Hugo Games A/S

Østergade 17 2. 1100 Copenhagen K
CVR no. DK 33 59 71 42

Annual report 2017

Approved at the company's general meeting 24.04.2018

Chairman of General Meeting

Anders Søgaard

Anders Egholt Søgaard

HUGO GAMES AT-A-GLANCE

- A Nordic, publicly-traded mobile game company founded in 2011.
- A company that creates, develops and publishes mobile games globally.
- Strong portfolio of games globally available across a wide range of platforms including iOS, Android and Facebook.
- Truly passionate about games and committed to making titles that will engage and bring genuine joy to people for years.
- Enters into strategic partnerships with global IP holders for increased visibility, awareness and product performance.

CEO LETTER

Great opportunities ahead following a strategic restructure

For Hugo Games, 2017 was characterized by being a year of considerable change following the decision to restructure the company. The restructure was necessary for creating a solid capital base for the future, upon which we can deliver on our ambitious growth strategy within the next 1-2 years.

At the same time 2017 was a year with successes and opportunities presenting itself. From the sign-up of several new premier football clubs joining our strong line-up for our "Kings of Soccer", the removal of the break-away clause in our contract with Lima Sky, the signing of "Vikings" with MGM and to the release of the Hugo 2 Casino Game are all showcases of this.

A key milestone in 2017 was the decision to close our development studio in Copenhagen following the acquisition of the UK based game studio Fuzzy Frog Ltd. The decision was part of our strategy to bring in new talent while conserving development costs and building an adequate cash reserve ensuring the continued longevity of Hugo Games. The restructure has now been successfully completed and we are starting to reap the benefits of this new setup.

Despite delays in production, we have managed to continue the success with our football game "Kings of Soccer" by expanding the already long list of premier football clubs. With Liverpool, FC Porto, Juventus, Borussia Dortmund, Paris-Saint-Germain and AC Monaco joining the game, the total line-up now encompasses 9 of the biggest clubs in Europe and has expanded our direct reach with the game to more than 360 million fans. Our expectations to this game is big with already good performance shown during the soft-launch. "Kings of Soccer" is set to launch in Q2 2018.

The removal of the break-away clause in our agreement with Lima Sky (IP-holder of Doodle Jump) was an important milestone for our upcoming game "Doodle Jump Galaxy" (working title). The removal of the clause is a sign of great trust from Lima Sky and we are truly pleased to have achieved this milestone. It is a confirmation of the shared excitement for this game and our partnership, and it removes the uncertainty around the release of the game. "Doodle Jump Galaxy" (working title) is set for launch in Q2 2018.

We are extremely excited and humbled by the fact that 2017 was also the year where MGM decided to give us the opportunity to build a game using their amazing IP "Vikings". With this IP we truly believe that we will be able to create a game that is both loyal to the DNA of the HBO hit series as well as engaging for its millions of fans worldwide. Our "Vikings" game is set for launch in 2H 2018.

Building on the success we have seen with utilizing "Hugo the Troll" in the Casino Game genre, we decided to expand our already existing partnership with Play'n GO by releasing a sequel, "Hugo 2", to the existing Hugo Casino game. The casino games have been outperforming our expectations and we therefore continue to seek new opportunities in this genre and a third Casino Game "Hugo Goal" with "Hugo the Troll" is therefore already planned for Q2 2018.

Lastly, as we are always on the lookout for new opportunities. With the extension of the contract with Cristiano Ronaldo for the game "Cristiano Ronaldo: Kick'n'Run", we decided to utilize the growing potential of the Facebook Instant Messenger platform and revitalize the game by reaching the 1.3 billion users of the Facebook Instant Messenger platform. With minimal development cost and an unprecedented reach for Hugo Games, the distribution of

"Cristiano Ronaldo: Kick'n'Run" on Facebook Instant Messenger is considered a great opportunity. In addition to "Cristiano Ronaldo: Kick'n'Run" we are also looking to revitalize the success of "Hugo Troll Race 2" by starting to distribute it on Facebook Instant Messenger.

With 1) the successful restructure of Hugo Games; 2) execution according to our revised strategy; and 3) our continued strong product line-up, we believe that 2018 will be the year where we will meet the expectations of our shareholders and show the market that Hugo Games is an important player in the Mobile Gaming Market.

We appreciate the dedication of our shareholders, and our strengthened team is committed to a deliver a focused effort bringing strong success to Hugo Games!

Henrik Nielsen

CEO, Hugo Games A/S

MARKET SITUATION

MOBILE GAMES TRENDS 2018

The mobile games market continues to see significant growth in new apps being introduced, as well as a consolidation of the top performing games on fewer publishers. Discoverability of new apps therefore continues to become harder while the marketing spends increases as the biggest games publishers intensify their competition for gaining bigger shares of the fast-growing mobile game market.
A strong relationship with the leading platform owners as well as maintaining a focused IP strategy, that allows for co-marketing and cross-promotions to reduce user acquisition costs, is considered key to delivering on our strategy.

The continued success of games like "Homescapes" and "Angry Birds 2" in 2017 confirms the trend towards a demand for more mature casual games. The casual games genre has been around for more than 10 years and has been instrumental in educating the casual gamers, i.e. those who typically wouldn't consider themselves gamers. However, the experienced casual gamers, which have mastered the old game mechanics, have started to demand deeper designs and more challenging gameplay. This trend demands that casual game studios like Hugo Games focus their efforts not only on building a strong core game, but also incorporates engaging progression paths, daily quest, strong gacha models as well as competitiveness to the mix in order to succeed.

2017 was also characterised by continuous growth within mobile e-sports arena. Despite PC being the dominant platform in the e-sport arena globally, the mobile-first culture of China and APAC has been key to driving the accelerated growth in mobile e-sports. In 2017, mobile e-sports were dominated by Tencent's "Honor of Kings", Giant Networks' "Battle of Balls" as well as SuperCell's "Clash Royale", however, differences in the mobile gaming culture between the East and the West markets are likely to cause the mobile e-sport scene to develop differently in 2018.

STRATEGY & GOALS

Data forms the foundation of everything we do – from daily operations to long term strategy. When planning for the future, we utilize industry trends and competitor insights combined with our learnings from the past to create, validate and execute our strategy with consistency and focus. We believe this is our key to success.

Profitable growth through strategic IP-partnerships, Hugo the Troll and machine-learning

With a year-on-year growth of 22% and USD 35.3 billion in revenue, the mobile gaming market has grown to become the single largest segment in the digital Global Gaming Market in 2017. With a forecasted CAGR of 13.3% the mobile gaming market is expected to grow to USD 51.4 billion by 2020 equivalent to 40% of the total forecasted digital Global Gaming Market (source: Newzoo, 2017).

Building on the continuous 2-digit growth in the digital Global Gaming Market, the company's long-term strategy is to achieve profitable growth through:

1) strong line-up of strategic partnerships with global IP holders,
2) continued development of our own IP, "Hugo the Troll", both internally as well as with external partners,
3) utilization of machine-learning technologies to build deep learnings about the market and our users.

When engaging in **strategic IP partnerships** our core principle is that the partnerships need to be mutually beneficial and co-committed from all parties. We therefore base the selection of IP holders on a set of criteria focused on maximizing our shared chances of success, i.e.:

1. Size, engagement and loyalty of fan base
2. Strength of IP storyline
3. Complementarity between IP, game genre and fan base
4. Shared marketing commitments

At Hugo Games we are committed to **stay true to the DNA of "Hugo the Troll"** and its many fans globally. All new opportunities building on the Hugo IP therefore needs to be executed within a "safe" concept environment that is loyal towards its history and brand.

A central element to our strategy is the **utilization of machine-learning technologies**. In the growing digital Global Gaming Market, we believe that machine-learning technologies are central to our ability stay competitive and the realization of our ambition.

We firmly believe that with the skills acquired through Fuzzy Frog Ltd. (March 2017), our investments in better data and our impressive line-up of games building on strong global IPs set for launch in 2018, that we are capable on executing on our strategy and realize our ambition of achieving a positive cash-flow by end of 2018.

OUTLOOK

Reorganisation development resources.

Following the acquisition of 50.9% of Fuzzy Frog Ltd in Nottingham, UK, and the closing of Hugo Games' development studio in Copenhagen, Hugo Games has successfully restructured its operation and has achieved a more streamlined and cost-effective organization. As a result, the operational expenses have been reduced by approximately DKK 0.5 million per month.

We continue to stay focused on attracting the best talent and further strengthen our development team. A new development studio has therefore been set up in Leamington Spa, a large game developer hub in UK. The new development studio will be an integrated part of the Nottingham Studio.

Game Expectations:

With several major games lined up for release this year, 2018 is expected to become the biggest year to date for Hugo Games in terms of both Daily Active Users and Net Revenue.

