



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 2020
Wrocław, 24/08/2020

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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”, “TSG”) 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. Traugutta 45, 50-416 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

The composition of the Company's bodies as of 30.06.2020:

The Management Board:

Maciej Zużalek – President of the Management Board;
Arkadiusz Pernal – Vice-President of the Management Board.
Magdalena Jurewicz – Member of the Management Board.

On 20 May 2020, a change of the President of the Management Board took place, coinciding with the end of the Management Board's term of office and the appointment of a new composition - Mr. Maciej Zużalek replaced Mr. Maciej Popowicz, who remained in the management structures of TSG, maintaining the position of VP of Products.

On 27 July 2020 Ms. Magdalena Jurewicz resigned from the position of Member of the Management Board as of 31 July 2020.

On 31 July 2020 Mr. Marcin Chruszczyński, by decision of the Supervisory Board, was appointed to perform the function of Member of the Management Board as of 1 August 2020.

Supervisory Board:

Rafał Olesiński – Chairman of the Supervisory Board;
Marcin Biłos – Member of the Supervisory Board;
Tomasz Drożdżyński – Member of the Supervisory Board;
Maciej Marszałek – Member of the Supervisory Board;
Wiktor Schmidt – Member of the Supervisory Board;
Kinga Stanisławska – Member of the Supervisory Board.

In the period from 1 January 2020 to 24 August 2020, the following changes in the composition of the body took place as a result of the end of the term of office and appointment of a new Supervisory Board:

- Mr Marcin Chruszczyński was a Member of the Supervisory Board until 20 May 2020;
- Mrs. Milena Olszewska-Miszuris was a Member of the Supervisory Board until 20 May 2020;

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for 1st Half of 2020

- Mr. Maciej Zużalek was the Chairman of the Supervisory Board until 21 April 2020, and on 20 May 2020 he was appointed President of the Management Board of the Company;
- Mr Rafał Olesiński was the Vice Chairman of the Supervisory Board until 20 May 2020, and after that date he became the Chairman of the Supervisory Board of the Company;
- Mr Marcin Biłos joined the Supervisory Board on 20 May 2020;
- Mrs. Kinga Stanisławska joined the Supervisory Board on 20 May 2020.

List of shareholders holding directly or indirectly through subsidiaries at least 5% of the total number of votes at the issuer's general meeting

Shareholder	Number of shares as at 24.08.2020	share in the share capital	number of votes at the GMS	% share in votes
Shareholders' Agreement ¹	3 766 110	52,01%	3 766 110	52,01%
Others (none of which above 5% of shares)	3 475 135	47,99%	3 475 135	47,99%
TOTAL	7 241 245	100%	7 241 245	100%

Shareholder	Number of shares as at 30.06.2020	share in the share capital	number of votes at the GMS	% share in votes
Shareholders' Agreement ¹	3 479 663	48,05%	3 479 663	48,05%
Others (none of which above 5% of shares)	3 761 582	51,95%	3 761 582	51,95%
TOTAL	7 241 245	100%	7 241 245	100%

Shareholder	Number of shares as at 31.12.2019	share in the share capital	number of votes at the GMS	% share in votes
Shareholders' Agreement ¹	4 603 750	63,58%	4 603 750	63,58%
Others (none of which above 5% of shares)	2 637 495	36,42%	2 637 495	36,42%
TOTAL	7 241 245	100%	7 241 245	100%

¹ Agreement of the Company's shareholders of 21.10.2019 concerning a permanent policy towards the Company and consistent exercise of voting rights from the Company's shares (current report no 30/2019). The parties to the shareholders' agreement are, among others, Maciej Popowicz (President of the Board until 20 May 2020) and Arkadiusz Pernal Vice-President of the Board.

