



**THE MANAGEMENT REPORT ON ACTIVITIES
OF THE CAPITAL GROUP TEN SQUARE GAMES S.A.
AND THE COMPANY TEN SQUARE GAMES S.A.**

FOR THE YEAR 2019

Wrocław, 23 March 2020

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.

Dear Shareholders,

2019 was a time for us to continue building a solid foundation for Ten Square Games Group. We can say with satisfaction that after the record-breaking year 2018 we did not rest on our laurels; on the contrary, we used the experience and resources gained in previous years to strengthen our market position and lay the foundations for further business diversification..

Among the most important achievements of 2019 are the dynamic growth and scaling of our free to play games portfolio. As a result, Ten Square Games Group's revenue grew from PLN 115 million in 2018 to PLN 241 million in 2019. This more than twofold increase makes the Group's plans and ambitions and the assumptions of our strategy more credible.

Our most important growth driver continued to be our most popular product - Fishing Clash. Continuous optimization, adding new content, live ops activities - all this combined with the continuation of well-thought-out marketing actions translated into phenomenal results. Revenues from the game increased by more than 130% year on year - from 88 million PLN in 2018 to 206 million PLN in 2019, all thanks to the constantly gathered experience and strengthened team of professionals creating the game.

It is worth mentioning that the revenues generated by the group's other products (Wild Hunt, Let's Fish and Game Factory) also continue to grow. Each product is constantly being developed, the effects of which can be seen with the naked eye - the total revenue from these games has increased by nearly 30% compared to 2018. This is one of the reasons why we strongly believe in scaling up our business by building a portfolio of long-term maintained products.

Despite the successes achieved so far, we still treat this Square Games as a company at the beginning of the road. Currently, in addition to further development and continuous improvement of existing games, we are focusing on further challenges that are expected to open up completely new opportunities:

- A leap forward in portfolio expansion and diversification - since mid-2019, we have introduced three brand new high quality games to the soft launch phase, for which we have high expectations; the coming months will bring verification of these titles; and we are also working on another game, whose soft launch is expected in the second half of 2020;

- We're constantly expanding our fundamentals to allow us to look forward to further growth - in 2019 we doubled the size of the team, and at the beginning of 2020 we moved to a new, much bigger and more modern office. The beginning of 2020 is a further focus on strengthening the team with new professionals and opening a brand new design office in Warsaw, which will give us the opportunity to expand our product pipeline.

- We are also looking at the very competitive and dynamic free to play games market in terms of possible acquisitions or joint ventures - we do not rule out joining forces with an external development team or company in the near future, if this gives us a chance to benefit from interesting business synergies.

Finally, as every year, I would like to stress - the source of success and further development of our Group are the people. We continue to invest in current and new team members - we believe that Ten Square Games is and will continue to be one of the best places to work in our industry, so the biggest successes are yet to come.

In 2020 and beyond, we intend to continue to focus on delivering our strategy while maintaining the flexibility and ability to make the rapid changes needed to succeed in the market.

Another interesting year is coming!

Maciej Popowicz – President of the Management Board

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1. BACKGROUND INFORMATION

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

Basic data of 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	District Court, VI Commercial Division of the National Court Register
KRS no.	0000704863
Statistical REGON no	021744780
Tax identification number	8982196752
Company duration	indefinite

As at 31.12.2019 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 Board

Supervisory Board:

Maciej Zuzałek – 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.

In the course of the reporting period and after it, up until the day of preparation of this consolidated financial statement, there was the following change in the composition of the Council: Mrs. Milena Olszewska-Miszuris joined the Supervisory Board as Member of the Supervisory Board on 14/01/2019.

The shareholding structure of the Parent Company as at 31/12/2019 and as at 23/03/2019 is as follows:

Shareholder	number of shares as at 31/12/2019	share in basic capital	number of votes at GSM	% share in the number of votes
Shareholders' Agreement ¹ , including:	4,603,750	63.58%	4,603,750	63.58%
<i>Maciej Popowicz</i>	2,852,500	39.39%	2,852,500	39.39%
<i>Arkadiusz Pernal</i>	1,365,000	18.85%	1,365,000	18.85%
Others (none of which above 5% of shares)	2,637,495	36.42%	2,637,495	36.42%
TOTAL	7,241,245	100.00%	7,241,245	100.00%

¹ As per current report no. 30 of 21 October 2019

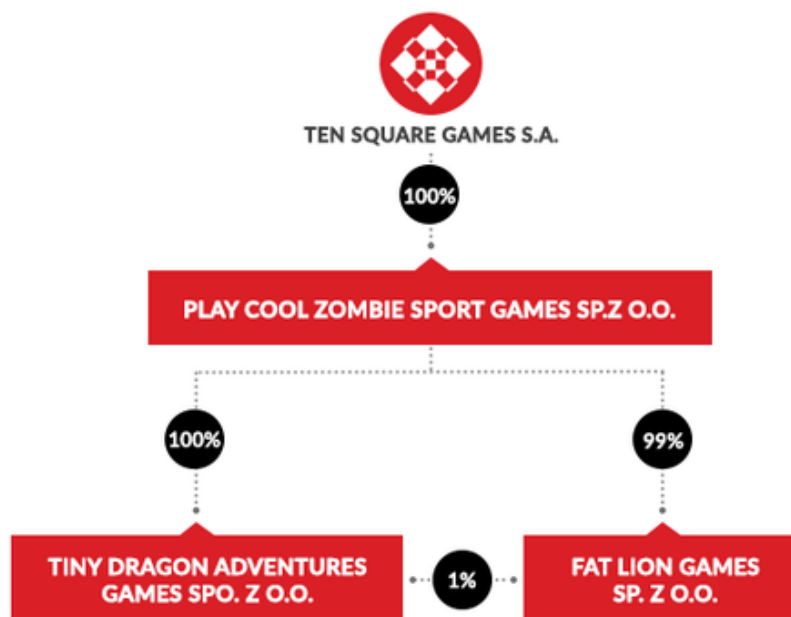
After 31/12/2019, changes in the ownership of shares took place. The table below presents the shareholders holding directly or indirectly at least 5% of the total number of votes at the General Meeting of Shareholders as at 23/03/2020.

Shareholder	number of shares as at 23/03/2020	share in basic capital	number of votes at GSM	% share in the number of votes
Shareholders' Agreement ¹ , including:	3,631,526	50.15%	3,631,526	50.15%
<i>Maciej Popowicz</i>	2,200,788	30.39%	2,200,788	30.39%
<i>Arkadiusz Pernal</i>	1,053,138	14.54%	1,053,138	14.54%
Others (none of which above 5% of shares)	3,609,719	49.85%	3,609,719	49.85%
TOTAL	7,241,245	100.00%	7,241,245	100.00%

¹ As per current report no. 10 of 31 January 2020

Information on the organizational or capital relations of the issuer with other entities and specification of the main domestic and foreign investments, in particular securities, financial instruments, intangible assets and real estate, including capital investments made outside its group of related entities, and description of financing methods

The diagram below presents the Issuer's relations with other entities as at 31/12/2019 and as at the date of publication of the separate and consolidated annual report for 2019:



In 2019, as well as from 1 January 2020 to the date of publication of the separate and consolidated annual report for 2019, the Issuer, as the sole shareholder in Play Cool Zombie Sport Games sp. z o.o., has a decisive influence on the direction of activity of all subsidiaries belonging to the Issuer's Capital Group.

On 14 October 2015, the first subsidiary company, Play Cool Zombie Sport Games Sp. z o.o., was registered.