Release plan:

- Kings of Soccer – Q2/2018
- Doodle Jump – Q2/2018
- Hugo Goal, Casino game with Play'n GO – Q2/2018
- Vikings – 2nd Half/2018
- Nyjah Huston – 2nd Half/2018
- Relaunch of Kick 'N' Run on Facebook's Instant Messenger - 2nd Half/2018
- Relaunch of Hugo Troll Race 2 on Facebook's Instant Messenger - 2nd Half/2018

Financial expectations:
With the reorganization successfully executed and several major games to be released in 2018, we are confident that Hugo Games will deliver on its strategy to achieve a positive EBITDA in Q4 2018 between DKK 0.1m and DKK 5.0m.
Our expectations to 2018 performance will be elaborated on the Investor Call scheduled for April 4th, 2018.

FINANCIAL REVIEW

Reorganisation, acquisition of games studio and new management were the main themes in 2017. It has been a year with focus of signing great IP´s and developing games around these IP´s that will be launched in 2018. As a result, Hugo Games did not generate satisfactory financial results for 2017.

Disappointing performance

Hugo Games did not launch any new game titles in 2017. One online casino game was launched late 2017. Revenue in 2017 was DKK 3.6m, down from DKK 5.3m in 2016. Revenue was primarily generated from the casino game and Ronaldo Kick´n´Run.

Cost base affected by reorganization and investments.

The operational cost base increased in 2017.

Operational Costs (DKK ´000)	2017	2016
Costs of sales	161	465
Research and development expenses	8,197	2,968
Marketing expenses	771	8,493
Other expenses	13,323	9,496
Total	22,452	21,422

Research and development costs covering internal and external costs related to the development of new games that are not capitalized. The DKK 5.2m y-o-y increase was due to fewer costs being capitalized.

Marketing expenses covering online marketing and royalty payments were down DKK 7.7m primarily due to less online marketing as cost per user being too high relative to the expected revenue value.

Other external expenses covering administrative salaries, administrative expenses, listing-related costs, etc. accounted for DKK 13.3m in 2017 compared with DKK 9.5m in 2016. The DKK 3.8m y-o-y increase was primarily due to the established share-based payments and a larger organisation after acquisition of Fuzzy Frog.

The average number of employee's headcount in 2017 was 31 (2016: 15). As of 31 December 2017, the number of employees were 33 (2016: 13). In Copenhagen the number of employees as of 31. December were 3 (2016: 13).

Financial performance not satisfactory

EBITDA before special items was a loss of DKK 18.8m in 2017 (2016: DKK -16.1m).

Depreciation and amortisation for 2017 was DKK 7.5m (2016: DKK 12.4m). The decrease was related to the impairment losses in 2016 that reduced the deprecation amount forward going.

EBIT for 2017 was a loss of DKK 26.0m (2016: loss of DKK 64.0m).

Net financials were an expense of DKK -0.5m (2016: DKK -0.4m).

In 2017, Hugo Games incurred a loss before tax of DKK 26.4m (2016: loss of DKK 64.3m). Tax on the loss for the year was an income of DKK 2.9m (2016: DKK 5.4m) of which DKK 2.9m will be returned by the Danish tax authorities under the tax credit scheme.

A net loss for the year of DKK 23.5m was recorded (2016: net loss of DKK 59.0m).

Total assets up in 2017

Total assets amounted to DKK 70.2m as of 31 December 2017, a DKK 40.4m increase compared to 31 December 2016 due to increase of cash position by DKK 41.0m

Cash flow positive due to proceeds from capital increases

In 2017, the cash flow from operating activities totalled a loss of DKK 16.0m (2016: loss of DKK 11.2m) and cash flows from investing activities (mainly game development) had a negative cash impact of DKK 3.1m (2016: negative impact of DKK 14.3m). Cash flows from financing activities totalled DKK 60.3m (2015: DKK 20.0m) primarily due to proceeds from a capital increase. The cash position at 31 December 2017 amounted to DKK 50.2m (2016: DKK 9.2m).

Equity

The group's equity as of 31 December 2017 was DKK 56.0m (2016: DKK 15.0m). The increase in equity was mainly attributable to proceeds from two capital increases. The equity ratio at year-end was 80% (2016: 50%).

Acquisition of Fuzzy Frog Limited.

In April 2017 Hugo Games acquired 50.9% of the shares in Fuzzy Frog, a game studio in Nottingham, England. The acquisition was paid by issuing shares in Hugo Games A/S at a value of DKK 4.4m per the date of finalisation of the transaction.

Capital increases in 2017

In 2017 there have been 3 capital increases with a gross proceeds of DKK 70.3 m. Cash proceeds from the right issue in June 2017 and the private placement in November 2017 resulted in DKK 65.9m. Total costs related to this amounted DKK 3.7m.

Gross proceeds from increases of capital in 2017:	Gross Proceeds (DKK´000)
Acquisition of 50,9% of Fuzzy Frog April 2017	4,394
Proceeds from right issue June 2017	31,949
Proceeds from private placement November 2017	34,000
Total	70,343

Proceeds from members of management who are a member as per 31.12.2017:	(DKK´000)
Chairman of the board Henrik Kølle and related companies	10,787
CEO Henrik Nielsen and related companies	6,489
Board member Kevin Terkelsen and related companies	5,000
Board member Richard Flower and related parties	4,394
CFO (Now CAO) Peter Ekman and related companies	603
Board member Caspar Rose	8
Total	27,281

Company developments in 2nd half year 2017

Following the acquisition of 50,9% of Fuzzy Frog and the closing of the development studio in Copenhagen, focus has been on restructuring the organisation and integrating the two organisations.

H2 2017 revenue amounted to DKK 1.8m (2016: DKK 3.2m), gross profit was DKK 1.7m (2016: DKK 3.0m) and EBITDA before special items was a loss of DKK 10.0m (2016: loss of DKK9.8)

Events after the balance sheet date

No important events have occurred after the end of the financial year.

KEY FIGURES

DKK ´000	2017	2016	2015	2014	2013
Revenue	3,618	5,331	3,198	6,344	4,549
Gross profit	3,457	4,866	2,697	4,798	3,185
Loss before special items (EBITDA)	-18,834	-16,091	-16,627	-1,215	474
Operating profit/loss (EBIT)	-25,976	-63,959	-33,909	-4,711	-1,153
Net Financials	-456	-383	-3,213	-317	-156
Net loss for the year	-23,489	-58,970	-29,431	-3,629	-849
Total assets	70,188	29,811	63,240	51,143	31,241
Investments other equipment	301	24	64	16	0
Capitalized and expenses costs development	11,263	17,231	18,053	12,678	12,778
Equity	56,028	14,983	52,055	36,874	13,394

RISK MANAGEMENT IN PRACTICE

Risk management is a high priority at Hugo Games. The Board of Directors and the management monitor the company's risk factors closely to minimize risk exposure. This ensures quick reaction time if conditions change. A risk assessment is made prior to every major decision.

RISKS AND UNCERTAINTIES

The most important risks facing Hugo Games are related to market/commercial risk and development risk. However, where the conventional game development is associated with large risks due to long development periods with substantial associated costs and a high risk of failure, Hugo Games' code engines reduce the development time and risk of failure significantly.

- ***Financial risk***
  Hugo Games is in a development stage and does not yet generate positive cash flows. Therefore, the company relies on having credit facilities and/or on fresh capital from its owners.

- ***Market/commercial risk***
  For every launch of a new game there is a risk that it will not generate satisfactory downloads and revenue, which can lead to a decision to discontinue the game or stop updating it. In such case, the amount spent on development costs and other costs will be written down with a negative impact on the financial results for the period. To reduce that risk, all new games run a soft launch period in a limited market to test user response and use it to optimize the game.

- ***Product development risk***
  When developing new products there is a risk that the product will not be finished because of changes in market sentiment, for example. In such case, the amount spent on the project will be lost.

- ***Disputes***
  The company may from time to time be involved in disputes, including disputes regarding intellectual property rights, all with ensuing risks and costs, which could have a material adverse effect on Hugo Games' business, financial condition and results of operations.

- ***Partnership risk***
  Hugo Games enters into various agreements with celebrities about developing and launching games. If such celebrities lose popularity with the general public, revenue may fall dramatically. To minimize that risk, we carefully evaluate the celebrity persons involved before entering into any agreement.

For further information on risk, see the section "Risk factors" on pp. 22, 26 – 30 of the prospectus dated 4 January 2018.

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 2016 statutory report on corporate governance, cf. section 107b of the Danish Financial Statements Act, is available on Hugo games website at https://www.hugogames.com/wp-content/uploads/2018/03/CG-report-2017.pdf

The Company complies with 36 of the 47 Danish recommendations on corporate governance (www.corporate-governance.dk). The Company complies partially with five recommendations and does not comply with:

1.1.3. The Committee recommends that the company publish quarterly.

- Due to the limited size of the company only half year reports are published, but the company will communicate to the market when necessary.

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 regard 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.

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 grows.

Gender diversity

In 2017, the Board of Directors consisted of 6 members, of which none are women (4 members and no women in 2016). The Board set in 2015 a target to have at least one female Board member elected by the Annual General Meeting in 2018. This target is not met as it has not been possible to find a woman with strong knowledge to the gaming industry.

The Board of Directors wishes to ensure that both genders are represented on the Board. The quantitative target for the underrepresented gender among Board members is at least one individual.
The Board will continue to have a target to have at least one female Board member by the Annual General Meeting in 2021.

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.

