



ten square_games

**STANDALONE FINANCIAL STATEMENT
TEN SQUARE GAMES S.A.
AS AT 31 DECEMBER 2020
WROCLAW, 22.03.2021**

DISCLAIMER

This English language translation has been prepared solely for the convenience of English speaking readers. Despite all the efforts devoted to this translation discrepancies, omissions or approximations may exist. In case of any differences between the Polish and the English versions, the Polish version shall prevail. Ten Square Games S.A., its representatives and employees decline all responsibility in this regard.



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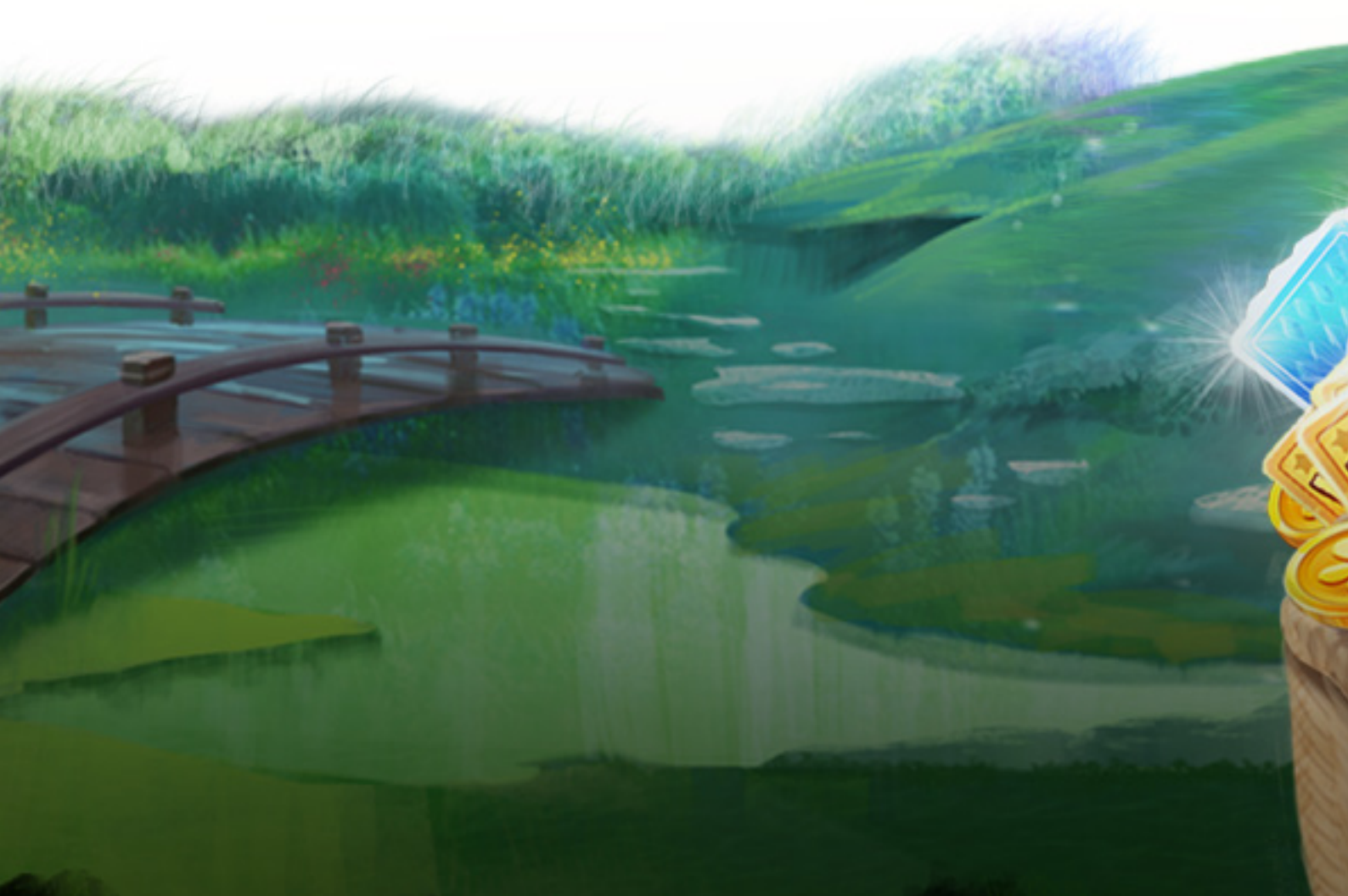




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STANDALONE FINANCIAL STATEMENT







SELECTED FINANCIAL DATA

SPECIFICATION	PLN		EUR	
	2020	2019	2020	2019
STATEMENT OF COMPREHENSIVE INCOME				
Net revenues	574 286 163	237 365 349	128 355 050	55 178 146
Cost of services sold	25 436 249	11 347 016	5 685 094	2 637 737
Operating profit (loss)	168 457 062	81 341 152	37 650 767	18 908 632
Gross profit (loss)	169 339 478	81 470 679	37 847 990	18 938 742
Net profit (loss)	150 589 521	73 796 395	33 657 307	17 154 771
EBITDA	171 542 828	82 491 394	38 340 447	19 176 018
Adjusted EBITDA	223 042 362	83 039 335	49 850 780	19 303 393
CASH FLOW STATEMENT				
Net operating cash flow	193 206 116	62 702 110	43 182 271	14 575 785
Net cash flow from investment activities	-4 713 140	-3 543 312	-1 053 404	-823 681
Net cash flow from financial activity	-26 586 412	-27 184 000	-5 942 160	-6 319 215

DESCRIPTION	PLN		EUR	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
STATEMENT OF FINANCIAL SITUATION				
Fixed assets	16 221 198	4 941 261	3 515 038	1 160 329
Current assets	303 094 104	97 732 820	65 678 709	22 950 058
Equity	233 713 625	88 821 386	50 644 367	20 857 435
Long-term liabilities	7 448 738	548 722	1 614 098	128 853
Short-term liabilities	78 152 939	13 303 973	16 935 282	3 124 098

EUR/PLN exchange rate	2020	2019
for the balance-sheet data	4,6148	4,2585
for the data from the profit and loss statement and cash flow statement	4,4742	4,3018

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 of 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.





2.

STANDALONE COMPREHENSIVE INCOME STATEMENT

STANDALONE COMPREHENSIVE INCOME STATEMENT	note	for the period 01.01.2020 – 31.12.2020	for the period 01.01.2019 – 31.12.2019
Revenues from the sales of services	2	574 286 163	237 365 349
Costs of services sold	3	25 436 249	11 347 016
Gross profit (loss) on sales		548 849 914	226 018 333
Other operating income		249 233	146 155
Selling costs	3	343 108 051	136 742 530
General and administrative costs	3	36 512 171	6 965 245
Other operating costs	4	1 021 863	1 115 561
Operating profit (loss)		168 457 062	81 341 152
Financial income	5	1 731 503	339 918
Financial expense	5	849 087	210 391
Profit (loss) before taxation		169 339 478	81 470 679
Income tax	6	18 749 957	7 674 284
Net profit (loss) on continued activity		150 589 521	73 796 395
Items that may be reclassified subsequently to profit or loss		0	0
Items that will not be reclassified to profit or loss		0	0
Total comprehensive income		150 589 521	73 796 395

CALCULATION OF PROFIT PER SHARE	for the period 01.01.2020 – 31.12.2020	for the period 01.01.2019 – 31.12.2019
Number of shares		
The weighted average number of shares for the purpose of calculating the value of basic profit per share (in units)	7 249 957	7 239 381
The weighted average number of shares for the purpose of calculating the value of diluted profit per share (in units)	7 249 957	7 239 381
Net profit	150 589 521	73 796 395
net earnings per share in PLN		
basic for the financial period	20,77 zł	10,19 zł
diluted for the financial period	20,77 zł	10,19 zł





3.

STANDALONE STATEMENT OF FINANCIAL SITUATION

ASSETS	note	31.12.2020	31.12.2019
Fixed assets		16 221 198	4 941 261
Tangible fixed assets	9	8 556 339	568 568
Intangible fixed assets	10	4 701 705	3 397 515
Investments in subsidiaries	11	120 371	5 000
Other financial assets	12	857 595	590 589
Deferred tax assets	6	1 985 189	379 589
Current assets	7	303 094 104	97 732 820
Receivables	13	54 083 587	26 213 985
Contract assets	14	14 915 356	601 057
Loans granted		893 758	80 914
Cash and cash equivalents	15	233 201 403	70 836 864
TOTAL ASSETS		319 315 302	102 674 081

EQUITY & LIABILITIES	note	31.12.2020	31.12.2019
Equity		233 713 625	88 821 386
Share capital	16	726 731	724 125
Share premium		496 100	496 100
Capital from the settlement of the incentive scheme		23 436 052	1 764 034
Retained earnings		209 054 742	85 837 127
Long-term liabilities		7 448 738	548 722
Deferred income tax provisions	6	454 711	548 722
Lease liabilities		6 994 027	0
Short-term liabilities		78 152 939	13 303 973
Trade liabilities	17	12 392 029	4 633 152
Current tax liabilities		12 722 936	6 083 371
Lease liabilities	18	1 192 551	0
Other liabilities	18	634 894	329 881
Provisions for employee benefits	21	1 492 685	254 054
Contract liabilities	14	49 717 844	2 003 515
TOTAL EQUITY & LIABILITIES		319 305 302	102 674 081





4.

STANDALONE STATEMENT OF CHANGES IN EQUITY

Statement of changes in equity	Share capital	Share premium	Capital from the settlement of the incentive scheme	Retained earnings	Total equity
Equity as at 01/01/2020	724 125	496 100	1 764 034	85 837 127	88 821 386
Payment of share capital	2 606				2 607
Share-based payments			21 672 018		21 672 018
Payment of dividends				-27 371 907	-27 371 907
Net profit				150 589 521	150 589 521
Total comprehensive income				150 589 521	150 589 521
Equity as at 31/12/2020	726 731	496 100	23 436 052	209 054 742	233 713 625
Equity as at 01/01/2019	727 500	496 100	780 748	39 346 232	41 350 580
Payment of share capital	1 625				1 625
Share-based payments			983 286		983 286
Reduction of the share capital in accordance with a resolution of the GSM	-5 000			5 000	0
Payment of dividends				0	0
Net profit				-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	1 764 034	85 837 127	88 821 386





5.

STANDALONE CASH FLOW STATEMENT

STANDALONE CASH FLOW STATEMENT	for the period 01.01.2020 – 31.12.2020	for the period 01.01.2019 – 31.12.2019
OPERATING ACTIVITY		
Profit/loss before taxation	169 339 478	81 470 679
Total adjustments:	37 654 989	-9 521 317
Depreciation and amortization	3 085 766	1 150 242
Foreign exchange gain/loss	73 304	79 586
Interest paid on lease	233 280	0
Interest and share in profit (dividends)	-1 656 905	-124 875
Change in receivables	-28 137 016	-15 274 282
Change in liabilities and accrued expenses	9 302 523	2 087 714
Change in contract liabilities	47 714 329	782 776
Change in contract assets	-14 314 299	-234 837
Write-offs on intangible assets	0	987 572
Share based payments (part not included in the acquisition of intangible assets)	21 383 078	1 025 701
Other adjustments	-29 071	-914
Cash on operating activity	206 994 467	71 949 362
Income tax (paid) / refunded	-13 788 351	-9 247 252
A. Net operating cash flow	193 206 116	62 702 110
INVESTMENT ACTIVITY		
Repayment of loans granted	80 000	0
Purchase of intangible and tangible fixed assets	-3 792 770	3 463 312
Purchase of shares	-115 370	
Loans granted	-885 000	80 000

STANDALONE CASH FLOW STATEMENT

for the period
01.01.2020
– 31.12.2020for the period
01.01.2019
– 31.12.2019

B. Net cash flow from investment activities	-4 713 140	-3 543 312
FINANCIAL ACTIVITY		
Dividends from subsidiaries	1 656 905	124 875
Net proceeds from issue of shares and other capital instruments and additional payments to capital	2 606	1 625
Dividends and other payments to owners	-27 371 906	-27 310 500
Payments of finance lease liabilities	-640 737	0
Interest on lease	-233 280	0
C. Net cash flow from financing activity	-26 586 412	-27 184 000
D. Total net cash flow	161 906 564	31 974 798
– change in cash due to exchange losses/gains	457 976	-79 586
E. Balance-sheet change in cash, including foreign exchange	162 364 540	32 054 384
F. Cash at the beginning of the period	70 836 864	39 017 889
G. Cash at the end of the period	233 201 403	70 992 686





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II.

GENERAL INFORMATION







1.

REPORTING ENTITY'S DATA

Ten Square Games Sp. z o.o. was registered on 21 October 2011, under the 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.

Name	Ten Square Games S.A.
Legal form	Spółka Akcyjna
Registered seat	ul. Traugutta 45, 50-416 Wrocław,
Registration country	Poland
Core business activity	publishing activity with regard to computer games (58.21.Z)
Authority keeping the register	District Court, VI Commercial Division of the National Court Register
KRS no	0000704863
Statistical REGON no	021744780
Tax identification number	8982196752
Company duration	indefinite

2.

FUNCTIONAL CURRENCY AND PRESENTATION CURRENCY

The standalone financial statement is presented in Polish zlotys (PLN), which is the functional currency and the presentation currency of the Company.

3.

