

## INTERIM REPORT Q3 2015

### Highlights / Key achievements in Q3 2015 include

- Considerable strengthening of Hugo Games organisation with four new key employees.
- Change of concept and product strategy in collaboration with Ronaldo's team
- New Investor Relation section on [www.hugogames.com](http://www.hugogames.com)
- A quarter where the continued development has been in focus
- Development cost Q3 2015 4.5 million DKK (Q3 2014 3.4 million DKK)
- Cash position 30 September 2015 23.1 million DKK (30 September 2014 18.3 million DKK).
- Net loss Q 3 2015 6.5 million DKK (Q3 2014 1.1 million DKK).

## IMPORTANT EVENTS IN Q3 2015

### Considerable strengthening of Hugo Games organisation with four new key employees

In the Q3 2015 we succeeded in bringing in four new individuals with substantial industry experience into key positions to further strengthen Hugo Games' business strategy, concept and product management, marketing and investor relations as well as supporting the company's daily operations.

### Change of concept and product strategy in collaboration with Ronaldo's team

In order to successfully achieve the originally expected level of success from partnering with Ronaldo, we have looked into the best strategy on how to successfully utilise the company's exclusive agreement with Cristiano Ronaldo together with Ronaldo's team. Having the conceptual changes already approved we are happy to inform that a new conceptual title will feature a much more dedicated and dominant Ronaldo Cristiano profile, including additional football related themes and content securing a direct access to Ronaldo's more than 200 million online followers. The new title is set for soft-launch beginning of 2016

### New Investor Relation section on [www.hugogames.com](http://www.hugogames.com)

In our ongoing objective to improve or investor relations communications, we have recently launched a new investor relation section on [www.hugogames.com](http://www.hugogames.com). The section offers access to real-time stock information, press- and stock-exchange releases as well as the opportunity to subscribe to the company's newsletter.

**A quarter where the continued development has been in focus**

On an operational level, the past quarter was influenced by the continued development of the titles set for release during 2016 as well as identifying the earlier described challenges with Superstar Skater featuring Cristiano Ronaldo.

**Conference call**

A conference call for investors and financial analysts will be held today at 10.00 CET. A Q&A session will follow the presentation and information on how to submit questions to the management will be given at the beginning of the Q&A session. To listen to the management presentation of the results, please dial in 5-10 minutes prior to the start time using the numbers and confirmation code below.

Call in numbers:

Norway: +47 2350 0486

Denmark: +45 3848 7513

International Dial In: +44 (0)20 7136 6283

The participants will be asked for their name, company and confirmation code.

The Hugo Games confirmation code is: 7083475

**EVENTS AFTER THE REPORTING PERIOD****Axe in Face now in soft-launch**

Axe in Face, the eagerly awaited follow up title to the original Axe in Face, winner of the best Nordic mobile game in 2011 went into soft launch in November 2015. Soft-launch means that Axe in Face is released to a limited audience in order to gather data on a product's viability, usage and acceptance in the marketplace. Based on the data gathered from the soft-launch a product fine-tuning will then happen where after Axe in Face will be made globally available as a hard launch. The global hard launch of Axe in Face is set for in Q1 2016 as originally planned.

**Pipeline**

Hugo Games have a total of four new games set for release on Apple AppStore and Google Play during the next 6 months, all from which we expect to succeed in reaching the expected KPIs in terms of Daily Active Users (DAU) and Average Revenue Per Daily Active User (ARPDau). The titles are the following:

1. Axe in Face which is currently in soft-launch and is set for global launch in Q1 2016
2. Hugo Troll Race 2 which is set for soft launch late 2015 and is set for global launch in Q1 2016
3. Hugo Flower Flush which is set for soft- and global launch in Q1 2016
4. Ronaldo Football Runner which is set for soft-launch in Q1 2016

## Outlook



Having strengthened the organisation according to strategy and from looking at the company's product line-up for 2016 we feel confident that next year is going to bring Hugo Games considerably closer to becoming a significant mobile games company.

Last but not least, it is also important to notice that Hugo Games executes on an incredible competitive and fast-paced market, why commercial risks such as time to market, app market conditions and risk of product failure needs to be taken into account. However, Hugo Games works actively on minimising these risk factors by constantly monitoring and analysing the market and its competitors.

## OPERATIONAL AND FINANCIAL REVIEW

### *Comprehensive income statement*

Total revenue of Q3 2015 year to date reached DKK 2,631 thousand (Q3 2014 year to day DKK 5,329 thousand) and total other external expenses reached DKK 11,184 thousand (Q3 2014 year to day: DKK 4,216 thousand). In first half 2015 "Superstars" was launched with a huge marketing expenditure of close to DKK 6 million

For Q3 2015 year to date was impacted by costs of DKK 6,048 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 September 2015 were DKK 75,074 thousand and the total intangible assets amounted to DKK 43,232 thousand. The total assets have increased by DKK 23,931 thousand compared to 31 December 2014 primarily due to the increase in cash of DKK 11,146 thousands and increase in development projects DKK 7,749 thousands. The increase in cash reflects the successfully IPO and the increase in development projects reflects the accelerated activity level related to game development.

