Hugo Games A/S

Gammel Kongevej 120, 1. th.
CVR no. DK 33 59 71 42

Annual report 2015

Hugo

Conquering the World

Our Vision

To become a Nordic tier-one mobile game company by end 2018

HUGO GAMES AT-A-GLANCE

- A Nordic, publicly traded game mobile game company founded in 2011.
- A company that creates, develops and publishes mobile games globally.
- Having a strong portfolio of games globally available across a wide range of platforms including iOS, Android, Windows, Amazon and Facebook
- Are truly passionate about games and committed to making titles that will engage and bring genuine joy to people for years.
- Forms strategic partnerships with high profile celebrities for increased visibility, awareness and product performance.

7 Released Products

- Hugo Retro Mania (2011)
- Hugo Troll Race (2012)
- Hugo World (2013)
- Hugo Troll Wars (2013)
- Cristiano Ronaldo: SuperSkater (2015)
- Axe in Face 2 (2016)
- Hugo Troll Race 2 (2016)

6 Products in Development

- Hugo Flower Flush
- Cristiano Ronaldo: Kick'N'Run
- Street Soccer Ultimate
- Nyjah Huston: SuperSkater
- Hugo Nordic
- Fashion Fabulous

8 Product Releases in 2016

- Axe in Face 2 (Q1)
- Hugo Troll Race 2 (Q1)
- Hugo Flower Flush (Q2)
- Ronaldo: Kick'N'Run (Q2)
- Street Soccer Ultimate (Q2)
- Nyjah Huston: SuperSkater (Q4)
- Hugo Nordic (Q4)
- Fashion Fabulous (Q4)

Visible on All Major Platforms

- Apple App Store
- Google Play Store
- Amazon App Store
- Windows Store
- Facebook Canvas

Diverse Game Genre Portfolio

- Endless Runner
- Tower Defence
- Match-3
- City Builder

Proprietary Technology

- DigiStarter™
- Hugo™

Our ambition

We are determined to provide exceptional gaming experiences that PEOPLE recommend to family and friends, EMPLOYEES are proud of and INVESTORS seek for long-term returns

CEO LETTER

Positive expectations, but at a lower level

For Hugo Games, the year 2015 was an important year in preparing the company for future growth. Following the IPO on the Oslo Axess Stock Exchange, the organisation was strengthened and many resources were invested in the expansion of the product portfolio.

Our 2015 results were not satisfactory due to low performance of the Ronaldo Superstar game. An important lesson was learned; only to use the celebrity DNA in their natural environment.

Although we have adjusted our guidance for the year to a less aggressive and less risk minded level – we are excited about the upcoming releases in 2016 – transforming an operating loss (EBITDA) in 2015 into operational profit in 2016.

Building a robust pipeline for future success

In 2015 we expanded our game-studio with several strong industry experienced individuals, all with considerable track-records in the mobile gaming industry, hereunder but not limited to mobile strategy, digital marketing and game design. The resource expansion has enabled us to increase our in-house production capacity, go-to-market lead-time - thus giving us greater momentum in game development and content updates without sacrificing our demands to consistent quality.

Expanded product- and portfolio

2016 offers our strongest product line-up ever. With 2 titles released globally already in Q1 2016, whereas Axe in Face 2 currently performs below expected, however Hugo Troll Race 2 shows initially good performance figures. We're of course expectant and excited about our remaining six product releases throughout 2016.

Having executed our three-fold product strategy by spreading market and product risk across several IP's and game concepts, it is important to mention that Hugo still plays a major role in our product portfolio. Having successfully released Hugo Troll Race 2, early March 2016, we're now looking forward to our next release, Hugo Flower Flush, tapping into the highly successful match-3 game category, where games like the Candy Crush Series are generating massive revenues. In fourth quarter we will release Hugo Nordic, a city builder game taking place in a Nordic medieval environment.

2016 is also the year where we release two new celebrity titles, celebrating our cooperation with social media phenomenon and football legend Cristiano Ronaldo as well as global skateboard champion, Nyjah Huston. Having learned from our earlier celebrity releases, we now ensure that each celebrity title will have a solid concept foundation within Cristiano Ronaldo's football universe and Nyjah Huston's skateboarding world respectively.

Last but not least, we're developing a street soccer game aiming for release in connection with this year's Euro Cup. Apart from being a football themed game, the title will feature rich social elements, such as creating teams, competing against other players and wearing customizable national clothing to stand out.

Looking into new celebrity partnerships for added visibility and growth

One leg of our three-fold product strategy as well as an ongoing strategic consideration in terms om social awareness, visibility and marketing expansion, is to utilize concept- and product development with celebrity brands by entering into agreements with socially strong celebrity's in areas where concept, game and IP makes a natural fit.

In 2015 we signed an agreement with Cristiano Ronaldo and we feel comfortable that our new football flavoured game with Ronaldo will benefit a lot from the impressive momentum Ronaldo is experiencing on social media with more than 200 million football-loving followers.

Our latest partnership with the world's greatest skateboarder; Nyjah Huston, winner of Street League Skateboard series in 2010, 2012, 2014 and 2015 follows the same strategy in signing up a celebrity with a recognized brand, a large identified audience and a global social reach. We will continue to strategically analyse and identify celebrities in order to enter into cooperate with high impact individuals securing increased awareness and PR in areas where IP and concept makes the above described natural fit.

On track towards our 2018 vision

We will continue to work dedicated towards our vision and we are confident that the future will bring success. Strong growth rates across all relevant mobile platforms in a market that continues to exceed expectations in terms of users and revenues. This growth combined with our experienced team, product portfolio, development strategy and celebrity partnerships, is all key factors that will make Hugo Games reach revenue and earnings targets for the period up to 2018.

With the above in mind we are aware that mobile gaming will remain one of the most competitive markets in the world, but we are determined that we will reach our vision set forth by end 2018.

We will continue to nurture and strengthen our competencies and company individuals while looking for ways to improve quality and securing a fast" go-to-market" lead time and we will also use our learnings, insight and experience from the mobile gaming market to secure a continued development of new, innovative and successful games in the time to come.

Last but not least, I would like to thank our employees and supportive investors. I am looking forward to keep you updated on the further development of Hugo Games.

Henrik Kølle

CEO, Hugo Games A/S

MARKET SITUATION

MOBILE GAMES TRENDS 2016

Strong increase in number of app downloads, accelerated app maturity and growing marketing cost drives a steady stream of excellent mobile game concepts across a rich array of continuously better mobile devices and faster networks. Utilising our strong relationship with leading platform owners in order to get our titles features is key.

Looking back at 2015, we believe that many of the most relevant and impactful game concepts will define and redefine what the mobile gaming market will look like in 2016. From iOS's amazing success in China to Google Play's driving force across many emerging markets, we see how these two platforms are shaping categories, monetization and new device platforms. At the same time the games category continues to drive huge volumes of downloads and store revenue, yet we are seeing new trends emerge as smaller developers similar to Hugo Games, being able to challenge top publishers.

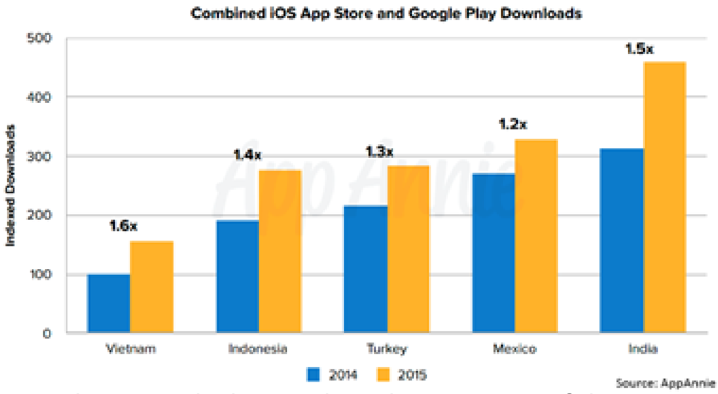
Emerging markets show strong grow rates

In 2015 Google Play experienced a massive increase in downloads driven by first-time device owners in emerging markets like Argentina, Mexico, Turkey, India, Thailand and Vietnam. This growth opens up new channels and new markets by targeting unmet needs of players in a given region. Meanwhile, app revenue increased notably year over year as iOS cemented its position as app store revenue king.

In 2014, app analytics company AppAnnie, noted a 60% download lead of Google Play over iOS. This widened to nearly 100% in 2015 (source: AppAnnie). This massive disparity could mark the beginning of changes in mobile marketing, including substantial increases of Android's share of mobile ad spend.

Google Play's significant increase in worldwide downloads came largely from emerging markets where the top five contributors were India, Indonesia, Turkey and Mexico. Together, these countries accounted for nearly half of Google Play's year-on-year download growth.

Both Google Play and Apple App Store made considerable gains in revenue, although iOS continued to outpace Google Play.

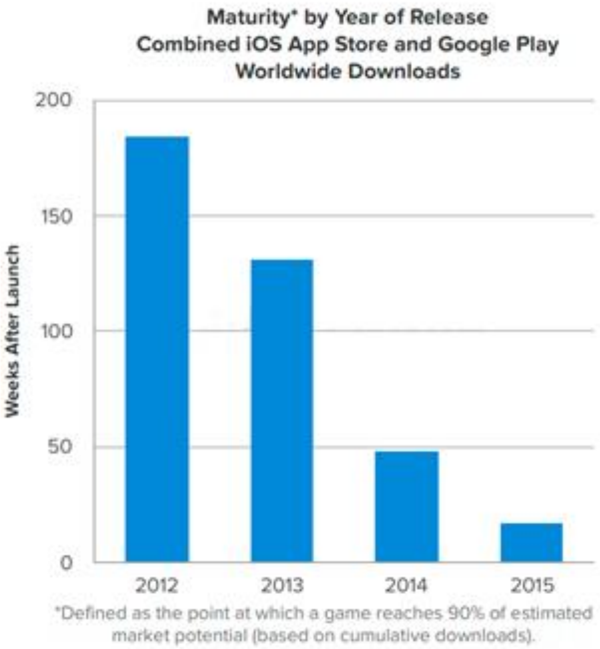


iOS enjoyed strong growth driven by China, the US and Japan, which contributed nearly 90% of the iOS App Store's year-on-year revenue growth. China saw especially impressive growth in App Store revenue, a fact that Apple called out in its Q4 earnings call. The relative contributions of games and apps did not deviate from their 2014 levels; games continued to contribute 90% of revenue on Google Play and 75% on the iOS App Store.

Games are maturing at a faster rate

Although the individual apps leading the revenue charts remained relatively steady in 2015, beneath the surface there have been massive shifts in the mobile gaming market. Games are maturing at a faster rate, while mobile gaming revenue has become less concentrated. This presents opportunities for publishers who can effectively navigate this changing landscape, but also presents challenges for those that cannot.

According to app analytics company, AppAnnie, who recently analysed the average estimated time to maturity for new games, the time has dropped 60% from 2014 to 2015 — from being almost 50 weeks to just over 17. Compared to just three years prior, this is a remarkably slim window in which to generate downloads. For games released in 2012, average time to maturity was over 10 times longer than it was for those released in 2015.



Source: AppAnnie

The above naturally impacts marketing and monetization strategies as publishers seek high visibility and engagement upon release. It also has significant ramifications for portfolio management, with most publishers requiring more frequent releases to maintain the momentum that may have been sustained by a single title in previous years.

