenue

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 company. The CEO is the Chief operating decision maker and for this reason, the CEO analyzes the consolidated financial position and operating results of the Group as a whole, therefore it has been determined that the Group has only one operating segment ("online mobile games").

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

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

	Nine-month period ended September 30, 2021 Unaudited	Nine-month period ended September 30, 2020 Unaudited
Gaming applications	273,974	239,522
Advertising	11,258	4,007
Total revenue	**285,232**	**243,529**

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

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 interim condensed consolidated statement of financial position. The amounts recognized as deferred income are recognized as revenue on average within 2 days.

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

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

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

	Nine-month period ended September 30, 2021 Unaudited	**Nine-month period ended September 30, 2020 Unaudited**
Huuuge Casino	163,933	148,730
Billionaire Casino	86,963	81,773
Traffic Puzzle*	24,621	5,758
Other games	9,715	7,268
- including games developed by external developers based on publishing contracts	445	1,018
Total revenue	**285,232**	**243,529**

*Traffic Puzzle revenues for the nine-month period ended September 30, 2021 include revenues based on publishing agreement and revenues after acquisition of the game. Traffic Puzzle revenues for the nine-month period September 30, 2020 include revenues based on publishing agreement.

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

Revenue was generated in the following countries:

	Nine-month period ended September 30, 2021 Unaudited	Nine-month period ended September 30, 2020 Unaudited
United States	170,342	142,832
Germany	20,463	16,510
Canada	9,158	7,265
United Kingdom	8,651	7,597
France	7,889	7,753
Japan	7,636	5,906
Netherlands	6,769	5,899
Australia	5,846	5,558
Poland	5,170	5,133
Switzerland	3,560	3,039
Italy	2,748	2,686
Taiwan	2,737	2,454
Republic of South Africa	2,221	2,270
Russia	2,084	2,065
Austria	1,854	2,042
Other	28,104	24,520
Total revenue	**285,232**	**243,529**

The above is the management's best estimate, as for some revenue sources geographical breakdown is not available. The allocation to regions is driven by the location of individual end-user customer. No individual end-user customer with whom the Group concludes transactions had a share of 10% or more in the Group's total revenues in the nine-month period ended September 30, 2021 or September 30, 2020. Revenues are generated by several platform providers, such as Apple App Store, Google Play, Facebook and Amazon App Store.

6. Operating expenses

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

Expenses by nature Unaudited	Total	Cost of sales	Sales and marketing expenses:		Research and development expenses	General and administrative expenses
			Thereof User acquisition marketing campaigns	*thereof* General sales and marketing expenses		
Platform fees to distributors	82,900	82,900	-	-	-	-
External developers fees	860	-	-	-	860	-
Gaming servers expenses	920	920	-	-	-	-
External marketing and sales services	106,941	-	103,777	3,164	-	-
Salaries and employee-related costs	40,414	-	-	8,664	21,156	10,594
Employee stock option plan	9,120	-	-	991	2,231	5,898
Depreciation and amortization	5,489	-	-	-	-	5,489
Finance & legal services	3,974	-	-	-	-	3,974
Business travels & expenses	302	-	-	-	-	302
Property maintenance and external services	1,188	-	-	-	-	1,188
Other costs	4,796	-	-	-	1,219	3,577
Total operating expenses	**256,904**	**83,820**	**103,777**	**12,819**	**25,466**	**31,022**

For the nine-month period ended September 30, 2020 operating, administrative and marketing expenses include:

Expenses by nature Unaudited	Total	Cost of sales	Sales and marketing expenses:		Research and development expenses	General and administrative expenses
			thereof User acquisition marketing campaigns	*thereof* General sales and marketing expenses		
Platform fees to distributors	72,248	72,248	-	-	-	-
External developers fees	2,913	-	-	-	2,913	-
Gaming servers expenses	875	875	-	-	-	-
External marketing and sales services	74,485	-	71,603	2,882	-	-
Salaries and employee-related costs	31,475	-	-	6,792	17,136	7,547
Employee stock option plan	2,227	-	-	291	445	1,491
Depreciation and amortization	1,862	-	-	-	-	1,862
Finance & legal services	3,262	-	-	-	-	3,262
Business travels & expenses	273	-	-	-	-	273
Property maintenance and external services	1,004	-	-	-	-	1,004
Other costs	2,883	165	-	7	748	1,963
Total operating expenses	**193,507**	**73,288**	**71,603**	**9,972**	**21,242**	**17,402**

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

The future monthly expenditure related to the publishing contracts that were in force as at September 30, 2021 amounts to USD 85 thousand (USD 123 thousand as at September 30, 2020). The above commitments comprise the fixed fees contracted in the publishing arrangements and do not include the variable payments which are based on the future cash flows from selling the games, and the future development fees subject to the specific arrangements and agreements between parties on a scope of services.

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

7. Finance income and finance expense

Finance expense

	Nine-month period ended September 30, 2021 Unaudited	Nine-month period ended September 30, 2020 Unaudited
Valuation of preference shares series C classified as non-current liabilities	38,997	18,591
Finance expense on repurchase of series C preference shares	-	481
Loss on foreign exchange forward contract	2,662	-
Foreign exchange losses, net	2,488	-
Interest expense	427	109
Total finance expense	**44,574**	**19,181**

Finance expenses include mainly valuation of preference shares from the series C previously (before conversion into common shares) classified as a non-current liability in the amount of USD 38,997 thousand in the nine-month period ended September 30, 2021 (USD 19,072 thousand in the nine-month period ended September 30, 2020, comprised of USD 18,591 thousand - valuation of preference shares series C and USD 481 thousand - finance expense on repurchase of series C preference shares). On February 5, 2021 series C preference shares were converted into common shares. For more information, please refer to Note 13 *Share capital* and Note 15 *Conversion of series C preference shares.*

Prior to the initial public offering, the Company had entered into foreign exchange forward contract contingent upon the event of initial public offering. Upon occurrence of 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 finance income or expense accordingly. Loss of USD 2,662 thousand was incurred on the forward contract settlement date, presented in the line "Finance expense" in the interim condensed statement of comprehensive income.

Interest expense includes interest expense recognized under IFRS 16 on lease liabilities, as well as interest expense from banks.

Finance income amounted to USD 10 thousand for the nine-months period ended September 30,2021 and includes interest income. Finance income amounted to USD 992 thousand for the nine-month period ended September 30, 2020 and includes net foreign exchange gains in amount USD 921 thousand, interest income in amount of USD 67 thousand and other finance income in amount of USD 4 thousand.

8. Income tax

	Nine-month period ended September 30, 2021 Unaudited	Nine-month period ended September 30, 2020 Unaudited
Current income tax	6,262	8,087
Change in deferred income tax	(746)	(913)
Income tax for the period	**5,516**	**7,174**

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, including tax effect of valuation of the series C preference shares liability. The tax rate used for the nine-month period ended September 30, 2021 is (35)%, compared to 22% for the nine-month period ended September 30, 2020. The tax rate was higher in 2020 due to the change of proportion of Huuuge Inc. profits in the total profit of the Group and higher proportion of non-tax deductible costs, i.e. mainly the valuation of the series C preference shares and costs related to the employee stock option plan ("ESOP") to profit before tax.

9. Intangible assets

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

	IP rights	Software generated internally	Software acquired externally	Prepayments for intangible assets	Total
Gross book value as of January 1, 2020	**-**	**572**	**119**	**87**	**778**
Additions	-	-	87	417	504
Acquired as part of the business combinations	601	-	-	-	601
Transfers and disposals	-	-	-	(55)	(55)
Net foreign exchange differences on translation	-	-	(3)	(3)	(6)
Gross book value as of September 30, 2020	**601**	**572**	**203**	**446**	**1,822**
Accumulated depreciation as of January 1, 2020	**-**	**(547)**	**(116)**	**-**	**(663)**
Depreciation charge for the period	(40)	(21)	(8)	-	(69)
Disposals	-	-	-	-	-
Net foreign exchange differences on translation	-	-	-	-	-
Accumulated depreciation as of September 30, 2020	**(40)**	**(568)**	**(124)**	**-**	**(732)**
Net book value as of January 1, 2020	**-**	**25**	**3**	**87**	**115**
Net book value as of September 30, 2020, Unaudited	**561**	**4**	**79**	**446**	**1,090**

No indications for impairment were identified as at September 30, 2021 and December 31, 2020.

Costs incurred on development of supporting tools (i.e., software), which fulfilled the criteria for recognition as an asset are included in prepayments for intangible assets.

The research and development expenses that do not meet the criteria for capitalization amounted to USD 25,466 thousand during the nine-month period ended September 30, 2021 and USD 21,242 thousand during the nine-month period ended September 30, 2020. Those costs are presented in the separate line item in the statement of comprehensive income.

As of September 30, 2021, December 31, 2020 and as at the date of approval of these interim condensed consolidated financial statements for issue there were no pledges or collaterals on the Group's intangible assets.

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 Purchase Price payment schedule is as follows:

a) USD 9,500 thousand was paid within 10 business days from the signing of the APA (already paid as at September 30, 2021);

b) USD 25,000 thousand within 15 business days from the completion of the handover of the acquired assets (not paid as at September 30, 2021);

c) USD 4,400 thousand within 15 business days from the first anniversary of the completion of the handover of the acquired assets (not paid as at September 30, 2021).

Together with the APA, Huuuge Global and Picadilla concluded a development agreement relating to the maintenance, support and development of Traffic Puzzle mobile game, which was concluded for the period until the completion of the handover of the acquired assets (in any case no longer than 9 months from the date of signing of the APA).

In addition, Huuuge Global and Picadilla entered into a service agreement under which Picadilla will provide support and advice and share knowledge regarding the Traffic Puzzle game for a period of 12 months commencing on the next day following the completion of the handover of acquired assets. Under the service agreement, Picadilla will receive USD 100 thousand.

The Game Publishing Agreement between Huuuge Global and Picadilla was terminated.

Taking into account the details of transaction, i.e. the fact that one key asset (new game) was acquired, and in addition, acquired asset does not include an organized workforce, the Group recognized the transaction as an asset acquisition (and not as a business combination) at the date of the transaction. To be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. The relevant criteria of IFRS 3 for business combination have not been met, 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 10 years.

The change of trade and other payables presented in the condensed consolidated statement of cash flows for the period ended September 30, 2021 excludes second tranche in the amount of USD 25,000 thousand and third tranche in the amount USD 4,400 thousand not yet paid.

In the nine-month period ended September 30, 2021, there were no significant changes in the value of other intangible assets.

10. Cash and cash equivalents

	As of September 30, 2021	As of December 31, 2020
Cash in hand	1	2
Cash at banks (current accounts)	120,265	86,887
Money market mutual fund investments	15,294	7,269
Deposits	60,000	-
Total cash and cash equivalents	**195,560**	**94,158**

Money market mutual fund investments have been classified as cash equivalents. For the reasoning please refer to consolidated financial statements as of and for the year ended December 31, 2020.

As of September 30, 2021, there was a short-term cash deposit amounting to USD 60,000 thousand. Maturity of this investment is three months, it is repayable on demand, thus the investment is highly liquid, readily convertible to known amounts of cash, is subject to an insignificant risk of changes in value and meet the criteria indicated in IAS 7 Statement of Cash Flows and have been considered in substance as cash equivalents.

As of September 30, 2021 there was restricted cash of USD 251 thousand (USD 15 thousand as of December 31, 2020).

11. Earnings per share

Detailed methodology of calculation of basic and diluted earnings per share is presented in the Group's consolidated financial statements as of and for the year ended December 31, 2020.

Basic EPS

		Nine-month period ended September 30, 2021 Unaudited	**Nine-month period ended September 30, 2020 Unaudited**
Net result attributable to the owners of the Parent	[A]	(21,059)	24,755
Undistributed profit (loss) attributable to holders of series A and B preference shares	[B]	(488)	6,220
Profit (loss) attributable to holders of common shares	**[C]=[A]-[B]**	**(20,571)**	**18,535**

		Nine-month period ended September 30, 2021 Unaudited	**Nine-month period ended September 30, 2020 Unaudited**
Weighted average number of common shares*	[D]	75,724,784	42,192,121
Basic EPS	[E] = [C] / [D]	(0.27)	0.44

* The weighted average number of shares was adjusted for the event of share split which 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 for all periods presented, therefore the additional shares are treated as having been in issue during the nine-month period ended September 30, 2020 to give a comparable result. As a result of the share split each one of common and preference shares was automatically reclassified as five shares of common or preference shares accordingly, i.e. share split on a one for five basis. For more information please refer to Note 13 *Share capital*.

