CONSOLIDATED QUARTERLY REPORT

OF THE CAPITAL GROUP TEN SQUARE GAMES S.A. FOR Q1 2020

Wrocław, 25.05.2020

SELECTED FINANCIAL DATA CONVERTED TO EUR

CONSOLIDATED DATA

Specification	01.01.2020 - 31.03.2020		01.01.2019 - 31.03.2019	
	PLN	EUR	PLN	EUR
STATEMENT OF COMPREHENSIVE INCOME				
Net revenues	95 017 672	21 965 849	45 303 640	10 550 943
Costs of goods and services sold	4 756 485	1 099 587	1 919 193	446 968
Operating profit (loss)	37 555 065	8 681 847	12 295 632	2 863 578
Gross profit (loss)	39 192 112	9 060 294	2 318 136	539 880
Net profit (loss)	35 340 987	8 170 004	10 355 993	2 411 848
CASH FLOW STATEMENT				
Net cash flows from operating activities	29 784 056	6 885 372	12 005 170	2 795 931
Net cash flows from investment activities	-959 914	-221 910	-1 001 908	-233 338
Net cash flows from financial activity	-174 003	-40 225	0	0

Specification	31.03.2020		31.12.2019	
	PLN	EUR	PLN	EUR
STATEMENT OF FINANCIAL POSITION				
Fixed assets	11 214 548	2 463 491	4 936 261	1 147 621
Current assets	144 958 340	31 842 879	101 109 269	23 506 677
Equity	128 394 461	28 204 306	92 144 636	21 422 509
Long-term liabilities	6 323 055	1 388 980	537 405	124 940
Short-term liabilities	21 455 372	4 713 084	13 363 489	3 106 849

EUR/PLN exchange rate	**2020**	**2019**
- for the balance-sheet data	4.5523	4.3013
- for the data from the profit and loss statement and cash flow statement	4.3257	4.2938

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

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

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GENERAL INFORMATION

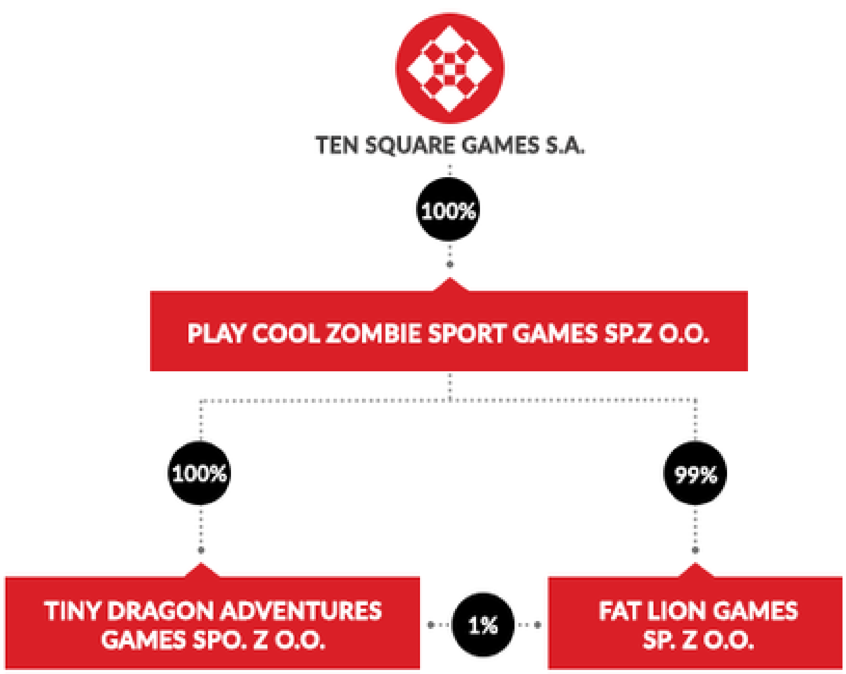
1. COMPANY DATA

Name	Ten Square Games
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
entry no.	0000704863
Statistical Business Number (REGON)	021744780
Tax Identification Number (NIP)	8982196752
Company duration	indefinite

Ten Square Games Sp. z o. o. was registered on 21 October 2011, entry no. 0000399940. Ten Square Games S.A. was established through the transformation of Ten Square Games Sp. z o. o., which was registered by the District Court on 20 November 2017.

2. CAPITAL GROUP

Ten Square Games S.A. is the Parent Entity in the Capital Group, which prepares consolidated financial statements. The subsidiaries represented above are subject to the consolidated financial statement since the date of a given company's establishment.



3. SHAREHOLDERS STRUCTURE

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

Shareholder	number of shares as at 25.05.2020	share in basic capital	number of votes at GSM	% share in the number of votes
Shareholders’ Agreement[1]	3 631 526	50,15%	3 631 526	50,15%
of which: Maciej Popowicz	2 200 788	30,39%	2 200 788	30,39%
Of which: Arkadiusz Pernal	1 053 138	14,54%	1 053 138	14,54%
Others (of which none holds more than 5% of shares)	3 609 719	49,85%	3 609 719	49,85%
TOTAL	**7 241 245**	**100%**	**7 241 245**	**100%**

[1] The agreement of the Company's shareholders of 21.10.2019 regarding the conduct of a permanent policy towards the Company and the consensual exercise of voting rights attached to the Company's shares (current report no. 30/2019).

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]	4 603 750	63,58%	4 603 750	63,58%
of which: Maciej Popowicz	2 852 500	39,39%	2 852 500	39,39%
Of which: Arkadiusz Pernal	1 365 000	18,85%	1 365 000	18,85%
Others (of which none holds more than 5% of shares)	2 637 495	36,42%	2 637 495	36,42%
TOTAL	**7 241 245**	**100%**	**7 241 245**	**100%**

Changes in the shareholding structure between 31.12.2019 and 25.05.2020 result from the receipt on 31 January 2020 of notifications 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.

3.2. List of shares held by members of the Management Board and Supervisory Board

Shareholder	number of shares as at 25.05.2020	share in basic capital	number of votes at GSM	% share in the number of votes
President of the Management Board – Maciej Zużałek	50 000	0,69%	50 000	0,69%
Vice-President of the Management Board – Arkadiusz Pernal[2]	1 053 138	14,54%	1 053 138	14,54%
Member of the Management Board – Magdalena Jurewicz	25 000	0,35%	25 000	0,35%
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%
others	6 063 438	83,73%	6 063 438	83,73%
TOTAL	**7 241 245**	**100%**	**7 241 245**	**100%**

Shareholder	number of shares as at 31.12.2019	share in basic capital	number of votes at GSM	% share in the number of votes
President of the Management Board – Maciej Popowicz	2 852 500	39,39%	2 852 500	39,39%
Vice-President of the Management Board – Arkadiusz Pernal[2]	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%
President of the Supervisory Board – Maciej Zużałek	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%
others	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 Supervisory Board between 31 December 2019 and 25 May 2020 result from:

1) receipt, on 15 January 2020, of a notification concerning the change in the ownership of the Company's shares submitted by Maciej Zużałek, of which the Company informed in 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 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.
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.

3.3. Share series

Share series	Number of shares as at 25.05.2020 and 31.12.2019	Nominal value per share	Total nominal value of shares
A	7,225,000	0.1 PLN	722,500.00
B	16,245	0.1 PLN	1,624.50

Type B shares refer to the incentive scheme implemented in the Company, and the increase in the share capital connected with it was announced in the current reports no. 23/2019 and 25/2019.

4. COMPOSITION OF THE COMPANY'S BODIES AS AT 31.03.2020

The Management Board:

Maciej Zużałek – President of the Management Board;

Arkadiusz Pernal – Vice-President of the Management Board;

Magdalena Jurewicz – Member of the Board.

Between 1 January 2020 and 25 May 2020, there was a change of the President of the Management Board coinciding with the end of the Management Board's term of office and the appointment of a new composition - until 20 May 2020 this function was held by Mr Maciej Popowicz.

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.

Between 1 January 2020 and 25 May 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 Chruszyński 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;

- Mr. Maciej Zużałek was the Chairman of the Supervisory Board until 21 April 2020, and on 20 May 2020 he became the 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;

- Ms. Kinga Stanisławska joined the Supervisory Board on 20 May 2020.

5. FORM OF THE CONDENSED STATEMENT

The basis for the preparation of the financial statement

This interim condensed consolidated financial statement has been prepared in accordance with the International Accounting Standard no 34 "Interim Financial Reporting", approved by the EU ("IAS 34").

The interim condensed consolidated financial statement does not involve all information and disclosures required in the annual financial statement and it shall be read in conjunction with the consolidated financial statement of the Group for the year ending on 31 December 2019.

Functional currency and presentation currency

The interim condensed consolidated financial statement is presented in Polish zlotys (PLN), which is the functional currency and the presentation currency of the Company and the Capital Group.

Transactions in foreign currencies shall be converted into the functional currency, in accordance with the exchange rate applicable as at the date of the transaction. Exchange profits and losses obtained as a result of the settlement of such transactions and the balance-sheet valuation of assets and financial liabilities in foreign currencies shall be included in the profit and loss statement, provided they are not deferred in equity if they are eligible for recognition as security of cash flows and hedges of net investments.

Presented periods

The interim condensed consolidated financial statement has been prepared as at 31.03.2020 and it covers the period of 3 months, i.e. since 01.01.2020 to 31.03.2020.
For the data presented in the interim condensed consolidated statement of financial situation and off-balance sheet items, comparable financial data as at 31.12.2019 and 31.03.2019 were presented.
For the data presented in the interim condensed consolidated statement of comprehensive income and the interim condensed standalone statement of comprehensive income, comparable financial data for the period from 01.01.2019 to 31.03.2019 were presented.
For the data presented in the interim condensed consolidated statement of changes in equity and in the interim condensed standalone cash flow statement, comparable financial data were presented for the period from 01.01.2019 to 31.03.2019.

Continuity assumption

The interim condensed consolidated financial statement has been prepared assuming that the Company and the Capital Group shall continue their activities for the period of 12 months after the last balance-sheet date, i.e. 31.03.2020. The Management Board of the

Parent Entity, as at the date of signing the statement, was not aware of any facts or circumstances which could indicate a threat to the continuation of activity for the period of 12 months after the balance-sheet date due to an intended or forced discontinuance or material limitation of the activity.

Until the date of preparation of the interim condensed consolidated financial statement for the first quarter of 2020, there were no events which were not and which should have been included in the accountancy books of the reporting period. At the same time, no material events relating to previous years in these financial statements are included in the financial statement.

Audit carried out by an auditing company

These interim condensed consolidated financial statements with selected elements of the interim condensed consolidated financial statements were neither audited nor reviewed by an independent audit firm.

6. STATEMENT OF THE MANAGEMENT BOARD

The Management Board of the Parent Entity declares that, to the best of its knowledge, this interim condensed consolidated financial statement and the comparative data have been prepared in accordance with the accounting provisions of the Capital Group Ten Square Games S.A. and that they reflect a true and fair view of the property and financial situation of the Company and the Capital Group, and their financial results.

This interim condensed consolidated financial statement has been prepared in accordance with the International Financial Reporting Standards (IRS 34 – Interim Financial Reporting) and related interpretations, applicable to the interim financial reporting, published in the forms of the European Commission's regulations, which were approved by the European Union.