Meanwhile, as game revenue grows, it is also becoming less concentrated among the top publishers. Even as the biggest names in mobile gaming draw attention with multi-million-dollar ad campaigns and high-profile releases, the concentration of revenue in the mobile gaming market has been trending toward less concentration at the top.

Put together, these trends show an interesting picture of the mobile gaming market. On the one hand, smaller publishers like Hugo Games, has an opportunity to take up a greater slice of the market. On the other, the prospect of long-term success with just one or two games continue to become less realistic for most publishers. With a timeframe of roughly four months after launch until downloads start to dry up, broader product portfolio, fast development cycles and continued innovation are necessary to see success in an increasingly less concentrated and higher paced space. Increased marketing spend, press and public interest are likely to drive shorter maturity cycles still, while rising competition is likely to further fragment the revenue concentration in mobile games.

STRATEGY & GOALS

OUR THREE FOLD STRATEGY

When planning for the future we always utilize our learnings from the past, before executing our strategy with consistency and focus which we believe is our key to success.

Our long term goals in becoming a tier-one mobile company implies having a positive cash flow and more than five million active users (DAU's) with an average revenue per active daily user (ARPDAU) of at least 0,15 DKK.

On the path of becoming a Nordic tier-one mobile company

The company's long-term strategy and goal is to become a Nordic tier-one mobile company within the next three years.

Mobile gaming is expected to be the biggest part of the digital game business, as the sector Is expected to grow from USD 35 billion in 2016 to USD 48 billion by 2020. That amounts to a change from 39 percent of the market in 2016 to 42 percent of the business by 2020. Overall, that is a Compound Annual Growth Rate of 8 percent CAGR (source: Digi-Capital) for mobile games, in which we believe that we have the skills and strategy to become a Nordic tier one mobile company. Our own tier-one definition/target is as follows:

- To have at least five million daily active users (DAU's) by the end of 2018.
- To have an average net revenue per daily active user of at least 0.15 DKK.
- To reach a positive cash flow.
- To obtain as much predictability in product performance and financial results as possible.

The above definition is a continuation of our earlier stated "3-fold strategy" where we will produce a sizeable amounts of games within three main pillars:

- Focus on core competences.
  - Identifying and creating new and viable game concepts to select from.
  - Further develop the best concepts into content based on market demands.
  - Secure product visibility through marketing activities, hereunder PR, user acquisition, cross-promotion and app store features.

- Turn product strategy into successful products
  - Minimizing the market risk by developing and/or acquiring games on different levels:
    1. Hugo Branded games utilizing Hugo's DNA within a conceptual safe concept environment
    2. Acquiring brands and content by constantly analysing the market and identifying potentially successful and relatively low cost 3rd party IPs and game concepts
    3. Utilizing Celebrity brands by entering into agreement with socially strong celebrity's where game concept and IP makes a natural fit.

- Build a profitable and successful business
  - Retain ownership of successful products.
  - Maximize relationships with partners
  - Maintain a flexible and capital efficient model

Through execution of the above strategy, we aim to secure a broad product portfolio, that will minimize the market risk and ensure the strategic strength and flexibility needed in the dynamic gaming industry.

Focused development strategy

Our execution strategy includes powerful in-house developed techniques and long term planning in the different tasks of concept and product development, securing a broad product portfolio, which will help ensure strategic strength and flexibility.

Having 5 titles released prior to 2016, 2 titles released in Q1 2016, 6 titles currently under development and aiming at a total of 13 titles globally available by end 2016 as well as knowing that maturity cycles are getting shorter makes focused development key.

We only develop games that:

- Are attractive to a measurable segment of people.
- We are really excited about.
- Have a long life expectancy on the market.

When looking at acquiring content or IP's, we look for- and analyse on existing product metrics coupled with actual marketing effort to identify low performing products with untapped potential – if optimized and marketed correctly. These products are generally developed by smaller companies with little or no experience in product optimization and user acquisition.

Hugo Games 2016 release-plan

Learning from failing

One title was released in 2015; Super Star Skater, featuring Cristiano Ronaldo. Unfortunately, the title failed in terms of expectations towards number of users and revenues generated, leaving out the otherwise high expectations towards the Ronaldo brand. However, learning from the app-analytics received a change of concept and product strategy was agreed in collaboration with Ronaldo's team, whereas Hugo Games are now allowed to make a much more dedicated and dominant Ronaldo product, including more football themes and football content. The new title is set for release in 2016. Another promising title in development is our upcoming skateboard game featuring worldwide skateboard champion Nyjah Huston, winner of the Street League Skateboard Series in 2010, 2012, 2014 and 2015.

Our employees are Hugo Games unique assets

In order to further support this strategy, we have strengthened the company's organizational team on several key positions, hereunder but not limited to a Chief Operating Officer, a Game Studio Lead and a Digital Marketing Manager; and we will continue to strengthen the organization at an appropriate pace.

Employees combined, Hugo Games represents more than 100 years of game industry experience.

RELEASED PRODUCTS

WE ONLY DEVELOP GAMES THAT ARE ATTRACTIVE TO A MEASURABLE SEGMENT OF PEOPLE

Hugo Retro Mania was the first Hugo app-title released by Hugo Games Development ApS. Hugo Retro Mania was originally released in November 2011 but is still going strong with more than 45.000 daily active users (DAU's). Hugo Retro Mania debuted at number one in 11 countries and made it into the top 20 in other countries. Since then Hugo Retro Mania has been downloaded more than 10 million times. Current status: having been release in 2011, Retro Mania is still enjoying more than 10.000 daily active users across all platforms.

Hugo Troll Race Classic was the second Hugo app-title released in July 2012 with a number one ranking in 25 countries and with more than 1 million downloads in just three days. Since then and with limited marketing efforts, the game has been downloaded more than 10 million times proving that Hugo here to stay. Current status: Troll Race Classic is still doing well with more than 20.000 daily active user across all platforms.

Hugo World was released in 2013 and was originally meant to be a content mix between the city-builder category games HayDay and DragonVale, combining their mechanics to ensure player engagement. However, the content learning curve proved too challenging and Hugo World was re-balanced to accommodate a more casual gameplay. Current status: Being within the city-builder game-category Hugo World has a steady base of loyal users playing every day.

Hugo Troll Wars was launched late 2013 as a multi-platform strategy game covering all viable mobile platforms, iOS, Android, Amazon, Windows and Facebook. Hugo Troll Wars was initially launched exclusively on Amazon with 14 days' sales period securing Hugo Troll Wars features on select Amazon devices such as Kindle Fire and Kindle FireHD. Current status: Unfortunately, a wrong development platform was chosen for Hugo Troll Wars, making updates and new features very difficult to implement why further development has been stopped. However, the title will continue to be available as Troll Wars a still being played by many people.

Ronaldo: Super Skater was released in June 2015 and quickly reached more than 7 million downloads thus proving how strong combining a well know IP with a game can be. However, it was learned that when utilizing a socially strong IP it is important to make a concepts and game the a true to the fans of the IP. Current status: Having learned to keep celebrity concepts in line with the DNA of the actual IP further development on the title has been halted, but a new and more streamlined football related concept with Ronaldo is scheduled for release in Q2 2016: Ronaldo Kick & Run.

Axe in Face 2 was successfully released in February 2016; and being a much anticipated sequel to the original Axe in Face, winner of Best Nordic Handheld Game in 2011, expectations was somewhat high. Current status: Axe in Face 2 is doing well in terms of daily active users and more importantly the player retention seems to be as expected.

Troll Race 2 is the sequel to the original Troll Race which is still a very popular title. Troll Race 2 was released beginning of March 2016 where it was featured by both Apple and Google resulting in more than 1.000.000 downloads in the first week. Current status: All data on Hugo Troll Race 2 are still looking very promising.

OUTLOOK

LESS AGGRESSIVE AND LESS RISK MINDED GUIDANCE FOR 2016

To reduce the company's business risk, management has adjusted Hugo Games marketing strategy. Revenue and operating results have been adjusted accordingly to a revenue of DKK 20-25m (from DKK 35-43m) and an Operating Result before special items of DKK 3-7m (from DKK 5-12m). In 2016 we are turning an operational loss (EBITDA) in 2015 into an operational profit.

Having had just a single release in 2014-15; and looking forward to eight releases in 2016 as well as enjoying the in-game company of worldwide celebrity, football legend Cristiano Ronaldo and worldwide skateboard champion Nyjah Huston, we are naturally excited about 2016.

Different marketing strategies can be employed launching new games. Following a thorough review of the Hugo Games marketing strategy, the management has decided that a more defensive approach reducing the company's business risk would be preferable. Going forward, Hugo Games aims to be featured on the right platforms rather than pay for generated downloads through affiliates.

New financial guidance for 2016

	Users			Net revenue			EBITDA		
	1000 daily active users			1000 DKK			1000 DKK		
Q1 2016	85	-	104	505	-	618	-2.882	-	-2.936
Q2 2016	343	-	419	3.421	-	4.181	-826	-	-231
Q3 2016	576	-	704	6.694	-	8.182	2.364	-	3.686
Q4 2016	783	-	956	9.870	-	12.063	4.451	-	6.448
2016 total				**20.490**	**-**	**25.044**	**3.107**	**-**	**6.967**

Financial guidance announced on 6 January 2016

	Users			Net revenue			EBITDA		
	1000 daily active users			1000 DKK			1000 DKK		
Q1 2016	277	-	338	2.887	-	3.528	-3.165	-	-2.544
Q2 2016	652	-	796	6.751	-	8.252	-1.310	-	89
Q3 2016	1.022	-	1.249	11.008	-	13.454	3.239	-	5.563
Q4 2016	1.366	-	1.669	14.778	-	18.062	6.305	-	9.371
2016 total				**35.424**	**-**	**43.296**	**5.069**	**-**	**12.479**

FINANCIAL REVIEW

INVESTMENTS IN FUTURE GROWTH

2015 was a year of investments. Both in terms of expansion of the product portfolio, building the organization and the new status as a listed company. Hugo Games 2015 results was not satisfactory, primarily due to the Ronaldo Superstar game that did not meet our expectations and which deprived both top- and bottom line.

Disappointing sign up rates

Hugo Games only launched one new game title in 2015, Ronaldo Superstar. The launch in June 2015 did not reach the expected success and an important lesson was learned; only to link the iconic Cristiano Ronaldo to football related concepts. Revenue in 2015 was DKK 3.1m down from 6.3m in 2014. Revenues was primarily generated from previously developed games, such as Hugo World and Hugo Troll Race Classic.

Cost base affected by large investments

The operational cost base increased significantly in 2015 due to the strategic marketing decisions, hereunder the cooperate with Cristiano Ronaldo.

Operational Costs (DKK ´000)	2015	2014
Cost of sales	1,326	1,709
Other external expenses	14,811	5,474
Staff expenses	3,688	376
Total	19,825	7,559

Other external expenses covering marketing and administration accounted for DKK 14.8 in 2015 compared to DKK 5.5m in 2014. The y-o-y increase of DKK 9.3m is mainly due to an increase in marketing expenses launching Ronaldo Superstar and administrative expenses associated with the IPO in June 2015 as well as costs related to being a listed company.

In 2015, Hugo Games organization was strengthened considerably in key positions as a part of the professionalization of the company. Staff expenses excluding capitalized developments costs increased from DKK 0.4 in 2014 to DKK 3.7m in 2015. Up to 2015 almost all staff expenses were related to the development of games and backend systems and thus activated under development projects in progress. In 2015 significant resources has been spend on the IPO process, preparing marketing strategy and general management in optimizing development costs.