Diluted EPS

		Nine-month period ended September 30, 2021 Unaudited	**Nine-month period ended September 30, 2020 Unaudited**
Profit (loss) attributable to holders of common shares	**[C]**	**(20,571)**	**18,535**
Undistributed profit (loss) attributable to holders of series A and B preference shares	[E]	-	-
Valuation of series C preference shares	[F]	-	-
Profit (loss) attributable to ordinary equity holders of the parent adjusted for the effect of dilution	**[H]=[C]-[E] +[F]**	**(20,571)**	**18,535**

		Nine-month period ended September 30, 2021 Unaudited	Nine-month period ended September 30, 2020 Unaudited
Weighted average number of issued common shares used in calculating basic earnings per share*	**[D]**	**75,724,784**	**42,192,121**
Series A preference shares		-	-
Series B preference shares		-	-
Series C preference shares		-	-
Employee Stock Option Plan		-	3,273,636
Weighted average number of issued common shares and potential common shares used in calculating diluted earnings per share*	**[I]**	**75,724,784**	**45,465,757**
Diluted EPS	[J]=[H] / [I]	(0.27)	0.41

*The weighted average number of shares was adjusted for the event of share split which 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 for all periods presented, therefore the additional shares are treated as having been in issue during the nine-month period ended September 30, 2020 to give a comparable result. In the result of the share split each one of common and preferred shares was automatically reclassified as five shares of common or preference shares accordingly, i.e. share split on a one for five basis. For more information please refer to Note 13 *Share capital*.

12. Accounting classifications of financial instruments and fair values

As of September 30, 2021 and December 31, 2020, 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

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 13 *Share capital* and to Note 15 *Conversion of series C preference shares*.

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.

As of December 31,2020, the fair value measurements of series C preference shares were classified in Level 3 of the fair value hierarchy.

The significant unobservable inputs used in the fair value measurements categorized within Level 3 of the fair value hierarchy as of December 31, 2020 were the following: EBITDA multiple, discount for lack of marketability, revenue multiple, discount rate, probability of the initial public offering. A quantitative sensitivity analysis of the unobservable inputs used in the fair value measurements as of December 31, 2020 were presented in the consolidated financial statements as of and for the year ended December 31, 2020.

The following valuation techniques were used to estimate the fair values:

- As of December 31, 2020, the fair values of the non-listed common shares of the Company which were the basis for valuation of liability resulting from issuance of series C preference shares has been estimated using the Hybrid Method, i.e., a combination of the Probability-Weighted Expected Return Method ("PWERM") and the Option-Pricing Method ("OPM"). PWERM is rooted in a decision-tree analysis and models potential future expected outcomes on the basis of potential probability of certain circumstances (e.g. sale or merger, IPO, dissolution, or continuation as a going concern).

Under PWERM, the Group's management estimated the probability of future IPO under three different outcome scenarios, and the probability of continuation of its business without significant changes. Under each of three outcome scenarios of IPO, the equity value was estimated accordingly. Under the scenario of continuation of the Group's business as so far, share price was estimated by applying the OPM.

13. Share capital

Before February 5, 2021, Group's share capital comprised from common and preference shares series A and B. Starting from February 5, 2021, Group's share capital comprises from common and preferred shares series A, B and C. Below are presented movements on different components of equity divided in the categories of shares (nominal values presented in USD, not thousand USD):

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

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

Shares classified as equity instruments as of September 30, 2020 (i.e. excluding preference shares of series C prior to conversion):

	Common shares		Preference shares (excl series C)		Treasury shares		Treasury shares allocated for existing share-based payment program		Sub-total (issued)		Shares allocated for the share-based payment program(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, 2020 Audited	**8,396,921**	**840**	**2,532,450**	**253**	**1,890,872**	**189**	**405,000**	**41**	**13,225,243**	**1,323**	**1,057,080**	**106**	**14,282,323**	**1,429**
Shares issued/(repurchased)	-	-	192,802	19	(192,802)	(19)	-	-	-	-	-	-	-	-
Acquisition of subsidiary	46,029	5	-	-	(46,029)	(5)	-	-	-	-	-	-	-	-
Exercise of stock options	127,748	13	-	-	-	-	-	-	127,748	13	(127,748)	(13)	-	-
As of September 30, 2020 Unaudited	**8,570,698**	**858**	**2,725,252**	**272**	**1,652,041**	**165**	**405,000**	**41**	**13,352,991**	**1,336**	**929,332**	**93**	**14,282,323**	**1,429**

All shares managed as capital as of September 30,2020, thus comprising the equity and liability instruments (i.e. including preference shares of series C):

	Common shares		Preference shares (incl series C)		Treasury shares		Treasury shares allocated for existing share-based payment program		Sub-total (issued)		Shares allocated for the share-based payment program (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, 2020 Audited	**8,396,921**	**840**	**5,749,621**	**575**	**2,039,818**	**204**	**405,000**	**41**	**16,591,360**	**1,660**	**1,057,080**	**106**	**17,648,440**	**1,766**
Shares issued/(repurchased)	-	-	214,328	21	(214,328)	(21)	-	-	-	-	-	-	-	-
Acquisition of subsidiary	46,029	5	-	-	(46,029)	(5)	-	-	-					
Exercise of stock options	127,748	13	-	-	-	-	-	-	127,748	13	(127,748)	(13)	-	-
As of September 30, 2020 Unaudited	**8,570,698**	**858**	**5,963,949**	**596**	**1,779,461**	**178**	**405,000**	**41**	**16,719,108**	**1,673**	**929,332**	**93**	**17,648,440**	**1,766**

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

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

As of September 30, 2020 the share capital of the Company comprised common and preference shares, including shares reacquired by Huuuge Inc. and not redeemed (so-called treasury shares) with a par value of USD 0.0001 per share and the total value of USD 1,632 (not thousand). 9,567,991 common shares include: 8,570,698 common shares held by shareholders and 997,293 of common shares reacquired by the Company and not redeemed.

As of September 30, 2020 there were 6,746,117 preference shares with a par value of USD 0.0001 per share, out of which 782,168 were reacquired by Huuuge Inc. and not redeemed (treasury shares), including 257,103 preference shares of series A, 397,645 preference shares of series B and 127,420 preference shares of series C (preference shares of series C presented in the interim condensed consolidated financial statements for the nine-month period ended September 30, 2020 within financial liabilities).

On July 1, 2021 the number of shares (not issued) allocated for the existing share-based payment programs was reduced by 847,306 shares. This is because the treasury shares were delivered to employees for the part of options exercised during nine-months period ended September 30, 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 September 30, 2021 13,244,985 shares with a par value of USD 0.00002 per share were reserved for two stock option programs established in 2015 and 2019 years.

As of September 30, 2020 1,334,332 shares with a par value of USD 0.0001 per share were reserved for a two stock option programs: 929,332 shares for the stock option program established in year 2015 and 405,000 shares for the stock option program established in 2019.

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

- **Redemption of treasury shares**

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

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

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

Redemption of treasury shares has been recognized as a decrease in supplementary capital in the interim condensed consolidated statement of changes in equity.

- **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 11 *Earnings per share* to be adjusted in the calculation of both basic and diluted earnings per share for all periods presented in accordance with IAS 33 *Earnings per share*.

- **Conversion of preference shares series A, B and C**

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

	Before 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

For more details, please refer to Note 15 *Conversion of series C preference* shares.

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

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

- **Initial public offering**

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

- **Execution of stabilization option**

  On February 5, 2021 the Company and IPOPEMA Securities S.A. ("Stabilization Manager") signed 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 recognised in correspondence with equity. At the same time, the Company recognised a prepayment (financial asset) in the same amount to reflect the fact that the stabilisation 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 stabilisation 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 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 – USD 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 transaction cost of this capital transaction.

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

  In the nine-month period ended September 30, 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") of USD 3 thousand (USD 150 thousand in the nine-month period ended September 30, 2020). The exercise price was paid by the employees in cash.

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

  In the nine-month period ended September 30, 2021, after share split 1,107,996 share options held by the employees under the share-based payment program were exercised, out of which for 980,286 options exercised treasury shares were delivered to employees before September 30, 2021. The delivery of treasury shares was presented as a movement from treasury shares to common shares. The movement resulted in an increase in share capital in the amount of nominal value of the shares delivered, and any difference between the value of treasury shares and the cash consideration received was recognized in supplementary capital. At the same time, the movement decreased the number of shares (not issued) allocated for the existing share-based payment programs.

14. Share-based payment arrangements

Detailed description regarding Group's equity share-based payment program, i.e. ESOP, as well as fair value measurement of the employee share options, is presented in the Group's consolidated financial statements as of and for the year ended December 31, 2020.

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

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

	Nine-month period ended September 30, 2020	
	Number of options	Weighted average exercise price
Balance as at January 1	919,010	6.21
Granted during the period	385,421	15.03
Forfeited during the period	(16,874)	8.63
Exercised during the period	(127,748)	1.17
Expired during the period	(13,969)	5.45
Balance as at September 30	**1,145,840**	**9.70**

As at September 30, 2021 (after share split), 2,817,023 share options were exercisable, with weighted average exercise price of USD 2.17 per share. As at September 30, 2020 (before share split), 564,191 share options were exercisable, with weighted average exercise price of USD 5.81 per share.

During the nine-month period ended September 30, 2021, before share split, 6,411 common shares were issued (equivalent of 32,055 common shares after share split) and 980,286 treasury shares were delivered from the share-based payment program as described in Note 13 *Share capital*.

The Group also received cash payments for the shares not yet delivered as of September 30, 2021, which were recognized in supplementary capital.

During the nine-month period ended September 30, 2020, i.e. before share split – 127,748 common shares were issued resulting from the equity-settled stock option program.

Other than the share-based payment arrangements described above, the Group accounts for the earn-out consideration as a result of the acquisition that took place on July 16, 2020. In this arrangement, the fair value of the share price as at December 31, 2020 was estimated at USD 54.53 (before share split). As at December 31, 2020 the total number of shares to be vested during the period of 3 years after the transaction was estimated at 46,213 shares. After the share split as described in Note 13 *Share capital*, and due to the decreased fair value of share price as at September 30, 2021 (USD 10.22) the total number of shares to be vested during the period of 3 years after the transaction is estimated at 62,752 shares as at September 30, 2021.

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

Input	Assumptions	Rational change +10%/(-10%)
Share price	The estimated future fair value of the share price (calculated based on the Sale and Purchase Agreement and referring to the USD value of Huuuge Inc.) which will be used as a basis for calculation of the number of shares to be vested. As at September 30, 2021 share price of USD 10.22 is used as a basis for calculation of the number of shares to be vested.	+10% = (5,705) shares – decrease in number -10% = 6,972 shares – increase in number
Estimated amount of earn-out consideration	Based on the estimation as at September 30, 2021 the future earn-out consideration is estimated at amount USD 641 thousand.	+10% = 6,275 shares – increase in number -10% = (6,275) shares – decrease in number

Total expense related to share-based payment arrangements for the nine-month period ended September 30, 2021 comprises ESOP in the amount of USD 9,087 thousand (this expense includes USD 337 thousand related to Mr Anton's Gauffin options which is explained in detail further below) and earn-out consideration in the amount of USD 33 thousand. Total expense related to share-based payment arrangements for the nine-month period ended September 30, 2020 comprises ESOP in the amount of USD 2,008 thousand and earn-out consideration in the amount of USD 219 thousand.

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

In addition, on March 19, 2021 the Board of Directors adopted recommendation from the Nomination and Remuneration Committee on executive and non-executive compensation ("Proposal"). This date is the date when Mr. Gauffin started rendering the services in respect of that grant ("service commencement date"), thus relevant costs have been recognized starting from March 19,2021.

The final executive compensation agreement between Mr. Gauffin and the Company was approved by the Board of Directors on September 9, 2021 and was executed by the parties on September 10, 2021.

In accordance with the adopted Proposal and the compensation agreement, the remuneration of Mr Anton Gauffin, holding the positions of the President, Chief Executive Officer and Secretary of the Company, will consist solely of share options. 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 4 years from service commencement date. The Group's management expects Mr Anton Gauffin to fulfil the service condition.
- 75,000 options with a vesting condition to provide the service continuously for about 4 years from service commencement date and to meet 2021 EBITDA target. The Group's management expects Mr Anton Gauffin to fulfil the service condition and the estimated cost reflects probability of fulfilling the 2021 EBITDA target realisation.
- 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 estimates that 6 years of continuous service 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 different vesting period and is treated as a separate award with a different vesting period.