PRESENTED PERIODS

The financial statement includes data for the period from 1 January 2020 to 31 December 2020. Comparative data are presented as at 31 December 2019 for the statement of financial condition and for the period from 1 January 2019 to 31 December

2019 for the statement of comprehensive income, statement of cash flows and statement of changes in equity.

4.

ABILITY TO CONTINUE AS A GOING CONCERN

The standalone financial statement has been prepared assuming that the Company shall continue their activities for the period of at least 12 months after the last balance-sheet date, i.e. 31/12/2020. The Management Board of the Company, 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 at least 12 months after the balance-sheet date due to an intended or forced discontinuance or material limitation of the activity.





5.

COMPOSITION OF THE PARENT ENTITY'S BODIES AS AT 31/12/2019

The Management Board

Maciej Zużatek

President of the Management Board

Arkadiusz Pernal

Vice-President of the Management Board

Marcin Chruszczyński

Member of the Management Board

Supervisory Board

Rafał Olesiński

Chairman of the Supervisory Board

Wiktor Schmidt

Vice 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

Kinga Stanisławska

Member of the Supervisory Board

In the course of the reporting period and until the date of this report, the following changes in the composition of aforementioned bodies occurred

1. On 20 May 2020 the term of office of the Management Board ended and Mr. Maciej Zuzalek replaced Mr. Maciej Popowicz as the President of the Management Board.
2. On 27 July 2020 Ms. Magdalena Jurewicz tendered her resignation as Member of the Management Board effective 31 July 2020.
3. On 31 July 2020 Mr. Marcin Chruszczynski, by decision of the Supervisory Board, was appointed to serve as a Member of the Management Board, starting from 1 August 2020.
4. On 7 October 2020 The Management Board of the Company was informed about the decision of Vice-President of the Management Board of the Company, Mr. Arkadiusz Pernal, to resign from his position in the Management Board of the Company effective as of 31 December 2020.
5. On 17 December 2020, the Company's Supervisory Board adopted resolutions concerning the appointment of additional persons to the Management Board for the current term of office
Mr. Janusz Dziemidowicz – Member of the Management Board;
Mr. Wojciech Gattner – Member of the Management Board;
Ms Anna Idzikowska – Member of the Management Board;
Mr. Andrzej Ilczuk – Member of the Management Board.

Appointment of the aforementioned persons took effect as of the date of registration by the competent registry court of the amendment to the Company's Articles of Association, effected pursuant to Resolution No. 4 of the Extraordinary General Meeting of Shareholders of the Company dated December 16, 2020, which occurred on 21 January 2021.

Between 1 January 2020 and 22 March 2021 there were the following changes in the composition of the body resulting from the end of the term and appointment of a new Supervisory Board:

1. Mr Marcin Chruszczynski served as a Member of the Supervisory Board until 20 May 2020;
2. Ms. Milena Olszewska-Miszuris served as Member of the Supervisory Board until 20 May 2020;
3. Mr. Maciej Zuzalek served as Chairman of the Supervisory Board until 21 April 2020, and on 20 May 2020 he became President of the Management Board of the Company;
4. Mr. Rafal Olesinski served as Vice Chairman of the Supervisory Board until 20 May 2020, after which he assumed the role of Chairman of the Company's Supervisory Board;
5. Mr. Marcin Bilos joined the Supervisory Board on 20 May 2020;
6. Ms. Kinga Stanislawska joined the Supervisory Board on 20 May 2020;

Additionally, Mr. Arkadiusz Pernal, having resigned from the position of Vice President of the Management Board on 7 October 2020 (effective 1 January 2021), joined the Supervisory Board as of 1 January 2021.





6.

SHAREHOLDERS STRUCTURE

6.1.

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

SHAREHOLDER	number of shares as at 22/03/2021	share in basic capital	number of votes at GSM	% share in the number of votes
Shareholders' Arrangement ^[1]	3 022 321	41,59%	3 022 321	41,59%
Others (none of which holds above 5% of shares)	4 244 990	58,41%	4 244 990	58,41%
TOTAL	7 267 311	100%	7 267 311	100%

SHAREHOLDER	number of shares as at 31/12/2020	share in basic capital	number of votes at GSM	% share in the number of votes
Shareholders' Arrangement ^[1]	3 739 649	51,46%	3 739 649	51,46%
Others (none of which holds above 5% of shares)	3 527 662	48,54%	3 527 662	48,54%
TOTAL	7 267 311	100%	7 267 311	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
Shareholders' Arrangement ^[1]	4 603 750	63,58%	4 603 750	63,58%
Others (none of which holds above 5% of shares)	2 637 495	36,42%	2 637 495	36,42%
TOTAL	7 241 245	100%	7 241 245	100%

[1] Shareholders' Arrangement dated 21 October 2019 concerning the maintenance of a consistent policy towards the Company and the concerted exercise of voting rights on the Company's shares. The parties to the Shareholders' Arrangement include Maciej Popowicz and Arkadiusz Pernal.

Changes in the shareholder structure between 31.12.2019 and 22.03.2021 result from the transactions described in:

1. notifications received on 31 January 2020 regarding the change 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' arrangement entered into on 21 October 2019, as reported by the Company in current report No. 10/2020;
2. the notice received on 10 July 2020 regarding the change in the holding of the Company's shares, submitted by Arkadiusz Pernal on behalf of the members of the shareholders' agreement of the Company entered into on October 21, 2019, as reported by the Company in current report No. 47/2020; the change in the holding of the Company's shares occurred as a result of the conclusion on July 9, 2020. Amendment to the Shareholders' Agreement, as a result of which two shareholders joined the Agreement;
3. current report No. 40/2020, informing about the conclusion on 16 June 2020 of an agreement for the sale of shares by members of the Shareholders' Agreement as part of the incentive program for the new President of the Management Board Mr. Maciej Zuzalek;
4. notifications received on 15 January 2021 regarding changes in the ownership of the Company's shares, submitted by: Maciej Popowicz and Arkadiusz Pernal, about which the Company informed in the current report No. 5/2021.

Additionally, in July 2020, under the existing incentive program for 2018-2020, shares were allocated to participants approved by the Supervisory Board. On 30 July 2020, the Company filed an application with the National Court Register to register an increase in the share capital by PLN 2,606.60 in connection with the incentive program. The increase was registered on 31 August 2020.



**6.2.****List of shares owned by members of the Management Board and Supervisory Board of the Issuing Party**

SHAREHOLDER	Number of shares as of 22/03/2021	% share in the share capital	number of votes at the GMS	% share in the number of votes
President of the Management Board – Maciej Zuzalek	194 826	2,68%	194 826	2,68%
Member of the Management Board – Anna Idzikowska	20 000	0,28%	20 000	0,28%
Member of the Management Board – Janusz Dziemidowicz	84 249	1,16%	84 249	1,16%
Member of the Management Board – Wojciech Gattner	20 849	0,29%	20 849	0,29%
Member of the Supervisory Board – Arkadiusz Pernal	807 600	11,11%	807 600	11,11%
Member of the Supervisory Board – Maciej Marszalek	44 000	0,61%	44 000	0,61%
Member of the Supervisory Board – Rafal Olesinski	669	0,01%	669	0,01%
Member of the Supervisory Board – Kinga Stanislawska	105	0,00%	105	0,00%
TOTAL	1 172 298	16,13%	1 172 298	16,13%
Others	6 095 013	83,87%	6 095 013	83,87%
TOTAL	7 267 311	100%	7 267 311	100%

SHAREHOLDER	Number of shares as of 31/12/2020	% share in the share capital	number of votes at the GMS	% share in the number of votes
President of the Management Board – Maciej Zuzalek	194 826	2,68%	194 826	2,68%
Vice-president of the Management Board – Arkadiusz Pernal	1 014 012	13,95%	1 014 012	13,95%
Member of the Supervisory Board – Maciej Marszalek	44 000	0,61%	44 000	0,61%
Member of the Supervisory Board – Rafal Olesinski	669	0,01%	669	0,01%
Member of the Supervisory Board – Kinga Stanislawska	105	0,00%	105	0,00%
TOTAL	1 253 612	17,25%	1 253 612	17,25%
Others	6 013 699	82,75%	6 013 699	82,75%
TOTAL	7 267 311	100%	7 267 311	100%

SHAREHOLDER	Number of shares as of 31/12 2019	% share in the share capital	number of votes at the GMS	% share in the number of votes
President of the Management Board – Maciej Popowicz	2 852 500	39,25%	2 852 500	39,25%
Vicepresident of the Management Board – Arkadiusz Pernal	1 365 000	18,78%	1 365 000	18,78%
Member of the Management Board – Magdalena Jurewicz	25 000	0,34%	25 000	0,34%
President of the Supervisory Board – Maciej Zuzalek	75 000	1,03%	75 000	1,03%
Member of the Supervisory Board – Maciej Marszalek	52 500	0,72%	52 500	0,72%
Member of the Supervisory Board – Rafal Olesinski	669	0,01%	669	0,01%
TOTAL	4 370 669	60,36%	4 370 669	60,14%
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 the Members of the Management Board and Supervisory Board between 31.12.2019 and 22.03.2021 are due to personal changes in the composition of the bodies, and to the transactions described in:

1. the notification received on 15 January 2020 regarding the change in the holding of the Company's shares submitted by Maciej Zuzalek, of which the Company informed in current report No. 4/2020;
2. notifications received on 31 January 2020 concerning a change in the holding of the Company's shares submitted by: Maciej Popowicz; Arkadiusz Pernal; and Arkadiusz Pernal on behalf of the members of the Shareholders' Arrangement concluded on 21 October 2019, as the Company informed in current report no. 10/2020;
3. the notification received on 6 April 2020 regarding the change in the holding of the Company's shares submitted by Maciej Marszalek, of which the Company informed in current report no. 15/2020;
4. a notification received on 12 October 2020 concerning a change in the holding of the Company's shares, submitted by Mr. Maciej Marszalek, about which the Company informed in the current report no. 58/2020

6.3. Series of shares

SERIES OF SHARES	Number of shares as of 22/03/2021 and as of 31/12/2020	Nominal value of shares	Total nominal value of shares
A	7 225 000	0,1 PLN	722 500,00
B	42 311	0,1 PLN	4 231,10

Series B shares relate to the Company's incentive program and the related share capital increase was communicated in current reports No. 23/2019 and 25/2019.

On 30 July 2020. The Company filed an application with the National Court Register for registration of the increase in supplementary capital by the amount of PLN 2,606.60 in connection with the incentive scheme. The increase was registered on 31 August 2020.

On 21 October 2020 the National Depository for Securities registered 26,066 ordinary series B bearer shares. Thus, the condition on the admission and introduction to exchange trading on the WSE Main Market of these shares was fulfilled.

SERIES OF SHARES	Number of shares as of 31/12/2019	Nominal value of shares	Total nominal value of shares
A	7 225 000	0,1 PLN	722 500,00
B	16 245	0,1 PLN	1 624,50





TEN SQUARE GAMES GROUP

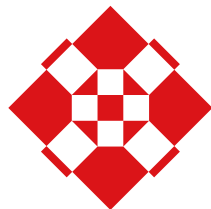
On 14 October 2015, the first subsidiary – Play Cool Zombie Sport Games Sp. z o.o. was registered.

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

On 17 November 2017, Fat Lion Games Sp. z o.o. was registered.

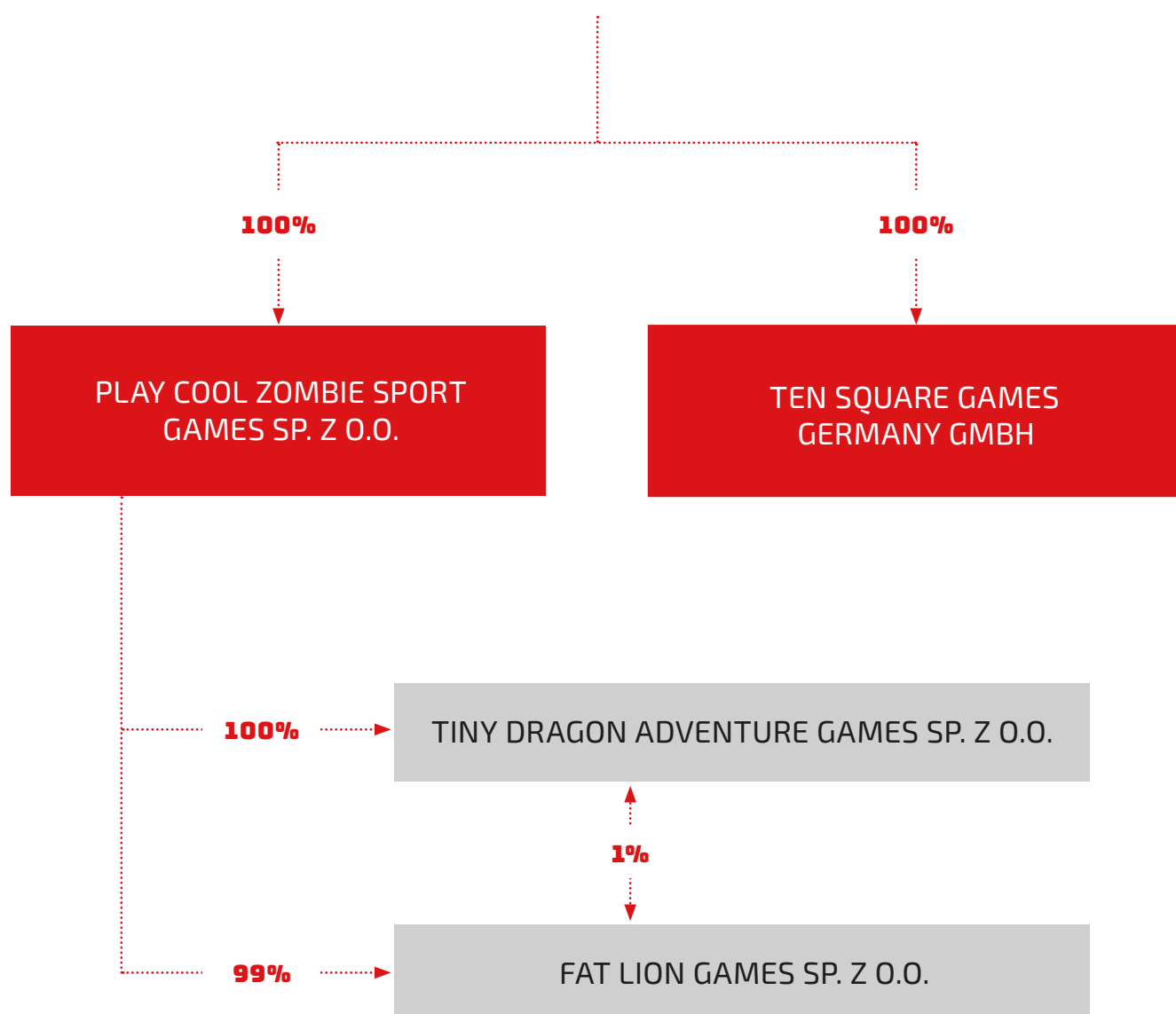
In the fourth quarter of 2020, the Parent Company's Management Board decided to establish a subsidiary in Berlin, which is expected to become an operationally independent mobile game studio from the Parent Company over time. Ten Square Games Germany GmbH was established on 7 December 2020 (date of articles of association) and entered in the commercial register on 25 January 2021.