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

The 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 flow charts of procedures and descriptions of control measures.

These procedures/reports comprise i.e.:

- A review of strategic and business objectives to be performed at least once a year.
- A formalised annual budget with forecasts and estimation procedures. Furthermore, management reporting is prepared, comprising:
- Financial results and financial position, including analysis of cash flows and the group's financial structure.
- 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 independent auditors report to the Executive Management and the Audit Committee, which assess the results of current examinations performed to determine the extent to which the Executive Management and the Audit Committee can rely on the reports/processes which are mainly prepared and performed by the finance department.

MANAGEMENT

BOARD OF DIRECTORS

Henrik Kølle (1965)
Chairman of the Board

Position:
Manager

Educational background:
M.Sc. Business, management and finance from the Copenhagen Business School

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

Member of the boards of:
Aula Holding IV ApS
Dentalteamet Holding A/S

Shares in Hugo Games A/S:
7,456,090 shares

Board member since:
October 30th, 2017

Caspar Rose (1971)
Vice Chairman of the Board

Position:
Advokatfuldmægtig at Magnusson

Educational background:
LL.M. from the University of Copenhagen, M.Sc. (Finance and accounting), CBS. Ph.D. from Department of Finance, CBS.

Competencies:
Corporate Governance, Financial markets, Risk management

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

Shares in Hugo Games A/S:
6,365 shares

Board member since:
February 6, 2015

Rasmus Lund (1974)
Board member

Position:
Investment Partner at Nordic Alpha Partners (Venture Capital Fund)

Educational background:
LL.M from the University of Copenhagen, Attorney-at-law

Competencies:
Corporate and capital market legal issues, private equity, transactions and business development.

Member of the boards of:
Ivanoff Interactive A/S

Shares in Hugo Games A/S:
16,905 shares

Board member since:
February 6, 2015

Bertel David Maigaard (1983)
Board member

Position:
Manager

Educational background:
Bachelor of Economics from the University of Copenhagen

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

Member of the boards of:
Maigaard & Molbech Private Equity ApS

Shares in Hugo Games A/S:
0

Board member since:
September 9, 2014

Richard Flower (1968)
Board member

Position:
CEO at Fuzzy Frog Ltd.

Educational background:
n/a

Competencies:
Game Development, Mobile Games Strategy, Management

Member of the boards of:
Thrive Therapeutic Software Ltd

Shares in Hugo Games A/S:
447,109 shares

Board member since:
April 25, 2017

Kevin Terkelsen (1966)
Board member

Position:
Manager

Educational background:
Ph.D. in Strategic Management, Master of Business in Technology Management from the Copenhagen Business School

Competencies:
Strategy, Business Development, Management

Member of the boards of:
n/a

Shares in Hugo Games A/S:
2,982,200 shares

Board member since:
December 21, 2017

EXECUTIVE MANAGEMENT

Henrik Nielsen (1967)
CEO

Employed since: 2017

Educational background:
M.Sc. in Marketing and Strategy from the Copenhagen Business School

Chairman of the board of:
HNI TRADING ApS
NIL TECHNOLOGY ApS
Viborgvej 16-18, Silkeborg ApS
RED ApS
Grenåvej 425 ApS

Member of the board of:
n/a

Shares in Hugo Games A/S:
4,619,262 shares

Anders Egholt Søgaard (1987)
CFO

Employed since: 2018

Educational background:
Elite M.Sc. in International Law, Economics and Management from the University of Copenhagen and the Copenhagen Business School
M.Sc. in Business Administration and Commercial Law from the Copenhagen Business School

Chairman of the board of:
n/a

Member of the board of:
n/a

Shares in Hugo Games A/S:
0

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

The official share price as of 31 December 2017 was NOK 6.24 for a market capitalization of NOK 257.4m (DKK 194.8m). Total turnover of shares in 2017 was 28.4 million (calculated after reverse split) for a total transaction value of NOK 114.8m.

Master Data:	
Stock Exchange:	Oslo Axess
Sector:	Technology
ISIN Code:	DK0060945467
Symbol:	HUGO
LEI Code:	213800MC2SGVSIBN7J53
Share capital DKK:	20,626,851.50
Denomination:	DKK 0.5
No. of Shares:	41,253,703
Negotiable instruments:	Yes
Voting restrictions:	No

Share Capital

The nominal share capital of Hugo Games as of 31.12.2017 was DKK 20,626,851, consisting of 41,253,703 shares of DKK 0.50 each. Hugo Games has only one share class. The Board of Directors and the Executive Management Board regularly assess whether the share capital and share structures are consistent with the interests of the shareholders and the company. The Company´s numbers of shares was in November reduced by 5:1 following a reverse split.

The company´s share capital was increased by DKK 2,239,948 when 4,479,895 new shares (before reverse split) were issued in April 2017 and by DKK 31,948,835 when 63,897,670 new shares (before reverse split) were issued in June 2017 and by DKK 9,261,680 when 18,523,361 new shares were issued in December 2017. 2,270,868 shares were issued in January 2018. Following the capital increases, Hugo Games has a nominal share capital of DKK 21,762,285.50, consisting of 43,524,571 shares of DKK 0.50 each.

Shareholding structure

Hugo Games shareholders are primarily residents of Denmark and Norway. As of 31 December 2017, the largest shareholder held 17.1% of the registered share capital. Below list shows shareholders holding more than 5% of the share capital or the votes at as of Marts 2018.

Composition of shareholders at 23 March 2018			
	Shares	Capital DKK	Capital %
Aula Invest ApS controlled by Chairman of the board Henrik Kølle	7.456.090	3.728.045	17,1%
HNI Trading A/S controlled by CEO Henrik Nielsen	4.619.262	2.309.631	10,6%
Tigerstaden AS and Tigergutt Invest AS	4.450.410	2.225.205	10,2%
Silvercoin Industries AS	3.160.753	1.580.377	7,3%
EDP ApS Controlled by board member Kevin Terkelsen	2.982.200	1.491.100	6,9%

As of 31 December 2017, members of the Board of Directors and their related parties held 10,941,446 shares (nominal value DKK 5,470,723), corresponding to 26.5% of the share capital and a market value of 51.7m DKK. Members of management held 3,663,905 shares (nominal value DKK 1,831,953), corresponding to 8.9% of the share capital and a market value of DKK 17.3m.

Annual general meeting

The Annual General Meeting will be held on 24 April 2018 at 15:30 at Norne Securities AS, Roald Amundsens-gate 6, 0161 Oslo, Norway.

Dividend and allocation of profit

The Board of Directors recommends to the Annual General Meeting that no dividend be declared in respect of the 2017 financial year. The Board of Directors recommends to the shareholders that the consolidated loss for the year of DKK 23.489m be transferred to retained earnings.

Investor Queries

Any questions or comments from shareholders, analysts and other stakeholders should be addressed to CFO Anders Egholt Søgaard via the investor e-mail ir@hugogames.com

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

Adoption of amendments to the Articles of Association, dissolution of the company, merger or demerger requires a resolution adopted by at least a two-thirds majority of the votes cast as well as of the share capital represented at the general meeting.

The Board of Directors consists of from three to seven members elected each year at the annual general meeting of the company for the period until the next annual general meeting. Board members are eligible for re-election.
The Board of Directors appoints its own chairman and vice chairman.

The Hugo Games' Board of Directors consists of six members headed by Henrik Kølle as chairman. The members of the Board of Directors are presented on page 15.

The Board of Directors proposes that the members of the Board of Directors for the year 2018 shall receive a fixed remuneration of DKK 15.000 and a share-based remuneration of 109,461 warrants, with the exception of the Chairman of the Board, Henrik Kølle, who is to receive a shared based remuneration of 1,094,607 warrants. Pursuant to item 7 below, it is proposed, that the Board of Directors in the future may be granted warrants exercisable at market value in the Company in combination with the above mentioned fixed remuneration.

Until 6 February 2020, the Board of Directors is authorized to let the company obtain loans against the 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 to increase the company's share capital in one or more issues with pre-emptive rights for the existing shareholders of the company by up to a total nominal amount of DKK 10,000,000 against cash consideration. The capital increase may take place at a discount to the market price.

Until 6 February 2020, the Board of Directors is authorized to increase the company's share capital in one or more issues without pre-emptive rights for the existing shareholders of the company by up to a total nominal amount of DKK 10,000,000 against cash or non-cash consideration or by conversion of debt. Such capital increase shall take place at market price.

The combined share capital increase, performed pursuant to the above-mentioned authorizations set out in articles 2.3, 2.4 and 2.5 of the Articles of Association, cannot exceed a nominal value of DKK 10,000,000.

In 2017, the Board used DKK 9,261,680.50 of its authorizations and in January 2018 it used DKK 485,434.00. Accordingly, the current authorization amount is DKK 252,885.50.

