

# **Hugo Games A/S**

CVR no. DK 33 59 71 42

**Interim report for the period ended 30 June 2015**

---

Statement by the Board of Directors and the Executive Board	3
Management's review	4 - 7
Consolidated statement of comprehensive income	8
Consolidated balance sheet	9
Consolidated statement of changes in equity	10
Consolidated cash flow statement	11
Notes	12 - 15

---

## Statement by the Board of Directors and the Executive Board

---

The Board of Directors and the Executive Board have discussed and approved the interim report for the period 1 January - 30 June 2015 of Hugo Games Group.

The interim report has been prepared in accordance with IAS 34 Interim Financial Reporting, as adopted by the EU, and additional Danish interim reporting requirements for listed companies. The interim report has not been subject to audit or review.

In our opinion, the interim report gives a true and fair view of the Hugo Games Groups' assets, liabilities and financial position at 30 June 2015, and of the results of the Hugo Games Group's operations and cash flows for the period 1 January - 30 June 2015.

We also find that the management's review provides a fair statement of developments in the activities and financial situation of the Group, financial results for the period and the financial position of the Group, and describes the significant risks and uncertainties pertaining to the Group.

Copenhagen, 27 August 2015

### Executive Board

Henrik Jørgen Skouboe Kølle  
CEO

Peter Ekman  
CFO

### Board of Directors

Bertel David Maigaard  
Chairman

Caspar Rose  
Deputy Chairman

Rasmus Lund

Christian Sand Kirk

## Highlights

Key achievements in first half of 2015 include:

- IPO was successfully completed and oversubscribed
- Cash position significantly strengthened as a result of the IPO
- Publishing agreement with MyGamez regarding Ronaldo distribution in China
- Agreement with Nike regarding the use of Nike styles within the football game with Ronaldo
- Strengthening of the organization with key appointments
- Strengthening of the IR Organization
- All costs regarding the IPO incurred in Q2 figures

The first half of 2015 was driven by a significantly increased activity level compared to 2014 in regards to the development and the strengthening of the Hugo Games organisation in order to pursue the development strategy. Furthermore Hugo Games had a successfully IPO on Oslo Stock Exchange Axess with an oversubscribed Emissions.

## IPO successfully completed

The IPO was carried out with great success and was oversubscribed. We are proud that the process went fast and smooth. We see this as a strong signal of trust in Hugo Games and the strategy set forth; especially as Hugo Games is the first mobile gaming company to be listed in Scandinavia.

The company's last six months of operations have been influenced by the company's recent IPO, requiring resources and sharp focus from the company's relatively few employees. There is no doubt that the resources involved in preparing Hugo Games for the stock exchange listing has had its impact on daily operations and to some extent product development. However, we are convinced that we are now in an advantageous situation where we can look forward to executing the business strategy.

We are aware that the stock price following the IPO has been declining, thus showing a high degree of volatility. However, it should be noticed that we have not changed our expectations or ambitions described in the prospectus. We are determined to executive our strategy and have already strengthened both our production team and the IR organization considerably.

Furthermore, the first half of 2015 was impacted by costs of 6m related to the IPO process and the listing on the Oslo Stock Exchange/Axess, which took place in June 2015. The costs have been treated accordingly to the IAS32 and this number covers all costs related to the IPO process.

### **Utilizing the full potential of Cristiano Ronaldo and Hugo the troll separately**

We experienced that the partnership between our Hugo troll and Cristiano Ronaldo proved too difficult to communicate towards their fans, respectively. Furthermore, we learned how important it is that Ronaldo is engaging in a football friendly context.

Based on our experience, it is our assessment that there is great potential in creating game concepts that exclusively address Cristiano Ronaldo's fan base. With his almost 200 million fans across various social media sites Cristiano Ronaldo has by far the largest platform in the world.

We are convinced that there is unlimited potential in a game concept that addresses this fan base.

Consequently, we have changed strategic focus and will separate the current Ronaldo & Hugo: Superstar Skater into two separate game experiences. This means bringing Ronaldo into his own game, which will be a true Cristiano Ronaldo game set in a football universe.

### **New agreement with Nike**

We are also very pleased to announce that we have entered an agreement with Nike, making it possible for Ronaldo to be featured in a Nike football universe. The agreement with Nike allows us to use a number of Nike styles in game. This is considered a major advantage, as this will bring Ronaldo's character much closer to his "real-world" image among his many fans.

This opportunity is also an important part of the development of the revitalized game strategy, as this strengthens the conditions in making the game into a global blockbuster.