Changes in the shareholding structure between 31.12.2019 and 24.08.2020 result from the transactions described in:

- notifications received on 31 January 2020 concerning the change in the ownership of the Company's shares, submitted by the Company: Maciej Popowicz; Arkadiusz Pernal; and Arkadiusz Pernal on behalf of the members of the Company's shareholders' agreement concluded on 21 October 2019, of which the Company informed in current report no. 10/2020;
- notification received on 10 July 2020 concerning a change in the ownership of the Company's shares, submitted by Arkadiusz Pernal on behalf of the members of the Memorandum of Understanding between the Company's shareholders concluded on 21 October 2019, of which the Company informed in current report no. 47/2020; the change in the ownership of the Company's shares took place as a result of conclusion on 9 July 2020 of Annex to the Shareholders' Agreement, as a result of which two shareholders joined the Agreement;

- current report no. 40/2020, informing about the conclusion on 16 June 2020 of an agreement on the sale of shares by the members of the Shareholders' Agreement within the incentive program for the new President of the Management Board Mr. Maciej Zużalek.

List of shares held by members of the Issuer's Management or Supervisory Board

Shareholder	Number of shares as at 24.08.2020	share in the share capital	number of votes at the GMS	% share in votes
CEO - Maciej Zużalek	194 826	2,69%	194 826	2,69%
Vice President - Arkadiusz Pernal	1 014 012	14,00%	1 014 012	14,00%
Member of the Supervisory Board - Maciej Marszałek	49 000	0,68%	49 000	0,68%
Member of the Supervisory Board - Rafał Olesiński	669	0,01%	669	0,01%
Member of the Supervisory Board - Kinga Stanisławska	105	0,00%	105	0,00%
<i>Others</i>	5 982 633	82,62%	5 982 633	82,62%
TOTAL	7 241 245	100%	7 241 245	100%

Shareholder	Number of shares as at 31.12.2019	share in the share capital	number of votes at the GMS	% share in votes
CEO - Maciej Popowicz	2 852 500	39,39%	2 852 500	39,39%
Vice President - Arkadiusz Pernal	1 365 000	18,85%	1 365 000	18,85%
Member of the Management Board - Magdalena Jurewicz	25 000	0,35%	25 000	0,35%
Chairman 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>Others</i>	2 870 576	39,64%	2 870 576	39,64%
TOTAL	7 241 245	100%	7 241 245	100%

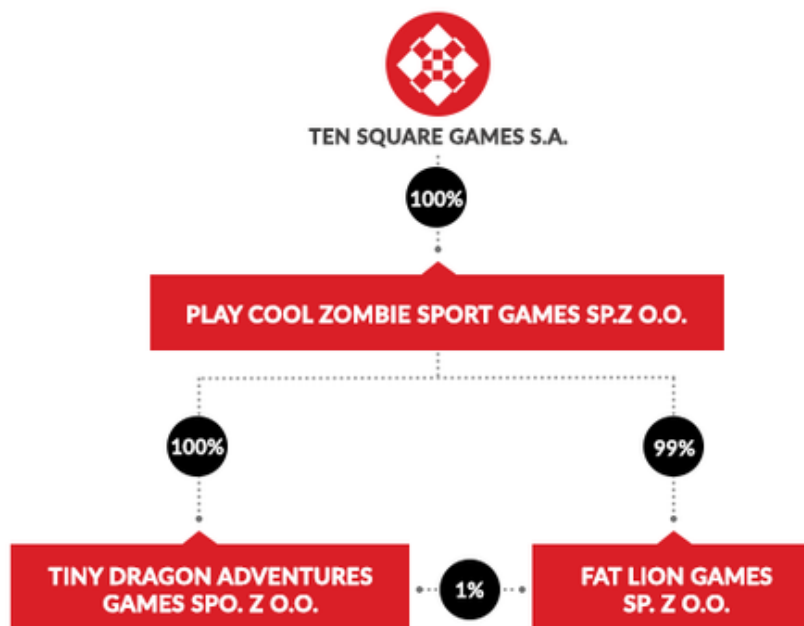
Changes in the structure of shares held by Members of the Management Board and the Supervisory Board between 31.12.2019 and 24.08.2020 result from personal changes in the composition of the bodies, as well as:

- 1) receipt on January 15, 2020 of a notification concerning the change in the ownership of the Company's shares submitted by Maciej Zużalek, of which the Company informed in the current report no. 4/2020;
- 2) receipt on 31 January 2020 of notifications concerning changes in the ownership of the Company's shares submitted by Maciej Zużalek: Maciej Popowicz; Arkadiusz Pernal; and Arkadiusz Pernal on behalf of the members of the Memorandum of Understanding between the Company's shareholders concluded on 21 October 2019, of which the Company informed in current report no. 10/2020;
- 3) receipt, on 6 April 2020, of a notification concerning a change in the ownership of the Company's shares submitted by Maciej Marszałek, of which the Company informed in current report no. 15/2020..

Series of shares

Serie of shares	Numer of shares as at 24.08.2020 and as at 31.12.2019	nominal value of shares	total nominal value of shares
A	7 225 000	0,1 PLN	722 500,00
B	16 245	0,1 PLN	1 624,50

Composition of the Capital Group as at 30/06/2020 and 24/08/2020:



There were no changes in the organization of the Capital Group in the period between 1 January 2020-24 August 2020. All entities indicated in the above diagram of the Capital Group are subject to consolidation.

2. **SELECTED FINANCIAL DATA**

CONSOLIDATED DATA IN PLN

Specification	01.01.2020 - 30.06.2020		01.01.2019 - 30.06.2019	
	PLN	EUR	PLN	EUR
STATEMENT OF COMPREHENSIVE INCOME				
Net revenues	264 640 047	59 586 168	95 181 244	22 197 118
Cost of goods and services sold	10 361 544	2 332 998	4 641 503	1 082 440
Selling costs	173 340 064	39 029 128	59 167 783	13 798 457
General and administrative costs	13 125 727	2 955 380	2 977 837	694 458
Operating profit (loss)	66 977 496	15 080 606	28 425 772	6 629 145
Profit (loss) before taxation	68 005 940	15 312 170	28 618 466	6 674 083
Net profit (loss)	60 963 419	13 726 481	23 409 591	5 459 326
CONSOLIDATED CASH FLOW STATEMENT				
Net cash flows from operating activities	43 693 544	9 838 008	18 236 734	4 252 970
Net cash flows from investment activities	-1 807 731	-407 027	-1 891 433	-441 099
Net cash flows from financial activity	-27 762 020	-6 250 877	-27 310 500	-6 369 053

Specification	30.06.2020		31.12.2019	
	PLN	EUR	PLN	EUR
CONSOLIDATED BALANCE SHEET				
Fixed assets	11 604 097	2 598 320	4 936 261	1 159 155
Current assets	158 750 800	35 546 529	101 109 269	23 742 930
Equity	133 578 178	29 910 026	92 144 636	21 637 815
Long-term liabilities	5 867 366	1 313 785	537 405	126 196
Short-term liabilities	30 909 353	6 921 037	13 363 489	3 138 074

EUR/PLN exchange rate	2020	2019
– for the balance-sheet data	4.4660	4.2585
– for the data from the profit and loss statement and cash flow statement	4.4413	4.2880

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 in 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.

CONSOLIDATED DATA IN PLN, WITHOUT TAKING INTO ACCOUNT A ONE-TIME EVENT (COST OF THE INCENTIVE SCHEME FOR THE NEW PRESIDENT OF THE MANAGEMENT BOARD MR. MACIEJ ZUŻALEK)

