CONSOLIDATED Q3 2023 REPORT

THE HUUUGE, INC. GROUP
for the nine-month period ended September 30, 2023
Warsaw, November 22, 2023

This report was prepared in English and Polish language versions. In the case of any discrepancies, the English version shall prevail as binding.

Disclaimer

This constitutes the quarterly report for the nine-month period ended September 30, 2023 (the "Quarterly Report") prepared in accordance with the Regulation of the Minister of Finance of March 29, 2018 on current and periodic information published by issuers of securities and the conditions for recognizing information as equivalent required by the law of a non-member state. This Quarterly Report should be read in conjunction with the interim condensed consolidated financial statements for the nine-month period ended September 30, 2023 prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

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

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

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

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

Industry and Market Data

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

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

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

Key Performance Indicators

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

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

Forward-looking statements

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

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

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CEO Letter

Dear Shareholders, Team Huuuge,

As the recently appointed CEO of Huuuge, Inc, I am excited to bring you up to speed on our performance for the first nine months and third quarter of 2023. In recent months, we've achieved significant financial results and remain steadfast in our commitment to our strategic vision.

In the previous quarter, we saw a positive uptick in our core performance indicators. Notably, both Huuuge Casino and Billionaire Casino reported their first revenue growth in a year.

Our core games have improved across key metrics, showing growth in Daily Active Users (DAU), Average Revenue Per Daily Active User (ARPDAU), and Daily Paying Users (DPU). This indicates strong player engagement and monetization potential.

Despite a challenging market, our core games outperformed the industry, with a 4.2% QoQ revenue growth compared to a 2.2% QoQ decline in the broader social casino market (according to Eliers&Krejcik). This underscores our resilience and ability to adapt to changing market dynamics.

While we increased marketing spending last quarter to address better-than-expected results, we remain committed to our disciplined approach. The combination of increased marketing budget, the new game economy, and the Loyalty Program is expected to positively impact our revenue trends in the upcoming quarter.

Our direct-to-consumer channel continues to grow, strengthening player connections and improving our business margins. This effort underscores our commitment to building lasting customer relationships.

Investing in "Huuuge Pods" is our strategic step toward securing our future. We understand that success in new games takes time, and we're still in the early stages. We plan to introduce several projects to test markets in the coming years, with potential increased marketing investments if they demonstrate commercial viability.

We firmly believe that our strategic actions, focus on cash generation, and commitment to our core business principles will create value for our shareholders. Our adjusted EBITDA for trailing 12 months ended 30th September 2023 reached USD 112m and net operating cash flow reached USD 86.5m. This reflects our dedication to shareholder value, and we're excited about the significant potential and opportunities ahead in the coming months and years.

Looking ahead, we are optimistic about the fourth quarter. The recent update of Huuuge Casino's game economy, along with increased marketing spending and a compelling events and sales calendar, positions us well for a strong Q4 performance with anticipated revenue growth.

Notwithstanding the shifts in executive management, our approach towards shareholders, players, and employees has remained unchanged. As always, we greatly value your feedback and support. We continue to work towards serving more players globally and we hope you'll enjoy playing together with Huuuge.

Best regards,

Wojciech Wronowski, CEO – Huuuge, Inc.

Wojtek Wronowski

Selected financial data

in thousands	USD	USD	EUR	EUR	PLN	PLN
	9M 2023	9M 2022	9M 2023	9M 2022	9M 2023	9M 2022
Revenue	212,111	240,948	195,836	226,097	897,567	1,055,323
Operating profit (loss)	71,441	40,375	65,960	37,887	302,309	176,838
Pre-tax profit (loss)	75,413	39,300	69,627	36,878	319,117	172,129
Net profit (loss)	62,762	32,862	57,946	30,837	265,583	143,932
Net cash flows from operating activities	57,615	42,076	53,194	39,483	243,803	184,288
Net cash flows from investing activities	3,177	(31,986)	2,933	(30,015)	13,444	(140,095)
Net cash flows from financing activities	(153,932)	(21,052)	(142,121)	(19,754)	(651,378)	(92,205)
Total net cash flows	(93,140)	(10,962)	(85,994)	(10,286)	(394,131)	(48,012)
Cash and cash equivalents at end of period	127,661	193,139	120,338	196,451	557,840	956,675

	USD	USD	EUR	EUR	PLN	PLN
	9M 2023	9M 2022	9M 2023	9M 2022	9M 2023	9M 2022
Number of shares at end of period	67,124,778	84,246,697	67,124,778	84,246,697	67,124,778	84,246,697
Weighted average number of shares	74,691,800	81,237,286	74,691,800	81,237,286	74,691,800	81,237,286
Earnings per share basic (EPS)	0.85	0.41	0.78	0.38	3.60	1.80
Earnings per share diluted (EPS)	0.84	0.40	0.78	0.38	3.55	1.75

	EUR 9M 2023	PLN 9M 2023	EUR 9M 2022	PLN 9M 2022
Annual average exchange rate	1.0831	0.2363	1.0657	0.2283
Exchange rate at end of reported period	1.0609	0.2288	0.9831	0.2019

The Huuuge, Inc. Group Interim Condensed Consolidated Financial Statements

as at and for the nine-month period ended September 30, 2023

Interim condensed consolidated statement of comprehensive income

	Note	Nine-month period ended September 30, 2023 Unaudited	Nine-month period ended September 30, 2022 Unaudited	Three-month period ended September 30, 2023 Unaudited	Three-month period ended September 30, 2022 Unaudited
Revenue	5	**212,111**	**240,948**	**71,177**	**77,521**
Cost of sales	6	(62,047)	(73,256)	(20,603)	(23,757)
Gross profit on sales		**150,064**	**167,692**	**50,574**	**53,764**
Sales and marketing expenses:	6	(35,695)	(74,965)	*(15,349)*	(17,695)
thereof, User acquisition marketing campaigns	6	*(24,915)*	*(63,644)*	*(10,867)*	*(14,211)*
thereof, General sales and marketing expenses	6	*(10,780)*	*(11,321)*	*(4,482)*	*(3,484)*
Research and development expenses	6	(17,475)	(23,127)	*(4,845)*	(6,288)
General and administrative expenses	6	(25,576)	(29,862)	*(7,597)*	(11,629)
Other operating income/(expense), net		123	637	(244)	364
Operating result		**71,441**	**40,375**	**22,539**	**18,516**
Finance income	7	4,476	893	747	748
Finance expense	7	(504)	(1,968)	(342)	(679)
Profit/(loss) before tax		**75,413**	**39,300**	**22,944**	**18,585**
Income tax	8	(12,651)	(6,438)	(4,286)	(3,286)
Net result for the period		**62,762**	**32,862**	**18,658**	**15,299**
Other comprehensive income/(loss)					
Items that may be reclassified to profit or loss					
Exchange gains/(losses) on translation of foreign operations		(711)	(5,394)	(1,677)	(2,045)
Total other comprehensive income/(loss)		**(711)**	**(5,394)**	**(1,677)**	**(2,045)**
Total comprehensive income for the period		**62,051**	**27,468**	**16,981**	**13,254**
Net result for the period attributable to:					
owners of the Parent		62,762	32,862	18,658	15,299
Total comprehensive income for the period attributable to:					
owners of the Parent		62,051	27,468	16,981	13,254
Earnings per share (in USD)					
Basic	11	0.85	0.41	0.29	0.19
Diluted	11	0.84	0.40	0.29	0.19

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

Interim condensed consolidated statement of financial position

	Note	As at September 30, 2023 Unaudited	As at December 31, 2022 Audited
Assets			
Non-current assets			
Property, plant and equipment		2,494	3,221
Right-of-use assets	15	7,892	12,965
Goodwill		2,471	2,462
Intangible assets	9	10,558	12,057
Deferred tax assets		3,612	4,489
Long-term lease receivables	15	1,894	540
Other long-term assets		1,612	1,708
Total non-current assets		**30,533**	**37,442**
Current assets			
Trade and other receivables		33,853	25,855
Short-term lease receivables	15	895	209
Corporate income tax receivables		1,099	566
Cash and cash equivalents	10	127,661	222,245
Total current assets		**163,508**	**248,875**
Total assets		**194,041**	**286,317**
Equity			
Share capital	13	1	2
Treasury shares	13	(17,323)	(20,942)
Supplementary capital		150,981	305,261
Employee benefit reserve	14	24,525	22,894
Foreign exchange reserve		(3,345)	(2,634)
Retained earnings/(accumulated losses)		(1,092)	(63,854)
Total equity		**153,747**	**240,727**
Equity attributable to owners of the Company		*153,747*	*240,727*
Non-current liabilities			
Long-term lease liabilities	15	7,164	9,812
Other long-term liabilities		352	164
Total non-current liabilities		**7,516**	**9,976**
Current liabilities			
Trade and other payables		19,727	24,302
Deferred income		2,576	2,680
Corporate income tax liabilities		4,896	4,617
Short-term lease liabilities	15	3,879	4,015
Other provisions	16	1,700	-
Total current liabilities		**32,778**	**35,614**
Total equity and liabilities		**194,041**	**286,317**

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 (accumulated losses)	Foreign exchange reserve	Equity attributable to owners	Non-controlling interest	Equity
As at January 1, 2023, audited		**2**	**(20,942)**	**305,261**	**22,894**	**(63,854)**	**(2,634)**	**240,727**	**-**	**240,727**
Net profit/ (loss) for the period		-	-	-	-	*62,762*	-	*62,762*	-	*62,762*
Other comprehensive income – foreign currency exchange gains/(losses)		-	-	-	-	-	*(711)*	*(711)*	-	*(711)*
Total comprehensive income for the period		**-**	**-**	**-**	**-**	**62,762**	*(711)*	**62,051**	**-**	**62,051**
Exercise of stock options	13, 14	(0)	3,619	(3,203)	-	-	-	416	-	416
Employee share schemes – value of employee services	14	-	-	-	1,631	-	-	1,631	-	1,631
Share BuyBack ("SBB") - repurchase of shares*	13	(1)	(150,000)	-	-	-	-	(150,001)	-	(150,001)
Transaction costs related to SBB program*	13	-	(1,077)	-	-	-	-	(1,077)	-	(1,077)
Retirement of shares purchased during the Share Buyback Scheme ("SBB")	13	-	151,077	(151,077)	-	-	-	-	-	-
As at September 30, 2023, unaudited		**1**	**(17,323)**	**150,981**	**24,525**	**(1,092)**	**(3,345)**	**153,747**	**-**	**153,747**

* Share Buyback program ("SBB") line includes the cash outflows for the repurchase of 17,121,919 own shares at a price of USD 8.7607 per share. The change of trade and other payables presented in the interim consolidated statement of financial position as at September 30, 2023 does not equal the change in the interim consolidated statement of cash flows for the nine - months period ended September 30, 2023. The difference of USD 93 thousand is due to the transaction costs related to SBB, presented in the cash flows from financing activities in the interim consolidated statement of cash flows, which were not paid as at September 30, 2023.

** (0) represents an amount less or equal to USD 1 thousand.

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

* The Shares issued/(repurchased) line includes payments for the repurchase of 4,989,608 own shares under the share buyback program.

** The Exercise of stock options line includes payments received from the employees in the amount of USD 51 thousand for shares which were not delivered to the employees as at September 30, 2022, and were presented in supplementary capital.

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

Interim condensed consolidated statement of cash flows

	Note	Nine-month period ended September 30, 2023 Unaudited	Nine-month period ended September 30, 2022 Unaudited
Cash flows from operating activities			
Profit/(loss) before tax		**75,413**	**39,300**
Adjustments for:			
Depreciation and amortization	6	6,816	8,106
Finance (income)/expense, net	7	(3,357)	(3,990)
(Profit)/loss on disposal of property, plant and equipment		585	47
Non-cash employee benefits expense – share-based payments	14	1,631	2,089
Changes in net working capital:			
Trade and other receivables, and other long-term assets		(8,544)	3,884
Trade and other payables		(4,690)	(1,674)
Deferred income		(104)	(800)
Other provisions		1,700	(54)
Other long-term liabilities		188	-
Other adjustments		85	(68)
Cash flows from operating activities		**69,723**	**46,840**
Income tax paid		(12,108)	(4,764)
Net cash flows from operating activities		**57,615**	**42,076**
Cash flows from investing activities			
Interest received		4,867	418
Software expenditures	9	(1,884)	(2,294)
Acquisition of property, plant and equipment		(323)	(710)
Sublease payments received	15	425	-
Interest received from sublease	15	92	-
Acquisition of IP rights		-	(29,400)
Net cash flows from/(used in) investing activities		**3,177**	**(31,986)**
Cash flows from financing activities			
Repurchase of own shares incl. transaction costs	13	(150,985)	(20,090)
Lease repayment	15	(3,134)	(3,048)
Interest paid	15	(229)	(327)
Exercise of stock options	13	416	2,413
Net cash flows from/(used in) financing activities		**(153,932)**	**(21,052)**
Net increase/(decrease) in cash and cash equivalents		**(93,140)**	**(10,962)**
Effect of exchange rate fluctuations and accrued interest		(1,444)	(314)
Cash and cash equivalents at the beginning of the period		**222,245**	**204,415**
Cash and cash equivalents at the end of the period		**127,661**	**193,139**

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

Notes to the interim condensed consolidated financial statements

HUUUGE

1. General information

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

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

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

The core business activities of the Group include:

- development of mobile games in the free-to-play model,
- distribution and user acquisition of proprietary 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 at September 30, 2023 and as at the date of signing of these interim condensed consolidated financial statements

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

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

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

Effective March 7, 2023, Mr. Rod Cousens, co-CEO, and the Company reached a mutual agreement to end Mr. Cousens's executive service with the Company. Mr. Cousens remained a member of the Company's Board of Directors.

Effective on September 18, 2023, the Board of Directors adopted a resolution on the following changes of the officers of the Company:

- Mr Anton Gauffin stepped down from the position of President and Chief Executive Officer of the Company and was appointed as the Executive Chairman of the Board while still remaining an executive director of the Company;
- Mr Wojciech Wronowski, who was thus far serving as the Chief Operating Officer (not being a formal officer of the Company), was appointed a formal officer of the Company namely the Chief Executive Officer;
- Mr Erik Duindam, who was thus far serving as the Chief Technology Officer (not being a formal officer of the Company), was appointed as a formal officer of the Company, namely the President and the Chief Operating Officer;
- Mr Marek Chwałek, who was serving as Executive Vice President of Finance (not being a formal officer of the Company), was appointed as a formal officer of the Company, namely the Treasurer;
- Ms Monika Kierepa was appointed as the Secretary.

As at September 30, 2023, the composition of the Company's Board of Directors was the following:

- Anton Gauffin, executive director, Executive Chairman of the Board,
- Rod Cousens, non-executive director,
- Henric Suuronen, non-executive director,
- Krzysztof Kaczmarczyk, non-executive director,
- John Salter, non-executive director,
- Tom Jacobsson, non-executive director.

