



MANAGEMENT BOARD'S REPORT ON THE ACTIVITIES
OF THE CAPITAL GROUP TEN SQUARE GAMES S.A. AND TEN SQUARE GAMES S.A.
FOR 1st Half 2019
Wrocław, 27/08/2019

Disclaimer

This English language translation has been prepared solely for the convenience of English speaking readers. Despite all the efforts devoted to this translation discrepancies, omissions or approximations may exist. In case of any differences between the Polish and the English versions, the Polish version shall prevail.

Ten Square Games S.A., its representatives and employees decline all responsibility in this regard.

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1. BASIC INFORMATION

The Ten Square Games S.A. Capital Group consists of a parent company and subsidiaries. Ten Square Games S.A. ("Parent Company") was established through the transformation of Ten Square Games Sp. z o.o., which was registered by the District Court on 20 November 2017.

Basic data on the Parent Company:

Name	Ten Square Games S.A.
Legal form	Spółka Akcyjna
Registered seat	ul. Długosza 60, 51-162 Wrocław
Registration country	Poland
Core business activity	publishing activity with regard to computer games (58.21.Z)
Authority keeping the register entry no.	District Court, VI Commercial Division of the National Court Register 0000704863
Statistical Business Number (REGON)	021744780
Tax Identification Number (NIP)	8982196752
Company duration	indefinite

As at 30/06/2019 and as at 28/08/2019 the composition of the management and supervisory bodies is as follows:

The Management Board:

Maciej Popowicz – President of the Management Board;

Arkadiusz Pernal – Vice-President of the Management Board.

Magdalena Jurewicz – Member of the Management Board.

Between 1 January 2019 and 27/08/2019 there were no changes in the composition of the Management Board.

Supervisory Board:

Maciej Zużalek – Chairman of the Supervisory Board;

Rafał Olesiński – Vice-Chairman of the Supervisory Board;

Marcin Chruszczyński – Member of the Supervisory Board;

Tomasz Drożdżyński – Member of the Supervisory Board;

Maciej Marszałek – Member of the Supervisory Board;

Milena Olszewska-Miszuris – Member of the Supervisory Board;

Wiktor Schmidt – Member of the Supervisory Board.

Between 1 January 2019 and 27/08/2019 the following change took place: Ms. Milena Olszewska-Miszuris joined the Supervisory Board as a Member of the Supervisory Board on 14.01.2019.

The shareholder structure (including the list of shares held by managing and supervising persons) of the Parent Company as at 27/08/2019 is as follows:

Shareholder	Number of shares as at 27/08/2019	share in basic capital	number of votes at GSM	% share in the number of votes
President of the Management Board – Maciej Popowicz	2,852,500	39.39%	2,852,500	39.39%
Vice-President of the Management Board – Arkadiusz Pernal	1,365,000	18.85%	1,365,000	18.85%
Member of the Board – Magdalena Jurewicz	25,000	0.35%	25,000	0.35%
NN PTE ^{3*}	565,000	7.80%	565,000	7.80%
Member of the Supervisory Board – Maciej Zużalek	75,000	1.04%	75,000	1.04%
Member of the Supervisory Board – Maciej Marszałek	52,500	0.73%	52,500	0.73%
Member of the Supervisory Board – Rafał Olesiński	669	0.01%	669	0.01%
<i>other</i>	2,305,576	31.84%	2,305,576	31.84%
TOTAL	7,241,245	100%	7,241,245	100%

¹Consistent with current report no. 8 of 11 May 2018

²Consistent with current report no. 9 of 11 May 2018

³State consistent with current report no. 10 of May 11, 2018

* NN Otwarty Fundusz Emerytalny (Open Pension Fund) and NN Dobrowolny Fundusz Emerytalny (Voluntary Pension Fund) – both funds managed by NN Powszechnie Towarzystwo Emerytalne (General Pension Management Company)

Share series	Type of shares	Number of shares as at 27/08/2019	Nominal value per share	Total nominal value of shares
A	ordinary	7,225,000	0,1 PLN	722,500.00
B	ordinary	16,245	0,1 PLN	1,624.50

Shareholder	number of shares as at 30/06/2019	share in basic capital	number of votes at GSM	% share in the number of votes
President of the Management Board – Maciej Popowicz	2,852,500	39.48%	2,852,500	39.48%
Vice-President of the Management Board – Arkadiusz Pernal	1,365,000	18.89%	1,365,000	18.89%
Member of the Board – Magdalena Jurewicz	25,000	0.35%	25,000	0.35%
NN PTE ^{3*}	565,000	7.82%	565,000	7.82%
Member of the Supervisory Board – Maciej Zużalek	75,000	1.04%	75,000	1.04%
Member of the Supervisory Board – Maciej Marszałek	52,500	0.73%	52,500	0.73%
Member of the Supervisory Board – Rafał Olesiński	669	0.01%	669	0.01%
<i>other</i>	2,289,331	31.69%	2,289,331	31.69%
TOTAL	7,225,000	100%	7,225,000	100%