CONSOLIDATED DATA IN PLN

Specification	01.01.2020 - 30.06.2020		01.01.2019 - 30.06.2019	
	PLN	EUR	PLN	EUR
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME				
Net revenues	264 640 047	59 586 168	95 181 244	22 197 118
Cost of goods and services sold	10 361 544	2 332 998	4 641 503	1 082 440
Selling costs	173 340 064	39 029 128	59 167 783	13 798 457
General and administrative costs	7 092 559	1 596 956	2 977 837	694 458
Operating profit (loss)	73 010 664	16 627 087	28 425 772	6 629 145
Profit (loss) before taxation	74 039 108	16 670 594	28 618 466	6 674 083
Net profit	66 996 587	15 084 905	23 409 591	5 459 326
CONSOLIDATED CASH FLOW STATEMENT				
Net cash flows from operating activities	43 693 543	9 838 008	18 236 734	4 252 970
Net cash flows from investment activities	-1 807 731	-407 027	-1 891 433	-441 099
Net cash flows from financial activity	-27 762 020	-6 250 877	-27 310 500	-6 369 053

Specification	30.06.2020		31.12.2019	
	PLN	EUR	PLN	EUR
CONSOLIDATED BALANCE SHEET				
Fixed assets	11 604 097	2 598 320	4 936 261	1 159 155
Current assets	158 750 800	35 546 529	101 109 269	23 742 930
Equity	133 578 178	29 910 026	92 144 636	21 637 815
Long-term liabilities	5 867 366	1 313 785	537 405	126 196
Short-term liabilities	30 909 353	6 921 037	13 363 489	3 138 074

In the reporting period the Group recognized a part of the cost of a dedicated incentive program for the new President of the Management Board Mr. Maciej Zużalek. The incentive program in question includes the transfer at a nominal price equal to PLN 0.1 per share of 144,825 shares by the Company's existing shareholders. In accordance with IFRS 2 "Share-based Payment", each transfer of an entity's equity instruments made by its shareholders to counterparties providing goods or services is a share-based payment and is subject to measurement in accordance with the indicated standard. The market value of the program amounted to PLN 72.4 million and this non-cash cost will be borne by the Group on a pro rata basis for a period of 3 years (12 commenced quarters) starting from 20 May 2020. The cost incurred in the period of 6 months ended 30 June 2020 is PLN 6 033 168.

The Management Board, monitoring TSG's situation and actively managing the Group, does not perceive this non-cash cost as having a significant impact on its operating activities, therefore it analyses the financial results and plans operational and strategic activities without taking it into account. Therefore, in the opinion of the Management Board, the above table gives a more complete and true picture of the Group's financial results in the first half of 2020. The amounts marked in bold have been modified (by subtracting the cost of the incentive program for the new President) compared to the data resulting from the consolidated statement of comprehensive income.

DISTRIBUTION OF CONSOLIDATED REVENUES BETWEEN GAMES AFTER QUARTERS

game	1Q 2019	2Q 2019	3Q 2019	4Q 2019	1Q 2020	2Q 2020
Fishing Clash	37 524 342	43 146 664	57 896 490	67 933 223	84 677 795	158 043 812
Let's Fish	4 095 505	3 316 451	3 600 089	4 201 949	3 868 618	4 551 211
Wild Hunt	2 439 365	2 094 188	2 343 769	2 748 995	3 542 576	4 375 098
other	1 227 884	1 368 393	4 226 738	3 751 825	2 833 114	3 346 062
PAYMENTS TOTAL*	45 287 096	49 925 696	68 067 086	78 635 992	94 922 103	170 316 184
deferred income	16 544	-48 092	-416 592	-334 636	95 569	-693 809
REVENUE TOTAL	45 303 640	49 877 604	67 650 494	78 301 356	95 017 672	169 622 375

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".

BREAKDOWN OF CONSOLIDATED SELLING COSTS AFTER QUARTERS

Specification	1Q 2019	2Q 2019	3Q 2019	4Q 2019	1Q 2020	2Q 2020
Selling costs	29 688 819	29 478 964	41 040 733	36 945 700	48 544 738	124 795 326
marketing:	15 487 704	14 286 418	21 210 446	13 690 173	19 122 999	72 755 975
- Fishing Clash	15 060 121	14 014 231	20 966 520	13 224 531	18 263 312	70 508 454
- Wild Hunt	383 148	222 937	181 426	254 746	325 446	470 675
- other titles, events	44 435	49 250	62 501	210 896	534 241	1 776 846
commissions	12 552 593	14 000 307	18 333 228	21 612 824	27 044 419	49 255 530
revenue share	441 691	331 973	347 491	396 760	417 224	473 283
remunerations, services provided by subcontractors	892 588	665 773	728 866	926 972	1 559 372	1 683 409
other	314 243	194 492	420 702	318 971	400 724	627 129

As the standalone data for Ten Square Games S.A. and consolidated data for 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 analysis of the consolidated data.