15. Conversion of series C preference shares

The series C preference shares were classified as liability and presented in the separate line item in the statement of financial position within non-current liabilities. Changes in financial liability arising from preference shares, including both changes arising from cash flows and non-cash changes, presented as a reconciliation between the opening and closing balances in the interim condensed consolidated statement of financial position:

As at January 1, 2020, audited	**48,354**
Repurchase of series C preference shares	(1,444)
Finance expense recognized on repurchase of series C preference shares	481
Reissue of series C preference shares	1,447
Remeasurement recognized in statement of profit or loss during the period in (finance income)/finance expense	18,591
As at September 30, 2020, unaudited	**67,429**

On January 29, 2020 RP II HGE LLC (Raine) purchased from Huuuge Inc. 73,265 series C preference shares for total amount of USD 1,447 thousand. These shares had been earlier purchased and not redeemed by Huuuge Inc.

On July 2, 2020 Huuuge Inc. entered into an agreement to repurchase shares from the Kiwoom Cultural Venture Fund 1 for the cash consideration of USD 1,444 thousand (USD 27.91 per share). Under the agreement Huuuge Inc. repurchased 51,739 series C preference shares.

As at January 1, 2021, audited	**176,606**
Remeasurement recognized in statement of profit or loss during the period in (finance income)/finance expense	38,997
As at February 5, 2021 before conversion	**215,603**
Conversion of preference shares into common shares	(215,603)
As at September 30, 2021, unaudited	**-**

On February 5, 2021 all preference shares series C were converted into common shares with the price per share of 13.31 USD. For more information, please refer to Note 13 *Share capital*. As a result of the conversion, financial liability arising from preference shares decreased with the corresponding increase in supplementary capital as presented in the interim condensed consolidated statement of changes in equity.

16. 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.

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 – 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 in the nine-month period ended September 30, 2021 and in the nine-month period ended September 30, 2020:

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

	Offices	Cars	Total
as at January 1, 2020, audited	**2,773**	**44**	**2,817**
Remeasurement	(107)	-	(107)
additions (new leases)	7,595	20	7,615
lease modifications	(165)	10	(155)
foreign exchange differences on translation	(42)	(1)	(43)
Depreciation	(1,199)	(41)	(1,240)
as at September 30, 2020, unaudited	**8,855**	**32**	**8,887**

The table below presents the book values of lease liabilities and movements in the nine-month period ended September 30, 2021 and in the nine-month period ended September 30, 2020:

	Nine-month period ended September 30, 2021	Nine-month period ended September 30, 2020
as at January 1, audited	**9,061**	**2,869**
additions (new leases)	221	7,587
lease modifications	(1,731)	(163)
Remeasurement	894	(172)
interest expense on lease liabilities	99	101
lease payments	(2,082)	(1,475)
foreign exchange differences on translation to local currency	2	34
foreign exchange differences on translation to USD	(306)	(97)
as at September 30, unaudited	**6,158**	**8,684**
long-term	3,997	7,363
short-term	2,161	1,321

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

- cash payments of the capital component of lease liabilities in the nine-month period ended September 30, 2021 amounting to USD 1,983 thousand (USD 1,374 thousand in the nine-month period ended September 30, 2020) – as part of financing activities (lease repayment),
- cash interest payments on leases in the nine-month period ended September 30, 2021 amounting to USD 99 thousand (USD 101 thousand in the nine-month period ended September 30, 2020) – as part of financing activities (interest paid),
- leases of low-value assets and short-term leases not included in the measurement of lease liabilities in the nine-month period ended September 30, 2021 amounting to USD 396 thousand (USD 37 thousand in the nine-month period ended September 30, 2020) – as part of operating activities.

The Group had total cash outflows due to leases of USD 2,478 thousand in the nine-month period ended September 30, 2021 and USD 1,512 thousand in the nine-month period ended September 30, 2020.

17. Cash flows reconciliation

The change of trade and other payables presented in the consolidated statement of financial position as of September 30, 2021 does not equal the change in the consolidated statement of cash flows for the nine-months period ended September 30, 2021. The difference is due to:

- deferred payments for the acquisition of Traffic Puzzle game which amounted to USD 29,400 thousand. For details, please refer to Note 9 *Intangible assets*
- transaction costs of an issuance of equity instruments which amounted to USD 2,240 thousand, presented in the cash flows from financing activities in the consolidated statement of cash flows for the nine-months period ended September 30, 2021
- reclassification between trade payables and corporate income tax liabilities which amounted to USD 630 thousand

18. Provisions

Court case

As of December 31, 2019 the Group recognized provision for a potential unfavourable outcome in the court case, presented in the line “Other provisions” in the consolidated statements of financial position. On or about April 6, 2018, a putative class action complaint was filed against the Company in the U.S. District Court for the Western District of Washington by a player plaintiff. The complaint sought damages for alleged violations of Washington law associated with plaintiff’s alleged in-app purchases within one or more of the Company’s games. Specifically, the plaintiff alleged violations for the recovery of money lost in gambling and for violations of the Washington Consumer Protection Act. The plaintiff additionally sought damages for unjust enrichment. The Company denied the plaintiff’s allegations, denied that it violated any laws or regulations, denied that the suit should be treated as a class action, denied the plaintiff’s damages claims, and has been vigorously defending itself against the plaintiff’s claims. The Company filed a motion to compel arbitration on July 2, 2018, which the District Court denied on November 13, 2018. The Company timely filed a notice of appeal on December 6, 2018, and filed its opening brief in the Ninth Circuit Court of Appeals on March 6, 2019. The Company also filed a motion to stay the district court proceedings pending a decision on its appeal, which was granted on March 1, 2019. The provision of USD 6,500 thousand was recognized in 2019 in the separate line item in the statement of the financial position as “Other provisions” and in the “Other operating income/(expense), net” line item in the statement of comprehensive income. The Group’s management estimated that the costs would be realized within a period for which the discounting effect would not be material and accounts for the provision in an undiscounted amount. The parties mediated on June 15, 2020 and reached agreement on a term sheet on a class action basis on June 16, 2020. On August 23, 2020, a class action settlement agreement was concluded between the class representatives, including the plaintiff, and filed with the court, intending to fully, finally and forever resolve, discharge and settle the claims related to this suit. The United States District Court finally approved the Settlement Agreement on February 11, 2021. The Court finds that the settlement is fair, reasonable and adequate and it is a result of extensive, arm’s-length negotiations. Subsequently the Court ordered the Group to settle final claims determinations, including payment and prospective relief. Payment was made on March 26, 2021, with the corresponding utilization of the provision.

Consumption tax from the revenues from Japan

As of September 30, 2020 additional provision recognized related to the collected Japan Consumption Tax (“JCT”) applicable to sales to customers purchasing content on the App Store in Japan. The provision for JCT was estimated based on the applicable tax rate multiplied by the amount of sales to customers in Japan, with a further delayed payment of the tax in the following period. Starting from January 2021, prepayments of the collected JCT are made to the tax authorities on a quarterly basis, therefore no additional provision is recognized as of September 30, 2021.

19. 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 3 years in the United States (and up to 6 years in case of substantial errors), 5 years in Poland, 7 years in Cyprus (and up to 12 years in case of substantial errors) and 7 years in Israel. Consequently, the Parent Company and subsidiaries may be subject to additional tax liabilities, which may arise as a result of tax audits. The Board of Directors of the Parent Company believes that there was no need to record any provisions for known and quantifiable risks in this regard as in their assessment there are no such uncertain tax positions for which it would be probable that the taxation authority will not accept the tax treatment applied by the Group.

20. Related party transactions

On February 5, 2021 one series A preference share was issued to RP II HE LLC - the Group's shareholder, 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 Big Bets OU - the Group's shareholder, with a par value of USD 0.00002 per share, for cash consideration of USD 50.

Based on shares purchase agreement dated January 29, 2020 RP II HGE LLC – the Group's shareholder purchased from Huuuge Inc. 490,167 preference shares for a cash consideration of USD 9,681 thousand (USD 19.75 per share) which had been previously acquired by Huuuge Inc. from the Korean funds in December 2019 (for details on the December 2019 transaction please refer to Note 18 *Share capital* of the Group's consolidated financial statements as of and for the year ended December 31, 2020). RP II HGE LLC purchased 248,897 series A preference shares, 168,005 series B preference shares and 73,265 series C preference shares. Due to the fact that the share price of treasury shares reissued was equal to their purchase price no amount was recognized in Supplementary capital on this subsequent sale of treasury shares. The cash consideration was transferred in February 2020.

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

There is no ultimate controlling party.

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

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

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

Nine-month period ended September 30, 2020 Unaudited	Board of Directors of Huuuge Inc.	Group Global Management	Total
Base salaries	-	1,575	1,575
Bonuses and compensation based on the Group's financial result for the period	-	788	788
Share-based payments	1	1,159	1,160
Total	**1**	**3,522**	**3,523**

The remuneration of Group Global Management presented in the tables above includes base salary and accrued bonuses of Mr Anton Gauffin, Chief Executive Officer and director, in the amount of USD 161 thousand for the nine-months period ended September 30, 2021 (USD 272 thousand for the nine-months period ended September 30, 2020), as well as USD 337 thousand related to Mr Anton's Gauffin options. For additional information about recommendation from the Nomination and Remuneration Committee on executive and non-executive compensation, please refer to Note 14 *Share-based payment arrangements.*

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

During the nine-month period ended September 30, 2020 there was no additional compensation for the Board of Directors of Huuuge Inc. except for the remuneration of Mr Anton Gauffin as described above.

22. Impact of COVID-19

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

A significant increase of the Group's revenues and operating result for the nine-month period ended September 30, 2021 compared to the nine-month period ended September 30, 2020 indicates that COVID-19 pandemic had no negative impact on the Group's business.

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

23. Subsequent events

After September 30, 2021 and up to the date of approval of these interim condensed consolidated financial statements for issue no other significant events except the following have occurred.

The amendments of employee stock option plans

On November 3, 2021 the Board of Directors has approved the reduction of total number of shares (not issued) allocated for the existing share-based payment programs by up to 423,534 shares. This is because the treasury shares were to be delivered to employees for the options exercised during nine-months period ended September 30, 2021 and after that date, as described below.

Delivery of the treasury shares for options exercised

After September 30, 2021 and up to the date of approval of these condensed consolidated financial statements for issue the Company delivered 423,534 treasury shares to its employees for the options exercised during the nine-months period ended September 30, 2021 and after that date under stock option plan as presented in Note 14 *Share-based payment arrangements*. The delivery of shares will be presented as a movement from treasury shares to common shares. The movement will result in an increase in share capital in the amount of nominal value of the shares delivered, and any difference between the value of treasury shares and the cash consideration received will be recognized in supplementary capital. At the same time, the movement will decrease the number of shares (not issued) allocated for the existing share-based payment programs

Anton Markus Gauffin

Digitally signed by Anton Markus Gauffin
Date: 2021.11.24 17:04:56 +02'00'

Anton Gauffin

President of Huuuge Inc., CEO

November 24, 2021

Additional information to the quarterly report

1. General information

Business profile

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

Huuuge is mobile free-to-play games developer and publisher, with a mission to empower billions of people to play together, and a vision to transform mobile gaming into a massively social experience. The Group's main areas of operations are developing, publishing, scaling and operating mobile games to a broad player base. Huuuge games provide entertainment every month to millions of players from almost 200 countries and are available in 17 languages. Huuuge employs over 600 people at 10 offices around the world. Huuuge shares have been listed on the Warsaw Stock Exchange since February 19, 2021.

Key products

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

Our core franchises are Huuuge Casino and Billionaire Casino. Both generate 88% of Huuuge's total revenues. Our new franchises generate 12% of total revenues and their stake is increasing on a YoY basis. Our most important new title is Traffic Puzzle and we have many more titles in our portfolio at different stages of their life cycle.

Huuuge Casino: The game was launched in June 2015. It is Huuuge's flagship title responsible for 57% of total revenue in the third quarter of 2021 and for over USD 800 million in lifetime revenue. Huuuge Casino was a true pioneer with its mobile-first user experience and real-time PvP-style gameplay. We believe that it was the first social casino game to introduce features such as clubs to the realm of social casino games. Huuuge Casino offers players over 100 casino slot machines, as well as poker, baccarat and roulette. The game enables players to join a club and compete in a Billionaire League, with multiplayer slots where they can play with friends and compete against each other. Huuuge Casino is ranked #13 (Apple App Store) and #8 (Google Play) among social casino apps in the United States in terms of revenue as at September 30, 2021.