Share series	Type of shares	Number of shares as at 30/06/2019	Nominal value per share	Total nominal value of shares
A	ordinary	7,225,000	0.1 PLN	722,500.00

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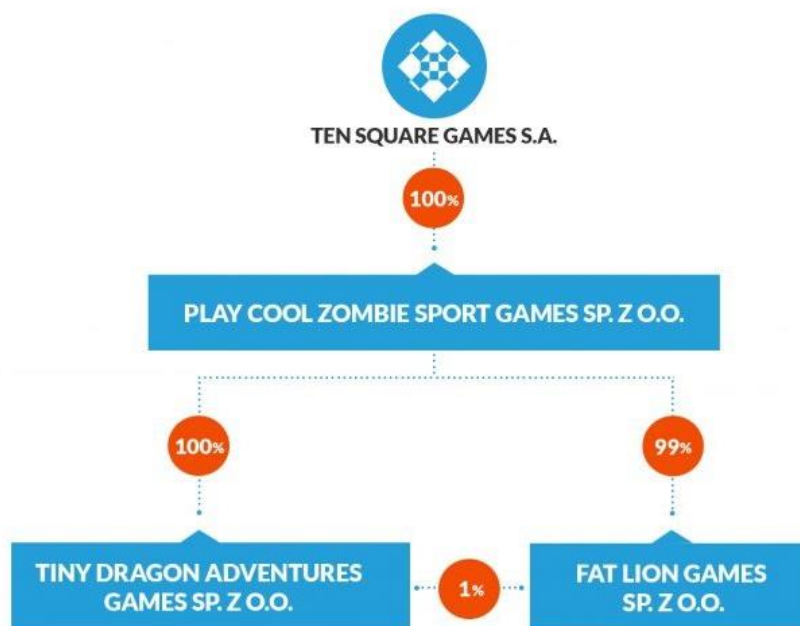
Shareholder	Number of shares as at 31/12/2018	share in basic capital	number of votes at GSM	% share in the number of votes
President of the Management Board – Maciej Popowicz	2,852,500	39.21%	2,852,500	39.21%
Vice-President of the Management Board – Arkadiusz Pernal	1,365,000	18.76%	1,365,000	18.76%
Member of the Board – Magdalena Jurewicz	25,000	0.34%	25,000	0.34%
NN PTE ^{3*}	565,000	7.77%	565,000	7.77%
Member of the Supervisory Board – Maciej Zużalek	75,000	1.03%	75,000	1.03%
Member of the Supervisory Board – Maciej Marszałek	52,500	0.72%	52,500	0.72%
Member of the Supervisory Board – Rafał Olesiński	669	0.01%	669	0.01%
<i>other</i>	<i>2,339,331</i>	<i>32.16%</i>	<i>2,339,331</i>	<i>32.16%</i>
TOTAL	7,275,000	100%	7,275,000	100%

Share series	Type of shares	Number of shares as at 31/12/2018	Nominal value per share	Total nominal value of shares
A	ordinary	7,275,000	0.1 PLN	727,500.00

Changes in the share capital between 31 December 2018 and 27 August 2019 result from:

- 1) reduction of the share capital due to the submission of a motion by a shareholder aimed at voluntary redemption of shares (resolutions of the Extraordinary General Meeting of Shareholders of 14 January 2019 and 17 January 2019), which was registered by the District Court on 22 February 2019. The capital was reduced by 50,000 shares with a total nominal value of PLN 5,000.
- 2) the Company's Management Board's adoption of a resolution of 12 June 2019 on the issue of shares within the framework of the target share capital increase. The share capital increase is related to the implementation of the Company's incentive scheme. The share capital was increased by 16,245 shares with a total value of PLN 1,624.50, which was registered by the District Court on 24 July 2019.

Composition of the Capital Group as at 30/06/2019 and 27/08/2019:



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There were no changes in the organization of the Capital Group in the period between 1 January 2019-27 August 2019. All entities indicated in the above diagram of the Capital Group are subject to consolidation.