As of 30 September, the liabilities amounted to DKK 14,653 thousands and total equity was DKK 60,420 thousand.

#### *Cash flow and cash position*

In 9M 2015 the cash flow from operating activities totalled DKK -19,454 thousand, compared to DKK -154 thousand in 9M 2014, and cash flow from investing activities (game development) reached DKK -12,784. Cash flow from financing activities totalled 45,064 thousand DKK primarily due to IPO capital increase less costs related to this. Cash position as of 30 September 2015 amounting to DKK 23,104.

### **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.

## 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 September 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 September 2015, and of the results of the Hugo Games Group's operations and cash flows for the period 1 January - 30 September 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, 25 November 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

## Consolidated statement of comprehensive income

Note	DKK '000	Q3 2015	Q3 2014	9M 2015	9M 2014
	<b>Revenue</b>	<b>734</b>	<b>1,390</b>	<b>2,631</b>	<b>5,329</b>
	Cost of sales	213	332	1,300	1,484
	<b>Gross profit</b>	<b>521</b>	<b>1,058</b>	<b>1,331</b>	<b>3,845</b>
	Other external expenses	2,521	1,339	11,184	4,216
	Staff expenses	982	85	2,183	293
2	Special items	30	0	6,048	0
	<b>Loss before depreciation, amortisation and impairment losses (EBITDA)</b>	<b>-3,012</b>	<b>-366</b>	<b>-18,084</b>	<b>-664</b>
	Depreciation and amortisation of property, plant and equipment and intangible assets	2,631	894	5,067	2,408
	<b>Operating loss (EBIT)</b>	<b>-5,643</b>	<b>-1,260</b>	<b>-23,151</b>	<b>-3,072</b>
	Financial expenses	2,879	143	3,196	172
	<b>Loss before tax</b>	<b>-8,522</b>	<b>-1,403</b>	<b>-26,347</b>	<b>-3,244</b>
	Tax on loss for the year	2,002	393	5,080	908
	<b>Net loss for the period</b>	<b>-6,520</b>	<b>-1,010</b>	<b>-21,267</b>	<b>-2,336</b>
	Other comprehensive income	0	0	0	0
	<b>Comprehensive income</b>	<b>-6,520</b>	<b>-1,010</b>	<b>-21,267</b>	<b>-2,336</b>
	<b>Distribution of comprehensive income</b>				
	Parent company's shareholders	-6,520	-1,010	-21,267	-2,336
	Non-controlling interests	0	0	0	0
	<b>Total</b>	<b>-6,520</b>	<b>-1,010</b>	<b>-21,267</b>	<b>-2,336</b>
3	Earnings per share (in DKK)	-0,26	-0,06	-0,98	-0,15
3	Diluted earnings per share (in DKK)	-0,26	-0,06	-0,98	-0,15

**ASSETS**

Note	DKK '000	30/09/2015	31/12/2014	30/09/2014
4	Completed development projects	30,637	13,565	13,769
4	Acquired rights	82	97	0
4	Goodwill	762	762	762
4	Development projects in progress	11,751	21,074	18,825
	Other plant, fixtures and fittings, tools and equipment	23	21	32
	Other receivables	66	77	96
	<b>Total non-current assets</b>	<b>43,321</b>	<b>35,596</b>	<b>33,484</b>
	Trade receivables	249	554	553
	Receivables from group companies	0	699	0
	Income tax receivable	3,988	0	0
	Other receivables	807	207	754
	Prepayments	3,605	2,129	0
	Cash	23,104	11,958	18,283
	<b>Total assets</b>	<b>75,074</b>	<b>51,143</b>	<b>53,074</b>
	<b>EQUITY AND LIABILITIES</b>			
	Share capital	12,500	10,000	109
	Share premium	41,551	4,986	14,877
	Retained earnings	6,369	21,888	23,190
	<b>Total equity</b>	<b>60,420</b>	<b>36,874</b>	<b>38,176</b>
	Provisions for deferred tax	1,738	3,638	878
	Payables to credit institutions	5,520	6,697	6,876
	<b>Total non-current liabilities</b>	<b>7,258</b>	<b>10,335</b>	<b>7,754</b>
	Payables to credit institutions	1,804	871	433
	Payables to group companies	11	10	2,466
	Prepayments received from customers	94	94	94
	Trade payables	4,295	1,828	1,801
	Income tax payable	23	23	0
	Other payables	1,169	1,108	2,350
	<b>Total current liabilities</b>	<b>7,396</b>	<b>3,934</b>	<b>7,144</b>
	<b>Total liabilities</b>	<b>14,654</b>	<b>14,269</b>	<b>14,898</b>
	<b>Total equity and liabilities</b>	<b>75,074</b>	<b>51,143</b>	<b>53,074</b>