Billionaire Casino: The game was launched in October 2016. Its revenue has grown rapidly since its release. It has reached over USD 380 million of lifetime revenue and constitutes 30% of our total revenues in the third quarter of 2021. Due to its aesthetic, which is different from that of Huuuge Casino, Billionaire Casino is targeted at a different player base in terms of demographics. Similar to Huuuge Casino, Billionaire Casino offers players over 100 casino slot machines, as well as poker, baccarat and roulette. Billionaire Casino allows players to create a club with their friends or join a club and meet new people while playing slot machines. In addition, the game allows players to participate in club events by playing slots and other casino games. Billionaire Casino is ranked #27 (App Store) and #20 (Google Play) among social casino apps in the United States in terms of revenue as at September 30, 2021.

Traffic Puzzle: The game was developed by Picadilla sp. z o.o., a Polish developer studio based in Wrocław, and launched in May 2019 by Huuuge Publishing. In April 2021 the game was acquired by Huuuge. Traffic Puzzle is a unique match-3 game, positioned to build a top grossing mobile title. In Traffic Puzzle, the player tries to clear a clogged road by matching three cars of the same colour. The game offers different levels in which players assist the police, fire trucks and ambulances to get to their destinations. Traffic Puzzle's monetization model is based on in-app purchases and advertising. Traffic Puzzle's revenues increased by 475% YoY in the third quarter of 2021 and its daily active users (DAU) increased 4 times in the same period.

Shares and shareholding structure

Effective on February 5, 2021, all Series A Preferred Shares, Series B Preferred Shares and Series C Preferred Shares were converted into Common Shares. On February 5, 2021 the Company also adopted the Fourth Amended and Restated Certificate of Incorporation, pursuant to which the Company has the authority to issue 113,881,420 shares, which shall be divided into two classes, consisting of (i) 113,881,418 Common Shares of USD 0.00002 par value per share and (ii) two Preferred Shares of USD 0.00002 par value per share, which shall be divided into two series, consisting of one Series A Preferred Share of USD 0.00002 par value and one Series B Preferred Share of USD 0.00002 par value. The Company issued two Preferred Shares: one Series A Preferred Share to RPII HGE LLC and one Series B Preferred Share to Big Bets OÜ (controlled by Anton Gauffin). The Preferred Shares, respectively, give RPII HGE LLC the right to appoint one director of the Company and Big Bets OÜ the right to appoint two directors of the Company, provided that one such director, to be approved, will be Anton Gauffin. Preferred shares carry the same voting rights as Common Shares, but they are not admitted to trading on the WSE.

On January 27, 2021 Huuuge, Inc. published its prospectus and launched its initial public offering. The offering comprised a public subscription for 11,300,100 newly issued shares of the Company and a public sale of 22,016,586 existing shares, and also seeking the admission and introduction of 84,246,695 shares including 11,300,100 newly issued shares to trading on the regulated market of the Warsaw Stock Exchange with a nominal value of USD 0.00002 per share. The first listing date on the Warsaw Stock Exchange was February 19, 2021.

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

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

Shareholder	Shares	% of share capital and % of votes at the General Meeting
Anton Gauffin (through Big Bets OÜ)[1]	25,849,506	30.68
Raine Group (through RPII HGE LLC)[1]	10,919,646	12.96
Kora Management	4,300,000	5.10
The Capital Group Companies	4,223,944	5.01
Others[2]	38,953,601	46.24
Total[3]	**84,246,697**	**100.00**

(1) includes one Preferred Share
(2) includes 1,927,848 Treasury Shares which carry no voting rights
(3) 84,246,695 shares were introduced to public trading on the Warsaw Stock Exchange. Moreover, two shares of the Company are Preferred and have not been introduced to public trading

Each holder of Common Shares, as such, and each holder of preferred shares are entitled to one vote for each Common Share or Preferred Share, respectively. Unless otherwise expressly required by law or stipulated in the Certificate of Incorporation, the holders of Common Shares and preferred shares vote together as a single class on all matters submitted to a shareholder vote. The Certificate of Incorporation and the Bylaws do not stipulate any restrictions on the transfer of ownership of the Company's securities.

Treasury Shares

As at December 31, 2020, the Company held 2,184,461 Treasury Shares. On January 15, 2021 the Board unanimously approved the redemption of all Common Shares and all Preferred Shares that were held in treasury as at the date of the meeting which effectively reduced the number of Treasury Shares to nil.

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

Within the stabilization program the Company repurchased via the Stabilization Manager 3,331,668 own shares for a total price of PLN 162,302 thousand calculated as the number of shares repurchased, multiplied by the price per share plus the remuneration paid to the Stabilization Manager representing the cost of this capital transaction. The entire repurchased volume was classified as Treasury Shares.

On July 7, 2021, the Issuer informed in current report RB16/2021 about the allocation of 997,796 of the Issuer's Treasury Shares for the exercise of employee stock options. On November 3, 2021 the Huuuge Inc Board of Directors approved the allocation of 423,534 Treasury Shares for the exercise of employee stock options. Accordingly, by the date of publication of this Quarterly Report the number of Treasury Shares held by the Issuer was reduced to 1,927,848.

For more detailed information regarding share capital please see Note 13 – Share Capital in the Quarterly Condensed Consolidated Financial Statements.

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

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

Members of the Company's Board of Directors	Function	Common Shares	Outstanding Stock Options
Anton Gauffin (through Big Bets OÜ)[1]	Chief Executive Officer & Executive Director	25,849,505	500,000
Henric Suuronen	Non-Executive Director	1,472,910	200,700

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

On March 19, 2021 the Board of Directors adopted a recommendation from the Nomination and Remuneration Committee on executive and non-executive compensation for Mr Gauffin ("Proposal"), for holding the position of President, Chief Executive Officer and Secretary of the Company. This is also the date on which Mr Gauffin started providing services in this respect ("service commencement date"), therefore the relevant costs have been recognized starting from March 19, 2021. The final executive compensation agreement between Mr Gauffin and the Company was approved by the Board of Directors on September 9, 2021 and was signed by the parties on September 10, 2021.

In accordance with the adopted Proposal and the compensation agreement, Mr Anton Gauffin's remuneration will consist solely of share options. All options can be exercised at a price of PLN 50, i.e. the price of the Company's shares in the initial public offering.

The vesting conditions for the options are as follows:

(i) 50,000 options with a vesting condition that Mr Gauffin provides the service continuously for approximately 4 years from the service commencement date. The Group's management expects Mr Anton Gauffin to fulfil this vesting condition.

(ii) 75,000 options with a vesting condition that Mr Gauffin provides the service continuously for approximately 4 years from the service commencement date and the 2021 EBITDA target is met. The Group's management expects Mr Anton Gauffin to fulfil the service condition and the estimated cost reflects the probability of achieving the 2021 EBITDA target.

(iii) 375,000 options with a variable vesting period due to market conditions, i.e., conditional on meeting the Company's market capitalization milestones. The Group's management estimates that 6 years of continuous service will be required for these options to vest.

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

Principles for the preparation of the interim condensed consolidated financial statements

The interim condensed consolidated financial statements as at and for the 9M 2021 have been prepared in accordance with the IAS 34 Interim Financial Reporting as adopted by the European Union.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's consolidated financial statements as at and for the year ended December 31, 2020 prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS").

Changes in the organization of the Group

On July 1, 2021, Huuuge UK Limited in London, UK was incorporated.

2. Significant achievements or failures

The key event we wanted to highlight in the 9M 2021 period was the purchase of the mobile game Traffic Puzzle together with the related rights and assets by Huuuge Global Ltd. (a wholly-owned subsidiary of the Company), for USD $ 38.9 million, which took place on April 27, 2021. The acquisition of Traffic Puzzle marks the first significant milestone for our growth and M&A strategy, as we expand our reach into the high-growth casual games segment. Having Traffic Puzzle in our portfolio enables us to accelerate our revenue diversification as it has already become our third most popular game after Huuuge Casino and Billionaire Casino. Building on the successful acquisition of Traffic Puzzle, we plan to further pursue growth opportunities, both in publishing and M&A.

3. Factors affecting our results

Traffic Puzzle remains our fastest growing game

We are very happy with progress of the handover process as well as the growth of the game's topline. Q3 2021 revenue was almost 6 times higher YoY and +5% QoQ, while 9M 2021 revenue was 4 times higher YoY and we believe there is still significant potential for further scaling. The user base keeps growing and we are proud to announce that the number of DAUs surpassed 200 thousand and the run-rate revenue (annualized revenue based on last month's sales number) exceeded USD 35 million at the end of the third quarter. With the handover substantially complete we are now in a position to make the required changes to the product and bring the game's KPIs to the next level.

Core franchises continue to improve profitability

We have witnessed another quarter of QoQ decline in our core franchises' user base. The whole social casino sector is showing signs of being a real evergreen category that continues to deliver more and more value over coming years. Our strategy is to optimize our User Acquisition spend for these flagship games and to further improve the profitability and cash generation of our core portfolio. This means that User Acquisition spend as a percentage of revenue is likely to remain quite stable, DAU might undergo a further slight decline, while improvements in the quality of our player base and monetization metrics should largely offset this lower number of installs and lower DAU. As evidenced by our Q3 2021 core franchise revenue (+10% YoY and -6% QoQ, respectively) we have been able to maintain satisfactory topline levels, while at the same time our core franchise Sales Profit has improved both on a YoY and a QoQ basis.

Mobile gaming and social casino market environment

As far as market dynamics are concerned, Eilers & Krejcik estimate the social casino market dynamics in Q3 2021 at +0.2% QoQ and +7.7% YoY. The third quarter is typically a seasonally slower period and in addition the market has been facing a difficult user acquisition environment (post-IDFA) as well as tough post-Covid-19 comparables. The long term forecast remained unchanged with the social casino market expected to grow by +8.9% YoY in 2021 and at a 5.1% 5-year CAGR (with a USD 9.0 billion market by 2025).

User Acquisition expenses and post-IDFA mobile advertising market update

In line with our plans, Q3 2021 was another quarter of sequentially lower UA spend (-14% QoQ), which constituted approx. 32% of revenue (vs 36% in Q2 2021). According to Eilers & Krejcik, Apple's App Tracking Transparency (ATT) impact has been disruptive but not catastrophic for nearly all areas of social gaming. According to AppsFlyer global ATT opt-in rate is approx. 45% gaming-wide and 39% for social casino specifically. Opt-in rates remained rather flat compared to Q2 2021 and we believe it is reasonable to assume these levels to be the barometer for the 'new normal'. Another notable market development reported by Bidalgo in Q3 2021 was a significant increase of CPIs on Android (+27% QoQ and +78% YoY), a result of marketing budgets shifting over from iOS. Given that it is now more difficult to track and attribute data, Bidalgo is not providing industry-wide iOS CPI levels at this stage, but hopes to resume that in the near future. We remain disciplined and data driven when it comes to marketing and we reiterate our prior plans with regard to a further sequential decline in UAMC expenses for the remainder of the year.

General external factors

External factors that could affect our performance include the impact of the Covid-19 pandemic on the overall economy and specifically on the games industry and our players' behaviour, continued secular trends in the sector (higher player engagement and willingness to invest more time and money in mobile games, competition from other games and other forms of entertainment) and the volatility of foreign exchange rates.

Expected tax reforms

There are key three projects covering a number of reforms of the US tax system: The Green Book along with President Biden's FY 2020 Budget, Wyden/Brown/Warner Overhauling International Taxation (Draft bill from August 25, 2021) and House Ways and Means Committee – Build Back Better Act (Draft Bill from September 2021). Among others we see the following changes as potentially affecting the Group: (i) increase in the federal corporate tax rate from 21 percent to 28 percent and (ii) revisions to the global intangible low-taxed income (GILTI) and iii) lower deduction against the global minimum tax in Internal Revenue Code Section 250. Each draft provides for changes in the GILTI rate or the GILTI calculation mechanism which will negatively impact the Group's ETR. Taking into account the current state of information and the fact that the GILTI mechanism is yet to be adjusted to the agreement reached by the OECD member states on October 8, 2021 covering the minimum taxation, the most impactful changes may be implemented starting from January 1, 2022. The implementation of these rules in their current form would negatively impact the global effective tax rate of the Group and have a negative impact on our financial results.

On October 29, 2021, the Polish government enacted a new comprehensive social and economic program, referred to as the "The New Economic Polish Deal". The rules introduce extensive changes to taxation and health insurance contributions. The New Economic Polish Deal will take effect as of January 1, 2022. The adoption of the program could result, among other things, in an increase in employment costs in Poland (the majority of our employment costs, excluding share-based compensation, are incurred in Poland), which could have a negative impact on our financial results.

