ten square games

CONSOLIDATED FINANCIAL STATEMENT TEN SQUARE GAMES S.A. GROUP

AS AT 31 DECEMBER 2020

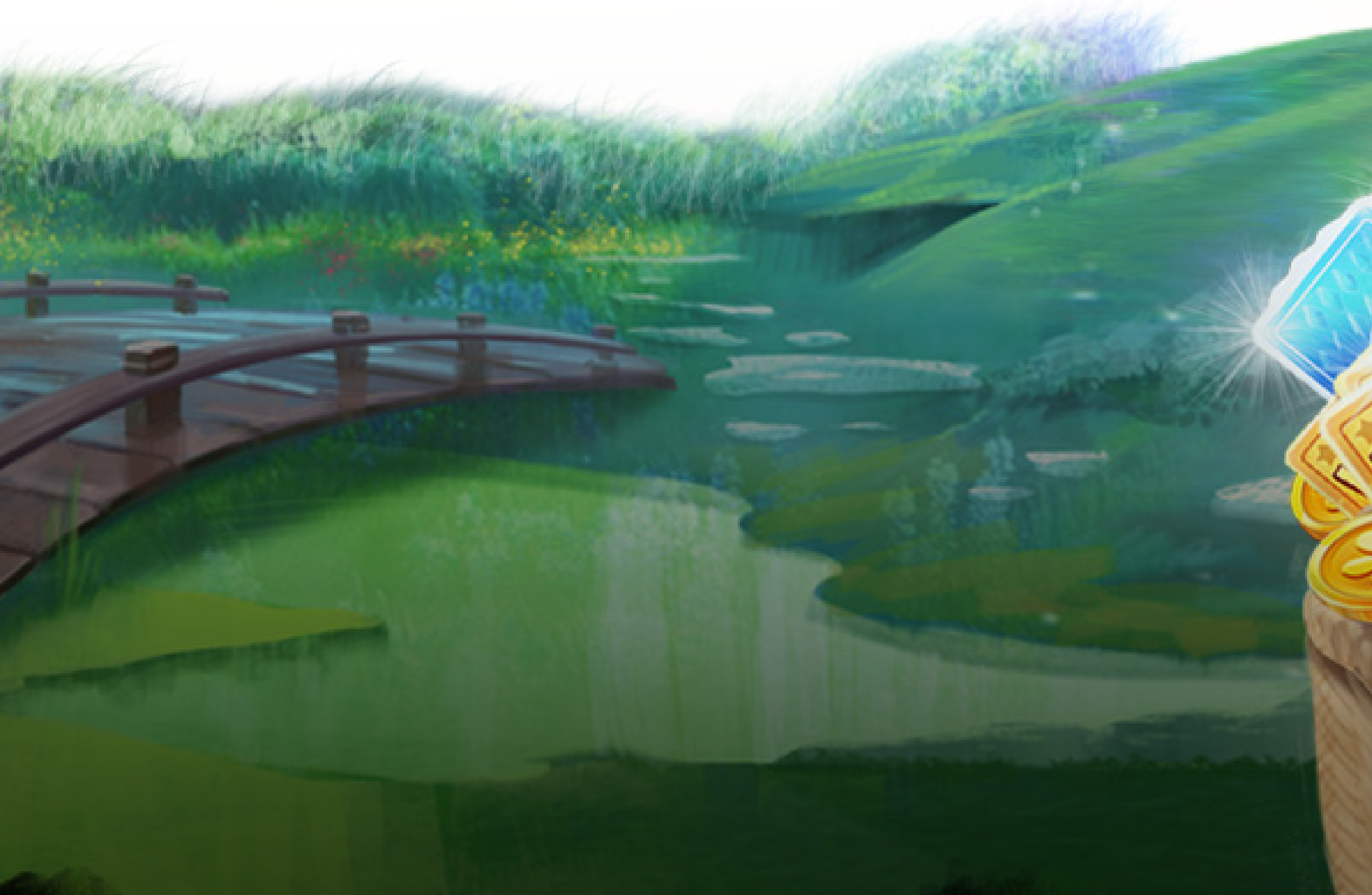
WROCLAW, 22 MARCH 2021

TABLE OF CONTENTS

ten square games

I.

CONSOLIDATED FINANCIAL STATEMENT

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1.