Effective on October 27, 2023, Mr. Krzysztof Kaczmarczyk and Mr. Tom Jacobsson were re-elected as independent non-executive directors. In connection with the election of members of the Board of Directors by the Annual General Meeting, Mr. John Salter was elected to serve as the Series A Director for the next term, and Mr. Henric Suuronen and Mr. Anton Gauffin to serve as the Series B Directors for the next term.

After these changes, as at the date of signing of these interim condensed consolidated financial statements, the composition of the Company's Board of Directors was the following:

- Anton Gauffin, executive director, Executive Chairman of the Board,
- Henric Suuronen, non-executive director,
- Krzysztof Kaczmarczyk, non-executive director,
- John Salter, non-executive director,
- Tom Jacobsson, non-executive director.

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

These interim condensed consolidated financial statements as at and for the nine-month period ended September 30, 2023 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 at and for the year ended December 31, 2022 prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS").

These interim condensed consolidated financial statements as at and for the nine-month period ended September 30, 2023 were approved on November 20, 2023 by the Board of Directors.

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

3. Adoption of new and revised standards

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

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

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

- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture (issued on September 11, 2014): the endorsement process of these Amendments has been postponed by the EU – the effective date was deferred indefinitely by the International Accounting Standards Board;
- Amendments to IAS 1: Presentation of Financial Statements: Classification of Liabilities as Current or Non-current – Deferral of Effective Date and Non-current Liabilities with Covenants (issued on January 23, 2020 and July 15, 2020 and October 31, 2022, respectively): not yet endorsed by the EU at the date of approval of these interim condensed consolidated financial statements for issue – effective for financial years beginning on or after January 1, 2024;
- Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback (issued on September 22, 2022): not yet endorsed by the EU at the date of approval of these interim condensed consolidated financial statements for issue – effective for financial years beginning on or after January 1, 2024;
- Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements (Issued on May 25, 2023): not yet endorsed by the EU at the date of approval of these interim condensed consolidated financial statements for issue – effective for financial years beginning on or after January 1, 2024;
- Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability (issued on August 15, 2023): not yet endorsed by the EU at the date of approval of these interim condensed consolidated financial statements for issue – effective for financial years beginning on or after January 1, 2025.

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 at and for the year ended December 31, 2022, except for the adoption of new standards effective as at January 1, 2023. 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 2023 but do not have an impact on the interim condensed consolidated financial statements of the Group. In preparing these interim condensed consolidated financial statements, the significant judgements and estimates made by management in applying the Group's accounting policies have been consistently applied by the Group and are consistent across the reported periods.

5. Revenue & segment information

Huuuge's business, development and sales of casual games for mobile platforms is global, and both games and sales channels are the same, regardless of where the players (customers) are located. Management measures and monitors the Group's revenue in respect of each game, but does not allocate all costs, assets and liabilities by game and does not measure the operating results by game. In management's view, the operations and the Group's financial performance and position cannot be divided into different segments in such a way that it improves the ability to analyze and manage the Group. As at September 30, 2023 the CEO is the Chief operating decision-maker and for this reason, the CEO analyzes the consolidated financial position and operating results of the Group as a whole; therefore, it has been determined that the Group has only one operating segment ("online mobile games").

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

The Group's revenue from contracts with clients comprises revenue generated by in-app purchases (gaming applications) and in-app ads (advertising). Revenue generated from gaming applications for the nine-month period ended September 30, 2023 amounted to USD 209,404 thousand (USD 232,582 thousand for the nine-month period ended September 30, 2022), and revenue generated from advertising amounted to USD 2,707 thousand for the nine-month period ended September 30, 2023 (USD 8,366 thousand for the nine-month period ended September 30, 2022).

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

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

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

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

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

	Nine-month period ended September 30, 2023 Unaudited	Nine-month period ended September 30, 2022 Unaudited
Huuuge Casino	134,499	140,933
Billionaire Casino	68,467	74,265
Traffic Puzzle	7,561	22,113
Other games	1,584	3,637
Total revenue	**212,111**	**240,948**

The Group distributes in-house games as well as 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 the game application. Nevertheless, in some cases, the Group publishes mobile game applications of third-party developers based on publishing contracts. Management concluded that, in the publishing arrangements, control over games developed by third-party developers has been transferred to the Group. Therefore, in such a situation, the Group, being the customer of the developers, acts as a principal in its relation to the players and presents in-app revenue on a gross basis, i.e., in the amount of consideration to which it expects to be entitled in exchange for making the games available to end users.

Revenue was generated in the following geographical locations:

	Nine-month period ended September 30, 2023 Unaudited	Nine-month period ended September 30, 2022 Unaudited
North America	128,713	150,527
Europe	49,739	53,310
Asia-Pacific (APAC)	11,440	14,135
Other	22,219	22,976
Total revenue	**212,111**	**240,948**

The line “North America” includes revenue generated in the United States amounting to USD 122,457 thousand during the nine-month period ended September 30, 2023 (USD 143,275 thousand during the nine-month period ended September 30, 2022).

The above is the management’s best estimate, as no geographical breakdown is available for some revenue sources. The allocation to regions is driven by the location of individual end-user customers. No individual end-user customer with whom the Group concludes transactions had a share of 10% or more in the Group's total revenues in the nine-month period ended September 30, 2023 or September 30, 2022. The vast majority of revenues is generated by several platform providers, such as Apple App Store, Google Play, Facebook and Amazon App Store, as well as directly through direct-to-consumer offering (Webshop).

Revenues through third-party platforms and through the Company’s own direct-to-consumer offering were as follows:

	Nine-month period ended September 30, 2023 Unaudited	Nine-month period ended September 30, 2022 Unaudited
Third-party platforms	201,508	237,872
Direct-to-consumer platforms	10,603	3,076
Total revenue	**212,111**	**240,948**

6. Operating expenses

For the nine-month period ended September 30, 2023, the operating expenses comprise:

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	60,247	60,247	-	-	-	-
External developers fees	575	-	-	-	575	-
Gaming servers expenses	613	613	-	-	-	-
External marketing and sales services	29,304	-	24,915	4,389	-	-
Salaries and employee-related costs	32,265	-	-	6,178	15,915	10,172
Employee stock option plan	1,631	-	-	191	372	1,068
Depreciation and amortization	6,816	1,187	-	-	-	5,629
Finance & legal services	2,447	-	-	-	-	2,447
Business travels expenses	708	-	-	-	-	708
Property maintenance and external services	1,603	-	-	-	-	1,603
Other costs	4,584	-	-	22	613	3,949
Total operating expenses	**140,793**	**62,047**	**24,915**	**10,780**	**17,475**	**25,576**

Salaries and employee-related costs include costs related to the headcount reductions amounting to USD 1,640 thousand. Other costs under research and development expenses include costs of gaming content. Other costs under general and administrative expenses include mainly IT services, car fleet and office management services (including company events), and costs of recruitment and payment services.

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

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

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

7. Finance income

Finance income

	Nine-month period ended September 30, 2023 Unaudited	Nine-month period ended September 30, 2022 Unaudited
Interest income	4,476	893
Total finance income	**4,476**	**893**

In the nine-month period ended September 30, 2023, finance income amounted to USD 4,476 thousand, which comprises interest income on deposits and money market mutual funds accounts, including interest accrued in the amount of USD 289 thousand.

In the nine-month period ended September 30, 2022 finance income amounted to USD 893 thousand which comprised interest income from banks.

8. Income tax

	Nine-month period ended September 30, 2023 Unaudited	Nine-month period ended September 30, 2022 Unaudited
Current income tax	11,774	6,414
Change in deferred income tax	877	24
Income tax for the period	**12,651**	**6,438**

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

The average tax rate used for the nine-month period ended September 30, 2023 is 16.8%, compared to 16.4% for the nine-month period ended September 30, 2022. The tax rate was higher in the nine-month period ended September 30, 2023 mainly due to the lower proportion of non-tax deductible costs in comparison to the prior period, i.e., costs related to the employee stock option plan ("ESOP") to profit before tax. The above effect was offset by the changes introduced in the beginning of 2022 to the US tax treatment of research and development costs. US taxpayers are required to capitalize and amortize costs related to research and development activities for tax purposes. The changes result in lower tax-deductible costs and consequently higher global intangible low-taxed income ("GILTI").

9. Intangible assets

	IP rights	Software generated internally	Software acquired externally	Prepayments for intangible assets	Total
Gross book value as at January 1, 2023	**39,695**	**3,653**	**3,399**	**1,904**	**48,651**
Additions	-	-	375	1,509	**1,884**
Transfers	-	1,304	-	(1,304)	**-**
Derecognition of capitalized expenditure	-	-	-	(162)	**(162)**
Gross book value as at September 30, 2023	**39,695**	**4,957**	**3,774**	**1,947**	**50,373**
Accumulated amortization and impairment as at January 1, 2023	**(33,079)**	**(1,174)**	**(2,341)**	**-**	**(36,594)**
Amortization charge for the period	(1,477)	(932)	(812)	-	(3,221)
Net foreign exchange differences on translation	1	-	(1)	-	-
Accumulated amortization and impairment as at September 30, 2023	**(34,555)**	**(2,106)**	**(3,154)**	**-**	**(39,815)**
Net book value as at January 1, 2023, Audited	**6,616**	**2,479**	**1,058**	**1,904**	**12,057**
Net book value as at September 30, 2023, Unaudited	**5,140**	**2,851**	**620**	**1,947**	**10,558**

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

No indicators for impairment were identified as at September 30, 2023 and December 31, 2022 in relation to intangible assets other than IP rights as described below. As at September 30, 2023, and as at the date of approval of these interim condensed consolidated financial statements for issue, there were no pledges or collaterals on the Group's intangible assets.

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

Reassessment of economic useful life and impairment of Traffic Puzzle game

In 2021, the Traffic Puzzle game (together with related rights and assets) was acquired for the amount of USD 38,900 thousand (with purchase price being repaid in tranches, and fully repaid as at December 31, 2022). 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 had initially been estimated as ten years.

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

The impairment loss was recognised in the line "Impairment of intangible assets" in the Group's consolidated statement of comprehensive income for the year ended December 31, 2022.

The Traffic Puzzle game remained live and available to players and is expected to continue generating revenue. Due to the fact that there were no plans to incur any further material user acquisition and development expenses on the title as at December 31, 2022, the economic useful life of the game was reassessed, and was estimated as the period of four years effective from January 1, 2023. This change is the change of accounting estimate; therefore, it is recognized prospectively, starting from the effective date of the change. As a result of the impairment and reassessment of the economic useful life, the amortization charge for the nine-month period ended September 30, 2023 and future periods was changed (amortization charge for the nine-month period ended September 30, 2023 amounted to USD 1,187 thousand and for the nine-month period ended September 30, 2022 amounted to USD 2,918 thousand).

10. Cash and cash equivalents

	As at September 30, 2023 Unaudited	As at December, 2022 Audited
Deposits	82,482	177,661
Cash at banks (current accounts)	21,810	17,921
Money market mutual fund investments	23,369	9,968
Money market interest-bearing accounts	-	16,695
Total cash and cash equivalents	**127,661**	**222,245**

As at September 30, 2023, there were short-term cash deposits amounting to USD 82,482 thousand. Maturity of these investments is three months, and they are repayable on demand, thus the investments are highly liquid, readily convertible to known amounts of cash, and are subject to an insignificant risk of changes in value, and meet the criteria indicated in IAS 7 Statement of Cash Flows, and have been considered in substance as cash equivalents.

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

During the nine-month period ended September 30, 2023, deposits and money market mutual fund investments generated interest income in the total amount of USD 4,368 thousand. This includes the accrued interest from bank deposits in the amount of USD 289 thousand (USD 763 thousand as at December 31, 2022). For details, please refer to Note 7 *Finance income.*

As at September 30, 2023, there was restricted cash in the amount of USD 51 thousand (USD 249 thousand as at December 31, 2022).

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 at and for the year ended December 31, 2022.

Basic EPS		**Nine-month period ended September 30, 2023 Unaudited**	**Nine-month period ended September 30, 2022 Unaudited**
Net result attributable to the owners of the Parent	[A]	62,762	32,862
Undistributed profit (loss) attributable to holders of series A and B preferred shares	[B]	-	-
Profit (loss) attributable to holders of common shares	**[C]=[A]-[B]**	**62,762**	**32,862**

		Nine-month period ended September 30, 2023 Unaudited	**Nine-month period ended September 30, 2022 Unaudited**
Weighted average number of common shares	[D]	74,072,735	80,844,400
Basic EPS	[E] = [C] / [D]	0.85	0.41

Diluted EPS		**Nine-month period ended September 30, 2023 Unaudited**	**Nine-month period ended September 30, 2022 Unaudited**
Profit/(loss) attributable to holders of common shares	**[C]**	**62,762**	**32,862**
Profit/(loss) attributable to ordinary equity holders of the parent adjusted for the effect of dilution	**[H]**	**62,762**	**32,862**

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

		Nine-month period ended September 30, 2023 Unaudited	**Nine-month period ended September 30, 2022 Unaudited**
Weighted average number of issued common shares used in calculating basic earnings per share	**[D]**	74,072,735	80,844,400
Employee Stock Option Plan		619,065	392,886
Weighted average number of issued common shares and potential common shares used in calculating diluted earnings per share	**[I]**	**74,691,800**	**81,237,286**
Diluted EPS	[J]=[H] / [I]	0.84	0.40

12. Accounting classifications of financial instruments and fair values

As at September 30, 2023 and December 31, 2022, 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.