The presented interim condensed consolidated financial statement has been prepared in accordance with the Regulation of the Minister of Finance of 29 March 2018 on current and periodical information submitted by issuers of securities.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENT

1. INTERIM CONDENSED CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT	01.01.2020 - 31.03.2020	01.01.2019 - 31.03.2019
Revenues from the sales of services	**95 017 672**	**45 303 640**
Costs of goods and services sold	**4 756 485**	**1 919 193**
Gross profit (loss) on sales	**90 261 187**	**43 384 447**
Other operating revenues	4 702	40 212
Selling costs	48 544 738	29 688 819
General and administrative costs	3 403 652	1 429 171
Other operating costs	762 434	11 037
Operating profit (loss)	**37 555 065**	**12 295 632**
Financial revenues	1 692 385	379 609
Financial costs	55 338	1 112
Profit (loss) before taxation	**39 192 112**	**12 674 129**
Income tax	3 851 125	2 318 136
Net profit (loss) on continued activity	**35 340 987**	**10 355 993**
Profit (loss) on discontinued activity	**0**	**0**
Net profit (loss)	**35 340 987**	**10 355 993**
Items for requalification for the profit and loss statement in the subsequent periods	**0**	**0**
Items which will not be subject to requalification for the profit and loss statement in the subsequent periods	**0**	**0**
Total comprehensive income	**35 340 987**	**10 355 993**
Total comprehensive income assigned to non-controlling shareholders	**0**	**0**
Net profit (loss) attributable to the parent company	**35 340 987**	**10 355 993**

Calculation of earnings per share	01.01.2020 - 31.03.2020	01.01.2019 - 31.03.2019
Number of shares		
The weighted average number of shares for the purpose of calculating the value basic of earnings per share (in units)	7 241 245	7 254 213
The weighted average number of shares for the purpose of calculating the value of diluted earnings per share (in units)	7 241 245	7 254 213
Net profit assigned to the Parent Entity	35 340 987	10 355 993
Earnings per share per shareholders of the Parent Entity		
Basic EPS	PLN 4.88	PLN 1.43
Diluted EPS	PLN 4.88	PLN 1.43

2. INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL SITUATION

ASSETS	31.03.2020	31.12.2019	31.03.2019
Fixed assets	**11 214 548**	**4 936 261**	**3 733 356**
Property, plant and equipment	6 538 700	568 568	357 190
Intangible assets	3 636 091	3 397 515	2 981 001
Other financial assets	673 312	590 589	194 726
Deferred income tax assets	366 445	379 589	200 439
Current assets	**144 958 340**	**101 109 269**	**70 398 763**
Trade receivables	34 447 446	20 737 918	16 249 070
Other receivables	3 885 427	3 498 580	2 411 161
Prepayments and accruals	1 521 733	1 561 831	848 121
Loans granted	60 000	80 914	0
Cash and cash equivalents	105 043 734	75 230 027	50 890 411
Assets classified as intended for sale	**0**	**0**	**0**
TOTAL ASSETS	**156 172 888**	**106 045 530**	**74 132 119**

EQUITY & LIABILITIES	31.03.2020	31.12.2019	31.03.2019
Equity	**128 394 461**	**92 144 636**	**52 538 414**
Equity of the Parent Entity's shareholders	***128 394 461***	***92 144 636***	***52 538 414***
Share capital	724 125	724 125	722 500
Reserve capital from the sales of shares above their nominal value	496 100	496 100	496 100
Reserve capital created from net result	10 713 413	10 713 413	1 000 962
Capital from the settlement of the incentive scheme	2 672 873	1 764 034	878 745
Undistributed financial result	78 446 963	2 061 163	39 084 114
Financial result of the current period	35 340 987	76 385 801	10 355 993
Equity of non-controlling shareholders	***0***	***0***	***0***
Long-term liabilities	**6 323 055**	**537 405**	**500 240**
Deferred income tax provisions	812 193	537 405	500 240
Leasing liabilities	5 510 862	0	0
Short-term liabilities	**21 455 372**	**13 363 489**	**21 093 465**
Trade liabilities	10 062 843	4 633 152	9 949 446
Current income tax liabilities	8 019 691	6 135 688	9 528 773
Other liabilities	409 827	337 080	199 044
Leasing liabilities	616 393	0	0
Other provisions	438 672	254 054	212 007
Prepayments and accrued income	1 907 946	2 003 515	1 204 195
Liabilities directly connected with the assets intended for sale	**0**	**0**	**0**
TOTAL EQUITY & LIABILITIES	**156 172 888**	**106 045 530**	**74 132 119**

3. INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	Share capital	Reserve capital from the sales of shares above their nominal value	Reserve capital created from net result	Capital from the settlement of the incentive scheme	Undistributed financial result	Financial result of the current period	Total equity
3 months ending 31.03.2020							
Equity as at 01.01.2020	**724 125**	**496 100**	**10 713 413**	**1 764 034**	**78 446 963**	**0**	**92 144 635**
Changes in accounting principles (policy)							0
Corrections of errors from previous periods							0
Equity after corrections	**724 125**	**496 100**	**10 713 413**	**1 764 034**	**78 446 963**	**0**	**92 144 635**
Share-based payments				908 839			908 839
Total comprehensive income						35 340 987	35 340 987
Equity as of 31.03.2020	**724 125**	**496 100**	**10 713 413**	**2 672 873**	**78 446 963**	**35 340 987**	**128 394 461**
12 months ending 31.12.2019							
Equity as at 01.01.2019	**727 500**	**496 100**	**995 962**	**780 748**	**39 084 114**	**0**	**42 084 424**
Changes in accounting principles (policy)							0
Corrections of prior period errors							0
Equity after adjustments	**727 500**	**496 100**	**995 962**	**780 748**	**39 084 114**	**0**	**42 084 424**
Payment of share capital	1 625						1 625
Share-based payments				1 187 441			1 187 441
Reduction of the share capital in accordance with a resolution of the EGM	-5 000		5 000				0
Adjustment of share-based payments in combination with a reduction in share capital				-204 155			-204 155
Distribution of net profit			9 712 451		-9 712 451		0
Payment of dividends					-27 310 500		-27 310 500
Total comprehensive income						76 385 801	76 385 801
Equity as at 31.12.2019	**724 125**	**496 100**	**10 713 413**	**1 764 034**	**2 061 163**	**76 385 801**	**92 144 636**
3 months ending 31.03.2019							
Equity as at 01.01.2020	**727 500**	**496 100**	**995 962**	**780 748**	**39 084 114**	**0**	**42 084 424**
Changes in accounting principles (policy)							0
Corrections of errors from previous periods							0
Equity after corrections	**727 500**	**496 100**	**995 962**	**780 748**	**39 084 114**	**0**	**42 084 424**
Reduction of the share capital in accordance with a resolution of the EGM	-5 000		5 000				0
Share-based payments				302 152			302 152
Adjustment of share-based payments in combination with a reduction in share capital				-204 155			-204 155
Total comprehensive income						10 355 993	10 355 993
Equity as at 31.03.2019	**722 500**	**496 100**	**1 000 962**	**878 745**	**39 084 114**	**10 355 993**	**52 538 414**

4. INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT

Consolidated cash flow statement	**for 01.01.2020 – 31.03.2020**	**for 01.01.2019 - 31.03.2019**
OPERATING ACTIVITY		
Profit/loss before taxation	**39 192 112**	**12 674 129**
Total corrections:	**-7 735 372**	**-299 245**
Depreciation	693 676	186 479
Exchange rate profit/loss	-1 163 568	-136 353
Interest paid on lease	55 338	0
Valuation of the lease liability	395 446	0
Change in provisions (excluding deferred tax liability)	89 050	18 861
Change in receivables (financial assets, trade receivables and other receivables)	-14 179 099	-7 642 645
Change in liabilities, except for leasing liabilities, CIT and dividends	5 565 405	7 242 796
Change in prepayments and accruals (without short-term prepayments and accruals for share-based payments)	40 099	-192 430
Share-based payments (part not included in the acquisition of intangible assets)	829 756	224 206
Other corrections	-61 475	-159
Cash from operating activity	**31 456 740**	**12 374 884**
Income tax (paid) / reimbursed	-1 672 684	-369 714
A. Net operating cash flow	**29 784 056**	**12 005 170**
INVESTMENT ACTIVITY		
Proceeds	**0**	**0**
Outflows	**959 914**	**1 001 908**
Purchase of intangible and tangible fixed assets	959 914	1 001 908
B. Net cash flow from investment activities	**-959 914**	**-1 001 908**
FINANCIAL ACTIVITY		
Proceeds	**20 000**	**0**
Repayment of loans granted	20 000	0
Outflows	**194 003**	**0**
Payment of liabilities under financial leasing agreements	138 665	0
Interest on leasing	55 338	0
C. Net cash flow from financial activities	**-174 003**	**0**
D. Total net cash flow	**28 650 139**	**11 003 262**
RECONCILIATION OF CASH BALANCE SHEET CHANGE		
E. Balance-sheet change in cash, including	**29 813 707**	**11 139 615**
- change in cash due to exchange losses/gains	1 163 568	136 353
F. Cash at the beginning of the period	**75 413 816**	**39 827 219**
G. Cash at the end of the period	**104 063 955**	**50 830 481**
- balance sheet valuation of cash at the end of the period	979 779	59 930
H. Cash at the end of the period shown in the balance sheet	**105 043 734**	**50 890 411**

5. COMMENTS ON THE RESULTS

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 (trends for particular balance sheet items and results), the Management Board of the Parent Company performs a joint analysis for the consolidated data.

5.1. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Revenue distribution by quarters for the main titles:

Game	1Q 2019	2Q 2019	3Q 2019	4Q 2019	1Q 2020
Fishing Clash	37 524 342	43 146 664	57 896 490	67 933 223	84 677 795
Let's Fish	4 095 505	3 316 451	3 600 089	4 201 949	3 868 618
Wild Hunt	2 439 365	2 094 188	2 343 769	2 748 995	3 542 576
Others	1 227 884	1 368 393	4 226 737	3 751 825	2 833 113
TOTAL PAYMENTS	**45 287 096**	**49 925 696**	**68 067 086**	**78 635 992**	**94 922 103**
Deferred income	16 544	-48 092	-416 592	-334 636	95 569
TOTAL REVENUE	**45 303 640**	**49 877 604**	**67 650 494**	**78 301 356**	**95 017 672**

** under the term of payments, the Group recognises revenues not reduced by deferred income (i.e. in the case of micropayments, these are payments made by users during the specified period). The amount of income deferred in time 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 "prepayments and accrued income".*

Breakdown of selling costs by quarters:

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

The first quarter of 2020 was very good for Ten Square Games. Fishing Clash, the flagship title, continued to beat its revenue base by breaking the PLN 30m payments ceiling for the first time in March 2020 alone. By comparison, we closed March 2019 with the amount about half lower, i.e. PLN 14.7m. The higher monthly turnover obviously translated into significantly higher quarterly payments, which increased by 126% in Q1 2020 compared to Q1 2019 and by 25% compared to Q4 2019.

The increase in revenue from Fishing Clash is of course also associated with higher marketing expenses, which in Q1 2020 amounted to over PLN 18m (21% more than in Q1 2019 and 38% more than in Q4 2019). Marketing expenses do not translate directly into proportional revenue from sales in the same period as the expense incurred, as the player acquired in a given month generates income for the Group mainly in subsequent months.

The Group's other active titles have also performed well, Let's Fish has a stable revenue level of PLN +/- 4m per quarter, and Wild Hunt outperformed its previous level with PLN 3.5m in Q1 2020. Wild Hunt is supported by small marketing budgets, but most of the traffic in this title is generated organically. Revenue growth, on the other hand, is related to the introduction of new events and optimization of game parameters.

Games that are currently in the soft launch phase (Hunting Clash, SoliTales, Flip This House) do not yet generate significant sales revenue, but are supported by marketing campaigns (PLN 0.5m in Q1 2020 for a total of 3 titles) to verify selected KPIs for the titles. The Group does not record any significant seasonality of sales. The level of revenues depends on the life cycle of a given game.