2. SELECTED FINANCIAL DATA

CONSOLIDATED DATA IN PLN

Specification	01/01/2019 - 30/06/2019		01/01/2018 - 30/06/2018	
	PLN	EUR	PLN	EUR
STATEMENT OF COMPREHENSIVE INCOME				
Net revenues	95,181,244	22,197,118	38,270,510	9,027,128
Own selling costs	4,641,503	1,082,440	3,477,926	820,362
Costs of sales	59,167,783	13,798,457	17,729,952	4,182,086
General and administrative costs	2,977,837	694,458	2,055,119	484,755
Operating profit (loss)	28,425,772	6,629,145	15,008,027	3,540,046
Gross profit (loss)	28,618,466	6,674,083	15,531,416	3,663,502
Net profit (loss)	23,409,591	5,459,326	12,526,668	2,954,751
CONSOLIDATED CASH FLOW STATEMENT				
Net cash flows from operating activities	18,236,734	4,252,970	11,850,139	2,795,174
Net cash flows from investment activities	-1,891,433	-441,099	-850,775	-200,678
Net cash flows from financial activity	-27,310,500	-6,369,053	-5,110,193	-1,205,376

Specification	30/06/2019		31/12/2018	
	PLN	EUR	PLN	EUR
CONSOLIDATED BALANCE SHEET				
Fixed assets	4,432,741	1,042,507	2,701,316	628,213
Current assets	47,860,542	11,256,007	51,766,242	12,038,661
Equity	38,583,664	9,074,239	42,084,424	9,787,075
Long-term liabilities	587,326	138,129	359,388	83,579
Short-term liabilities	13,122,293	3,086,146	12,023,746	2,796,220

EUR/PLN exchange rate	2019	2018
– for the balance-sheet data	4.2520	4.3000
– for the data from the profit and loss statement and cash flow statement	4.2880	4.2395

In order to convert the balance-sheet data, the average exchange rate quoted by the National Bank of Poland at the balance sheet date was adopted.

In order to convert the positions under the comprehensive income statement and the cash flow statement, the exchange rate which is the arithmetical average of the exchange rates quoted by the National Bank of Poland at the last day of each month of a given period was adopted.

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DISTRIBUTION OF CONSOLIDATED REVENUES BETWEEN GAMES AFTER QUARTERS

game	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019
Fishing Clash	7,559,687	17,527,268	28,846,155	34,830,640	37,524,342	43,146,664
Let's Fish	3,704,913	3,748,715	4,317,775	4,681,695	4,095,505	3,316,451
Wild Hunt	668,209	926,445	1,264,693	2,020,821	2,439,365	2,094,188
other	2,467,083	1,668,189	1,007,841	1,238,266	1,227,884	1,368,393
PAYMENTS TOTAL*	14,399,892	23,870,618	35,436,464	42,771,423	45,287,096	49,925,696
deferred income	0	0	0	-1,220,739	16,544	-48,092
REVENUE TOTAL	14,399,892	23,870,618	35,436,464	41,550,684	45,303,640	49,877,604

Under the notion of payment, the Group recognizes income not reduced by deferred income (in the case of micropayments, these are payments made by users during a specified period.) The amount of deferred income results from the estimation of unused virtual currency by active players as at the balance sheet date. The amount of such deferred income is disclosed in the financial statements under the balance sheet item "settlement of deferred income".

DIVISION OF CONSOLIDATED SALES COSTS AFTER QUARTERS

Specification	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019
Costs of sales	5,643,579	12,086,373	19,599,257	21,305,935	29,688,819	29,478,964
marketing:	1,719,515	4,933,309	8,762,276	8,616,331	15,487,704	14,286,418
- Fishing Clash	1,619,894	4,829,482	8,609,506	8,350,273	15,060,121	14,014,231
- Wild Hunt	87,552	87,459	130,327	197,001	383,148	222,937
- other titles, events	12,069	16,368	22,443	69,057	44,435	49,250
commissions	3,035,466	6,101,737	9,660,729	11,346,164	12,552,593	14,000,307
revenue share	372,292	385,063	414,537	447,634	441,691	331,973
remunerations, services provided by subcontractors	348,530	492,659	609,430	709,782	892,588	665,773
other	167,776	173,605	152,286	186,024	314,243	194,492

As the separate and consolidated data for Ten Square Games S.A. and the Ten Square Games S.A. Capital Group are similar (trends for particular balance sheet items and results overlap), the Management Board of the Parent Company performs a joint analysis for the consolidated data.

A nearly 150% increase in revenues in the first half of 2019 was caused by a further increase in popularity, and consequently in revenues and payments, of the group's main game – Fishing Clash. Payments made in relation to this title increased by PLN 55.6 million in the analysed period (PLN 80.7 million in January-June 2019 as compared to PLN 25.1 million in January-June 2018). Additionally, when analysing the dynamics of payments after quarters, Q2 2019 was the best quarter in this respect so far, as Fishing Clash generated PLN 43.2 million, compared to PLN 37.5 million in Q1 2019. The game is supported by significant marketing spending – for the first half of 2019 the budget amounted to PLN 29 million as compared to PLN 6.5 million in the corresponding period of the previous year. In Q2 2019 PLN 14 million was spent on advertising as compared to PLN 15 million in Q1 2019.