## Consolidated statement of changes in equity

Amounts in DKK '000	Share total	Share premium	Retained Earnings	Proposed dividend	Total Equity
Equity as at 01/01/2015	10,000	4,986	21,888	0	36,874
Net loss for the period			-21,267		-21,267
Other comprehensive income			0		0
Comprehensive income	0	0	-21,267	0	-21,267
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 30/09/2015	12,500	41,551	6,370	0	60,421
Equity as at 01/01/2014	80	0	13,505	0	13,585
Net loss for the period			-2,336		-2,336
Other comprehensive income			0		0
Comprehensive income	0	0	-2,336	0	-2,336
Cash capital increase	29	14,971			15,000
Cost of capital increase		-94			-94
Group contribution in connection with debt remission			12,022		12,022
Transactions with owners	29	14,877	12,022	0	26,928
Equity as at 30/09/2014	109	14,877	23,190	0	38,176



## Consolidated cash flow statement

DKK '000	Q3 2015	Q3 2014	9M 2015	9M 2014
<b>Loss before tax</b>	<b>-8,523</b>	<b>-1,402</b>	<b>-26,347</b>	<b>-3,244</b>
Adjustment of non-cash transactions:				
Depreciation, amortisation and impairment losses	2,632	894	5,067	2,408
Financial income, reversed				
Financial expenses, reversed	2,879	141	3,196	172
Change in working capital:	-6,237	-51	-64	555
<b>Cash flows from operating activities before net financials</b>	<b>-9,249</b>	<b>-418</b>	<b>-18,148</b>	<b>-109</b>
Financial expenses paid	-1,296	-15	-1,306	-45
Tax paid	0	0	0	0
<b>Cash flows from operating activities</b>	<b>-10,545</b>	<b>-433</b>	<b>-19,454</b>	<b>-154</b>
Purchase of intangible assets	-4,463	-3,461	-12,784	-9,559
Other investments	-0	-16	-7	-55
<b>Cash flows from investing activities</b>	<b>-4,463</b>	<b>-3,477</b>	<b>-12,791</b>	<b>-9,614</b>
Proceeds from cash capital increase	0	15,000	46,849	15,000
Costs related to capital increase	-4,945	-95	-7,094	-95
Sale of treasury shares	0	0	5,750	0
Repayment / new loan	-176	7,309	-176	7,309
Loans from group companies	-1	-144	-108	5,747
<b>Cash flows from financing activities</b>	<b>-5,122</b>	<b>22,070</b>	<b>45,221</b>	<b>27,961</b>
<b>Total cash flows for the period</b>	<b>-20,130</b>	<b>-18,160</b>	<b>12,976</b>	<b>18,193</b>
Effects of exchange rate changes on cash	-1,830	0	-1,830	0
Cash, beginning of period	45,064	123	11,958	90
<b>Cash, end of period</b>	<b>23,104</b>	<b>18,283</b>	<b>23,104</b>	<b>18,283</b>
Cash, end of period, comprises:				
Cash	23,104	18,283	23,104	18,283
Short-term payables to credit institutions	0	0	0	0
<b>Total</b>	<b>23,104</b>	<b>18,283</b>	<b>23,104</b>	<b>18,283</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 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 Q3 2015 year to date 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 6,048 thousand, are recognized in the comprehensive income statement in Q3 2015 year to date.

### 3. Earnings per share

Amounts in DKK '000	Q3 2015	Q3 2014	9M 2015	9M 2014
Net loss for the period	-6,520	-1,010	-21,267	-2,336
Average number of shares (in thousands)	25,000	15,929	21,889	15,103
Average number of treasury shares (in thousands)	0	0	-94	0
Average number of shares in circulation (in thousands)	25,000	15,929	21,795	15,103
Diluted average number of shares in circulation (in thousands)	25,000	15,929	21,795	15,103
Earnings per share of DKK 1,000 each (in DKK)	-0,26	-0,06	-0,98	-0,15
Diluted earnings per share of DKK 1,000 each (in DKK)	-0,26	-0,06	-0,98	-0,15

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	3,574	0	0	9,210	12,784
Transfer	18,533	0	0	-18,533	0
Disposals	0	0	0	0	0
Cost as at 30/09/2015	40,925	100	762	11,751	53,538
Amortisation and impairment losses as at 01/01/2015	5,253	3	0	0	5,256
Impairment losses	0	0	0	0	0
Amortisation	5,035	15	0	0	5,050
Amortisation and impairment losses as at 30/09/2015	10,288	18	0	0	10,306
Carrying amount as at 30/09/2015	30,637	82	762	11,751	43,232

November 25, 2015 interim report announcement No. 23

**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	1,269		0	8,295	9,564
Transfer	2,540	0	0	-2,540	0
Cost as at 30/09/2014	17,952	0	762	18,825	37,539
Amortisation and impairment losses as at 01/01/2014	1,791	0	0	0	1,791
Impairment losses Amortisation	2,392	0	0	0	2,392
Amortisation and impairment losses as at 30/09/2014	4,183	0	0	0	4,183
Carrying amount as at 30/09/2014	13,769	0	762	18,825	33,356

*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 and some delay in launching new games, 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 7,324 thousand, the group has provided a company charge of DKK 7,500 thousand 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.