The increase in revenue, both in the first half of 2020 and in the perspective of the second quarter itself, is mainly due to further increase in popularity of Fishing Clash.

Payments for this title increased by PLN 162m in the analyzed period (PLN 242.7m in H1 2020 as compared to PLN 80.7m in the corresponding period of 2019). Additionally, analyzing the dynamics of payments per quarters, the second quarter of 2020 was the best quarter so far in this respect in history, when Fishing Clash generated PLN 158m as compared to PLN 85m in Q1 2020. The game is supported by significant marketing budgets - in H1 2020, these costs amounted to PLN 88.7m as compared to PLN 29m in H1 2019. In Q2 2020, marketing expenses increased sharply year-on-year (PLN 70.5m vs. PLN 18.2m). This was due to a temporarily very favorable situation in the advertising market (a drop in demand on the part of advertisers resulting in the possibility of cheaper acquisition of players), caused by sharply reduced marketing budgets of many industries, such as retail or tourism, due to the pandemic. The Group decided to take advantage of the market situation in order to rapidly increase its user base in the game, acquiring them at lower than usual unit prices.

The group's second title, Let's Fish, also performed well, generating payments of PLN 8.4m in H1 2020 - PLN 1m higher than in the corresponding period of 2019.

Another game, Wild Hunt, generated payments of PLN 7.9m in H1 2020. This is nearly 75% more than in the same period of 2019 (PLN 4.5m). It is a title supported by a small marketing budget, which amounted to PLN 0.8m in H1 2020 compared to PLN 0.6m in H1 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.

Costs of goods and services sold include mainly salaries and wages of the Company's employees and associates. The costs increase in the first half of 2020 results from an increase in the level of employment in the comparable periods and from a greater number of ongoing projects. Moreover, at the turn of the 3rd and 4th quarter of 2019, 3 games went to the so-called soft launch phase, which means that the costs of the teams creating these games are no longer capitalized and are immediately charged to the financial result of the current period.

The increase in selling costs results mainly from a significant increase in marketing expenses in the comparative periods, which is 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 costs in the first half of 2020 is caused by the expansion of general company departments - including finance, human resources, HR and the general increase in the number of employees and associates, which translates into higher office maintenance costs. Additionally, in the reporting period the Group recognized a part of the cost of a dedicated incentive scheme, described in detail above, for the new President of the Management Board Mr. Maciej Zuzałek. The cost incurred in the period of 6 months ended 30 June 2020 amounted to PLN 6 033 168.

The Group's consolidated net profit for the first half of 2020 amounted to PLN 61.0 million compared to PLN 23.4 million in the first half of 2019. Adjusted for the cost of the non-cash incentive scheme referred to in the previous paragraph, the net profit for the first half of the year would be PLN 67.0 million.

The increase in cash flows from operating activities in the first half of 2020 by 140% 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 2020 the Group worked on four games just like in 2019, hence a similar level of 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 trade receivables), while in June 2020 the Group paid out PLN 27.4 million in dividend, which significantly reduced the level of cash. Additionally, a greater number of new projects translates into an increase in intangible assets.