The second title of the group, Let's Fish, also did well, generating an almost identical level of payments in the first half of 2019 as in the first half of 2018 (PLN 7.4-7.5m). Q2 2019 was entirely devoted to the challenging change of the technology platform and the rewriting of the title from gradually decommissioned Flash technology to HTML5. The actual switchover of the game version production took place in July 2019. The focus on data migration and testing at the expense of product development was not without impact on financial results. Q2 ended with PLN 3.3 million in payments as compared to PLN 3.7 million in Q2 2018.

Another game, Wild Hunt, generated PLN 2.1 million in Q2 2019. This is the third consecutive quarter in which payments were between PLN 2.0 million and PLN 2.5 million per quarter. This title is supported by a small marketing budget, which amounted to PLN 0.2 million in Q2 2019 compared to PLN 0.4 million in Q1 2019.

The Group does not note significant seasonality of sales. The level of revenues depends on the life cycle of a given game (group of games) and marketing expenses.

Selling expenses include mainly salaries and wages of the Company's employees and associates. The costs increase in the first half of 2019 results from an increase in the level of employment in the comparable periods and from a greater number of ongoing projects.

The increase in selling expenses results chiefly from an increase in marketing expenses in the comparative periods, which is also described in the above paragraphs. Another significant component of expenses, i.e. commissions, is fully dependent on the level of payments and the amount of commissions increases in proportion to the increase of payments.

The increase in general and administrative expenses in 2019 was caused by the expansion of general corporate departments, including finance, personnel and HR, as well as by a general increase in the number of employees and associates, which translates into higher office maintenance costs.

The Group's consolidated net profit for the first half of 2019 amounted to PLN 23.4 million and was higher by PLN 10.9 million than in the first half of 2018, which means an increase by 87%.

The increase in cash flows from operating activities (+54%) is a result of good financial results, for which the global success of the Fishing Clash game is responsible. The Group's investment activities are related to the production of new titles – in the first half of 2019 the Group worked on four games and in 2018 on two, hence a significant increase in capital expenditures in the analysed periods. Financing activities are cash flows related to the payment of dividends.

In balance sheet terms, high sales of the Group's products translate into an increase in current assets (increase in cash and increase in trade receivables), while at the end of June 2019 the Group paid out PLN 27.3 million in dividends, which significantly reduced the level of cash on a one-off basis. Additionally, a greater number of new projects translates into an increase in intangible assets.

During the analysed period, the Group has recorded an increase in the value of other receivables and a simultaneous decrease in other liabilities. These items include mainly VAT tax. The change in the VAT settlement sign (from liabilities to receivables) is related to receiving in 2019 invoices for advertising displayed on Facebook channels issued by a Polish entity, whereas in 2018 invoices (exclusive of VAT) were issued by an Irish company.

The increase in short-term liabilities results from the increase in current marketing spending, incurred mainly for the Fishing Clash game.

The Group (and the Parent Company) has high liquidity, all its liabilities are settled on time, and the Group does not have any problems with the collection of receivables.

3. BUSINESS PROFILE

The Group's and the Parent Company's activities focus on the design, production, distribution and development of games for mobile and stationary devices (browser games). The Group's products are available on the most important mobile platforms – iOS and Android, as well as on Internet portals.

The Group's game portfolio is developed in the *F2P* model in which downloading the game is free of charge, and revenues come from the following sources:



- additional functionalities purchased by the players (micropayments);
- advertisements displayed in games (ad monetisation);
- revenues from user activity in games, which are made available to the Company's business partners on the basis of licence agreements (licences).



4. KEY PRODUCTS

The Group's activities can be divided into two types of games, depending on the prevailing method of monetisation in the game.

- *Large F2Ps* – productions with an extensive gameplay model, monetised mainly through a micropayment mechanism issued exclusively by the Parent Company;
- *Game Factory* – games with simple storyline and simple gameplay model, monetised only by means of displaying advertisements – this type of products is dealt with by the subsidiaries of the Capital Group.

In addition to the existing titles, the Group also produces new games on an ongoing basis, mainly in the *Large F2P* model.