Costs of goods and services sold include mainly salaries of the Company's employees and associates. The increase in costs in Q1 2020 results from an increase in the level of employment in the compared periods and a greater number of titles depreciated and maintained on an ongoing basis (8 games vs. 4 games in Q1 2019).

In connection with growing revenues, the amount of selling costs also increased. In this item the Group presents, among others, provisions for mobile stores and marketing expenses. The costs of marketing campaigns have been discussed in the above paragraphs, while provisions from sales are directly proportionally dependent on the level of revenue from sales.

The increase in general administrative expenses in 2020 is caused by further strengthening of company's structures - expansion of general departments, increase in office maintenance costs and one-off cost related to office change (January 2020).

In Q1 2020, the Group's other operating expenses were exceptionally higher than usual at PLN 0.8m, 99% of which was due to donations related to support for a number of organizations in the fight against coronavirus. In mid-March 2020, the Parent's Management Board decided to take a number of measures on four fronts:

1) Support for large organisations which will efficiently purchase the necessary equipment (e.g. WOŚP)
2) Support for foundations that help people whose life situation has significantly deteriorated due to the coronavirus (e.g. Pajacyk, Little Brothers of the Poor)
3) Supporting local hospitals in providing the necessary small equipment and personal protection
4) Support of local companies with which the Group works directly or indirectly.

The above activities were also continued in Q2 2020 and the final amount of support amounted in total to about PLN 840 thousand.

In Q1 2020, the Group also recorded foreign exchange gains of PLN 1.7m compared to PLN 0.4m in the corresponding period of the previous year, which is mainly related to the balance sheet valuation of cash and cash settlements as at 31.03.2020 (PLN 1.4m).

As far as income tax is concerned, in Q1 2020 the Group took into account a tax benefit in the form of IP BOX relief, which was not the case in Q1 2019 (the total settlement for 2019 was presented only in the annual report). Such approach significantly affected the effective tax rate, which in Q1 2020 amounted to 9.8% as compared to 18.3% in the same period last year.

All of the factors discussed above translated into a significant increase in net income, which for Q1 2020 amounted to PLN 35.3m and was 241% higher than in Q1 2019.

5.2. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In balance sheet terms, high sales of the Group's products translate into higher current assets (increase in cash and trade receivables). Additionally, a larger number of new projects translates into an increase in the value of the "intangible assets" item.

In addition, on 2.01.2020 the Parent Company took over the office space, which is presented as a lease in accordance with IFRS16. The previous office was not presented in this way due to the short-term nature of these agreements as at the date of introducing the new financial standard. The above recognition of the lease resulted in a significant increase in the value of the fixed assets - PLN 6.5 million as compared to approx. PLN 0.5 million in previous periods; additionally, on the liabilities side, the Group reported long-term and short-term lease liabilities in the amount of PLN 6.1 million as at 31.03.2020.

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

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

INTERIM CONDENSED STANDALONE FINANCIAL STATEMENT

1. INTERIM CONDENSED STANDALONE STATEMENT OF COMPREHENSIVE INCOME

STANDALONE FINANCIAL STATEMENT OF COMPREHENSIVE INCOME	for 01.01.2020 - 31.03.2020	for 01.01.2019 - 31.03.2019
Revenues from the sales of services	**94 050 376**	**44 871 988**
Costs of goods and services sold	**4 756 135**	**1 912 843**
Gross profit (loss) on sales	**89 294 241**	**42 959 145**
Other operating revenues	4 608	82 936
Selling costs	48 466 125	29 554 364
Costs of general management	3 354 191	1 403 722
Other operating costs	761 736	54 351
Operating profit (loss)	**36 716 797**	**12 029 644**
Financial revenues	3 482 222	500 189
Financial costs	55 338	0
Profit (loss) before taxation	40 143 681	12 529 833
Income tax	3 728 416	2 282 755
Net profit (loss) on continued activity	**36 415 265**	**10 247 078**
Profit (loss) on discontinued activity	**0**	**0**
Net profit (loss)	**36 415 265**	**10 247 078**
Items for requalification for the profit and loss statement in the subsequent periods	0	0
Items which will not be subject to requalification for the profit and loss statement in the subsequent periods	0	0
Total comprehensive income	**36 415 265**	**10 247 078**

Calculation of profit per share	for 01.01.2020 - 31.03.2020	for 01.01.2019 - 31.03.2019
Number of shares		
The weighted average number of shares for the purpose of calculating the value of basic profit per share (in units)	7 241 245	7 254 213
The weighted average number of shares for the purpose of calculating the value of diluted profit per share (in units)	7 241 245	7 254 213
Net profit	36 415 265	10 247 078
Net profit per one share assigned to shareholders		
Basic net profit for the trading period	PLN 5.03	PLN 1.41
Diluted net profit for the trading period	PLN 5.03	PLN 1.41

2. INTERIM CONDENSED STANDALONE STATEMENT OF FINANCIAL SITUATION

ASSETS	31.03.2020	31.12.2019	31.03.2019
Fixed assets	**11 219 548**	**4 941 261**	**3 738 356**
Property, plant and equipment	6 538 700	568 568	357 190
Intangible assets	3 636 091	3 397 515	2 981 001
Investments in affiliates	5 000	5 000	5 000
Other financial assets	673 312	590 589	194 726
Deferred income tax assets	366 445	379 589	200 439
Current assets	**142 678 597**	**97 732 820**	**69 517 461**
Trade receivables	37 446 246	23 565 939	17 659 001
Other receivables	3 097 382	1 690 236	2 171 818
Prepayments and accruals	1 518 871	1 558 867	844 850
Loans granted	60 000	80 914	0
Cash and cash equivalents	100 556 098	70 836 864	48 841 792
Assets classified as intended for sale	**0**	**0**	**0**
TOTAL ASSETS	**153 898 145**	**102 674 081**	**73 255 817**

EQUITY AND LIABILITIES	31.03.2020	31.12.2019	31.03.2019
Equity	**126 145 490**	**88 821 386**	**51 695 655**
Share capital	724 125	724 125	722 500
Reserve capital from the sales of shares above their nominal value	496 100	496 100	496 100
Reserve capital created from net result	10 713 413	10 713 413	1 000 962
Capital from the settlement of the incentive scheme	2 672 873	1 764 034	878 745
Undistributed financial result	75 123 714	1 327 319	38 350 270
Financial result of the current period	36 415 265	73 796 395	10 247 078
Long-term liabilities	**6 334 372**	**548 722**	**511 557**
Deferred income tax provisions	823 510	548 722	511 557
Leasing liabilities	5 510 862	0	0
Short-term liabilities	**21 418 283**	**13 303 973**	**21 048 605**
Trade liabilities	10 062 843	4 633 152	9 917 350
Current income tax liabilities	7 988 277	6 083 371	9 516 009
Other liabilities	404 152	329 881	199 044
Leasing liabilities	616 393	0	0
Other provisions	438 672	254 054	212 007
Prepayments and accrued income	1 907 946	2 003 515	1 204 195
Liabilities directly connected with the assets intended for sale	**0**	**0**	**0**
TOTAL EQUITY AND LIABILITIES	**153 898 145**	**102 674 081**	**73 255 817**

3. INTERIM CONDENSED STANDALONE STATEMENT OF CHANGES IN EQUITY

STANDALONE STATEMENT OF CHANGES IN EQUITY	Share capital	Reserve capital from the sales of shares above their nominal value	Reserve capital created from net result	Capital from the settlement of the incentive scheme	Undistributed financial result	Financial result of the current period	Total equity
3 months ending 31.03.2020							
Equity as at 01.01.2020	**724 125**	**496 100**	**10 713 413**	**1 764 034**	**75 123 714**	**0**	**88 821 386**
Changes in accounting principles (policy)							0
Corrections of errors from previous periods							0
Equity after corrections	**724 125**	**496 100**	**10 713 413**	**1 764 034**	**75 123 714**	**0**	**88 821 386**
Share-based payments				908 839			908 839
Total comprehensive income						36 415 265	36 415 265
Equity as of 31.03.2020	**724 125**	**496 100**	**10 713 413**	**2 672 873**	**75 123 714**	**36 415 265**	**126 145 490**
12 months ending 31.12.2019							
Equity as at 01.01.2019	**727 500**	**496 100**	**995 962**	**780 748**	**38 350 270**	**0**	**41 350 580**
Changes in accounting principles (policy)							0
Corrections of prior period errors							0
Equity after adjustments	**727 500**	**496 100**	**995 962**	**780 748**	**38 350 270**	**0**	**41 350 580**
Share issue							0
Cost of issuing shares							0
Increase in share capital - transformation into a joint stock company							0
Payment of share capital	1 625						1 625
Share-based payments				1 187 441			1 187 441
Reduction of the share capital in accordance with a resolution of the EGM	-5 000		5 000				0
Adjustment of share-based payments in combination with a reduction in share capital				-204 155			-204 155
Distribution of net profit			9 712 451		-9 712 451		0
Payment of dividends					-27 310 500		-27 310 500
Total comprehensive income						73 796 395	73 796 395
Equity as at 31.12.2019	**724 125**	**496 100**	**10 713 413**	**1 764 034**	**1 327 319**	**73 796 395**	**88 821 386**
3 months ending 31.03.2019							
Equity as at 01.01.2020	**727 500**	**496 100**	**995 962**	**780 748**	**38 350 270**	**0**	**41 350 580**
Changes in accounting principles (policy)							0
Corrections of errors from previous periods							0
Equity after corrections	**727 500**	**496 100**	**995 962**	**780 748**	**38 350 270**	**0**	**41 350 580**
Reduction of the share capital in accordance with a resolution of the EGM	-5 000		5 000				0
Share-based payments				302 152			302 152
Adjustment of share-based payments in combination with a reduction in share capital				-204 155			-204 155
Total comprehensive income						10 247 078	10 247 078
Equity as at 31.03.2019	**722 500**	**496 100**	**1 000 962**	**878 745**	**38 350 270**	**10 247 078**	**51 695 655**

4. INTERIM CONDENSED STANDALONE CASH FLOW STATEMENT

Standalone cash flow statement	for 01.01.2020 – 31.03.2020	for 01.01.2019 - 31.03.2019
OPERATING ACTIVITY		
Profit/loss before taxation	**40 143 681**	**12 529 833**
Total corrections:	**-10 532 254**	**-1 411 224**
Depreciation	693 676	186 479
Exchange rate profit/loss	-1 113 890	-118 127
Interest paid on lease	55 338	0
Valuation of the lease liability	395 446	0
Interest and shares in profits (dividends)	-1 656 905	0
Change in provisions (excluding deferred tax liability)	89 050	18 861
Change in receivables (financial assets, trade receivables and other receivables)	-15 370 176	-8 747 218
Change in liabilities, except for leasing liabilities, CIT and dividends	5 566 930	7 217 210
Change in prepayments and accruals (without short-term prepayments and accruals for share-based payments)	39 997	-192 635
Share-based payments (part not included in the acquisition of intangible assets)	829 756	224 206
Other corrections	-61 476	0
Cash from operating activity	**29 611 427**	**11 118 609**
Income tax (paid) / reimbursed	-1 529 071	-334 689
A. Net operating cash flow	**28 082 356**	**10 783 920**
INVESTMENT ACTIVITY		
Proceeds	**0**	**0**
Outflows	**959 914**	**1 001 908**
Purchase of intangible and tangible fixed assets	959 914	1 001 908
B. Net cash flow from investment activities	**-959 914**	**-1 001 908**
FINANCIAL ACTIVITY		
Proceeds	**1 676 905**	**0**
Dividends from subsidiaries	1 656 905	0
Repayment of loans granted	20 000	0
Outflows	**194 003**	**0**
Payment of liabilities under financial leasing agreements	138 665	0
Interest on leasing	55 338	0
C. Net cash flow from financial activities	**1 482 902**	**0**
D. Total net cash flow	**28 605 344**	**9 782 012**
RECONCILIATION OF CASH BALANCE SHEET CHANGE		
E. Balance-sheet change in cash, including	**29 719 234**	**9 900 140**
- change in cash due to exchange losses/gains	1 113 890	118 127
F. Cash at the beginning of the period	**70 992 686**	**39 017 889**
G. Cash at the end of the period	**99 598 030**	**48 799 901**
- balance sheet valuation of cash at the end of the period	958 068	41 891
H. Cash at the end of the period shown in the balance sheet	**100 556 098**	**48 841 792**

ACCOUNTING PRINCIPLES

1. COMPLIANCE WITH THE INTERNATIONAL ACCOUNTING STANDARDS

This interim condensed consolidated financial statement has been prepared in accordance with the International Financial Reporting Standards and related interpretations, issued by the International Accounting Standards Board, approved by the European Union, under the Regulation on IFRS (European Commission 1606/2002), hereinafter referred to as “EU IFRS”, applicable as at 31.03.2020.