The game is expected to launch in 4-6 months and marketed directly to Cristiano Ronaldo's more than 200 million followers on Facebook, Instagram, and Twitter.

### **Operational and financial review**

#### *Comprehensive income statement*

Total revenue in first half of 2015 reached DKK 1,897 thousand (first half 2014 DKK 3,939 thousand) and total other external expenses reached DKK 8,663 thousand (first half 2014: DKK 2,877 thousand). In first half 2015 Ronaldo & Hugo was launched with a huge mar-

keting expenditure of close to DKK 6 million. In 2014 two games was soft-launched.

First half of 2015 was impacted by costs of DKK 6,017 thousand related to the IPO process and the listing on Oslo Stock Exchange/Axess, which took place in June 2015. The classification of IPO costs in respectively the comprehensive income statement and equity (recognised as an asset until the IPO takes place) is in accordance with IAS32.

#### *Balance sheet*

Hugo Games' total assets as of 30 June 2015 were DKK 93,362 thousand and the total intangible assets amounted to DKK 41,487 thousand. The total assets have increased by DKK 42,219 thousand compared to 31 December 2014 primarily due to the increase in cash of DKK 33,160 thousand and from increase in intangible assets of DKK 5,891 thousand. The increase in Cash reflects the successfully IPO and the increase in intangible assets reflects the accelerated activity level related to game development.

As of 30 June, the liabilities amounted to DKK 26,421 thousand and total equity was DKK 66,941 thousand.

#### *Cash flow and cash position*

In H1 2015 the cash flow from operating activities totalled DKK -8,909 thousand , compared to DKK -279 thousand in H1 2014, and cash flow from investing activities (game development) reached DKK -8,328. Cash flow from financing activities totalled net 39,064 thousand DKK due IPO. Cash position as of 30 June 2015 amounting to DKK 45,064 is sufficient to realise the forecasted activity.

### **Risks and uncertainties**

Hugo Games is exposed to uncertainties and risk factors, which may affect some or all of the group's activities.

Hugo Games has financial risks, market/commercial risks, partnership risks and product development risks, of which Hugo Games' most important risks are related to market/commercial risks and development risks. However, where the conventional game development is associated with large risks due to long development periods with substantial associated costs and high risk of failure, Hugo Games' business model reduces the development time and risk of failure significantly.

There are no significant changes to the risks and uncertainty factors or the timing of product launches.

## Outlook

### Pipeline

We have entered into an agreement with MyGamez in connection with the release of the Ronaldo game in China. Looking at MyGamez previous success with Fingersoft's "Hill Climb Racing" expansion to China, we believe that this deal has a very promising potential.

China is currently the world's biggest gaming market and given the strong brand value of Ronaldo (his awareness degree equals 95 percent, source Repucom), we are very optimistic about developing a tailor made Chinese version of the Ronaldo game in China.

"Hugo Flower Flush", is set for soft-launch in approximately 2 months.

Our second title "Axe in Face" is also set for soft-launch in approximately 2 months and is the sequel to the original "Axe in Face" which among others was awarded the Best Nordic Game in 2011.

Following "Hugo Flower Flush" and "Axe in Face", we will be releasing the revitalized Cristiano Ronaldo football title as well as Hugo's own skater game, "Hugo Troll Race II", which is the follow-up of the commercial success, Hugo Troll Race.

### **We are very confident about the future and look forward to execute in accordance with our strategy.**

We have six games that all are in the last development stages, and most of these are expected to soft-launch in the coming year. Furthermore, we are strengthening our operational focus and investor communication as we during the second quarter have increased our resource capacity in Copenhagen, aiming at continuing the process according to the strategy set forth.

We believe that Hugo Games stands much more streamlined in the future in order to satisfy our ambition of becoming a significant mobile game company. We expect to be able to create a positive cash flow as several games are to be launched in the coming months. This is especially the case with regard to the Ronaldo game, which is in the process of undergoing a transformation into his own football universe.