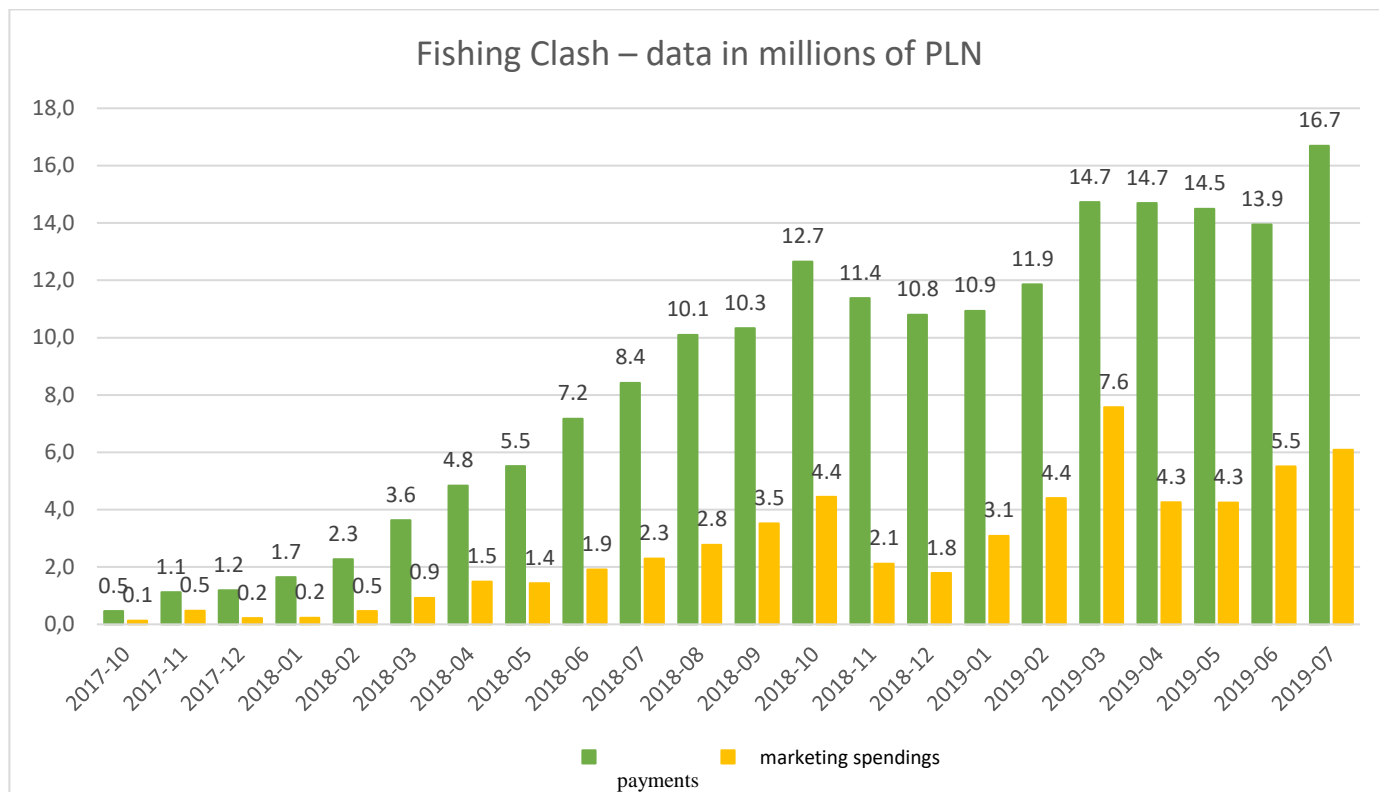
<i>Group's Key Productions</i>		
<i>Name</i>	<i>Description</i>	<i>Icons</i>
<i>Fishing Clash</i> <i>Mobile game app</i> <i>Date of launch:</i> <i>soft launch:</i> 06.2016 <i>hard launch:</i> 10.2017	Mobile fishing game app. Players have the opportunity to compete with anglers in excellent 3D graphics. Since its launch in October 2017, Fishing Clash has built its position as the most important mobile fishing game in the world, generating in the first half of 2019 over 80 million PLN revenue. Fishing Clash is the largest game of the Group.	
<i>Let's Fish:</i> <i>Mobile game app</i> <i>Date of launch:</i> <i>hard launch:</i> 01.2014 – Apple 06.2014 – Google <i>Browser games:</i> <i>Date of launch</i> <i>hard launch:</i> 01.2012	Browser fishing game with over 7 years of presence. The game features more than 400 species of fish and more than 40 amazing fishing spots. The player can develop their own strategy and experience their very own fishing adventure. Despite its age, the game still generates significant revenues (approx. PLN 7 million in the first half of 2019).	