13. Share capital

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

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

	Common shares		Preferred shares (series A and B)		Treasury shares		Treasury shares allocated for the existing share-based payment programs		Sub-total (issued)		Shares allocated for the existing share-based payment programs (not issued)		Grand total	
	Number of shares	Nominal value	Number of shares	Nominal value	Number of shares	Nominal value	Number of shares	Nominal value	Number of shares	Nominal value	Number of shares	Nominal value	Number of shares	Nominal value
As at January 1, 2023 Audited	**79,183,513**	**1,584**	**2**	**0**	**5,063,182**	**102**	**-**	**-**	**84,246,697**	**1,686**	**11,007,733**	**220**	**95,254,430**	**1,906**
Reduction of shares allocated for the existing share-based payment programs (not issued)	-	-	-	-	-	-	-	-	-	-	(933,085)	(19)	(933,085)	(19)
Allocation of shares to Share-based payment program	-	-	-	-	(828,071)	(17)	828,071	17	-	-	-	-	-	-
Exercise of stock options	748,971	15	-	-	-	-	(748,971)	(15)	-	-	-	-	-	-
Share BuyBack ("SBB") - repurchase of shares	(17,121,919)	(342)	-	-	17,121,919	342	-	-	-	-	-	-	-	-
Retirement of shares purchased during the Share Buyback Scheme ("SBB")	-	-	-	-	(17,121,919)	(342)	-	-	(17,121,919)	(342)	-	-	(17,121,919)	(342)
As at September 30, 2023 Unaudited	**62,810,565**	**1,257**	**2**	**0**	**4,235,111**	**85**	**79,100**	**2**	**67,124,778**	**1,344**	**10,074,648**	**201**	**77,199,426**	**1,545**

<u>Shares classified as equity instruments as at September 30, 2022:</u>

	Common shares		Preferred shares (series A and B)		Treasury shares		Treasury shares allocated for the existing share-based payment programs		Sub-total (issued)		Shares allocated for the existing share-based payment programs (not issued)		Grand total	
	Number of shares	**Nominal value**	**Number of shares**	**Nominal value**	**Number of shares**	**Nominal value**	**Number of shares**	**Nominal value**	**Number of shares**	**Nominal value**	**Number of shares**	**Nominal value**	**Number of shares**	**Nominal value**
As at January 1, 2022 Audited	**82,690,347**	**1,655**	**2**	**0**	**1,556,348**	**31**	**-**	**-**	**84,246,697**	**1,686**	**12,467,461**	**249**	**96,714,158**	**1,935**
Reduction of shares allocated for the existing share-based payment programs (not issued)	-	-	-	-	-	-	-	-	-	-	(963,979)	(19)	(963,979)	(19)
Allocation of shares to Share-based payment program	-	-	-	-	(963,979)	(19)	963,979	19	-	-	-	-	-	-
Exercise of stock options	963,979	19	-	-	-	-	(963,979)	(19)	-	-	-	-	-	-
Delivery of shares to former owners of Double Star Oy	23,046	0	-	-	(23,046)	0	-	-	-	-	-	-	-	-
Repurchase of common shares under Share Buyback Scheme ("SBB")	(4,989,608)	(100)	-	-	4,989,608	100	-	-	-	-	-	-	-	-
As at September 30, 2022 Unaudited	**78,687,764**	**1,574**	**2**	**0**	**5,558,931**	**112**	**-**	**-**	**84,246,697**	**1,686**	**11,503,482**	**230**	**95,750,179**	**1,916**

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

As at September 30, 2023, 21,313,098 shares were allocated to a reserve that could be issued only with majority shareholders' approval (2,762,345 as at September 30, 2022).

As at September 30, 2023, the share capital of the Company comprised 67,124,778 shares (fully paid) with a par value of USD 0.00002 per share and the total value of USD 1,344 (not thousands), including 62,810,565 common shares held by shareholders, two preferred shares (one preferred share of series A and one preferred share of series B) and 4,314,211 common shares reacquired by the Company and not redeemed (treasury shares and treasury shares allocated to the existing share-based payment programs).

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

During the nine-month period ended September 30, 2023, the number of shares (not issued) allocated to the existing share-based payment programs was reduced by 933,085 shares. This is because 748,971 treasury shares were delivered to employees for the options exercised during the nine-month period ended September 30, 2023, and for 184,114 options exercised the treasury shares will be delivered after September 30, 2023. As at September 30, 2023, 10,074,648 shares with a par value of USD 0.00002 per share were reserved for two stock option programs established in 2015 and 2019.

As at September 30, 2022, 11,503,482 shares with a par value of USD 0.00002 per share were reserved for two stock option programs established in 2015 and 2019.

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

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

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

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

In the nine-month period ended September 30, 2023, the following transactions took place:

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

In the nine-month period ended September 30, 2023, 1,524,454 share options held by employees under the share-based payment program were exercised, out of which for 748,971 options exercised treasury shares were delivered to employees before September 30, 2023 (the difference is due to cashless exercises and number of options exercised, for which treasury shares were not delivered as at September 30, 2023).

The delivery of treasury shares was presented as a movement from treasury shares to common shares. The movement resulted in an increase in share capital in the amount of the nominal value of the shares delivered, and the difference between the value of treasury shares and the cash consideration received in the amount of USD 3,203 thousand was recognized in supplementary capital. At the same time, the movement decreased the number of shares (not issued) allocated to the existing share-based payment programs.

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

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

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

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

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

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

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

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

In the nine-month period ended September 30, 2022, the following transactions took place:

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

On February 15, 2022, the Group decided to repurchase its common shares listed for trading on the Warsaw Stock Exchange. The share buy-back started on March 29, 2022. The purpose of the Share Buyback Scheme was to satisfy the Group's needs related to the exercise of options under its Employee Stock Option Plans in the foreseeable future. On May 22, 2022, the Board of Directors adopted a resolution according to which the number of Company's shares capable of being repurchased by the Company under the SBB has been set to the 6,500,000 shares. On August 2, 2022, the Company indefinitely suspended the purchase of its own shares, and on May 30, 2023 this share buyback was terminated (announced by the Company on May 30, 2023 in the current report no. 19/2023).

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

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

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

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

The delivery of treasury shares was presented as a movement from treasury shares to common shares. The movement resulted in an increase in share capital in the amount of nominal value of the shares delivered, and difference between the value of treasury shares and the cash consideration received in the amount of USD 10,166 thousand was recognized in supplementary capital. At the same time, the movement decreased the number of shares (not issued) allocated for the existing share-based payment programs.

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

In the nine-month period ended September 30, 2022, 23,046 shares were delivered to former owners of Double Star Oy based on the Share Sale and Purchase Agreement, corrected by the First Amendment dated October 19, 2021. For details of the earn-out consideration, please see Note 14 *Share-based payment arrangements*. The movement resulted in an increase in share capital in the amount of nominal value of the shares delivered, and a decrease in supplementary capital in the amount of USD 311 thousand (amount reflects the value of treasury shares, since the shares were delivered with no cash consideration).

14. Share-based payment arrangements

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

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

	Nine-month period ended September 30, 2023	
	Number of options	**Weighted average exercise price**
Balance as at January 1	**4,778,100**	**4.46**
Granted during the period	-	-
Forfeited during the period	(592,040)	3.97
Exercised during the period	(1,524,454)	3.07
Expired during the period	(56,288)	3.79
Balance as at September 30	**2,605,318**	**5.40**

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

* The weighted average exercise price of the balance outstanding as at September 30, 2022 includes the effect of modification which took place during the nine-month period ended September 30, 2022. The weighted average exercise price of the balance outstanding as at January 1, 2022 is presented in the amount prior to the modification.

As at September 30, 2023, 767,615 share options were exercisable, with the weighted average exercise price of USD 3.76 per share. As at September 30, 2022, 1,568,546 share options were exercisable, with the weighted average exercise price of USD 3.00 per share.

During the nine-month period ended September 30, 2023, 1,524,454 options were exercised under the share-based payment program, out of which, 748,971 treasury shares were delivered for 1,340,340 options exercised (the difference of 591,369 options is due to cashless exercises). For the remaining 184,114 options exercised during the nine-month period ended September 30, 2023, the shares were pending delivery as of September 30, 2023. Total cash payments received during the nine-month period ending September 30, 2023 amounted to USD 416 thousand, out of which USD 345 thousand were received for the shares delivered to employees before September 30, 2023, and USD 71 thousand - for the shares pending delivery as of September 30, 2023.

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

Other than the share-based payment arrangements described above, as a result of the acquisition that took place on July 16, 2020, the Group accounted for the earn-out consideration payable in shares dependent on a performance condition and a continuing employment condition as a share-based payment for the sellers of Double Star Oy. On February 21, 2022, 23,046 treasury shares were delivered to the former owners of Double Star Oy as presented in Note 13 *Share capital*. No additional shares, except for those delivered, would vest under earn-out consideration.

Total expense related to share-based payment arrangements, which includes cost recognised for the period as well as the cost derecognition when the service condition is not met for the nine-month period ended September 30, 2023, amounted to USD 1,631 thousand (USD 2,089 thousand for the nine-month period ended September 30, 2022). This expense includes Mr. Anton Gauffin's options and the options payable to a consultant under the advisory agreement in the total amount of USD 462 thousand (USD 410 thousand for the nine-month period ended September 30, 2022), which are both explained in detail further below.

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.

Executive Chairman of the Board options

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

The vesting conditions for the options are the following:

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

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

Advisory agreement

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

Options granted to key management personnel

Based on resolutions of the Board of Directors of Huuuge, Inc. 3,145,000 options were granted to key managers of Huuuge, Inc. Group (incl. 2,345,000 options granted to Huuuge, Inc. Officers) on October 3, 2023. Additionally, 125,000 options were granted on November 6, 2023.

The vesting conditions for the 3,270,000 options in total are the following:

- 1,090,000 options with a vesting condition to provide the service continuously for about four years from the service commencement date.
- 1,090,000 options with a vesting condition to provide the service continuously for about four years from the service commencement date and to meet specified EBITDA and Revenue targets, i.e. performance condition.
- 1,090,000 options with a vesting condition to provide the service continuously and with a variable vesting period due to market condition, i.e. condition to meet the Company's market capitalization milestones.

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

15. Leases

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

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

The tables below present the carrying amounts of recognized right-of-use assets and the movements in the nine-month period ended September 30, 2023 and in the nine-month period ended September 30, 2022:

	Offices	Cars	Total
as at January 1, 2023, Audited	**12,859**	**106**	**12,965**
transfer to lease receivable	(2,812)	-	(2,812)
remeasurement due to indexation	683	-	683
foreign exchange differences on translation	(285)	5	(280)
depreciation	(2,591)	(73)	(2,664)
as at September 30, 2023, Unaudited	**7,854**	**38**	**7,892**

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

The table below presents the book values of lease liabilities and movements in the nine-month period ended September 30, 2023 and in the nine-month period ended September 30, 2022:

	Nine-month period ended September 30, 2023	Nine-month period ended September 30, 2022
as at January 1, Audited	**13,827**	**17,257**
additions (new leases)	-	663
remeasurement due to indexation, and other	679	1,035
interest expense on lease liabilities	229	222
lease payments	(3,363)	(3,270)
foreign exchange differences on translation to local currency	(83)	76
foreign exchange differences on translation to USD	(246)	(2,373)
as at September 30, Unaudited	**11,043**	**13,610**
long-term	7,164	9,680
short-term	3,879	3,930

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, 2023 amounting to USD 3,134 thousand (USD 3,048 thousand in the nine-month period ended September 30, 2022) – as part of financing activities (lease repayment),
- cash interest payments on leases in the nine-month period ended September 30, 2023 amounting to USD 229 thousand (USD 222 thousand in the nine-month period ended September 30, 2022) – 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, 2023 amounting to USD 330 thousand (USD 307 thousand in the nine-month period ended September 30, 2022) – as part of operating activities.

The Group had total cash outflows due to leases of USD 3,693 thousand in the nine-month period ended September 30, 2023 and USD 3,577 thousand in the nine-month period ended September 30, 2022.

Sublease agreements

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

During the nine-month period ended September 30, 2023, two sublease agreements classified as finance lease commenced. The lease receivable from the finance lease amounted to USD 2,789 thousand as at September 30, 2023 (USD 749 thousand as at December 31, 2022). The income from interest received from finance sublease amounted to USD 92 thousand during the nine-month period ended September 30, 2023 (USD 5 thousand in the nine-month period ended September 30, 2022). The income from the operating lease amounting to USD 851 thousand is presented in the line "Other operating income/(expense), net" in the interim condensed consolidated statement of comprehensive income during the nine-month period ended September 30, 2023.

16. 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 them lacking clarity and integrity. Furthermore, frequent contradictions in tax interpretations in Poland, both within government bodies and between companies and government bodies, create uncertainties and conflicts. These facts create tax risks that are substantially more significant than those typically found in countries with more developed tax systems.

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

Litigation and other legal proceedings

The company operates in a highly regulated and litigious environment. The company has and may become involved in legal proceedings, including litigation, arbitration and other claims, and investigations, inspections, audits, claims, inquiries and similar actions. Legal proceedings, in general, can be expensive and disruptive. Some of these suits are class actions and/or

involve parties seeking large and/or indeterminate amounts, including punitive or exemplary damages, and may remain unresolved for several years.
Player use of our games is subject to our privacy policy and terms of service. If we fail to comply with our posted privacy policy, terms of service or similar agreements, or if we fail to comply with applicable privacy-related or data protection laws and regulations, this could result in litigation, proceedings or investigations against us by governmental authorities, players or others, which could result in fines or judgments against us, damage our reputation or goodwill, impact our financial condition and harm our business.

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

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

- On March 8, 2023, a plaintiff filed a complaint in the Circuit Court of Franklin County Alabama alleging that the Company's social casino games are unlawful gambling under Alabama law. The plaintiff withdrew the original complaint without prejudice for procedural reasons, and, on September 14, 2023, re-filed an amended complaint. As in the original complaint, the lawsuit seeks to recover all amounts paid by Alabama residents to the Company in those games during the period beginning one year before the filing of the lawsuit (ie. September 14, 2022) until the case is resolved. The Company does not agree with the allegations and requests for relief made in the complaint and believes that there are meritorious legal and factual arguments supporting the Company's position. On November 1, 2023, Huuuge filed a motion to dismiss the amended complaint. The hearing on the motion is currently set for February 26, 2024. As of the date of approval of these interim condensed consolidated financial statements for issue, to the best of the Company's knowledge, the litigation is not expected to have a material impact on the Company's operations, financial condition or cash flows.
- On May 18, 2023, the Company received a demand for arbitration, alleging that the Company's social casino games are unlawful gambling under Kentucky law. The claimant seeks to recover all amounts paid by Kentucky residents to the Company in those games during the period beginning five years before the filing of the demand (ie. May 18, 2018) until the case is resolved. An arbitrator has been appointed, and the first preliminary hearing with the arbitrator is set for December 4, 2023. The Company does not agree with the allegations and requests for relief made in the complaint and believes that there are meritorious legal and factual arguments supporting the Company's position. As of the date of approval of these interim condensed consolidated financial statements for issue, to the best of the Company's knowledge, this arbitration is not expected to have a material impact on the Company's operations, financial condition or cash flows.
- On June 2, 2023, plaintiffs filed a complaint in the US Federal District Court for the Central District of California, alleging: (a) that the Company's social casino games are unlawful gambling under the laws of California, Illinois, and potentially other US states; and (b) that the Company's display of sale pricing in its social casino games constitutes false advertising under the laws of California, Illinois and potentially other US states. The lawsuit purports to be a nationwide class action, which also includes potential California and Illinois subclasses. The Company does not agree with the allegations and requests for relief made in the complaint and believes that there are meritorious legal and factual arguments supporting the Company's position. As of the date of approval of these interim condensed consolidated financial statements for issue, the Company is in discussions with the plaintiffs' counsel regarding amicable settlement of the case and, to the best belief of the Company's management, the plaintiffs and the Company will conclude a settlement agreement, which will be subject to the approval by the relevant court, thus there is no certainty that any such settlement will be finally consummated. The next status conference is scheduled for December 18, 2023 for the parties to provide an update to the court. Any such settlement would not as a legal matter preclude the other matters from proceeding. The Company also believes, but cannot make any assurance, that such settlement would not have impact on the other matters referred to in this section, since they pertain to other issues in different states. The Company created a provision in the amount of USD 1,700 thousand, which, to the best belief of the Company's management, adequately reflects the financial exposure for the Company as of September 30, 2023 and as of the date of approval of these interim condensed consolidated financial statements for issue.
- On September 5, 2023, the Company received three similar demands for arbitration, alleging that the Company's social casino games are unlawful gambling under the laws of Ohio, Massachusetts and Kentucky. The Company does not agree

with the allegations and requests for relief made in the complaint and believes that there are meritorious legal and factual arguments supporting the Company's position. As the arbitrations are in preliminary stages, the Company is unable to reasonably estimate the loss or range of loss, if any, arising from these arbitrations. As of the date of approval of these interim condensed consolidated financial statements for issue, to the best of the Company's knowledge, these arbitrations, collectively and individually, are not expected to have a material impact on the Company's operations, financial condition or cash flows.