As at 31/12/2020 and
22/03/2021:

ten square games





INFORMATION ON CONSOLIDATION

Ten Square Games S.A. is the Parent Entity in the Group, which prepares consolidated financial statements. The subsidiaries are subject to the

consolidated financial statement from the date of a given company's establishment till the date of discontinuation of exercising control.

9.

AUDITING COMPANY

PKF Consult Spółka z ograniczoną odpowiedzialnością Sp.k.
ul. Orzycka 6 lok. 1B, 02-695 Warszawa

10.

THE IMPACT OF THE COVID-19 OUTBREAK ON COMPANY'S OPERATIONS

In March 2020 the World Health Organization declared that the COVID-19 disease caused by the SARS-CoV-2 coronavirus could be referred to as a pandemic, which is the highest level of alert that is issued by the WHO. While the pandemic has had and is having a negative impact on most businesses, there are industries for which 2020 meant an increase in business. The emergence of the COVID-19 outbreak has increased interest in, among other things, mobile games, including those offered by the Company, which has translated into

a significant increase in revenue. The Management Board monitors the situation on an ongoing basis and reacts accordingly. The Management Board report on activities includes a detailed description of the impact of the COVID-19 outbreak on the operations. As at the date of publication of these standalone financial statements, the Company's Management Board, based on the risk analysis performed to date, estimates that the pandemic does not affect the assessment of the ability to continue as a going concern assumption of the Company.



11.

REPRESENTATION OF THE MANAGEMENT BOARD

The Management Board of the Company represents that, to the best of their knowledge, this standalone financial statement and the comparative data have been prepared in accordance with the accounting policy of the Company and that they give a true and fair view of the Company's assets, financial position and results of operations.

The Management Board also declares that the Management Board report on activities gives a true view of the Company's development, achievements and situation, including a description of the main threats and risks.



12.

MANAGEMENT BOARD INFORMATION

The Management Board of the Company announces that the selection of the audit firm to audit the annual standalone and consolidated financial statement for fiscal year 2019 was made by the Supervisory Board of the Company in the form of a resolution adopted on 17 May 2019 after the recommendation presented by the Audit Committee. The Supervisory Board selected the audit firm PKF Consult Sp. z o.o. sp. k. to review the semi-annual financial statements of Ten Square Games S.A. and the semi-annual standalone financial statements of the Ten Square Games S.A. Group for the periods from 01.01.2019 to 30.06.2019, from 01.01.2020 to 30.06.2020 and from 01.01.2021 to 30.06.2021, as well as the audit of the annual separate financial statements of Ten Square Games S.A. and the annual standalone financial statements of the Ten Square Games S.A. Group for the years 2019, 2020 and 2021 and thus decided to extend the agreement with PKF Consult Sp. z o.o. sp.k.

The audit firm and the members of the team auditing the annual separate and standalone financial statements for the financial year 2019 fulfilled the conditions for the preparation of an objective and independent report on the audit of the annual financial statement in accordance with the applicable regulations, professional standards and professional ethics.

Ten Square Games S.A. Group complies with applicable laws relating to the rotation of the audit firm and the key statutory auditor, as well as mandatory grace periods;

Ten Square Games S.A. (parent entity) has a policy for selecting an audit firm and a policy for the provision to the issuer by the audit firm, an entity affiliated with the audit firm or a member of its network of additional non-audit services, including services conditionally exempt from the prohibition on the provision by the audit firm.





ten square_games

III.

BASIS OF PREPARATION AND ACCOUNTING POLICY







1.

COMPLIANCE WITH THE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The standalone financial statement prepared as at 31 December 2020 has been prepared in accordance with International Accounting Standards, International Financial Reporting Standards and interpretations issued by the International Accounting Standards Board approved by the European Union, hereinafter referred to as "EU IFRS".

The EU IFRS comprise standards and interpretations approved by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC), approved for application in the EU.

In preparing the standalone financial statements as at 31 December 2020, the Company adopted all new and approved standards and interpretations issued by the International Accounting Standards Board and the International Accounting Standards Interpretation Committee and approved for application in the EU, applicable to its operations and binding in the reporting periods from 1 January 2020, being:

- » Amendments to Reference to the Conceptual Framework in International Financial Reporting Standards (issued March 29, 2018) – applicable to annual periods beginning on or after January 1, 2020;
- » Amendment to IFRS 3 Business Combinations (published 22 October 2018) – applicable to annual periods beginning on or after 1 January 2020;
- » Amendments to IAS 1 and IAS 8: Definition of materiality (published on 31 October 2018) – applicable to annual periods beginning on or after 1 January 2020;
- » Amendments to IFRS 16 „Leases“ – simplification regarding changes resulting from lease agreements in connection with COVID-19 (rent concessions) – approved for application after 1 June 2020.

The amendments to the standards and interpretations depicted above did not apply to the Group or had an immaterial impact on the Company's financial position, results of its operations, or the scope of information presented in these financial statements of the Company.

In preparing the standalone financial statement as at 31/12/2020, the Company has not opted for early adoption of any standard, interpretation or amendment which has been published but has not yet become effective under European Union law. According to the Company's estimates, the early adoption by the Company of these standards, interpretations and amendments to standards would not have a material impact on these financial statements.





2.

CHANGES IN ACCOUNTING PRINCIPLES (POLICY)

In the course of 2020, as a result of changes made to its IT systems (whereby the Company began to collect data allowing it to analyse the use of durable goods over time), the assumptions regarding the recognition of revenue from so-called durables (virtual durable goods) were changed. Accordingly, from 2020 onwards, the Company estimates the amount of the liability (customer contract liability) for the provision of a durable good in a game – the revenue relating to the purchase of durable virtual goods (and the commission of digital distribution platforms such as Google Play and the App Store relating to this revenue) is recognized over the estimated average play period of the paying users.

As it is impracticable for the Company to apply the new accounting policies retrospectively as it is unable to determine the cumulative effect of applying the new accounting policies to all prior periods, the new accounting policies have therefore been applied prospectively from 2020.



3.

DESCRIPTION OF THE ADOPTED ACCOUNTING PRINCIPLES (POLICY)

3.1. 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 Company 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 Company'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 Company, 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 Company 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 Company 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).

In the course of 2020, the Company made changes to its IT systems, whereby it has started to collect data to analyze the usage of durable goods over time. Accordingly, the Company estimates the amount of the liability (customer contract liability) for the provision of the durable good in the game – the revenue relating to the purchase of durable virtual goods (and the commission of digital distribution platforms such as Google Play and App Store relating to this revenue) is recognized by the estimated average playing period of paying users. Estimating the average length of time a paying user remains in the game requires a sufficiently long history of player behaviour.

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 Company in the costs of sales.

Revenues from advertisements displayed in games (advertisements)

Revenues due to advertisements displayed by players shall be recognized by the Company 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 Company 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 services sold

shall be recognized by the Company in the same period as revenues from sales of these components, according to the principle of matching revenues and costs. In this item, the Company 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.

3.2. Financial income and expense

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.





3.3. 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 Square 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 and accounting for revenues from users over time.

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 connected with 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 will recognise 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 that better reflects the resolution of the uncertainty, using the single most probable result or the expected value method (the probability-weighted amounts of possible solutions). In the assessment of the probability of acceptance, the Company assumes that the tax authorities will verify the uncertain tax treatment and have full knowledge of this issue.





3.4. Tangible fixed assets

The Company recognizes fixed assets as separate objects, suitable for use, meeting the criteria for fixed assets specified in IAC 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 Company, 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 Company shall also evaluate tangible fixed assets for impairment and evaluates a necessity of preparing impairment write-downs. This takes place when the Company 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.

3.5. Intangible assets

Intangible assets are valued 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 Company shall also evaluate intangible assets for impairment and evaluate a necessity of preparing impairment write-downs. This takes place when the Company 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 Company with the depreciation rates:

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





Development works

The Company's intangible assets also include tangible assets in progress (games) if they can be qualified as development works, in accordance with IAC 38 Intangible assets, i.e. they meet all of the following conditions:

1. it is technically possible to complete an intangible asset so that it is suitable for sale or use,
2. it is possible to prove the intent of completing an asset and its use and sale,
3. an asset will be suitable for use or sale,
4. it is known in what way an asset will generate future economic benefits,
5. technical and financial measures will be provided in order to complete development works and the asset's use and sale,
6. it is possible to reliably establish the expenditures incurred during development works.

If the above conditions are not met, the Company shall treat the expenditures as research works and recognize them in a current period.

Intangible assets under construction include, among other things, salary costs, recognised together with share-based payments.

Development works in progress, as unamortized intangible assets, are subject to impairment testing not less frequently than once a year.

The Company 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.

3.6. Lease

In accordance with IFRS 16 on recognition, valuation, 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 valued based on the 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 values an asset by virtue of the right of use, using the cost model, while the liability is valued through:

1. increasing the balance sheet value to reflect interest on the lease liability,
2. reducing in the carrying amount to reflect the lease payments made; and
3. 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.





3.7. Financial instruments

The Company 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 Company 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 Company shall value a financial asset or financial liability at its fair value, which in the case of financial assets or financial liabilities not valued 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 Company classifies a financial asset as valued, 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:

- the entity's business model with regard to the management of financial assets, and
- the characterization of cash flows for a financial asset, resulting from an agreement.

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

- 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;
- 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 valued at fair value by other comprehensive income if it meets both of the following conditions:

- 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
- 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 valued at fair value by financial result unless it is valued 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 Company classifies all financial liabilities as valued, after initial recognition, at amortized cost, excluding: financial liabilities valued 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 Company shall value 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 Company shall apply the division into the following categories of recipients:

- International payment intermediaries (online shops, payment aggregators);
- Advertising intermediaries;
- Licensees.





3.8.

Transactions in foreign currencies

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

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 valued at fair value and denominated in foreign currencies are valued according to the rates applicable at the date when fair value was determined. Non-financial items are valued 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.

3.9. **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.

3.10. **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 Company shall recognize the profit from the period which shall be allocated to other capitals, according to the resolution of shareholders.

3.11. **Share-based payments**

In the case of share-based payments in transactions with employees and other people providing similar services, the unit shall value 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.

3.12. **Payment of dividends**

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





3.13. **Provisions**

Provisions shall be recognized if the Company 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 Company's best knowledge as at that date. In the financial statements, provisions are presented as long-term and short-term, respectively.

3.14. **Liabilities**

Liabilities are the Company's present obligation resulting from past events, the fulfilment of which will result in an outflow from the Company 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.

3.15. **Significant balances based on professional judgement and estimates**

The preparation of a standalone financial statement requires from the Management Board of the Company 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 Company 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 Company 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 Company.

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 valued 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 Company'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 Company's debut on the Warsaw Stock Exchange, i.e. until May 2018, the fair value of Company's shares was determined using the comparative method. The comparison involved public companies with a similar business profile to the Company and it shall be conducted on the basis of the Company's best judgment. Since May 2018, i.e. when the Company became a public entity, the fair value of the Company's shares has been determined on the basis of the market value of the shares.

Recognition of revenue from the sales of durable virtual goods

The Group estimates the amount of the liability (customer contract liability) for the provision of a durable in-game good – revenue relating to the purchase of durable virtual goods (and the commission of digital distribution platforms such as Google Play and the App Store relating to this revenue) is recognized over the estimated average play period of the paying users.





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

Under the distribution agreement with Google (full text of the agreement: https://play.google.com/intl/ALL_pl/about/developer-distribution-agreement.html), the Company is required to provide virtual goods in exchange for cash 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 cost of sales.