<p>Wild Hunt Mobile game app Date of launch: soft launch: 04.2016 hard launch: 07.2017</p>	<p>Mobile hunting simulator designed with hunting fans in mind. Players can choose from a variety of hunting weapons. The game offers the opportunity to explore the world created in 3D graphics. Since its launch in 2017, the game has acquired a significant position among players and generated about 4.5 million revenue in the first half of 2019</p>	
<p>Game Factory game portfolio Approximately 250 titles published since 10.2015</p>	<p>Portfolio of Game Factory consists of about 250 titles of various themes, mainly in the sandbox model. Some of the games are: Theme Park Craft, Wild West Craft, Dollhouse, Parking Princess. Games by Game Factory are monetised on the basis of displayed advertisements. The Game Factory portfolio is not treated as a strategic area of the Group's development due to changes introduced on Google and Apple platforms in mid-2018. In the first half of 2019, Game Factory games were responsible for slightly over PLN 2 million of sales.</p>	

5. BRIEF DESCRIPTION OF THE ISSUER'S MATERIAL ACHIEVEMENTS AND FAILURES IN THE REPORTING PERIOD, TOGETHER WITH THE SPECIFICATION OF THE MOST IMPORTANT EVENTS RELATED TO THE ISSUER

The first half of 2019 saw the transfer of Fishing Clash revenue to a new, higher level due to further product development and the announced scaling of marketing budgets. Fishing Clash revenues in the analysed period increased to PLN 80.6 million as compared to PLN 63.6 million in the second half of 2018 (+27% y/y).

The marketing team concentrated on scaling and optimizing marketing expenditure on the promotion of Fishing Clash. Expenditures reached the total level of over PLN 29 million in the first half of 2019. The level of marketing expenses in March 2019 was related to the trial allocation of increased marketing budget, which translated into over PLN 7.5 million allocated in that month. After a one-month decrease in the profitability of marketing expenses, the Group decided to increase its budgets more moderately, which it considers to be more profitable in the long term. Consistent application of this approach translated into PLN 14 million spent in the second quarter of 2019 as compared to approximately PLN 15 million spent in the first quarter of 2019 and translated into an increase in Fishing Clash revenues to over PLN 16.7 million in July 2019.



The project team focused on product development, introducing improvements such as new types of fish and new fisheries, and improving the game's functionality. The success of Fishing Clash and good results of the Group's other products translated into very good financial performance of the Group in the first half of 2019 (revenues – PLN 95.2 million, net profit – PLN 23.4 million).

6. QUALITY PARAMETERS OF THE GAME CLASSES

Period:	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019
Fishing Clash – MAU* (average in the period)	1,206,433	1,456,767	1,862,515	1,499,813	1,991,253	1,435,734
Let's Fish - MAU (average in the period)	823,139	684,358	630,915	535,582	499,767	459,712
Wild Hunt – MAU* (average in the period)	538,589	432,313	1,384,340	1,249,584	843,800	668,371

In the case of Fishing Clash and Wild Hunt, the MAU level is significantly influenced by the so called featurings on distribution platforms. In the second quarter of 2019, MAU of Fishing Clash was close to the level recorded in Q4 2018. Featuring on the Google platform, which usually periodically raises this ratio, took place also in Q2, but was relatively smaller than in January, which translated into lower average MAU in the period. This is not a significant phenomenon in the scale of gaming operations. Good cooperation with Apple and Google platforms continues.

7. DESCRIPTION OF FACTORS AND EVENTS, INCLUDING THE UNUSUAL ONES, HAVING A SIGNIFICANT IMPACT ON THE CONDENSED FINANCIAL STATEMENT

In the period from January 1, 2019 to June 30, 2019, there were no unusual events which had a significant impact on the semi-annual consolidated condensed financial statement.

8. SIGNIFICANT ACHIEVEMENTS IN THE FIELD OF RESEARCH AND DEVELOPMENT

The Parent Company works on the development of new games. In the first half of 2019 four games were being developed:

- Golf Rush – the game had its Soft Launch in April 2019, currently the Group is at the stage of optimising the gameplay, including intensive work on changes in the game model, key game mechanics and graphic design.
- A hobby game – Soft Launch is planned at the end of 2019;
- Two games from the area of games for women – launch dates have not yet been specified precisely. The Group has created playable versions of both games (prototypes) and their development is continuing. One of the projects has already passed the first tests, and with good results. The projects are carried out at a very good pace and with high quality.

Subsidiaries focus on publishing smaller titles, whose aim is to test new ideas on the market while generating revenue.

9. FORCASTED DEVELOPMENT OF THE ENTITY AND THE GROUP

The Group's strategy is based on the exploration and innovative combination of the most effective models of *Free 2 Play* games with interesting themes. Its implementation is a consistent combination of experience gained in the production of complex F2P games with continuous research of the market and players' preferences. The development of the Group and the Entity will be influenced by new titles issued, as well as optimisation of activities for existing products.