4. Key Performance Indicators

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

- **Daily Active Users (DAU):** DAU is defined as the number of individual users who played a game on a particular day. In order to more accurately reflect reality, we identify the users based on (human) ID (HID) rather than device ID. That allows us to eliminate the double counting of individuals playing games on multiple devices. The ability to identify and analyse actual players rather than accounts allows for substantially greater accuracy, including better in-game targeting of offers (right offer, to the right person, at the right time), better retargeting capabilities and better predictive models. Average DAU for a period is the average of the monthly average DAU for the period presented.

- **Monthly Active Users (MAU):** MAU is defined as the number of individual users who played a game during a particular month. In order to more accurately reflect reality, we identify the users based on player (human) ID rather than device ID. That allows us to eliminate the double counting of individuals playing games on multiple devices. We believe this indicator provides useful information in understanding the number of users reached across our portfolio of games on a monthly basis. The ability to identify and analyse actual players rather than accounts allows for substantially greater accuracy, including better in-game targeting of offers (right offer, to the right person, at the right time), better retargeting capabilities and better predictive models. Average MAU for a period is the mean of the MAU for the period presented.

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

- **Monthly Paying Users (MPU):** MPU is defined as the number of players (active users) who made a purchase at least once in a given month. Average MPU for a period is the average of the MPUs for the period presented.

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

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

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

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

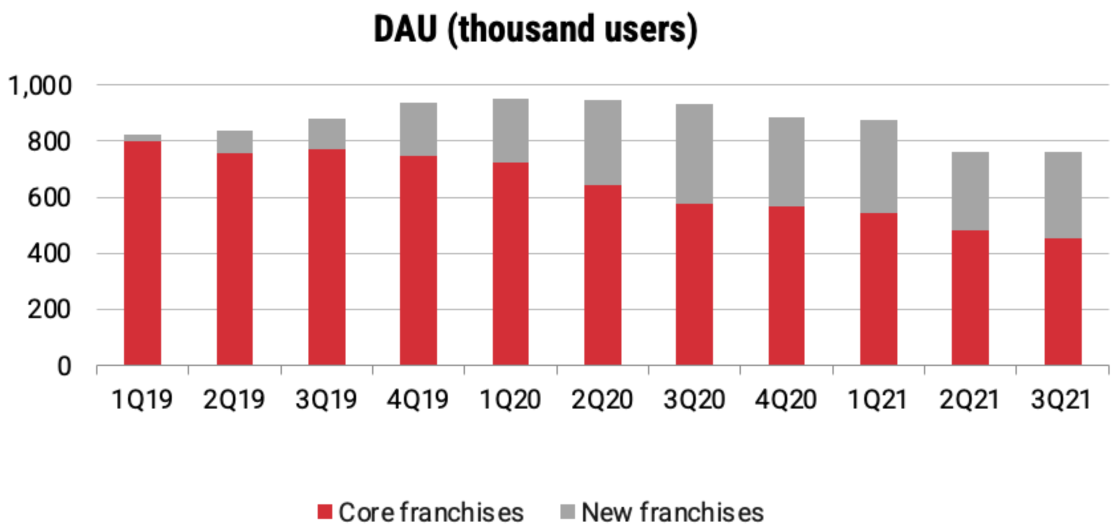
The table below presents our KPIs for Q3 2021 and Q3 2020 for the Group and "core franchises", i.e. Huuuge Casino and Billionaire Casino.

	All games		Core franchises Huuuge Casino and Billionaire Casino	
KPI	**Q3 2021**	**Q3 2020**	**Q3 2021**	**Q3 2020**
DAU (in thousand)	769.7	944.5	453.0	577.3
MAU (in thousand)	3,574.7	4,787.0	1,540.2	2,158.5
DPU (in thousand)	24.4	25.4	19.1	22.4
MPU (in thousand)	196.6	203.4	138.1	165.3
ARPDAU (in USD)	1.3	0.9	1.9	1.4
ARPPU (in USD)	39.3	32.7	45.7	35.3
Monthly Conversion (%)	5.5%	4.2%	9.0%	7.7%

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

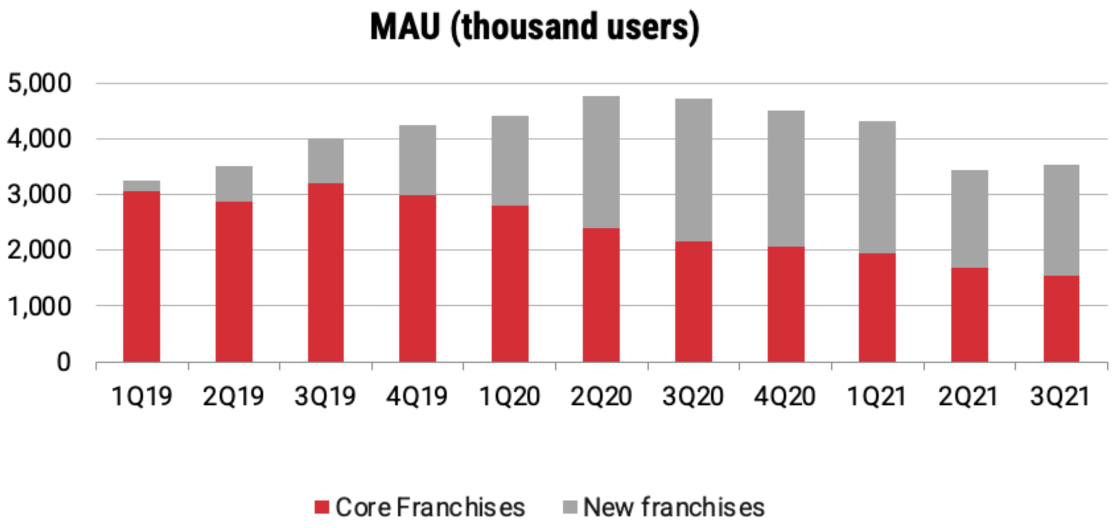
Daily Active Users

In Q3 2021 our overall DAU remained essentially flat QoQ with a single digit QoQ decline in our core portfolio and a double digit QoQ growth for our new franchises. The decline in our core portfolio DAU was driven by a lower number of installs. Cost Per Install has slightly declined QoQ with the mobile advertising market trying to find the 'new normal' baseline inflation in the post-IDFA reality. Our new franchise DAU grew mainly owing to further scaling of Traffic Puzzle.



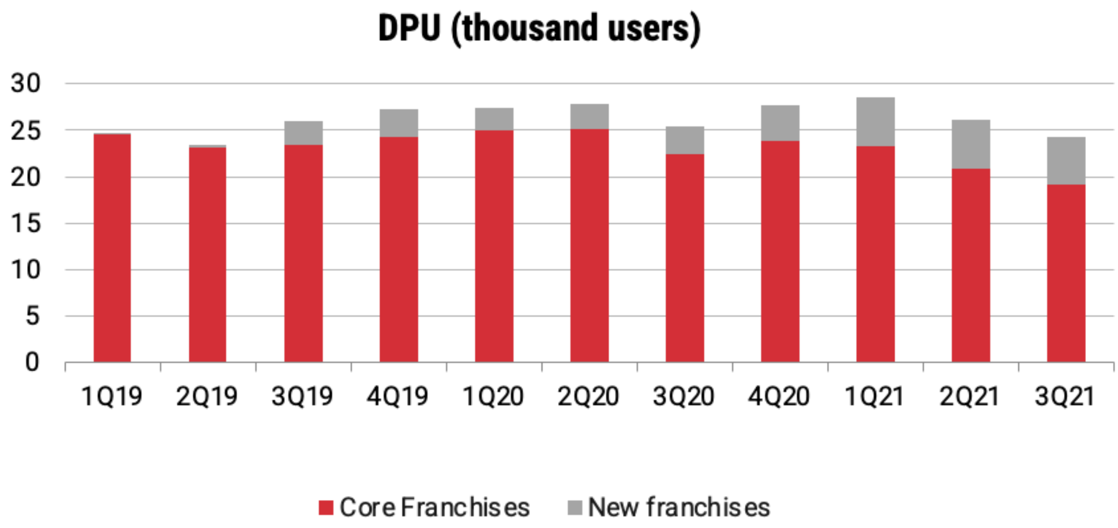
Monthly Active Users

Trends in Q3 2021 for MAU were more favorable than DAU evolution (explained above). The decline in our core portfolio was more than offset by the growth of our new franchises.



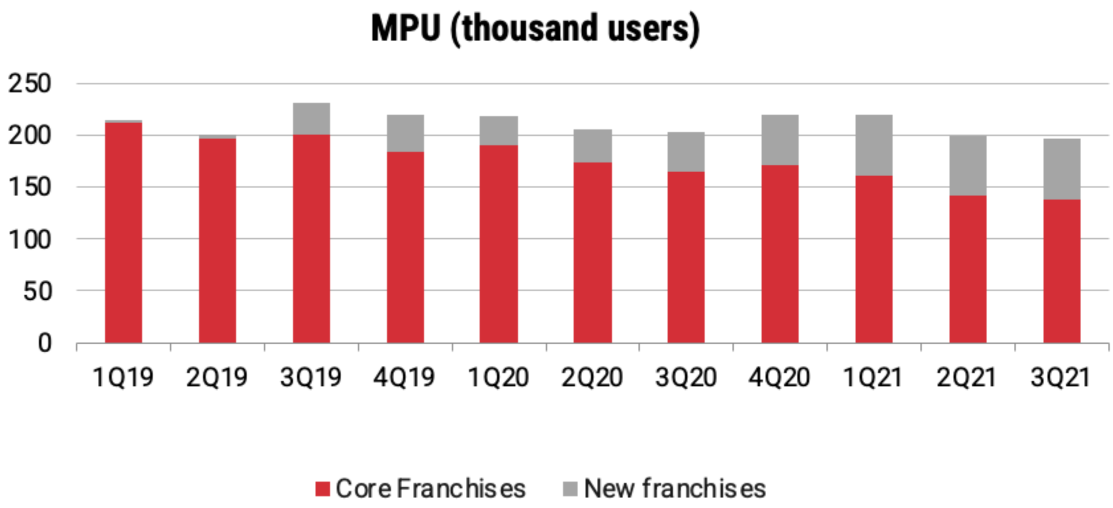
Daily Paying Users

In Q3 2021 we saw a QoQ decrease in the overall number of DPU, driven mostly by the decline in our core portfolio as the drop in DPUs was a consequence of falling DAU. Our new franchise DPUs remained flat QoQ.



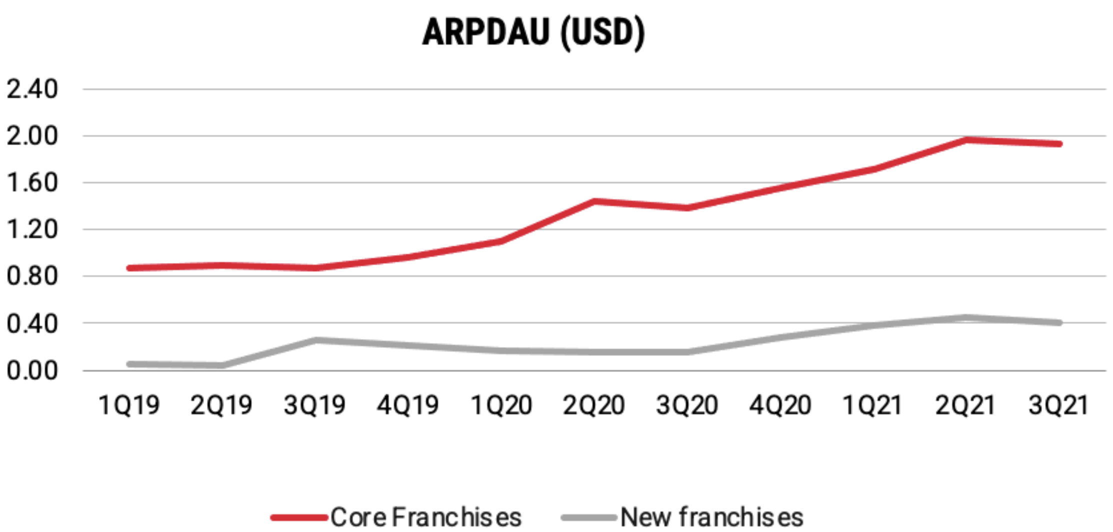
Monthly Paying Users

Our MPU dynamics exhibited similar trends to DPU (explained above).