The average number of employees in 2015 was 11 (2014: 11). At the end of 2015 the number of employees was 15 (2014: 9).

The full effect of the investments will be visible in the fiscal year of 2016 and forward.

Financial performance was not satisfactory

EBITDA before special Items was a loss of DKK 16.6m in 2015 (2014: DKK 1.2m). The lower EBITDA was a consequence of the necessary investments in upgrading the organisation, product development and marketing carried out.

Special items of DKK 5.9m affected the results negatively. The costs were related to the listing of the company, which in accordance with IAS 32.38 has to be assigned to the income statement.

Depreciation and impairment for 2015 was DKK 11.4 million (2014: DKK 3.5 million). The increase was related to the depreciation of Ronaldo Superstar and the large backend system, which is the basis for a faster, cheaper and more effective development and management of games going forward. Furthermore, a game has been written off by DKK 3.5m, because Apple no longer supports the platform and a conversion to another platform no longer was economically profitable.

EBIT for 2015 was a loss of DKK 33.9m (2014: a loss of DKK 4.7m).

Net financials were an expense of DKK 3.2m (2014: DKK 0.3m) of which DKK 2.6m is related to an exchange loss of NOK. The proceeds from the IPO were paid in NOK and shortly after the exchange rate dropped. Hugo Games had to record a loss of DKK 2.6m of which DKK 1.2m has not yet been realized.

In 2015 Hugo Games incurred a loss before tax of DKK 37.1m (2014: a loss of DKK 5.0m). Tax on the loss for the year was an income of DKK 7.7m of which DKK 4.2m will be paid back from the Danish tax authorities as tax credit scheme.

A net loss for the year of DKK 29.4m was recorded (2014: a net loss of DKK 3.6m).

Total assets increased in 2015

Total assets amounted to DKK 63.2m at 31 December 2015, a DKK 12.1m or 24% increase compared to 2014. Investments in non-current assets amounted to a total of DKK 41.7m in 2015 (2014: DKK 35.6m). The investments include the completion of Ronaldo Superstar development project.

Cash flow hit by large investments and sales shortfall

In 2015 the cash flow from operating activities totalled a loss of DKK 21.4m (2014: loss of DKK 3.3m) and cash flow from investing activities (mainly game development) had a negative cash impact of DKK 17.5m (2014: DKK 12.8m). Cash flow from financing activities totalled DKK 43.7m primarily due to IPO proceeds. Cash position at 31 December 2015 amounted to DKK 14.6m (2014: DKK 12.0m).

Equity

The Group's equity at 31 December 2015 was DKK 52.1m (2014: DKK 36.9m). The increase in equity was mainly attributable the successful IPO. The equity ratio at year-end was 82% (2014: 72%).

Q4 development

The development in Q4 2015 was characterized by strong development activity in relation to the launch of new games in 2016. In Q4 revenue amounted to DKK 0.6m and EBITDA before special items was a loss of DKK 4.6m. Other expenses have been negative impacted of accruals of costs related to the Ronaldo agreement. Deprecations, amortization and impairment losses has been impaired due the fact that a Hugo Games has been written down to a value of zero. In Q4 there has been no losses on foreign currency.

Events after the balance sheet date

No significant events have occurred after the balance sheet date that affect the 2015 annual report.

KEY FIGURES

DKK '000	IFRS 2015	IFRS 2014	ÅRL 2013
Revenue	3,198	6,344	4,549
Loss before special items depreciation, amortisation and impairment losses	-16,627	-1,215	474
Operating profit/loss	-33,909	-4,711	-1,153
Net financials	-3,213	-317	-156
Net loss for the year	-29,431	-3,629	-849
Total assets	63,240	51,143	31,241
Investments in property, plant and equipment	64	16	0
Capitalized development costs	17,259	12,678	12,778
Equity	52,055	36,874	13,394

RISKS AND UNCERTAINTIES

RISK MANAGEMENT IN PRACTICE

Risk management is highly prioritized at Hugo Games. The Board of directors and management are monitoring the company's risk factors closely to minimize risk exposure. This ensures quick reaction time if conditions change. In every major decision, a risk assessment is made.

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' code engines reduces the development time and risk of failure significantly.

- ***Financial risks***
  Hugo Games is in a development stage and do not yet generate positive cash flow. Therefore, the company depended of credit facilities and/or new capital from owners.

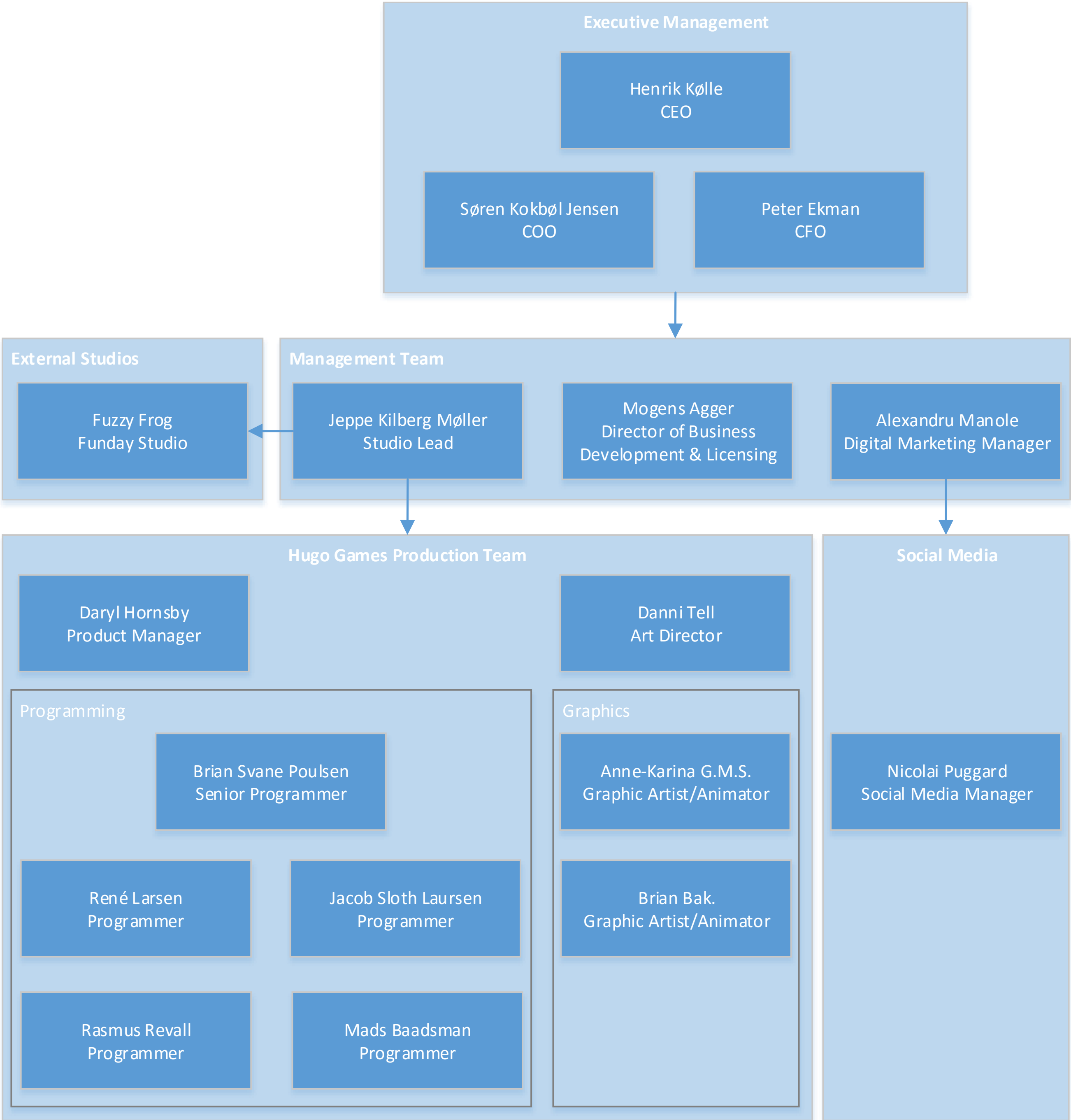
- ***Market/commercial risks***
  For every launch of new games there is a risk that it does not generate satisfying downloads and revenue and the decision can be to stop the game or stop updating it and the amount spend for development costs and other costs will be written down with a negative consequence for the result for the period. To reduce the risk all new games run a soft launch period in a limited market to test the response from users to optimize the game.

- ***Product development risks***
  When developing new products there is a risk that the product will not be finished because of for example change of market sentiment. In this case the amount spend on the project is lost.

- ***Partnership risks***
  Hugo Games enter into various agreements with celebrities about developing and launching games. If the celebrities become unpopular in public, revenue can fall dramatically. To minimize the risk, we evaluate the persons before agreements are made.

For further information of risks, please also see prospectus dated 3 June 2015 "risks factors" page 23, 29 – 32.

HUGO GAMES ORGANIZATIONAL CHART



CORPORATE GOVERNANCE

GOOD CORPORATE GOVERNANCE IS ESSENTIAL FOR LONG TERM VALUE CREATION

The Board of Directors serves as a qualified dialogue partner for the daily management. The Board of Directors combines key industry insights, important business and financial skills as well as many years of management experience.

Hugo Games' Board of Directors and Management continually work with corporate governance principles to ensure that the management structure and control systems are appropriate and satisfactory. Hugo Games 2015 statutory report on corporate governance, cf. section 107b of the Danish Financial Statements Act, is available on Hugo games website at: http://www.hugogames.com/wp-content/uploads/2015/05/Hugo_Games_corporate_governance_2015.pdf

The Company complies with 37 of the 47 Danish recommendations on corporate governance (www.corporate-governance.dk). The Company complies partially with five recommendations and does not comply with:

2.2.1. The Committee recommends that the board of directors adopt policies on corporate social responsibility.

- The Company aims for a sustainable development based on combining financial performance with socially responsible behaviour. The Company has not yet adopted official policies with respect to human rights, environmental impact or other aspects of corporate social responsibility, due to the current business size and activity level. However, it is the Company's aim to adopt such official policies on Corporate Social Responsibilities in line with the growth of the business activities, as the Company is aware of the importance of social responsibility. This is also currently reflected in the Company's individual employment contracts, underlining the importance of integrity and ethics – e.g. that the employees have an obligation to ensure that they follow the norms within the area of business they're operating in.

3.4.6. The Committee recommends that the board of directors establish a nomination committee chaired by the chairman of the board of directors.

- Due to the structure and size of the Company's business, a nomination committee is not established. At least once a year the Board of Directors will conduct an assessment of the executive management and a self-assessment in order to evaluate the company's management competencies and performance in regards to its responsibilities. This is part of the tasks to be overseen by the chairman of the board.

3.4.7. The Committee recommends that the board of directors establish a remuneration committee.

- Due to the structure and size of the Company and its business, a remuneration committee is not established, but it is part of the tasks to be overseen by the chairman of the board to ensure adequate remuneration. However, the Company has a positive interest in establishing a remuneration committee once the Company's business grows.