On 29 August 2016, Tiny Dragon Adventure Games Sp. z o.o. was registered.

On 17 November 2017, a subsidiary company Fat Lion Games Sp. z o.o. was registered. Information on transactions with related parties The Issuer included in the Consolidated Financial Statements (Note 28).

The Issuer has no other organisational and capital relations other than those indicated above.

In 2019, as well as from 1 January 2020 to the date of publication of the separate and consolidated annual report for 2019, the Issuer did not make any other investments (except for investments in its own productions - games), including capital.

2. ACTIVITY PROFILE

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

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




- revenues from additional functionalities purchased by the players (micro-payments)

- revenues from advertisements displayed in games (advertisements)
- revenues from the users' activity in games which are shared with the Company's commercial partners on the basis of license agreements (licenses)

3. KEY PRODUCTS

In the Q4 and throughout 2019, the most important products of the Group generating revenues were:

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

<i>The Group's most important productions</i>		
<i>Name</i>	<i>Description</i>	<i>Icons</i>
<i>Fishing Clash</i> <i>Mobile game app</i> <i>Launch date:</i> <i>soft launch:</i> 06.2016 <i>hard launch:</i> 10.2017	<p>Mobile fishing game. Players have the opportunity to take part in a sports competition between anglers in excellent 3D graphics. Since its launch in October 2017, Fishing Clash has established its position as the most important mobile angling game in the world, generating over PLN 206 million in 2019, of which over PLN 68 million in the Q4 alone. Fishing Clash is the biggest game of the Group.</p>	
<i>Let's Fish</i> <i>Mobile game app</i> <i>Launch date:</i> <i>hard launch:</i> 01.2014 – Apple 06.2014 – Google <i>Browser game:</i> <i>Launch date:</i> <i>hard launch:</i> 01.2012	<p>A browser fishing game with over seven years of tradition. In the game there are more than 400 species of fish and more than 40 incredible fisheries. Players can plan their strategy and experience their own fishing adventure. Despite its age, the game still generates significant revenues (PLN 15.2 million in 2019).</p>	
<i>Wild Hunt</i> <i>Mobile game app</i> <i>Launch date:</i> <i>soft launch:</i> 04.2016 <i>hard launch:</i> 07.2017	<p>Mobile hunting simulator designed for hunting fans. The player can choose from a variety of hunting weapons. The game offers the opportunity to explore the world thanks to 3D graphics. Since its launch in 2017, the game has established its significant position among players and generated nearly PLN 10 million in revenue in 2019, of which PLN 2,7 million in Q4 2019 only.</p>	

4. SELECTED FINANCIAL DATA

Description	01/01/2019 – 31/12/2019		01/01/2018 – 31/12/2018	
	PLN	EUR	PLN	EUR
CONSOLIDATED COMPREHENSIVE INCOME STATEMENT				
Net revenues	241,133,094	56,053,999	115,257,658	27,012,036
Cost of sales	11,353,715	2,639,294	7,381,948	1,730,049
Operating profit (loss)	84,577,378	19,660,928	44,314,539	10,385,652
Gross profit (loss)	84,625,811	19,672,186	44,849,174	10,510,950
Net profit (loss)	76,385,801	17,756,707	36,469,341	8,547,034
CONSOLIDATED CASH FLOW STATEMENT				
Net operating cash flow	66 438 784	15 444 414	41 240 013	9 665 100
Net cash flow from investment activities	-3 543 312	-823 681	-1 765 709	-413 815
Net cash flow from financial activity	-27 308 875	-6 348 244	-6 308 880	-1 478 563
Description	31/12/2018		31/12/2017	
	PLN	EUR	PLN	EUR
CONSOLIDATED STATEMENT OF FINANCIAL POSITION				
Fixed assets	4,936,261	1,161,883	2,701,316	628,213
Current assets	101,109,269	23,798,816	51,766,242	12,038,661
Equity	92,144,636	21,688,746	42,084,424	9,787,075
Long-term liabilities	537,405	126,493	359,388	83,579
Short-term liabilities	13,363,489	3,145,461	12,023,746	2,796,220

Description	01/01/2019 – 31/12/2019		01/01/2018 – 31/12/2018	
	PLN	EUR	PLN	EUR
STANDALONE COMPREHENSIVE INCOME STATEMENT				
Net revenues	237,365,349	55,178,146	113,885,544	26,690,465
Cost of sales	11,347,016	2,637,737	6,705,812	1,571,589
Operating profit (loss)	81,341,152	18,908,632	44,454,586	10,418,474
Gross profit (loss)	81,470,679	18,938,742	45,291,248	10,614,556
Net profit (loss)	73,796,395	17,154,771	37,022,951	8,676,780
STANDALONE CASH FLOW STATEMENT				
Net operating cash flow	62,702,110	14,575,785	42,051,487	9,855,278
Net cash flow from investment activities	-3,543,312	-823,681	-1,765,709	-413,815
Net cash flow from financial activity	-27,184,000	-6,319,215	-5,953,273	-1,395,222

Management Report on the Activities of Ten Square Games S.A. Capital Group and Ten Square Games S.A.
for the year 2019

Description	31.12.2019		31.12.2018	
	PLN	EUR	PLN	EUR
STANDALONE STATEMENT OF FINANCIAL POSITION				
Fixed assets	4,941,261	1,163,060	2,706,316	629,376
Current assets	97,732,820	23,004,077	51,019,639	11,865,032
Equity	88,821,386	20,906,528	41,350,580	9,616,414
Long-term liabilities	548,722	129,157	370,540	86,172
Short-term liabilities	13,303,973	3,131,452	12,004,835	2,791,822

	2019	2018
EUR/PLN exchange rate		
- for the balance-sheet data	4.2585	4.3000
- for the data from the profit and loss statement and cash flow statement	4.3018	4.2669

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.

The Management Board of the Parent Company performs a joint analysis based on consolidated data, due to the fact that the separate and consolidated data for Ten Square Games S.A. and the Ten Square Games S.A. Capital Group are similar to each other (maintained trends for individual balance sheet and result items).

SPLIT OF CONSOLIDATED REVENUES BY GAMES BY QUARTERS

game	1Q 2018	2Q 2018	3Q 2018	4Q 2018	1Q 2019	2Q 2019	3Q 2019	4Q 2019
Fishing Clash	7,559,687	17,527,268	28,846,155	34,830,640	37,524,342	43,146,664	57,896,490	67,933,223
Let's Fish	3,704,913	3,748,715	4,317,775	4,681,695	4,095,505	3,316,451	3,600,089	4,201,949
Wild Hunt	668,209	926,445	1,264,693	2,020,821	2,439,365	2,094,188	2,343,769	2,748,995
pozostale	2,467,083	1,668,189	1,007,841	1,238,266	1,227,884	1,368,393	4,226,737	3,751,825
TOTAL PAYMENTS	14,399,892	23,870,618	35,436,464	42,771,423	45,287,096	49,925,696	68,067,086	78,635,992
Deferred revenues	0	0	0	-1,220,739	16,544	-48,092	-416,592	-334,636
TOTAL REVENUES	14,399,892	23,870,618	35,436,464	41,550,684	45,303,640	49,877,604	67,650,494	78,301,356

** under the term of payments, the Group recognises revenue not reduced by deferred revenue (i.e. in the case of micropayments these are payments made by users during the indicated period). The amount of deferred revenue is based on the estimation of the unused virtual currency by active players at the balance sheet date. The amount of such deferred revenue is recognised in the financial statements under the balance sheet item 'deferred income'.*