- On November 13, 2023, a plaintiff filed a complaint in the Circuit Court of Coffee County Tennessee alleging that the Company's social casino games are unlawful gambling under Tennessee law. The lawsuit seeks to recover all amounts paid by Tennessee residents to the Company in those games during the period beginning one year before the filing of the lawsuit (ie. November 13, 2022) until the case is resolved. The Company does not agree with the allegations and requests for relief made in the complaint and believes that there are meritorious legal and factual arguments supporting the Company's position. As the case is in preliminary stages, the Company is unable to reasonably estimate the loss or range of loss, if any, arising from this case. As of the date of approval of these interim condensed consolidated financial statements for issue, to the best of the Company's knowledge, the litigation is not expected to have a material impact on the Company's operations, financial condition or cash flows.

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

17. Related party transactions

On March 7, 2023, loan agreements were signed between subsidiaries wholly owned by Huuuge Inc. and the two members of the Group Executive Management team. Based on the agreements, the two members of the Group Executive Management team received the loans in the total amount equivalent to USD 213 thousand, both for a six-month period at a market interest rate, which have been fully repaid as at September 30, 2023.

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

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

There is no ultimate controlling party.

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

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

Board of Directors of Huuuge, Inc. , Officers and Global Management	**Nine-month period ended September 30, 2023 Unaudited**	**Nine-month period ended September 30, 2022 Unaudited**
Base salaries	2,729	2,242
Bonuses and compensation based on the Group's financial result for the period	939	1,548
Share-based payments	633	109
Total	**4,301**	**3,899**

The amounts presented above include compensation of members of the Board of Directors of Huuuge, Inc., Officers and Global Management team members. The amounts for the nine-month period ended September 30, 2023 and September 30, 2022 reflect the changes in composition of the teams during those periods.

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

Generally, share-based payment remuneration includes cost recognized during the period in accordance with the vesting schedule, as well as cost derecognition when a member of the executive management team ends the tenure with the Company, i.e., when the service condition is not met. During the nine-month period ended September 30, 2023, the cost recognized amounted to USD 793 thousand and cost derecognized amounted to USD 160 thousand (USD 1,298 thousand cost recognized and USD 1,189 thousand of cost derecognized during the nine-month period ended September 30, 2022).

During the nine-month period ended September 30, 2023, members of the Board of Directors, Officers and Global Management team exercised 603,953 options (8,360 options during the nine-month period ended September 30, 2022).

On July 4, 2023, members of the Executive Management team and their close family members sold 331,324 shares in total under Share Buy-back amounting to USD 2,903 thousand.

Generally, the non-executive directors are remunerated with a fixed annual salary and an additional salary for holding a position of president of the Audit Committee or the Remuneration and Nomination Committee or being a member of the Audit Committee or the Remuneration and Nomination. For additional information about recommendations from the Nomination and Remuneration Committee on executive and non-executive compensation, please refer to Note 14 *Share-based payment arrangements*. Apart from the above, in the nine-month period ended September 30, 2023, non-executive directors were remunerated for being members of the special committee for the process of reviewing the strategic options.

19. Impact of COVID-19

On March 11, 2020, the WHO declared a global COVID-19 coronavirus pandemic and recommended preventive measures such as physical social distancing. Consequently, governments worldwide implemented unprecedented restrictions. The impacts of the COVID-19 outbreak have evolved from mid-March 2020 up to the day of May 5, 2023, when the WHO declared COVID-19 is no longer a global health emergency. The Group's management constantly monitors specific facts and circumstances and the financial results. Neither the video game industry as a whole, nor the Group's operations in particular, have been adversely affected by the pandemic, and there is no going concern issue. The Group proved to be resilient to the lockdown; operations have been maintained with employees working remotely, and online gaming's popularity is on the rise, with many people globally adhering to social distancing guidelines.

The positive operating result for the nine-month period ended September 30, 2023 and for the nine-month period ended September 30, 2022 indicates that the COVID-19 pandemic had no negative impact on the Group's business.

Based on the analyses performed by the Group's management as at September 30, 2023 and September 30, 2022, the COVID-19 pandemic has had no negative impact on the Group's liquidity. Due to the fact that the Group's receivables are settled by large platform providers, such as Apple App Store, Google Play, Facebook and Amazon App Store, the Group's management assessed the risk of receivables irrecoverability as minimal. The Group's management has not identified any evidence to modify the assumptions used to assess expected credit losses.

20. Unusual events

War in Ukraine

On February 24, 2022, Russian troops crossed the eastern, southern and northern borders of Ukraine, attacking Ukraine. In connection with the hostilities by Russia, the representatives of the European Union imposed sanctions on Russia. The Company also made the decision to stop distribution of new games in Russia and Belarus. The ongoing war in Ukraine should have no material impact on Huuuge's performance and operations. Huuuge has analyzed and is continuously monitoring the impact of the political and economic situation in Ukraine on its and the Group's operations and financial results. The Company is not able to reliably determine the impact that the situation in Ukraine will have on the state of the European economy and, consequently, on the activity of the Group.

Starting from March 10, 2022, due to payment system disruption, Google Play informed about a pause in Google Play's billing system for users in Russia. This means that up until the date of these condensed consolidated financial statements, users are not able to purchase apps and games, make subscription payments or conduct any in-app purchases of digital goods using Google Play in Russia.

21. Subsequent events

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

Impact of the situation in Israel on our business

Huuuge's office in Tel Aviv, Israel accounts for around 10% of the Group's total headcount, which includes senior management of our Huuuge Casino Studio. On October 7, 2023, Hamas militants conducted a series of coordinated attacks from the Gaza Strip against the Israeli people, resulting in the outbreak of war between the State of Israel and Hamas. In addition, Israel is engaged in ongoing hostilities with Hezbollah in Lebanon. Some of our employees in Israel are obliged to perform military reserve duty and, in certain emergency circumstances, such employees may be called to immediate and unlimited active duty. As a result of Israel's October 7, 2023 declaration of a state of war and activation of Article 8 of the Reserve Service Law (2008), several of our employees in Israel were activated for military duty and it is possible that additional employees could be activated if the war continues or expands. Any major escalation in hostilities in the region could result in a portion of our employees and service providers in Israel being called up to perform military duty for an extended period. The Company is actively monitoring the situation and has established an internal task force developing and implementing business continuity measures. Contingency plans are in place to prevent disruptions to business, including Israeli teams working from home and a limited number of Israeli employees temporarily moved outside of the country. Our technology infrastructure is critical to supporting the performance of our games, ensuring uptime and redundancy. All of our games operate on cloud, maintained through data centers and availability zones in the US and the EU. We have no Israel-based personnel responsible for infrastructure. As of the date of the report, the war in Israel has no significant impact on our business and financial results.

Options granted to key management personnel

Based on the resolutions of the Board of Directors of Huuuge, Inc. 3,145,000 options were granted to key managers of Huuuge, Inc. Group on October 3, 2023. Additionally, 125,000 options were granted on November 6, 2023. For details, please refer to Note 14 *Share-based payment arrangements* to these interim condensed consolidated financial statements.

Signed by /
Podpisano przez:

Wojciech
Wronowski

Wronowski

……………………..

Date / Data:
2023-11-22 11:26

Wojciech Wronowski,

Officer of Huuuge, Inc., CEO

November 22, 2023

Additional information to the quarterly report

HUUGE

1. General information

Business profile

Huuuge, Inc. (the "Company", "Huuuge") is registered in Delaware, United States of America. Huuuge's registered office is located in Dover, Delaware, 850 New Burton Road, Suite 201, DE 19904. The Company was established on February 11, 2015.

MISSION

Empower billions of people to play together

VISION

Transform mobile gaming into a massively social experience

Huuuge is a global game developer and publisher on a mission to build the world's most social real-time, free-to-play mobile games portfolio. We strive to become the global leader in real-time free-to-play casual gaming, we aim to redefine the experience to give maximum joy and fun to players all around the world. Huuuge's games provide entertainment every month to millions of players from 195 countries and are available in 17 languages. Huuuge shares have been listed on the Warsaw Stock Exchange since February 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. Together, they generate 96% of Huuuge's total revenues. Our new franchises generate 4% of total revenues and include different titles at various stages of their life cycle.

HUUUGE CASINO

Huuuge Casino: The game was launched in June 2015. It is Huuuge's flagship title responsible for 64% of total Q3 2023 revenue and for over USD 1.2 billion in lifetime revenue. Huuuge Casino was a true pioneer with its mobile-first user experience and real-time PvP-style gameplay. We believe that it was the first social casino game to introduce features such as clubs to the realm of social casino games. Huuuge Casino offers players over 100 casino slot machines, as well as card games and roulette. The game enables players to join a club and compete in a Billionaire League, with multiplayer slots where they can play with friends and compete against each other. Huuuge Casino is ranked #20 (Apple App Store) and #10 (Google Play) among social casino apps in the United States in terms of revenue as at September 30, 2023.

Billionaire Casino: The game was launched in October 2016. Its revenue has grown rapidly since its release. It has achieved over USD 580 million of lifetime revenue and constitutes 33% of our total Q3 2023 revenues. Due to its aesthetic, which is different from that of Huuuge Casino, Billionaire Casino is targeted at a different player base in terms of demographics. Similar to Huuuge Casino, Billionaire Casino offers players a number of casino slot machines, as well as card games and roulette. Billionaire Casino allows players to create a club with their friends or join a club and meet new people while playing slot machines. In addition, the game allows players to participate in club events by playing slots and other casino games. Billionaire Casino is ranked #32 (App Store) and #22 (Google Play) among social casino apps in the United States in terms of revenue as at September 30, 2023.

New titles

In Q1 2023, we created four small internal teams, called "Pods", responsible for agile prototyping and development of new games. Their exploration is focused on new games with attributes that play to our strengths and reflect market conditions, namely:

- Multiplayer games with natural word-of-mouth distribution
- Games with highly shareable moments
- Socially-oriented long-term retention drivers
- Games with high accessibility and universal appeal
- Language and platform agnostic.

While development works are still at an early stage, we have tech launched two titles recently, and we might move them into soft launch in the coming months provided the test results show commercial promise.

Shares and shareholding structure

The Company's issued share capital currently consists of: (i) 67,124,776 common shares with a nominal value of USD 0.00002 each and two Preferred Shares. (Preferred Shares are not admitted to trading on the WSE.)

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

As of 7th September, 2023

Shareholder	Shares	% of share capital	Votes	% of votes at the General Meeting
Anton Gauffin (through Big Bets OÜ)[1]	20,290,922	30.23	20,290,922	32.30
Raine Group (through RPII HGE LLC)[1]	8,571,525	12.77	8,571,525	13.65
Nationale-Nederlanden FUNDS	5,688,696	8.47	5,688,696	9.06
Others[2]	32,573,635	48.53	28,259,424	44.99
Total[3]	**67,124,778**	**100.00**	**62,810,567**	**100.00**

[1] Includes one Preferred Share
[2] Includes 4,314,211 Treasury Shares, which carry no voting rights
[3] 67,124,776 shares are admitted to public trading on the Warsaw Stock Exchange. The number includes two Preferred Shares that have not been introduced to public trading.

As of 22nd November, 2023

Shareholder	Shares	% of share capital	Votes	% of votes at the General Meeting
Anton Gauffin (through Big Bets OÜ)[3]	20,394,509	30.38	20,394,509	32.43
Raine Group (through RPII HGE LLC)[1]	8,571,525	12.77	8,571,525	13.63
Nationale-Nederlanden FUNDS	5,688,696	8.47	5,688,696	9.05
Others[2]	32 470 048	48.38	28,229,253	44.89
Total[3]	**67,124,778**	**100.00**	**62,883,983**	**100.00**

[1] Includes one Preferred Share
[2] Includes 4,240,795 Treasury Shares, which carry no voting rights
[3] 67,124,776 shares are admitted to public trading on the Warsaw Stock Exchange. The number includes two Preferred Shares that have not been introduced to public trading.

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

Treasury Shares

As at December 31, 2022, the Company held 5,063,182 treasury shares.

On March 5, 2023, the Huuuge, Inc. Board of Directors approved the allocation of up to 439,835 treasury shares (all of which have been allocated and delivered) for the purpose of satisfying exercise requests from participants of the share option plan.

On June 19, 2023, the Huuuge, Inc. Board of Directors approved the allocation of up to 309,136 treasury shares (all of which have been allocated and delivered) for the purpose of satisfying exercise requests from participants of the share option plan.

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

On August 29, 2023, in accordance with Section 243 of the Delaware General Corporation law, the Board of Directors adopted a resolution on the retirement of 17,121,919 shares of common stock (as announced in our Current Report 37/2023). The retirement was effective as of the adoption of the resolution by the Board of Directors.

On September 29, 2023 the Huuuge, Inc. Board of Directors approved the allocation of up to 184,114 treasury shares (out of which 79,100 have been allocated and not yet delivered as at September 30, 2023) for the purpose of satisfying exercise requests from participants of the share option plan.

As at September 30, 2023, the Company held 4,314,211 treasury shares.

Between September 30, 2023 and November 22, 2023, the Company delivered 73,416 treasury shares to the participants of the share option plan. As a result, as of November 22, 2023, the Company holds 4,240,795 treasury shares. The nominal value of all retained shares is USD 85. These shares represent approximately 6.32% of the share capital.

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

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

Members of the Company's Board of Directors	Function	Common Shares	Outstanding Stock Options
Anton Gauffin (through Big Bets OÜ)[1]	Executive Chairman of the Board & Executive director	20,394,509	425,000
Henric Suuronen	Non-executive director	1,673,610	-

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

The remuneration of Mr. Anton Gauffin, holding the positions of the Executive Chairman of the Board of the Company, for the period ending at the 2022 Annual General Meeting of the Company, consisted solely of 500,000 share options out of which 75,000 had a vesting condition to provide the service continuously for about four years from the service commencement date and to meet the 2021 EBITDA target. These options were forfeited in 2022 as the performance condition was not met.

The vesting conditions for the remaining options are the following:

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

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

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

Principles for the preparation of the interim condensed consolidated financial statements

The interim condensed consolidated financial statements as at and for the nine month period ended September 30, 2023 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, 2022 prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS").

Changes in the organization of the Capital Group

No changes were made to the Group structure in the first nine months of 2023.