SELECTED FINANCIAL DATA

SPECIFICATION	PLN		EUR	
	2020	2019	2020	2019
STATEMENT OF COMPREHENSIVE INCOME				
Net revenues	578 194 656	241 133 094	129 228 612	56 053 999
Cost of services sold	25 438 397	11 353 715	5 685 575	2 639 294
Operating profit (loss)	171 774 342	84 577 378	38 392 191	19 660 928
Gross profit (loss)	170 945 301	84 625 811	38 206 898	19 672 186
Net profit (loss)	151 598 963	76 385 801	33 882 922	17 756 707
EBITDA	174 860 108	85 727 620	39 081 871	19 928 314
Adjusted EBITDA	226 359 642	86 275 561	50 592 205	20 055 689
CASH FLOW STATEMENT				
Net operating cash flow	193 713 645	66 438 784	43 295 705	15 444 414
Net cash flow from investment activities	-4 597 770	-3 543 312	-1 027 618	-823 681
Net cash flow from financial activity	-28 243 317	-27 308 875	-6 312 484	-6 348 244

SPECIFICATION	PLN		EUR	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
STATEMENT OF FINANCIAL SITUATION				
Fixed assets	16 100 828	4 936 261	3 488 955	1 159 155
Current assets	307 582 759	101 109 269	66 651 374	23 742 930
Equity	238 050 607	92 144 636	51 584 166	21 637 815
Long-term liabilities	7 437 421	537 405	1 611 645	126 196
Short-term liabilities	78 195 559	13 363 489	16 944 517	3 138 074

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.

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

CONSOLIDATED 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**	**578 194 656**	**241 133 094**
Cost of services sold	**3**	**25 438 397**	**11 353 715**
Gross profit (loss) on sales		**552 756 259**	**229 779 379**
Other operating income		201 281	48 726
Selling costs	3	343 569 143	137 154 216
General and administrative costs	3	36 688 631	7 084 518
Other operating costs	4	925 424	1 011 993
Operating profit (loss)		**171 774 342**	**84 577 378**
Financial income	5	83 320	218 885
Financial expense	5	912 361	170 452
Profit (loss) before taxation		**170 945 301**	**84 625 811**
Income tax	6	19 346 338	8 240 010
Net profit (loss) on continued activity		**151 598 963**	**76 385 801**
Profit (loss) on discontinued activity		**0**	**0**
Net profit (loss)		**151 598 963**	**76 385 801**
Net profit (loss) attributable to Parent Entity		**151 598 963**	**76 385 801**
Items that may be reclassified subsequently to profit or loss		**4 290**	**0**
Subject to reclassification to profit or loss – foreign exchange differences on translation of foreign financial statements		4 290	0
Items that will not be reclassified to profit or loss		**0**	**0**
Other comprehensive income		4 290	0
Total comprehensive income		151 603 253	76 385 801
Total comprehensive income attributable to non-controlling shareholders		0	0
Total comprehensive income attributable to Parent Entity		**151 603 253**	**76 385 801**

PROFIT PER SHARE

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 attributable to Parent Entity	151 598 963	76 385 801
Net earnings per share in PLN		
Basic for the financial period	20,91	10,55
Diluted for the financial period	20,91	10,55
Net earnings per share on continued operations in PLN		
Basic for the financial period	20,91	10,55
Diluted for the financial period	20,91	10,55
Net earnings per share attributable to discontinued operations in PLN		
Basic for the financial period	0,00	0,00
Diluted for the financial period	0,00	0,00

3.

CONSOLIDATED STATEMENT OF FINANCIAL SITUATION

ASSETS	NOTE	31.12.2020	31.12.2019
Fixed assets		**16 100 828**	**4 936 261**
Tangible fixed assets	9	8 556 339	568 568
Intangible fixed assets	10	4 701 705	3 397 515
Other financial assets	11	857 595	590 589
Deferred tax assets	6	1 985 189	379 589
Current assets		**307 582 759**	**101 109 269**
Receivables	12	55 165 266	25 197 271
Contract assets	13	14 915 356	601 057
Loans granted		893 758	80 914
Cash and cash equivalents	14	236 608 379	75 230 027
TOTAL ASSETS		**323 683 587**	**106 045 530**

EQUITY & LIABILITIES	NOTE	31.12.2020	31.12.2019
Equity		**238 050 607**	**92 144 636**
Equity attributable to owners of the Parent Entity		238 050 607	92 144 636
Share capital	15	726 731	724 125
Share premium		496 100	496 100
Capital from the settlement of the incentive scheme		23 436 052	1 764 034
Foreign exchange differences on translation of statements of foreign operations		4 290	0
Retained earnings		213 387 434	89 160 377
Equity of non-controlling shareholders		0	0
Long-term liabilities		**7 437 421**	**537 405**
Deferred income tax provisions	**6**	**443 394**	**537 405**
Lease liabilities		6 994 027	0
Short-term liabilities		**78 195 559**	**13 363 489**
Trade liabilities	16	12 392 029	4 633 152
Current tax liabilities		12 764 644	6 135 688
Leaseing liabilities	17	1 192 551	0
Other liabilities	17	635 806	337 080
Provisions for employee benefits	20	1 492 685	254 054
Contract liabilties	13	49 717 844	2 003 515
Total liabilities		**85 632 980**	**13 900 894**
TOTAL EQUITY & LIABILITIES		**323 683 587**	**106 045 530**