10. SIGNIFICANT EVENTS OCCURRING AFTER THE END OF THE INTERIM PERIOD WHICH WERE NOT REFLECTED IN THE FINANCIAL STATEMENT FOR A GIVEN INTERIM PERIOD

In the period from 1 July 2019 to 27 August 2019 there were no significant events not reflected in the financial statements of the Group.

11. INDICATION OF FACTORS WHICH, IN THE ISSUER'S OPINION, WILL AFFECT THE PERFORMANCE OF THE ISSUER IN THE PERSPECTIVE OF AT LEAST THE NEXT QUARTER AND DESCRIPTION OF BASIC THREATS AND RISKS RELATED TO THE REMAINING MONTHS OF THE FINANCIAL YEAR

In the subsequent quarters of 2019 the Group intends to continue the development of its activity in current areas of operation.

Further development of Fishing Clash shall have a crucial impact on the Group's results in the subsequent quarters. The improvement of results, both in the product and marketing sphere, may significantly influence the result of the subsequent quarter. In order to utilize this potential, the Group constantly conducts optimized live-ops activities, continues the development of product functionality and intensifies its marketing efforts by allocating higher budgets for activities which, in the Group's opinion, result in positive ROI.

The Group is also working on launching a version of Fishing Clash on the Chinese market. At the turn of August and September 2019, the first activity on this market is planned – it may be a soft launch of a game on one of the platforms, most likely iOS. The decision depends entirely on the partner, i.e. Netease.

Factors that may affect the Group's performance in the future are also the results of the Group's tests of new productions (soft launch). This year saw the soft launch of the Golf Rush game, and in the fourth quarter of this year, a soft launch of a new hobby game is planned.

At the same time, we are working on two games for women for whom the soft launch date has not been set yet. The group already has playable versions of both games and is continuing its intense development work.

The main axis of the Group's development is organic growth understood as production and distribution of own F2P games. In the future, however, the Group does not rule out acquisitions, investments or publishing contracts concluded with other entities producing games in a similar gaming model.

External factors that could affect the Group's results include the U.S. dollar exchange rate, the appearance of competitive products on the Group's gaming market, advertising market parameters such as the prices and supply of advertising displayed in the Group's games and the prices of advertising purchased by the Group. The price of advertising purchased by the Group may be affected by competition in the advertising market outside the Group's control and advertising budgets of other game manufacturers, which may have a temporary or permanent impact on the economics of users acquisition. Changes in the policy of the key distribution platforms of Google Play, Facebook and Apple affecting the scope and possibility of distribution of the Group's products are also an external factor that may affect the Group's results.

12. AGREEMENTS WHICH MAY RESULT IN FUTURE CHANGES IN THE PROPORTIONS OF SHARES HELD BY SHAREHOLDERS

In March 2018, the Company's Shareholders adopted an incentive program for key employees and associates of the Ten Square Games Capital Group. The program may potentially result in a change in the proportions of shares held by shareholders.

Based on the programme resolution, the Company's share capital, excluding pre-emptive rights of the existing shareholders, was conditionally increased by up to PLN 6,547.50 through the issue of up to 65,475 Series B ordinary registered shares with a par value of PLN 0.10 per share. Pursuant to the Programme Resolution series B shares could be acquired by holders of series A registered subscription warrants issued in the maximum number of 65,475.

In January 2019, the Extraordinary General Meeting of Shareholders adopted an amendment to the incentive scheme consisting in:

- 1) replacement of the conditional share capital with the target capital;
- 2) revoking of subscription warrants – the participants of the program receive, after meeting the conditions of the program, bearer shares that have limited lock-up during the period specified in the program regulations;
- 3) increasing the pool of shares possible to be granted during the programme's operation (the pool of the programme after changes: 101,850 ordinary bearer shares of series B with a nominal value of PLN 0.10 per share).

The incentive scheme covers the years 2018-2020 and the shares may be acquired in three tranches – for the financial year 2018 (tranche I), 2019 (tranche II) and 2020 (tranche III). The shares may be offered provided that the Capital Group reaches a certain level of consolidated, adjusted for extraordinary events and the costs of the programme itself, EBITDA. The Supervisory Board established the following EBITDA levels:

- PLN 26 million for the financial year 2018;
- PLN 31.5 million for the financial year 2019;
- PLN 35 million for the financial year 2020.

If the required level is not reached in one year of the programme, the shares for a given year may be allocated in a subsequent period if the cumulated EBITDA reached the required level and the EBITDA for the subsequent period was reached.