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

Selected stock announcements:

2017:

27-01-2017	Hugo Games signs agreement with Arsenal
21-03-2017	Global release Nyjah Huston postponed to Q2 2017- expire of agreement with Christiano Ronaldo
31-03-2017	Acquisition of game studio and restructuring organization
04-04-2017	Hugo Games announces its Annual Report 2016 and expects positive EBITDA Q4 2017
17-04-2017	Completion of acquisition of game studio
25-04-2017	Minutes of annual general meeting
27-04-2017	Key Information relating to the preferential rights issue to be carried out by Hugo Games
03-05-2017	Hugo Games Adds Juventus F.C. to Line-up of Legendary Soccer Clubs No.
08-05-2017	Approved prospectus and start of subscription period 9 May 2017
09-05-2017	Hugo Games Teams with MGM for Mobile Game Based on Hit TV Show "Vikings"
10-05-2017	Hugo Games Adds FC Porto to Line-up of Legendary Soccer Clubs
11-05-2017	Hugo Games Adds Dortmund to Line-up of Legendary Soccer Clubs
16-05-2017	Hugo Games and Lima Sky (Doodle Jump) agrees to remove break-away-clause
24-05-2017	Hugo Games Adds Liverpool to Line-up of Legendary Soccer Clubs
30-05-2017	Hugo Games online company presentation
31-05-2017	Hugo Games signs new slot game agreement
07-06-2017	Hugo Games Adds Paris St. Germain to Line-up of Legendary Soccer Clubs
12-06-2017	Shares allocated to primary insiders in the Rights Issue
12-06-2017	Final result of Rights Issue in Hugo Games
28-06-2017	Hugo Games release Nyjah Huston in selected countries
31-08-2017	Hugo Games release update skater game with Nyjah Huston
29-09-2017	Hugo Games appoint board member Henrik Nielsen as the new CEO
25-10-2017	Hugo Games Adds AS Monaco to Line-up of Legendary Soccer Clubs
21-11-2017	Hugo Games - Private Placement Successfully Completed
21-11-2017	Hugo Games - Shares allocated to primary insiders in the Private Placement
27-11.2017	Reverse split and new ISIN of Hugo Games
28-11-2017	Hugo Games soft-launches Kings of Soccer in select territories.
29-11-2017	Hugo Games Teams with Play'n GO to launch Hugo 2
13-12-2017	Hugo Games grants warrants

2018:

05-01-2018	Hugo Games CEO invests further in company through warrant exercise
16-01-2018	Final result of Subsequent Offering in Hugo Games
02-02-2018	Hugo Games appoints Anders Egholt Søgaard as new CFO
08-02-2018	Cristiano Ronaldo Extends Hugo Games Partnership - Game also to be Distributed on Facebook's Instant Messenger Gaming Platform
06-03-2018	Hugo Games Announces "Hugo Troll Race 2" is Coming to Facebook Instant Messenger in 2018
15-03-2018	Hugo Games Signs Tintin

Financial calendar 2018

23-03-2018	Annual 2017 Financial report
24-04-2018	Annual General Meeting
23-08-2018	Half-yearly report

The Board of Directors and the Executive Management have today considered and approved the annual report of Hugo Games A/S for the financial year 1 January 2017 – 31 December 2017

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU. The financial statements of the parent company, Hugo Games A/S, are 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 of 31 December 2017 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 2017 - 31 December 2017.

We believe that the management review 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 comprised by 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, 22 March 2018

Executive Management

Henrik Nielsen	Anders Egholt Søgaard

Board of Directors:

Henrik Jørgen Skouboe Kølle Chairman	Caspar Rose Deputy Chairman
Bertel Maigaard	Richard Flower
Kevin Terkelsen	Rasmus Lund

To the Shareholders of Hugo Games A/S

Our opinion

In our opinion, the Consolidated financial statements give a true and fair view of the Group's financial position at 31 December 2017 and of the results of the Group's operations and cash flows for the financial year 1 January to 31 December 2017 in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

Moreover, in our opinion, the Parent Company Financial Statements give a true and fair view of the Parent Company's financial position at 31 December 2017 and of the results of the Parent Company's operations for the financial year 1 January to 31 December 2017 in accordance with the Danish Financial Statements Act.

Our opinion is consistent with our Auditor's Long-form Report to the Audit Committee and the Board of Directors.

What we have audited
Hugo Games' Consolidated financial statements for the financial year 1 January to 31 December 2017, pp 26-58, comprise the consolidated income statement and statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement and the notes to the financial statements, including summary of significant accounting policies.

Hugo Games' Parent Company Financial Statements for the financial year 1 January to 31 December 2017, pp 59-64, comprise the income statement, the balance sheet, the statement of changes in equity and the notes to the financial statements, including summary of significant accounting policies. Collectively referred to as the 'financial statements'.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of the Group in accordance with International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the ethical requirements that are relevant to our audit of the financial statements in Denmark. We have also fulfilled our other ethical responsibilities in accordance with the IESBA Code. To the best of our knowledge and belief, we have not provided any prohibited non-audit services as referred to in Article 5(1) of Regulation (EU) No 537/2014.

Appointment
After Hugo Games was listed on Oslo Axess in 2015, we were appointed auditors at the Annual General Meeting held on January 6, 2016 for the 2015 financial year. We have been reappointed annually at the annual general meeting for a total consecutive engagement period of 3 years up to and including the 2017 financial year.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for 2017. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment assessment
The value of Hugo Games A/S' intangible assets, of which the majority relates to goodwill and development projects, is supported by the value-in-use calculations, which are based on future cash flow forecasts (i.e. 'recoverable amount').

We focused on this area because the impairment assessments of these assets are dependent on complex and subjective judgements by Management. Refer to note 11 in the consolidated financial statements.

How our audit addressed the Key Audit Matter
We considered the overall impairment assessments prepared by the Management, and we tested the underlying calculations and reviewed the relevant internal procedures in place to check that the impairment assessments are prepared appropriately.
We considered the assumptions and estimates used by Management to determine the value-in-use of the intangible assets. This includes those relating to the Managements key assumptions such as operating cost forecasts, and expected number of daily users of the games and the average revenue per daily active user. We also tested these assumptions by reference to third-party produced benchmark statistics on comparable games. We performed a sensitivity analysis around the key drivers and assumptions used by management.

Statement on Management's Review

Management is responsible for the Management's Review, pp 4-22. Our opinion on the financial statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. Moreover, we considered whether Management's Review includes the disclosures required by the Danish Financial Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Consolidated financial statements and the Parent Company Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Management's responsibilities for the financial statements

Management is responsible for the preparation of Consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act and for the preparation of Parent Company Financial Statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going-concern basis of accounting unless Management either intends to liquidate the Group or the Parent Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with ISAs and additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group or the Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Copenhagen, 22 March 2018
Grant Thornton
Statsautoriseret Revisionspartnerselskab
CVR-nr. 34 20 99 36

GRANT THORNTON
Statsautoriseret revisionspartnerselskab
CVR-No 34 20 99 36

Ulrik Bloch-Sørensen	Martin Bomholtz
State-Authorised Public Accountant	State-Authorised Public Accountant
MNE-nr. 2913	MNE-nr.34117

DKK´000	Note	2017	2016
Revenue	4	3,618	5,331
Costs of sales		161	465
Gross Profit		**3,457**	**4,866**
Research and development costs	5	8,197	2,968
Marketing expenses		771	8,493
Other expenses	5	13,323	9,496
Loss before special items, deprecation and amortisation (EBITDA)		**-18,834**	**-16,091**
Special items	6	-386	35,470
Depreciation and amortisation	11, 12	7,528	12,398
Operating loss (EBIT)		**-25,976**	**-63,959**
Financial income	7	675	122
Financial expenses	8	1,131	505
Loss before tax		**-26,432**	**-64,342**
Tax on loss for the year	9	-2,943	-5,372
Nett Loss for the year		**-23,489**	**-58,970**
Other comprehensive income		-43	0
Comprehensive income		**-23,532**	**-58,970**
Distribution of comprehensive income:			
Parent company´s shareholders		-23,034	-58,970
Non-controlling interests		-498	0
Total		**-23,532**	**-58,970**
Earnings per share:			
Earnings per share (in DKK):	10	-1.314	-1.762
Diluted earnings per share (in DKK)	10	-1.314	-1.762

ASSETS:

DKK´000	Note	2017	2016
Non-current assets			
Completed development projects	11	4,641	12,011
Acquired rights	11	0	0
Goodwill	11	3,363	762
Development projects in progress	11	3,932	866
Plant and equipment	12	159	57
Other equity investments		168	0
Other receivables		0	66
Total non-current assets		**12,263**	**13,762**
Current Assets:			
Trade receivables	13	913	836
Receivables from related parties		0	500
Income tax receivable	9	2,998	3,977
Other receivables		221	0
Prepayments		3,570	1,503
Cash		50,223	9,233
Total current assets		**57,925**	**16,049**
Total assets		**70,188**	**29,811**

EQUITY AND LIABILITIES

DKK´000	Note	2017	2016
Equity:			
Share capital		20,627	22,637
Reserve from capital reduction		22,461	0
Currency translation reserve		-22	0
Retained earnings		12,976	-7,654
Total equity	14	**56,042**	**14,983**
Non-controlling interests		-14	0
Total Equity		**56,028**	**14,983**
Non-current liabilities			
Provision for deferred tax	9	29	0
Payables to credit institutions	15	0	3,115
Total non-current liabilities		**29**	**3,115**
Current liabilities			
Payables to credit institutions	15	3,148	1,966
Provisions	16	3,104	6,169
Put-option liability	17	4,120	0
Trade payables		1,833	2,202
Income tax payable		70	0
Other payables		1,856	1,376
Total current liabilities		**14,131**	**11,713**
Total Liabilities		**14,160**	**14,828**
Total equity and liabilities		**70,188**	**29,811**