As all other commercial business', Hugo Games also faces a number of commercial/market risks as well as partnership risks. In particular, a key risk is product development risk, as conventional game development risk is associated with high risks due to long development periods with substantial associated costs and high risk of failure. However, Hugo Games' business model seeks to reduce the development time and risk of failure. As the IPO was in NOK there is a currency risk on the net proceeds

## Consolidated statement of comprehensive income

Note	DKK '000	Q2 2015	Q2 2014	H1 2015	H1 2014
	<b>Revenue</b>	<b>988</b>	<b>2.005</b>	<b>1,897</b>	<b>3,939</b>
	Cost of sales	922	589	1,087	1,152
	<b>Gross profit</b>	<b>66</b>	<b>1.416</b>	<b>810</b>	<b>2.787</b>
	Other external expenses	7,510	1,108	8,663	2,877
	Staff expenses	804	107	1,202	208
2	Special items	3,804	0	6,017	0
	<b>Loss before depreciation, amortisation and impairment losses (EBITDA)</b>	<b>-12,052</b>	<b>201</b>	<b>-15,072</b>	<b>-298</b>
	Depreciation and amortisation of property, plant and equipment and intangible assets	1,498	761	2,435	1,514
	<b>Operating loss (EBIT)</b>	<b>-13,550</b>	<b>-560</b>	<b>-17,507</b>	<b>-1,812</b>
	Financial expenses	182	16	317	30
	<b>Loss before tax</b>	<b>-13,732</b>	<b>-576</b>	<b>-17,824</b>	<b>-1,842</b>
	Tax on loss for the year	2,477	200	3,077	515
	<b>Net loss for the period</b>	<b>-11,255</b>	<b>-376</b>	<b>-14,747</b>	<b>-1,327</b>
	Other comprehensive income	0	0	0	0
	<b>Comprehensive income</b>	<b>-11,255</b>	<b>-376</b>	<b>-14,747</b>	<b>-1,327</b>
<b>Distribution of comprehensive income</b>					
	Parent company's shareholders	-11,255	-376	-14,747	1,327
	Non-controlling interests	0	0	0	0
	<b>Total</b>	<b>-11,255</b>	<b>-376</b>	<b>-14,747</b>	<b>-1,327</b>
<b>Earnings per Share</b>					
3	Earnings per share (in DKK)	0,57	0,03	-0,73	-0,09
3	Diluted earnings per share (in DKK)	-0,57	0,03	-0,73	-0,09



## Consolidated balance sheet

## ASSETS

Note	DKK '000	30/06/2015	31/12/2014	30/06/2014
4	Completed development projects	31,874	13,565	13,388
4	Acquired rights	87	97	0
4	Goodwill	762	762	762
4	Development projects in progress	8,672	21,074	16,627
	Other plant, fixtures and fittings, tools and equipment	27	21	21
	Other receivables	65	77	95
	<b>Total non-current assets</b>	<b>41,487</b>	<b>35,596</b>	<b>30,893</b>
	Trade receivables	545	554	656
	Receivables from group companies	0	699	0
	Income tax receivable	2,939	0	0
	Other receivables	460	207	419
	Prepayments	2,867	2,129	-94
	Cash	45,064	11,958	123
	<b>Total current assets</b>	<b>51,875</b>	<b>15,547</b>	<b>1,104</b>
	<b>Total assets</b>	<b>93,362</b>	<b>51,143</b>	<b>31,997</b>

## EQUITY AND LIABILITIES

	Share capital	12,500	10,000	80
	Share premium	41,551	4,986	0
	Retained earnings	12,890	21,888	12,178
	<b>Total equity</b>	<b>66,941</b>	<b>36,874</b>	<b>12,258</b>
	Provisions for deferred tax	2,692	3,638	1,271
	Payables to credit institutions	5,975	6,697	0
	<b>Total non-current liabilities</b>	<b>8,667</b>	<b>10,335</b>	<b>1,271</b>
	Payables to credit institutions	1,773	871	0
	Payables to group companies	11	10	14,632
	Prepayments received from customers	94	94	0
	Trade payables	15,066	1,828	1,091
	Income tax payable	23	23	0
	Other payables	787	1,108	2,745
	<b>Total current liabilities</b>	<b>17,754</b>	<b>3,934</b>	<b>18,468</b>
	<b>Total liabilities</b>	<b>26,421</b>	<b>14,269</b>	<b>19,739</b>
	<b>Total equity and liabilities</b>	<b>93,362</b>	<b>51,143</b>	<b>31,997</b>