4.1. Form and content of the remuneration policy

- It is the intention of the Company and the Board to adopt policies for the Company's remuneration of the Board and the Management, but for now the responsibility to propose such remuneration lies with the Chairman. The chairman of the Board of Directors shall regularly asses and propose principles for the remuneration of the Board and the Executive Management, including guidelines for incentive-based remuneration. The Company has adopted a set of guidelines for incentive

  remuneration of the executive board, which allows for the executive board to receive both a short term based cash bonus (maximum of 100 % of the annual salary) as well as a long term based warrant program (maximum of 100 % of the annual salary)

5.2.1. The Committee recommends that the board of directors decide whether to establish a whistleblower scheme for expedient and confidential notification of possible or suspected wrongdoing.

- Due to the structure and size of the Company and its business, a whistleblower scheme has not been established. However, the Company intends to establish a whistleblower scheme once the Company's business growths.

Gender diversity

Currently no member of the Board of Directors is a woman. The Board of Directors has decided to set a target to have female representation on the Board of Directors at the latest by the Annual General Meeting 2018.

Internal Control systems

Hugo Games' risk management and internal control systems for financial reporting are designed to ensure that financial reporting meets current legislation and standards.

Hugo Games CEO is responsible for maintaining efficient internal controls. A management team consisting of 3 functional managers and specialists, who are responsible for the internal control of their respective area of responsibility, such as development, sales and finance, reports to the CEO.

Group's control measures comprise general as well as detailed controls to prevent, identify and correct errors and irregularities. Documentation of procedures is part of the internal control system and consists of flowcharts of procedures and descriptions of control measures.

These procedures/reports comprise i.a.:

- A review of strategic and business objectives at least once a year.
- A formalised annual budget with forecast and estimation procedures. Furthermore, management reporting is prepared, comprising:
- Financial results and financial position, including analysis of cash flows and financial structure in the group.
- Comparison of budgeted financial results, results from previous years and actual results.
- Project management and cost control as well as current project reporting, project follow-up and review of accounting policies and estimates.

Also, the external auditors report to Management and the Audit Committee who assess the results of current examinations performed to determine to what extent Management and the Audit Committee can rely on the reports/processes which are primarily prepared and performed by the finance department.

MANAGEMENT

BOARD OF DIRECTORS

Bertel David Maigaard (1983)
Chairman of the Board

Position:
CFO Day Birger Et Mikkelsen

Educational background:
Bachelor of Economics from Copenhagen University

Competencies:
Strategy, Finance, Mergers & Acquisitions and Business Development

Member of the board of:
- Claire Group A/S
- Aula Holding IV ApS

Shares in Hugo Games A/S:
0 shares

Board member since:
September 9, 2014

Caspar Rose (1971)
Vice Chairman of the Board

Position:
Professor, CBS

Educational background:
Cand.jur from Copenhagen University, Cand.merc in finance and accountancy, CBS. Ph.D. from Department of Finance, CBS.

Competencies:
Corporate Governance, Financial markets
Risk management

Chairman of the Board of:
- CrowdBanker A/S
- Heystocks Aps.

Member of the board of:
- GF-Forsikring A/S
- GF-Storkøbenhavn

Shares in Hugo Games A/S:
7,000 shares

Board member since:
February 6, 2015

Charistian Sand Kirk (1968)
Board member

Position:
Head of Private Banking, Sydbank.

Educational background:
HD-F from CBS, HD-O From CBS, E-MBA from SIMI, CBS

Competencies:
Strategy, Business Development, Management

Shares in Hugo Games A/S:
164,214 shares

Board member since:
September 9, 2014

Rasmus Lund (1974)
Board member

Position:
Partner at Delacour Law Firm

Educational background:
Cand. Jur. from Copenhagen University, Attorney-at-law

Competencies:
Legal and commercial insight re. corporate law and commercial contracts, incl. IT and IP issues.

Member of the board of:
- Persona A/S
- Ivanoff Interactive A/S

Shares in Hugo Games A/S:
68,028 shares

Board member since:
February 6, 2015

EXECUTIVE BOARD

Henrik Jørgen Skouboe Kølle (1965)
CEO

Employed since: 2011

Educational background:
Master in business, management and finance

Chairman of the Board of:
- Dentalteamet Holding A/S

Member of the board of:
- Ivanoff Interactive A/S

Shares in Hugo Games A/S:
12,089,658 shares

Peter Ekman (1959)
CFO

Employed since: 2015

Educational background:
State authorized public accountant, Master in business, finance and accounting

Chairman of the Board of:
- Ingv. Michelsen A/S

Member of the board of:
- Intoy A/S

Shares in Hugo Games A/S:
23,941 shares

HUGO GAMES IS NOW A LISTED COMPANY

SHAREHOLDER INFORMATION

An investment in Hugo Games is an investment in leisure and entertainment - a market in strong growth especially on digital platforms.

Hugo Games´ Shares

Hugo Games shares was listed on Oslo Axess Stock Exchange at 26 June 2015 with an introduction price of NOK 11.0.

The official share price at 31 December 2015 was NOK 4.5 equal to a market capitalization of NOK 112m (DKK 87.3m). Total turnover of shares was 4.8m with a total value of NOK 31.8m.

Master Data:	
Stock Exchange:	Oslo Axess
Sector:	Technology
ISIN Code	DK0060637999
Symbol:	HUGO
Share capital:	12,500,000 DKK
Denomination:	DKK 0.5
No. of Shares:	25,000,000
Negotiable instruments:	Yes
Voting restrictions:	No

Share Capital

Hugo Games nominal share capital is DKK 12,500,000 divided into 25,000,000 shares of DKK 0.50. Hugo Games has only one share class. The board of Directors and the Management Board regularly assess whether the Group capital and share structures are consistent with the interests of the shareholders and the company. The company´s share capital was increased with DKK 2.500.000 when the company was listed on 27 June 2015. 274,148 new shares was issued in January 2016. Following the capital increase Hugo Games have a nominal share capital of DKK 12,637,074 divided into 25,274,148 shares of DKK 0.50 each.

Shareholders structure

Hugo Games shareholders are primary residents from Denmark and Norway. At 31 December 2015 the largest shareholder holds 48.4% of the registered share capital. Below there is a list of shareholders holding more than 5% of the share capital or the votes.

Composition of shareholders at 4 April 2016

	Shares	Capital DKK	Capital %
Aula Holding*	12,089,658	6,044,829	48.4
MLL NewHold ApS**	1,509,202	754,601	6.0
MLL-001 ApS**	345,000	172,500	1.4

* Aula Holding ApS is controlled by CEO Henrik Kølle
** MLL NewHold ApS and MLL-001 Apa is controlled Merete Lindblad

At 31 December 2015, members of the Board of Directors and their related parties held 239,242 shares (nominal value DKK 119,621), corresponding to 1.0% of the share capital and a market value of 0.8m DKK. Members of management held 12,113,599 shares (nominal value DKK 6,056,800), corresponding to 48.5% of the share capital and a market value of DKK 42.3m.

Annual general meeting

The Annual General Meeting will be held on 28 April 2016 At 10:00 am at B!NGS, Vesterbrogade 149, 1620 København V.
At the next annual general meeting, the board of Directors proposes re-election of the current board members elected by the shareholders and of the Company´s auditors, Grant Thornton.

Dividend an Allocation of profit

The Board of Directors recommends to the Annual General Meeting that no dividend will be declared in respect of the 2015 financial year. The Board of Directors recommends to the Annual General meeting that the consolidated loss for the year of DKK 29.4m be transferred to retained earnings.

Investor Queries

Any Questions and comments from shareholders, analysts and other stakeholders should be addressed to Søren Kokbøl Jensen via the Investor e-mail ir@hugoggames.com

Selected stock announcements:

2015

17-06-2015	The Board of Oslo Børs approves Hugo Games A/S for listing on Oslo Axess
26-06-2015	Hugo Games A/S enters into market making agreement
26-06-2015	New security is quoted as from 26.06.2015
02-07-2015	Hugo Games announces strategic distribution agreement with Chinese publisher MyGamez Ltd.
04-08-2015	Hugo Games announces new Studio Lead
11-08-2015	Change of strategic focus on the Hugo & Ronaldo app
21-08-2015	Hugo Games strengthens its operational focus and investor communication by announcing new Chief Operating Officer (COO)
28-08-2015	Q2 2015 report for Hugo Games
02-11-2015	Hugo Games announces new Digital Marketing Manager
16-11-2015	Hugo Games soft-launches Axe in Face in select territories
26-11-2015	Q3 2015 report Hugo Games
15-12-2015	Extraordinary General Meeting Hugo Games A/S
17-12-2015	Hugo Games soft-launches Hugo Troll Race 2 in select territories.

2016

06-01-2016	Financial Guidance
27-01-2016	Hugo Games A/S completes capital increase
26-02-2016	Hugo Games partners with American skateboard champion Nyjah Huston
26-02-2016	Hugo Games releases "Axe in Face 2" globally on iOS and Android
10-03-2016	Hugo Games releases "Hugo Troll Race 2" globally on iOS and Android
14-03-2016	Hugo Games soft-launches Hugo Flower Flush in select territories.

Financial Calendar 2016:

05-04-2016	Annual 2015 Financial Report
27-05-2016	Q1 2016 Financial Report
19-09-2016	Q2 2016 Financial Report
11-11-2016	Q3 2016 Financial Report

Information in accordance with the Danish financial statements act § 107 a

Adoption of changes of Articles of Association, dissolution of the Company, merger or demerger requires that the decision is adopted with at least 2/3 of the votes cast as well as the share capital represented at the general meeting.

Board of Directors consisting of 3-5 directors elected each year at the annual general meeting of the company for the period until the next annual general meeting. The directors are eligible for re-election. The Board of Directors shall appoint its own chairman and vice-chairman.

The Hugo Games' Board of Directors consists of four members headed by Chairman Bertel Maigaard. The Board of Directors is presented on page 22.

- All members are up for re-election at the Annual General Meeting (AGM).
- Remuneration proposal for ordinary Board members in 2016 will be DKK 0.12m and for the Chairman and Vice Chairman DKK 0,36m.

Until 6 February 2020, the Board of Directors is authorized to decide to obtain loans against issue of convertible notes with the right to subscribe for shares in the Company (convertible loans), and the Board of Directors is authorized to make the related capital increase.

Until 6 February 2020, the Board of Directors is authorized, with preferential right for the existing shareholders of the Company, to increase the Company's share capital one or more times by up to a total nominal amount of DKK 5,000,000 by cash payment. The capital increase can take place below market price.

Until 6 February 2020, the Board of Directors is authorized, without preferential right for the existing shareholders of the Company, to increase the Company's share capital one or more times by up to a total nominal amount of DKK 5,000,000 by cash as well as non-cash payment or by conversion of debt. The capital increase shall take place at market price.

The combined total share capital increase, performed pursuant to the above mentioned authorizations in provision 2.3, 2.4 and 2.5 in the articles of association, cannot exceed nominal DKK 5,000,000.

The group has not entered into contracts with change of control clauses.

The Board of Directors and the Executive Board have today considered and adopted the annual report of Hugo Games A/S for the financial year 1 January 2015 – 31 December 2015

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as approved by the EU. The financial statements of the parent company, Hugo Games A/S, have been prepared in accordance with the Danish Financial Statements Act (*Årsregnskabsloven*). Furthermore, the annual report has been prepared in accordance with the additional Danish disclosure requirements for annual reports of listed companies.

In our opinion, the accounting policies applied are appropriate, thus ensuring that the consolidated financial statements and the financial statements provide a fair presentation of the group's and the parent company's assets, liabilities and financial position as at 31 December 2015 and of the results of the group's and the parent company's operations and the consolidated cash flows for the financial year 1 January 2015 - 31 December 2015.