PEŁNA TREŚĆ UMOWY

https://play.google.com/intl/ALL_pl/about/developer-distribution-agreement.html

[1] The Company defines an active user as one who has ever made a minimum of one payment up to the balance sheet date and has been active in the game (i.e. logged in a minimum of 1 time) in the 30 days prior to the balance sheet date and/or after the balance sheet date.

UNCERTAINTY OF ESTIMATES

Impairment of assets

As at each balance-sheet date, the Company shall verify the assets for impairment and evaluate a necessity of preparing impairment write-downs. This takes place when the Company 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 Company'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 Company. However, taking into account the changes on the market, the Management Board's estimates are uncertain.

The use of consumables in the game over time

As at the reporting date, the Company shall estimate a number of unused premium packages (banknotes 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 use of durables in the game over time

As a general rule, virtual goods offered in video games fall into two main categories: durable virtual goods (which do not wear out under normal use in the virtual world and can be used by the player as long as the game is played) and consumable virtual goods (which wear out under normal use in the virtual world). Revenue in the second category is recognized when or as it is consumed, as described in the paragraph above. With respect to the recognition of revenue from the sale of so-called durables, the market uses models based on in-game statistics, e.g., the lifespan of a good and/or a group of players. Until 2019, the Company did not have statistical models to estimate the value of durables, which was related to, among other things, the fact that the Company's game economics are based on:

- the ability to exchange some goods for other goods;
- possibility of receiving selected goods for free
- possibility of purchasing goods using both pearls received for free (e.g. by winning a competition) and those purchased for hard currency.

The above-mentioned characteristics make it much more difficult to carry out the analysis of the average use of the good over time, hence the Company used the option of not valuing the pearls, in accordance with IFRS 15 par. 44.

In the course of 2020, the Company made changes to its IT systems, which enabled it to start collecting data to analyze the use of durable goods over time. As a result, the Company has estimated the amount of the liability (customer contract liability) for the provision of durable goods in the game as of 31 December 2020 – revenue relating to the purchase of durable virtual goods is recognized by the estimated average playing period of paying users. Estimating the average period of time a paying user remains in the game requires a sufficiently long history of player behaviour. Accordingly, as at 31 December 2020, the Company only deferred revenue from durable goods over time only for Fishing Clash – the other leading title Hunting Clash was made available to players in the global market only 4 months prior to the balance sheet date, so determining the average length of time a paying user remains in the game would be subject to significant error.

DETERMINATION OF MATERIALITY

When preparing financial statements, the Company 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 Company has adopted the amount of PLN 8 million as the materiality level in the preparation of the financial statement (according to the accounting policy, not more than 5% of the gross result).

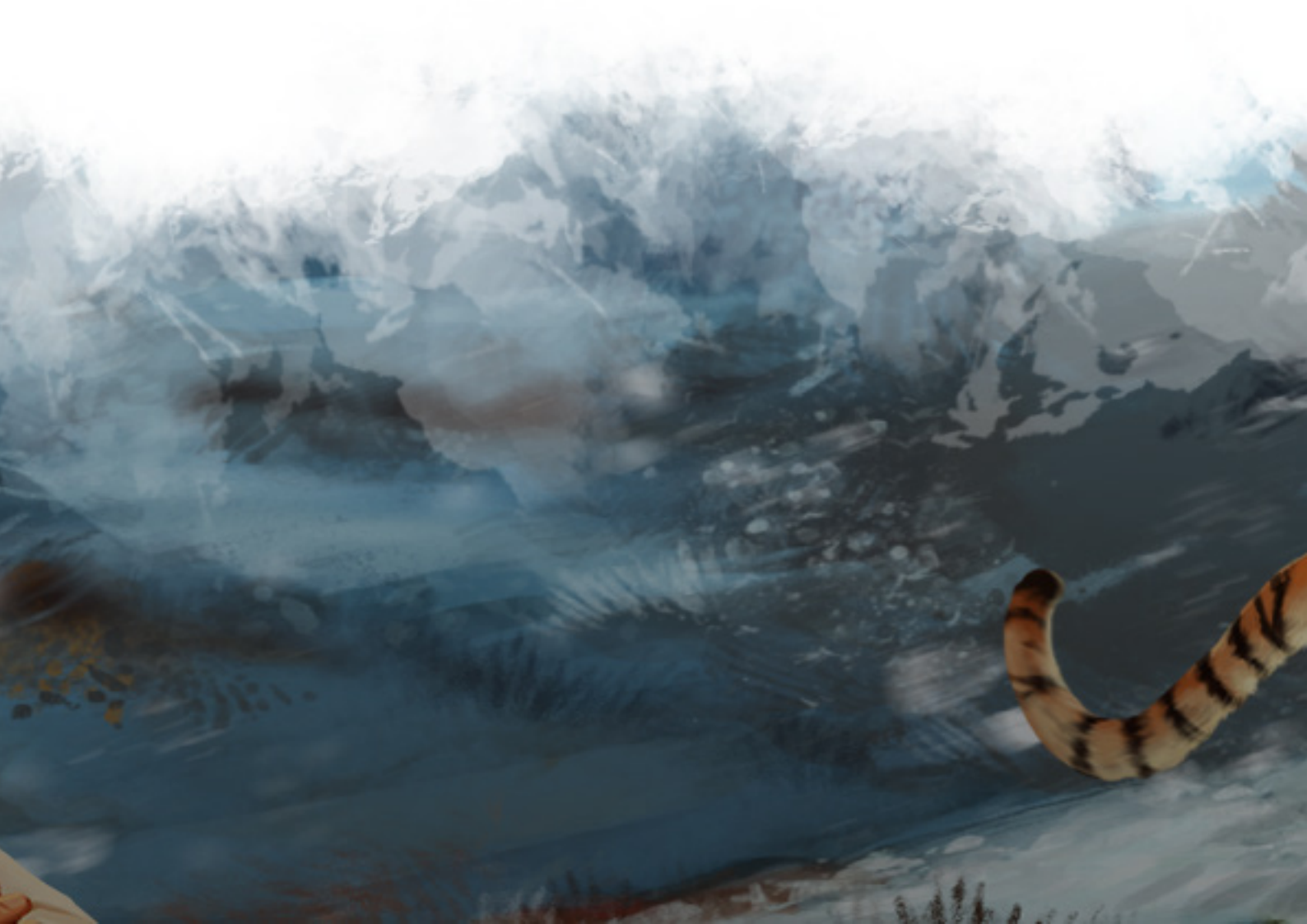




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IV.

ADDITIONAL NOTES AND EXPLANATIONS TO THE STANDALONE FINANCIAL STATEMENT







CHANGES IN THE PRESENTATION AND CLASSIFICATION OF ITEMS IN THE FINANCIAL STATEMENT

The implementation of the new ESEF reporting format has changed the presentation of the following financial statement items:

Statement of Financial Situation

Assets

2019	2020
Trade receivables	
Other receivables	Contract assets
Prepayments	Prepayment
	Contract assets
	Contract assets

In 2020, the three items reported in the 2019 financial statement were aggregated into a single item „Receivables“: „Trade receivables“, „Other receivables“ and „Prepayments“. At the same time, „Prepayments“ were split into two items: „Prepayments“, which

was included in „Receivables“, and „Contract assets“, which was shown as a separate line item in the balance sheet.

Equity&Liabilities

2019	2020
Reserve capital created from net result	
Undistributed financial result	Retained earnings
Financial result of the current period	
Other provisions	Provisions for employee benefits
Deferred income	Contract liabilities

Within equity in 2020, the single item "Retained earnings" aggregates the three items shown in the 2019 statements: „Reserve capital created from net result", „Undistributed financial result" and „Financial result of the current period".

„Other provisions', which covers provisions for employee benefits, was shown under "Provisions for employee benefits" in current liabilities in 2020. „Deferred income' in 2020 was shown as "Contract liabilities".





Statement of changes in equity

columns

2019	2020
Reserve capital created from net result	
Undistributed financial result	Retained earnings
Financial result of the current period	

rows

2019	2020
Share-based payments	
Adjustment of share-based payments combined with share capital reduction	Share-based payments
Distribution of net profit	—
—	Net profit

The changes in equity that occurred in the balance sheet are reflected in the statement of changes in equity.

In the columns of the statement of changes in equity in 2020, three items shown in 2019 have been aggregated to a single item "Retained earnings": „Reserve capital created from net result", „Retained earnings", „Financial result of the current period". Due to the aggregation, the line items „Distribution of net profit" have been dropped from the rows.

In the rows of the statement of changes in equity in 2020, two items from the statement of changes in equity in 2019 „Share-based payments" and „Adjustment of share-based payments combined with share capital reduction l" have been aggregated to one item „Share-based payments".

The item „Net profit", which was not presented in 2019, is shown in 2020.

Cash flow statement

The presentation changes that have occurred in the statement of financial position are reflected in the cash flow statement as follows:

Line in cash flow statement	Line in statement of financial position
Change in receivables	Other financial assets
	Receivables
	Trade payables
Change in liabilities and accruals	Other payables
	Provisions for employee benefits
Change in contract liabilities	Contract liabilities
Change in contract assets	Contract assets

In investing and financing activities, the breakdown of items into inflows and outflows was abandoned. Inflows are presented as positive values, outflows as negative values.

Exchange differences are shown taking into account the change in cash due to exchange rate differences.





2.

REVENUES

In accordance with IFRS 15, revenues from the sale of services, net of value added tax, discounts and rebates are recognised when the obligation to provide the service by handing over the service to the contractor is met.

DESCRIPTION	01.01.2020 – 31.12.2020	01.01.2019 – 31.12.2019
Revenue from Sales of services	574 286 163	237 365 349
TOTAL revenues from sales of services	574 286 163	237 365 349
Other operating revenuesincome	249 233	146 155
Financial revenuesincome	1 731 503	339 918
TOTAL revenues from continuing operations	576 266 899	237 851 422
TOTAL revenues	576 266 899	237 851 422

Revenues from discontinued operations did not occur.

2.1. Information on operating segments and performance indicators

The Management Board does not separate operating segments that meet the definition of IFRS 8 par. 5, including revenues, costs, assets and liabilities, for which separate financial information would be prepared and on the basis of which decisions concerning the allocation of resources by the Management Board.

Management currently evaluates the Company's financial performance primarily based on 2 metrics: „Bookings” and „Adjusted EBITDA”.

Under „Bookings”, the Company recognizes revenue not reduced by deferred revenue (i.e. in the case of micropayments, these are payments made by users during the period indicated). The amount of deferred revenue results from an estimate of the unused virtual currency and durable goods (durable) by active players made at the balance sheet date.

The amount of such deferred revenue is reported in the financial statements under the balance sheet item „contract liabilities”.

EBITDA is net income/(loss) before depreciation and amortization, impairment losses (and their reversals) on property, plant and equipment and intangible assets, interest income, finance costs, foreign exchange differences and income taxes. Adjusted EBITDA excludes, in turn, the effect of deferred income from micropayments and the non-cash cost of the incentive program of the CEO, Mr. Maciej Zuzalek (cost recognized in the statement of comprehensive income in 2020-2022).





2.2. Revenues – source

The Company's operations are based on the production and distribution of Free to Play (F2P) games. The Company generates sales revenues related to in-game advertising, in-game micropayments and on the basis of licence agreements.

TYPE OF REVENUE	bookings 2020	share in bookings in 2020	bookings 2019*	share in bookings in 2019
micro-payments	611 456 375	98,3%	227 918 485	95,7%
advertisements	42 336	0,0%	37 623	0,0%
licences	10 501 781	1,7%	10 192 017	4,3%
BOOKINGS TOTAL	622 000 492	100,0%	238 148 125	100,0%
Deferred revenue (unused virtual currency)	-4 543 658	N/A	-782 776	N/A
Deferred revenue (unused durables)	-43 170 671	N/A	0	N/A
REVENUES TOTAL	574 286 163	N/A	237 365 349	N/A

Revenues from micropayments and licenses are entirely generated by natural persons, while the flow of funds to the Company takes place through payment aggregators, mobile marketplaces or licensees. Users purchase certain packages in the game, e.g. a package of pearls, a package of lures (in fishing games), improved rods. The price of the package is fixed and determined by the Company. The goods are handed over to the user at the moment of registration of payment by the indicated entities. Although in the case of purchase of premium packages, i.e. packages containing e.g. virtual currency, the transfer of currency to the user's account takes place immediately after the payment is made, the very use of the virtual currency in the game may be postponed in time – this depends on the decision of the player, who may individually, within the framework of an agreement between the parties, choose the moment of exchange of the virtual currency for other virtual goods.

In the course of 2020, the Company made changes to its IT systems so that it has started to collect data to analyze the usage of durable goods over time. As a result, the Company has estimated the amount of the liability (customer contract liability) for the provision of durable goods in the game as at 31 December 2020 – the revenue relating to the purchase of durable virtual goods (and the commission of digital distribution platforms such as Google Play and App Store relating to this revenue) is recognised over the estimated average play period of the paying users. As it is impracticable for the Company to apply the new accounting policies retrospectively as the Group is unable to determine the cumulative effect of applying the new accounting policies to all prior periods, the new accounting policies have therefore been applied prospectively from 2020.

Estimating the average length of time a paying user remains in a game requires a sufficiently long history of player behaviour. Accordingly, as of 31 December 2020, the Company recognized over time revenue from durable goods only for the Fishing Clash game. The posted adjustment resulted in a decrease of the 2020 revenue by PLN 43.2 million and operating profit by PLN 30.2 million. The Company's Management Board estimates that the impact of the same adjustment in 2021 will have a significantly smaller percentage impact on the Company's revenues and operating profit than in 2020.