2. CHANGES IN ACCOUNTING PRINCIPLES (POLICY)

In the reporting period there were no changes in the accounting policy.

3. DESCRIPTION OF THE ADOPTED ACCOUNTING PRINCIPLES (POLICY)

3.1. Consolidation – subsidiaries

Subsidiaries are all economic entities over which the Group has control. The Group has control over an entity if it is subject to or if it has a right to variable return on its contribution into an entity and if it can influence these returns through exercising control over such an entity. Subsidiaries are subject to full consolidation from the date of transferring control to the group. The consolidation is discontinued at the date of discontinuation of exercising control. The costs related to the acquisition of a business entity are recognized as costs of the period.

Intra-group transactions, settlements and unrealized gains on transactions between the group’s entities are eliminated. Unrealized losses are also eliminated. If it is necessary, the amounts reported by subsidiaries are adjusted so that they comply with the accounting principles of the group.

3.2. Revenues and costs of operating activity

Revenues are gross inflow of economic benefits of a given period, arising in the course of (ordinary) economic activity of the Group and resulting in an increase of equity, other than an increase of equity resulting from the contributions of shareholders.

Revenues include only gross inflows of economic benefits received and receivable by the Group. Sales income is understood as due or received amounts from the sales of material elements and services, minus the effective VAT tax. The revenue is measured at the fair value of the received or due payment, taking into account the amounts of trade discounts granted by the Group. Sales of services are recognized in the accounting period in which the services were provided.

The specific nature of the Group’s companies’ activity is based mainly on retail to the end customer (natural person). Upon concluding an agreement with the user, concerning the purchase of objects or services in a game, the transfer of the goods takes place immediately through the channels of Internet distribution upon receiving payment through a financial intermediary (payment aggregator). In the course of ongoing activities of the Group’s Companies, concluding agreements with customers takes place on a continuous basis, with the use of remote agreements (i.e. the acceptance of the terms and conditions of the provision of services and making payment on the terms defined by the Group’s Companies).

The Group distinguishes three main sources of revenues:

1) revenues from additional functionalities purchased by the players (micro-payments);
2) revenues from advertisements displayed in games (advertisements);
3) revenues from the users’ activity in games which are shared with the Company’s commercial partners on the basis of license agreements (licenses).

Revenues from additional functionalities purchased by the players (micro-payments)
With regard to the games, premium packages, including, for instance, notes and pearls (virtual currency), are available to users. Players can convert their virtual game currency into virtual durables, such as rods, lures or other accessories, to improve the performance of the equipment and thus the results achieved in the game, or into consumables - e.g. amplifiers (+x% of fish weight) or another chance to draw a card. The Group verifies an average estimated conversion period of virtual currency into goods in a game for a group of paying users and subsequently estimates the amount of potential liability due to the realization of premium packages. The amount of such a liability reduces the revenue of a given period and is recognised as an accrued income settlement (balance sheet item).

The Group does not analyse the use of durables in time (i.e. it does not identify how long the item is used by the player). This is related to the monetization mechanics used in games and the various ways of converting goods already in possession into other goods. Therefore, the Group does not estimate the amount of potential liability for the provision of durables in the game.

In the case of the games shared through Facebook and shared on digital distribution platforms, such as Google Play and App Store, the payments for additional functionalities received from users are decreased by commissions due for distributors. In the case of games shared through own website, the payments for additional functionalities received from users are decreased by commissions due for payment aggregators. Both the commissions of distributors and aggregators shall be recognized by the Group in the selling costs.

Revenues from advertisements displayed in games (advertisements)
Revenues due to advertisements displayed by players shall be recognized by the Group in the amount resulting from the sales report, received from an advertising intermediary.

Revenues from the users' activity in games which are shared with the Company's commercial partners on the basis of license agreements (licenses)
Revenues due to the users' activity in games shall be recognized by the Group in the amount due resulting from the sales report, received from a partner (a part of revenues due to users' payment, after deduction of applicable taxes, commissions, returns and discounts).

Costs of goods and services sold shall be recognized by the Group in the same period as revenues from sales of these components, according to the principle of matching revenues and costs. In this item, the Group shall recognize the costs of manufacturing services, direct costs and a reasonable proportion of indirect costs related to the maintenance of games after their launch, i.e. after the so-called soft launch. In this item, the following positions shall be recognized: costs of server maintenance, personnel costs of design departments as well as the depreciation of (games) development costs and depreciation of IT equipment.

Selling costs – include mainly costs connected with advertising, marketing and promotion of games as well as commissions for intermediation in the execution of transactions, set off by a payment aggregator or an on-line shop.

General and administrative costs – in this item, the following positions shall be grouped: personnel costs concerning the Management Board and departments related to design, costs of administration and maintenance of the office's usability.

3.3. Revenues and costs of financial activity

Financial revenues include mainly interest on free resources on bank accounts, commissions and interest on granted loans, interest due to delay in settling receivables, the amount of released provisions concerning financial activity, revenues on sales of securities, exchange gains, restoration of lost value of investments, the value of cancelled credits and loans as well as profits from settlement of derivative instruments.
Financial costs include mainly interest on credits and loans, interest for delay in the payment of receivables, created provisions for certain or probable losses on financial operations, acquisition value of sold shares, stocks, securities, commissions and handling fees, value of short-term investments, discount and exchange rate differences, losses on settlement of derivative instruments, and, in the case of financial leasing, other fees, excluding capital instalments.

3.4. Income tax

Income tax includes: current tax payable and deferred tax.

Current tax
Current tax is calculated on the basis of tax result (tax base) of a given trading year.
Tax profit (loss) is different than balance-sheet profit (loss) due to the exclusion of revenues subject to taxation and costs which constitute tax-deductible revenues in the subsequent years as well as the revenues and costs which will never be subject to taxation. The current tax value is calculated on the basis of tax rate applicable in a given trading year.
Ten Sqaure Games S.A. as a company carrying out research and development activities and earning income from qualified intellectual property rights applies a preferential income tax rate. In order to take advantage of the IP BOX tax relief, the Company:
- divides the tax income into income from qualified intellectual property rights (in the case of the company, these are games meeting the definition of computer programs) and other sources;
- for income from qualified intellectual property rights, the nexus ratio is calculated in accordance with the rules set out in the Corporate Income Tax Act;

- the nexus index is used to calculate the tax for each source of income.

In the case of other sources of income, the Company benefits from a research and development relief, which is a reduction of taxable income.

Deferred tax

Deferred tax is a tax payable in the future, recognized in full value with the use of the balance sheet method, due to temporary differences between the tax value of assets and liabilities and their balance-sheet values in the financial statement.

The deferred income tax asset is a tax refundable in the future, calculated with the use of the balance-sheet method, due to temporary differences between the tax value of assets and liabilities and their balance-sheet values in the financial statement. Deferred income tax assets are recognized when it is probable that in the future the Group shall achieve the revenue subject to taxation, which enables the use of temporary differences.

Basic temporary differences concern different depreciation of the games created by the Group and balance sheet valuation of settlements.

Deferred income tax is calculated with the use of tax rates, legally or actually binding as at the balance-sheet date, which will be applicable upon their implementation.

Deferred tax is recognized in the profit and loss statement, and if it concerns transactions settled with equity, it is recognized in equity.

Deferred income tax assets are recognized when it is probable that in the future the Group shall achieve the revenue subject to taxation, which enables the use of temporary differences. Deferred tax liabilities or assets are recognized as long-term liabilities or assets in the balance sheet.

Uncertainty related to the recognition of income tax

With the introduction in 2019 of "IFRIC 23: Uncertainty Related to the Recognition of Income Tax", which clarifies the recognition of income tax when it is uncertain whether the tax treatment applied by an entity will be accepted by the tax authorities, the Company assesses each time the possible approach of the authorities to the tax return prepared by the Company. If it is probable that the tax authorities will accept the applied tax approach, the Company recognises the taxes in the financial statements consistently with the tax returns without reflecting the uncertainty in the recognition of current and deferred tax. Otherwise, the tax base (or tax loss), tax values and unused tax losses are recognised by the Company in an amount which better reflects the resolution of the uncertainty, using the method of one most probable result or the expected value method (the sums weighted by probabilities of possible solutions). When assessing the probability of acceptance, the Company assumes that the tax authorities will verify the uncertain tax treatment and have full knowledge of this issue.

3.5. Tangible fixed assets

The Group recognizes fixed assets as separate objects, suitable for use, meeting the criteria for fixed assets specified in IAS 16 Tangible fixed assets, if the purchase price (manufacturing cost) amounts to at least PLN 3,500. Fixed assets with the value below 3,500 PLN undergo one-off amortization and they are recognized as costs in the month of purchase.

Tangible fixed assets are recognized according to the cost (purchase price or manufacturing cost) reduced in the subsequent periods by write-downs and impairment write-offs. External financing costs directly related to the acquisition or production of assets requiring a longer period of time in order to be fit for use or resale are added to the costs of production of such fixed assets until the moment of putting such fixed assets into use. The costs of modernization are included in the balance sheet value of fixed assets when it is probable that they will yield economic gains, and the costs incurred for modernization can be reliably measured. All other expenses for repairing and maintaining fixed assets are recognized in the profit and loss statement for the reporting periods in which they occurred.

Amortization is calculated for all fixed assets, excluding land and fixed assets under construction, by estimated period of economic utility of those assets, using the straight-line method. The Group, using the significance rule, decided that amortization shall start in the month of the asset's acceptance for use.

The Company, no later than at the end of the financial year, conducts a periodical verification of the adopted economic useful life periods for fixed assets, final value and depreciation methods, and the effects of changes in these estimates are reflected in the following and subsequent financial years (prospectively). As at the balance-sheet date, the Group shall also evaluate tangible fixed assets for impairment and evaluates a necessity of preparing impairment write-downs. This takes place when the Group is sufficiently assured that a given asset shall not generate the expected economic benefits or the achieved benefits shall be significantly lower. The impairment loss shall be recognized in the amount by which the balance-sheet value exceeds the recoverable amount. The recoverable amount is the higher of two amounts: fair value less selling costs or value in use.

The write-downs shall be recognized as other costs relevant for the property functions of fixed assets in the period during which the impairment was determined, no later than at the end of the financial year. If it has been established, with sufficient certainty, that the

reasons for which a write-down on the value of assets had been made have stopped, the Company shall introduce the reversal of the conducted impairment write-down, in full or in part, by recognition of revenues.
Profits or losses resulting from sales/liquidation or disposal of fixed assets shall be determined as the difference between sales revenues and net value of these fixed assets, and they shall be recognized in the profit and loss statement.