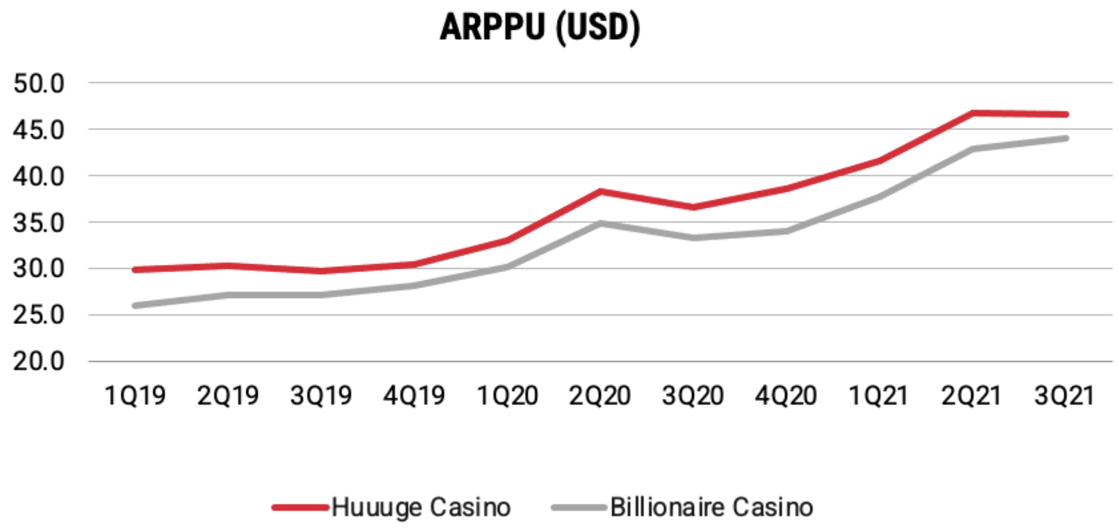
Average Revenue per Daily Active User

ARPDAU indicates how well we monetize our games taking into account our whole player base. Thanks to our competences in marketing, as well as our technology, we have seen sustained growth in the monetization of our core games, i.e. Huuuge Casino and Billionaire Casino. These two games continued to exhibit ARPDAU rates significantly exceeding the category averages and we saw this KPI stabilizing just under USD 2.0 in Q3 2021. ARPDAU for our new franchises has slightly declined QoQ, mainly as a result of Traffic Puzzle's rapidly growing user base (it takes some time for the new user cohorts to reach monetization levels of more mature cohorts).



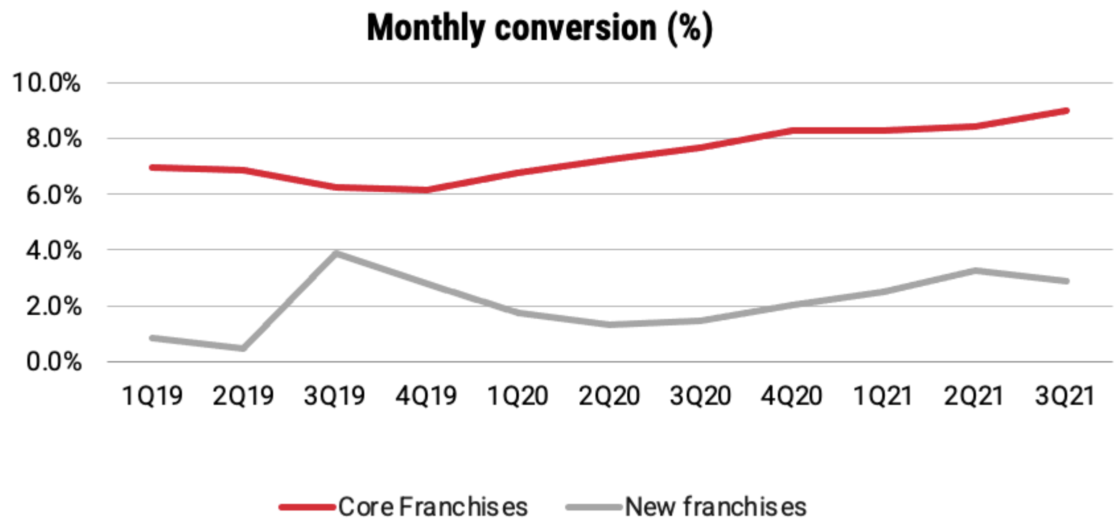
Daily Average Revenue per Paying User

In recent years, we have been able to consistently improve the ARPPU of our core franchises owing to the social features of our games as well as constant focus on live events and special offers. This trend continued in Q3 2021 and we saw another quarter of YoY and QoQ increase in ARPPU in the core franchises line.



Monthly conversion

Monthly Conversion is an indicator of our ability to convert players into payers. In Q3 2021, the Monthly Conversion of our core franchises improved slightly on a QoQ basis. In our new franchises portfolio we saw a slight decline QoQ, similarly to ARPDAU – the result of a rapidly growing user base and new user cohorts showing lower conversion levels in the early stages after acquisition.



5. Results of operations

The following table presents our consolidated statement of comprehensive income for the 9M period ended September 30, 2021 and September 30, 2020.

in thousand USD	9M 2021	9M 2020	Change	Q3 2021	Q3 2020	Change
Revenue	**285,232**	**243,529**	**17.1%**	**91,998**	**78,536**	**17.1%**
Cost of sales	(83,820)	(73,288)	14.4%	(27,013)	(23,493)	15.0%
Gross profit/(loss) on sales	**201,412**	**170,241**	**18.3%**	**64,985**	**55,043**	**18.1%**
Sales and marketing expenses	(116,596)	(81,575)	42.9%	(34,058)	(33,851)	0.6%
including user acquisition marketing campaigns	(103,777)	(71,603)	44.9%	(29,863)	(30,333)	-1.5%
including general sales and marketing expenses	(12,819)	(9,972)	28.5%	(4,195)	(3,518)	19.2%
Research and development expenses	(25,466)	(21,242)	19.9%	(9,599)	(7,588)	26.5%
General and administrative expenses	(31,022)	(17,402)	78.3%	(10,889)	(7,170)	51.9%
Other operating income/(expense), net	693	96	621.9%	838	341	145.7%
Operating result	**29,021**	**50,118**	**-42.1%**	**11,277**	**6,775**	**66.4%**
Finance income	10	992	-99.0%	10	521	-98.1%
Finance expense	(44,574)	(19,181)	132.4%	(1,521)	(7,621)	-80.0%
Profit/(loss) before tax	**(15,543)**	**31,929**	**-148.7%**	**9,766**	**(325)**	**<-999,9%**
Income tax	(5,516)	(7,174)	-23.1%	(2,390)	(1,908)	25.3%
Net result for the period	**(21,059)**	**24,755**	**-185.1%**	**7,376**	**(2,233)**	**-430.3%**
Exchange gains/(losses) on translation of foreign operations	(736)	(992)	-25.8%	(694)	(603)	15.1%
Total comprehensive income for the period	**(21,795)**	**23,763**	**-191.7%**	**6,682**	**(2,836)**	**-335.6%**

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

in thousand USD	9M 2021	9M 2020	Change	Q3 2021	Q3 2020	Change
EBITDA	**34,510**	**51,980**	**-33.6%**	**13,622**	**7,418**	**83.6%**
EBITDA margin (%)	12.1%	21.3%	-9.2pp	14.8%	9.4%	5.4pp
Adjusted EBITDA	43,630	54,207	-19.5%	17,651	8,564	106.1%
Adjusted EBITDA Margin (%)	15.3%	22.3%	-7pp	19.2%	10.9%	8.3pp
Sales Profit	97,635	98,638	-1.0%	35,122	24,710	42.1%
Sales Profit Margin (%)	34.2%	40.5%	-6.3pp	38.2%	31.5%	6.7pp
User acquisition marketing campaigns as % of revenue	36.4%	29.4%	7pp	32.5%	38.6%	-6.2pp
Adjusted Net Result	**27,058**	**45,573**	**-40.6%**	**11,405**	**7,863**	**45.0%**
Adjusted Net Result (%)	9.5%	18.7%	-9.2pp	12.4%	10.0%	2.4pp

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

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

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

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

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

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

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

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

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

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

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

Sales Profit and Sales Profit Margin

in thousand USD	9M 2021	9M 2020	Change	Q3 2021	Q3 2020	Change
Revenue	**285,232**	**243,529**	**17.1%**	**91,998**	**78,536**	**17.1%**
Gross profit/(loss) on sales	201,412	170,241	18.3%	64,985	55,043	18.1%
User acquisition marketing campaigns	103,777	71,603	44.9%	29,863	30,333	-1.5%
Sales Profit	**97,635**	**98,638**	**-1.0%**	**35,122**	**24,710**	**42.1%**
Sales Profit Margin	**34.2%**	**40.5%**	**-6.3pp**	**38.2%**	**31.5%**	**6.7pp**

Adjusted EBITDA reconciliation

in thousand USD	9M 2021	9M 2020	Change	Q3 2021	Q3 2020	Change
Net result for the period	**(21,059)**	**24,755**	**-185.1%**	**7,376**	**(2,233)**	**-430.3%**
Income tax	5,516	7,174	-23.1%	2,390	1,908	25.3%
Finance expense	44,574	19,181	132.4%	1,521	7,621	-80.0%
Finance income	(10)	(992)	-99.0%	(10)	(521)	-98.1%
Depreciation and amortization	5,489	1,862	194.8%	2,345	643	264.7%
EBITDA	**34,510**	**51,980**	**-33.6%**	**13,622**	**7,418**	**83.6%**
EBITDA Margin	**12.1%**	**21.3%**	**-9.2pp**	**14.8%**	**9.4%**	**5.4pp**
Employee benefits costs – share-based plan [1]	9,120	2,227	309.5%	4,029	1,146	251.6%
Adjusted EBITDA	**43,630**	**54,207**	**-19.5%**	**17,651**	**8,564**	**106.1%**
Adjusted EBITDA Margin	**15.3%**	**22.3%**	**-7pp**	**19.2%**	**10.9%**	**8.3pp**

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

Adjusted Net Result

in thousand USD	9M 2021	9M 2020	Change	Q3 2021	Q3 2020	Change
Net result for the period	**(21,059)**	**24,755**	**-185.1%**	**7,376**	**(2,233)**	**-430.3%**
Employee benefits costs – share-based plan (1)	9,120	2,227	309.7%	4,029	1,146	251.6%
Series C shares revaluation	38,997	18,591	109.8%	-	8,950	-100.0%
Adjusted Net Result	**27,058**	**45,573**	**-40.6%**	**11,405**	**7,863**	**45.0%**
Adjusted Net Result Margin	**9.5%**	**18.7%**	**-9.2pp**	**12.4%**	**10.0%**	**2.4pp**

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

Revenue

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

in thousand USD	9M 2021	9M 2020	Change	Q3 2021	Q3 2020	Change
Gaming applications	273,974	239,522	14.4%	88,123	76,594	15.1%
Advertising	11,258	4,007	181.0%	3,875	1,942	99.5%
Total revenue	**285,232**	**243,529**	**17.1%**	**91,998**	**78,536**	**17.1%**

Revenue increased by USD 41,703 thousand, i.e. 17.1%, from USD 243,529 thousand for 9M 2020, to USD 285,232 thousand for 9M 2021. The key driver for gaming applications uplift was improved user monetization in our franchises, which more than offset a decline in DAU. The significant increase in advertising revenue resulted primarily from developing, launching and scaling of our casual games monetized largely through in-app advertising.