DISTRIBUTION OF CONSOLIDATED SELLING COSTS BY QUARTERS

Description	1Q 2018	2Q 2018	3Q 2018	4Q 2018	1Q 2019	2Q 2019	3Q 2019	4Q 2019
Selling costs	5,643,579	12,086,373	19,599,257	21,305,935	29,688,819	29,478,964	41,040,733	36,945,700
marketing:	1,719,515	4,933,309	8,762,276	8,616,331	15,487,704	14,286,418	21,210,446	13,690,173
- <i>Fishing Clash</i>	<i>1,619,894</i>	<i>4,829,482</i>	<i>8,609,506</i>	<i>8,350,273</i>	<i>15,060,121</i>	<i>14,014,231</i>	<i>20,966,520</i>	<i>13,224,531</i>
- <i>Wild Hunt</i>	<i>87,552</i>	<i>87,459</i>	<i>130,327</i>	<i>197,001</i>	<i>383,148</i>	<i>222,937</i>	<i>181,426</i>	<i>254,746</i>
- <i>other titles, events</i>	<i>12,069</i>	<i>16,368</i>	<i>22,443</i>	<i>69,057</i>	<i>44,435</i>	<i>49,250</i>	<i>62,501</i>	<i>210,896</i>
Provisions	3,035,466	6,101,737	9,660,729	11,346,164	12,552,593	14,000,307	18,333,228	21,612,824
revenue share	372,292	385,063	414,537	447,634	441,691	331,973	347,491	396,760
Payroll, renumeration of subcontractors	348,530	492,659	609,430	709,782	892,588	665,773	728,866	926,972
Others	167,776	173,605	152,286	186,024	314,243	194,492	420,702	318,971

4.1. COMMENTS ON THE RESULTS – STATEMENT OF COMPREHENSIVE INCOME

The increase in revenue, both in the four quarters of 2019 and in the perspective of the fourth quarter itself, is mainly due to further increase in popularity of Fishing Clash.

Payments for this title increased by PLN 117.7M in the analyzed period (206.5M in 2019 as compared to 88.7M in 2018). Additionally, analyzing the dynamics of payments after quarters, the fourth quarter of 2019 was the best quarter to date in this respect, when Fishing Clash generated almost PLN 68M as compared to PLN 57.9M in the third, up to that point the best, quarter of 2019. The game is supported by significant marketing budgets - in 2019, costs amounted to PLN 63.3M, compared to PLN 23.4M in the previous year. In Q4 2019, as well as in Q4 2018, marketing expenses fell in comparison to the previous quarter (from PLN 21M to PLN 13.2M in Q4 2019), due to a very strong increase in advertising prices in the period due to increased e-commerce marketing budgets. In the last months of 2019, the game also generated revenues from cooperation with the Chinese partner Netease, however, these amounts are negligible for today and in the near future, before receiving an official government license for the Android platform.

The Group's second most popular title, Let's Fish, also performed well, generating slightly lower payments in 2019 compared to 2018. The second quarter of 2019 was entirely devoted to the difficult change of the technology platform and rewriting the title from the faded Flash technology to HTML5. The actual production version switching took place in July 2019. Focusing on migration and testing at the expense of product development did not leave the financial results in the short term unaffected, while, what is pleasing, in Q3-4 of 2019, revenues started to grow again, approaching the results from before the technological changes.

Another game, Wild Hunt, has significantly increased payments in 2019, closing the period with PLN 9.6M compared to PLN 4.9M a year earlier - a 97% increase in payments. In addition, Q4 2019 alone was also the best in the history of the game, with payments reaching PLN 2.7M as compared to PLN 2.3M in the previous quarter.

Wild Hunt is a title supported by a small marketing budget, which amounted to PLN 1M in 2019 as compared to PLN 0.5M in the previous year. The increase in marketing expenses is in line with the increase in revenues.

In the "other games" category, in Q3 and Q4 2019, the Group recorded a significant increase in revenue from approximately PLN 1.2-1.4M to PLN 3.8-4.2M. The increase is entirely attributable to the Game Factory segment - in recent months, interest in games from one of the genres with a large share in the portfolio has grown rapidly. This does not change the fact that, in the Group's opinion, this segment ceased to be crucial after the 2018 changes in the algorithm for searching games in Google Play and AppStore mobile stores. In addition, the 4th quarter of 2019 was weaker in terms of revenue than the 3rd quarter of 2019, which confirms the short term of interest in the selected type of Game Factory games.

The Group does not note significant seasonality of sales. The level of revenues is dependent on the life cycle of a given game (group of games) as well as accumulated marketing expenses from previous few months.

Costs of goods and services sold include mainly the remuneration of Company's employees and associates. An increase in costs in the course of 2019 results from the increases in the team sizes in the comparative periods as well as from higher number of active projects. At the turn of the 3rd and 4th quarter of 2019, 3 games moved to the so-called soft launch phase, which means that the costs of the teams creating these games are no longer capitalized, but instead are included in the current costs of the period.

The increase in selling costs is mainly due to the increase in marketing expenses in the compared periods, which is also described in the above paragraphs. Another important cost component, commissions, is fully dependent on the level of payments and with their increase, the amount of commission increases proportionally.

The increase in general and administrative expenses in 2019 is caused by the expansion of general company departments - including finance, payroll, HR and the general increase in the number of employees and associates, which translates into higher office maintenance costs.

The Group's consolidated profit before tax in 2019 amounted to PLN 84.6 million and was higher by PLN 39.8 million compared to 2018, which means a 99% increase. The Group's consolidated net profit in 2019 amounted to PLN 76.4 million and was higher by PLN 39.9 million compared to 2018, which means an increase by 109%. The increase in net profit in 2019 was also influenced by lower income tax rate, which is again linked to the introduction of the IP Box relief in 2019, allowing selected sources of income to be taxed with 5% CIT instead of the standard 19%.

4.2. COMMENTS ON THE RESULTS – STATEMENT OF FINANCIAL SITUATION

In the balance sheet, high sales of the Group's products and services translate into an increase in current assets:

- increase in cash from PLN 39.8 million as at 31.12.2018 to PLN 75.2 million as at 31.12.2019, an increase of 88%;
- increase in trade receivables from PLN 10.7 million as at 31.12.2018 to PLN 20.7 million as at 31.12.2019, which means an increase by 93%.

Additionally, the increase in the value of fixed assets was influenced by a greater number of new projects (games). Currently, i.e. as at the balance sheet date of 31.12.2019, the Group has 6 completed titles currently being depreciated and 1 game in production as compared to 4 completed titles and 2 in production at the end of 2018.

Over the analyzed period, the Group records an increase in the value of other receivables with a simultaneous decrease in other liabilities. These items present mainly VAT. The change in the sign of VAT settlements (from liabilities to receivables) is connected with receiving in 2019 invoices for advertising displayed on Facebook channels issued by a Polish entity, while in 2018 invoices were issued by an Irish company (without VAT).

The increase in current liabilities results from the increase in current marketing expenses, incurred mainly for the Fishing Clash game.

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

4.3. COMMENTS ON THE RESULTS – CASH FLOW STATEMENT

The increase in operating cash flow (+61%) is a direct result of good financial results, for which the global success of Fishing Clash is mainly responsible.

The Group's investment activity is related to the production of new titles – in 2019 work on five titles was in progress (Golf Rush, Flip This House, Soli Tales, Hunting Clash and modification of Golf Rush), while in 2018 it involved just two titles, hence the substantial growth of investment expenditures in analysed periods.

Financial activities are cash flows related to the payment of dividends.