4.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Capital from the settlement of the incentive scheme	Foreign exchange differences on translation	Retained earnings	Equity attributable to owners of the Parent Entity	Total equity
Equity as at 01/01/2020	**724 125**	**496 100**	**1 764 034**	**0**	**89 160 377**	**92 144 636**	**92 144 636**
Payment of share capital	2 606					2 606	2 606
Share-based payments			21 672 018			21 672 018	21 672 018
Reduction of the share capital in accordance with a resolution of the GSM							
Payment of dividends					-27 371 907	-27 371 907	-27 371 907
Net profit					151 598 963	151 598 963	151 598 963
Other comprehensive income				4 290		4 290	4 290
Total comprehensive income				4 290	151 598 963	151 630 253	151 630 253
Change in equity	2 606	0	21 672 018	4 290	124 227 056	145 905 970	145 905 970
Equity as at 31/12/2020	**726 731**	**496 100**	**23 436 052**	**4 290**	**213 387 434**	**238 050 607**	**238 050 607**
Equity as at 01/01/2019	**727 500**	**496 100**	**780 748**	**0**	**40 080 076**	**42 084 424**	**42 084 424**
Payment of share capital	1 625					1 625	1 625
Share-based payments			983 286			983 286	983 286
Reduction of the share capital in accordance with a resolution of the GSM	-5 000				5 000	0	0
Payment of dividends					-27 310 500	-27 310 500	-27 310 500
Net profit					76 385 801	76 385 801	76 385 801
Other comprehensive income						0	0
Total comprehensive income					76 385 801	76 385 801	76 385 801
Change in equity	-3 375	0	983 286	0	49 080 301	50 060 212	50 060 212
Equity as at 31/12/2019	**724 125**	**496 100**	**1 764 034**	**0**	**89 160 377**	**92 144 636**	**92 144 636**

5.

CONSOLIDATED 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	**170 945 301**	**84 625 811**
Total adjustments:	**37 175 792**	**-8 413 944**
Depreciation and amortization	3 085 766	1 150 242
Foreign exchange gain/loss	25 484	107 366
Interest paid on lease	233 280	0
Change in receivables	-30 235 408	-14 320 108
Change in liabilities and accrued expenses	9 296 235	2 088 404
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	-12 673	-1 060
Cash on operating activity	**208 121 093**	**76 211 867**
Income tax (paid) / refunded	-14 407 448	-9 773 083
A. Net operating cash flow	**193 713 645**	**66 438 784**
INVESTMENT ACTIVITY		
Repayment of loans granted	80 000	0
Purchase of intangible and tangible fixed assets	-3 792 770	-3 463 312
Loans granted	-885 000	-80 000
B. Net cash flow from investment activities	**-4 597 770**	**-3 543 312**

	for the period 01.01.2020 – 31.12.2020	for the period 01.01.2019 – 31.12.2019
FINANCIAL ACTIVITY		
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	**-28 243 317**	**-27 308 875**
D. Total net cash flow	**160 872 558**	**35 586 597**
– change in cash due to exchange losses/gains	505 794	-107 366
E. Balance-sheet change in cash, including foreign exchange	**161 378 352**	**35 479 231**
F. Cash at the beginning of the period	**75 230 027**	**39 750 796**
G. Cash at the end of the period	**236 608 379**	**75 230 027**

II.

TEN SQUARE GAMES S. A. GROUP CORPORATE INFORMATION

1. REPORTING ENTITY'S DATA

Name:	Ten Square Games S.A.
Name of higher level entity:	N/A
Legal form:	Spólka Akcyjna
Registered seat:	ul. Traugutta 45, 50-416 Wroclaw
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
Name of the reporting entity:	Ten Square Games
Name of the ultimate parent company of the group:	none
Principal place of business:	Poland

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.

2. FUNCTIONAL CURRENCY AND PRESENTATION CURRENCY

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

3.

PRESENTED PERIODS

The consolidated 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 consolidated statement of financial condition and for the period from 1 January 2019 to 31 December 2019 for the consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity.

4.