3.6. Intangible assets

Intangible assets are valuated at acquisition or construction cost less amortization and impairment write-downs. Depreciation is made with a straight-line method.
The Company, no later than at the end of the financial year, conducts a periodical verification of the adopted economic useful life periods for intangible assets, final value and depreciation methods, and the effects of changes in these estimates are reflected in the following and subsequent financial years (prospectively). As at the balance-sheet date, the Group shall also evaluate intangible assets for impairment and evaluate a necessity of preparing impairment write-downs. This takes place when the Group is sufficiently assured that a given asset shall not generate the expected economic benefits or the achieved benefits shall be significantly lower. The impairment loss shall be recognized in the amount by which the balance-sheet value exceeds the recoverable amount. The recoverable amount is the higher of two amounts: fair value less selling costs or value in use.
The write-downs shall be recognized as other costs relevant for the property functions of intangible assets in the period during which the impairment was determined, no later than at the end of the financial year. If it has been established, with sufficient certainty, that the reasons for which a write-down on the value of assets had been made have stopped, the Company shall introduce the reversal of the conducted impairment write-down, in full or in part, by recognition of revenues.

Intangible assets of the Group with the depreciation rates:

1) Computer software – from 2 to 5 years,
2) Development costs – up to 5 years.

Development works

The Group's intangible assets also include tangible assets in progress (games) if they can be qualified as development works, in accordance with IAS 38 Intangible assets, i.e. they meet all of the following conditions:
a) it is technically possible to complete an intangible asset so that it is suitable for sale or use,

b) it is possible to prove the intent of completing an asset and its use and sale,

c) an asset will be suitable for use or sale,

d) it is known in what way an asset will generate future economic benefits,

e) technical and financial measures will be provided in order to complete development works and the asset's use and sale,
f) it is possible to reliably establish the expenditures incurred during development works.
If the above conditions are not met, the Group shall treat the expenditures as research works and recognize them in a current period.
Development works in progress, as unamortized intangible assets, are subject to impairment testing not less frequently than once a year.
The Group shall treat the expenditures on games as completed and it shall requalify them to the development costs upon the so-called soft launch, which is the release of a game on a few chosen markets.

3.7. Leasing

In accordance with IFRS 16 on recognition, measurement, presentation and disclosure of leases, the Company presents assets and liabilities arising from the agreements described in IFRS 16.
At the beginning of an agreement, an entity assesses whether the agreement is or contains a lease. An agreement is a lease or contains a lease if it gives the right to control the use of an identified asset for a given period in exchange for remuneration.
At the date of commencement of the agreement, the Company recognises an asset under the right of use and a liability under the lease. An asset under the right of use is measured at cost, while a liability under the lease is recognized at the present value of the lease payments outstanding at that date.
The cost of the debt is the average market interest rate of PLN loans to enterprises published by the NBP.
After the commencement date, the Company measures an asset by virtue of the right of use, using the cost model, while the liability is measured through:
a) increasing the balance sheet value to reflect interest on the lease liability,
(b) a reduction in the carrying amount to reflect the lease payments made; and

(c) revaluing the carrying amount to reflect any reassessment or change in the lease, or to reflect revalued substantially fixed lease payments.
Interest on the lease obligation at any time during the lease term is the amount by which a fixed periodic rate of interest is obtained on the outstanding balance of the lease obligation. The interest element of the finance charge is charged to the profit or loss for the current period.

3.8. Financial instruments

The Group shall recognize a financial asset or financial liability in the statement of financial situation only when it becomes bound by the provisions of the instrument agreement. Unconditional receivables and liabilities shall be recognized as assets or liabilities when the Group becomes a party to the agreement, and, as a consequence, has a legal right to receive or a legal obligation to pay cash.

With the exception of trade receivables, which shall be valued on the basis of the amortized costs, on initial recognition, the Group shall valuate a financial asset or financial liability at its fair value, which in the case of financial assets or financial liabilities not valuated at fair value by financial result shall be increased or decreased by transaction costs that are directly attributable to the acquisition or issue of such financial assets or financial liabilities.

The Group classifies a financial asset as valuated, after initial recognition, at amortized cost or at fair value by other comprehensive income or at fair value by financial result, on the basis of:

a) the entity's business model with regard to the management of financial assets, and

b) the characterization of cash flows for a financial asset, resulting from an agreement.

A financial asset shall be valuated at amortized costs if it meets both of the following conditions:

a) a financial asset is maintained in accordance with the business model whose aim is maintaining financial assets for the purpose of obtaining cash flows resulting from the agreement;

b) the provisions of the agreement concerning a financial asset result in the creation of cash flows, within specified periods, which are only the repayment of main amount and interest on the outstanding amount.

A financial asset shall be valuated at fair value by other comprehensive income if it meets both of the following conditions:

a) a financial asset is maintained in accordance with the business model whose aim is maintaining financial assets for the purpose of obtaining cash flows resulting from the agreement and the sales of financial assets; and

b) the provisions of the agreement concerning a financial asset result in the creation of cash flows, within specified periods, which are only the repayment of main amount and interest on the outstanding amount.

A financial asset shall be valuated at fair value by financial result unless it is valuated at amortized cost (due to meeting the conditions specified above) or at fair value by comprehensive income (due to meeting the conditions specified above).

The Group classifies all financial liabilities as valuated, after initial recognition, at amortized cost, excluding: financial liabilities valuated at fair value by financial result (one-off decision on initial recognition, if it is allowed by IFRS 9), financial liabilities arising from transferring a financial asset, financial guarantee agreements, commitments to provide loans at below-market interest rates, contingent considerations recognized by the acquiring entity under a merger.

As at each reporting date, the Group shall valuate a write-down on expected credit losses due to financial instrument, in the amount equal to the expected credit losses during a life cycle if credit risk connected with a given financial instrument has significantly increased since initial recognition.

In order to conduct the analysis of statistical receivables, the Group shall apply the division into the following categories of recipients:

1) International payment intermediaries (online shops, payment aggregators);

2) Advertising intermediaries;

3) Licensees.

3.9. Transactions in foreign currencies

Items included in the financial statement are presented in Polish zloty ("PLN") which is a functional currency of the Group.

Valuation

As at the balance-sheet date, financial assets and liabilities denominated in foreign currencies are converted according to the rates applicable as at that date. Assets and liabilities valuated at fair value and denominated in foreign currencies are valuated according to the rates applicable at the date when fair value was determined. Non-financial items are valuated at historical cost.

Exchange rate differences are recognized in the comprehensive income statement during the period in which they arise, excluding exchange rate differences which constitute external financing costs relating to assets in progress, intended for future operating use, which shall be included in these assets and treated as corrections of interest costs.

Transactions during the year

Transactions denominated in currencies other than zloty shall be converted to zloty at the exchange rate actually applied at the date of concluding a transaction and if applying such a rate is not possible, at the average exchange rate for a given currency, announced by the National Bank of Poland on the previous day. The disbursement of cash in a foreign currency from own accounts shall be conducted according to the FIFO principle.

Exchange rate differences are recognized in the comprehensive income statement during the period in which they arise, excluding exchange rate differences which constitute external financing costs relating to assets in progress, intended for future operating use, which shall be included in these assets and treated as corrections of interest costs.

3.10. Pre-payments and accruals

The Group shall recognize prepaid expenses if they concern future reporting periods. Accrued expenses shall be recognized in the amount of probable liabilities for a given reporting period.

3.11. Equity

Share capital is recognized in the amount specified in the Company's Articles of Association and entered into the court register. If shares are recognized at a price higher than their nominal value, such excess amount shall be recognized in supplementary capital. In the item "Other capitals", the Group shall recognize the profit from the period which shall be allocated to other capitals, according to the resolution of shareholders.

3.12. Share-based payments

In the case of share-based payments in transactions with employees and other people providing similar services, the unit shall valuate the fair value of received services by reference to the fair value of the equity instruments. It is a consequence of the fact that it is usually not possible to reliably estimate the fair value of the received services. The fair value of equity instruments shall be determined at the date of granting such instruments.

3.13. Payment of dividends

Dividends shall be recognized at the time of establishment of the Parent Company's shareholders' rights to the dividends.

3.14. Provisions

Provisions shall be recognized if the Group is under an existing liability (legal or customary), resulting from past events and if it is probable or highly probable that fulfilment of this liability will require expending of funds that form economic benefits and if it is possible to reliably estimate the value of such liability. The amount of the created provisions shall be verified and updated at the end of the reporting period in order to adjust the estimates to the values prepared in accordance with the Group's best knowledge as at that date. In the financial statement, provisions shall be recognized as long-term and short-term provisions.

3.15. Liabilities

Liabilities are the Group's present obligation resulting from past events, the fulfilment of which will result in an outflow from the Group of funds embodying economic benefits.

Long-term liabilities include liabilities whose maturity date, counting from the end of the reporting period, falls in the period longer than 12 months. Long-term liabilities include liabilities whose maturity date, counting from the end of the reporting period, falls in the period shorter than 12 months. Trade liabilities are recognized at nominal value. Any interest is recognized at the moment of receiving notes from suppliers.

3.16. Significant values based on professional judgement and estimates

The preparation of a consolidated financial statement requires from the Management Board of the Parent Entity conducting estimates and assumptions which are reflected in this statement and additional information and explanations to the statement.

Accounting judgements and estimates are derived from previous events and other factors, including but not limited to the forecasts on the future events that are likely to occur.

Although the adopted assumptions and estimates are based on the best knowledge of the Management Board concerning current activities and events, actual results might differ from the expected outcome. Estimates and assumptions connected with them are subject to verification. The change of accounting judgements shall be recognized in the period during which it occurred or in the current or future periods, if a conducted change of estimates concerns both the current period and future periods.

Basic judgements conducted by the Management Board of the Parent Entity in the process of applying the accounting principles of the entity and having the most significant impact on the values recognized in the financial statement are provided below.

Professional judgement:

Moment of activation of development costs

The Group commences the activation of expenditures on development works when it is possible to prove that the specified works shall generate future economic profits and under the condition that the Group possesses sufficient resources necessary to complete, use and achieve profits from an intangible asset. Meeting both of the criteria, i.e. a possibility of achieving future economic benefits and possessing sufficient resources is based on the Management Board’s estimates, resulting from the analysis of market and financials situation of the Group.

Depreciation period of activated intangible assets

The Management Board specifies the estimated periods of use and depreciation rates for the amounts of incurred development costs of activated intangible assets. This estimate is based on the expected period of economic utility of such assets. In the case of the occurrence of circumstances which change the expected period of economic utility (e.g. technological changes, withdrawal from use, etc.), the depreciation rates may change. As a consequence, the value of write-offs and net book value of activated costs of development works may also change.

Deferred income tax assets and liabilities

Deferred income tax assets and liabilities are valuated in accordance with tax rates, which are expected to apply at the moment when the assets are realized or the liabilities are released, adopting as a basis the tax regulations which were legally or actually effective at the end of the reporting period. The probability of realizing deferred income tax assets with future tax income is based on the Group’s plans.

Fair value of share-based payments

Fair value is the amount that a given asset could be exchanged for and liability settled, through a transaction effected on market terms, between the interested, well-informed, not affiliated parties. For transactions made before the Parent Company's debut on the Warsaw Stock Exchange, i.e. until May 2018, the fair value of Parent Company's shares was determined using the comparative method. The comparison involved public companies with a similar business profile to the Group and it shall be conducted on the basis of the Company’s best judgment. Since May 2018, i.e. when the Parent Company became a public entity, the fair value of the Parent Company's shares has been determined on the basis of the market value of the shares.

Nature of sales of services in the Google Play store in the European Economic Area

On 26 February 2018, Google Play amended part of the distribution agreement with respect to sales in the EEA. “Assuming that Google acts as a representative of the Developer (i.e. the Company) and the Developer as a principal of Google, Google is the ultimate seller of Products sold and made available to users in the European Economic Area (EEA). The Developer is the ultimate seller of Products that it sells or makes available to all other users in Google Play. The amount of payment he receives depends on the price of the Product as stated by the Developer".