## Consolidated statement of changes in equity

Amounts in DKK '000	Share total	Share premium	Retained Earnings	Proposed dividend	Total Equity
<i>Statement of changes in equity</i>					
<i>01/01/2015 – 30/06/2015</i>					
Equity as at 01/01/2015	10,000	4,986	21,888	0	36,874
Net loss for the period			-14,747		-14,747
Other comprehensive income			0		0
Comprehensive income			-14,747		-14,747
Purchase of treasury shares			-750		-750
Group contribution in connection with purchase of treasury shares			749		749
Sale of treasury shares			5,750		5,750
Capital increase (IPO)	2,500	44,349			46,849
Costs related to capital increase		-7,784			-7,784
Transactions with owners	2,500	36,565	5,749	0	44,814
Equity as at 30/06/2015	12,500	41,551	12,890	0	66,941
<i>Statement of changes in equity</i>					
<i>01/01/2014 – 30/06/2014</i>					
Equity as at 01/01/2014	80	0	13,505	0	13,585
Net loss for the period			-1,327		-1,327
Other comprehensive income			0		0
Comprehensive income			-1,327		-1,327
Transactions with owners			0		0
Equity as at 30/06/2014	80	0	12,178	0	12,258

## Consolidated cash flow statement

DKK '000	Q2 2015	Q2 2014	H1 2015	H1 2014
<b>Loss before tax</b>	<b>-13,732</b>	<b>-576</b>	<b>-17,824</b>	<b>-1,842</b>
Adjustment of non-cash transactions:				
Depreciation, amortisation and impairment losses	1,498	761	2,435	1,514
Financial income, reversed				
Financial expenses, reversed	182	16	317	31
Change in working capital:				
Receivables	94	331	9	305
Trade payables	10,489	-253	7,603	-1,252
Other receivables	-68	-209	-253	413
Prepayments	-584	94	-738	814
Other payables	-462	408	-448	326
<b>Cash flows from operating activities before net financials</b>	<b>-2,583</b>	<b>572</b>	<b>-8,899</b>	<b>309</b>
Financial expenses paid	-10	-16	-10	-30
Tax paid			0	0
<b>Cash flows from operating activities</b>	<b>-2,593</b>	<b>556</b>	<b>-8,909</b>	<b>279</b>
Purchase of intangible assets	-3,662	-2,828	-8,321	-6,098
Other investments	-7	0	-7	-39
<b>Cash flows from investing activities</b>	<b>-3,669</b>	<b>-2,828</b>	<b>-8,328</b>	<b>-6,137</b>
Proceeds from cash capital increase	41,099	0	46,849	0
Costs related to capital increase	-7,784	0	-2,149	0
Sale of treasury shares	5,750	0	5,750	0
Loans from group companies	-1	2,178	-107	5,891
<b>Cash flows from financing activities</b>	<b>39,064</b>	<b>2,178</b>	<b>50,343</b>	<b>5,891</b>
<b>Total cash flows for the period</b>	<b>32,802</b>	<b>-94</b>	<b>33,106</b>	<b>33</b>
Cash, beginning of period	12,262	217	11,958	90
<b>Cash, end of period</b>	<b>45,064</b>	<b>123</b>	<b>45,064</b>	<b>123</b>
Cash, end of period, comprises:				
Cash	45,064	123	45,064	123
Short-term payables to credit institutions	0	0	0	0
<b>Total</b>	<b>45,064</b>	<b>123</b>	<b>45,064</b>	<b>123</b>

## 1. Basis of preparation

The interim report has been prepared in accordance with IAS 34 Interim financial reporting, as adopted by the EU, and additional Danish interim reporting requirements for listed companies. The Company's independent auditor has not audited the interim report.

The interim report does not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2014.

In H1 2015 a new line item "Special items" has been introduced in the statement of comprehensive income. Special items comprise material non-recurring costs as described in note 2 of the interim report.

Apart from the new line item, the accounting policies adopted in the preparation of the interim report are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2014, as no new standards and interpretations have been implemented. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

### *Significant accounting estimates and judgments*

The most significant accounting estimates and judgments in the interim consolidated financial statements remain unchanged compared to those used in Annual Report 2014. The principles and key assumptions are described in the Annual Report 2014 in note 2.

## 2. Special items

The net loss in H1 2015 was significantly impacted by costs related to the IPO process and the listing on Oslo Stock Exchange/Axess, which took place 18 June 2015.

The total costs related to the IPO process incurred relate jointly to stock exchange listing of existing shares and the offering of new shares. Hence, the costs are allocated to those transactions based on the number of new shares in proportion to the total number of shares in accordance with the provisions in IAS 32.38. Costs related to exchange listing of existing shares, DKK 6,017 thousand, are recognized in the comprehensive income statement in H1 2015.