5. INFORMATION ON BASIC PRODUCTS/SERVICES TOGETHER WITH VALUE AND QUANTITY SPECIFICATION AS WELL AS THE SHARE OF PARTICULAR PRODUCTS/SERVICES AND SPECIFICATION OF CHANGES IN THIS RESPECT IN A GIVEN FINANCIAL YEAR.

The Group focuses on the distribution of games in the F2P (Free-2-Play) model, and revenues from games are generated mainly by micro-payments in the game (over 90% of total revenues). Therefore, the Group does not record the number of products sold, but only the valuable recognition of sales. In the opinion of the Management Board, the measure allowing to determine the popularity of the product is the level of payments generated by active players.

game	1Q 2019	2Q 2019	3Q 2019	4Q 2019	2019 total
Fishing Clash	37,524,342	43,146,664	57,896,490	67,933,223	206,500,718
Let's Fish	4,095,505	3,316,451	3,600,089	4,201,949	15,213,995
Wild Hunt	2,439,365	2,094,188	2,343,769	2,748,995	9,626,317
other	1,227,884	1,368,393	4,226,737	3,751,825	10,574,839
PAYMENTS IN TOTAL	45,287,096	49,925,696	68,067,086	78,635,992	241,915,870
Deferred income	16,544	-48,092	-416,592	-334,636	-782,776
REVENUES IN TOTAL	45,303,640	49,877,604	67,650,494	78,301,356	241,133,094

period	1Q 2019	2Q 2019	3Q 2019	4Q 2019
Fishing Clash – MAU (average per period)	1,991,253	1,435,734	1,984,688	1,854,046
Let's Fish – MAU (average per period)	499,767	459,712	432,407	384,618
Wild Hunt – MAU (average per period)	843,800	668,371	652,730	802,574

* MAU - monthly active users, number of active players per month

game	1Q 2018	2Q 2018	3Q 2018	4Q 2018	2018 total
Fishing Clash	7,559,687	17,527,268	28,846,155	34,830,640	88,763,750
Let's Fish	3,704,913	3,748,715	4,317,775	4,681,695	16,453,098
Wild Hunt	668,209	926,445	1,264,693	2,020,821	4,880,169
other	2,467,083	1,668,189	1,007,841	1,238,266	6,381,379
PAYMENTS IN TOTAL	14,399,892	23,870,618	35,436,464	42,771,423	116,478,397
Deferred income	0	0	0	-1,220,739	-1,220,739
REVENUES IN TOTAL	14,399,892	23,870,618	35,436,464	41,550,684	115,257,658

period	1Q 2018	2Q 2018	3Q 2018	4Q 2018
Fishing Clash – MAU (average per period)	1,206,433	1,456,767	1,862,515	1,499,813
Let's Fish – MAU (average per period)	823,139	684,358	630,915	535,582
Wild Hunt – MAU (average per period)	538,589	432 313	1,384,340	1,249,584

6. INFORMATION ON SALES MARKETS, DIVIDED INTO DOMESTIC AND FOREIGN MARKETS, AS WELL AS INFORMATION ON SOURCES OF SUPPLY OF MATERIALS FOR PRODUCTION, GOODS AND SERVICES, SPECIFYING DEPENDENCE ON ONE OR MORE CUSTOMERS AND SUPPLIERS

The Group's products are sold globally through a chain of stores with mobile applications (Google Play, AppStore) and with the use of browser channels. Payments are made by individuals and the Group receives an aggregated amount from its intermediaries (e.g. Google Play). The Group has framework agreements with intermediaries, which have been concluded on market terms. The share of aggregators in payments is presented in the table below. The increase in the share of AppStore and Google Play results from an increase in revenues from the mobile channel, mainly due to an increase in revenues from Fishing Clash.

Counterparty	payments 2019*	share of payments 2019	payments 2018*	share of payments 2018
Google Inc.	136,455,420	56.4%	62,927,195	54.0%
Apple Distribution International	72,419,227	29.9%	29,567,556	25.4%
others (none of which above 10%)	33,041,223	13.7%	23,983,647	20.6%
PAYMENTS TOTAL	241,915,870	100.0%	116,478,397	100.0%
deferred revenue	-782,776	N/A	-1,220,739	N/A
REVENUE TOTAL	241,133,094	N/A	115,257,658	N/A

The Group assigns payments from users on the basis of their IP number, using external databases and sales reports in countries available on selected distribution platforms.

region	payments 2019*	share in payments 2019	payments 2018*	share in payments 2018
Europe	101,169,683	41.8%	47,745,685	41.0%
<i>including Poland</i>	96,426,051	39.9%	49,162,817	42.2%
North America	15,261,950	6.3%	9,450,956	8.1%
Asia	32,945,580	13.6%	12,691,407	10.9%
South America	5,159,616	2.1%	2,877,332	2.5%
Australia and Oceania	4,080,471	1.7%	2,414,675	2.0%
Africa	2,134,470	0.9%	1,586,482	1.4%
PAYMENTS IN TOTAL	241,915,870	100.0%	116,478,397	100.0%
Deferred income	-782,776	N/A	-1,220,739	N/A
REVENUES IN TOTAL	241,133,094	N/A	115,257,658	N/A

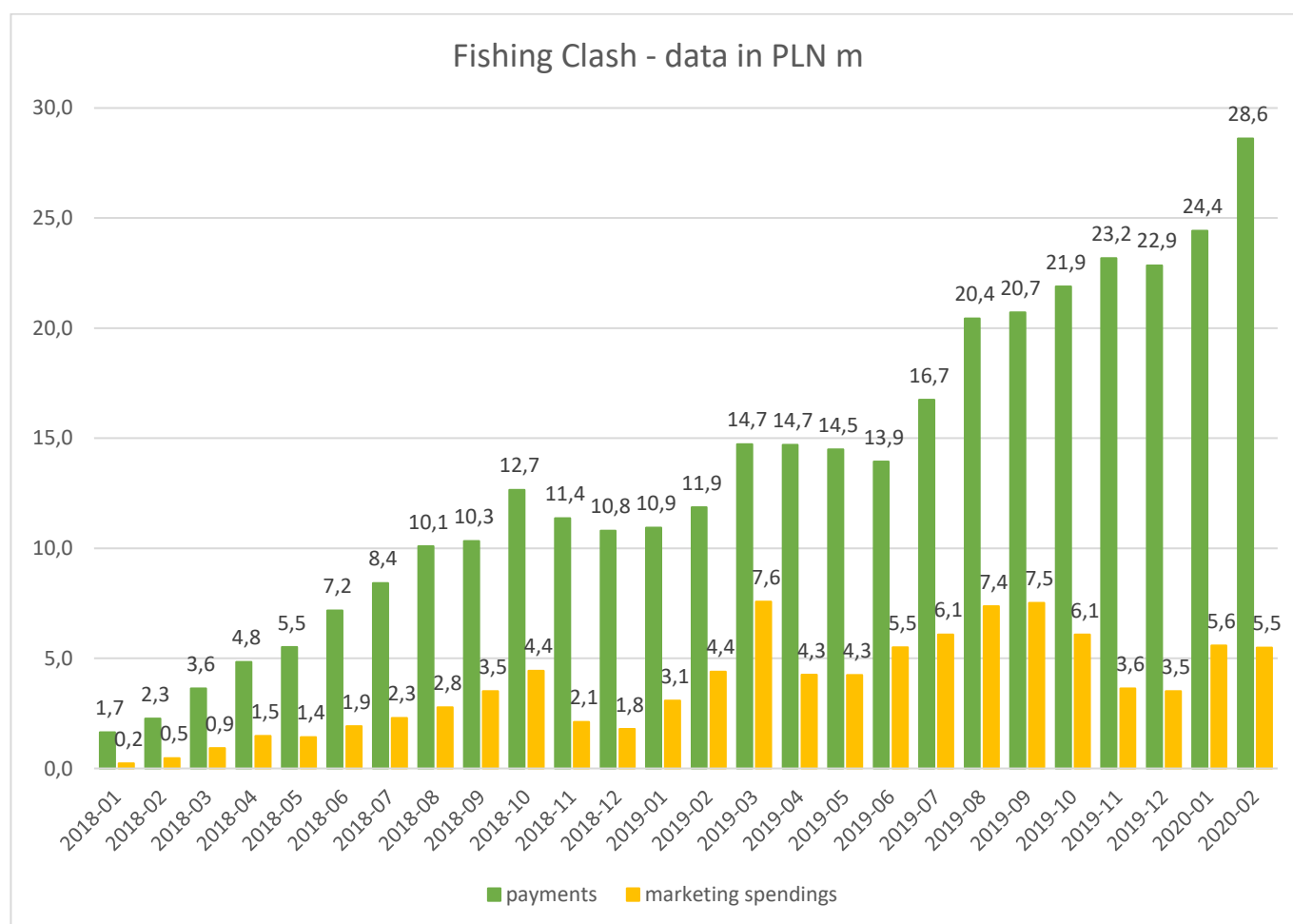
Costs incurred by the Group include costs of production, maintenance, distribution and marketing of games. The costs of production and maintenance of titles are mostly salaries for employees and co-workers. Distribution costs are commissions for intermediaries (mobile stores, payment aggregators). Marketing costs are related to the costs of marketing campaigns led by intermediaries. In none of these cases is the Group obliged to cooperate with a given entity (no long-term agreements signed, cooperation based on orders each time) and therefore the Group does not identify any significant dependence on suppliers.