(full text of the agreement: https://play.google.com/intl/ALL_pl/about/developer-distribution-agreement.html)

In the opinion of the Management Board, the change in the wording of the type of sale in the EEA does not affect the economic content of the transaction, i.e. the Company is still obliged to deliver virtual goods in return for the money received by Google Play. The above implies recognition of 100% of the net payment amount in sales revenue and 30% of the commission amount in sales costs.

Uncertainty of estimates

Impairment of assets

As at each balance-sheet date, the Group shall verify the assets for impairment and evaluate a necessity of preparing impairment write-downs. This takes place when the Group is sufficiently assured that a given asset shall not generate the expected economic benefits or the achieved benefits shall be significantly lower. In the case of completed development works (the Group's games), the estimate shall be based on the verification of several quality parameters of a game, which, in the Management Board's opinion, can influence the ability to generate future economic benefits for the Group. However, taking into account the changes on the market, the Management Board's estimates are uncertain.

The use of consumables over time

As at the reporting date, the Company shall estimate a number of unused premium packages (notes and pearls) for active players. The basis for determining a number of unused packages shall be their turnover rate (average period of using a package by active users) and average revenues from sales of premium packages. The average period of using a package amounts to up to 7 days, according to the analysis.

If the estimated amounts of commitments to provide services in return for the realization of premium packages are significant, the Company shall recognize the amount of liabilities in the statement of financial situation.

When the estimated amount of the obligation to provide services is deemed significant (material), the Company also recognises in the assets commission expenses related to deferred income. Under agreements concluded with major intermediaries (e.g. mobile shops), commissions usually amount to 30% of the payment amount.

*The Company defines an active user as one who has ever made at least one payment until the balance sheet date and has been active in the game (i.e. has logged in at least once) within 30 days:

- preceding the balance sheet date and/or

- after the balance sheet date.

The use of durables in the game over time

As a rule, virtual goods offered in video games fall into two main categories: durable (durable virtual goods that do not wear out under normal use in the virtual world, and the player can use them as long as the game is played) and consumable virtual goods that wear out under normal use in the virtual world. Secondary income is recognized at or as consumed as described in the paragraph above. For the recognition of revenue from sales of so-called durables, models based on game statistics are used in the market, e.g. on the life expectancy of a given good and/or group of players. As at the date of issue of these financial statements, the Company does not have any statistical models allowing it to estimate the value of durables. The Company's game economy is based, inter alia, on

1) the possibility of converting some goods into other goods;

2) the possibility of receiving selected goods for free

3) the possibility of purchasing goods both with the use of pearls received free of charge (e.g. by winning a competition) and those purchased for so-called hard currency.

The above possibilities make it much more difficult to carry out an analysis of the average use of the good over time, hence the Company took advantage of the possibility of not valuing durables. In accordance with IFRS 15 pairs. 44 An entity shall recognise revenue from the obligation to provide benefits over time only when it can reasonably measure the extent to which the obligation to provide benefits is met in full. If an entity cannot measure reasonably the extent to which the obligation to perform is met in full, ie it does not have reliable information that is necessary to apply an appropriate measurement method, it may choose not to make an estimate.

The Company's intention is ultimately to build a statistical model to measure durables.

Determination of materiality

When preparing financial statements, the Group applies the materiality principle. The materiality principle introduces the possibility to apply simplifications, if it does not have a materially negative impact on the reliable and clear presentation of the property and financial situation and financial result. The Group has adopted the amount of PLN 1 m as the materiality level in the preparation of the financial statement (according to the accounting policy, not more than 5% of the gross result).

ADDITIONAL EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. REVENUES

In accordance with IFRS 15, revenue from the sale of services, after deducting value added tax, discounts and rebates are recognised when the obligation to provide the service through the transfer of the service to the contractor is fulfilled.

Specification	01.01.2020 - 31.12.2020	01.01.2019 - 31.12.2019
Sales of services	95 017 672	45 303 640
TOTAL revenues from sales of services	**95 017 672**	**45 303 640**
Other operating revenues	4 702	40 212
Financial revenues	1 692 385	379 609
TOTAL revenues from continuing operations	**96 714 759**	**45 723 461**
TOTAL revenues	**96 714 759**	**45 723 461**

Revenues from discontinued operations did not occur.

1.1. Information on operating segments

The Management Board does not distinguish separate operating segments, in accordance with the definition specified in IFRS 8 par. 5, including revenues, costs, assets and liabilities, for which separate financial information shall be prepared and on the basis of which the decisions concerning the allocation of resources by main operating decision-making body would be made.

1.2. Revenues - source

The Group's operations are based on the production and distribution of Free to Play (F2P) games. The Group generates sales revenues related to ads monetization, micropayments in-game and licensing agreements.

Type of revenues	payments 1Q 2020*	share of payments 1Q 2020	payments 1Q 2019	share of payments 1Q 2019
micro-payments	91 568 092	96,5%	43 323 296	95,7%
advertisements	2 463 987	2,6%	1 128 029	2,5%
licences	890 024	0,9%	835 772	1,8%
PAYMENTS TOTAL	**94 922 103**	**100,0%**	**45 287 096**	**100,0%**
deferred income	95 569	N/A	16 544	N/A
REVENUES TOTAL	**95 017 672**	**N/A**	**45 303 640**	**N/A**

** 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".*

Revenues from micropayments and licenses are generated entirely by natural persons, while the cash flow to the Group is made through payment aggregators, mobile stores or licensees. Users purchase specific packages in the game, e.g. pearls package, lure package (in fishing games), improved rods. The price of package is fixed, determined by the Group. The goods are transferred to the user at the moment of registration of the payment by the indicated entities. Although in the case of purchase of premium packages, i.e. packages containing, among others, virtual currency, the transfer of currency to the user's account takes place immediately after the payment is made, the use of virtual currency in the game may be postponed in time – it depends on each player's decision, who may individually, under the existing agreement between the parties, choose the moment of exchanging virtual currency for other virtual goods.

In the case of advertising revenues, users (individuals) are shown advertisements in games. The display of an advertisement is also the moment when the revenue is booked. The advertiser pays for the display of the advertisement, while the due part of this revenue goes to the Group through advertising intermediaries on the basis of advertising reports.

Settlement with advertising agents is based on monthly sales reports and payment is made in within the deadline specified in the contract, usually within the range from 1 to 60 days from the end of the calendar month.

1.3. Revenues - games

Game	payments 1Q 2020	share of payments 1Q 2020	payments 1Q 2019	share of payments 1Q 2019
Fishing Clash	84 677 795	89,2%	37 524 342	82,9%
Let's Fish	3 868 618	4,1%	4 095 505	9,0%
Wild Hunt	3 542 576	3,7%	2 439 365	5,4%
other	2 833 114	3,0%	1 227 884	2,7%
PAYMENTS TOTAL	**94 922 103**	**100,0%**	**45 287 096**	**100,0%**
deferred income	95 569	N/A	16 544	N/A
REVENUES TOTAL	**95 017 672**	**N/A**	**45 303 640**	**N/A**

Deferred income (per balance) by games with respect to Q1 2020:
Fishing Clash: + PLN 56.866;
Let’s Fish: + PLN 24.462;
Wild Hunt: + PLN 14.241.

TOTAL: + PLN 95.569.

Deferred income (cumulative) by game in relation to total deferred income - balance sheet item "deferred income":
Fishing Clash: - PLN 1,777,653;
Let's Fish: - PLN 59,813;
Wild Hunt: - PLN 70,482.

TOTAL: - PLN 1.907.948.

Revenue distribution by quarters for main titles:

Game	1Q 2019	2Q 2019	3Q 2019	4Q 2019	1Q 2020
Fishing Clash	37 524 342	43 146 664	57 896 490	67 933 223	84 677 795
Let's Fish	4 095 505	3 316 451	3 600 089	4 201 949	3 868 618
Wild Hunt	2 439 365	2 094 188	2 343 769	2 748 995	3 542 576
other	1 227 884	1 368 393	4 226 737	3 751 825	2 833 113
PAYMENTS TOTAL	**45 287 096**	**49 925 696**	**68 067 086**	**78 635 992**	**94 922 103**
deferred income	16 544	-48 092	-416 592	-334 636	95 569
REVENUES TOTAL	**45 303 640**	**49 877 604**	**67 650 494**	**78 301 356**	**95 017 672**

1.3. Revenues - counterparties

Counterparty	payments 1Q 2020	share of payments 1Q 2020	payments 1Q 2019	share of payments 1Q 2019
Google Inc.	53 169 108	56,0%	26 358 672	58,2%
Apple Distribution International	33 055 646	34,8%	12 058 900	26,6%
others (of which none individually exceeds 10%)	8 697 349	9,2%	6 869 524	15,2%
PAYMENTS TOTAL	**94 922 103**	**100,0%**	**45 287 096**	**100,0%**
deferred income	95 569	N/A	16 544	N/A
REVENUES TOTAL	**95 017 672**	**N/A**	**45 303 640**	**N/A**

1.4. Revenues – distribution channels

Distribution channel	payments 1Q 2020	share of payments 1Q 2020	payments 1Q 2019	share of payments 1Q 2019
mobile	88 734 952	93,5%	39 554 505	87,3%
web browsers	6 187 151	6,5%	5 732 591	12,7%
PAYMENTS TOTAL	**94 922 103**	**100,0%**	**45 287 096**	**100,0%**
deferred income	95 569	N/A	16 544	N/A
REVENUES TOTAL	**95 017 672**	**N/A**	**45 303 640**	**N/A**

1.5. Revenues – geographical distribution

The Group allocates payments from the user on the basis of IP using external databases and using sales reports from countries available on selected distribution platforms.

Region	payments 1Q 2020	share of payments 1Q 2020	payments 1Q 2019	share of payments 1Q 2019
Europe	39 268 840	41,4%	19 058 861	42,1%
including Poland	*5 695 666*	*6,0%*	*3 367 498*	*7,4%*
North America	38 249 613	40,3%	18 840 761	41,6%
Asia	12 875 310	13,6%	5 190 872	11,5%
South America	2 416 456	2,5%	921 911	2,0%
Australia and Oceania	1 410 351	1,5%	859 762	1,9%
Africa	701 533	0,7%	414 929	0,9%
Total	**94 922 103**	**100,0%**	**45 287 096**	**100,0%**
deferred income	95 569	N/A	16 544	N/A
REVENUES TOTAL	**95 017 672**	**N/A**	**45 303 640**	**N/A**

2. OPERATING COSTS

Specification	01.01.2020 - 31.03.2020	01.01.2019 - 31.03.2019
Depreciation	693 676	186 479
Consumption of materials and energy	534 680	163 476
Third-party services	51 002 818	31 162 805
Taxes and fees	281 657	114 137
Remuneration	4 111 609	2 035 178
Social insurance and other benefits	548 000	293 614
Other costs by type	25 690	16 918
Total costs by type	**57 198 130**	**33 972 607**
Including costs of manufacturing goods for internal purposes (negative value)	*-493 255*	*-935 424*
Costs by function	**56 704 875**	**33 037 183**
Cost of goods and services sold	4 756 485	1 919 193
Selling costs	48 544 738	29 688 819
General administration costs	3 403 652	1 429 171

Breakdown of selling costs by quarters:

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

3. OTHER OPERATING INCOME AND EXPENSES

Other operating income	01.01.2020 - 31.03.2020	01.01.2019 - 31.03.2019
Others	4 702	40 212
Total	**4 702**	**40 212**