We believe that the management commentary contains a true and fair review of the development and performance of the Group's and the parent company's business activities and financial situation, the earnings for the year and the financial position of the parent company and the financial position as a whole of the entities included in the consolidated financial statements, together with a description of the principal risks and uncertainties that the Group and the parent company face.

The annual report is submitted for adoption by the general meeting.

Copenhagen, 4 April 2016

Executive Board

Henrik Jørgen Skouboe Kølle

Peter Ekman

Board of Directors

Bertel David Maigaard
Chairman

Caspar Rose
Deputy Chairman

Rasmus Lund

Christian Sand Kirk

To the Shareholders of Hugo Games A/S

Report on Consolidated financial statements and Financial statements of the Parent Company

We have audited the Consolidated financial statements and the Financial statements of Hugo Games A/S for the financial year 2015 comprising the Income Statement, Balance Sheet, Statement of Changes in Equity and Notes including accounting policies for the Group as well as for the Parent Company and Statement of Comprehensive Income and Cash Flow Statement for the Group.

The Consolidated financial statements are prepared in accordance with International Financial Reporting Standards as endorsed by the EU. The Financial statements of the Parent Company are prepared in accordance with the Danish Financial Statements Act. Moreover, both the Consolidated financial statements and the Financial statements of the Parent Company are prepared in accordance with additional Danish disclosure requirements for listed companies.

Management's Responsibility for the Consolidated financial statements and the Financial statements of the Parent Company

The Management is responsible for the preparation of the Consolidated financial statements and the Financial statements of the Parent Company that give a true and fair view in accordance with the above legislation and accounting standards, and for such internal control as Management determines is necessary to enable preparation of Consolidated financial statements and Financial statements of the Parent Company that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the Consolidated financial statements and the Financial statements of the Parent Company based on our audit. We conducted our audit in accordance with International standards on Auditing and additional requirements under Danish Audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Consolidated financial statements and the Financial statements of the Parent Company are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Consolidated financial statements and the Financial statements of the Parent Company. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the Consolidated financial statements and the Financial statements of the Parent Company, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of Consolidated financial statements and Financial statements of the Parent Company that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Management, as well as evaluating the overall presentation of the Consolidated financial statements and the Financial statements of the Parent Company. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion. Our audit has not resulted in any qualification.

Opinion

In our opinion, the Consolidated financial statements give a true and fair view of the financial position at 31 December 2015 of the Group and of the results of the Group's operations and consolidated cash flows for the financial year 2015 in accordance with International Financial Reporting Standards as endorsed by the EU and additional Danish disclosure requirements for listed companies. Moreover, in our opinion the Financial statements of the Parent Company give a true and fair view of the financial position at 31 December 2015 and of the results of the Parent Company's operations for the financial year 2015 in accordance with the Danish Financial Statements Act and additional Danish disclosure requirements for listed companies.

Statement on Management's Review

We have read Management's Review, in accordance with the Danish Financial Statements Act.

On this basis, it is our opinion that the information provided in the Management's Review is consistent with the Consolidated financial statements and the Financial statements of the Parent Company.

Copenhagen, 4 April 2016

GRANT THORNTON
Statsautoriseret revisionspartnerselskab
CVR-No 34 20 99 36

Ulrik Bloch-Sørensen	Martin Bomholtz
State-Authorised Public Accountant	State-Authorised Public Accountant

Note		2015 DKK '000	2014 DKK '000
4	**Revenue**	**3,198**	**6,344**
	Cost of sales	1,326	1,709
	Gross profit	**1,872**	**4,635**
	Other external expenses	14,811	5,474
5	Staff expenses	3,688	376
	Loss before special items, depreciation, amortisation and impairment losses	**-16,627**	**-1.215**
6	Special items	5,878	0
11,12	Depreciation, amortisation and impairment losses	11,404	3,496
	Operating loss (EBIT)	**-33,909**	**-4,711**
7	Financial income	12	0
8	Financial expenses	3,225	317
	Loss before tax	**-37,122**	**-5,028**
9	Tax on loss for the year	-7,691	-1,399
	Net loss for the year	**-29,431**	**-3,629**
	Other comprehensive income	0	0
	Comprehensive income	**-29,431**	**-3,629**
	Distribution of comprehensive income		
	Parent company's shareholders	-29,431	-3,629
	Non-controlling interests	0	0
	Total	**-29,431**	**-3,629**
	Earnings per share		
10	Earnings per share (in DKK)	-1.302	-0.225
10	Diluted earnings per share (in DKK)	-1.302	-0.225

ASSETS

Note		31/12/2015 DKK '000	31/12/2014 DKK '000
11	Completed development projects	25,563	13,565
11	Acquired rights	274	97
11	Goodwill	762	762
11	Development projects in progress	14,975	21,074
12	Other plant, fixtures and fittings, tools and equipment	64	21
9	Deferred tax asset	0	0
	Other receivables	65	77
	Total non-current assets	**41,703**	**35,596**
13	Trade receivables	234	554
	Receivables from group companies	0	699
	Income tax receivable	4,233	0
	Other receivables	429	207
	Prepayments	2,047	2,129
	Cash	14,594	11,958
	Total current assets	**21,537**	**15,547**
	Total assets	**63,240**	**51,143**

EQUITY AND LIABILITIES

Note		31/12/2015 DKK '000	31/12/2014 DKK '000
	Share capital	12,500	10,000
	Share premium	0	4,986
	Retained earnings	39,555	21,888
14	**Total equity**	**52,055**	**36,874**
9	Provisions for deferred tax	201	3,638
15	Payables to credit institutions	5,055	6,697
	Total non-current liabilities	**5,256**	**10,335**
15	Payables to credit institutions	1,836	871
	Payables to group companies	0	10
	Prepayments received from customers	94	94
	Trade payables	2,274	1,828
	Income tax payable	68	23
	Other payables	1,657	1,108
	Total current liabilities	**5,929**	**3,934**
	Total liabilities	**11,185**	**14,269**
	Total equity and liabilities	**63,240**	**51,143**

Amounts in DKK '000	Share total	Share premium	Retained earnings	Proposed dividend	Total equity
Equity as at 01/01/2014	80	0	13,505	0	13,585
Net loss for the year			-3,629		-3,629
Other comprehensive income			0		0
Comprehensive income			-3,629		-3,629
Cash capital increase	29	14,971			15,000
Costs of capital increase		-94			-94
Capital increase through transfer of reserves	9,891	-9,891			0
Group contribution through debt remission			12,022		12,022
Group contribution in connection with purchase of treasury shares			4,990		4,990
Purchase of treasury shares			-5,000		-5,000
Transactions with owners	9,920	4,986	12,012		26,918
Equity as at 31/12/2014	**10,000**	**4,986**	**21,888**	**0**	**36,874**
Equity as at 01/01/2015	10,000	4,986	21,888	0	36,874
Net loss for the year			-29,431		-29,431
Other comprehensive income			0		0
Comprehensive income			-29,431		-29,431
Cash capital increase	2,500	44,349			46,849
Costs of capital increase		-7,986			-7,986
Transfer of reserves		-41,349	41,349		0
Sale of treasury shares			5,750		5,750
Group contribution in connection with purchase of treasury shares			749		749
Purchase of treasury shares			-750		-750
Transactions with owners	2,500	-4,986	47,098		44,612
Equity as at 31/12/2015	**12,500**	**0**	**39,555**	**0**	**52,055**

	2015 DKK '000	2014 DKK '000
Loss before tax	**-37,122**	**-5,028**
Adjustment of non-cash transactions:		
Depreciation, amortisation and impairment losses	11,404	3,496
Financial income, reversed	-12	0
Financial expenses, reversed	3,225	317
Change in working capital:		
Trade receivables	320	407
Trade payables	334	-514
Other receivables	-222	625
Prepayments	82	-1,409
Other payables	549	-1,319
Prepayments received from customers	0	94
Cash flows from operating activities before net financials	**-21,442**	**-3,331**
Financial income received	0	0
Financial expenses paid	-1,739	-57
Income tax received	874	0
Cash flows from operating activities	**-22,307**	**-3,388**
Purchase of property, plant and equipment	-64	-16
Purchase of intangible assets	-17,459	-12,778
Investments, net	12	-20
Cash flows from investing activities	**-17,511**	**-12,814**
Proceeds from cash capital increase	38,863	14,906
Disposal of treasury shares	5,749	0
Credit institutions, loans	-807	7,308
Group companies, loans	-119	5,856
Cash flows from financing activities	**43,686**	**28,070**
Total cash flows for the year	**3,868**	**11,868**
Cash, beginning of year	11,958	90
Net foreign exchange difference	-1,232	0
Cash, end of year	**14,594**	**11,958**

1. Accounting policies

Hugo Games A/S is a limited liability company domiciled in Denmark. The consolidated financial statements for 2015 have been prepared in accordance with the International Financial Reporting Standards (IFRS) as approved by the EU and additional Danish disclosure requirements.

Danish kroner (DKK) is the group's presentation currency and the functional currency of the parent company. The consolidated financial statements are presented in Danish kroner (DKK) rounded off to the nearest DKK 1,000.

New standards and interpretations

The Group applied in 2015 for the first time standards and interpretations, which are effective for the financial year 2015. These standard and interpretations have no impact on the Group.

Consolidated financial statements

The consolidated financial statements comprise Hugo Games A/S (parent company) and the companies (subsidiaries) controlled by the parent company. A company is regarded as controlled by the parent company when the parent company is exposed or entitled to variable returns on its involvement in the company, and has the ability to affect those returns through its power over the company.

The consolidated financial statements are prepared based on the financial statements of Hugo Games A/S and its subsidiaries. The consolidated financial statements are prepared by combining items of a uniform nature calculated in accordance with the group's accounting policies, eliminating intercompany income and expenditure, intercompany balances and dividends as well as gains and losses on transactions between the consolidated companies.

Business combinations

Newly acquired or newly founded companies are recognised in the consolidated financial statements as from the time of acquisition and the time of foundation, respectively. The time of acquisition is the time at which control of the company is actually obtained. Divested or discontinued companies are recognised in the consolidated statement of comprehensive income up until the time when control ceases.

When new companies are acquired and the group obtains control of an acquired company, it is recognised in accordance with the acquisition method, according to which the newly acquired company's identifiable assets, liabilities and contingent liabilities are measured at fair value at the date of acquisition.

1. Accounting policies – continued –

The acquisition price of a company is the fair value of the price paid for the acquired company. Expenses relating to the acquisition are recognised in the income statement when paid.

Positive differences (goodwill) between the acquisition price of the acquired company on the one hand and the fair value of the assets, liabilities and contingent liabilities acquired on the other are recognised as goodwill and tested for impairment at least once a year.

Figures pertaining to business combinations carried out before 1 January 2013 have not been restated according to the above accounting policies in connection with the transition to presentation of the consolidated financial statements in accordance with IFRS. The carrying amount as at 1 January 2013 of goodwill in connection with business combinations carried out before 1 January 2013 is regarded as the cost of goodwill under IFRS.

Foreign currency translation

On initial recognition, transactions in currencies other than the functional currency of the individual company are recognised at the exchange rate applicable at the transaction date. Receivables, payables and other monetary items denominated in foreign currency not settled at the balance sheet date are translated using the exchange rate applicable at the balance sheet date.