**3. Earnings per share**

Amounts in DKK '000	Q2 2015	Q2 2014	H1 2015	H1 2014
Net loss for the period	-11,255	-376	-14,747	-1,327
Average number of shares (in thousands)	20,000	14,690	20,333	14,690
Average number of treasury shares (in thousands)	-283	0	-142	0
Average number of shares in circulation in (in thousands)	19,717	14,690	20,191	14,690
Diluted average number of shares in circulation (in thousands)	19,717	14,690	20,191	14,690
Earnings per share of DKK 1,000 each (in DKK)	-0,57	-0,03	-0,73	-0,09
Diluted earnings per share of DKK 1,000 each (in DKK)	-0,57	-0,03	-0,73	-0,09

Average number of shares in 2014 is adjusted to reflect changes in the number of shares from share splits in December 2014 and in June 2015.

**4. Intangible assets**

Amounts in DKK '000	Completed development projects	Acquired rights	Goodwill	Development projects in progress	Total
Cost as at 01/01/2015	18,818	100	762	21,074	40,754
Additions	2,190	0	0	6,131	8,321
Transfer	18,533	0	0	-18,533	0
Disposals	0	0	0	0	0
Cost as at 30/06/2015	39,541	100	762	8,672	49,075
Amortisation and impairment losses as at 01/01/2015	5,253	3	0	0	5,256
Impairment losses	0	0	0	0	0
Amortisation	2,414	10	0	0	2,424
Amortisation and impairment losses as at 30/06/2015	7,667	13	0	0	7,680
Carrying amount as at 30/06/2015	31,874	87	762	8,672	41,395

**4. Intangible assets** – continued –

Amounts in DKK '000	Completed develop- ment projects	Acquired rights	Goodwill	Develop- ment projects in progress	Total
Cost as at 01/01/2014	14,143	0	762	13,070	27,975
Additions	0		0	6,097	6,097
Transfer	2,540	0	0	-2,540	0
Cost as at 30/06/2014	16,683	0	762	16,627	34,072
Amortisation and impairment losses as at 01/01/2014	1,791	0	0	0	1,791
Impairment losses Amortisation	1,504	0	0	0	1,504
Amortisation and impairment losses as at 30/06/2014	3,295	0	0	0	3,295
Carrying amount as at 30/06/2014	13,388	0	762	16,627	30,777

*Impairment test*

Cash-generating units comprising goodwill and development projects in progress are tested for impairment at least once a year and more frequently in case of indications of impairment.

The recoverable amount is determined at a calculated value in use based on budgets and prognoses for the coming 3 financial years approved by the Board of Directors.

The group's budgets and prognoses for the coming 3 years and thus the determination of the recoverable amount of the cash-generating units are substantially impacted by the management's expectations for growth in connection with the launch of new games.

In spite of the fact that the number of downloads of the recent app release of Hugo & Ronaldo did not reach the expected level of success in the first weeks, it is the assessment of the management that no indications of impairment of the Group's intangible assets exist.

## 5. Contingent liabilities

The group companies were taxed jointly with the other companies in the AULA Holding ApS group until 18 June 2015, and, as from the 2013 financial year, they have joint and several and unlimited liability together with the other jointly taxed companies for the total income tax and any obligations to withhold tax at source on interest, royalties and dividends for the jointly taxed companies.

The liability includes any subsequent corrections to the calculated tax liability as a consequence of changes made to the jointly taxable income etc.

An agreement has been concluded with subsuppliers for the development of games, which include provisions on profit sharing of future income from games.

## 6. Security provided

As security for payables to credit institutions of DKK 7,749k, the group has provided a company charge of DKK 7,500k comprising goodwill, intellectual property rights, trade receivables, inventories, other plant, fixtures and fittings, tools and equipment.

## 7. Related parties

### *Ownership*

AULA Holding ApS, Vitus Berings Allé 16, DK-2930 Klampenborg, held the majority of the voting rights of Hugo Games A/S until 18 June 2015. CEO Henrik Kølle is the ultimate controlling party of AULA Holding ApS. At 18 June 2015, the date of the IPO, the voting rights of AULA Holding ApS were reduced to below 50%, hence control ceased.

### *Transactions with parent*

The Group acquired 1,275% of the shares in Hugo Games A/S (treasury shares) from AULA Holding ApS in January 2015 at a price of DKK 750 thousand. At the same time a contribution of DKK 748.5 thousand was received from the parent.

### *Transactions with other related parties*

The Group has in March 2015 granted CEO Henrik Kølle right to a funding bonus in case of a gross capital increase of minimum DKK 20 million in connection with an IPO. The funding bonus is recognised directly to equity in Q2 2015 with an amount of 2,805 DKK '000 as costs related to capital increase.

## 8. Events occurring after the balance sheet date

No important events have occurred after the balance sheet date.