7. 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

2019 was a year that confirmed the Group's Strategy's validity. A significant increase in Fishing Clash supported by product work and consistent marketing moved Ten Square Games from approximately PLN 115 million in revenues generated in 2018 to over PLN 241 million in 2019 (+110% y/y). This more than double hike in revenues and results confirms the Group's plans and expectations towards the strategy implemented by the Group. Despite the significant contribution of Fishing Clash (PLN 206,5 million), the share of other products in the Group's revenues of over PLN 35 million in 2019 (in terms of payments in the period) is also worth mentioning. This underlines the importance of the Group's strategy to build a portfolio of profitable products with a long lifespan.

The Group's results were visibly influenced by marketing expenses incurred for the promotion of Fishing Clash. In 2019, marketing expenses reached the total level of almost PLN 65 million, of which 98% was spent on the most popular product. The Group considers the operational effectiveness and profitability of its marketing activities to be one of the key elements of Fishing Clash's success.

The Fishing Clash project team also focused on product development, introducing improvements such as new kinds of fish, new fisheries and improved functionality, focusing on the so-called live-ops, i.e. current game content management.



* Data for January and February 2020 are the Group's estimates.

In the second half of 2019, the Ten Square Games team made significant progress in developing new products. As many as three new high quality games have entered the soft launch phase - two games for women (Flip This House and SoliTales) and one in the hunting genre - Hunting Clash. Mini Golf, which has been in the soft launch phase for some time now, has been tested and has been redirected to a thorough rebuilding due to a change in the concept of both the artistic layer and the gameplay mechanisms. The Group is planning a soft launch of the rebuilt game in the second half of 2020. The oldest game in the Group's portfolio, Let's Fish, was successfully rewritten and made available to customers using modern HTML5 technology.

8. CURRENT AND PROJECTED FINANCIAL SITUATION

The Capital Group and the Parent Company are in good financial condition, which allowed for further development of new games with the use of own financing. The Management Board's objective is to maintain a stable financial standing of the Company and the entire Group by expanding the portfolio of games offered by the Group and promoting the current titles.

The table below presents the key parameters for assessing the Group's and the Parent Company's profitability.

Profitability indicators

	2019	2018
Chosen financial data		
EBIT - Capital Group	84,577,378	44,314,539
EBIT – Parent Company	81,341,152	44,454,586
EBITDA - Capital Group	85,727,620	45,011,689
EBITDA – Parent Company	82,491,394	45,127,139
Profitability indicator – the Group		
Profitability EBITDA*	35.55%	39.05%
Profitability EBIT**	35.07%	38.45%
Gross profitability	35.10%	38.91%
Net profitability	31.68%	31.64%
ROA	72.03%	66.96%
ROE	82.90%	86.66%
Profitability indicator – Parent Company		
Profitability EBITDA*	34.75%	39.62%
Profitability EBIT**	34.27%	39.03%
Gross profitability	34.32%	39.77%
Net profitability	31.09%	32.51%
ROA	71.87%	68.91%
ROE	83.08%	89.53%

Source: Management Board

Principles for the calculation of indicators: Profitability at the level of operating profit plus depreciation (EBITDA) – (operating profit for the period + depreciation) / operating income; Profitability at the level of operating profit (EBIT) – operating profit for the period / operating income; Gross profitability – profit before tax for the period / operating income; Net profitability - net profit for the period / operating income; Return on assets (ROA) – net profit for the period / total assets; Return on equity (ROE) – net profit for the period / total equity.

Profitability ratios remained at a very high level both in 2019 and 2018. Revenue growth (mainly thanks to Fishing Clash) was in line with an increase in operating result, gross result and net result.

Debt ratios

Due to the fact that the Group (including the Parent Company) did not use external financing in 2018-2019, no debt ratios will be presented.

In 2019, the Group's equity accounted for 86.9% (PLN 92.1 million) of total liabilities. The remaining 13.1% were short- and long-term liabilities, including mainly current income tax liabilities in the amount of PLN 6,1 million, i.e. 5.8% of equity and liabilities, trade liabilities of PLN 4,6 million, i.e. 4,4% of equity and liabilities and deferred income in the amount of PLN 2,0 million, i.e. 1,9% of equity and liabilities.

The structure of liabilities in the case of individual data was analogous to consolidated data.

Liquidity ratios

	2019	2018
Liquidity ratio		
Current liquidity ratio – the Group	7.57	4.31
Current liquidity ratio – the Parent Company	7.35	4.25

Source: The Group

Principles for the calculation of indicators:

Current liquidity ratio – total current assets / total short-term liabilities;

Both in 2019 and 2018 the liquidity ratios remained at a very high level – it results from generating current positive cash flows during the year.

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

In 2019, due to the lack of anticipated application of the betting engine in the nearest future, PLN 0.241m was written off, i.e. its entire balance sheet value. In turn, due to the decision to rebuild the graphical layer and interface of the Golf Rush game, it was decided to create a write-down for part of the capitalized costs of the game - the amount of the write-down amounted to PLN 0.746m (out of the total net value of 1.066m as at the date of the write-down).

10. MAJOR ACHIEVEMENTS IN THE FIELD OF RESEARCH AND DEVELOPMENT

The Group conducts development works related to new games. In 2019 two new games for women (SoliTales and Flip This House) and one in hunting genre (Hunting Clash) were developed. All three are currently in the soft launch phase - open tests in selected countries, on the basis of which the Management Board will decide on the scope of further investments in these titles in the coming months.

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

After several months of intensive work of the development team, Let's Fish was successfully rewritten and launched in HTML5 technology, which gives the possibility of further development and guarantees technological security for the following years.