Exchange rate differences between the exchange rate applicable at the transaction date and the exchange rate at the date of payment and the balance sheet date, respectively, are recognised in the income statement as net financials. Property, plant and equipment and intangible assets, inventories and other non-monetary assets purchased in foreign currency and measured based on historical cost are translated at the exchange rate applicable at the transaction date.

Tax

Tax for the year, consisting of current tax and changes in deferred tax, is recognised in the income statement with the portion attributable to tax on the profit or loss for the year, and directly in equity or in other comprehensive income with the portion attributable to amounts recognised directly in equity or in other comprehensive income, respectively.

Current tax payables and receivables are recognised in the balance sheet as tax computed on the basis of the taxable income for the year and taxes paid or refunded.

Current tax for the year is computed based on the tax rules and tax rates applicable at the balance sheet date.

1. Accounting policies – continued –

Deferred tax is recognised using the balance sheet liability method on the basis of all temporary differences between the carrying amounts and tax bases of assets and liabilities, except for deferred tax on temporary differences due to either initial recognition of goodwill or initial recognition of a transaction that is not a business combination, and where the temporary difference ascertained at the time of initial recognition does not affect either the tax results or the taxable income. The deferred tax is calculated based on the planned use of the individual asset or settlement of the individual liability.

Deferred tax is measured applying the tax rules and tax rates expected to be applicable when the deferred tax is expected to crystallise as current tax. Any change in deferred tax as a result of changes in tax rules or rates is recognised in the income statement, unless the deferred tax is attributable to transactions that have previously been recognised directly in equity or in other comprehensive income. In the latter case, the change is recognised directly in equity or in other comprehensive income, respectively.

Deferred tax assets, including the tax value of tax losses allowed for carryforward, are recognised in the balance sheet at the expected realisable value, either through offsetting against deferred tax liabilities or as a net tax asset for offsetting against future positive taxable incomes. An assessment is made on each balance sheet date of whether it is probable that sufficient taxable income will be generated in future to enable utilisation of the deferred tax asset.

The group is subject to joint taxation. The current Danish income tax is allocated between the jointly taxed companies in proportion to their taxable incomes.

Statement of comprehensive income

Revenue

Revenue from sales of games and in-app purchases is recognised in the income statement if delivery has taken place and the risk has passed to the purchaser before the balance sheet date, and the revenue can be determined reliably and is expected to be received. For sales of games and in-app purchases where delivery takes place via third parties (platform distribution partners), Hugo Games A/S is the primary contractual party for the users and fixes the prices. Sales of games and in-app purchases are consequently measured as the fee paid by the user for the delivery, while costs for the third party are recognised under cost of sales.

1. Accounting policies – continued –

Income from the provision of advertising services is recognised as revenue as the agreed services are provided. For sales of advertising services provided via third parties (platform distribution partners), Hugo Games A/S is the primary contractual party for the users and fixes the prices. Income from advertising services is consequently measured exclusive of costs for such third parties.

Revenue is measured at the fair value of the fee received or receivable and is stated exclusive of VAT and discounts.

External expenses

Other external expenses comprise expenses relating to marketing, administrative expenses, costs of premises, bad debts, operating leases etc.

Staff expenses

Staff expenses comprise wages and salaries as well as social security expenses, pensions for group staff and other staff-related expenses.

Special items

Special items comprise material non-reccuring expenses. These items are presented separately because they are treated as one-off occurrence.

Net financials

Net financials comprise interest income and expenses as well as realised and unrealised gains and losses on transactions in foreign currency.

Amortisation of capital losses and borrowing costs relating to financial liabilities is recognised on an ongoing basis as part of the interest expenses.

Balance sheet

Goodwill

On initial recognition, goodwill is recognised and measured as the difference between the cost of the acquired company and the fair value of the assets, liabilities and contingent liabilities acquired, see the description in the section on business combinations.

On initial recognition, goodwill is distributed on the group activities that generate independent cash flows (cash-generating units). The distribution on cash-generating units follows the management structure and the group's internal financial management. Goodwill is not amortised, but is tested for impairment at least once a year.

1. Accounting policies – continued –

Development projects

Development costs comprise staff expenses and fees for subsuppliers directly attributable to the development of new games. Development projects which are clearly defined and whose technical feasibility and sufficiency of resources have been demonstrated and which the company intends to complete and market are recognised as development projects in the balance sheet if the cost can be determined reliably and there is sufficient certainty that the future earnings will cover the development costs. Recognised development projects are measured at cost less accumulated amortisation and impairment losses.

Other development costs are recognised in the income statement under other external expenses or staff expenses as the costs are paid.

Once completed, development projects are amortised according to the straight-line method over their estimated useful lives from the time when the asset is ready for use. Development projects relating to a game are regarded as being ready for use at the time when the game is launched and made available to the users at the latest. The first launch may be either a soft launch whose main purpose is to gain experience about user preferences and behaviour in the game with a view to making improvements, or a hard launch where the main purpose is to generate commercial income. The amortisation period is usually 5 years from soft launch and 3 years from hard launch. Amortisation methods, useful lives and residual values are reviewed every year.

Property, plant and equipment

Property, plant and equipment are measured in the balance sheet at the lower of cost less accumulated depreciation and recoverable amount.

Cost comprises the acquisition price, costs directly related to the acquisition and costs for preparation of the asset until such time as the asset is ready for use. The depreciation period is usually 3-5 years. Depreciation methods, useful lives and residual values are reviewed every year.

Non-current financial assets

Other receivables recognised under non-current assets comprise deposits and are measured at the lower of accumulated cost and recoverable amount.

Impairment of assets (impairment test)

The carrying amount of property, plant and equipment and intangible assets with determinable useful lives are tested for impairment every year. If indications of impairment are found, the recoverable amount of the asset is calculated to determine the need to write down for impairment and the amount of such impairment loss, if relevant.

1. Accounting policies – continued –

The recoverable amount of development projects in progress and goodwill are determined every year, regardless of whether any indications of impairment exists.

If an asset does not produce inflows independently of other assets, the recoverable amount is determined for the smallest cash-generating unit of which the asset forms part.

The higher of fair value less selling costs and value in use is used as the recoverable amount of the asset. The value is use is determined as the present value of the expected net cash flows from use of the asset. If the recoverable amount of the asset is lower than the carrying amount, the carrying amount is written down to the recoverable amount.

In so far as cash-generating units are concerned, the impairment loss is distributed in such a way that goodwill is written down for impairment first, and subsequently any remaining need for impairment is distributed on the other assets in the unit. However, individual assets cannot be written down to a value lower than their fair value less expected selling costs. Impairment losses are recognised in the income statement.

Receivables

Receivables comprise trade receivables and other receivables. Receivables are included in the category loans and receivables, which are financial assets with fixed or determinable payments that are not listed in an active market and are not derivative financial instruments.
On initial recognition, receivables are measured at fair value and subsequently at amortised cost, which usually corresponds to the nominal value, less write-downs for bad debts.

Any write-downs for bad debts are determined on the basis of an individual assessment of the individual receivable.

Prepayments

Prepayments recognised under assets comprise costs incurred in respect of the subsequent financial year. Prepayments are measured at cost.

Dividend

Dividend is recognised as a liability at the time of adoption by the general meeting.

1. Accounting policies – continued –

Treasury shares

Acquisition costs and consideration for treasury shares and dividend from such are recognised directly in equity under retained earnings.

Liabilities

Non-current liabilities comprise other credit institutions. Payables to credit institutions are measured at cost at the time of contracting such payables (raising of loans). Subsequently, the liabilities are measured at amortised cost, meaning that the difference between the proceeds from the loan and the repayable amount is recognised in the income statement over the period of the loan as a financial expense according to the effective interest method.

Other financial liabilities comprise bank debt, trade payables, other payables to public authorities and other liabilities. On initial recognition, other financial liabilities are measured at fair value less any transaction costs. Subsequently, the liabilities are measured at amortised cost according to the effective interest method, so that the difference between the proceeds and the nominal value is recognised in the income statement as a financial expense over the period of the loan.

Cash flow statement

The cash flow statement shows cash flows from operating, investing and financing activities as well as cash at the beginning and end of the year.

Cash flows from operating activities are presented in accordance with the indirect method and are determined as the operating profit or loss adjusted for non-cash operating items, changes in working capital and paid financial income, financial expenses and income tax.

Cash flows from investing activities comprise payments in connection with the acquisition and sale of companies and financial assets as well as the purchase, development, improvement and sale of property, plant and equipment and intangible assets.

Cash flows from financing activities comprise changes in the parent company's share capital and associated costs as well as the raising and repayment of loans, the repayment of interest-bearing debt, the purchase and sale of treasury shares and the payment of dividends.

Cash flows in currencies other than the functional currency are recognised in the cash flow statement using average exchange rates, unless they deviate significantly from the actual exchange rates at the transaction dates.

Cash and cash equivalents comprise cash less overdraft facilities that are an integrated part of the cash management.

2. Significant accounting estimates and judgements

In connection with the preparation of the consolidated financial statements, the management makes a number of accounting estimates and assessments that affect the recognised values of assets, liabilities, income, expenses and cash flows as well as their presentation.

Accounting estimates reflect the management's best estimates in terms of amounts where the measurement is subject to uncertainty, typically because the estimate is based on assumptions concerning future events. The accounting estimates are based on historical experience and other assumptions deemed relevant, but the actual results may, naturally, deviate from the estimates made. The estimates are regularly reassessed, and the effect of changes is recognised in the consolidated financial statements.

Accounting judgements reflect decisions made by the management as to how the accounting policies are applied in specific situations where the accounting treatment depends on qualitative assessments. Examples could be when the risk passes or how a certain transaction or item is best presented to provide reliable and relevant information.

The following accounting estimates and judgements have had significant impact on the consolidated financial statements for 2015:

Capital resources

Hugo Games has a large number of games under development. Until successful launch of new games and sufficient positive cash flow from operations is obtained, the Group is dependent on existing capital resources.

According to the most recent budgets approved by management, the existing capital resources are sufficient to complete the full operation for 2016.

In case that the development of new games does not progress as planned or the launches are unsuccessful, Hugo Games can decrease development costs and other costs accordingly and secure sufficient liquidity to maintain operations for 2016.

The Board of directors is authorized to increase the Company’s share capital one or more times up to a total nominal amount of DKK 5,000,000 by cash as well as non-cash payments or by conversion of debt. Use of these authorizations could further strengthen the capital resources of the Group.

2. Significant accounting estimates and assessments – continued –

Amortisation of development projects

To reflect the use of the development projects in the form of amortisation, the time when the asset is ready for use and the expected useful life must be determined. Generally, development projects are amortised from the time when the game is first made available to the users. Reference is made to the presentation in the accounting policies.

Impairment test

For use in connection with the impairment test, the management has distributed property, plant and equipment and intangible assets on cash-generating units or groups of cash-generating units generating inflows which are largely independent of other assets or groups of assets.

Development projects concerning various games are regarded as one cash-generating unit if the games are predominantly based on the same development work. Basic development projects on which all the group's games are based are categorised in the group of cash-generating units that make up the entire group. The distribution of assets on cash-generating units is described in note 11.

Key assumptions for the determination of the recoverable amount of the cash-generating units are the expected number of daily users (Daily Active Users or DAU) and the degree of retention of such users in the individual game plus the revenue per daily active user (Average Revenue Per Daily Active User or ARPDAU). Key assumptions about DAU are stated in note 11.