Other operating costs	01.01.2020 - 31.03.2020	01.01.2019 - 31.03.2019
Donations - aid linked to COVID-19	754 500	0
Writing off uncollectible debts	1 169	6
Others	6 765	11 031
Total	**762 434**	**11 037**

4. FINANCIAL INCOME AND EXPENSES

Financial income	01.01.2020 - 31.03.2020	01.01.2019 - 31.03.2019
Interest income	44 418	73 345
Surplus of positive exchange rate differences	1 647 967	306 263
Total	**1 692 385**	**379 609**

Financial costs	01.01.2020 - 31.03.2020	01.01.2019 - 31.03.2019
Leasing interest	55 338	0
Others	0	1122
Total	**55 338**	**1 112**

5. TABLE OF MOVEMENTS – FIXED ASSETS

Specification	Machinery and equipment	Other fixed assets	Buildings and premises	TOTAL
Gross carrying amount as at 01.01.2020	**1 038 975**	**114 403**	**0**	**1 153 378**
Increases, due to:	166 995	54 646	6 183 069	6 404 710
- acquisitions of fixed assets	166 995	54 646	6 183 069	6 404 710
Reductions	0	0	0	0
Gross carrying amount as at 31.03.2020	**1 205 970**	**169 049**	**6 183 069**	**7 558 088**
Redemption as at 01.01.2020	**499 389**	**85 421**	**0**	**584 810**
Increases, due to:	106 286	27 505	300 787	434 578
- amortisation	106 286	27 505	300 787	434 578
Reductions	0	0	0	0
Redemption as at 31.03.2020	**605 675**	**112 926**	**300 787**	**1 019 388**
Write-downs as at 01.01.2020	**0**	**0**	**0**	**0**
Increases	0	0	0	0
Reductions	0	0	0	0
Write-downs as at 31.03.2020	**0**	**0**	**0**	**0**
Net carrying amount as at 31.03.2020	**600 295**	**56 123**	**5 882 282**	**6 538 700**

Ownership structure - net value:

Specification	31.03.2020	31.12.2019
Own	656 418	568 568
Used under a rental, lease or other agreement, including leasing agreements	5 882 282	0
TOTAL	**6 538 700**	**568 568**

On 2 January 2020, the Parent Company took over, on the basis of a lease agreement, office space located in the City One office building at 45 Traugutta Street in Wrocław. Due to the 5-year lease period, in accordance with IFRS16, this agreement is recognized as a lease and shown in the balance sheet as an increase in the value of fixed assets on the assets side and as a lease liability (long-term and short-term) on the equity and liabilities side.

6. TABLE OF MOVEMENTS – INTANGIBLE ASSETS

Specification	Development costs	Computer software	Intangible assets under development	TOTAL
Gross balance sheet value as at 01.01.2020	**7 995 077**	**556 146**	**307 310**	**8 858 533**
Increases, due to:	0	2 688	493 256	495 944
- purchase	0	2 688	493 256	495 944
Decreases	0	0	0	0
Gross balance sheet value as at 31.03.2020	**7 995 077**	**558 834**	**800 566**	**9 354 477**
Extinction as at 01.01.2020	**2 703 276**	**508 786**	**0**	**3 212 062**
Increases, due to:	244 538	12 828	0	257 366
- depreciation	244 538	12 828	0	257 366
Decreases	0	0	0	0
Extinction as at 31.03.2020	**2 947 814**	**521 614**	**0**	**3 469 428**
Revaluation write-offs as at 01.01.2020	**2 248 958**	**0**	**0**	**2 248 958**
Increases	0	0	0	0
Decreases	0	0	0	0
Revaluation write-offs as at 31.03.2020	**2 248 958**	**0**	**0**	**2 248 958**
Net balance sheet value as at 31.03.2020	**2 798 305**	**37 220**	**800 566**	**3 636 091**

The net value as at 31.03.2020 disclosed under "completed development works" consists of the Group's following games:

1) Fishing Clash - net value: PLN 212,593, remaining depreciation period: 15 months;

2) Wild Hunt - net value: 100,849, remaining amortization period: 13 months;

3) Golf Rush - net value: 280,824 PLN, remaining amortization period: 36 months;

4) SoliTales - net value: 423,461 PLN, remaining amortization period: 42 months;

5) Flip This House - net value: 525,028 PLN, remaining amortization period: 42 months;

6) Hunting Clash - net value: 1,255,550 PLN, remaining amortization period: 43 months;

The item "intangible assets under construction" as at 31.03.2020 consists of capitalized costs of the modified version of Golf Rush - the Group treats this as new production.

7. TRADE RECEIVABLES

Currency structure:

	31.03.2020		31.12.2019	
currency	**PLN valuation**	**% share**	**PLN valuation**	**% share**
USD	19 232 649	55,83%	9 006 974	43,43%
PLN	14 650 396	42,53%	11 162 105	53,82%
RUB	262 786	0,76%	320 312	1,54%
EUR	287 821	0,84%	232 004	1,12%
Other currencies	13 794	0,04%	16 523	0,09%
TOTAL	**34 447 446**	**100,00%**	**20 737 918**	**100,00%**

Age structure:

	31.03.2020	31.12.2019
overdue	**value of receivables**	**value of receivables**
not overdue	34 431 466	20 736 599
up to one month	5 568	526
over 1 month	10 412	793
Total receivables	**34 447 446**	**20 737 918**

Users' payments are aggregated by intermediaries (online shops, payment aggregators, licensees). Payments due to displayed advertisements are accumulated by advertising intermediaries. In the structure of receivables, the biggest balance is created by:
Apple Distribution International - 48.8% as at 31.03.2020 (2 months - February and March 2020) as compared to 28.9 per cent as at December 31, 2019 (one month - December 2019);
Google Inc. 39.6% at 31.03.2020 compared to 49.5% at 31.12.2019.
No other entity exceeded 10% of the total receivables as of 31.03.2020.
As at the balance sheet date of 31.03.2020 and 31.12.2019, the Group did not have any significant amounts of receivables, which would have expected credit losses.

8. OTHER RECEIVABLES

Specification	31.03.2020	31.12.2019
Other long-term receivables, including:	**673 312**	**0**
- office lease deposit	673 312	0

Specification	31.03.2020	31.12.2019
Other short-term receivables, including:	**3 885 427**	**3 498 580**
- VAT tax	3 679 105	3 179 440
- office lease deposit	205 431	207 831
- others	891	111 309

9. PREPAYMENTS AND ACCRUALS

Specification	31.03.2020	31.12.2019
Activated commission costs (in line with deferred income)	572 386	601 057
Share based payments	0	0
Yearly fee – marketing campaign research tool	216 643	383 347
Registration fees for trade mark applications	48 217	43 881
Technical software maintenance /software subscriptions	640 816	517 592
Insurances	5 174	10 134
Other accruals	38 497	5 820
Prepayments and accruals	**1 521 733**	**1 561 831**

Specification	31.03.2020	31.12.2019
Deferred income (unused consumables)	1 907 948	2 003 515
Prepayments and accrued income	**1 907 948**	**2 003 515**

Deferred income (cumulatively) by game in relation to the total deferred income:
Fishing Clash: -1,777,653 PLN;
Let's Fish: -PLN 59,813;
Wild Hunt: -70,482 PLN.

TOTAL: -1.907.948 PLN.

10. DISTRIBUTION OF PROFIT FOR 2019

On 20 May 2020, the General Meeting of Shareholders of the Company adopted a resolution on the distribution of the Company's net profit for 2019 in the amount of PLN 73,796,395.00 (say: seventy three million seven hundred and ninety-six thousand three hundred and ninety-five zloty) as follows:

1) the amount of PLN 27,371,906.10 (twenty-seven million three hundred and seventy-one thousand nine hundred and six zlotys 10/100) shall be allocated for distribution to shareholders in the form of dividend payment in the amount of PLN 3.78 (three zlotys and seventy-eight grosz) per share;

2) the amount of PLN 46,424,488.90 (forty-six million four hundred twenty-four thousand four hundred eighty-eight zlotys 90/100) shall be allocated to the Company's supplementary capital.

The dividend day was set for 29 May 2020 and the dividend payment date for 10 June 2020.

11. INFORMATION ON RELATED PARTIES, INCLUDING INFORMATION ON THE REMUNERATION OF SENIOR MANAGEMENT AND THE SUPERVISORY BOARD

The following tables presents total amounts of transactions with related parties for the current and previous reporting period:

1. Management

Related person	Net purchase		Remuneration		Net dividend	
Period	**1.01.2020-31.03.2020**	**1.01.2019-31.03.2019**	**1.01.2020-31.03.2020**	**1.01.2019-31.03.2019**	**1.01.2020-31.03.2020**	**1.01.2019-31.03.2019**
Management Board	**72 000**	**72 000**	**94 500**	**62 175**	**0**	**0**
Maciej Popowicz	40 500	40 500	13 500	13 500	0	0
- Ten Square Games S.A. (CEO until 20.05.2020)	40 500	40 500	13 500	13 500		
- Play Cool Zombie Sport Games Sp. z o.o.						
- Tiny Dragon Adventure Games Sp. z o.o.						
- Fat Lion Games Sp. z o.o.						
Arkadiusz Pernal	31 500	31 500	12 000	12 000		
- Ten Square Games S.A.	31 500	31 500	12 000	12 000		
- Play Cool Zombie Sport Games Sp. z o.o.						
- Tiny Dragon Adventure Games Sp. z o.o.						
- Fat Lion Games Sp. z o.o.						
Magdalena Jurewicz			69 000	36 675		
- Ten Square Games S.A.			69 000	36 675		
- Play Cool Zombie Sport Games Sp. z o.o.						
- Tiny Dragon Adventure Games Sp. z o.o.						
- Fat Lion Games Sp. z o.o.						
Supervisory Board (Ten Square Games S.A.)	**0**	**0**	**57 000**	**54 000**	**0**	**0**
Maciej Zużałek (Chairman of the Supervisory Board until 21.04.2020, CEO since 20.05.2020)			3 000	3 000		
Rafał Olesiński			10 500	10 500		
Marcin Chruszczyński (Member of the Supervisory Board until 20.05.2020)			10 500	10 500		
Tomasz Drożdżyński			9 000	9 000		
Maciej Marszałek			4 500	4 500		
Milena Olszewska-Miszuris (Member of the Supervisory Board until 20.05.2020)			10 500	7 500		
Wiktor Schmidt			9 000	9 000		
Marcin Biłos (Member of the Supervisory Board since 20.05.2020)						
Kinga Stanisławska (Member of the Supervisory Board since 20.05.2020)						
Key personnel (Ten Square Games S.A.)	**0**	**0**	**0**	**0**	**n/a**	**n/a**
Family members of key personel/Management Board (Ten Square Games S.A.)	**95 453**	**107 182**	**0**	**0**	**n/a**	**n/a**

The transactions between affiliates were conducted on terms equivalent to the ones applicable in the transactions conducted on market terms.