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

In the first half of 2020, the Group's most important revenue-generating products were the following:

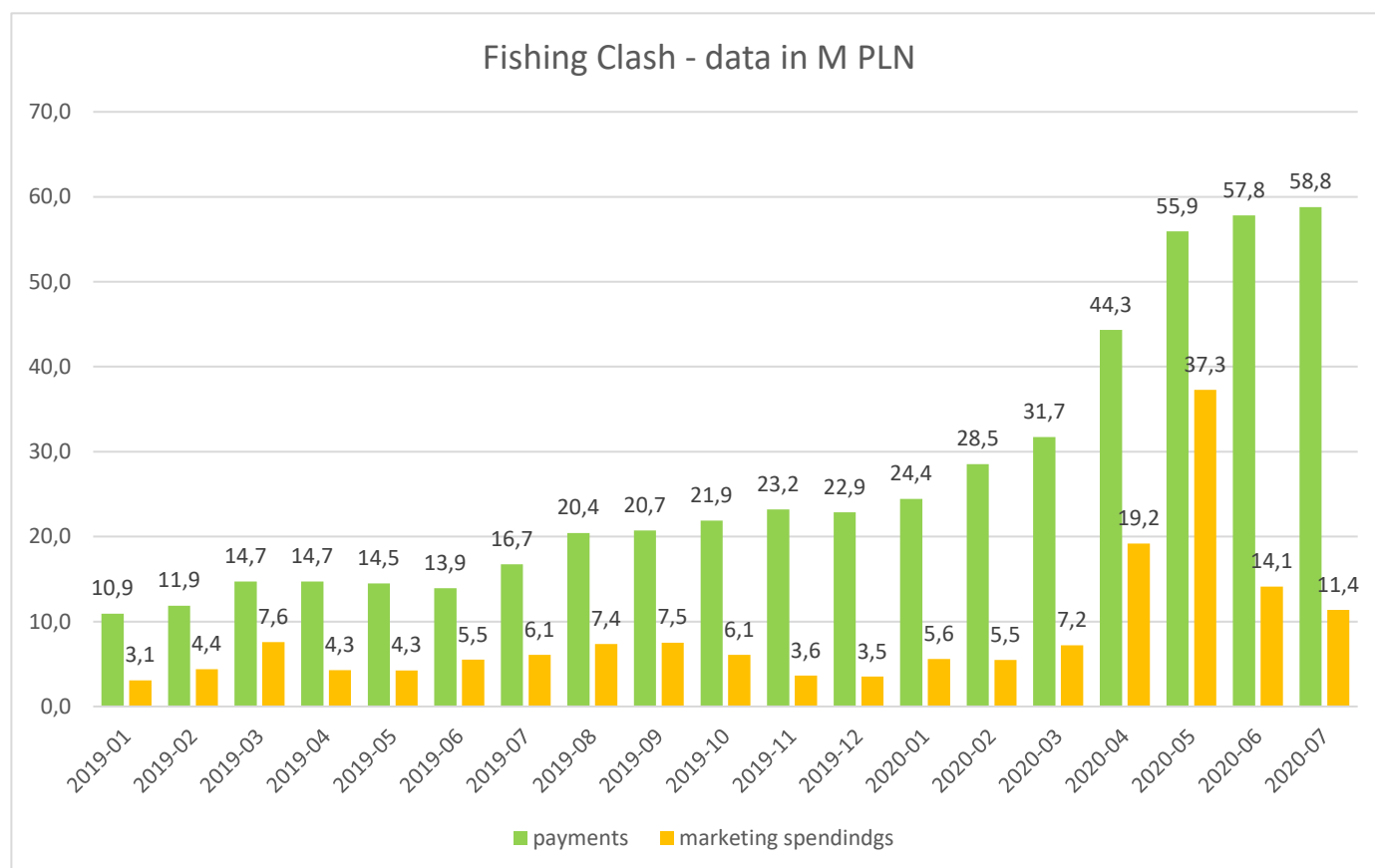
- Fishing Clash - a mobile fishing game in the F2P model;
- Let's Fish - a browser/mobile fishing game in the F2P model;
- Wild Hunt - a mobile hunting game in the F2P model.