In the case of advertising revenue, advertisements in games are displayed to users (natural persons). 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 Company through advertising intermediaries on the basis of advertising reports.

Settlement with intermediaries takes place on the basis of monthly sales reports, and the payment is made in accordance with the deadline specified in the contract, usually between 1 and 60 days from the end of the calendar month.





2.3. Revenues – games

GAME	bookings 2020	share in bookings in 2020	bookings 2019	share in bookings in 2019
Fishing Clash	562 334 549	90,4%	206 500 718	86,7%
Hunting Clash	16 076 997	2,6%	0	0,0%
Let's Fish	16 477 763	2,6%	15 213 995	6,4%
Wild Hunt	15 395 071	2,5%	9 626 317	4,0%
Others	11 716 112	1,9%	6 807 094	2,9%
BOOKINGS TOTAL	622 000 492	100,0%	238 148 125	100,0%
Deferred revenue (unused virtual currency)	-4 543 658	N/D	-782 776	N/D
Deferred revenue (unused durables)	-43 170 671	N/D	0	N/D
REVENUES TOTAL	574 286 163	N/D	237 365 349	N/D

Deferred revenue by game for 2020:

Fishing Clash	-4.401.415 PLN	unused virtual currency
Fishing Clash	-43.170.671 PLN	unused durables
Let's Fish	-58.861 PLN	
Wild Hunt	-83.382 PLN	
TOTAL	-47.714.329 PLN	

Split of bookings by games by quarters

GAME	1Q 2020	2Q 2020	3Q2020	4Q2020
Fishing Clash	84 677 795	158 043 812	164 256 332	155 356 610
Hunting Clash	65 559	347 467	3 361 414	12 302 557
Let's Fish	3 868 618	4 551 211	3 708 977	4 348 957
Wild Hunt	3 542 576	4 375 098	3 708 729	3 768 668
other	1 800 259	2 037 670	3 817 003	4 061 180
BOOKINGS TOTAL	93 954 807	169 355 258	178 852 455	179 837 972
Deferred revenue (unused virtual currency)	95 569	-693 809	-575 289	-3 370 129
Deferred revenue (unused durables)	0	0	0	-43 170 671
REVENUES TOTAL	94 050 376	168 661 449	178 277 166	133 297 172

GAME	1Q 2019	2Q 2019	3Q 2019	4Q 2019
Fishing Clash	37 524 342	43 146 664	57 896 490	67 933 223
Hunting Clash	0	0	0	0
Let's Fish	4 095 505	3 316 451	3 600 089	4 201 949
Wild Hunt	2 439 365	2 094 188	2 343 769	2 748 995
other	796 232	909 377	2 772 593	2 328 893
BOOKINGS TOTAL	44 855 444	49 466 680	66 612 941	77 213 060
Deferred revenue (unused virtual currency)	16 544	-48 092	-416 592	-334 636
REVENUES TOTAL	44 871 988	49 418 588	66 196 349	76 878 424

2.4.

Revenues – by partner

COUNTERPARTY	bookings 2020	share in bookings in 2020	bookings 2019	share in bookings in 2019
Google Inc.	362 071 021	58,2%	136 321 809	57,2%
Apple Distribution International	224 348 253	36,1%	72 399 680	30,4%
Others (none of which above 10%)	35 581 218	5,7%	29 426 636	12,4%
BOOKINGS TOTAL	622 000 492	100,0%	238 148 125	100,0%
Deferred revenue (unused virtual currency)	-4 543 658	N/D	-782 776	N/D
Deferred revenue (unused durables)	-43 170 671	N/D	0	N/D
REVENUES TOTAL	574 286 163	N/D	237 365 349	N/D





2.5. Revenues – distribution channel

DISTRIBUTION CHANNEL	bookings 2020	Share of bookings 2020	bookings 2019	Share of bookings 2019
Mobile	593 258 672	95,4%	215 563 426	90,5%
Browser	28 741 820	4,6%	22 584 699	9,5%
BOOKINGS TOTAL	622 000 492	100,0%	238 148 125	100,0%
Deferred revenue (unused virtual currency)	-4 543 658	N/D	-782 776	N/D
Deferred revenue (unused durables)	-43 170 671	N/D	0	N/D
REVENUES TOTAL	574 286 163	N/D	237 365 349	N/D

2.6. Revenues – geographical breakdown

With regards to bookings analysis per geographical markets, the Company assigns bookings from users on the basis of their IP number, using external databases and sales reports in countries available on selected distribution platforms.

REGION	bookings 2020	share in bookings in 2020	bookings 2019	share in bookings in 2019
North America	258 419 217	41,5%	97 725 354	41,0%
Europe	246 177 676	39,6%	100 287 588	42,1%
including Poland	31 973 733	5,1%	21 571 311	9,1%
Including from subsidiaries (Poland)	6 421 675	1,0%	6 483 266	2,7%
Asia	85 578 935	13,8%	29 963 773	12,6%
South America	17 027 471	2,7%	4 165 151	1,7%
Australia and Oceania	9 756 162	1,6%	3 915 691	1,6%
Africa	5 041 030	0,8%	2 090 568	0,9%
BOOKING TOTAL	622 000 492	100%	238 148 125	100%
Deferred revenue (unused virtual currency)	-4 543 658	N/D	-782 776	N/D
Deferred revenue (unused durables)	-43 170 671	N/D	0	N/D
REVENUES TOTAL	574 286 163	N/D	237 365 349	N/D



OPERATING COSTS

DESCRIPTION	01.01.2020 – 31.12.2020	01.01.2019 – 31.12.2019
Depreciation	3 085 766	1 150 242
Consumption of materials and energy	1 435 098	652 928
Third-party services	358 649 644	144 454 268
Taxes and fees	2 332 780	608 817
Remuneration	38 002 586	9 398 878
Social insurance and other benefits	3 675 601	1 644 328
Other costs by type	122 150	149 902
Total costs by type, including:	407 303 625	158 059 363
Costs of rendering of services for internal purposes (negative value)	-2 247 154	-3 004 572
Selling costs (negative)	-343 108 051	-136 742 530
General and administrative costs (negative)	-36 512 171	-6 965 245
Costs of services sold	25 436 249	11 347 016

Split of yearly selling costs:

DESCRIPTION	01.01.2020 – 31.12.2020	01.01.2019 – 31.12.2019
Selling costs	343 108 051	136 742 530
marketing:	164 531 515	64 571 112
– Fishing Clash	145 287 784	63 265 403
– Wild Hunt	1 542 597	1 042 257
– Hunting Clash	12 939 938	0
– other games, events	4 761 195	263 452
provisions	166 970 495	66 463 686
revenue share	1 751 616	1 517 915
salaries, subcontractor services	7 365 120	2 942 528
others	2 489 305	1 247 289





Split of quarterly selling costs:

DESCRIPTION	1Q2020	2Q2020	3Q2020	4Q2020
Selling costs	48 466 126	124 710 377	95 120 197	74 811 350
marketing:	19 122 999	72 755 975	40 423 986	32 228 555
– Fishing Clash	18 263 312	70 508 454	33 387 047	23 128 972
– Wild Hunt	325 446	470 675	667 616	78 860
– Hunting Clash	83 663	607 147	4 385 558	7 863 570
– other games, events	450 578	1 169 699	1 983 765	1 157 153
provisions	27 035 473	49 240 691	52 177 030	38 517 301
revenue share	417 224	473 283	421 434	439 675
salaries, subcontractor services	1 489 706	1 613 299	1 541 167	2 720 948
others	400 724	627 129	556 581	904 871

DESCRIPTION	1Q 2019	2Q 2019	3Q 2019	4Q 2019
Costs of sales	29 586 178	29 376 323	40 938 091	36 841 938
marketing:	15 461 797	14 260 511	21 184 539	13 664 266
– Fishing Clash	15 060 121	14 014 231	20 966 520	13 224 531
– Wild Hunt	383 148	222 937	181 426	254 746
– Hunting Clash	0	0	0	0
– other games, events	18 527	23 342	36 594	184 989
provisions	12 543 776	13 991 491	18 324 412	21 604 007
revenue share	441 691	331 973	347 491	396 760
salaries, subcontractor services	824 671	597 855	660 948	859 054
others	314 243	194 492	420 702	317 851

BREAKDOWN OF COSTS OF SALARIES AND OTHER EMPLOYEE BENEFITS (EXCLUDING AMOUNTS SHOWN IN THE PRODUCTION COST COMPONENTS)	01.01.2020 – 31.12.2020	01.01.2019 – 31.12.2019
Basic remuneration	15 249 688	6 491 714
Share-based payments (part of remuneration)	21 383 078	1 025 701
Social insurance and other benefits	3 466 418	1 371 068
Total costs of employee benefits, including:	40 099 184	8 888 483
Items included in the cost of goods sold	12 140 659	4 500 200
Items included in the selling costs	2 661 563	778 009
Items included in general and administrative costs	25 296 962	3 610 273

DISTRIBUTION OF DEPRECIATION COSTS	01.01.2020 – 31.12.2020	01.01.2019 – 31.12.2019
Items included in the cost of services sold:	2 298 192	1 018 940
Amortization of fixed assets	1 271 869	173 040
Amortization of intangible assets	1 026 323	845 900
Items included in the selling costs	390 400	74 797
Amortization of fixed assets	376 235	61 692
Amortization of intangible assets	14 165	13 105
Items included in general and administrative costs	397 174	56 505
Amortization of fixed assets	381 558	46 746
Amortization of intangible assets	15 616	9 759





4.

OTHER OPERATING COSTS

OTHER OPERATING COSTS	01.01.2020 – 31.12.2020	01.01.2019 – 31.12.2019
Intangible assets impairment charge	0	987 572
Donations	913 420	6 300
Write-down of uncollectible receivables	6 199	1 495
Other	102 244	120 194
Total	1 021 863	1 115 561

In 2020, in connection with the outbreak of the COVID-19 pandemic, the Parent Company's Management Board decided to get involved in providing assistance to charitable organizations as well as businesses at risk of collapse. Total expenses for this purpose amounted to PLN 913 thousand.

In 2019, due to the fact that the betting engine is not expected to be used in the near future, PLN 241 thousand, i.e. its entire carrying amount, was written off. On the other hand, in view of the decision to rebuild the graphical layer and the interface of the Golf Rush game, a decision was made to create a write-down on part of the capitalized costs of production of this game – the amount of the write-down was PLN 746 thousand (out of the total net value of PLN 1.066 million as at the date of the write-down).

5.

FINANCIAL INCOME AND EXPENSE

FINANCIAL REVENUES	01.01.2020 – 31.12.2020	01.01.2019 – 31.12.2019
Dividends received	1 656 905	124 875
Interest income	74 598	215 043
Excess of foreign exchange gains	0	0
Total	1 731 503	339 918

FINANCIAL COSTS	01.01.2020 – 31.12.2020	01.01.2019 – 31.12.2019
Excess of negative exchange rate differences	615 807	209 417
Interest costs	233 280	974
Total	849 087	210 391





6.

INCOME TAX AND DEFERRED TAX

INCOME TAX DISCLOSED IN THE STATEMENT OF COMPREHENSIVE INCOME	01.01.2020 – 31.12.2020	01.01.2019 – 31.12.2019
Current income tax	20 449 568	7 675 904
Concerning the financial year	20 449 568	7 675 904
Deferred income tax	-1 699 611	-1 620
Related to the origination and reverse of temporary differences	-1 699 611	-1 620
Tax disclosed in the statement of comprehensive income	18 749 957	7 674 284

The determination of gross profit for the purpose of determining the tax base is as follows:

SPECIFICATION	01.01.2020 – 31.12.2020	01.01.2019 – 31.12.2019
Gross profit (loss)	169 339 478	81 470 679
Unrealized exchange rate differences	-118 326	102 471
Dividends received	-1 656 905	-124 875
Write-down of receivables (non-deductible)	6 199	1 494
Unused annual leave accrual	276 908	77 451
Cost accruals	1 004 486	42 761
Donations (subsequently deducted from income)	876 698	6 300
Other non-tax-deductible costs	465 739	236 321
Lease amortization	1 546 361	0
Amortization of intangible assets	978 157	808 591
Capitalisation of game costs	-2 247 154	-3 004 572
Intangible assets impairment charge	0	987 572
Share-based payments	21 672 018	1 232 812
Revenue (and related cost) deferred in the balance sheet	33 400 030	547 941
Other tax-deductible expenses	-1 164 257	0
Taxable income	224 379 431	82 384 946
<i>Including income taxed at the rate of 5% (IP Box)</i>	<i>153 331 258</i>	<i>54 280 076</i>
<i>Including income taxed at the rate of 19%</i>	<i>71 048 174</i>	<i>28 104 870</i>

The Company took advantage of the so-called IP Box relief in 2019 and 2020. This relief allows taxation of income obtained from qualified property rights at the rate of 5% instead of standard 19%. Laws concerning corporate income tax are subject to frequent changes, as a result of which there is often no reference to well-established regulations or legal precedents. The current regulations also contain ambiguities, which cause differences in legal interpretations of tax regulations both between state authorities and between state authorities and enterprises.

Tax and other settlements (e.g. customs or foreign exchange settlements) may be subject to control by authorities which are entitled to impose high penalties, and additional amounts of liabilities determined as a result of control must be paid together with high interest. These phenomena mean that the tax risk in Poland is higher than usually existing in countries with developed tax system. Tax settlements may be audited for a period of five years. As a result, the amounts disclosed in the financial statement may be subject to change at a later date after they are finally determined by the tax authorities.