Below we show the revenue broken down into main product groups:

in thousand USD	9M 2021	9M 2020	Change	Q3 2021	Q3 2020	Change
Huuuge Casino	163,933	148,730	10.2%	52,624	47,495	10.8%
Billionaire Casino	86,963	81,773	6.3%	27,890	26,047	7.1%
Total Core Franchises	**250,896**	**230,503**	**8.8%**	**80,514**	**73,542**	**9.5%**
Traffic Puzzle	24,621	5,758	327.6%	8,734	1,523	473.5%
Other	9,715	7,268	33.7%	2,750	3,471	-20.8%
Total New Franchises	**34,336**	**13,026**	**163.6%**	**11,484**	**4,994**	**130.0%**
Total revenue	**285,232**	**243,529**	17.1%	**91,998**	**78,536**	17.1%
- thereof games developed by external developers based on publishing contracts	445	1,018	-56.3%	105	603	-82.6%

The main driver for the revenue growth in the core franchises of USD 20,393 thousand i.e. by 8.8% between 9M 2020 and 9M 2021 and of USD 6,972 thousand i.e. of 9.5% between Q3 2020 and Q3 2021, was an improvement in ARPDAU, driven both by improving conversion rates as well as ARPPU as discussed in the Key Performance Indicators section of this report.
With regards to Traffic Puzzle, its rapid revenue growth of USD 18,863 thousand i.e. of 327.6% between 9M 2020 vs 9M 2021 and of USD 7,211 thousand i.e. of 473.5% between Q3 2020 and Q3 2021 followed the continuous DAU expansion driven by the growing number of new installs. The increase in Other revenue of USD 2,447 thousand i.e. of 33.7% between 9M 2020 and 9M 2021 resulted from the growth in revenue generated by other games. The decrease of USD 721 thousand i.e. 20.8% between Q3 2020 and Q3 2021 is mainly due to prioritising marketing expenses to the highest ROAS opportunity within the new franchises portfolio.

Operating expenses

The table below presents a breakdown of our operating expenses.

in thousand USD	9M 2021	9M 2020	Change	Q3 2021	Q3 2020	Change
Cost of sales	**(83,820)**	**(73,288)**	**14.4%**	**(27,013)**	**(23,493)**	**15.0%**
Sales and marketing expenses:	(116,596)	(81,575)	42.9%	(34,058)	(33,851)	0.6%
thereof user acquisition marketing campaigns	(103,777)	(71,603)	44.9%	(29,863)	(30,333)	-1.5%
thereof general sales and marketing expenses	(12,819)	(9,972)	28.5%	(4,195)	(3,518)	19.2%
Research and development expenses	(25,466)	(21,242)	19.9%	(9,599)	(7,588)	26.5%
General and administrative expenses	(31,022)	(17,402)	78.3%	(10,889)	(7,170)	51.9%
Total operating expenses	**(256,904)**	**(193,507)**	**32.8%**	**(81,559)**	**(72,102)**	**13.1%**

Operating expenses for 9M 2021, increased by USD 63,397 thousand, i.e. by 32.8% compared to 9M 2020. This change resulted primarily from the increase in User Acquisition Marketing Campaigns constituting a dominant part of the Sales and Marketing expenses and it reflected the pattern of marketing spend adopted for 2021, under which most of the marketing budget was allocated to the first half of the year.

The second largest item of the operating expenses, i.e. cost of sales, is driven mostly by commissions to distributors (platform fees) and grew proportionately to our revenue from in-app purchases.

General Sales and Marketing expenses increased by USD 2,847 thousand, i.e. 28.6% between 9M 2020 and 9M 2021 and by USD 677 thousand, i.e. 19.2% between Q3 2020 and Q3 2021 which can be attributed primarily to salaries and employee-related costs driven by the growing headcount and by employee stock option plan expenses driven by stock options granted in Q4 2020 and Q3 2021.

The increase in Research and Development expenses of USD 4,224 thousand, i.e. 19.9%, between 9M 2020 and 9M 2021 and by USD 2,011 thousand, i.e. 26.5%, between Q3 2020 and Q3 2021 reflects an increase in the number of research and development employees.

Our General and Administrative expenses increased by USD 13,620 thousand, i.e. 78.3%, between 9M 2020 and 9M 2021 and by USD 3,719 thousand, i.e. 51.9% between Q3 2020 and Q3 2021. The overall increase can be attributed primarily to becoming and operating as a public company, as well as to the ongoing development of Huuuge operations. Those factors mainly impacted the following cost categories:

- Salaries, which increased by USD 3,047 thousand between 9M 2020 and 9M 2021 and by USD 557 thousand between Q3 2020 and Q3 2021. The increase was primarily due to a higher headcount in back office teams as a consequence of operating as a public company and the growing scale of operations;
- Employee stock option plan cost, which increased by USD 4,407 thousand between 9M 2020 and 9M 2021 and by USD 1,389 thousand between Q3 2020 and Q3 2021. The increase was primarily attributable to stock options granted in Q4 2020 and Q3 2021.
- Depreciation and amortization, which increased by USD 3,627 thousand between 9M 2020 and 9M 2021 and by USD 1,702 thousand between Q3 2020 and Q3 2021. The increase is attributable to increased amortization of intangible assets of USD 2,452 thousand, resulting primarily from the amortization of the Traffic Puzzle game acquired on April 27, 2021, as well as to incremental depreciation of tangible assets of USD 1,175 thousand, resulting mainly from the depreciation of new office space rental agreements under IFRS 16.

Profitability

Our Sales Profit for 9M 2021 was substantially on the same level as for 9M 2020 (a decrease of USD 1,003 thousand, i.e. 1.0%) and the Sales Profit Margin decreased by 6.3 pp over the respective periods. At the same time, there was a notable increase in Sales Profit in Q3 2021 of USD 10,412 thousand, i.e. 42.1%, compared to Q3 2020, which resulted in a corresponding improvement in the Sales Profit Margin of 6.7 pp over the respective quarters. Those dynamics reflect the phasing of our User Acquisition Marketing Campaigns throughout 2021, with the highest spend in Q1 2021, and a gradual decrease in the following quarters.

Our adjusted EBITDA for 9M 2021 decreased by USD 10,577 thousand compared to 9M 2020 and the adjusted EBITDA margin for 9M 2021 decreased by 7.0 pp, compared to 9M 2020. This decline reflected the increase in operating expenses as discussed in the Operating expenses section of this report, partially offset by an increase in our revenue. At the same time, in Q3 2021 there was an increase in adjusted EBITDA of USD 9,087 thousand, i.e. 106.1%, compared to Q3 2020, which lifted our adjusted EBITDA margin by 8.3 pp over the respective quarters and resulted from the trend in Sales Profit and operating expenses discussed in the Profitability and Operating expenses sections of this report.

Finance expenses, net

in thousand USD	9M 2021	9M 2020	Change	Q3 2021	Q3 2020	Change
Finance income	10	992	-99.0%	10	521	-98.1%
Finance expenses	(44,574)	(19,181)	132.4%	(1,521)	(7,621)	-80.0%
Finance expense, net	**(44,564)**	**(18,189)**	**145.0%**	**(1,511)**	**(7,100)**	**-78.7%**

Finance expenses, net for 9M 2021 increased by USD 26,375 thousand compared to 9M 2020, mainly as a result of the remeasurement of the fair value of Series C Preferred Shares (finance expense of USD 38,997 thousand for 9M 2021, compared to USD 18,591 thousand for 9M 2020), as well as a loss of USD 2,662 thousand on a foreign exchange forward contract entered into to fix the conversion rate for proceeds from the IPO from Polish zloty to USD. It is worth noting that the finance expenses related to the remeasurement of the fair value of Series C Preferred Shares reported in 9M 2021 can be fully attributed to the first quarter of the financial year as the conversion of Series C Preferred Shares into Common Shares took place on February 5, 2021, upon which those shares are no longer recognized as a financial liability.

Finance expenses, net in Q3 2021 amounted to USD 1,521 thousand compared to USD 7,6221 thousand in Q3 2020. This decline can be mostly explained by the remeasurement of the fair value of Series C Preferred Shares to USD 7,125 thousand in Q3 2020. Finance expenses in Q3 2021 are almost entirely attributable to foreign exchange rate fluctuations.

Net Financial Debt

The table below presents the Net Financial Debt of the Company as at September 30, 2021 and December 31, 2020. We have also presented Adjusted Net Financial Debt as at December 31, 2020 with respect to the conversion of Series C Preferred Shares into Common Shares as at February 5, 2021, upon which those shares are no longer recognized as a financial liability.

in thousand USD	As at Sept 30, 2021	As at December 31, 2020
Cash and cash equivalents[1]	195,560	94,158
Short-term lease liabilities	2,161	2,779
Net current financial indebtedness	(193,399)	(91,379)
Long-term lease liabilities	3,997	6,282
Preferred shares[2]		176,606
Non-current financial indebtedness	3,997	182,888
Net financial debt	**(189,402)**	**91,509**
Adjustment or Preferred shares financial liability[3]	-	*(176,606)*
Adjusted Net financial debt	**(189,402)**	**(85,097)**

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

There have been two material changes to indebtedness and liquidity between December 31, 2020 and September 30, 2021:

- the conversion of Series C Preferred Shares into Common Shares as at February 5, 2021, upon which such shares are no longer recognized as a financial liability, therefore decreasing the Net Debt reported as at September 30, 2021. As the conversion took place in Q1 2021 there was no additional impact in Q2 and Q3 of this financial year; and
- the completion of the Initial Public Offering, which provided the Company with net proceeds of approximately USD 101 million (net of costs and stabilization actions), increased liquidity and decreased the Net Debt reported as at September 30, 2021.

Statement of Financial Position

Selected Consolidated Statements of Financial Position

	As at Sept 30,		As at December 31,	
in thousand USD	2021	Structure	2020	Structure
ASSETS				
Total non-current assets, incl:	54,582	19.5%	17,347	12.2%
Right-of-use assets	5,782	2.1%	8,646	6.1%
Goodwill	2,682	1.0%	2,838	2.0%
Intangible assets	40,369	14.4%	1,459	1.0%
Total current assets, incl:	224,806	80.5%	124,485	87.8%
Trade and other receivables	28,672	10.3%	29,226	20.6%
Cash and cash equivalents	195,560	70.0%	94,158	66.4%
Total assets	**279,388**	**100%**	**141,832**	**100.0%**
EQUITY				
Total equity	**211,781**	**75.8%**	**(96,008)**	**-67.7%**
LIABILITIES				
Total non-current liabilities, incl:	3,997	1.4%	183,019	129.0%
Preferred shares	-	0.0%	176,606	124.5%
Total current liabilities, incl:	63,610	22.8%	54,821	38.7%
Trade and other payables	56,091	20.1%	37,797	26.6%
Total equity and liabilities	**279,388**	**100%**	**141,832**	**100.0%**

Assets

Total assets increased by USD 137,556 thousand, i.e. 96.9% from USD 141,832 thousand as at December 31, 2020, to USD 279,388 thousand as at September 30, 2021.

The structure of total assets changed mostly as a result of an increase in intangible assets of USD 38,910 thousand and cash and cash equivalents of USD 101,402 thousand. Total assets mainly comprised the following items: (i) cash and cash equivalents (accounting for 70.0% and 66.4% of total assets as at September 30, 2021, and December 31, 2020, respectively); (ii) intangible assets (accounting for 14.4% and 1.0% of total assets as at September 30, 2021, and December 31, 2020, respectively); and (iii) trade and other receivables (accounting for 10.3% and 20.6% of total assets as at September 30, 2021, and December 31, 2020, respectively).

The increase in total assets resulted from: (i) an increase in total current assets of USD 100,321 thousand, mainly due to a significant increase in cash and cash equivalents related to the net proceeds from the IPO and (ii) an increase in total non-current assets of USD 37,235 thousand, mainly due to the acquisition of the Traffic Puzzle game that was recognized as an intangible asset.

Liabilities

Total liabilities decreased by USD 170,233 thousand, i.e. 71.57% from USD 237,840 thousand as at December 31, 2020, to USD 67,607 thousand as at September 30, 2021. The structure of total liabilities changed due to the conversion of Series C Preferred Shares into Common Shares which is described in Note 15 Conversion of Series C Preferred Shares to the Interim Condensed Consolidated Financial Statements.

As at September 30, 2021 total liabilities comprised mainly trade and other payables (accounting for 83.0% of total liabilities). The increase in trade and other payables of USD 18,294 thousand is related to deferred payments for the Traffic Puzzle game as described in Note 9 Intangible assets to the Interim Condensed Consolidated Financial Statements.

As at December 31, 2020 total liabilities comprised mainly the following items: (i) Preferred Shares (accounting for 74.3% of total liabilities), and (ii) trade and other payables (accounting for 15.9% of total liabilities).