Special items

The management has made an allocation of the transaction costs relating to the IPO. Incremental costs related to the listing of the new shares (capital increase) are recognised in equity. Transaction costs relating to the existing shares are recognised in the statement of profit and loss as described in note 6.

3. Segment information

The group consists of one operating segment.

Geographic distribution

All intangible assets and property, plant and equipment are located in Denmark. The group primarily sells its products through third parties (platform distribution partners). The most important single countries are Denmark and Germany. For 2015, revenue totalled DKK 418k in Denmark (2014: DKK 1,378k), and DKK 593k in Germany (2014: DKK 846k). Revenue from one customer amounted to DKK 542k and from another customer to DKK 400k in 2015 (no individual customer accounted for more than 10% of the Group's revenue in 2014).

	2015 DKK '000	2014 DKK '000
4. Revenue		
Revenue is distributed as follows:		
Sales of games and in-app purchases	1,671	5,213
Sales of services (advertising services)	1,340	874
Licence income	187	257
Total	3,198	6,344

5. Staff expenses

	2015 DKK '000	2014 DKK '000
Wages and salaries	6,677	5,299
Pensions	455	370
Other social security expenses	177	201
Total	7,309	5,870

Total staff expenses are recognised as follows:

	2015 DKK '000	2014 DKK '000
Staff expenses, income statement	3,688	376
Development projects, capitalized	3,621	5,494
Total	7,309	5,870
Average number of employees in the year	11	11
Number of employees, end of year	15	9

Remuneration for key management employees:

	2015 DKK '000	2014 DKK '000
Parent company's Board of Directors, fee	480	0
Parent company's Executive Board, short-term employee benefits	1,812	942
Parent company's Executive Board, pension	58	0
Parent company's Board of Directors, IPO related assistance *)	1,331	0
Parent company's Executive Board, IPO related assistance *)	2,785	0
Total remuneration for key management employees	6,466	942

*) IPO related assistance are recognised directly in equity as "Costs of capital increase".

6. Special items

The net loss in 2015 was significantly impacted by costs related to the IPO process and the listing on Oslo Stock Exchange/Axess, which took take place 26 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 5,878 thousand, are recognized as special items in the income statement.

	2015 DKK '000	2014 DKK '000

7. Financial income

Interest income on assets measured at amortised cost	12	0
Foreign exchange gains, net	0	0
Total	12	0

8. Financial expenses

Interest expenses on liabilities measured at amortised cost	585	317
Exchange rate loss, net	2,640	0
Total	3,225	317

	2015 DKK '000	2014 DKK '000

9. Tax

Tax on loss for the year:		
Current tax	59	23
Change in deferred tax	-3,517	1,852
Tax receivable, tax credit scheme/joint taxation contributions	-4,233	-3,274
Tax on loss for the year	-7,691	-1,399

Reconciliation of effective tax rate:

Tax computed on the loss before tax at a tax rate of 23.5% / 24.5%	-8,724	-1,232
Effect of changed tax rate in Denmark	-156	-116
Tax value of non-deductible expenses	1,073	15
Other adjustments	116	-66
Effective tax rate (20.7% / 27.8%)	-7,691	-1,399

	2015 DKK '000	2014 DKK '000
9. Tax – continued –		
Deferred tax is made up as follows:		
Intangible assets	7,437	7,842
Property, plant and equipment	-52	-74
Tax losses carried forward	-7,184	-4,130
Total deferred tax	201	3,638
which is distributed as follows:		
Deferred tax assets	0	0
Deferred tax liabilities	201	3,638
Total	201	3,638

	2015	2014
10. Earnings per share		
Net loss for the year (in DKK '000)	-29,431	-3,629
Average number of shares	22,666,667	16,327,309
Average number of treasury shares	-70,833	-188,890
Average number of shares in circulation	22,595,834	16,138,419
Diluted average number of shares in circulation	22,595,834	16,138,419
Earnings per share (in DKK)	-1.302	-0.225
Diluted earnings per share (in DKK)	-1.302	-0.225

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

11. Intangible assets

Amounts in DKK '000	Completed development projects	Acquired rights	Goodwill	Development projects in progress	Total
Financial year 2015					
Cost as at 01/01/2015	18,818	100	762	21,074	40,754
Additions during the year	4,107	200	0	13,152	17,459
Transferred during the year	19,251	0	0	-19,251	0
Disposals during the year	0	0	0	0	0
Cost as at 31/12/2015	42,176	300	762	14,975	58,213
Amortisation and impairment losses as at 01/01/2015	5,253	3	0	0	5,256
Impairment losses during the year	3,541	0	0	0	3,541
Amortisation during the year	7,819	23	0	0	7,842
Amortisation and impairment losses as at 31/12/2015	16,613	26	0	0	16,639
Carrying amount as at 31/12/2015	25,563	274	762	14,975	41,574
Financial year 2014					
Cost as at 01/01/2014	14,143	0	762	13,071	27,976
Additions during the year	4,675	100	0	8,003	12,778
Disposals during the year	0	0	0	0	0
Cost as at 31/12/2014	18,818	100	762	21,074	40,754
Amortisation and impairment losses as at 01/01/2014	1,786	0	0	0	1,786
Impairment losses during the year	0	0	0	0	0
Amortisation during the year	3,467	3	0	0	3,470
Amortisation and impairment losses as at 31/12/2014	5,253	3	0	0	5,256
Carrying amount as at 31/12/2014	13,565	97	762	21,074	35,498

11. Intangible assets – continued –

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.

Impairment losses during the year

The impairment test at year end 2015 led to an impairment loss of tDKK 3,541 which was recognised in the income statement. The impairment loss is due to disappointing performance and relate to completed development projects in the cash generating unit "Rocket fuel".

Distribution of intangible assets on cash-generating units are as follows with no remaining amortisation periods exceeding 36 months (distribution changed compared to 2014 as a result of reorganisation of the development activities):

Amounts in DKK '000	Completed development projects	Acquired rights	Goodwill	Development projects in progress	Total
Cash Generating Units 31/12/2015					
Endless runner games	7,086			7,702	14,788
Match3 games	18,134			4.837	22,971
Tower defence games				2,436	2,436
Rocket fuel					0
Hugo Games group			762		762
Other units	343	274			617
Total	25,563	274	762	14,975	41,574
Cash Generating Units 31/12/2014					
Super casual games	2,492			5,259	7,751
Casual/sims games	6,217			1,841	8,058
Strategy games	4,524				4,524
Hugo Games group			762	13,974	14,736
Other units	332	97			429
Total	13,565	97	762	21,074	35,498

11. Intangible assets – continued –

Key assumptions for the determination of the recoverable amount of the cash-generating units are the expected number of daily users (Daily Active Users or DAU) of the games and the average revenue per daily active user (Average Revenue Per Daily Active User or ARPDAU). The disclosure of the key assumption DAU are changed from 2014 to 2015 to better reflect the expected development. For 2014 DAU are stated 120 days after launch of the individual games and from 2015 are stated the expected number of DAU in the budget period (36 months). Budgets for impairment test purposes are based solely on existing resources and planned game development and do not include additional cash flow from new games in the budget period. Hence, key assumptions about DAU used in budgets for impairment test purposes are significantly lower than the Groups long term goals that include cash flow from future game development.

As a consequence of the expectation that most of the revenue from new games is realised within 3 years of their launch, neither the discount rate nor growth during the terminal period represent significant assumptions in respect of the recoverable amount. The uncertainty associated with the determination of the recoverable amount is primarily related to DAU, as ARPDAU is based on historical experience. The average ARPDAU per game is DKK 0.05 – 0.24 for all cash generating units for all periods. Budgets approved by the management express the following expectations for the cash-generating units:

DAU after year end (in thousands)	6 months	12 months	24 months	36 months
Cash Generating Units 31/12/2015				
Endless runner	425	627	988	1,473
Match3	109	218	264	325
Tower defence	44	61	99	147
Hugo Games group	594	922	1,368	1,961

DAU after 120 days (in thousands)	31/12/2014
Cash Generating Units	
Super casual games (120 days after launch)	1,480
Casual/sims games (120 days after launch)	770
Strategy games (120 days after launch)	290
Hugo Games group (120 days after launch)	2,520

The management has assessed that reasonably probable changes in the key assumptions will not lead to further impairment.

12. Property, plant and equipment

Amounts in DKK '000	Other fixtures and fittings, tools and equipment	Total
Cost as at 01/01/2015	84	84
Additions	64	64
Cost as at 31/12/2015	148	148
Depreciation and impairment losses as at 01/01/2015	63	63
Depreciation	21	21
Depreciation and impairment losses as at 31/12/2015	84	84
Carrying amount as at 31/12/2015	64	64
Cost as at 01/01/2014	68	68
Additions	16	16
Cost as at 31/12/2014	84	84
Depreciation and impairment losses as at 01/01/2014	37	37
Depreciation	26	26
Depreciation and impairment losses as at 31/12/2014	63	63
Carrying amount as at 31/12/2014	21	21

13. Trade receivables

	31/12/2015 DKK '000	31/12/2014 DKK '000
Gross receivable	234	554
Provision for losses	0	0
Total	234	554
Due receivables not written down:		
Overdue, less than 30 days	0	0
Overdue, more than 30 days	0	0
Total	0	0

The fair value does not differ significantly from the carrying amount.

14. Equity

Share capital

The company's share capital consists of 25,000,000 shares of DKK 0.50 each. The shares are fully paid in. The shares are not divided into classes, and no shares enjoy special rights.

Treasury shares

The group own no treasury shares at the end of the reporting period in 2015 (2014: nominally DKK 850k, corresponds to 8.5% of the parent company's share capital).

Capital management

The group aims to ensure structural and financial flexibility as well as competitive strength. For that purpose, the group regularly assesses what the appropriate capital structure for the group is. Reference is made to the paragraph "Capital resources" in note 2 Significant accounting estimates and judgements.

Dividend

It is proposed that no dividend will be paid.

15. Payables to credit institutions

Amounts in DKK '000	Currency	Term to maturity	Interest	Carrying amount	Fair value
31/12/2015					
The Danish Growth Fund, Vækstfonden, floating-rate loan	DKK	3.5 years	CIBOR + 6.6%	6,891	8,622
Total as at 31/12/2015				6,891	8,622
31/12/2014					
The Danish Growth Fund, Vækstfonden, floating-rate loan	DKK	4.5 years	CIBOR + 6.6%	7,568	11,995
Total as at 31/12/2014				7,568	11,995

In addition to interest, the Danish Growth Fund is entitled to a performance bonus, if the company realises a positive EBITDA. No performance bonus is recognised for 2015 or 2014.

Methods and assumptions for the determination of fair value

Floating-rate payables to credit institutions are measured at nominal value plus estimated performance bonus (level 3).

16. Contingent liabilities

The group companies was taxed jointly with the other companies in the Aula Holding ApS group until 25 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 also includes any subsequent corrections to the calculated tax liability as a consequence of changes made to the jointly taxable income etc. Management consider the risk of significant adjustments related to income tax to be low.

Performance bonus to credit institutions (ref. note 15) is limited to DKK 5,734k.

17. Security provided

As security for payables to credit institutions of DKK 6,891k (2014: DKK 7,568k), the subsidiary has provided a company charge of DKK 7,500k (2014: DKK 7,500k) comprising goodwill, intellectual property rights, trade receivables, inventories, other plant, fixtures and fittings, tools and equipment. The total carrying amount of the comprised assets is DKK 41,872k (2014: DKK 38,046k).