Beneficiaries of the programme will have the right to sell shares acquired within Tranche I not earlier than 1 July 2020. Beneficiaries of the programme will have the right to sell shares acquired within Tranche II not earlier than 1 January 2021. Beneficiaries of the programme will have the right to sell shares acquired within Tranche III not earlier than 1 September 2021.

In March 2018, November 2018 and March 2019, the Issuer's Supervisory Board adopted resolutions on the establishment of the list of Program Beneficiaries and made the initial allocation of 62,780 Warrants (currently shares): 16,245 under Tranche I, 26,915 under Tranche II and 22,220 under Tranche III.

In May 2019, the Issuer's Supervisory Board adopted a resolution on meeting the Participation Criteria and Programme 1 Criteria and confirming the number of shares awarded under Tranche I of the incentive scheme. In connection with this resolution, on 12 June 2019 the Management Board of the Company adopted a resolution on the issue of shares within the framework of the target share capital increase. The share capital was increased by 16,245 shares with a total value of PLN 1,624.50, which was registered by the District Court on 24 July 2019.

13. OTHER INFORMATION RELEVANT TO THE ASSESSMENT OF THE ISSUER'S HUMAN RESOURCES, PROPERTY AND FINANCIAL SITUATION AS WELL AS THE FINANCIAL RESULT, THEIR CHANGES AND INFORMATION RELEVANT TO ASSESSING THE POSSIBILITY OF FULFILMENT OF THE ISSUER'S COMMITMENTS

As at 30/06/2019 and 27/08/2019, no significant information of such nature is known in the Capital Group Ten Square Games S.A.

14. THE MANAGEMENT BOARD'S STANCE ON THE POSSIBILITY OF FULFILMENT OF PREVIOUSLY PUBLISHED FORECASTS FOR A GIVEN YEAR IN THE LIGHT OF THE RESULTS PRESENTED IN THE QUARTERLY REPORT, COMPARED TO THE FORECASTED RESULTS

The Management Board of Ten Square Games S.A. did not publish forecasts of financial results in 2019.

15. SEASONALITY OR CYCLICALITY OF OPERATIONS

The Group's activity is not seasonal.

16. CREDITS, LOANS, SURETIES, GUARANTEES

Neither Ten Square Games S.A. nor any of its subsidiaries, as at 30 June 2019 and as at the date of issue of the financial statement, was a party to credit or loan agreements. The Issuer and its subsidiaries did not grant any sureties or guarantees in the period covered by the report.

17. PURCHASE OF OWN SHARES (STOCKS)

The parent company purchased free of charge own shares for redemption in January 2019, which was shown in note 1 (part concerning the shareholders).

18. BRANCHES (PLANTS) OWNED BY THE COMPANY

Neither the parent company nor its subsidiaries have any branches (plants).

19. INDICATION OF SIGNIFICANT PROCEEDINGS PENDING BEFORE COURT, COMPETENT ARBITRATION AUTHORITY OR PUBLIC ADMINISTRATION AUTHORITY, CONCERNING LIABILITIES AND RECEIVABLES OF THE ISSUER OR ITS SUBSIDIARY, WITH INDICATION OF THE SUBJECT MATTER OF THE PROCEEDINGS, VALUE OF THE SUBJECT MATTER OF THE DISPUTE, DATE OF COMMENCEMENT OF THE PROCEEDINGS, PARTIES TO THE PROCEEDINGS AND THE ISSUER'S STANCE

No record in the reporting period.

20. INFORMATION ON CONCLUSION BY THE ISSUER OR ITS SUBSIDIARY OF ONE OR MORE TRANSACTIONS WITH AFFILIATED ENTITIES, IF THEY WERE CONCLUDED ON TERMS OTHER THAN MARKET TERMS

All transactions with subsidiaries carried out by the Issuer or its subsidiary are carried out on an arm's length basis. The list of transactions between related entities is presented in the semi-annual report in Note 12 to the consolidated financial statements.

21. FINANCIAL INSTRUMENTS IN TERMS OF RISK AND RISK MANAGEMENT

1. Financial instruments in the scope of risk: price changes, credit risk, significant cash flow disturbances and loss of financial liquidity to which the entity is exposed:

Neither the Group nor the Parent Company use such financial instruments due to the fact that the expected costs of their use could be higher than the probable benefits.

2. Financial instruments within the scope of financial risk management objectives and methods adopted by the entity, including methods of hedging significant types of planned transactions for which hedge accounting is applied:

Neither the Group nor the Parent Company use such financial instruments due to the fact that the expected costs of their use could be higher than the probable benefits.

		date	signature
President of the Management Board	Maciej Popowicz	27/08/2019	
Vice-President of the Management Board	Arkadiusz Pernal	27/08/2019	
Member of the Board	Magdalena Jurewicz	27/08/2019	