DKK´000	Share capital	Reserve capital reduction	Share premium	Retained earnings	Currency translation reserve	Hugo Games shareholder´s share of equity	Non-control-ling interests	Total equity
Equity as at 01.01.2017	**22,637**	**0**	**0**	**-7,654**	**0**	**14,983**	**0**	14,983
Net Loss				-22,991		**-22,991**	-498	-23,489
Other comprehensive income				0	-22	**-22**	-21	-43
Comprehensive income	**0**	**0**	**0**	**-22,991**	**-22**	**-23,013**	**-519**	-23,532
Capital Increase	43,451		26,892			**70,343**		70,343
Share capital reduction	-45,461	22,461		23,000		**0**		0
Adjustment of acquisition balance			-1,268			**-1,268**		-1,268
Costs related to capital increase			-3,651			**-3,651**		-3,651
Used to settle share options				2,952		**2,952**		2,952
Put-option liability				-4,304		**-4,304**		-4,304
Non-controlling interests						**0**	505	505
Transfer of reserves			-21,973	21,973		**0**		0
Transactions with owners	**-2,010**	**22,461**	**0**	**43,621**	**0**	**64,072**	**505**	64,577
Equity as at 31.12.2017	**20,627**	**22,461**	**0**	**12,976**	**-22**	**56,042**	**-14**	56,028
Equity as at 01.01.2016	**12,500**	**0**	**0**	**39,555**	**0**	**52,055**	**0**	52,055
Net Loss				-58,970		**-58,970**		-58,970
Other comprehensive income						**0**		0
Comprehensive income	**0**	**0**	**0**	**-58,970**	**0**	**-58,970**	**0**	-58,970
Cash capital increase (IPO)	10,137		14,863			**25,000**		25,000
Costs related to capital increase			-3,102			**-3,102**		-3,102
Transfer of reserves			-11,761	11,761		**0**		0
Transactions with owners	**10,137**	**0**	**0**	**11,761**	**0**	**21,898**	**0**	21,898
Equity as at 31.12.2016	**22,637**	**0**	**0**	**-7,654**	**0**	**14,983**	**0**	14,983

DKK´000	Note	2017	2016
Loss before tax		-26,432	-64,342
Depreciation, amortisation and impairment losses		7,528	42,228
Share-based payments		2,952	0
Financial income, reversed		-675	-122
Financial expenses, reversed		1,131	505
Change in working capital		-4,146	5,593
Operating cash flow		**-19,642**	**-16,138**
Financial income, received		5	4
Financial expenses, paid		-271	-395
Income tax received		3,881	5,359
Cash flow generated from operations		**-16,027**	**-11,170**
Purchase of equipment		-59	-23
Sale of equipment		33	0
Investment in intangible assets		-3,066	-14,263
Cash flow from investing activities		**-3,092**	**-14,286**
Proceeds from cash capital increase		62,299	21,898
Credit institutions, loan repayment		-1,993	-1,862
Cash flow from financing activities		**60,306**	**20,036**
Total cash flow for the period		**41,187**	**-5,420**
Cash, beginning of period		9,233	14,594
Cash from business combinations	18	769	0
Net foreign exchange difference		-966	59
Cash, end of period		**50,223**	**9,233**

1. Accounting policies

Hugo Games A/S is a limited liability company domiciled in Denmark. The consolidated financial statements for 2017 have been prepared in accordance with 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.

Implementation of new and revised standards and interpretations

The IASB has issued new standards and revisions to existing standards and new interpretations that are mandatory for accounting periods commencing on or after 1 January 2017. The implementation of these new or revised standards and interpretations has not had any significant impact on the net loss for the year or the financial statement.

The principal accounting policies set out below have been consistently applied in the preparation of the consolidated financial statements for all the years presented.

Earnings per share

Basic earnings per share are calculated as the net result for the period that accrues to the parent company´s shares divided by the weighted average number of ordinary shares outstanding.
Diluted earnings per share are calculated as the net result for the period that accrues to the parent company´s shares divided by the weighted average number of ordinary shares outstanding adjusted by the dilutive effect of potential shares.

Segment reporting

No separate business areas or separate business units have been identified in connection with single games or geographical markets. As a consequence, no segment reporting is made concerning business areas or geographical areas. Assets located outside Denmark amounts to less than 10% of the group assets. Due to materiality no segment reporting is made on geographical criteria's.

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.

1. Accounting policies – continued –

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.

The acquisition price of a company is the fair value of the price paid for the acquired company. Costs 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 of goodwill as at 1 January 2013 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

1. Accounting policies – continued –

the income statement as financial income or financial expenses. 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 at the portion attributable to tax on the profit or loss for the year, and directly in equity or in other comprehensive income at 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.

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 result 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 by 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 base 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 to the extent that there is convincing evidence that sufficient taxable profit will be available against which the unused tax losses can be utilised. An assessment is made at 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.

1. Accounting policies – continued –

Statement of comprehensive income

Revenue

Revenue from the sale 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 if 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.

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.

Cost of sales

Cost of sales comprises commission paid to stores handling app sales, such as iTunes, Google Play, etc.

Gross profit

Gross profit comprises revenue deducted with commissions to stores, such as iTunes, Google Play, etc.

Research and development costs

Research and development costs comprise external research and development costs and internal staff costs related to research and development activities that are not capitalized in the balance sheet.

Marketing expenses

Marketing expenses comprise expenses relating to marketing expenses and royalty expenses.

Other expenses

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

Special items

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

1. Accounting policies – continued –

Net financials

Net financials comprise interest income and interest 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 interest expenses.

Share-based payments

Share-based payments of the Group are equity-settled warrants granted to employees, for which an option pricing model is used to estimate the fair value at grant date. That fair value is charged on a straight-line basis as an expense in the consolidated statement of profit or loss over the period that the employee becomes unconditionally entitled to the options (vesting period), with a corresponding increase in equity.

Equity is also increased by the proceeds received, as and when employees choose to exercise their options.

Balance sheet

Fair value

Fair values are categorised into different levels in a fair value hierarchy based on the degree to which the inputs to the measurement are observable and the significance of the inputs to the fair value measurement in its entirety:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Goodwill

On initial recognition, goodwill is recognised and measured as the difference between the cost of the company acquired 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 costs and fees for sub-suppliers 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 costs can be determined reliably and there is sufficient certainty that 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 costs when 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 five years from soft launch and three years from hard launch. Amortisation methods, useful lives and residual values are reviewed every year.

Property, plant and equipment

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

Impairment of assets (impairment test)

The carrying amount of property, plant and equipment and intangible assets with determinable useful lives is tested for impairment every year. If indications of impairment are identified, the recoverable amount of the asset is calculated to determine the amount of any impairment loss.

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.

1. Accounting policies – continued –

The higher of fair value less selling costs and value in use is used as the recoverable amount of the asset. The value in 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.

Where 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 impairment loss 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.

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.

1. Accounting policies – continued –

Provisions

Provisions are recognised when the following criteria are fulfilled:

- we have a legal or constructive obligation as a result of an earlier event
- the settlement of the obligation is expected to result in an outflow of resources
- the obligation can be measured reliably

For onerous contracts, a provision is made when the expected income to be derived from a contract is lower than the unavoidable cost of meeting our obligations under the contract.

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 judgments

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

Accounting estimates reflect 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 judgments reflect decisions made by 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 judgments have had significant impact on the consolidated financial statements for 2017:

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, 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 of 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.

Valuation of warrants

The calculated fair value and subsequent compensation expenses for share-based compensation are subject to significant assumptions and estimates. The fair value of each warrant granted during the year is calculated using the Black-Scholes pricing model. This pricing model requires the input of subjective assumptions such as:

2. Significant accounting estimates and judgments – continued

- the expected stock price volatility: The group has estimated the fair value of its warrants by using the historic volatility of the shares
- The risk-free interest rate, which is based on the Danish government bonds having a yield with a maturity equal to the expected term of the option in effect at the time of grant.
- The expected life of warrants, which is based on vesting terms, expected rate of exercise and life terms in the current warrant program.

Total expenses for share-based compensation amounted to DKK 2,952k in 2017 (2016: DKK 0k).

3. Capital resources

Hugo Games have a number of games under development. Until successful launch of new games and sufficient positive cash flows from operations are obtained, the group is dependent on additional capital contributions.

According to the most recent budgets approved by management, the existing capital resources are sufficient to continue the full operation of the group as planned for 2018.