18. Operating lease commitments

	31/12/2015 DKK '000	31/12/2014 DKK '000
The group has concluded operating leases in respect of office premises. The leases are based on fixed lease payments, which are index-adjusted once every year. The leases are non-terminable.		
The total, future minimum lease payments are distributed as follows:		
Within 1 year	98	298
1-5 year(s)	0	0
After 5 years	0	0
Total	98	298
Operating lease payments recognised in the income statement amount to	394	509

19. Financial risks and financial instruments

Risk management policy

The group's financial risks are managed by the Executive Board. The group has not prepared particular policies for the identification and handling of risks. The management of the group's risks is included in the Executive Board's day-to-day monitoring of the group.

Interest rate risk

All other things being equal, a reasonably probable higher interest rate level compared with the interest rate level at the balance sheet date would have the following hypothetical effect on the loss for the year and the equity at year-end:

	2015		2014	
Amounts in DKK '000	Income statement	Equity	Income statement	Equity
The Danish Growth Fund, Vækstfonden, floating-rate loan	-54	-54	-62	-62
Total	-54	-54	-62	-62

A reasonably probable lower interest rate level compared with the interest rate level at the balance sheet date would have a similar, opposite effect on the loss for the year and equity.

Assumptions for sensitivity analysis:

- Sensitivities are based on the recognised financial liabilities as at 31 December
- The sensitivity is based on a change of 1%
- The above changes are regarded as reasonably probable based on the current market situation and expectations for the market development in the interest rate level.

Credit risk

The maximum credit risk relating to receivables corresponds to the carrying amount. Information about trade receivables due appears from note 13. The group is not subject to material credit risks.

19. Financial risks and financial instruments – continued –

Currency risk

The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's monetary assets and liabilities denominated in foreign currencies.

The following tables demonstrate the sensitivity to a reasonably possible change in NOK and GBP exchange rates, with all other variables held constant. The Group's exposure to foreign currency changes for all other currencies is not material.

Amounts in DKK '000		Effect on loss before tax	Effect on pre-tax equity
Year end 31/12/2015			
Change in NOK rate	+ 5%	644	644
Change in NOK rate	- 5%	-644	-644
Change in GBP rate	+ 5%	-34	-34
Change in GBP rate	- 5%	34	34

Amounts in DKK '000		Effect on loss before tax	Effect on pre-tax equity
Year end 31/12/2014			
Change in NOK rate	+ 5%	0	0
Change in NOK rate	- 5%	0	0
Change in GBP rate	+ 5%	-28	-28
Change in GBP rate	- 5%	28	28

The Group has not used derivatives to reduce currency risks in 2015 or 2014. Foreign currency risks are managed by the Executive Board's day-to-day monitoring of the group.

19. Financial risks and financial instruments – continued –

Liquidity risk

The group's liquidity risk covers the risk that the group is not able to meet its liabilities as they fall due. The maturities of financial liabilities appear from the tables below. All amounts are contractual cash flows, i.e. inclusive of interest. Reference is made to the paragraph "Capital resources" in note 2 Significant accounting estimates and judgements.

Amounts in DKK '000	Within 1 year	1-2 year(s)	2-5 years	Over 5 years	Total
As at 31/12/2015					
Other credit institutions	2,375	2,949	4,836	0	10,160
Trade payables	2,274	0	0	0	2,274
Other payables	1,657	0	0	0	1,657
Total	6,306	2,949	4,836	0	14,091
As at 31/12/2014					
Other credit institutions	1,453	5,585	8,442	0	15,480
Trade payables	1,828	0	0	0	1,828
Other payables	1,108	0	0	0	1,108
Total	4,389	5,585	8,442	0	18,416

20. 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 Aula Holding ApS (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.

20. Related parties – continued –

Equity investments in other companies

Name	Registered office	Ownership interest
Subsidiaries		
Hugo Games Development ApS	Frederiksberg	100%
Ivanoff Interactive A/S	Frederiksberg	100%

Transactions with key management employees

Remuneration for the management is disclosed in note 5. The Group has not entered into contracts with change of control clauses.

Transactions with other related parties

There were no transactions with other related parties.

21. Fee to parent company auditors appointed at the Annual General Meeting

	2015 DKK '000	2014 DKK '000
Grant Thornton		
Statutory audit	155	0
Other assurance engagements	0	0
Tax consultancy	0	0
Other services	16	0
Info:Revision		
Statutory audit	0	100
Other assurance engagements	75	0
Tax consultancy	15	15
Other services	517	190
Total	778	305

22. Events occurring after the balance sheet date

Apart from the above, no important events have occurred after the end of the financial year.

23. Adoption of the annual report for publication

At the board meeting on 4 April 2016, the Board of Directors adopted this annual report for publication. The shareholders of Hugo Games A/S have the power to amend the Annual Report. The annual report will be presented to the shareholders for approval at the annual general meeting on 28 April 2016.

24. New accounting regulation

IASB has published a number of new and changed accounting standards and interpretations, which are not mandatory for the preparation of the consolidated financial statements for 2015. The management has launched an assessment of the impact of IFRS 9 on financial instruments (effective date 1 January 2018, not yet approved by the EU), IFRS 15 on revenue recognition (effective date 1 January 2018, not yet approved by the EU) and IFRS 16 on leases (effective date 1 January 2019, not yet approved by the EU) on the future financial reporting. The other standards are not expected to have any substantial impact on the group.

The financial statements of the parent company Hugo Games A/S have been prepared in accordance with the provisions of the Danish Financial Statements Act on listed companies.

The financial statements are presented in Danish kroner (DKK).

The parent company's accounting policies have been applied consistently with last year.

Differences in relation to the group's accounting policies

The parent company applies the same accounting policies for recognition and measurement as the group with the exceptions and additions appearing below. For a complete description of the parent company's accounting policies, please see note 1 to the consolidated financial statements.

Income statement and balance sheet

Equity investments in subsidiaries

Equity investments in subsidiaries are recognised in the balance sheet at the proportionate share of the companies owned adjusted for any residual value of positive or negative goodwill as well as unrealised intercompany profits and losses.

Profits or losses in subsidiaries are recognised in the income statement in proportion to the shares equivalent to the equity investments. Newly acquired or newly founded enterprises are recognised in the financial statements as from the time of acquisition. Companies divested or discontinued are recognised until the date of divestment.

Newly acquired companies are recognised in accordance with the acquisition method, according to which the identifiable assets and liabilities of the newly acquired companies are recognised at fair value at the time of acquisition.

The goodwill (positive difference) determined at the time of acquisition is recognised under equity investments in subsidiaries and amortised according to the straight-line method based on an individual assessment of the useful life of the asset, the maximum period, however, being 20 years.

Cash flow statement

No cash flow statement is prepared for the parent company, as the parent company is included in the consolidated cash flow statement, see Section 86(4) of the Danish Financial Statements Act.

Note		2015 DKK '000	2014 DKK '000
	Other external expenses	9,059	13
	Staff expenses	0	0
	Loss before depreciation, amortisation and impairment losses	**-9,059**	**-13**
	Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	0	0
	Operating loss	**-9,059**	**-13**
3	Share of loss from equity investments in group companies	-20,262	-3,808
2	Other financial income	1,008	0
2	Other financial expenses	-2,665	0
	Total net financials	**-21,919**	**-3,808**
	Loss before tax	**-30,978**	**-3,821**
1	Tax on loss for the year	-1,356	-3
	Net loss for the year	**-29,622**	**-3,818**

Proposed distribution of net loss

Dividend for the financial year	0
Retained earnings	-29,622
Total	**-29,622**

ASSETS

Note		31/12/2015 DKK '000	31/12/2014 DKK '000
	Equity investments in group companies	1,367	21,629
3	**Total investments**	**1,367**	**21,629**
	Total non-current assets	**1,367**	**21,629**
	Receivables from group companies	36,665	14,877
	Deferred tax asset	1,366	9
	Other receivables	54	0
	Total receivables	**38,085**	**14,886**
	Cash	**12,965**	**1**
	Total current assets	**51,050**	**14,887**
	Total assets	**52,417**	**36,516**

EQUITY AND LIABILITIES

Note		31/12/2015 DKK '000	31/12/2014 DKK '000
	Share capital	12,500	10,000
	Share premium	0	4,986
	Retained earnings	38,984	21,508
4	**Total equity**	**51,484**	**36,494**
	Trade payables	647	12
	Income tax payables	9	0
	Payables to group companies	277	10
	Total current liabilities	**933**	**22**
	Total liabilities	**933**	**22**
	Total equity and liabilities	**52,417**	**36,516**

5 Contingent liabilities
6 Security provided

	2015 DKK '000	2014 DKK '000

1. Tax

	2015	2014
Current tax for the year	0	0
Change in deferred tax	-1,356	-3
Total tax for the year	-1,356	-3

Tax comprises:

	2015	2014
Tax on loss for the year	-1,356	-3
Tax on changes in equity	0	0
Total	-1,356	-3

2. Financial items

	2015	2014
Financial income include interest from group enterprises	996	0
Financial expenses include interest to group enterprises	24	0

3. Investments in group companies

	31/12/2015 DKK '000
Cost as at 01/01/2015	24,402
Additions during the year	0
Disposals during the year	0
Cost as at 31/12/2015	24,402
Value adjustments as at 01/01/2015	-2,773
Share of loss before amortisation of goodwill during the year	-19.830
Amortisation of goodwill during the year	-190
Elimination of intercompany profit after tax	-242
Value adjustments as at 31/12/2015	-23,035
Carrying amount as at 31/12/2015	1,367

4. Equity

Amounts in DKK '000	Share total	Share premium	Retained earnings	Total
Balance as at 01/01/2014	80	0	13,315	13,395
Purchase/sale of treasury shares				
Group contribution			12,021	12,021
Cash capital increase	29	14,877		14,906
Capital increase through transfer of reserves	9,891	-9,891		0
Group contribution in connection with purchase of treasury shares			4,990	4,990
Purchase of treasury shares			-5,000	-5,000
Proposed distribution of net loss			-3,818	-3,818
Balance as at 31/12/2014	10,000	4,986	21,508	36,494
Balance as at 01/01/2015	10,000	4,986	21,508	36,494
Purchase/sale of treasury shares				
Cash capital increase	2,500	44,349		46,849
Costs of capital increase		-7,986		-7,986
Transfer of reserves		-41,349	41,349	0
Sale of treasury shares			5,750	5,750
Group contribution in connection with purchase of treasury shares			749	749
Purchase of treasury shares			-750	-750
Proposed distribution of net loss			-29,622	-29,622
Balance as at 31/12/2015	12,500	0	38,984	51,484

Share capital movements during the 4 preceding financial years:

	DKK '000
Foundation of company, 2011	80
Cash capital increase, 2014	29
Capital increase through transfer of reserves, 2014	9,891
Capital increase, 2015	2,500
Balance as at 31/12/2015	12,500

The share capital consists of 25,000,000 shares of nominally DKK 0.50 each. Reference is also made to note 14 in the consolidated financial statements.

5. Contingent liabilities

The parent company was taxed jointly with the other companies in the Aula Holding ApS group until 25 June 2015, and, as from the 2013 financial year, the parent company has 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. From 26 June 2015 the parent company is taxed jointly with the subsidiaries Hugo Games Development ApS and Ivanoff Interactice A/S.

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

The parent company has provided a guarantee at 31 December 2015 of the loan to credit institution of the subsidiary Hugo Development ApS to a maximum amount of DKK 6,890k.

6. Security provided

None.