The following Group entities entered into voluntary liquidation in 2022, and liquidation remains pending.
Operations of these entities (individually and in total) were not significant in the Group's activity:

- Huuuge Labs GmbH (Germany)
- MDOK GmbH (Germany)
- Coffee Break Games United Limited (Ireland)
- Huuuge Mobile Games Limited (Ireland)

On September 18, 2023 the Board of Directors adopted a resolution on the following changes in the officers of the Huuuge, Inc.:

- Mr Anton Gauffin stepped down from the position of President and Chief Executive Officer of the Company and was appointed as the Executive Chairman of the Board while still remaining an executive director of the Company;
- Mr Wojciech Wronowski, who was thus far serving as the Chief Operating Officer (not being a formal officer of the Company), was appointed a formal officer of the Company, namely the Chief Executive Officer;
- Mr Erik Duindam, who was thus far serving as the Chief Technology Officer (not being a formal officer of the Company), was appointed as a formal officer of the Company, namely the President and Chief Operating Officer;
- Mr Marek Chwałek, who was serving as Executive Vice President of Finance (not being a formal officer of the Company), was appointed as a formal officer of the Company, namely the Treasurer;
- Ms Monika Kierepa, who was serving as General Counsel (not being a formal officer of the Company), was appointed as the Secretary of the Company.

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

Retirement of shares purchased by the Issuer during the share buyback
On August 29, 2023, in accordance with Section 243 of the Delaware General Corporation law, the Board of Directors adopted a resolution on the retirement of 17,121,919 shares of common stock of the Issuer representing 20.3% of the issued share capital of the Company comprising of 84,246,697 shares. The shares that were subject to the retirement were purchased by the Company during the share buyback with the intention for the shares to be retired, with the exception to the shares necessary, in the Company's view, to satisfy its ongoing needs under the Company's employee stock option plans.

Effective as of the adoption of the resolution of the Board of Directors, the retired shares resumed the status of authorized and unissued shares of the common stock of the Issuer. At the same time, the Issuer's issued share capital decreased from 84,246,697 to 67,124,778 shares. Further, following a review, the Board of Directors concluded that such a high authorized capital is not necessary and therefore the Board of Directors decided that it will recommend that at the next Annual General Meeting the shareholders approve an amendment to the Huuuge, Inc. Certificate of Incorporation to decrease the authorized capital of the Issuer by 21,128,984 shares of common stock of the Issuer, as a result reducing the total number of the authorized shares from 113,881,420 to 92,752,436 where 67,124,778 will be the issued shares and 25,627,658 authorized and unissued shares. The authorized and unissued shares in the amount of 25,627,658 will be used, among others, for the Issuer's employee stock option plans. The proposal of the Board of Directors has not received a required majority of votes at Annual General Meeting of the Company held on October 27, 2023, and the authorized share capital remained at 113,881,420.

Completion of a Share Buyback
On July 4, 2023 (as announced in our Current Report 25/2023) we settled the Share Buyback (SBB). As a result of the settlement of the acquisition and transfer of ownership of the shares offered in response to a time-limited invitation to submit to the Company sale offers relating to shares in the Company, at a pre-determined and fixed price per share, open to all shareholders of the Company (the "Invitation") (the "SBB") announced by the Company on 30 May 2023 in the current report n°. 19/2023 (as subsequently amended and announced by the Company in current report n° 23/2023 on 19 June 2023), the Company acquired 17,121,919 of its common shares that represent 20.32% of the share capital of the Company and that entitled their holders to exercise 21.42% of the total number of votes at the general meeting of the Company for a total consideration of USD 149,999,996. The settlement of the SBB took place outside the organized system of trading in financial instruments through IPOPEMA Securities S.A. The acquisition was made at a gross price of USD 8.7607. Amounts due to investors, after withholding of applicable taxes, have been converted from USD to PLN in accordance with the interbank exchange rate applicable as of 3 July 2023 (as the day preceding the Settlement Date), which is 4.0735. On August 29, 2023, in accordance with Section 243 of the Delaware General Corporation law, the Board of Directors adopted a resolution on the retirement of 17,121,919 shares of common stock (as announced in our Current Report 37/2023). The retirement is effective as of the adoption of the resolution by the Board of Directors.

Group reorganization and focus on efficiency

We made significant changes in our operating setup throughout nine months of 2023, namely:

- We sunset the Traffic Puzzle studio and put the game in maintenance mode. Part of the TP team stayed with the company and formed one of our new Pods (teams focused on prototyping and building new games);
- We reorganized and downsized our Marketing department to match our lower spend on performance marketing and our shift in focus. (We are exploring other channels such as influencer marketing and brand marketing.);
- We concluded the collective redundancies at Huuuge Games sp. z o.o. and reduced our headcount across our other subsidiaries as well.

As a result of the above initiatives, our headcount at the Group level is now ~23% lower than the level at the end of 2022. H1 2023 costs related to the headcount reductions amounted to USD 1,640 thousand and there were no additional costs recognized in Q3 2023. We have also streamlined and flattened our organizational structure, having merged our Technology and Content teams into the Huuuge Casino Studio.

We are actively looking at reducing complexity and improving processes across the whole organization, both in our core revenue-generating activities and in supporting functions.

3. Factors affecting our results

Core franchises continue to improve profitability

We have witnessed a first quarter of QoQ growth in our Core franchises' user base and revenue in several quarters. Although sales profit and sales profit margin in our core portfolio slightly decreased QoQ, they still remained close to the levels observed over the past several quarters. Continued cash generation and longevity of the core franchises are our operational priority. We also continue to expand our direct-to-consumer offering (Webshop), which allows us to further improve our margins.

Creating of Pods and new approach to new game development

In Q1 2023 we created four small internal teams, called "Pods", responsible for agile prototyping and development of new games. Their exploration is focused on new games with attributes that play to our strengths and reflect market conditions, namely: (1) Multiplayer games with natural word-of-mouth distribution; (2) Games with highly shareable moments; (3) Socially-oriented long-term retention drivers; (4) Games with high accessibility and universal appeal; (5) Language and platform agnostic. While development works are still at an early stage, we have tech launched two titles recently, and we might move them into soft launch in the coming months provided the test results show commercial promise

Mobile gaming and social casino market environment

As far as market dynamics are concerned, Eilers & Krejcik estimate that the social casino market declined by 2.3% YoY in Q3 2023 (and declined by 2.2% QoQ). The long-term forecast (last revised in Q2 2022) remained unchanged, with the social casino market expected to decline at a 0.2% CAGR in 2022-25E (with a USD 7.4 billion market by 2025). Eilers & Krejcik forecast the category to decline by 0.2% YoY in 2023 (following an upwards revision of the forecast in Q2 2023).

User Acquisition expenses and post-IDFA mobile advertising market update

User acquisition expenses were adapted to support the new, post-IDFA reality, such that budgets have been shifted to partners with better post-change performance, and overall spend has been reduced, with a focus instead on monetizing and retaining our large captive audience. Additionally, we have focused on driving greater profitability through other initiatives, such as rolling out an expanded VIP program and moving to new payment channels (Webshop). From a marketing perspective, we have increasingly focused on how we do things, making measurement and a single source of truth central to our goals. Leveraging technology to drive adoption of new measurement methods such as incrementality has become crucial to operating a successful marketing organization. We have increased our overall UA spend QoQ, both for our Core franchises and for Traffic Puzzle, where the marketing spend is still largely immaterial and focused mostly on retargeting inactive players. We expect our marketing spend in the coming quarter to be at a similar level vs Q3 2023.

Expected introduction of Google's Privacy Sandbox

Google's Privacy Sandbox is a strategic move to enhance user privacy by phasing out the Google Advertising ID (GAID) for all users. The Android Privacy Sandbox, is set to launch in H2 2024. The Sandbox will limit app developers to track specific conversion events. Google will send aggregated event data with added noise points for privacy. Data accuracy in the Sandbox is influenced by the contribution budget, with higher budgets yielding more precise results. Google assures clients that the changes won't drastically impact their ad business. Pre-Sandbox efforts include continuous development of Media-Mix-Modeling (MMM) for allocating organic users and assessing the influence of marketing networks. Additionally, Huuuge is set to be among the initial testers of the Privacy Sandbox on Android through participation in the Google Ads Early Access Program.

Expected tax reforms & changes in tax law / tax law interpretations
In 2021, the debate on international taxation focused on the concepts of digital taxation and minimum taxation. The course of the debate also impacted the shape of the income tax reform in the United States that commenced in 2021. Among other things, we see the following changes in US taxation as potentially affecting the Group: (i) the increase in the federal corporate tax rate; (ii) revisions to the global intangible low-taxed income (GILTI), and (iii) lower deduction against the global minimum tax in Internal Revenue Code Section 250. The discussed changes in the GILTI rate or the GILTI calculation mechanism may negatively impact the Group's effective tax rate (ETR). Taking into account currently available information, the most impactful changes may be implemented starting from 2023 and from 2024, according to General Explanations of the Administration's Fiscal Year 2024 Revenue Proposals. The implementation of these rules in their current form would negatively impact the global effective tax rate of the Group and may have a negative impact on our financial results.

Impact of the situation in Israel on our business
Huuuge's office in Tel Aviv, Israel accounts for around 10% of the Group's total headcount, which includes senior management of our Huuuge Casino Studio. On October 7, 2023, Hamas militants conducted a series of coordinated attacks from the Gaza Strip against the Israeli people, resulting in the outbreak of war between the State of Israel and Hamas. Moreover, Israel is engaged in ongoing hostilities with Hezbollah in Lebanon. Some of our employees in Israel are obliged to perform military reserve duty and, in certain emergency circumstances, such employees may be called to immediate and unlimited active duty. As a result of Israel's October 7, 2023 declaration of a state of war and activation of Article 8 of the Reserve Service Law (2008), several of our employees in Israel were activated for military duty and it is possible that additional employees could be activated if the war continues or expands. Any major escalation in hostilities in the region could result in a portion of our employees and service providers in Israel being called up to perform military duty for an extended period. The Company is actively monitoring the situation and has established an internal task force developing and implementing business continuity measures. Contingency plans are in place to prevent disruptions to business, including Israeli teams working from home and a limited number of Israeli employees temporarily moved outside of the country. Our technology infrastructure is critical to supporting the performance of our games, ensuring uptime and redundancy. All of our games operate on cloud, maintained through data centers and availability zones in the US and the EU. We have no Israel-based personnel responsible for infrastructure. As of the date of the report, the war in Israel has no significant impact on our business and financial results.

Except for events and factors described in the Financial and KPI sections, there were no other unusual events with an impact on the Issuer's 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 analyze actual players rather than accounts allows for substantially greater accuracy, including better in-game targeting of offers (the right offer, to the right person, at the right time), better retargeting capabilities and better predictive models. Average DAU for a period is the average of the monthly average DAU for the period. It is not a KPI that we internally use as an objective (we focus primarily on the number of paying users – e.g., DPU).

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

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

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

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

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

In Q1 2023, we re-classified some legacy games that are no longer actively supported and generate immaterial revenue. In previous reports we have presented them as “New franchises”, while they have now been moved to the “Other” category. In order to ensure apples-to-apples comparability of data, the charts and tables below reflect a new layout for past periods as well. As for our “Core franchises”, the KPI data remains unchanged vs prior reports.

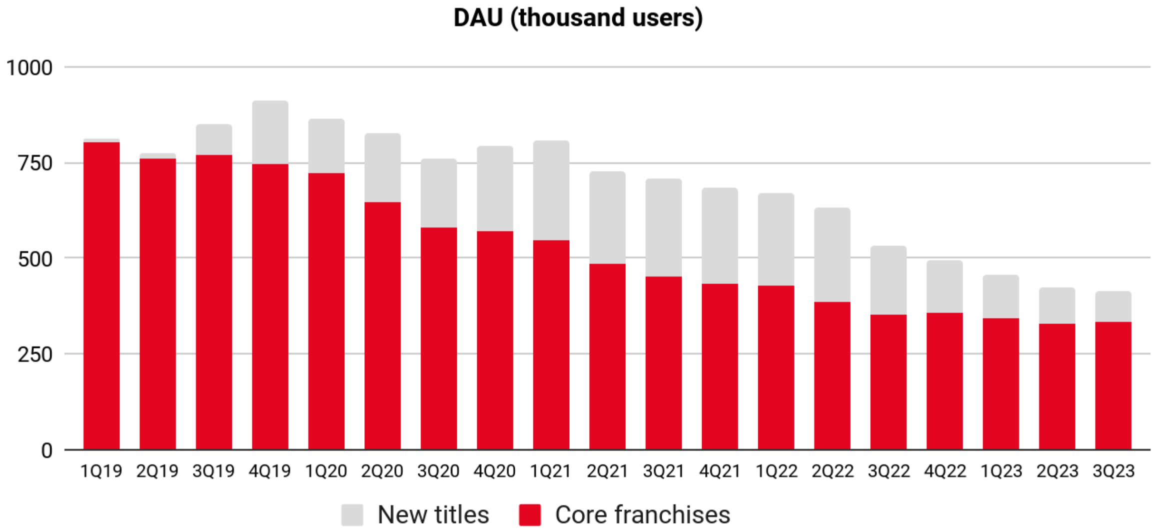
The table below presents our KPIs for Q3 2023 and Q3 2022 for the Group and “core franchises,” i.e., Huuuge Casino and Billionaire Casino.

	All games		**Core franchises Huuuge Casino and Billionaire Casino**	
KPI	**Q3 2023**	**Q3 2022**	**Q3 2023**	**Q3 2022**
DAU (in thousands)	415.5	557.7	331.1	353.6
DPU (in thousands)	16.5	21.0	15.2	17.3
ARPDAU (in USD)	1.88	1.50	2.28	2.17
ARPPU (in USD)	46.83	38.94	49.54	44.41
Monthly Conversion (%)	7.9	7.0	9.6	10.7

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

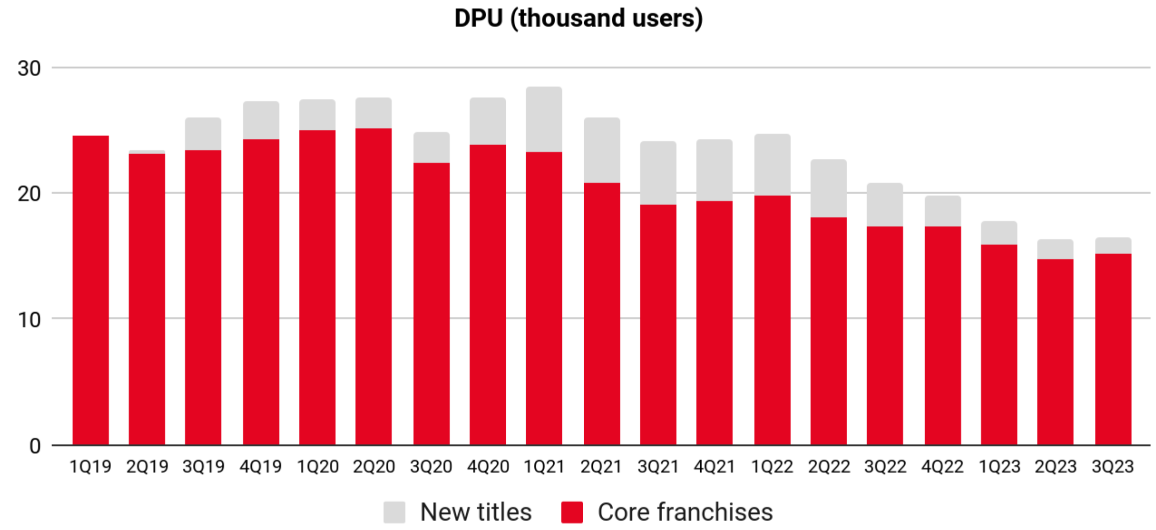
Daily Active Users

In Q3 2023, we observed a YoY decline and a QoQ growth in DAU for our core franchises. For new franchises we observed a YoY and a QoQ decline. The trend reversal in DAU for Core franchises was driven by the game economy upgrade rolled out in August, as well as our new loyalty program and higher marketing spend. New titles' decline in DAU (-55% YoY and -13% QoQ) was connected with user acquisition spend on Traffic Puzzle gradually declining throughout the past several quarters and ultimately the game moving to maintenance mode with no active support.