Structure of a deferred income tax asset:

SPECIFICATION	as at 31.12.2020	as at 31.12.2019
Accounting for virtual currency over time	229 151	266 467
Accounting for durables over time	1 434 997	0
Accrual for annual leave	58 937	48 270
Accrual for audit costs	4 746	8 125
Lease – IFRS 16 valuation	74 630	0
Revaluation of settlements	0	56 727
Provision for renumerations	182 728	0
Total	1 985 189	379 589

Structure of deferred income tax provision

SPECIFICATION	as at 31.12.2020	as at 31.12.2019
Depreciation of games	429 355	548 722
Revaluation of settlements	25 356	0
Total	454 711	548 722

Deferred tax assets and liabilities are measured using the tax rates that are expected to apply when the asset is realized or the liability is settled, based on available projections. For a significant portion of

temporary differences, a rate of 5% has been applied resulting from the Company's application of the IP Box tax credit.





7.

DISCONTINUED ACTIVITY

The Company did not discontinue any activities during the financial year.

8.

DISTRIBUTION OF PROFIT FOR 2019

The General Meeting of Shareholders of the Company on 20 May 2020 adopted a resolution on the distribution of the Company's net profit for 2019 in the amount of PLN 73,796,395.00 as follows:

1. the amount of PLN 27,371,906.10 was allocated for distribution to the shareholders in the form of dividend payment of PLN 3.78 per share;
2. the amount of PLN 46,424,488.90 was allocated to the Company's reserve capital.

The dividend record date was set on 29 May 2020 and the dividend payment date was 10 June 2020.



TANGIBLE FIXED ASSETS

Fixed assets movement schedule – for the period 01/01/2020-31/12/2020.

DESCRIPTION	Machinery and equipment	Buildings, premises and civil engineering facilities	Other fixed assets	TOTAL
Gross balance sheet values at 01/01/2020	1 038 975	0	114 403	1 153 378
Increases, due to:	1 239 244	8 693 695	84 495	10 017 434
– purchase of fixed assets	1 239 244	8 693 695	84 495	10 017 434
Decreases	0	0	0	0
– sale of fixed assets	0	0	0	0
Gross carrying amount at 31/12/2020	2 278 219	8 693 695	198 898	11 170 812
Accumulated depreciation as at 01/01/2020	499 389	0	85 421	584 810
Increases, due to:	610 768	1 373 227	45 668	2 029 663
– depreciation	610 768	1 373 227	45 668	2 029 663
Decreases	0	0	0	0
Accumulated depreciation as at 31/12/2020	1 110 157	1 373 227	131 089	2 614 473
Revaluation write-offs as at 01/01/2020	0	0	0	0
Increases	0	0	0	0
Decreases	0	0	0	0
Revaluation write-offs as at 31/12/2020	0	0	0	0
Net carrying amount as at 31/12/2020	1 168 062	7 320 468	67 809	8 556 339

Acquisitions of property, plant and equipment in the category „Buildings, premises and civil engineering structures" result from the concluded lease agreements described in detail in Note 29.





Fixed assets movement schedule – for the period 01/01/2019-31/12/2019.

DESCRIPTION	Machines and devices	Other fixed assets	TOTAL
Gross balance sheet values at 01/01/2019	456 047	94 083	550 130
Increases, due to:	582 928	20 320	603 247
– purchase of fixed assets	582 928	20 320	603 247
Decreases	0	0	0
– sale of fixed assets	0	0	0
Gross balance sheet values at 31/12/2019	1 038 975	114 403	1 153 377
Accumulated depreciation as at 01/01/2019	228 217	75 114	303 331
Increases, due to:	271 172	10 307	281 479
– depreciation	271 172	10 307	281 479
Decreases	0	0	0
Accumulated depreciation as at 31/12/2019	499 389	85 421	584 810
Revaluation write-offs as at 01/01/2019	0	0	0
Increases	0	0	0
Decreases	0	0	0
Revaluation write-offs as at 31/12/2019	0	0	0
Net carrying amount as at 31/12/2019	539 586	28 982	568 568



Property, plant and equipment – ownership structure

DESCRIPTION	31.12.2020	31.12.2019
Owned	1 235 871	568 568
Used under a lease, tenancy or other agreement, including a lease agreement	7 320 468	0
Total	8 556 339	568 568

The Company does not own land in perpetual usufruct.

The Company does not have any liabilities towards the state budget or local government authorities arising from the acquisition of ownership rights to buildings.

Depreciation of fixed assets in 2020 and 2019 was charged to costs of services sold, selling costs and general and administrative costs as presented in note 3.





10.

INTANGIBLE ASSETS

Intangible assets movement schedule – for the period 01/01/2020-31/12/2020.

DESCRIPTION	Development costs	Computer software	Intangible assets under construction	TOTAL
Gross carrying amount at 01/01/2020	7 995 077	556 146	307 310	8 858 533
Increases, due to:	0	113 140	2 247 154	2 360 294
– purchase	0	113 140	2 247 154	2 360 294
– reclassification	0	0	0	0
Decreases, due to:	0	0	0	0
– reclassification	0	0	0	0
Gross carrying amount at 31/12/2020	7 995 077	669 286	2 554 464	11 218 827
Accumulated depreciation as at 01/01/2020	2 703 276	508 784	0	3 212 060
Increases, due to:	978 157	77 947	0	1 056 104
– depreciation	978 157	77 947	0	1 056 104
Decreases	0	0	0	0
Accumulated depreciation as at 31/12/2020	3 681 433	586 731	0	4 268 164
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 31/12/2020	2 248 958	0	0	2 248 958
Net carrying amount as at 31/12/2020	2 064 686	82 555	2 554 464	4 701 705

The item "Development costs" as at 31/12/2020 consists of the following Company's games:

- 1.** Fishing Clash – net value: 85,037 PLN, remaining amortization period: 6 months;
- 2.** Wild Hunt – net value: 31,031, remaining amortization period: 4 months;
- 3.** Golf Rush – net value: PLN 210,618, remaining amortization period: 27 months;
- 4.** SoliTales – net value: 332,719, remaining amortization period: 33 months;
- 5.** Flip This House – net value: 412,521, remaining amortization period: 33 months;
- 6.** Hunting Clash – net value: 992,761, remaining amortization period: 34 months.

The item „intangible assets under construction" as at 31/12/2020 consists of capitalised costs of the modified version of Golf Royale – the Group treats this game as a new production.





Intangible assets movement schedule – for the period 01/01/2019-31/12/2019.

DESCRIPTION	Development costs	Computer software	Intangible assets in progress	TOTAL
Gross balance sheet values at 01/01/2019	4 261 440	493 542	1 036 376	5 791 359
Increases, due to:	3 733 637	62 604	3 004 572	6 800 813
– purchase	0	62 604	3 004 572	3 067 176
– reclassification	3 733 637	0	0	3 733 637
Decreases, due to:	0	0	3 733 637	3 733 637
– reclassification	0	0	3 733 637	3 733 637
Gross balance sheet values at 31/12/2019	7 995 077	556 146	307 310	8 858 535
Accumulated depreciation as at 01/01/2019	1 895 075	448 224	0	2 343 299
Increases, due to:	808 201	60 563	0	868 764
– depreciation	808 201	60 563	0	868 764
Decreases	0	0	0	0
Accumulated depreciation as at 31/12/2019	2 703 276	508 786	0	3 212 063
Revaluation write-offs as at 01/01/2019	1 261 386	0	0	695 280
Increases	987 572	0	0	0
Decreases	0	0	0	0
Revaluation write-offs as at 31/12/2019	2 248 958	0	0	2 248 958
Net carrying amount as at 31/12/2019	3 042 843	47 360	307 310	3 397 514

In 2019, due to the fact that the betting engine was not expected to be used in the near future, PLN 0.241 million, i.e. its entire carrying amount, was written down. Whereas, in connection with the decision to rebuild the graphical layer and the interface of the Golf Rush game, a decision was made to recognize a write-down on a portion of capitalized development costs of this game – the amount of the write-down was PLN 0.746 million (out of the total net value of PLN 1.066 million as at the write-down date).

As at 31 December 2020 and 2019, all intangible assets are owned by the Company.

The Group does not hold any intangible assets with limited use rights.

The Group does not have any bank loans which would be secured with intangible assets.

Amortization of intangible assets in 2020 and 2019 was charged to costs of services sold, selling costs and general and administrative costs as presented in note 3.

11.

INVESTMENTS IN SUBSIDIARIES

DESCRIPTION	31.12.2020	31.12.2019
Shares in Play Cool Zombie Sport Games Sp. z o.o.	5 000	5 000
Shares in Ten Square Games Germany GmbH	115 370	0

In the fourth quarter of 2020, the Company's Management Board decided to establish a subsidiary in Berlin, which is intended to become a mobile game development studio operationally independent of the Parent Company over time. Ten Square Games

Germany, with a share capital of EUR 25,000, was founded on 7 December 2020 (date of articles of association) and entered in the commercial register on 25 January 2021.





12.

INFORMATION ON FINANCIAL INSTRUMENTS

FINANCIAL ASSETS	31.12.2020	31.12.2019	Category of financial instruments
Other financial assets (long-term), including	857 595	590 589	Financial assets valued at amortized costs
<i>deposit</i>	<i>857 595</i>	<i>590 589</i>	<i>Financial assets valued at amortized costs</i>
Trade receivables and other receivables, including	54 083 587	26 213 985	Financial assets valued at amortized costs
<i>Unrealized foreign exchange differences</i>	<i>250 011</i>	<i>-148 820</i>	<i>Financial assets valued at fair value</i>
Cash and cash equivalents, including:	233 201 403	70 836 864	Financial assets valued at fair value
<i>Unrealized foreign exchange differences</i>	<i>457 976</i>	<i>-79 586</i>	<i>Financial assets valued at fair value</i>
FINANCIAL LIABILITIES	31.12.2020	31.12.2019	Category of financial instruments
Trade liabilities and other liabilities, including	13 026 923	4 963 033	Financial liabilities valued at amortized costs
<i>Unrealized foreign exchange differences</i>	<i>95 307</i>	<i>-6 079</i>	<i>Financial liabilities valued at amortized costs</i>

For both financial assets and financial liabilities, fair value equals carrying value.

13.

RECEIVABLES

Balance structure:

DESCRIPTION	31.12.2020	31.12.2019
Trade receivables	47 408 874	23 565 939
Other receivables	3 174 480	1 690 236
Accruals and deferred income	3 500 233	957 810
Receivables	54 083 587	26 213 985

13.1. Trade receivables

Payments from users are aggregated by intermediaries (mobile application stores, payment aggregators, licensees).

No other entity exceeded a 10% share of total receivables on 31 December 2020.

Payments from displayed ads, on the other hand, are accumulated by advertising intermediaries. In the structure of receivables, the largest balances come from:

- » Google Inc – 50% as of 31 December 2020 compared to 44% as of 31 December 2019.
- » Apple Distribution International – 34% at 31 December 2020 compared to 26% at 31 December 2019;





Currency structure:

CURRENCY	31.12.2020			31.12.2019		
	amount in currency	valuation	% share	amount in currency	valuation	% share
PLN	24 738 891	24 738 891	52,18%	11 184 446	11 184 446	47,46%
USD	5 764 819	21 666 494	45,70%	3 112 407	11 819 987	50,16%
EUR	103 763	478 845	1,01%	52 758	224 672	0,95%
RUB	10 132 938	507 660	1,07%	5 242 421	320 312	1,36%
BRL	0	0	0,00%	529	500	0,00%
JPY	0	0	0,00%	213 096	7 450	0,03%
Others	–	16 984	0,04%	–	8 572	0,04%
TOTAL		47 408 874	100%		23 565 939	100%

AGE STRUCTURE – OVERDUE	31.12.2020 value of receivables	31.12.2018 value of receivables
From subsidiaries	931 458	4 284 715
not overdue	931 458	4 284 715
up to one month	0	0
1-3 months	0	0
3-6 months	0	0
6-12 months	0	0
over a year	0	0
From third parties	46 477 416	19 281 224
not overdue	43 203 675	19 279 773
up to one month	503 177	526
1-3 months	2 247 572	733
3-6 months	522 992	60
6-12 months	0	0
over a year	0	
Total receivables	47 408 874	23 565 939

As at the balance sheet dates of 31/12/2020 and 31/12/2019, the Company did not have any significant amounts of receivables which would be expected to result in credit losses.

As of 31/12/2020 and 31/12/2019 The Company did not create allowances for trade receivables or have receivables pursued in court.

13.2. Other receivables

DESCRIPTION	31.12.2020	31.12.2019
Other shortterm receivables, including:	3 174 480	1 690 236
– VAT receivable	3 147 480	1 371 096
– deposit for office rental	27 000	207 831
– other	0	111 309

13.3. Prepayments

DESCRIPTION	31.12.2020	31.12.2019
Registration fees for trademark applications	119 962	43 881
Maintenance of software technical service/software subscriptions	2 405 477	900 939
Insurance	20 639	10 134
TV advertising – prepayment	830 488	0
Other prepayments	123 667	2 856
Prepayments	3 500 233	957 810





14.

CONTRACT ASSETS AND LIABILITIES

The Company estimated the amount of the in-game durable good liability as of 31 December 2020 (accruals and deferred income) – revenue relating to the purchase of durable virtual goods (and the commission of digital distribution platforms such as Google Play and the App Store relating to this revenue) is recognized over the estimated average playing period of paying users.