4. Revenue

DKK´000	2017	2016
Sales of games and in-app purchases	537	1,550
Sales of Service (advertising devices)	1,065	2,640
License income	1,319	1,141
Work for Hire	697	0
Total	**3,618**	**5,331**

5. Staff Costs

DKK´000	2017	2016
Wages and salaries	10,980	9,524
Pensions	415	540
Other social security costs	727	232
Share-based payment	2,952	0
Total	**15,074**	**10,296**
Total Staff costs are recognised as follows:		
Research and development costs	6,238	9,524
Research and development capitalized	1,984	540
Administrative expenses	6,852	232
Total	**15,074**	**10,296**
Average number of employees during the year	31	**15**
Number of employees end of year	33	13

Remuneration of board of directors and executive management:

Board of directors:		
Cash remuneration	265	480
Share-based payment	394	0
Capital increase / right issue assistance	0	150
Total	**659**	**630**

Executive management		
Gross Salary	2,393	1,867
Pension Contribution	159	96
Share-based payment	1,909	0
Total	**4,461**	**1,963**

Share-based payment

Hugo Games has established a warrant program for executive management (CEO), board members and employees.

Warrant plan, November 2017

The Plan provides board members, executive management and employees with the option to purchase ordinary shares of Hugo Games A/S at a fixed price. There are no cash settlement alternatives. Warrants was granted with monthly vesting over 24-48 months subject to continued employment. The exercise price of the share options is, in general, equal to the market price less 25% at the date of grant (NOK 1.9 per share).

The table below summarizes the number of options that were outstanding, their weighted average exercise price (WAEP) as at 31 December, as well as the movements during the period.

5 Staff Costs - continued

	TOTAL	Executive management	Board of directors	Employees	WAEP
Outstanding, beginning of the period	0	0	0	0	-
Granted	10,895,481	5,473,035	1,532,451	3,889,995	NOK 1.9
Forfeited	0	0	0	0	-
Exercised	0	0	0	0	-
Expired	0	0	0	0	-
Outstanding, end of the period	10,895,481	5,473,035	1,532,451	3,889,995	NOK 1.9
Exercisable at end of the period	570,108	456,086	45,609	68,413	NOK 1.8
Exercise prices for options outstanding	NOK 1.5 – 5.8	NOK 1.5 - 1.9	NOK 2.5 - 5.8	NOK 1.5 - 1.9	
The weighted average remaining contractual life for the share options outstanding	5.9 year	1.9 year	9.9 year	9.9 year	
The weighted average share price at the date of exercise of exercised options	No warrants were exercised during the period.				

The estimate of the grant date fair value of each option issued is based on a Black Scholes model, taking into account the terms and conditions on which the share options were granted. However, the performance conditions is only considered in determining the number of instruments that will ultimately vest.

Inputs to the model included the following:

	Warrant Plan, November 2017
Grant date	16/11/2017
Weighted average share price (NOK)	2.5
Exercise price (NOK)	1.5 – 5.8
Historical and expected volatility (%)	69.6
Option life (years)	2 – 10
Expected dividends	0
Risk-free interest rate (%)	-0.62 – 0.17

Expected volatility was determined taking into consideration the volatility of the company’s share price over a 12-month period prior to grant date.

During 2017, the total charge to profit or loss amounted to DKK 2,952k (2016: DKK 0k).

6. Special Items

DKK´000	2017	2016
Impairment losses	0	29,830
Provision for contractual losses, adjusted for provisions prior years	-1,862	5,640
Contractual losses, this year	1,476	0
Total	**-386**	**35,470**

Reference is made to note 16, provisions.

7. Financial income

DKK´000	2017	2016
Interest income on assets measured at amortised cost	5	4
Foreign exchange gains, net	670	118
Total	**675**	**122**

8. Financial expenses

DKK´000	2017	2016
Interest income on liabilities measured at amortised cost	331	447
Foreign exchange loss, net	800	58
Total	**1,131**	**505**

9. Tax

DKK´000	2017	2016
Tax on loss for the year:		
Net result for the year before tax	-26,432	-64,342
Tax rate	22%	22%
Expected tax expenses	-5,815	-14,155
Adjustment for non-deductible expenses	860	4
Prior-year adjustments	8	-116
Change in tax assets (not recognised)	2,004	8,895
Total tax on loss for the year	**-2,943**	**-5,372**

DKK´000	2017	2016
Specification of tax on loss for the year:		
Current tax	71	0
Change in deferred tax	-16	-202
Joint taxation contributions	0	-1,126
Tax credit scheme/joint taxation contributions	-2,998	-3,977
Other adjustments	0	-67
Total tax on loss for the year	**-2,943**	**-5,372**
Breakdown on unrecognized deferred tax assets:		
Tax losses carried forward (available indefinitely)	58,683	52,923
Research and development costs	-9,442	-12,877
Other	302	388
Basis at year end	**49,543**	**40,434**
Tax rate	22%	22%
Calculated Potential deferred tax assets	10,899	8,895
Write-down of deferred tax assets	-10,899	-8,895
Recognised deferred tax assets	**0**	**0**

11 Intangible assets

DKK´000	Completed developments projects	Acquired rights	Goodwill	Development projects in progress	Total
Financial Year 2017					
Costs as at 01.01.2017	**61,089**	**300**	**762**	**4,520**	**66,671**
Additions	0	0	2,601	3,066	5,667
Transfer	0	0	0	0	0
Disposals	0	0	0	0	0
Costs as at 31.12.2017	**61,089**	**300**	**3,363**	**7,586**	**72,338**
Amortisation and impairment losses as at 01.01.2017	**49,078**	**300**	**0**	**3,654**	**53,032**
Impairment losses	0	0	0	0	0
Amortisation	7,370	0	0	0	7,370
Disposals	0	0	0	0	0
Amortisation and impairment losses as at 31.12.2017	**56,448**	**300**	**0**	**3,654**	**60,402**
Carrying amount as at 31.12.2017	**4,641**	**0**	**3,363**	**3,932**	**11,936**
Financial Year 2016					
Costs as at 01.01.2016	**42,176**	**300**	**762**	**14,975**	**58,213**
Additions	3,230	0	0	11,033	14,263
Transfer	21,488	0	0	-21,488	0
Disposals	-5,805	0	0	0	-5,805
Costs as at 31.12.2016	**61,089**	**300**	**762**	**4,520**	**66,671**
Amortisation and impairment losses as at 01.01.2016	**16,613**	**26**	**0**	**0**	**16,639**
Impairment losses	25,947	229	0	3,654	29,830
Amortisation	12,323	45	0	0	12,368
Disposals	-5,805	0	0	0	-5,805
Amortisation and impairment losses as at 31.12.2016	**49,078**	**300**	**0**	**3,654**	**53,032**
Carrying amount as at 31.12.2016	**12,011**	**0**	**762**	**866**	**13,639**

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 as a calculated value in use based on budgets and forecasts for the coming three financial years as approved by the Board of Directors.

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

Distribution of intangible assets on cash-generating units after recognition of impairment losses is as follows. No remaining amortisation period exceeds 36 months:

Amounts in DKK '000	Completed development projects	Acquired rights	Goodwill	Development projects in progress	Total
Cash-generating Units 31/12/2017					
Endless runner, shared development	2,426	0	0	3,932	6,358
Sports	0	0	0	0	0
MOBA	0	0	0	0	0
Hugo Games group	2,024	0	3,363	0	5,387
Other units	191	0	0	0	191
Total	4,641	0	3,363	3,932	11,936
Cash-generating Units 31/12/2016					
Endless runner, games	4,723	0	0	866	5,589
Hugo Games group	6,889	0	762	0	7,651
Other units	399	0	0	0	399
Total	12,011	0	762	866	13,639

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 expected number of DAU in the budget period (36 months) is a key assumption. Budgets for impairment test purposes are based solely on existing resources and planned game development and do not include additional cash flows from new games during the budget period. Hence, key assumptions about DAU used in budgets for impairment test purposes are significantly lower than the group's long-term goals, which include cash flows from the development of future games.

As a consequence of the expectation that most of the revenue from new games is realised within three years of game launch, neither the discount rate nor growth during the terminal period represents 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 is DKK 0.10 – 0.35 per game for the significant games for all periods. Budgets approved by 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 31/12/2017				
Endless runner	1,250	2,262	2,262	2,262
Sports	556	445	445	445
MOBA	0	218	218	218
Others	0	0	0	0
Hugo Games group	1,806	2,925	2,925	2,925

DAU after year end (in thousands)	6 months	12 months	24 months	36 months
Cash-generating Units 31/12/2016				
Endless runner	151	1,256	2,180	2,725
Others	22	21	14	17
Hugo Games group	173	1,277	2,194	2,742

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

12 Other Equipment

DKK´000	Other equipment
Financial Year 2017	
Costs as at 01.01.2017	**172**
Additions	301
Disposals	-151
Effect of exchange rate adjustment	-11
Costs as at 31.12.2017	**311**
Amortisation and impairment losses as at 01.01.2017	**115**
Amortisation	152
Disposals	-113
Effect of exchange rate adjustment	-2
Amortisation and impairment losses as at 31.12.2017	**152**
Carrying amount as at 31.12.2017	**159**
Financial Year 2016	
Costs as at 01.01.2016	**148**
Additions	24
Costs as at 31.12.2016	**172**
Amortisation and impairment losses as at 01.01.2016	**85**
Amortisation	30
Amortisation and impairment losses as at 31.12.2016	**115**
Carrying amount as at 31.12.2016	**57**

13. Trade Receivables

DKK´000	2017	2016
Gross receivables	913	836
Provision for losses	0	0
Total	**913**	**836**
Receivables due 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

As of 31.12.2017 the company's share capital consists of 41,253,703 shares of DKK 0.50 each. The shares are fully paid up. The shares are not divided into classes, and no shares enjoy special rights.