Work is also underway to improve the Group's fundamentals, 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 current development projects are aimed at consistent implementation of the strategy and bring with them a chance to broaden the Group's product offer with new profitable, timeless titles.

11. EXPECTED 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 games from the *Free 2 Play* segment in interesting thematic areas. Its implementation involves building a portfolio of timeless products with a long lifespan and deep monetization. In the opinion of the Management Board, 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 one is the opening of a new design office and building of a development team in Warsaw, which will allow to broaden the pipeline of new products and strengthen the team. 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.

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

In the period from 1 January 2020 to 23 March 2020, there were no significant events not reflected in the Group's financial statement.

13. DESCRIPTION OF SIGNIFICANT RISK FACTORS AND THREATS, SPECIFYING TO WHAT EXTENT THE ISSUER IS EXPOSED TO THEM

The activities of the Ten Square Games Capital Group are subject to the influence of external and internal factors such as exchange rates, competition, changes in the macroeconomic situation, tax and other regulations. The following are descriptions of the Group's defined, material and specific external and internal factors that may adversely affect the Ten Square Games Group's business.

Risk factors that may affect the Group's performance are as follows:

- PLN/EUR exchange rate. A significant portion of the Group's revenue is generated in foreign currencies, and the Group is therefore exposed to the risk of sudden changes in foreign exchange rates. At present, a significant portion of the costs associated with the purchase of advertising is incurred in U.S. dollars, offsetting the risk of exposure to foreign exchange rate fluctuations. A change in this proportion is not excluded in the future.
- Appearance on the market of products competitive to the Group's games. Due to low entry barriers for new entrants and easy access to global distribution of new products, the mobile gaming market is a competitive market. Consumers are offered numerous products, often with similar themes. A competitive market requires the Group to work on continuous improvement of the quality of its products and search for new thematic areas of interest to a wide range of customers.
- Parameters of the advertising market, such as prices and supply of advertisements displayed in the Group's games and prices of advertisements purchased by the Group. The Group's economic model assumes the possibility of acquiring players at prices lower than the expected value generated by the players. If it is currently possible for the Group to meet this condition, it cannot be ruled out that the cost of acquiring a user will exceed the above mentioned profitability threshold..
- Change in the policy of key distribution platforms such as Google Play, Facebook and Apple affecting the scope and distribution capabilities of the Group's products. As the Group's products reach users through entities independent of the Group, any change on their part as regards the Group's application promotion policy, application selection and distribution rules may have an impact on the Group's results.
- Duration of game development. F2P productions are relatively short and low-budget, but here, too, delays in production may occur as a result of difficult access to talent or changes in the market and the resulting changes in the product. Game

production is a complex process based to a large extent on creative and artistic work, which often makes it difficult to set a precise production schedule.

- The ability to maintain and develop a team of developers and specialists in the field of development of F2P games, as well as attracting experts from Poland and abroad. The market of F2P specialists in Poland is young and shallow. Access to such specialists is of key importance for the Group. In addition, the Group notes strong wage pressure from both existing and new potential employees.

- The Group's products are consumed by players.

The demand for these products may be subject to changing fashions, market trends or sudden changes in the perception of specific customer groups. A change in the macroeconomic situation may also result in a change in the purchasing behaviour of some customers.

- If the Group takes steps to take over external entities or projects, the Group will be exposed to business risk related to their correct valuation and subsequent integration. This may affect the Group's financial results in the future.

- The Group's operations depend on the proper functioning of IT systems and technical infrastructure, networks and servers. As a result of failure of the technical infrastructure, the Group's products may be interrupted, which makes it impossible for the Group to conduct its current operations. Any system failure or access to data by unauthorized persons may result in loss or disclosure of data, reduction of sales revenues, necessity to incur unforeseen costs or penalties.

- The conditions of personal data processing are regulated by general provisions on personal data protection, including Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of individuals with regard to the processing of personal data and on the free movement of such data and repealing Directive 95/46/EC (GDPR), whose absolute applicability within the national legal order is mandatory as of 25 May 2018. The Group has put in place legal, organisational and technical solutions to ensure the security of the processed data and full compliance with the new regulation. Should the current data protection measures prove ineffective, data may be disclosed, modified or lost, whether as a result of system failure, human error or unauthorised actions by third parties. Violations of data protection rules can lead to financial penalties by the supervisory authority, as well as loss of reputation and customer confidence.

- Innovation in new technologies in the segment of electronic entertainment. Technological changes that may affect the way games are delivered to consumers and the way they are consumed cannot be ruled out. This may necessitate rapid adaptation of the Group's products to new realities.

- Changes in legal and tax regulations and the risk of providing services to users in various jurisdictions.

In addition, a new risk (since the beginning of February 2020) to the Group's operations is the unfavourable development of the situation related to the continuing effects of the spread of COVID-19 coronavirus. On 12 March 2020, the Group decided to change the mode of operation from stationary work in the Wrocław office to remote work. This period is initially expected to last for two weeks, but the Management Board cannot exclude that this period will be extended. The Group is able to provide ongoing support for its games as well as the production of new titles and functionalities is going on as planned. As at the date of this report, the Management Board does not see any significant changes in the level of revenue, and marketing campaigns are also being maintained at the planned level. Nevertheless, as the situation on the global market develops, both the demand for games and the costs of marketing campaigns may change, which at this point in time cannot be estimated qualitatively or quantitatively.

14. CHARACTERISTICS OF EXTERNAL AND INTERNAL FACTORS SIGNIFICANT FOR THE DEVELOPMENT OF THE ISSUER'S BUSINESS

In the perspective of 2020, the Group intends to continue the development of its operations in the existing areas, i.e. develop its current portfolio and create new projects in the *Free 2 Play* mobile game apps segment.

Further development of Fishing Clash will have a key impact on the Group's results. The improvement of results, both in the area of product and marketing, may significantly influence the result of the subsequent quarter. In order to use its potential, the

Group is continuing the optimization of live-ops, developing the functionalities of the product and improving marketing efforts.

The results of new games in the soft launch phase (SoliTales, Flip This House and Hunting Clash) as well as in the production phase (golf game) may also affect the Group's future results. The possibility of evaluating the project only appears a few months after the soft launch, so at the moment it is difficult to predict whether any of them will be significantly successful on the market. External factors which may influence the Group's results are: the exchange rate of American dollar, the appearance of competitive games on the market, the parameters of advertising market, such as prices and supply of the advertisements displayed in the Group's games as well as the prices of advertisements bought by the Group or a change of policy of crucial distribution platforms, such as Google Play, Facebook and Apple, which may influence the scope and possibility of distribution of the Group's products. The publication of Fishing Clash and its success in the Chinese market is also regarded by the Group as an external factor.

External factors coincide with the Group's basic risks, while internal factors also include outflow of employees and associates, delays in game production or the risk of inaccuracy of estimates and trends on the basis of which the Management Board makes decisions regarding the development of the Group's products.

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

Agreements that may affect future changes in the proportions of shares held by shareholders are those relating to the incentive scheme. Details of the plan are described in note 27 in the consolidated (and separate) financial statement.

16. 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.

17. SEASONALITY OR CYCLICALITY OF OPERATIONS

The Group's activity is not seasonal.

18. CREDITS, LOANS, WARRANTIES

Ten Square Games S.A. granted loans on market terms to three unrelated entities for a total amount of PLN 80,000. These loans should be paid back together with interest in 2020. Ten Square Games S.A. and none of its subsidiaries, as at 31 December 2019 and as at the date of issue of the financial statement, was not a party to credit or loan agreements other than described in previous sentence. The Issuer and its subsidiaries did not grant any warranties or sureties during the reporting period.