2. Other entities

Affiliate	Net sales		Net purchase	
Period:	**1.01.2020-31.03.2020**	**1.01.2019-31.03.2019**	**1.01.2020-31.03.2020**	**1.01.2019-31.03.2019**
Subsidiaries:	**1 530 683**	**722 771**	**0**	**0**
Play Cool Zombie Sport Games Sp. z o.o.	60 899	110 845	0	0
Tiny Dragon Adventure Games Sp. z o.o.	1 119 119	447 168	0	0
Fat Lion Games Sp. z o.o.	350 666	164 758	0	0
Personally related entities:	**0**	**0**	**26 345**	**44 856**
Olesiński i Wspólnicy Spółka komandytowa	0	0	26 345	44 856
Affiliate	**Gross receivables**		**Gross liabilities**	
As at:	**31.03.2020**	**31.12.2019**	**31.03.2020**	**31.12.2019**
Subsidiaries:	**4 341 076**	**4 284 715**	**0**	**0**
Play Cool Zombie Sport Games Sp. z o.o.	22 648	95 944	0	0
Tiny Dragon Adventure Games Sp. z o.o.	3 595 048	2 638 101	0	0
Fat Lion Games Sp. z o.o.	723 380	1 550 670	0	0
Personally related entities:	**0**	**0**	**1 033**	**0**
Olesiński i Wspólnicy Spółka komandytowa	0	0	1 033	0

12. DEFERRED TAX

Structure of a deferred income tax asset

Specification	As at 31.03.2020	As at 31.12.2019	As at 31.03.2018
Clearing of pearls in time (per balance)	253 757	266 467	160 158
Provision for leaves	83 348	48 270	40 281
lease - valuation of IFRS16	29 340	8 125	0
settlement valuation	0	56 727	0
Total	**366 445**	**379 589**	**200 439**

Structure of deferred income tax provision

Specification	As at 31.03.2020	As at 31.12.2019	As at 31.03.2018
Amortisation of games	582 627	537 405	494 810
Valuation of settlements	229 566	0	5 430
Total	**812 193**	**537 405**	**500 240**

13. PROVISIONS

Specification	As at 01.01.2020	Changes during the year		As at 31.03.2020
		Assumption	Use	
Provision for holidays	254 054	438 672	254 054	438 672

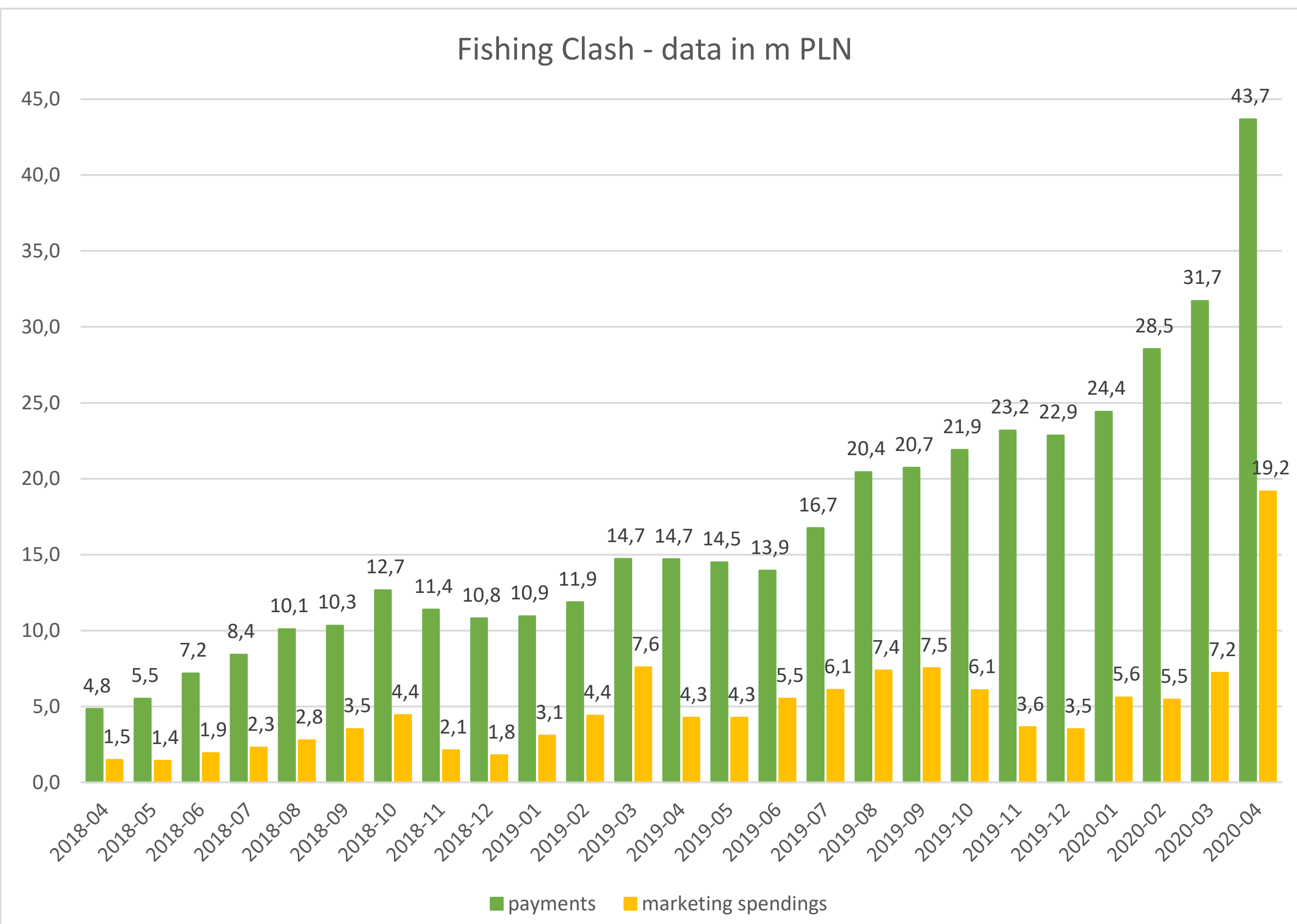
OTHER ADDITIONAL INFORMATION

1. A BRIEF DESCRIPTION OF THE ISSUER'S SIGNIFICANT ACHIEVEMENTS OR FAILURES IN THE REPORTING PERIOD, INCLUDING A LIST OF THE MOST IMPORTANT EVENTS CONCERNING THE ISSUER

The first quarter of 2020 is a further dynamic growth of Fishing Clash, which is described in the commentary to the results on page 15 of this report.

The marketing team, in cooperation with the Business Intelligence team, focused on scaling up and optimizing marketing expenses on acquiring new users for the Fishing Clash game. The main challenge was to assess the impact of the COVID-19 pandemic on the User Acqusition market and player behaviour. 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 starting from mid-March 2020, which translated into the cost of user acquisition at a record level of over PLN 19 million in April 2020 alone. The Group is currently monitoring the development of the advertising market and changes in the behaviour of the acquired user groups. As long as the situation is favourable and the increased expenses can be justified with high expected profits in the future periods, the high value of marketing expenses will be maintained.

The project team focused on the development of the game by introducing, among others, technological improvements and expanding the content with, among others, new fish species, fisheries and game functionalities (e.g. Battle Royale mode). The success of Fishing Clash and good results of the Group's other products translated into very good financial results for the Group in Q1 2020 (revenue - PLN 95m, net profit - PLN 35m vs. PLN 45m and PLN 10m, respectively, in the same period of 2019).



2. QUALITY PARAMETERS OF GAMES

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

*MAU – monthly average active users

3. INDICATION OF FACTORS AND EVENTS, INCLUDING UNTYPICAL ONES, HAVING A SIGNIFICANT IMPACT ON THE CONDENSED FINANCIAL STATEMENT

Between January 1st and March 31st 2020 no untypical events occurred, which would have significant impact on condensed interim consolidated financial statement.

4. SIGNIFICANT EVENTS OCCURRING AFTER THE END OF THE INTERIM PERIOD, WHICH WERE NOT REFLECTED IN THE FINANCIAL STATEMENTS FOR THE GIVEN INTERIM PERIOD

After the reporting period, but before the publication of this report, the Group observed further good financial parameters of the Fishing Clash game. The estimated sales revenue in April 2020 was PLN 43.7m. In April 2020, the Group provided very high marketing support for Fishing Clash, which is constantly adjusted to the game development dynamics. In addition, the dynamics of these expenses in May 2020 was again intensified - the first half of May brought expenses of USD 4.8 million. The above actions are related to the unprecedented phenomenon of reshuffling on the advertising market caused by the global situation related to the COVID-19 epidemic. The Group cannot predict how long such anomaly will last.

5. INDICATION OF FACTORS WHICH, IN THE ISSUER'S OPINION, WILL INFLUENCE THE RESULTS ACHIEVED BY THE ISSUER IN A PERIOD NO SHORTER THAN THE NEXT QUARTER

In the perspective of subsequent quarters of 2020, the Group intends to continue the development of its operations in the existing areas.

Further development of Fishing Clash, as well as the situation on the user acquisition market, will have a key impact on the results in the following quarters. The improvement of results both in the product and marketing areas may have a significant impact on the result for the next quarter. In order to utilise this potential, the Group conducts constantly optimised live-ops activities, continues the development of product functionality and intensifies its marketing efforts.

The Group is also awaiting certfication of Fishing Clash on the Chinese market. The decision to grant a licence is completely independent of the Group.

Factors which may have an impact on the Group's performance in the future are also the directional decisions concerning the products currently maintained in the soft launch phase. At this point in time, the Management Board of the Parent Undertaking does not have sufficient data to determine whether and which title can 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 third quarter of 2020.

The current axis of the Group's development is organic growth understood as 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, the exchange rate of the US dollar, the emergence of products competing with the Group's games, advertising market parameters such as prices and supply of ads displayed in the Group's games and the prices of ads purchased by the Group or the 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.

In strictly accounting terms, in Q2 2020, assuming that the conditions of the programme are met, the Group will recognise the cost of a dedicated incentive programme for the new President of the Management Board, Mr Maciej Zużałek. The incentive program in question includes the transfer at a nominal price of PLN 0.1 per share of 144,825 shares by the specified Company's existing shareholders. According to "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 measured in accordance with the said standard. The estimated value of the programme may amount to approx. PLN 75 million; the exact value will depend on the market price of the Parent Company's shares at the time of granting financial instruments.

6. OTHER INFORMATION SIGNIFICANT FOR THE ASSESSMENT OF HUMAN RESOURCES, PROPERTY, FINANCIAL STANDING, FINANCIAL RESULT AND THEIR CHANGES AND INFORMATION IMPORTANT FOR THE ASSESSMENT OF THE ISSUER'S ABILITY TO MEET ITS OBLIGATIONS

As at 31.03.2020, the Ten Square Games S.A. Capital Group did not have any other material information of the above nature.

7. THE POSITION OF THE ISSUER'S MANAGEMENT BOARD REGARDING THE POSSIBILITY OF MEETING THE PREVIOUSLY PUBLISHED FORECASTS FOR A GIVEN YEAR IN THE LIGHT OF THE RESULTS PRESENTED IN THE QUARTERLY REPORT IN RELATION TO THE FORECAST RESULTS

The Management Board of Ten Square Games S.A. did not publish forecasts of financial results for year 2020.

8. SEASONALITY OR CYCLICALITY OF OPERATIONS

There is no seasonality or cyclicality in Group’s operations.

9. INDICATION OF SIGNIFICANT PROCEEDINGS PENDING BEFORE THE COURT, ARBITRATION AUTHORITY OR PUBLIC ADMINISTRATION AUTHORITY CONCERNING LIABILITIES AND RECEIVABLES OF THE ISSUER OR ITS SUBSIDIARY

Ten Square Games S.A. or any of its subsidiaries was not a party to any legal, arbitration or governmental proceeding as at March 31, 2020 or the date of the financial statements.

10. LOANS, BORROWINGS, WARRANTIES, SURETIES

Neither Ten Square Games S.A. nor any of its subsidiaries was a party to any loan or borrowing agreement as at March 31, 2020 and as at the date of the financial statements. The Issuer and its subsidiaries did not grant any warranties or sureties in the period covered by this report.

APPROVAL OF THE FINANCIAL STATEMENT

This report for the period from January 1 to March 31, 2020 was signed and approved for publication by the Management Board of Ten Square Games S.A. on May 25, 2020.

		date	signature
President of the Management Board	Maciej Zużałek	25.05.2020	
Vice-President of the Management Board	Arkadiusz Pernal	25.05.2020	
Member of the Board	Magdalena Jurewicz	25.05.2020	