ABILITY TO CONTINUE AS A GOING CONCERN

The consolidated financial statement has been prepared assuming that the Group (including the Issuer) 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 Parent Entity, as at the date of signing the statement, was not aware of any facts or circumstances which could indicate a threat to the continuation of activity for the period of 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 31/12/2020

The Management Board

Maciej Zuzalek
President of the Management Board;

Arkadiusz Pernal
Vice-President of the Management Board.

Marcin Chruszczynski
Member of the Management Board.

Supervisory Board

Rafal Olesinski
Chairman of the Supervisory Board;

Marcin Bilos
Member of the Supervisory Board;

Tomasz Drozdzynski
Member of the Supervisory Board;

Maciej Marszalek
Member of the Supervisory Board;

Wiktor Schmidt
Member of the Supervisory Board;

Kinga Stanislawska
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 at 22.03.2021	% share in basic capital	number of votes at GSM	% 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 at 31.12.2020	% share in basic capital	number of votes at GSM	% 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 at 31.12.2019	% share in basic capital	number of votes at GSM	% share in the number of votes
President of the Management Board – Maciej Popowicz	2 852 500	39,25%	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%
Prsident 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

7.

TEN SQUARE GAMES GROUP

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

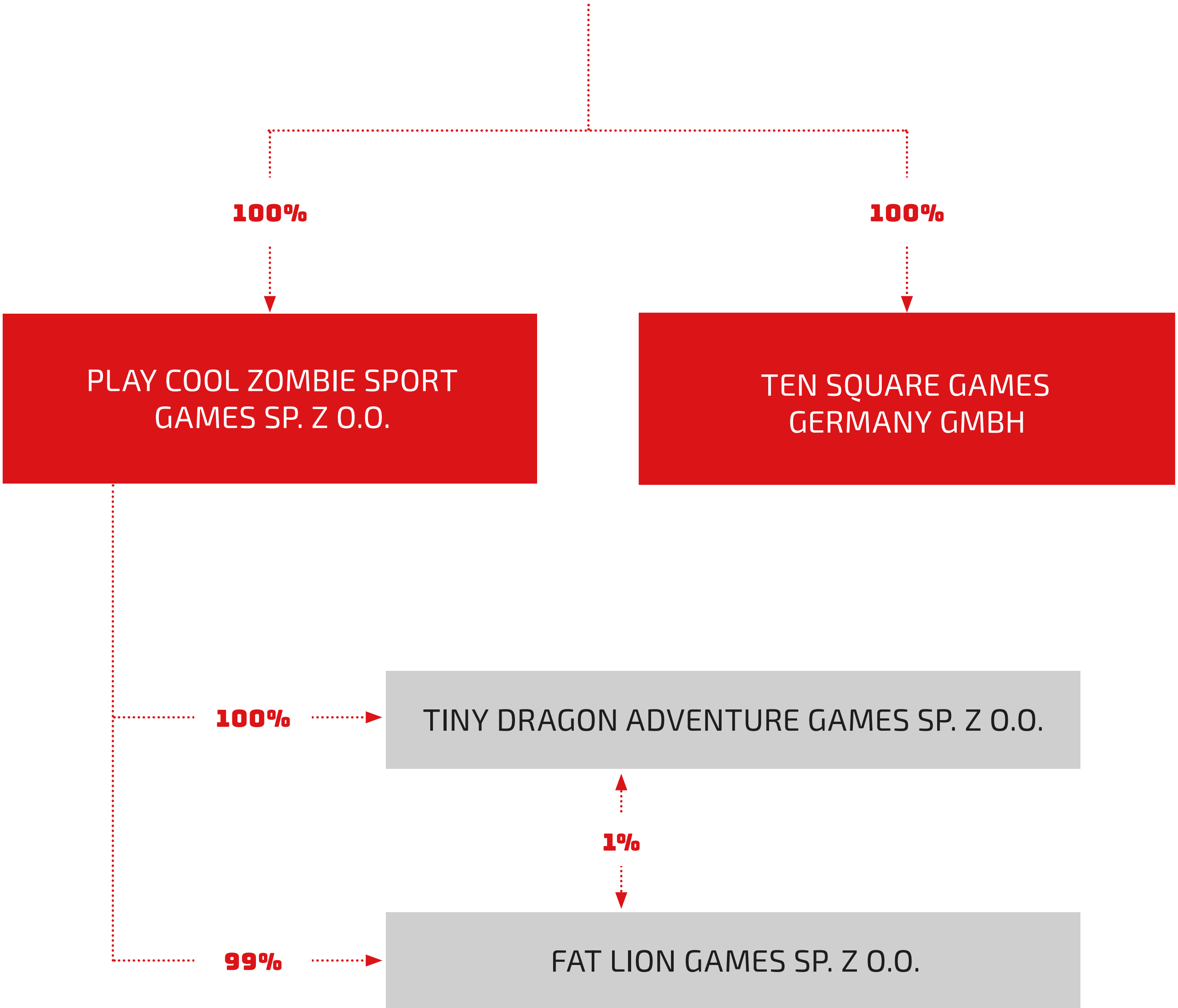
On 29 August 2016, Tiny Dragon Adventure Games Sp. z o.o. was registered.