19. ACQUISITION OF OWN SHARES (STOCKS)

At the Extraordinary General Meeting of Shareholders held on 14 and 17 January 2019, at the request of one of the shareholders, the Shareholders of the Parent Company agreed that the Company would acquire, free of charge, 50,000 (fifty) shares with a par value of PLN 0.1 each (total value of the shares acquired: PLN 5,000) for the purpose of their subsequent redemption. The redemption of shares, and thus the amendment to the Company's Articles of Association, taking into account the action indicated above, was recorded by the District Court on 22 February 2019.

20. AFFILIATED BRANCHES (PLANTS) OWNED BY THE ENTITY

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

21. FINANCIAL INSTRUMENTS

1. Financial instruments with respect to the following risks: changes in prices, credit risk, material disruption of cash flows and liquidity to which an entity is exposed:

The Group and the Parent Company do not 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 the entity's objectives and methods of financial risk management, including methods of hedging material types of planned transactions for which hedge accounting is applied:

The Group and the Parent Company do not use such financial instruments due to the fact that the expected costs of their use could be higher than the probable benefits.

22. INFORMATION ON CONCLUDED AGREEMENTS SIGNIFICANT FOR THE ISSUER'S OPERATIONS, INCLUDING AGREEMENTS CONCLUDED BETWEEN SHAREHOLDERS KNOWN TO THE ISSUER, INSURANCE AGREEMENTS, COOPERATION AGREEMENTS OR COOPERATION AGREEMENTS

On December 13, 2018, an agreement was concluded between the Issuer and NetEase (Shanghai) Online Games Co., Ltd ("NetEase") for distribution of Fishing Clash on the Chinese market. NetEase will be responsible for obtaining a license to distribute the title and for the distribution, marketing and promotion of the game in the People's Republic of China (excluding Hong Kong, Macau and Taiwan). The agreement specifies the mutual obligations of the Parties in connection with the gaming license granted, the basic terms and conditions of distribution, and sets out NetEase's obligations with respect to the marketing campaign. The Company's license fee will be calculated on the basis of the total revenue from micro-payments in-game less agreed distribution fees, transaction costs and uncollectible receivables provisions. Settlement between the parties will take place every month on the basis of a sales report prepared by NetEase. The agreement does not contain provisions that deviate from the terms and conditions commonly used for this type of agreements, including provisions on contractual penalties. The Company would like to point out that obtaining a license in this market depends on many external factors, and therefore NetEase does not guarantee that it will obtain the license necessary for the distribution of the game. As at the date of issue of this report, the Group is waiting for a license to distribute the game. The expected date of obtaining the license is not possible to be specified more precisely and depends entirely on entities external to the Group.

On February 11, 2019 the Issuer and Archicom Nieruchomości 5 Spółka z ograniczoną odpowiedzialnością with its registered seat in Wrocław entered into a lease agreement concerning office space located in the City One office and service building developed within the City Forum project located in Wrocław at ul. Traugutta 45. The agreement was concluded for a definite period of 5 years. The lease period began on 02.01.2020, i.e. on the date of taking over the leased object and will end on 02.01.2025. The floorspace covered by the lease agreement is used by the Issuing Party in order to conduct business activity. The terms and conditions of the lease agreement do not differ from market standards used in agreements of this type. As of 2.01.2020, the Group introduced into its fixed assets register the right to use the office (according to IFRS16 Leasing) in the amount of 5.9 million PLN, at the same time recognizing in the same amount the liability for leasing.

On January 21 2020 the Issuer concluded another agreement with Archicom Nieruchomości 5 Spółka z ograniczoną odpowiedzialnością with its registered office in Wrocław for the lease of office space in the same building as the agreement indicated above. The need to lease additional space is related to the increase in the number of employees and collaborators. The new office space will be available to the Issuer in mid-September 2020 and the lease period is 5 years from the date

of taking over the object of lease. Estimated amount of nominal rent payments (without service charges) in the period covered by the Agreement is 0.6 million EUR. The floorspace covered by the lease agreement will be used by the Issuer for business activity. The terms and conditions of the lease agreement do not deviate from market standards applied in agreements of this type.

On 21.10.2019 the Shareholders' Agreement was concluded, as a result of which, as at the date of conclusion of the Agreement, the Members of the Agreement held a total of 4,603,750 shares in the Company, constituting 63.58% of the share capital, entitled to 4,603,750 votes at the General Meeting of Shareholders of the Company, constituting 63.58% of the total number of votes at the General Meeting of Shareholders of the Company, which the Company informed about in current report no. 30/2019. Among the Members of the Agreement are Maciej Popowicz and Arkadiusz Pernal - Members of the Management Board of the Issuer.

In connection with the accelerated book-building process addressed only to selected investors meeting certain criteria ("ABB"), the Company's shareholders, Maciej Popowicz and Arkadiusz Pernal, committed themselves to WOOD&Company Financial Services a.s. to comply with the restrictions on the transferability of the Company's remaining shares held by ABB for a period of 180 days from the settlement date of the sale transaction. The sale transaction was settled on 31.01.2020.

Apart from the above-mentioned agreements, the Management Board is not aware of the existence of other significant agreements.

23. ASSESSMENT OF FINANCIAL RESOURCES MANAGEMENT, INCLUDING THE ABILITY TO MEET THE OBLIGATIONS INCUMBENT ON THE ISSUER, AND IDENTIFICATION OF ANY THREATS AND ACTIONS THAT THE ISSUER HAS UNDERTAKEN OR INTENDS TO UNDERTAKE IN ORDER TO COUNTERACT SUCH THREATS

The Parent Company and its subsidiaries have a high level of cash as at 31 December 2019 and 31 December 2018. The Group companies settle their liabilities on time (excluding inter-company transfers). The Group companies also have no problems with the collection of receivables – most amounts relating to a given month are settled within the next 4-5 weeks. In the opinion of the Management Board, the Issuer's current financial situation does not require taking any additional steps to counteract the above-mentioned threats.

24. ASSESSMENT OF THE POSSIBILITY OF REALIZATION OF INVESTMENT PLANS, INCLUDING CAPITAL INVESTMENTS, IN COMPARISON TO THE AMOUNT OF FUNDS HELD, TAKING INTO ACCOUNT POSSIBLE CHANGES IN THE STRUCTURE OF FINANCING THIS ACTIVITY.

In the opinion of the Issuer's Management Board, the company has full capability of implementing investment plans. The Issuer currently owns one open production (so called Big Golf game), and the production costs of a game up to the moment of soft launch amount to approximately PLN 1 million on average. As at the end of 2019, the Issuer had over PLN 75M in cash and the ongoing production as well as potential new ones in the future will be financed from the Issuer's current funds.

25. INFORMATION ON THE CONTROL SYSTEM OF EMPLOYEE SHARE PROGRAMS

The Company's share-based incentive scheme covering the activities of the Company and its Capital Group in 2018-2020 was approved at the General Meeting on 15 March 2018 and partially modified on 14 January 2019 (shareholders' resolution). The detailed regulations of the programme were also approved by the shareholders in the form of a resolution. The implementation of the programme is supervised directly by the Supervisory Board and the Management Board of the Issuer.

26. DESCRIPTION OF SIGNIFICANT OFF-BALANCE SHEET ITEMS IN TERMS OF SUBJECT MATTER, OBJECT MATTER AND VALUE

As at 31 December 2019 and as at 31 December 2018, the Group did not have any significant off-balance sheet items.