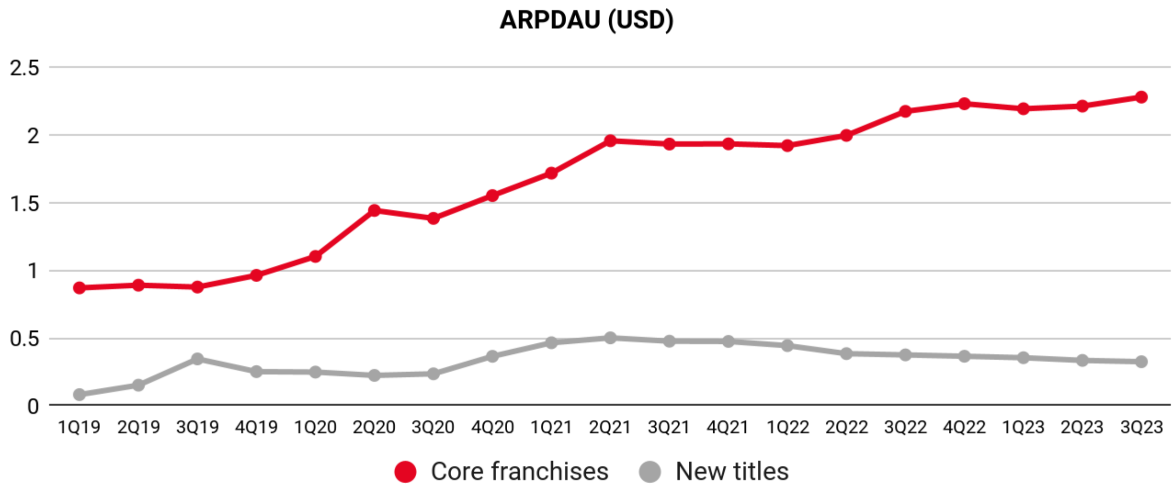
Daily Paying Users

In Q3 2023, we saw a 22% YoY decrease and 1% QoQ growth in the overall number of DPUs. Core franchise DPUs declined by 12% YoY and increased 3% QoQ, following the DAU trend reversal. The DPUs of our new franchises (primarily Traffic Puzzle) decreased by 63% YoY and 19% QoQ, following the decline in TP user base.



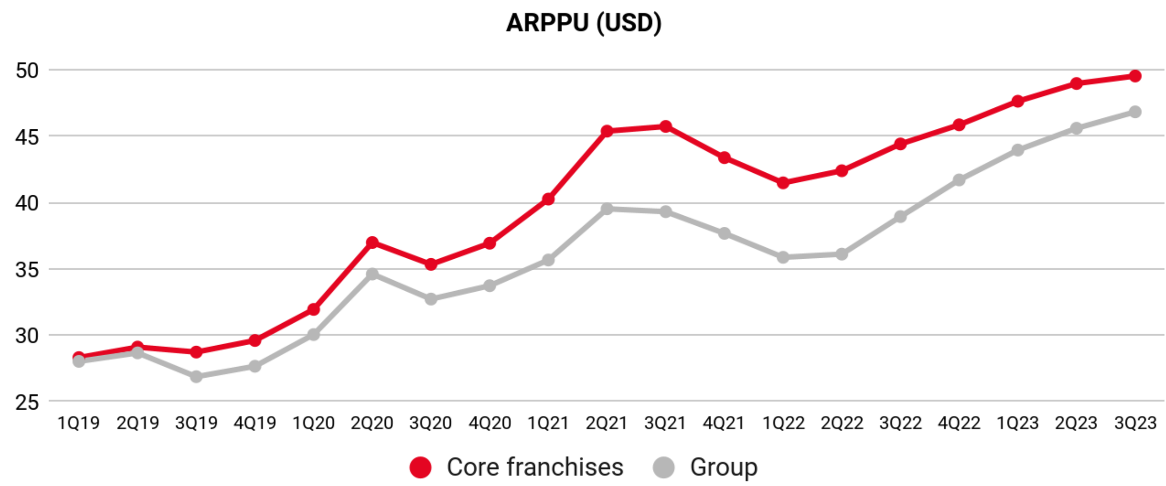
Average Revenue per Daily Active User

ARPDAU indicates how well we monetize our games considering our entire player base. Thanks to our competences in marketing, and our technology, we have seen over the long run a sustained growth in the monetization of our core games, i.e., Huuuge Casino and Billionaire Casino. These two games continued to exhibit ARPDAU rates exceeding the category averages, and we saw further improvement in this KPI in Q3 2023 on a YoY and QoQ basis, with the metric growing to the highest level we have ever reported. At the same time, the ARPDAU of new titles declined by 13% YoY and 3% QoQ, with Traffic Puzzle having the largest impact on our portfolio.



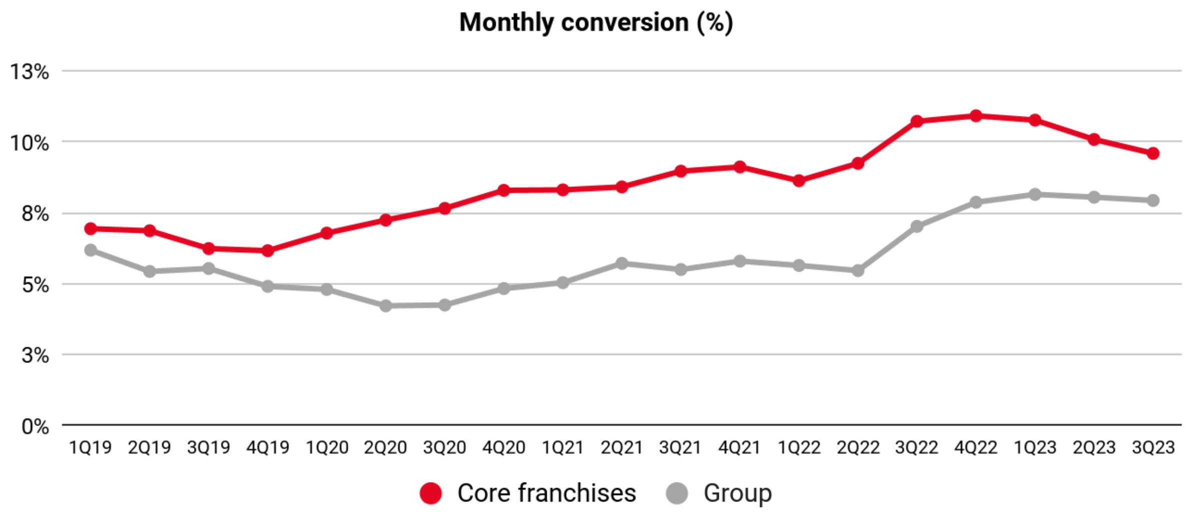
Daily Average Revenue per Paying User

In recent years, we have been able to consistently improve the ARPPU of our core franchises owing to the social features of our games and to our constant focus on live events and special offers. Core franchises ARPPU increased 12% YoY and 1% QoQ reached a record high level for several quarters in a row now. Our Q3 2023 numbers for our core franchises also reflect the positive impact of the recent game economy upgrade on our player behavior.



Monthly Conversion

Monthly Conversion is an indicator of our ability to convert players into payers. In Q3 2023, our core franchises' monthly conversion decreased slightly from 10.1% in Q2 2023 to 9.6% in Q3 2023, on the back of a growing number of non-paying users. Total monthly conversion for the whole portfolio slightly decreased from 8.0% in Q2 2023 to 7.9% in Q3 2023, as core franchises' conversion dropped.



5. Results of operations

The following table presents our consolidated statement of comprehensive income for the nine-month periods ended September 30, 2023 and September 30, 2022.

in thousand USD	9M 2023	9M 2022	Change	Q3 2023	Q3 2022	Change
Revenue	**212,111**	**240,948**	**-12.0%**	**71,177**	**77,521**	**-8.2%**
Cost of sales	(62,047)	(73,256)	-15.3%	(20,603)	(23,757)	-13.3%
Gross profit/(loss) on sales	**150,064**	**167,692**	**-10.5%**	**50,574**	**53,764**	**-5.9%**
Sales and marketing expenses	(35,695)	(74,965)	-52.4%	(15,349)	(17,695)	-13.3%
thereof, user acquisition marketing campaigns	(24,915)	(63,644)	-60.9%	(10,867)	(14,211)	-23.5%
thereof, general sales and marketing expenses	(10,780)	(11,321)	-4.8%	(4,482)	(3,484)	28.6%
Research and development expenses	(17,475)	(23,127)	-24.4%	(4,845)	(6,288)	-22.9%
General and administrative expenses	(25,576)	(29,862)	-14.4%	(7,597)	(11,629)	-34.7%
Other operating income/(expense), net	123	637	-80.7%	(244)	364	n/a
Operating result	**71,441**	**40,375**	**76.9%**	**22,539**	**18,516**	**21.7%**
Finance income	4,476	893	401.2%	747	748	-0.1%
Finance expense	(504)	(1,968)	-74.4%	(342)	(679)	-49.6%
Profit/(loss) before tax	**75,413**	**39,300**	**91.9%**	**22,944**	**18,585**	**23.5%**
Income tax	(12,651)	(6,438)	96.5%	(4,286)	(3,286)	30.4%
Net result for the period	**62,762**	**32,862**	**91.0%**	**18,658**	**15,299**	**22.0%**
Exchange gains/(losses)	(711)	(5,394)	-86.8%	(1,677)	(2,045)	-18.0%
Total comprehensive income for the period	**62,051**	**27,468**	**125.9%**	**16,981**	**13,254**	**28.1%**

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

in thousand USD	9M 2023	9M 2022	Change	Q3 2023	Q3 2022	Change
EBITDA	**78,257**	**48,481**	**61.4%**	**24,668**	**21,408**	**15.2%**
EBITDA *margin* (%)	36.9%	20.1%	16.8pp	34.7%	27.6%	7.1pp
Adjusted EBITDA	**82,135**	**52,575**	**56.2%**	**27,029**	**24,483**	**10.4%**
Adjusted EBITDA *margin* (%)	**38.7%**	**21.8%**	**16.9pp**	**38.0%**	**31.6%**	**6.4pp**
Sales Profit	125,149	104,048	20.3%	39,707	39,553	0.4%
Sales Profit *margin* (%)	59.0%	43.2%	15.8pp	55.8%	51.0%	4.8pp
User acquisition marketing campaigns as % of revenue	11.7%	26.4%	-14.7pp	15.3%	18.3%	-3.1pp
Adjusted Net Result	**66,640**	**36,956**	**80.32%**	**21,019**	**18,374**	**14.4%**
Adjusted Net Result (%)	**31.4%**	**15.3%**	**16.1pp**	**29.5%**	**23.7%**	**5.8pp**

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

- We define **EBITDA** as the net result for the year adjusted for income tax, finance costs, finance income, and depreciation and amortization. The rationale for using the **EBITDA** is that it is a measure widely used by securities analysts, investors and other interested parties to evaluate the profitability of companies. **EBITDA** eliminates potential differences in performance caused by variations in capital structures (affecting finance costs and finance income), tax positions (such as the availability of net operating losses that offset taxable profits), the costs and ages of property, plant and equipment (affecting the depreciation expense level) and the extent to which intangible assets are identifiable (affecting the amortization expense level).
- We define **Adjusted EBITDA** as **EBITDA** adjusted for events not related to the main activity of the Group, asset impairment and share-based payment expense. The rationale for using the **Adjusted EBITDA** is that it constitutes an attempt to show the **EBITDA** result after eliminating events not related to the main activity of the Group and items from the profit and loss account that are of a non-cash nature.
- We define **EBITDA margin** as the ratio of the **EBITDA** to Revenue. The rationale for using the **EBITDA margin** is that it is a measure of operational profitability widely used among securities analysts and investors, and that **EBITDA** and **EBITDA margin** are internal measures used by us in the process of budgeting and management accounting.
- We define **Adjusted EBITDA margin** as the ratio of **Adjusted EBITDA** to Revenue. The rationale for using the **Adjusted EBITDA margin** is that it shows a measure of operating profitability after eliminating events not related to the main activity of the Group and items from the profit and loss account that are of a non-cash nature.
- We define **Sales Profit** (previously "Return on sales") as Gross profit/(loss) from sales, less the user acquisition costs. The rationale for using **Sales Profit** is to show the profitability of sales in the value aspect after covering costs directly related to the generated revenue – mainly distribution costs (fees for owners of distribution platforms), server expenses and the user acquisition costs through paid advertising campaigns. Historically, we used to include in this measure the Cost of external marketing and sales expenses, but, beginning from the full year 2020, we decided to narrow the ratio to track profitability of revenue after covering User acquisition costs only, which is a narrower category than the previously used Cost of external marketing and sales expenses. For comparative purposes, the values presented for prior periods have been recalculated accordingly.
- We define **Sales profit margin** (previously "Sales margin") as the ratio of Sales profit to Revenue. The rationale for using the sales profit % is to show the profitability of sales as a percentage after covering variable costs directly related to the revenue generated – mainly distribution costs (fees for owners of distribution platforms), server expenses and the user acquisition costs through paid advertising campaigns.
- We define **User Acquisition cost as % of revenue** as the ratio of User acquisition costs to Revenue. The rationale for using the **User Acquisition cost as % of revenues** is to show how much of our revenue we reinvest directly in maintaining and expanding our player base. Historically, we used to include the total cost of external marketing and sales services in that measure, and, beginning from the full year 2020, we decided to narrow the ratio to track the reinvestment of user acquisition costs only. For comparative purposes, the values presented for prior periods have been recalculated accordingly.
- We define **Adjusted net result** as the net result for the year adjusted for events not related to the main activity of the Group, share-based payment expense and financial expenses related to the revaluation of the liability related to Series-C preferred shares. The rationale for using the **Adjusted net result** is that it constitutes an attempt to show the Net result for the year after eliminating events not related to the main activity of the Group and items from the profit and loss account that are of a non-cash nature.
- We define **Adjusted net result margin** as the ratio of the **Adjusted net result** to Revenue. The rationale for using the **Adjusted net result margin** is that it constitutes an attempt to show the Net result for the year in percentage after eliminating events not related to the main activity of the Group and items from the profit and loss account that are of a non-cash nature.
- The measures presented are not comparable to similarly titled measures used by other companies. We encourage you to review our financial information in its entirety and not to rely on a single financial measure.