Cash Flows And Liquidity

The following table summarizes selected net cash flows from operating, investing and financing activities for 9M 2021 compared to the 9M 2020 and for Q3 2021 compared to Q3 2020.

in thousand USD	**9M 2021**	**9M 2020**	**Change**	**Q3 2021**	**Q3 2020**	**Change**
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit/(loss) before tax	**(15,543)**	**31,929**	**-148.7%**	**9,766**	**(325)**	**<-999,9%**
Adjustments for:						
Sum of non-cash changes in interest, depreciation, amortization, FX differences, prepayments and profits on disposal	9,738	816	>999,9%	2,502	(109)	<-999,9%
Non-cash employee benefits expense - share-based payments	9,120	2,227	309.5%	4,032	1,146	251.8%
Non-cash remeasurement of preference shares liability - finance expense	38,997	19,072	104.5%	-	7,605	-100.0%
Changes in net working capital	(17,690)	8,530	-307.4%	5,724	11,351	-49.6%
Cash flows from operating activities	**24,622**	**62,574**	**-60.7%**	**22,024**	**19,668**	**12.0%**
Income tax paid	(5,676)	(3,763)	50.8%	(3,269)	(3,642)	-10.2%
Net cash flows from operating activities	**18,946**	**58,811**	**-67.8%**	**18,755**	**16,026**	**17.0%**
CASH FLOWS FROM INVESTING ACTIVITIES						
Acquisition of property, plant and equipment and intangible assets	(4,206)	(1,580)	166.2%	(1,729)	(482)	258.7%
Acquisition of subsidiaries, net of cash acquired	-	(2,088)	-100.0%	-	(1,024)	-100.0%
Acquisition of IP rights	(9,500)	-	100.0%	-		100.0%
Net cash from investing activities	**(13,696)**	**(3,601)**	**280.3%**	**(1,719)**	**(1,509)**	**13.9%**
CASH FLOWS FROM FINANCING ACTIVITIES						
Proceeds from issue of common shares for public subscription	152,929	-	100.0%	-	-	-
Execution of stabilization option	(43,976)	-	100.0%	-	-	-
Transaction costs of the issue of equity instruments	(7,097)	-	100.0%	-	-	100.0%
Proceeds from issue of shares	-	9,681	-100.0%	-	-	-
Repurchase of own shares	-	(7,699)		-	(7,699)	-
Net cash from financing activities	**97,551**	**657**	**>999,9%**	**(601)**	**(7,930)**	**-92.4%**
Net increase/(decrease) in cash and cash equivalents	**102,801**	**55,867**	**84.0%**	**16,435**	**6,587**	**149.5%**

Net cash flows from operating activities

Net cash inflows from operating activities for 9M 2021 amounted to USD 18,946 thousand and decreased by USD 39,865 thousand from cash inflows of USD 58,811 thousand for 9M 2020.

The changes in net cash flows from operating activities are attributable primarily to a decrease in adjusted EBITDA of USD 10,577 thousand and an unfavorable change in net working capital of USD 17,690 thousand. The change in net working capital mainly resulted from: (i) a decrease in trade and other payables of USD 9,496 thousand (excluding the deferred payments related to the acquisition of the Traffic Puzzle game), during 9M 2021 mainly driven by the decrease in payables for User Acquisition Marketing Campaigns expenses, compared to the increase in trade and other payables of USD 14,602 thousand during 9M 2020; (ii) the settlement of the Washington court case (USD 6,500 thousand), and (iii) utilization of other provisions (USD 1,143 thousand), explained in Note 18 Provisions to the Interim Condensed Consolidated Financial Statements.

Net cash flows from investing activities

Net cash outflows from investing activities for 9M 2021 amounted to USD 13,696 thousand and increased by USD 10,095 thousand, from outflows of USD 3,601 thousand for 9M 2020. The changes in net cash flows from investing activities are mainly attributable to the settlement of the first payment for the Traffic Puzzle game.

Net cash flows from financing activities

Net cash inflows from financing activities for 9M 2021 amounted to USD 97,551 thousand and increased by USD 96,894 thousand, from USD 657 thousand for 9M 2020. The changes in net cash flows from financing activities are mainly attributable to: (i) proceeds from the subscribed Common Shares issued for the public offering subscription of USD 152,929 thousand offset by (ii) transaction costs incurred related to the issue of equity instruments of USD 7,097 thousand, and (iii) funds used for the execution of the stabilization option of USD 43,976 thousand.

6. Unusual events significantly affecting the financial statements

Unusual events, due to their nature, value or frequency, which significantly affected the Group's assets, liabilities, equity as at September 30, 2021, net result, and cash flows for 9M 2021 were as follows:

- Initial Public Offering, and execution of the stabilization option, described in Note 13 Share Capital to the Interim Condensed Consolidated Financial Statements.
- Fair value measurement, revaluation and conversion of Series C Preferred Shares described in Note 15 Conversion of Series C Preferred Shares to the Interim Condensed Consolidated Financial Statements.
- Redemption of Treasury Shares described in Note 13 Share Capital to the Interim Condensed Consolidated Financial Statements.
- Acquisition of the Traffic Puzzle game described in Note 9 Intangible assets to the Interim Condensed Consolidated Financial Statements.
- Settlement of the provision for the court case, described in Note 18 Provisions to the Interim Condensed Consolidated Financial Statements
- Grant of 4,111,765 options described in Note 14 Share-based payment arrangements to the Interim Condensed Consolidated Financial Statements.

7. Possibility of accomplishing previously published forecasts

The Issuer does not publish financial forecasts.

8. Significant proceedings pending in court

As at September 30, 2021, or as at the date of issuing the financial statements, neither the Issuer nor any of its subsidiaries were a party to any significant proceedings before the court, arbitrators or any public authority.
Details of the one significant court case resolved in 6M ended June 30, 2021 were further described in Note 18 Provisions to the Interim Condensed Consolidated Financial Statements of the Semi-Annual Report for H1 2021.

9. Transactions with related parties

Information regarding transactions with related entities were detailed in Note 20 Related Party Transactions to the Interim Condensed Consolidated Financial Statement for 9M 2021.

10. Granted sureties, loans, guarantees

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

11. Significant events after the balance sheet date

Significant events that occurred after the balance sheet date are presented in the Interim Condensed Consolidated Financial Statement for the period in Note 23 Subsequent events.

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

After the Company's IPO, which took place in February 2021, we bolstered our balance sheet with additional proceeds thus having USD 195.6 million in cash & cash equivalents as at September 30, 2021. This not only secures our ability to meet our obligations but also gives us significant capacity to pursue our "Build & Buy" strategy and further acquisitions.

On October 7, 2021, the Company announced changes in the executive management team. The new composition is as follows:
Anton Gauffin, Chief Executive Officer
Grzegorz Kania, Chief Finance Officer
Jon Bellamy, Executive Vice President, Strategy & Investment
Erik Duindam, Vice President, Technology & Product
Yehoshua Gurtler, General Counsel
Maciej Hebda, Vice President, Strategy & Planning
Amir Kwiat, Senior Vice President, Marketing
Wojciech Wronowski, Executive Vice President, Product & Operations
Guy Zamir, Senior Vice President, Data & Network
More information about the team can be found in their profiles which are available on our website ir.huuugegames.com.

There is no other significant information on the Issuer's Group as at September 30, 2021.

Selected stand-alone financial data

Stand-alone statement of comprehensive income

	9M 2021	9M 2020
Revenue	**2,873**	**1,451**
Cost of sales	-	-
Gross profit / (loss)	**2,873**	**1,451**
Sales and Marketing expenses	(25)	-
Research and development expenses	(1,097)	(643)
General and administrative expenses	(4,354)	(3,659)
Other operating income/(expense), net	26	33
Operating result	**(2,577)**	**(2,818)**
Finance income	42	142
Finance expense	(42,195)	(19,087)
Profit/(loss) before tax	**(44,730)**	**(21,763)**
Income tax	-	-
Net result for the period	**(44,730)**	**(21,763)**
Other comprehensive income	-	-
Total other comprehensive income	**(44,730)**	**(21,763)**

Stand-alone statement of financial position

	As of Sept 30, 2021	As of Dec 31, 2020
Assets		
Non-current assets		
Property, plant and equipment	91	36
Right-of-use asset	155	211
Investment in subsidiaries	23,897	13,633
Loans granted	-	1,487
Other non-financial assets	6	6
Total non-current assets	**24,149**	**15,373**
Current assets		
Trade and other receivables	7,472	15,228
Corporate income tax receivable	555	583
Loans granted	1,520	-
Other non-financial assets]	-	-
Cash and cash equivalents	103,394	7,284
Total current assets	**112,941**	**23,095**
Total assets	**137,090**	**38,468**

Equity		
Share capital	2	2
Treasury shares	(30,710)	(33,994)
Supplementary capital	331,220	14,040
Employee benefit reserve	17,173	8,053
Retained earnings/(Accumulated losses)	(185,565)	(140,835)
Total equity	**132,120**	**(152,734)**
Non-current liabilities		
Preference shares	-	176,606
Long-term lease liabilities	85	142
Deferred tax liability	27	28
Total non-current liabilities	**112**	**176,776**
Current liabilities		
Trade and other payables	4,781	7,850
Short-term lease liabilities	77	76
Provisions	-	6,500
Total current liabilities	**4,858**	**14,426**
Total equity and liabilities	**137,090**	**38,468**

Stand-alone statement of changes in equity

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

	Share capital	Treasury shares	Supplementary capital	Employee benefit reserve	Retained earnings	Equity
As of December 31, 2019	**2**	**(36,604)**	**14,477**	**4,295**	**(15,158)**	**(32,988)**
Net profit / (loss)	-	-	-	-	*(21,763)*	*(21,763)*
Other comprehensive income - foreign currency exchange gains/(losses)	-	-	-	-	-	-
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**(21,763)**	**(21,763)**
Shares issued/(repurchased)	0	1,979	**-**	**-**	**-**	1,979
Acquisition of a subsidiaries (payment in treasury shares reissued)	-	631	226	**-**	**-**	857
Exercise of stock options	-	-	150	-	-	150
Employee share schemes - value of employee services	-	-	-	2,008	-	2,008
Earn-out consideration - value of employee services	-	-	-	219	-	219
As of September 30, 2020	**2**	**(33,994)**	**14,853**	**6,522**	**(36,921)**	**(49,538)**

Stand-alone statement of cash flow

	9M period ended	
	Sep 30, 2021	Sept 30, 2020
Cash flows from operating activities		
Profit/(loss) before tax	**(44,730)**	**(21,763)**
Adjustments for:		
Depreciation and amortization	70	7
Non-cash employee benefits expense - share-based payments	458	147
Remeasurement and other finance expenses related to preference shares liability	38,997	19,072
Finance (income)/expense, net	2,627	(128)
Changes in net working capital:		
Trade and other receivables	7,756	672
Trade and other payables	(637)	2,807
Provisions	(6,500)	-
Other non-financial assets	-	3
Other adjustments	27	28
Cash flows from operating activities	**(1,932)**	**845**
Income tax paid	-	-
Net cash from operating activities	**(1,932)**	**845**
Cash flows from investing activities		
Acquisition of property, plant and equipment and intangible assets	(70)	(4)
Purchase of shares in subsidiaries	(1,792)	(2,329)
Loans granted	-	(600)
Interest received	-	52
Net cash from investing activities	**(1,862)**	**(2,881)**
Cash flows from financing activities		
Proceeds from issue of common shares and shares series A and B	-	8,234
Proceeds from issue of shares series C	-	1,447
Repurchase of own shares Series A and B	-	(6,255)
Repurchase of own shares series C	-	(1,444)
Proceeds from issue of common shares for public subscription	152,929	-
Execution of stabilization option	(43,976)	-
Transaction costs of an issuance of equity instruments	(7,097)	-
Loss on foreign exchange forward contract	(2,662)	-
Exercise of stock options	765	150
Lease repayment	(55)	-
Cash flow from financing activities	**99,904**	**2,132**
Net increase/(decrease) in cash and cash equivalents	96,110	96
Effect of exchange rate fluctuations	-	-
Cash and cash equivalents at the beginning of the period	**7,284**	**4,650**
Cash and cash equivalents at the end of the period	**103,394**	**4,746**

Unusual events significantly affecting Huuuge Inc. stand alone financial data

Significant events during 9M 2021 affecting Huuuge Inc. interim condensed financial statements:

- Initial Public Offering, and execution of stabilization option, described in Note 13 Share Capital to the interim condensed consolidated financial statements as at and for 9M 2021.
- Fair value measurement, revaluation and conversion of Series C Preferred Shares described in Note 15 *Conversion of Series C Preferred Shares* to the interim condensed consolidated financial statements as at and for 9M 2021.
- Redemption of Treasury Shares described in Note 13 *Share capital* to the interim condensed consolidated financial statements as at and for 9M 2021.
- Settlement of provision for court case described in Note 18 *Provisions* to the interim condensed consolidated financial statements as at and for 9M 2021.
- Grant of 4,111,765 options described in Note 14 *Share-based payment arrangements* to the interim condensed consolidated financial statements as at and for 9M 2021.

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