27. VALUE OF REMUNERATION, AWARDS OR BENEFITS, INCLUDING THOSE RESULTING FROM INCENTIVE OR BONUS SCHEMES BASED ON THE ISSUER'S CAPITAL FOR MEMBERS OF THE ISSUER'S MANAGEMENT, SUPERVISORY OR ADMINISTRATIVE BODIES

Related person	Net purchase		Remuneration		Net dividend	
Period	1/01/2019-31/12/2019	1/01/2018-31/12/2018	1/01/2019-31/12/2019	1/01/2018-31/12/2018	1/01/2019-31/12/2019	1/01/2018-31/12/2018
Management Board	288,000	96,000	320,610	341,740	12,989,687	4,249,713
Maciej Popowicz:	162,000	54,000	57,600	161,400	8,733,785	2,862,410
- Ten Square Games S.A.	162,000	54,000	54,000	158,000	8,733,785	2,862,410
- Play Cool Zombie Sport Games Sp. z o.o.	0	0	1,200	1,200	0	0
- Tiny Dragon Adventure Games Sp. z o.o.	0	0	1,200	1,200	0	0
- Fat Lion Games Sp. z o.o.	0	0	1,200	1,000	0	0
Arkadiusz Pernal:	126,000	42,000	51,600	131,400	4,179,357	1,369,742
- Ten Square Games S.A.	126,000	42,000	48,000	128,000	4,179,357	1,369,742
- Play Cool Zombie Sport Games Sp. z o.o.	0	0	1,200	1,200	0	0
- Tiny Dragon Adventure Games Sp. z o.o.	0	0	1,200	1,200	0	0
- Fat Lion Games Sp. z o.o.	0	0	1,200	1,000	0	0
Magdalena Jurewicz:	0	0	211,410	48,940	76,545	17,561
- Ten Square Games S.A.	0	0	211,410	48,940	76,545	17,561
- Play Cool Zombie Sport Games Sp. z o.o.	0	0	0	0	0	0
- Tiny Dragon Adventure Games Sp. z o.o.	0	0	0	0	0	0
- Fat Lion Games Sp. z o.o.	0	0	0	0	0	0
Supervisory Board (Ten Square Games S.A.)	0	0	222,500	186,000	392,428	105,364
Maciej Zużalek	0	0	12,000	12,000	229,635	52,682
Rafał Olesiński	0	0	42,000	42,000	2,048	0
Marcin Chruszczyński	0	0	42,000	42,000	0	0
Tomasz Drożdżyński	0	0	36,000	36,000	0	0
Maciej Marszałek	0	0	18,000	18,000	160,745	52,682
Milena Olszewska-Miszuris	0	0	36,500	0	0	0
Wiktor Schmidt	0	0	36,000	36,000	0	0

Neither members of the Management Board nor members of the Supervisory Board participate in the Company's incentive scheme for the years 2018-2020.

28. AGREEMENT WITH THE AUDITOR

The Management Board of the Parent Company informs that the selection of an audit firm to audit the annual separate and consolidated financial statements for the financial year 2019 was made by the Company's Supervisory Board in the form of a resolution adopted on 17 May 2019 after the recommendation presented by the Audit Committee. The Supervisory Board appointed an auditing firm PKF Consult Sp. z o.o. sp. k. to review the semi-annual financial statements of Ten Square Games S.A. and the semi-annual consolidated financial statements of Ten Square Games S.A. Capital Group for the periods from 01.01.2019 to 30.06.2019, from 01.01.2020 to 30.06.2020 and from 01.01.2021 to 30.06.2021, as well as audit of the annual separate financial statements of Ten Square Games S.A. and annual consolidated financial statements of Ten Square Games

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S.A. Capital Group for the years 2019, 2020 and 2021 and thus decided to extend the agreement with PKF Consult Sp. z o.o. sp.k.

In addition to the audit agreement, in 2017 the Issuer also concluded agreements for the audit of the transformation plan, the audit of the Historical Financial Information for the purposes of the issue prospectus and an agreement for agreed procedures related to the Company's stock exchange debut in May 2018 (costs accounted for in 2018).

Description	costs in 2019	costs in 2018
audit of the consolidated and separate financial statements for 2019 (2018)	42,761	34,000
review of the consolidated and separate financial statements for the first half of 2019 (2018)	25,202	22,000
other services related to the initial public offering	0	12,800
TOTAL	67,963	68,800

29. INFORMATION ON TRANSACTIONS CONCLUDED BY THE ISSUER OR ITS SUBSIDIARY WITH RELATED PARTIES ON TERMS OTHER THAN MARKET TERMS, TOGETHER WITH THEIR AMOUNTS AND INFORMATION SPECIFYING THE NATURE OF SUCH TRANSACTIONS

In 2019, as well as from 1 January 2020 until the date of publication of the separate and consolidated annual report for 2019, the Issuer and its subsidiaries did not enter into any significant transactions with related parties under conditions other than market conditions.

30. ISSUE OF SECURITIES - USE OF PROCEEDS FROM THE ISSUE OF SECURITIES IN THE PERIOD COVERED BY THE REPORT

In 2019, as well as from 1 January 2020 until the date of publication of the separate and consolidated annual report for 2019, no issue of the Issuer's securities took place.

31. CHANGES IN THE BASIC PRINCIPLES OF MANAGEMENT OF THE ISSUER AND ITS CAPITAL GROUP

In 2019, as well as from 1 January 2020 until the date of publication of the separate and consolidated annual report for 2019, the Issuer did not make any changes to the basic principles of management of the Issuer's enterprise and its Capital Group.

32. AGREEMENTS CONCLUDED BETWEEN THE ISSUER AND MANAGEMENT BOARD MEMBERS PROVIDING FOR COMPENSATION IN CASE OF RESIGNATION OR DISMISSAL FROM THEIR FUNCTION WITHOUT AN IMPORTANT REASON OR IF THEIR DISMISSAL RESULTS FROM THE ISSUER'S MERGER VIA ACQUISITION

In 2019, as well as from 1 January 2020 until the date of publication of the separate and consolidated annual report for 2019, the Issuer did not conclude any agreements with members of the Management Board providing for compensation in the event of resignation or dismissal from the position held without an important reason or if the dismissal is due to the Issuer's merger by acquisition.

33. INFORMATION ON ALL LIABILITIES ARISING FROM PENSIONS AND BENEFITS OF A SIMILAR NATURE FOR FORMER MANAGING, SUPERVISING OR FORMER MEMBERS OF ADMINISTRATIVE BODIES AND ON LIABILITIES INCURRED IN CONNECTION WITH THOSE PENSIONS

In 2019, as well as from 1 January 2020 until the date of publication of the separate and consolidated annual report for 2019, there were no liabilities arising from pensions and benefits of a similar nature for former managing, supervising or former members of administrative bodies and no liabilities were incurred in connection with those pensions.

34. PRINCIPLES OF CORPORATE GOVERNANCE

The Issuer is subject to corporate governance rules contained in the document 'Code of Best Practice for WSE Listed Companies'. The statement of compliance with corporate governance rules in Ten Square Games S.A. in 2019 is a separate part of the report of the Management Board on the activities of Ten Square Games S.A. Capital Group and Ten Square Games S.A.

		date	signature
The President of the Management Board	Maciej Popowicz	23/03/2020	
The Vice-President of the Management Board	Arkadiusz Pernal	23/03/2020	
Member of the Management Board	Magdalena Jurewicz	23/03/2020	