Sales Profit and Sales Profit Margin

in thousand USD	9M 2023	9M 2022	Change	Q3 2023	Q3 2022	Change
Revenue	**212,111**	**240,948**	**-12.0%**	**71,177**	**77,521**	**-8.2%**
Gross profit/(loss) on sales	150,064	167,692	-10.5%	50,574	53,764	-5.9%
User acquisition marketing campaigns	24,915	63,644	-60.9%	10,867	14,211	-23.5%
Sales profit	**125,149**	**104,048**	**20.3%**	**39,707**	**39,553**	**0.4%**
Sales profit %	**59.0%**	**43.2%**	**15.8pp**	**55.8%**	**51.0%**	**4.8pp**

Adjusted EBITDA reconciliation

in thousand USD	9M 2023	9M 2022	Change	Q3 2023	Q3 2022	Change
Net result for the period	**62,762**	**32,862**	**91.0%**	**18,658**	**15,299**	**22.0%**
Income tax	12,651	6,438	96.5%	4,286	3,286	30.4%
Finance expense	504	1,968	-74.4%	342	679	-49.6%
Finance income	(4,476)	(893)	401.0%	(747)	(748)	-0.1%
Depreciation and amortization	6,816	8,106	-15.9%	2,129	2,892	-26.4%
EBITDA	**78,257**	**48,481**	**61.4%**	**24,668**	**21,408**	**15.2%**
EBITDA Margin	**36.9%**	**20.1%**	**16.8pp**	**34.7%**	**27.6%**	**7.1pp**
Employee benefits costs – share-based plan[1]	1,631	2,089	-21.9%	661	1,070	-38.2%
Costs related to strategic options review	547	2,005	-72.7%	-	2,005	n/a
Provision related to litigations	1,700	-	n/a	1,700	-	n/a
Adjusted EBITDA	**82,135**	**52,575**	**56.2%**	**27,029**	**24,483**	**10.4%**
Adjusted EBITDA Margin	**38.7%**	**21.8%**	**16.9pp**	**38.0%**	**31.6%**	**6.4pp**

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

Adjusted Net Result

in thousand USD	9M 2023	9M 2022	Change	Q3 2023	Q3 2022	Change
Net result for the period	**62,762**	**32,862**	**91.0%**	**18,658**	**15,299**	**22.0%**
Employee benefits costs – share-based plan[1]	1,631	2,089	-21.9%	661	1,070	-38.2%
Provision related to litigations	1,700	-	n/a	1,700	-	n/a
Costs related to strategic options review	547	2,005	-72.7%	-	2,005	n/a
Adjusted Net Result	**66,640**	**36,956**	**80.3%**	**21,019**	**18,374**	**14.4%**
Adjusted Net Result %	**31.4%**	**15.3%**	**16.1pp**	**29.5%**	**23.7%**	**5.8pp**

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

Revenue

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

in thousand USD	9M 2023	9M 2022	Change	Q3 2023	Q3 2022	Change
Gaming applications	209,404	232,582	-10.0%	70,447	75,627	-6.8%
Advertising	2,707	8,366	-67.6%	730	1,894	-61.5%
Total revenue	**212,111**	**240,948**	**-12.0%**	**71,177**	**77,521**	**-8.2%**

As a result of a decline in DAU and DPU driven by lower marketing spend, revenue generated by in-app purchases in gaming applications decreased by USD 23,178 thousand (i.e., 10%) from USD 232,582 thousand for the nine months ended September 30, 2022 to USD 209,404 thousand for the nine months ended September 30, 2023, while revenue generated by advertising decreased by USD 5,659 thousand (i.e., 67.6%) for the nine months ended September 30, 2023 compared to the corresponding period of 2022. This is mostly due to the declining user base of Traffic Puzzle and of some previously discontinued games.

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

in thousand USD	9M 2023	9M 2022	Change	Q3 2023	Q3 2022	Change
Huuuge Casino	134,499	140,933	-4.6%	45,406	46,562	-2.5%
Billionaire Casino	68,467	74,265	-7.8%	23,469	24,398	-3.8%
Total Core Franchises	**202,966**	**215,198**	**-5.7%**	**68,875**	**70,960**	**-2.9%**
Traffic Puzzle	7,561	22,113	-65.8%	1,844	5,661	-67.4%
Other	1,584	3,637	-56.4%	458	900	-49.1%
Total New Franchises	**9,145**	**25,750**	**-64.5%**	**2,302**	**6,561**	**-64.9%**
Total revenue	**212,111**	**240,948**	**-12.0%**	**71,177**	**77,521**	**-8.2%**

Revenue generated by our core games (i.e.Huuuge Casino and Billionaire Casino) decreased by USD 12,232 thousand (i.e., by 5.7%) for the nine months ended September 30, 2023 compared to the corresponding period of 2022. This was related to the decline in DPU, driven by a combination of lower marketing spend (fewer new players and payers) as well as churn of the existing payer base. Improvement in monetization metrics (namely ARPPU) did not fully offset the payer base decline.

With regard to Traffic Puzzle, revenue decreased by 14,552 thousand (i.e., by 65.8%) between the nine months ended September 30, 2023 and the nine months ended September 30, 2022. This was driven by the user acquisition spend declining throughout 2022 and in a first HY 2023. Also, the game is in maintenance mode since early 2023 and no longer receives significant content updates other than minor bug fixes.

The significant decrease in Other revenue of 56.4% for the nine months ended September 30, 2023 compared to the corresponding period of 2022 is a result of discontinued marketing spend and a number of these games having been put in maintenance mode (which also resulted in a drop in DAU).

Revenue was generated in the following geographical locations:

	9M 2023	9M 2022
North America	128,713	150,527
Europe	49,739	53,310
Asia-Pacific (APAC)	11,440	14,135
Other	22,219	22,976
Total revenue	**212,111**	**240,948**

The line "North America" includes revenue generated in the United States amounting to USD 122,457 thousand during the nine-month period ended September 30, 2023 (USD 143,275 thousand during the nine-month period ended September 30, 2022).

The above is the management's best estimate, as no geographical breakdown is available for some revenue sources. The allocation to regions is driven by the location of individual end-user customers. No individual end-user customer with whom the Group concludes transactions had a share of 10% or more in the Group's total revenues in the nine-month period ended September 30, 2023 or September 30, 2022. The vast majority of revenues is generated by several platform providers, such as Apple App Store, Google Play, Facebook and Amazon App Store, as well as directly through direct-to-consumer offering (Webshop).

Revenues through third-party platforms and through the Company's own direct-to-consumer offering were as follows:

	9M 2023	9M 2022
Third-party platforms	201,508	237,872
Direct-to-consumer platforms	10,603	3,076
Total revenue	**212,111**	**240,948**

Operating expenses

The table below presents a breakdown of our operating expenses.

in thousand USD	9M 2023	9M 2022	Change	Q3 2023	Q3 2022	Change
Cost of sales	(62,047)	(73,256)	-15.3%	(20,603)	(23,757)	-13.3%
Sales and marketing expenses:	(35,695)	(74,965)	-52.4%	(15,349)	(17,695)	-13.3%
thereof, User acquisition marketing campaigns	(24,915)	(63,644)	-60.9%	(10,867)	(14,211)	-23.5%
thereof, General sales and marketing expenses	(10,780)	(11,321)	-4.8%	(4,482)	(3,484)	28.6%
Research and development expenses	(17,475)	(23,127)	-24.4%	(4,845)	(6,288)	-22.9%
General and administrative expenses	(25,576)	(29,862)	-14.4%	(7,597)	(11,629)	-34.7%
Total operating expenses	**(140,793)**	**(201,210)**	**-30.0%**	**(48,394)**	**(59,369)**	**-18.5%**

Operating expenses for the nine months ended September 30, 2023 decreased by USD 60,417 thousand (i.e., by 30.0%) compared to the nine months ended September 30, 2022. This change resulted primarily from the decrease by USD 38,729 (i.e., by 60.9%) in User Acquisition Marketing Campaigns constituting a dominant part of the Sales and Marketing expenses, and it reflected our user acquisition strategy discussed in the User Acquisition and post-IDFA mobile advertising market update section.

The second-largest operating expenses item (i.e., cost of sales) for the nine months ended September 30, 2023 decreased by USD 11,209 thousand (i.e., 15.3%) compared to the corresponding period of 2022. This change is a combined effect of: (i) decrease in commissions to distributors (platform fees) driven by the 10.0% decrease in revenue generated by in-app purchases, (ii) the expansion of the direct-to-consumer webshop platform for our VIP players with significantly lower platform processing fees, (iii) lower amortization costs of Traffic Puzzle game due to its partial impairment in Q4 2022.

General Sales and Marketing expenses for the nine months ended September 30, 2023 decreased by USD 541 thousand (i.e. 4.8%) compared to the corresponding period of 2022, which can be attributed primarily to a decrease in salaries and employee-related costs related to optimization of headcount. The key driver of the significant YoY increase of General Sales and Marketing expenses in Q3 2023 alone was the cost of the event held for our VIP players (last year it was held in Q2 2022).

Research and Development expenses for the nine months ended September 30, 2023 decreased by USD 5,652 thousand (i.e., 24.4%) compared to the corresponding period of 2022. The decrease was mainly driven by a decrease in ESOP expenses resulting mostly from the departure of some employees who had received equity grants in the previous periods, as well as by a decrease in the salaries and employee-related costs as a consequence of the headcount reductions.

Our General and Administrative expenses for the nine months ended September 30, 2023 decreased by USD 4,286 thousand (i.e.14.4%) compared to the corresponding period of 2022. It is primarily attributable to (i) decrease in salaries and employee-related costs as a consequence of the headcount reductions and (ii) high finance & legal services costs in 2022 due to strategic options review.

Profitability

Despite the decrease in revenue, our sales profit increased by USD 21,101 thousand and the sales profit margin by 15.8pp for the nine months ended September 30, 2023 compared to the corresponding period of 2022, mostly as a result of a lower user acquisition spend level.

The adjusted EBITDA increased by USD 29,560 thousand and the adjusted EBITDA margin by 16.9pp in the nine months ended September 30, 2023 compared to the corresponding period of 2022, mostly as a result of a similar increase in Sales Profit (as discussed above).

Finance income, net

in thousand USD	9M 2023	9M 2022	Change	Q3 2023	Q3 2022	Change
Finance income	4,476	893	401.2%	747	748	-0.1%
Finance expense	(504)	(1,968)	-74.4%	(342)	(679)	49.6%
Finance expense, net	**3,972**	**(1,075)**	**n/a**	**405**	**69**	**487.0%**

Finance income, net for the nine months ended September 30, 2023 increased by USD 3,583 thousand to USD 4,476 (from USD 893 thousand) for the nine months ended September 30, 2022. Finance income, net for the nine months 2023 is mainly attributable to income generated on interests on short-term bank deposits and money market mutual funds accounts (USD 4,379 thousand) driven by interest rates higher relative to prior periods.

Net Financial Debt

The table below presents the Net Financial Debt of the Group as at September 30, 2023 and September 30, 2022.

in thousand USD	As at September 30, 2023	As at December 31, 2022
Cash and cash equivalents[1]	127,661	222,245
Short-term lease liabilities	3,879	4,015
Net current financial indebtedness	**(123,782)**	**(218,230)**
Long-term lease liabilities	7,164	9,812
Non-current financial indebtedness	**7,164**	**9,812**
Net financial debt	**(116,618)**	**(208,418)**

[1] includes cash in money market investment funds

Net financial debt of the Group between December 31, 2022 and September 30, 2023 decreased by USD 91,800 thousand (to negative USD 116,618 thousand from negative USD 208,418 thousand). Cash and cash equivalents decreased by USD 94,584 thousand mainly due to SBB settlement.

Statement of Financial Position

Selected Consolidated Statements of Financial Position

in thousand USD	As at September 30		As at December 31	
	2023	Structure	2022	Structure
ASSETS				
Total non-current assets, incl.:	**30,533**	**15.7%**	**37,442**	**13.1%**
Right-of-use assets	7,892	4.1%	12,965	4.5%
Goodwill	2,471	1.3%	2,462	0.9%
Intangible assets	10,558	5.4%	12,057	4.2%
Other items	9,612	5.0%	9,958	3.5%
Total current assets, incl.:	**163,508**	**84.3%**	**248,875**	**86.9%**
Trade and other receivables	33,853	17.4%	25,855	9.0%
Cash and cash equivalents	127,661	65.8%	222,245	77.6%
Other items	1,994	1.0%	775	0.3%
Total assets	**194,041**	**100%**	**286,317**	**100%**
EQUITY				
Total equity	**153,747**	**79.2%**	**240,727**	**84.1%**
LIABILITIES				
Total non-current liabilities, incl.:	**7,516**	**3.9%**	**9,976**	**3.5%**
Long-term lease liabilities	7,164	3.7%	9,812	3.4%
Other Items	352	0.2%	164	0.1%
Total current liabilities, incl.:	**32,778**	**16.9%**	**35,614**	**12.4%**
Trade and other payables	19,727	10.2%	24,302	8.5%
Other items	13,051	6.7%	11,312	4.0%
Total equity and liabilities	**194,041**	**100%**	**286,317**	**100%**

Assets

Total assets decreased by USD 92,276 thousand (i.e., 32.2% from USD 286,317 thousand as at December 31, 2022 to USD 194,041 thousand as at September 30, 2023).

The structure of total assets changed due to the following items: (i) cash and cash equivalents (accounting for 65.8% and 77.6% of total assets as at September 30, 2023 and December 31, 2022, respectively) and (ii) trade and other receivables (accounting for 17.4% and 9.0% of total assets as at September 30, 2023 and December 31, 2022, respectively).

The decrease in total assets resulted from: (i) a decrease in cash and cash equivalents of USD 94,584 thousand (i.e., 42.6%, from USD 222,245 thousand as at December 31, 2022 to USD 127,661 thousand as at September 30, 2023) offset by (ii) an increase in trade receivables of USD 7,998 thousand (i.e., 30.9%, from USD 25,855 thousand as at December 31, 2022 to USD 33,853 thousand as at September 30, 2023) mainly due to payout calendars maintained by distributors, e.g. Apple.

Equity

Total equity decreased by USD 86,980 thousand (i.e., 36.1% from USD 240,727 thousand as at December 31, 2022 to USD 153,747 thousand as at September 30, 2023), which is a combined effect of: (i) Share Buyback (SBB) which amounted to USD 151,077 thousand including the transaction costs partially offset by (ii) accumulated current year earnings amounting to USD 62,792 thousand.

Liabilities

Total liabilities decreased by USD 5,296 thousand (i.e 11.6%, from USD 45,590 thousand as at December 31, 2022 to USD 40,294 thousand as at September 30, 2023). The decrease is mostly related to decrease in performance bonus accrual and settlement of liabilities related to strategic options review process.