Treasury shares

The group held no treasury shares at the end of the 2017 or 2016 reporting periods.

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 judgments.

Dividend

It is proposed that no dividend be paid.

15. Payables to credit institutions

DKK´000	Currency	Term to mature	Interest	Carrying amount	Fair value
31.12.2017:					
The Danish Growth fund (vækst-fonden), floating-rate loan	DKK	n/a	CIBOR + 6.6%	3,148	3,148
Total as at 31/12/2017				**3,148**	**3,148**
The loan will be paid back as at 01.04.2018 to save interest in 2018.					
31.12.2016:					
The Danish Growth fund (vækst-fonden), floating-rate loan	DKK	2.5 years	CIBOR + 6.6%	5,081	5,954
Total as at 31/12/2016				**5,081**	**5,954**

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 2017 or 2016.

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. Provisions

DKK´000	31/12/2017	31/12/2016
Provisions at 01/01/2017	6,169	0
Provisions made during the year	0	6,169
Provisions reversed during the year	-3,065	0
Total	**3,104**	**6,169**
Receivables due not written down:		
Non-current liabilities	0	0
Current liabilities	3,104	6,169
Total	**3,104**	**6,169**

Provision consists of expected onerous contracts.

17. Business combinations

On 12 April 2017, the Group acquired 50,9% of the shares of Fuzzy Frog Ltd., and obtained control of the company. The company is based in Nottingham, UK that have strong development experience within the mobile games industry. The Group has acquired Fuzzy Frog Ltd. to secure a more streamlined and cost-effective development organization going forward. The acquisition has been accounted for using the acquisition method.

The fair values of the identifiable assets and liabilities of Fuzzy Frog Ltd. as at the date of acquisition were:

DKK´000	2017
Property, plant and equipment	243
Cash	769
Other current assets	1,452
Current liabilities	-1,389
Deferred tax liability	-46
Total identifiable net assets at fair value	**1,029**
Non-controlling interest	-505
(proportionate share in the identifiable net assets)	
Goodwill arising on acquisition	2,601
Purchase consideration transferred	**3,125**

No cash flows on acquisition except net cash acquired with the subsidiary (included in cash flows from investing activities).

The Company issued 4,479,895 ordinary shares as consideration for the 50,9% interest in Fuzzy Frog Ltd. The fair value of the shares is calculated with reference to the quoted price of the shares of Hugo games A/S at the date of acquisition, which was NOK 0,85 per share. The fair value of the consideration given was therefore DKK 3.1m.

From the date of acquisition, Fuzzy Frog Ltd. has contributed DKK 0.7m of revenue and DKK -1.0m to the net profit of the Group. If the acquisition had taken place at the beginning of the year, revenue would have been DKK 3.8m and the profit for the period would have been TDKK 23.6m.

The goodwill recognized is primarily attributed to the expected synergies and other benefits from combining the assets and activities of Fuzzy Frog Ltd. with those of the Group. The goodwill is not deductible for income tax purposes.

The fair value and the gross amount of the trade receivables amounts to DKK 0.7m.

Transaction costs of DKK 0.3m have been expensed and are included in administrative expenses in the statement of profit or loss and are part of operating cash flows in the statement of cash flows.

Put options granted to non-controlling interests are recognised as financial liabilities measured at the present value of the redemption amount at the acquisition date. The corresponding debit is made to equity attributable to the parent. All subsequent changes in the carrying amount of the financial liability that result from the remeasurement of the present value of the amount payable upon exercise of the NCI put are recognised in the profit or loss attributable to the parent.

18. Contingent liabilities

The group companies were taxed jointly with the other companies of 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 considers the risk of significant adjustments related to income tax to be low.

Performance bonus to credit institutions (ref. note 15) is limited to DKK 5.7m.

19. Security provided

As security for payables to credit institutions of DKK 3.1m (2016: DKK 5.1m), the subsidiary has provided a company charge of DKK 7.5m (2016: DKK 7.5m) 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 13.0m (2016: DKK 14.5m).

20. Operational lease commitments

The group has concluded operating leases in respect of office premises. The leases are based on fixed lease payment, which are index-adjusted over every year. The leases are non-terminable.

DKK´000	**31/12/2017**	**31/12/2016**
Total, future minimum lease payments are distributed as follows:		
Within one year	178	105
1-5 years	0	0
After 5 years	0	0
Total	**178**	**105**
Operating lease payment recognised in the income statement amount to	746	418
Total	**746**	**418**

21. Financial risks and financial instruments

Risk management policy

The group's financial risks are managed by the Executive Management. The group has not prepared particular policies for the identification and handling of risks. Managing the group's risks forms part of the Executive Management'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 year-end equity:

	2017		2016	
Amounts in DKK '000	Income statement	Equity	Income Statement	Equity
The Danish Growth Fund (*Vækstfonden*), floating-rate loan	-8	-8	-36	-36
Total	-8	-8	-36	-36

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% point
- The above changes are regarded as reasonably probable based on the current market situation and expectations for the developments in the level of market interest rates.

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.

21. Financial risk 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, GBP and USD 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 31/12/2017			
Change in NOK rate	+ 5%	+683	+683
Change in NOK rate	- 5%	-683	-683
Change in GBP rate	+ 5%	+437	+437
Change in GBP rate	- 5%	-437	-437
Change in USD rate	+5%	-157	-157
Change in USD rate	-5%	+157	+157

Amounts in DKK '000		Effect on loss before tax	Effect on pre-tax equity
Year end 31/12/2016			
Change in NOK rate	+ 5%	+297	+297
Change in NOK rate	- 5%	-297	-297
Change in GBP rate	+ 5%	-22	-22
Change in GBP rate	- 5%	+22	+22
Change in USD rate	+5%	-283	283
Change in USD rage	-5%	+283	+283

Foreign currency risks are managed as part of the Executive Management's day-to-day monitoring of the group.

Financial assets carried at fair value through profit and loss comprises held for trading derivatives that are not designated as hedge accounting recognised at a fair value of DKK 108,000 under Other payables.

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 judgments.

21. Financial risk and financial instruments – continued –

DKK´000	Within 1 year	1-2 year(s)	2-5 years	Over 5 years	Total
As at 31/12/2017:					
Other Credit institutions	3,148	376	0	0	3,524
Trade Payables	1,833	0	0	0	1,833
Provisions	3,104	0	0	0	3,104
Other payables	1,856	0	0	0	1,856
Total as at 31/12/2017	**9,941**	**376**	**0**	**0**	**10,317**
As at 31/12/2016:					
Other Credit institutions	2,272	2,749	1,755	0	6,776
Trade Payables	2,202	0	0	0	2,202
Provisions	6,169	0	0	0	6,169
Other payables	1,396	0	0	0	1,396
Total as at 31/12/2016	**12,039**	**2,749**	**1,755**	**0**	**16,543**

21. Related parties

Ownership

The following shareholders are registered in Hugo Games´ register as being the owners of 5% or more of the voting rights or 5% or more of the share capital (1 share equals 1 vote):

Aula Invest ApS, Vitus Berings Alle 16, DK 2930 Klampenborg
HNI Trading ApS, Vedbæk Strandvej 386, DK 2950 Vedbæk
EDP APS, Dronninggårds Alle 40B, DK 2840 Holte
Tigerstaden AS, Apalveien 6, NO 0371 Oslo
Silvercoin, Industries AS, Tyrihjellveien 27, NO 1639 Gamle Fredrikstad

Transactions with Aula Invest ApS

The group had a loan from Aula Holding ApS of up to DKK 2m during the period from 9 May 2017 to 23 June 2017 (2016: DKK 5m).
Interest on the above items is calculated at DKK 0.

22. Related parties – continued –

Equity investments in other companies

Name	Registered office	Ownership interest
Subsidiaries		
Hugo Games Development ApS	Copenhagen	100%
Ivanoff Interactive A/S	Copenhagen	100%
Fuzzy Frog Limited	Nottingham	50,9%

Transactions with key management employees

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

Transactions with other related parties

The group has acquired legal services for DKK 1.433m (2015: DKK 1.490) from law firm Delacour, in which board member Rasmus Lund is a partner. The legal services were acquired on arm's length terms.

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

DKK´000	2017	2016
Grant Thornton		
Statutory audit	158	185
Other assurance engagements	196	123
Tax Consultancy	8	24
Other services	79	94
Total fees for the year	**441**	**426**

24. Events occurring after the balance sheet date

No important events have occurred after the end of the financial year.

25. Approval of the annual report for publication

At the board meeting on 22 March 2018, the Board of Directors approved 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 24 April 2018.

26. New accounting regulations

The IASB has issued a number of new standards and amendments to standards, which are effective for accounting periods beginning on 1 January 2018 or later. Therefore, they are not incorporated in the consolidated financial statements. Standards and interpretations issued before 31 December 2017, of relevance for the Group, and expected to change current accounting regulation are described below.