The following tables present, as of 31 December 2019 and 2020, the assets and liabilities related to revenue deferral.

DESCRIPTION	31.12.2020	31.12.2019
Commission expense related to deferred revenue (unused virtual currency)	1 964 155	601 057
Commission expense related to deferred revenue (unused durable)	12 951 201	0
Contract assets	14 915 356	601 057

DESCRIPTION	31.12.2020	31.12.2019
Deferred revenue (unused virtual currency)	6 547 173	2 003 515
Deferred revenue (unused durables)	43 170 671	0
Contract liabilities	49 717 844	2 003 515

15.

CASH AND CASH EQUIVALENTS

DESCRIPTION	31.12.2020	31.12.2019
Cash at hand and in bank accounts:	233 201 403	70 836 864
cash on hand	3 599	1 879
cash in bank accounts:	233 197 804	70 834 985
including deposits up to 3 months	190 000 000	0
Total	233 201 403	70 836 864

As at 31 December 2020, the Company held cash in banks: ING Bank Śląski S.A. and Bank Gospodarstwa Krajowego S.A. The maximum value of credit risk associated with cash equals its carrying amount. Cash on deposit with banks bears interest at floating interest rates, current accounts do not bear interest.

The fair value of cash and cash equivalents as at 31 December 2020 is not materially different from their carrying amount.

16.

SHARE CAPITAL

The share capital of Ten Square Games S.A. as at 31/12/2020 amounts to PLN 726,731.10 and is divided into 7,267,311 bearer shares with a nominal value of PLN 0.10 each.





17.

TRADE LIABILITIES

DESCRIPTION	31.12.2020	31.12.2019
Trade liabilities	12 392 029	4 633 152
– towards related parties	0	0
– towards third parties	12 392 029	4 633 152

DESCRIPTION	Total	due date		
		overdue:	not overdue, payable to:	
		0 – 30 days	0 – 30 days	31-90 days
31.12.2020	12 392 029	127 765	7 709 041	4 555 222
– towards related parties	0	0	0	0
– towards third parties	12 392 029	127 765	7 709 041	4 555 222
31.12.2019	4 633 152	0	2 690 363	1 942 789
– towards related parties	0	0	0	0
– towards third parties	4 633 152	0	2 690 363	1 942 789





18.

OTHER LIABILITIES AND LEASE LIABILITIES

DESCRIPTION	31.12.2020	31.12.2019
Liabilities due to other taxes, customs duties, social security and other, excluding corporate income tax:	634 894	329 881
Tax at source	11 280	362
Personal Income Tax	108 492	53 819
Social insurance contributions (ZUS)	494 947	267 140
State Fund for Rehabilitation of Disabled People (pol. PFRON)	20 175	8 560
OTHER LIABILITIES IN TOTAL	634 893	329 881

The Company did not have any materially overdue liabilities as at the balance sheet dates of 31/12/2020 and 31/12/2019.

The liabilities are due within up to 25 days.

DESCRIPTION	31.12.2020	31.12.2019
Shortterm lease liabilities	1 192 551	0
Longterm lease liabilities	6 994 027	0
– due within 1 to 2 years	2 032 345	0
– due within 2 to 3 years	2 214 203	0
– due within 3 to 4 years	2 291 652	0
– due within 4 to 5 years	455 827	0
TOTAL LEASING LIABILITIES	8 186 578	0

The lease obligations arise from entered into lease agreements described in detail in Note 28.





19.

SOCIAL ASSETS AND LIABILITIES OF THE COMPANY'S SOCIAL BENEFITS FUND

The Company did not have any company social benefits fund as at the balance sheet dates 31/12/2020 and 31/12/2019.

20.

CONTINGENT LIABILITIES

As at 31 December 2020 and 2019, the Company did not have any significant contingent liabilities, including guarantees and sureties granted, including bills of exchange.

21.

PROVISIONS FOR EMPLOYEE BENEFITS

In the reporting period covered by these financial statements, the following changes occurred:

DESCRIPTION	As at 1/01/2020	Chances during the year		As at 31.12.2020
		Assumption	Use	
Provision for annual leave	254 054	530 961	254 054	530 961
Provisions for remuneration	0	961 724	0	961 724
TOTAL PROVISIONS	254 054	1 492 685	254 054	1 492 685

In the previous period, there were the following changes:

DESCRIPTION	As at 01/01/2019	Chances during the year		As at 31/12/2019
		Assumption	Use	
Provision for leaves	176 602	254 054	176 602	254 054





22.

EXPLANATIONS TO THE STATEMENT OF CASH FLOWS

DESCRIPTION	31.12.2020	31.12.2019
Cash in the balance sheet	233 201 403	70 836 864
Unrealized foreign exchange differences	0	155 822
Total cash and cash equivalents disclosed in the cash flow statement	233 201 403	70 992 686



23.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND PRINCIPLES

The Group's operations are exposed to the following financial risks:

- a. credit risk,
- b. liquidity risk,
- c. market risk.

Credit risk – this is a risk that arises when one of the parties to a financial instrument causes the Group to incur financial losses, if it fails to meet its obligations towards the Company. Credit risk arises in the case of receivables, cash and cash equivalents, deposits, purchased bonds and deposits.

The Company's core business – generating revenues from games – due to its specific nature, is to a negligible extent exposed to this type of risk. The Company cooperates with a narrow group of customers (including aggregators of payments from individual users) and through long-established relationships and historical absence of problems with the repayment of receivables, exposure to a single credit risk is not high. The vast majority of receivables are repaid within 3 months after the receivables arise. The Company consistently monitors the inflow of receivables and keeps in touch with customers in case of payment delays. The Company invests its cash in reliable financial institutions (banks). Credit risk concerns the Company to an insignificant extent.

Liquidity risk – this is a risk that arises when the Company encounters difficulties in meeting its obligations related to financial liabilities. The Company maintains liquidity at an appropriate and safe level. Historically, the Company has financed operations from its own resources and all new projects or significant purchases are verified for the possibility of timely repayment of the liability. Cash allows to cover all liabilities (the value of cash exceeds the value of liabilities more than twice) and therefore the entity does not assess this risk as significant. Liquidity risk concerns the Company to an insignificant extent.

Market risk – is the risk that arises when the fair value of a financial instrument or future cash flows related to it will fluctuate due to changes in market prices. This risk comprises three types of risk: currency risk, interest rate risk, other price risk.

Currency risk – is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Due to the global nature of Ten Square Games' operations, where the majority of revenues are generated in USD and partly in EUR, the Group is exposed to the risk of rapid changes in foreign exchange rates, including in particular the strengthening of the Polish zloty against foreign currencies, mainly USD.





The majority of revenue contracts are settled in foreign currencies, mainly in USD and PLN. As a result, the strengthening of the Polish zloty against the USD is an undesirable phenomenon for the Company, which results in a decrease in the Group's sales revenues. In order to reduce foreign exchange risk, the Company partially mitigates the currency risk in its operations by adjusting the currency cost structure, however, it is not possible to eliminate the Company's foreign exchange risk completely. The Company does not use (and has not used) any instruments to hedge against currency risk.

Interest rate risk – the risk that arises when the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company invests surplus funds in interest-bearing assets (interest-bearing bank accounts) to an insignificant extent, hence it is not significantly exposed to interest rate risk.

The main interest rate risk is related to debt instruments, however, in 2020 and 2019 the Company did not use external debt instruments with variable interest rates (loans and bonds), therefore it was not exposed to changes in cash flows as a result of interest rate changes.

Other price risks – these are risks that arise when the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those resulting from interest rate or currency risk), regardless of whether these changes are caused by factors specific to individual financial instruments or to their issuer, or factors relating to all similar financial instruments traded on the market. The Company does not use financial instruments that carry a price risk. The Company is not exposed to any other price risk.

ANALYSIS OF EXPOSURE TO CURRENCY RISK

A significant share of sales in USD and EUR in the Company's revenue structure means that the Group's financial results can be materially influenced by

the exchange rate of the Polish zloty against these currencies. Net foreign currency exposure as at the balance sheet date is presented in the table below.

31.12.2020 currency risk – exposure to currency risk	USD	EUR	RUB	other currencies (excluding PLN)
trade receivables in currency	5 764 819	103 763	10 132 938	–
trade receivables valued at PLN	21 666 494	478 845	507 660	16 983
cash in foreign currency	7 439 333	81 856	719 492	–
cash and cash equivalents valued at PLN	27 959 990	377 751	36 047	111 877
trade liabilities in currency	2 794 981	68 779	0	–
trade liabilities valued at PLN	10 504 657	317 400	0	0
net exposure in currency	15 999 133	254 398	10 852 430	–
net exposure in PLN	60 131 141	1 173 996	543 707	128 860

Data for the previous reporting period:

31.12.2019 currency risk – exposure to currency risk	USD	EUR	RUB	other currencies (excluding PLN)
trade receivables in currency	3 112 407	52 758	5 242 421	–
trade receivables valued at PLN	11 819 987	224 672	320 312	16 522
cash in foreign currency	3 384 089	55 979	8 964 935	–
cash and cash equivalents valued at PLN	12 851 757	238 388	547 758	0
trade liabilities in currency	-1 070 961	-13 667	0	–
trade liabilities valued at PLN	-4 067 190	-58 202	0	0
net exposure in currency	5 425 535	95 071	14 207 356	–
net exposure in PLN	20 604 554	404 858	868 069	16 522

The table below presents the Company's sensitivity to a 10% increase in the zloty's exchange rate in relation to the above-mentioned currencies. A positive

value indicates an increase in pre-tax profit due to an increase in the exchange rate (weakening of the Polish zloty).

currency risk – sensitivity analysis	31.12.2020	31.12.2019
change by +10% / – 10%.	+ 6 197 770 / – 6 197 770	+ 2 189 400 / – 2 189 400





24.

CAPITAL MANAGEMENT

The main objective of the Company's capital management is to maintain solid credit rating and safe capital ratios that would support the Company's operations and increase the value for its shareholders.

At present, the Company finances its operations with operating profits and does not use debt financing. The Company manages its capital structure and may change it as a result of changes in the economic situation. In order to maintain or adjust the capital structure, the Company may change the payment of dividends to shareholders, return capital to shareholders or issue new shares. In the years ended 31 December 2020 and 31 December 2019, no changes were introduced to the objectives, principles and processes applicable in this area.

DESCRIPTION	31.12.2020	31.12.2019
Interest-bearing loans and borrowings	0	0
Trade liabilities and other liabilities	13 026 922	4 963 033
Cash and cash equivalents	233 201 403	70 836 864
Net debt	-220 174 481	-65 873 831
Equity	233 713 625	88 821 386
Total capital	233 713 625	88 821 386
Net equity and debt	453 888 106	154 695 217

25.

EMPLOYEE BENEFIT PLANS

In connection with the introduction of the Employee Capital Plan program in Poland, the Company entered into an agreement with Aviva Specialized Open Investment Fund PPK to operate the Employee Capital Plan, and the Company's employees became participants in the Plan from November 2020. The total costs of the PPK program incurred by the Company in 2020 amounted to PLN 20 thousand.

In 2019, the Company did not operate any employee benefit plans.





26.

INCENTIVE SCHEME

Incentive program for 2018-2020

In March 2018, the Shareholders of the Parent Company adopted an incentive scheme for key employees and associates of the Group. As a result of the implementation of the programme, there may be potential changes in the proportions of shares held by the shareholders.

On the basis of the resolution on the programme, a conditional increase in the Company's share capital, excluding pre-emptive rights of the existing shareholders, was made by the amount not higher than PLN 6,547.50 through the issue of not more than 65,475 ordinary registered shares of series B with a nominal value of PLN 0.10 per share. Series B shares could be taken up by holders of registered subscription warrants of series A issued in a number not higher than 65,475 on the basis of the Programme Resolution.

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

1. replacement of the conditional share capital with the target capital;
2. removal of subscription warrants – programme participants receive, after meeting the programme conditions, bearer shares with limited transferability (lock-up) for a period specified in the programme regulations;

3. increase of the pool of shares possible to be allocated in the years of the programme (programme pool after changes: 101,850 ordinary series B bearer shares with a par value of PLN 0.10).

The incentive scheme covers the years 2018-2020, and the shares may be subscribed for in three tranches – for the financial year 2018 (tranche I), 2019 (tranche II) and 2020 (tranche III). In order to offer shares, the Group must reach a certain level of consolidated, adjusted for extraordinary events and costs of the programme itself, EBITDA. Supervisory Board established the following levels of EBITDA:

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

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

Programme participants have the right to sell shares acquired under Tranche I not earlier than on 1 July 2020. Programme participants have the right to sell shares acquired under Tranche II not earlier than on 1 January 2021. Program participants have the right to sell shares acquired in Tranche III not earlier than on 1 September 2021.

In 2018, 2019 and 2020, the Issuer's Supervisory Board adopted resolutions on establishing the list of Programme Participants and made an initial allocation of 81,612 Warrants (currently shares): 16,245 under Tranche I, 26,915 under Tranche II and 38,452 under Tranche III.

The cost of the incentive scheme in 2018 amounted to PLN 236 thousand and all the shares initially allocated in the first tranche were taken up by the programme participants (i.e. 16,245 shares) during 2019.

The cost of the incentive scheme in 2019 was PLN 1.187 million and all shares initially allocated in the first Tranche were taken up by the scheme participants (i.e. 26,066 shares) during 2020.