As at September 30, 2023, total liabilities mainly comprised (i) trade and other payables (accounting for 10.2% of total equity and liabilities compared to 8.5% as at December 31, 2022) and (ii) long-term lease liabilities (accounting for 3.7% of total equity and liabilities compared to 3.4% as at December 31, 2022).

Cash Flows and Liquidity

The following table summarizes selected net cash flows from operating, investing and financing activities for the nine month period ended September 30, 2023 compared to the nine-month period ended September 30, 2022.

in thousand USD	9M 2023	9M 2022	Change
Cash flows from operating activities			
Profit/(loss) before tax	**75,413**	**39,300**	**91.9%**
Adjustments for:			
Total of non-cash changes in depreciation, amortization, profits or losses on disposal	7,401	8,153	-9.2%
Non-cash employee benefits expense - share-based payments	1,631	2,089	-21.9%
Finance (income)/cost , net	(3,357)	(3,990)	-15.9%
Changes in net working capital	(11,638)	1,356	n/a
Other adjustments	273	(68)	n/a
Cash flows from operating activities	**69,723**	**46,840**	**48.9%**
Income tax paid	(12,108)	(4,764)	154.2%
Net cash flows from operating activities	**57,615**	**42,076**	**36.9%**
Cash flows from investing activities			
Acquisition of property, plant and equipment and software expenditures	(2,207)	(3,004)	26.5%
Acquisition of IP rights	-	(29,400)	n/a
Interest received	4,867	418	n/a
Sublease payments received and interest received from sublease	517	-	n/a
Net cash from investing activities	**3,177**	**(31,986)**	**n/a**
Cash flows from financing activities			
Repurchase of own shares	(150,985)	(20,090)	651.5%
Lease repayment & interest paid	(3,363)	(3,375)	-0.4%
Exercise of stock options	416	2,413	-82.8%
Net cash from financing activities	**(153,932)**	**(21,052)**	**631.2%**
Net increase/(decrease) in cash and cash equivalents	**(93,140)**	**(10,962)**	**749.7%**

Net cash flows from operating activities

Net cash inflows from operating activities for the nine-month period ended September 30, 2023 amounted to USD 57,615 thousand, which is mainly a combined effect of adjusted EBITDA generated during the period amounting to USD 82,135, changes in the working capital (by USD 11,638 thousand) and USD 12,108 of income tax paid during the current period. The changes in the working capital are driven primarily by increase in trade and other receivables of USD 7,998 and decrease in trade and other payables of USD 4,575 as explained in the above sections on Assets and Liabilities (Statement of Financial Position).

Net cash flows from investing activities

Net cash inflows from investing activities for the nine-month period ended September 30, 2023 amounted to USD 3,177 thousand and resulted mainly from the interests received on short-term bank deposits and money market mutual funds accounts.

Net cash flows from financing activities

Net cash outflows from financing activities for the nine-month period ended September 30, 2023 amounted to negative USD 153,932 thousand and are mainly related to repurchasing of own shares in share buyback process.

6. Possibility of accomplishing previously published forecasts

The Company does not publish financial forecasts.

7. Significant proceedings pending in the courts

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

- On March 8, 2023, a plaintiff filed a complaint in the Circuit Court of Franklin County Alabama alleging that the Company's social casino games are unlawful gambling under Alabama law. The plaintiff withdrew the original complaint without prejudice for procedural reasons, and, on September 14, 2023, re-filed an amended complaint. As in the original complaint, the lawsuit seeks to recover all amounts paid by Alabama residents to the Company in those games during the period beginning one year before the filing of the lawsuit (i.e. September 14, 2022) until the case is resolved. The Company does not agree with the allegations and requests for relief made in the complaint and believes that there are meritorious legal and factual arguments supporting the Company's position. On November 1, 2023, Huuuge filed a motion to dismiss the amended complaint. The hearing on the motion is currently set for February 26, 2024. As of the date of approval of these interim condensed consolidated financial statements for issue, to the best of the Company's knowledge, the litigation is not expected to have a material impact on the Company's operations, financial condition or cash flows.
- On May 18, 2023, the Company received a demand for arbitration, alleging that the Company's social casino games are unlawful gambling under Kentucky law. The claimant seeks to recover all amounts paid by Kentucky residents to the Company in those games during the period beginning five years before the filing of the demand (i.e. May 18, 2018) until the case is resolved. An arbitrator has been appointed, and the first preliminary hearing with the arbitrator is set for December 4, 2023. The Company does not agree with the allegations and requests for relief made in the complaint and believes that there are meritorious legal and factual arguments supporting the Company's position. As of the date of approval of these interim condensed consolidated financial statements for issue, to the best of the Company's knowledge, this arbitration is not expected to have a material impact on the Company's operations, financial condition or cash flows.
- On June 2, 2023, plaintiffs filed a complaint in the US Federal District Court for the Central District of California, alleging: (a) that the Company's social casino games are unlawful gambling under the laws of California, Illinois, and potentially other US states; and (b) that the Company's display of sale pricing in its social casino games constitutes false advertising under the laws of California, Illinois and potentially other US states. The lawsuit purports to be a nationwide class action, which also includes potential California and Illinois subclasses. The Company does not agree with the allegations and requests for relief made in the complaint and believes that there are meritorious legal and factual arguments supporting the Company's position. As of the date of approval of these interim condensed consolidated financial statements for issue, the Company is in discussions with the plaintiffs' counsel regarding amicable settlement of the case and, to the best belief of the

Company's management, the plaintiffs and the Company will conclude a settlement agreement, which will be subject to the approval by the relevant court, thus there is no certainty that any such settlement will be finally consummated. The next status conference is scheduled for November 30, 2023 for the parties to provide an update to the court. Any such settlement would not as a legal matter preclude the other litigation from proceeding. The Company also believes, but cannot make any assurance, that such settlement would not have impact on the other matters referred to in this section, since they pertain to other issues in different states. The Company created a provision in the amount of USD 1,700 thousand, which, to the best belief of the Company's management, adequately reflects the financial exposure for the Company as of September 30, 2023 and as of the date of approval of these interim condensed consolidated financial statements for issue.

- On September 5, 2023, the Company received three similar demands for arbitration, alleging that the Company's social casino games are unlawful gambling under the laws of Ohio, Massachusetts and Kentucky. The Company does not agree with the allegations and requests for relief made in the complaint and believes that there are meritorious legal and factual arguments supporting the Company's position. As the arbitrations are in preliminary stages, the Company is unable to reasonably estimate the loss or range of loss, if any, arising from these arbitrations. As of the date of approval of these interim condensed consolidated financial statements for issue, to the best of the Company's knowledge, these arbitrations, collectively and individually, are not expected to have a material impact on the Company's operations, financial condition or cash flows.
- On November 13, 2023, a plaintiff filed a complaint in the Circuit Court of Coffee County Tennessee alleging that the Company's social casino games are unlawful gambling under Tennessee law. The lawsuit seeks to recover all amounts paid by Tennessee residents to the Company in those games during the period beginning one year before the filing of the lawsuit (ie. November 13, 2022) until the case is resolved. The Company does not agree with the allegations and requests for relief made in the complaint and believes that there are meritorious legal and factual arguments supporting the Company's position. As the case is in preliminary stages, the Company is unable to reasonably estimate the loss or range of loss, if any, arising from this case. As of the date of approval of these interim condensed consolidated financial statements for issue, to the best of the Company's knowledge, the litigation is not expected to have a material impact on the Company's operations, financial condition or cash flows.

8. Transactions with related parties

Information regarding transactions with related entities is provided in Note 17 "Related Party Transactions" to the Interim Condensed Consolidated Financial Statement.

9. Granted sureties, loans, guarantees

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

10. Significant events after the balance sheet date

Significant events that occurred after the balance sheet date are presented in the Interim Condensed Consolidated Financial Statement for the period in Note 21 "Subsequent events."

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

There is no other significant information of the above nature in the Issuer's Capital Group as at September 30, 2023.

Company’s selected separate financial data

HUUUGE

Company’s separate statement of comprehensive income

	Nine-month period ended September, 2023	Nine-month period ended September, 2022
Revenue	**1,296**	**2,121**
Cost of sales	-	-
Gross profit/(loss)	**1,296**	**2,121**
Sales and marketing expenses	(56)	(37)
Research and development expenses	(419)	(1,622)
General and administrative expenses	(4,639)	(6,128)
Dividend income	128,972	-
Other operating income/(expense), net	(1,744)	(14)
Operating result	**123,410**	**(5,680)**
Finance income	2,139	402
Finance expense	-	(328)
Profit/(loss) before tax	**125,549**	**(5,606)**
Income tax	(2,149)	(591)
Net result for the period	**123,400**	**(6,197)**
Other comprehensive income	-	-
Total comprehensive income/(loss) for the period	**123,400**	**(6,197)**

Company's separate statement of financial position

	As at September 30, 2023	As at December 31, 2022
Assets		
Non-current assets		
Property, plant and equipment	3	80
Right-of-use asset	6	62
Investment in subsidiaries	30,617	29,162
Other long-term non-financial assets	-	30
Deferred tax asset	43	112
Total non-current assets	**30,669**	**29,446**
Current assets		
Trade and other receivables	1,668	1,224
Dividend receivable	34,279	-
Corporate income tax receivable	101	-
Cash and cash equivalents	24,351	86,210
Other short-term non-financial assets	6	6
Total current assets	**60,405**	**87,440**
Total assets	**91,074**	**116,886**

Equity		
Share capital	1	2
Treasury shares	(17,323)	(20,942)
Supplementary capital	150,207	304,487
Employee benefit reserve	24,525	22,894
Retained earnings/(Accumulated losses)	(70,353)	(193,753)
Total equity	**87,057**	**112,688**
Total non-current liabilities	**-**	**-**
Current liabilities		
Trade and other payables	2,310	4,092
Short-term lease liabilities	7	67
Other provisions	1,700	-
Corporate income tax liabilities	-	39
Total current liabilities	**4,017**	**4,198**
Total equity and liabilities	**91,074**	**116,886**

Company's separate statement of changes in equity

	Share capital	Treasury shares	Supplementary capital	Employee benefit reserve	Retained earnings	Equity
As at January 1, 2023	**2**	**(20,942)**	**304,487**	**22,894**	**(193,753)**	**112,688**
Net profit/(loss)	-	-	-	-	123,400	123,400
Total comprehensive income/(loss) for the period	**-**	**-**	**-**	**-**	**123,400**	**123,400**
Exercise of stock options	(0)	3,619	(3,203)	-	-	416
Employee share schemes – value of employee services	-	-	-	1,631	-	1,631
Share BuyBack ("SBB") - repurchase of shares	(1)	(150,000)	-	-	-	(150,001)
Transaction costs related to SBB program	-	(1,077)	-	-	-	(1,077)
Retirement of shares purchased during the Share Buyback Scheme ("SBB")	-	151,077	(151,077)	-	-	-
As at September 30, 2023	**1**	**(17,323)**	**150,207**	**24,525**	**(70,353)**	**87,057**

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

Company's separate statement of cash flows

	Nine-month period ended September 30, 2023	Nine-month period ended September 30, 2022
Cash flows from operating activities		
Profit/(loss) before tax	**125,549**	**(5,606)**
Adjustments for:		
Depreciation and amortization	76	77
Non-cash employee benefits expense – share-based payments	176	582
Finance (income)/expense, net	(2,077)	(461)
(Profit)/loss on disposal of property, plant and equipment	57	-
Changes in net working capital:		
Trade and other receivables	(444)	970
Trade and other payables	(1,875)	(26)
Other non-financial assets	30	2,497
Dividend receivables	(34,279)	-
Other provisions	1,700	-
Other adjustments	-	(4)
Cash flows from operating activities	**88,913**	**(1,971)**
Income tax (paid)/received	(2,220)	(341)
Net cash flows from/(used in) operating activities	**86,693**	**(2,312)**
Cash flows from investing activities		
Interest received	2,370	176
Acquisition of property, plant and equipment and intangible assets	-	(13)
Net cash flows from investing activities	**2,370**	**163**
Cash flows from financing activities		
Repurchase of common shares under Share Buyback Scheme ("SBB") incl. transaction costs	(150,985)	(20,090)
Exercise of stock options	416	2,413
Lease repayment	(60)	(58)
Net cash flows from financing activities	**(150,629)**	**(17,735)**
Net increase/(decrease) in cash and cash equivalents	**(61,566)**	**(19,884)**
Effect of exchange rate fluctuations and accrued interest	(293)	285
Cash and cash equivalents at beginning of the period	**86,210**	**106,330**
Cash and cash equivalents at end of the period	**24,351**	**86,731**

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

Events that were unusual in nature, value or frequency and that significantly affected the Company's assets, liabilities or equity as of September 30, 2023 or the Company's net result and cash flows for the nine-month period ended September 30, 2023 were the following:

Completion of review of strategic options and announcement of a planned Share Buyback

On February 15, 2023, the Board of Directors of the Company decided to conclude the previously announced review of strategic options for the future of the Company. Company's Board has resolved to allocate a maximum amount of USD 150 million from the Company's reserves for the purpose of purchasing the Company's common shares listed for trade on the Warsaw Stock Exchange (the "SBB"), as described further below.

Dividends declared by Huuuge Global Limited

On February 3, 2023, the Board of Directors of Huuuge Global Limited declared to pay a dividend of USD 94,693 thousand to Huuuge, Inc., the sole shareholder of Huuuge Global Limited. The dividend was paid out of the profits for the years 2019, 2020 and 2021, which were available for distribution. Dividend was received in full during the nine-month period ended September 30, 2023.

On September 20, 2023, the Board of Directors of Huuuge Global Limited declared to pay a dividend of USD 34,279 thousand to Huuuge, Inc., the sole shareholder of Huuuge Global Limited. The dividend will be paid out of the profit for the year 2022, which was available for distribution. Dividend was not yet paid as at September 30, 2023.

Change in the scope of services

It was decided that the Company will no longer provide game design development services. After this change, the Company's revenue will continue to be generated by services provided to the other entities in the Group. The Company's operations will continue to comprise facilitating the advertising services on behalf of Huuuge Global Ltd., and stewardship activities.

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

As reported in the current report no. 25/2023 dated July 4, 2023, as a result of the settlement of the acquisition and transfer of ownership of the shares offered in response to a time-limited invitation to submit to the Company sale offers relating to shares in the Company, at a pre-determined and fixed price per share, open to all shareholders of the Company (the "Invitation") (the "SBB") announced by the Company on May 30, 2023 in the current report no. 19/2023 (as subsequently amended and announced by the Company in current report no. 23/2023 on June 19, 2023), the Company acquired 17,121,919 of its common shares. For details, please refer to Note 13 Share Capital to the interim condensed consolidated financial statements.

Retirement of shares purchased by the Company during the share buyback

On August 29, 2023, the Company's Board of Directors in accordance with Section 243 of the Delaware General Corporation law, adopted a resolution on the retirement of 17,121,919 shares of common stock of the Company. For details, please refer to Note 13 Share Capital to the interim condensed consolidated financial statements.

Litigation and other legal proceedings

Currently, the Company is involved in a number of pending litigations. For details, please refer to section 7 Significant proceedings pending in the courts of this Report.

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