- IFRS 9 Financial instruments. The IASB has issued IFRS 9 "Financial Instruments", with an effective date of 1 January 2018. The EU has endorsed IFRS 9. The Group will adopt IFRS 9 on the effective date. IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities and introduces new rules for hedge accounting. The Group plans to adopt the new standard, retrospectively in accordance with the standard, on the required effective date. Based on the current accounting treatment of the Group's financial instruments the application of IFRS 9 will not have an impact on the financial position or financial performance of the Group.
- IFRS 15 Revenue from contracts with customers. The IASB has issued IFRS 15 "Revenue from contracts with customers" and Clarifications to IFRS 15 with an effective date of 1 January 2018. The EU has endorsed IFRS 15. The Group will adopt IFRS 15 on the effective date. With the implementation of IFRS 15, entities will apply a five-step model to determine when, how and at what amount revenue is to be recognized depending on whether certain criteria are met. Based on the review performed, IFRS 15 will not have an impact on the financial position or financial performance of the Group. However, new disclosures will be required.
- IFRS 16 Leases. The IASB has issued IFRS 16 "Leasing", with an effective date of 1 January 2019. The EU has endorsed IFRS 16. The Group plans to adopt the new standard on the required effective date. The standard requires that all leases be recognized in the balance sheet with a corresponding lease liability, except for short term assets and minor assets. Leased assets are amortized over the lease term, and payments are allocated between instalments on the lease liabilities and interest expense, classified as financial items. The Group is currently evaluating the impact on the consolidated financial statements and the most significant impact will be the recognition of new assets and liabilities for its operating lease of office facilities. In addition, the nature of the expenses related to those leases will now change as IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right of use assets and interest expense on lease liabilities. Upon implementation on 1 January 2019, assuming that no new material leases are entered into and no amendments to existing leases are made, the Group is expected not to recognize significant lease assets or liabilities. However, IFRS 16 requires the Group to make more extensive disclosures than under IAS 17.

Parent company accounting policies

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 set out below. For a complete description of the parent company's accounting policies, 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 newly-acquired companies are recognised at fair value at the date of acquisition.

The goodwill (positive difference) determined at the date 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 in accordance with section 86(4) of the Danish Financial Statements Act.

Parent Company income statement

DKK´000	Note	2017	2016
Other External expenses		-2,147	-1,940
Staff costs	1	-1,567	-2,443
Operating loss		**-3,714**	**-4,383**
Share of loss from equity investments in group companies	2	-18,080	-56,452
Other financial income	3	1,553	1,998
Other financial expenses	3	-817	-6
Total net financials		**-17,344**	**-54,460**
Loss before tax		**-21,058**	**-58,843**
Tax on loss	4	-462	318
Nett Loss		**-20,596**	**-59,161**
Proposed distribution of net loss:			
Dividend for the financial year		0	0
Retained earnings		-20,596	-59,161
Total		**-20,596**	**-59,161**

Parent company balance sheet

DKK´000	Note	2017	2016
Equity investments in group companies	3	9,938	2,008
Total non-current assets		**9,938**	**2,008**
Current Assets:			
Receivables from group companies		1,978	4,147
Receivables from related parties		0	1,126
Tax receivable		462	259
Other receivables		108	51
Total receivables		**2,548**	**5,583**
Cash		47,483	7,284
Total current assets		**50,031**	**12,867**
Total assets		**59,969**	**14,875**

EQUITY AND LIABILITIES

DKK´000	Note	2017	2016
Equity:			
Share Capital		20,626	22,637
Special reserve		22,461	0
Retained earnings		15,938	-8,417
Total equity	5	**59,025**	**14,220**
Total Equity		**59,025**	**14,220**
Current liabilities			
Trade payables		944	649
Income tax payable		0	0
Payable to group Companies		0	6
Total current liabilities		**944**	**655**
Total Liabilities		**944**	**655**
Total equity and liabilities		**59,969**	**14,875**

Parent company notes

1. Staff Costs

DKK´000	2017	2016
Wages and salaries	1,411	2,347
Pensions	156	96
Other social security costs	0	0
Total	**1,567**	**2,443**
Average number of employees during the year	2	2

Remuneration of board of directors and executive management:

Board of directors:

Cash remuneration	265	480
Pensions	0	0
Capital increase / right issue assistance	0	150
Total	**265**	**630**

Executive management:

Gross Salary	1,143	1,867
Pension Contribution	159	96
Total	**1,302**	**1,963**

2. Investments in group companies

DKK´000	2017	2016
Costs at 01/01/2017	24,402	24,402
Additions during the year	3,125	0
Disposals during the year	0	0
Change in deferred tax	0	0
Total tax for the year	**27,527**	**24,402**
Value adjustments as at 01/01/2017	-79,487	-23,035
Subsidy to Group company	80,000	0
Share of loss before amortisation of goodwill during the year	-17,730	-57,859
Foreign exchange loss investments group companies	-22	0
Amortisation of goodwill during the year	-375	-190
Elimination of intercompany profit after tax	25	1,597
value adjusted as at 31/12/2017	**-17,589**	**-79,487**
Carrying amount as at 31/12/2017	9,938	-55,085
Group company with positive equity	0	57,093
Group company with positive equity	**9,938**	**2,008**

Parent company notes

The group companies are:

DKK´000	Owner-ship	Municipality of registered office	Equity 31.12. 2017	Result 2017
Hugo Games Development ApS	100.0%	København K	5,860	-17,710
Ivanoff Interactive A/S	100.0%	København K	2,061	53
Fuzzy Frog Limited	50.9%	Leicestershire	1,631	-56

3. Financial Items

DKK´000	2017	2016
Financial income includes interest from group enterprises	1,548	1,875
Financial expenses include interests to group enterprises	0	0

4. Tax

DKK´000	2017	2016
Current tax for the year	0	0
Prior year adjustments	0	-9
Tax credit scheme/joint taxation contributions	-462	-1,039
Change in deferred tax	0	1,366
Total tax for the year	**-462**	**318**

Tax comprises:

tax on loss for the year	-462	318
Tax on changes in equity	0	0
total	**-462**	**318**

5. Equity

DKK´000	Share capital	Reserve capital reduction	Share premium	Retained Earnings	Proposed dividend	Hugo Games shareholder´s share of EQUITY
Equity as at 01.01.2017	**22,637**	**0**	**0**	**-8,417**	**0**	**14,220**
Purchase/sale of treasury shares						
Capital Increase	43,451		26,892			**70,343**
Share capital reduction	-45,461	22,461		23,000		**0**
Adjustment of acquisition balance			-1,268			**-1,268**
Costs related to capital increase			-3,651			**-3,651**
Exchange rate adjustments				-22		**-22**
Transfer of reserves			-21,973	21,973		**0**
Proposed distribution of net loss				-20,596		**-20,596**
Equity as at 31.12.2017	**20,627**	**22,461**	**0**	**15,938**	**0**	**59,026**
Equity as at 01.01.2016	**12,500**	**0**	**0**	**38,984**	**0**	**51,484**
Purchase/sale of treasury shares						
Capital increase	10,137		14,863			**25,000**
Costs of capital increase			-3,103			**-3,103**
Transfer of reserves			-11,760	11,760		**0**
Proposed distribution of net loss				-59,161		**-59,161**
Equity as at 31.12.2016	**22,637**	**0**	**0**	**-8,417**	**0**	**14,220**

History of share capital development since incorporation

Date	Type of change	Change in Share Capital DKK	Per value DKK	Total share capital DKK	Number of new shares	Total number of shares
13.04.2011	Formation	80,000	1.00	80,000	80,000	80,000
09.09.2014	Share capital increase	28,917	1.00	108,917	28,917	108,917
30.12.3025	Conversion to A/S	9,891,083	1.00	10,000,000	9,891,083	10,000,000
06.02.2016	Share split	0	0.50	10,000,000	10,000,000	20,000,000
26.06.2015	Share capital increase	2,500,000	0.50	12,500,000	5,000,000	25,000,000
27.01.2016	Share capital increase	137,074	0.50	12,637,074	274,148	25,274,148
03.08.2016	Share capital increase	10,000,000	0.50	22,637,074	20,000,000	45,274,148
12.04.2017	Share capital increase	2,239,948	0.50	24,877,022	4,479,895	49,754,043
12.06.2017	Share capital increase	31,948,835	0.50	56,825,857	63,897,670	113,651,713
31.10.2017	Share split	-22,460,686	0.50	34,365,171	-44,921,371	68,730,342
29.11.2017	Share split	-23,000,000	0.50	11,365,171	-46,000,000	22,730,342
01.12-2017	Share capital increase	9,261,680	0.50	20,626,851	18,523,361	41,253,703

6. 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. Effective from 26 June 2015, the parent company has been taxed jointly with the subsidiaries Hugo Games Development ApS and Ivanoff Interactive 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.

At 31 December 2017, the parent company provided a guarantee to a credit institution for the loan to the subsidiary Hugo Development ApS of up to a maximum amount of DKK 3,115k.

7. Security provided

None.