The cost of the incentive scheme in 2020 was PLN 3.572 million, at the time of issuing these financial statements, the Group's Management Board estimates that approximately 36,000 shares will be taken up by the scheme participants during 2021.

Reconciliation of the costs of the incentive scheme for share-based payments:

DESCRIPTION	1.01.2020-31.12.2020	1.01.2019-31.12.2019
Share-based payments – costs by type:	21 672 018	1 232 812
Costs of share-based payments related to 2017 contracts settled in 2017-2020	0	45 371
Costs of the incentive scheme for the period 2018-2020	3 572 514	1 187 441
The cost of the incentive program of CEO Maciej Zuzalek	18 099 504	0
Share-based payments – costs in the calculation system	21 383 078	1 025 701
Costs of services sold	1 162 930	493 514
Selling costs	1 311 325	249 737
General and administrative costs	18 908 823	282 450
Capitalisation of share-based payment costs (production of games)	288 940	207 111

Reconciliation of the costs of the incentive scheme to the capital formed from the valuation of the incentive scheme:

DESCRIPTION	As at 31.12.2020	As at 31.12.2019
TOTAL Capital from the settlement of the incentive scheme	23 436 052	1 764 034
Including costs of CEO Maciej Zuzalek's incentive program in 2020	18 099 504	0
Including costs of the incentive scheme in 2020	3 572 514	0
Including costs of the incentive scheme in 2019	1 187 441	1 187 441
Including costs of the incentive scheme in 2018	236 328	236 328
Including costs related to agreements concluded in 2017	340 265	340 265





Incentive program for 2021-2022

In May 2020, the Shareholders of the Company adopted an incentive program for key employees and associates of the TSG Group for the years 2021-2022. The Program was established in order to ensure that the persons key to the development of the Company participate in the expected increase of its value and to bind the persons covered by the Program with the Group in a lasting way.

The aim of the Programme is to create mechanisms which will encourage and motivate qualified individuals, key to the implementation of the Company's strategy, to act in the interest of the Group and its shareholders by enabling them to acquire shares in the Company.

Participants in the Scheme will be entitled to subscribe for a total of up to 100,000 Shares issued through an increase of the share capital within the authorised capital established under the Resolution on the Scheme.

The Incentive Scheme covers the years 2021-2022, and the shares may be acquired in two tranches – for the financial year 2021 (Tranche I) and 2022 (Tranche II). The shares may be offered on condition that the Group achieves a certain level of EBITDA, to be determined by the Supervisory Board for each of the years 2021 and 2022.

If the required level is not achieved in the first year of the program, in the subsequent period shares for a given year may be granted if the cumulative EBITDA reaches the level required for both years.

Participants in the program will have the right to sell shares acquired under tranche I no earlier than 2 January 2024, and under tranche II no earlier than 2 January 2025.

Incentive program for President of the Management Board

In the reported period the Company recognized a portion of the cost of the dedicated incentive program for the new President of the Management Board, Mr. Maciej Zuzalek. The said incentive scheme entailed a transfer of 144,825 shares at a par value of PLN 0.1 per share by the Company's existing shareholders. In accordance with IFRS 2 „Share-based Payment”, any transfer of equity instruments of an enterprise from its shareholders to parties providing goods or services is a share-based payment and is measured in accordance with that standard. The market value of the scheme was PLN 72.4 million and the cost (not related to cash outflow) will be borne by the Group proportionally over 3 years (12 consecutive quarters) starting from 20 May 2020. The cost incurred in 2020 is PLN 18.1 million.



INFORMATION ON AFFILIATED ENTITIES, INCLUDING INFORMATION ON REMUNERATION OF SENIOR MANAGEMENT AND THE SUPERVISORY BOARD

The tables below present total amounts of transactions conducted with affiliates for the current and previous reporting periods:

27.1. Management

Affiliate	Net purchase		Remuneration		Net dividend	
	1.01.2020- 31.12.2020	1.01.2019- 31.12.2019	1.01.2020- 31.12.2020	1.01.2019- 31.12.2019	1.01.2020- 31.12.2020	1.01.2019- 31.12.2019
Management Board	110 709	288 000	19 095 519	320 610	4 264 362	12 989 687
Maciej Popowicz (until 20/05/2020):	62 709	162 000	21 275	57 600	0	8 733 785
– Ten Square Games S.A.	62 709	162 000	20 903	54 000	0	8 733 785
– Play Cool Zombie Sport Games Sp. z o.o.	0	0	124	1 200	0	0
– Tiny Dragon Adventure Games Sp. z o.o.	0	0	124	1 200	0	0
– Fat Lion Games Sp. z o.o.	0	0	124	1 200	0	0
Maciej Zuzalek (since 20/05/2020)	0	0	18 608 045	0	189 000	0
– Ten Square Games S.A. – cash remuneration	0	0	508 541	0	189 000	0
– Ten Square Games S.A. – share-based incentive program recognized over time	0	0	18 099 504	0	0	0
– Play Cool Zombie Sport Games Sp. z o.o.	0	0	0	0	0	0
– Tiny Dragon Adventure Games Sp. z o.o.	0	0	0	0	0	0
– Fat Lion Games Sp. z o.o.	0	0	0	0	0	0
Arkadiusz Pernal	48 000	126 000	140 742	51 600	3 980 862	4 179 357





Affiliate	Net purchase		Remuneration		Net dividend	
	1.01.2020- 31.12.2020	1.01.2019- 31.12.2019	1.01.2020- 31.12.2020	1.01.2019- 31.12.2019	1.01.2020- 31.12.2020	1.01.2019- 31.12.2019
– Ten Square Games S.A.	48 000	126 000	137 142	48 000	3 980 862	4 179 357
– Play Cool Zombie Sport Games Sp. z o.o.	0	0	1 200	1 200	0	0
– Tiny Dragon Adventure Games Sp. z o.o.	0	0	1 200	1 200	0	0
– Fat Lion Games Sp. z o.o.	0	0	1 200	1 200	0	0
Magdalena Jurewicz (until 31.07.2020)	0	0	164 567	211 410	94 500	76 545
– Ten Square Games S.A. (do 31.07.2020)	0	0	161 309	211 410	94 500	76 545
– Play Cool Zombie Sport Games Sp. z o.o.	0	0	1 086	0	0	0
– Tiny Dragon Adventure Games Sp. z o.o.	0	0	1 086	0	0	0
– Fat Lion Games Sp. z o.o.	0	0	1 086	0	0	0
Marcin Chruszczyński (since 01.08.2020)	0	0	160 890	0	0	0
– Ten Square Games S.A.	0	0	160 890	0	0	0
– Play Cool Zombie Sport Games Sp. z o.o.	0	0	0	0	0	0
– Tiny Dragon Adventure Games Sp. z o.o.	0	0	0	0	0	0
– Fat Lion Games Sp. z o.o.	0	0	0	0	0	0
Supervisory Board (Ten Square Games S.A.)	0	0	321 877	222 500	187 749	392 428
Maciej Zużatek (until 21.04.2020)	0	0	3 700	12 000	0	229 635
Rafał Olesiński	0	0	78 854	42 000	2 529	2 048
Marcin Chruszczyński (until 20.05.2020)	0	0	16 258	42 000	0	0
Tomasz Drożdżyński	0	0	46 983	36 000	0	0
Maciej Marszałek	0	0	43 516	18 000	185 220	160 745
Milena Olszewska-Miszuris (until 20.05.2020)	0	0	19 258	36 500	0	0
Wiktor Schmidt	0	0	46 483	36 000	0	0
Marcin Biłos (until 20.05.2020)	0	0	33 777	0	0	0
Kinga Stanisławska (until 20.05.2020)	0	0	33 048	0	0	0
Affiliates (Ten Square Games S.A.)	132 307	0	0	0	8 318 979	0
Maciej Popowicz (since 20.05.2020)	107 040	0	0	0	8 318 979	0
Marcin Chruszczyński (since 31.07.2020)	25 267	0	0	0	0	0
Key personnel (Ten Square Games S.A.)	0	0	0	0	b/d	b/d
Family members of key personnel / Management Board (Ten Square Games S.A.)	217 956	255 153	0	0	b/d	b/d

Transactions between related parties were conducted on terms equivalent to those of arm's length transactions.

Members of the Management Board who were added to the composition of the Management Board by resolution no. 4 of the Extraordinary General Meeting of Shareholders of the Company dated 16 December 2020 (Janusz Dziemidowicz, Wojciech Gattner, Anna Idzikowska, Andrzej Ilczuk) did not receive any remuneration in 2020 for serving as members of the Management Board.

The aforementioned persons were appointed as of the date of registration by the competent registry court of the amendment to the Company's Articles of Association, effected by virtue of Resolution No. 4 of the Extraordinary General Meeting of Shareholders of the Company of 16 December 2020, which occurred on 21 January 2021.

27.2. Other affiliated parties

Affiliated party	Net sales		Net purchase	
	1.01.2020-31.12.2020	1.01.2019-31.12.2019	1.01.2020-31.12.2020	1.01.2019-31.12.2019
Subsidiaries:	6 470 076	6 483 266	0	0
Play Cool Zombie Sport Games Sp. z o.o.	146 607	487 144	0	0
Tiny Dragon Adventure Games Sp. z o.o.	4 666 667	4 360 343	0	0
Fat Lion Games Sp. z o.o.	1 656 802	1 635 778	0	0
Ten Square Games Germany GmbH	0	0	0	0
Personally affiliated entities:	0	0	125 606	97 918
Olesinski i Wspólnicy Spółka komandytowa	0	0	125 606	97 918

Affiliated party	Net sales		Net purchase	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Subsidiaries:	931 456	4 284 715	0	0
Play Cool Zombie Sport Games Sp. z o.o.	44 627	95 944	0	0
Tiny Dragon Adventure Games Sp. z o.o.	591 102	2 638 101	0	0
Fat Lion Games Sp. z o.o.	295 727	1 550 670	0	0
Ten Square Games Germany GmbH	0	0	0	0
Personally affiliated entities:	0	0	25 450	0
Olesiński i Wspólnicy Spółka komandytowa	0	0	25 450	0





28.

EMPLOYMENT

The average of employees in the financial year was 147 persons (81 in 2019). The main group of employees are specialists in information and communication technologies.



29.

LEASE AGREEMENTS

On 11 February 2019 the Company and Archicom Nieruchomości 5 Spółka zo.o. signed a lease agreement concerning office space in the City One office and service building located in Wrocław at ul. Traugutta 45.

The contract was concluded for a definite period of 5 years. The lease period began on 02.01.2020, i.e. on the date of takeover of the Leased Object and will end on 02.01.2025. On 02.01.2020 the Group recognized the liability resulting from the concluded agreement in accordance with IFRS 16: Leases and recognized the fixed asset in the form of right to use the premises.

As part of the concluded agreement, the Group paid a deposit of PLN 591 thousand, which was disclosed in the balance sheet under „other non-current assets” in the group of non-current assets as at 31.12.2019.

On 21 January 2020, another lease agreement was concluded between the Company and Archicom Nieruchomości 5 Spółka z ograniczoną odpowiedzialnością with its registered office in Wrocław, concerning office space located in the City One office and service building located in Wrocław at ul. Traugutta 45. The lease period began on 15 September 2021, and the agreement was concluded for five years, starting from the date of handover of the premises (terms and conditions are the same as in the earlier agreement).

The total value of the right to use the asset acquired in 2020 amounted to PLN 8,693 thousand and its depreciation amounted to PLN 1,373 thousand, so as at December 31, 2020 the net value of the right to use the asset amounted to PLN 7,320 thousand.

In 2019, the Company was party to lease agreements for offices located in Wrocław at ul. Długosza 60. The agreements were concluded on market terms with an entity unrelated to the Group, and the lease period ended on January 31, 2020. The Company was obliged to pay a deposit, which was disclosed in the balance sheet under „other receivables” in the group of current assets as at 31.12.2019.

Due to the short-term nature of the contracts (up to 12 months), the Group decided to take advantage of the exemption in IFRS 16 Leases and not to recognize lease assets and liabilities in 2019. In this case, the Company recognized the lease payments in the income statement on a straight-line basis over the term of the lease.





30.

LITIGATIONS

The Company had no pending court cases in 2020 or 2019.

31.

EVENTS AFTER THE BALANCE SHEET DATE

There were no significant events after the balance sheet date that could affect the financial data included in the financial statements for the period ended 31 December 2020.

32.

INFORMATION ON TRANSACTIONS WITH THE ENTITY AUDITING THE FINANCIAL STATEMENTS

DESCRIPTION	costs in 2020	costs in 2019
audit of the standalone and separate financial statements for 2020 (2019)	42 761	42 761
review of the standalone and separate financial statements for the first half of 2020 (2019)	25 202	25 202
TOTAL	67 963	67 963





THE CHAIRMAN OF THE MANAGEMENT
BOARD

Maciej Zużatek

MEMBER OF THE MANAGEMENT
BOARD

Andrzej Ilczuk

MEMBER OF THE MANAGEMENT
BOARD

Anna Idzikowska

MEMBER OF THE MANAGEMENT
BOARD

Janusz Dziemidowicz

MEMBER OF THE MANAGEMENT
BOARD

Marcin Chruszczyński

MEMBER OF THE MANAGEMENT
BOARD

Wojciech Gattner

PERSON ENTRUSTED WITH KEEPING THE BOOKS OF ACCOUNTS

Karolina Hoszowska-Dubaniowska

Wrocław, 22.03.2021