<i>Group's Key Productions</i>		
<i>Name</i>	<i>Description</i>	<i>Icons</i>
<p>Fishing Clash Mobile game app Date of launch: soft launch: 06.2016 hard launch: 10.2017</p>	<p>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 2020 over 240 million PLN revenue. Fishing Clash is the largest game of the Group.</p>	
<p>Let's Fish: Mobile game app Date of launch: hard launch: 01.2014 – Apple 06.2014 – Google Browser games: Date of launch hard launch: 01.2012</p>	<p>Browser fishing game with over 8 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 (over PLN 8 million in the first half of 2020).</p>	
<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 over 8 million revenue in the first half of 2020</p>	

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

The first half of 2020 saw the transfer of Fishing Clash revenue to a new, much higher level due to further product development and the announced rapid scaling of marketing budgets. Fishing Clash revenues in the analysed period increased to PLN 242 million as compared to PLN 126 million in the second half of 2019 (+93% y/y).

The marketing team focused on scaling up and optimizing marketing expenses devoted to the promotion of Fishing Clash. The total spending reached over PLN 88 million in the first half of 2020. Such a high level of marketing spending was related to the extraordinary situation on the User Acquisition market in the second quarter. As a result of the global COVID-19 virus pandemic in the second quarter of 2020, average prices of marketing services temporarily dropped sharply. In addition, the game's profitability improved due to improvements in its mechanics. Taking into account the above mentioned circumstances, the Group decided to take advantage of the market situation in order to increase the game's user base by leaps and bounds. Monitoring of the current performance of the acquired user cohorts indicated better profitability of the acquired traffic than in previous months. Therefore, it was decided to dynamically scale marketing expenses from mid-March 2020 to the end of the second quarter. The Group is currently monitoring the development of the situation on the advertising market and changes in the behaviour of the acquired user groups.



The project team focused on product development, introducing improvements such as new types of fish and new fisheries, and new functionalities (VIP tiers, Battle Royale etc). 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 2020 (revenues – PLN 264.6 million, net profit net profit adjusted for non-cash costs – PLN 74 million).

6. QUALITY PARAMETERS OF THE GAMES

Period:	1Q 2019	2Q 2019	3Q 2019	4Q 2019	1Q 2020	2Q 2020
Fishing Clash – MAU* (average in the period)	1 991 253	1 435 734	1 984 688	1 854 046	2 894 045	6 914 935
Let's Fish - MAU (average in the period)	499 767	459 712	432 407	384 618	377 988	429 901
Wild Hunt – MAU* (average in the period)	843 800	668 371	652 730	802 574	1 293 296	1 203 428

The MAU level in the case of Fishing Clash is significantly influenced by marketing expenses, which in the second quarter of 2020 were the highest ever, as well as the so-called featurings of distribution platforms. MAU of Fishing Clash in the second quarter of 2020 more than doubled compared to the first quarter. In the period of global lockdown, when a large part of the world's population did not leave home, the so-called organic inflow of users also increased significantly, especially to large mobile games, i.e. Fishing Clash and Wild Hunt.

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

In the period from 1 January to 30 June 2020 there were no unusual events that would have a significant impact on the condensed interim consolidated financial statement, except for the event described below.

In the reporting period the Group recognized a part of the cost of a dedicated incentive program for the new President of the Management Board Mr. Maciej Zużalek. The incentive program in question includes the transfer at a nominal price equal to PLN 0.1 per share of 144,825 shares by the Company's existing shareholders. In accordance with IFRS 2 "Share-based Payment", each transfer of an entity's equity instruments made by its shareholders to counterparties providing goods or services is a share-based payment and is subject to measurement in accordance with the indicated standard. The market value of the program was PLN 72.4 million and the non-cash cost will be borne by the Group on a pro rata basis for 36 months from 20 May 2020. The cost incurred during the 6-month period ended 30 June 2020 was PLN 6,033,168.

8. SIGNIFICANT ACHIEVEMENTS IN THE FIELD OF RESEARCH AND DEVELOPMENT

The Group is developing new games. In 2020, two new games for women (SoliTales and Flip This House) and one hunting game (Hunting Clash) were developed. Hunting Clash and Flip This House are currently in the soft launch phase - open tests in selected countries, on the basis of which the Management Board will decide in the coming months on the scope of further investments in these titles. Since July 2020 SoliTales has been available for open testing in most countries of the world, including the USA.

Another new production - Golf Rush - after several months of 2019, in the soft launch phase, was directed to further development works. As a result of the tests, it was decided to introduce fundamental changes to both the visual and gameplay game concept. The new form of the game should be launched in the soft launch phase in the second half of 2020.

Work on further enhancing the Group's core business departments is also underway, with particular emphasis on the Business Intelligence department - constantly improved predictive and analytical models are key to planning and verifying further development of the product portfolio and marketing activities. In the opinion of the Management Board, the currently developed projects are focused on the consistent implementation of the strategy and bring with them a chance to expand the Group's product portfolio with further profitable, timeless titles.

9. FORCASTED DEVELOPMENT OF THE ENTITY AND THE GROUP

The Group's strategy is based on the search for and innovative combination of the most effective models of free to play games with interesting thematic areas. Its implementation involves building a portfolio of timeless products with a long life span and deep monetization. In the opinion of the Management Board, the experience in maintaining F2P games for many years and a well thought-out publishing pipeline allow the Group to consistently implement its strategy.

Compared to previous years, new types of development activities can also be expected in the nearest future. The first of these is the opening of a new design and development office in Warsaw, which will allow to broaden the pipeline of new products and

strengthen the team. The office started operating in the second quarter of 2020. In the future it is also possible to launch similar initiatives in other cities of the region.

Additionally, the Group analyses the free to play games market in terms of acquisitions or joint ventures with external entities - thus, such undertakings are possible in the coming months.

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 2020 to 24 August 2020 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 2020 the Group intends to continue the development of its activity in current areas of operation.

Further development of Fishing Clash as well as the situation on the User Acquisition market 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 results 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.

The Group is also awaiting the certification of the Fishing Clash game on the Chinese market. The decision of granting a license is completely independent from the Group.

Factors which may have an impact on the Group's performance in the future are also the strategic decisions concerning the products currently maintained in the soft launch/global testing phase. At this point in time, the Management Board of the Parent Company does not have sufficient data to determine whether and which title could achieve commercial success. Nevertheless, in order to gain a larger pool of players, the Group plans to open global markets for these titles in the second half of 2020.

The key driver of the Group's development is organic growth i.e. the production and distribution of own F2P games. However, the Group is working on other possible development strategies, i.e. it does not rule out acquisitions, investments or publishing agreements concluded with other entities producing games in a similar gaming model.

External factors that may affect the Group's results include the duration of the COVID-19 pandemic and its impact on the economy, the exchange rate of the U.S. dollar, the appearance of products competing with the Group's games on the market, advertising market parameters such as prices and supply of ads displayed in the Group's games and prices of ads purchased by the Group or a change in the policy of key distribution platforms Google Play, Facebook and Apple affecting the scope and possibility of distribution of the Group's products.

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.

On 20 May 2020, by resolution of the Ordinary General Meeting, an incentive scheme was established in the Company for the years 2021-2022. The scheme will be based on the Company's financial results achieved in particular financial years, starting from the financial year ending on 31 December 2021 until the financial year ending on 31 December 2022. Participants of the Programme, addressed to key employees and associates of the Company, will have the right to take up a total of no more than 100,000 shares, issued through a share capital increase.

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 30/06/2020 and 24/08/2020, 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 2020.

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 2020 and as at the date of issue of the financial statements, 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)

Own shares were not purchased in the period covered by this report.

18. THE PURCHASE OF OWN SHARES DID NOT OCCUR IN THE PERIOD COVERED BY THIS REPORT. 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:

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for 1st Half of 2020

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 Zużalek	24/08/2020	
Vice-President of the Management Board	Arkadiusz Pernal	24/08/2020	
Member of the Management Board	Marcin Chruszczyński	24/08/2020	