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



8.

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.

SUBSIDIARIES' DATA

Name	Play Cool Zombie Sport Games Sp. z o.o.	Tiny Dragon Adventure Games Sp. z o.o.	Fat Lion Games Sp. z o.o.	Ten Square Games Germany GmbH
Legal form	Spółka z ograniczoną odpowiedzialnością	Spółka z ograniczoną odpowiedzialnością	Spółka z ograniczoną odpowiedzialnością	Spółka z ograniczoną odpowiedzialnością
Registered seat	ul. Traugutta 45, 50-416 Wroclaw	ul. Traugutta 45, 50-416 Wroclaw	ul. Traugutta 45, 50-416 Wroclaw	c/o BRL Boege Rohde Luebbehuesen Partnerschaft, Pariser Platz 4A, 10117 Berlin
Registration country	Poland	Poland	Poland	Germany
Core business activity	publishing activity with regard to computer games (58.21.Z)	publishing activity with regard to computer games (58.21.Z)	publishing activity with regard to computer games (58.21.Z)	development, production, distribution, licensing and support of computer software, computer games, console games, online or mobile games, and the provision of online platforms for computer games.
Authority keeping the register	District Court, VI Commercial Division of the National Court Register	District Court, VI Commercial Division of the National Court Register	District Court, VI Commercial Division of the National Court Register	Amtsgericht Charlottenburg, Berlin, Niemcy
Registry no.	KRS 0000580667	KRS 0000634216	KRS 0000704592	HRB 225333
Statistical REGON no.	362748821	365263544	368774363	N/A
Tax identification number	8982214450	8982223710	8982238999	The entity has not yet received a tax identification number
Company duration	indefinite	indefinite	indefinite	indefinite
% of capital held by the Parent Company	100%	100% (indirectly)	100% (indirectly)	100%

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 GROUP 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 Group, 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 Group's operations. As at the date of publication of these consolidated 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 Parent Entity represents that, to the best of their knowledge, this consolidated financial statement and the comparative data have been prepared in accordance with the accounting policy of the Ten Square Games S.A. Group and that they give a true and fair view of the Group'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 Group's development, achievements and situation, including a description of the main threats and risks.

12.

MANAGEMENT BOARD INFORMATION

The Management Board of the Parent Company announces that the selection of the audit firm to audit the annual standalone and consolidated financial statement for fiscal year 2020 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 consolidated 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 consolidated 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 consolidated financial statements for the financial year 2020 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.

III.

BASIS OF PREPARATION AND ACCOUNTING POLICY

1.

COMPLIANCE WITH THE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The consolidated 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 consolidated financial statements as at 31 December 2020, the Parent 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 consolidated financial statement as at 31/12/2020, the Group 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 Group 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 Group 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 Group 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.

3.

DESCRIPTION OF THE ADOPTED ACCOUNTING PRINCIPLES (POLICY)

3.1. Consolidation – subsidiaries

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

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

3.2.
Revenues and costs of operating activity

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

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

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

The Group distinguishes three main sources of revenues:

REVENUES

MICRO-PAYMENTS

» revenues from additional functionalities purchased by the players

ADVERTISEMENTS

» revenues from advertisements displayed in games

LICENSES

» revenues from the users' activity in games which are shared with the Company's commercial partners on the basis of license agreements

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

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

In the course of 2020, the Group made changes to its IT systems, whereby it has started to collect data to analyze the usage of durable goods over time. Accordingly, the Group 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 behavior.

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

Revenues from advertisements displayed in games (advertisements)

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

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

Revenues due to the users' activity in games shall be recognized by the Group in the amount due resulting from the sales report, received from a partner (a part of revenues due to users' payment, after deduction of applicable taxes, commissions, returns and discounts).

Costs of goods and services sold

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

Selling costs

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

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

3.3. Financial income and expanse

Financial income include mainly interest on free resources on bank accounts, commissions and interest on granted loans, interest due to delay in settling receivables, the amount of released provisions concerning financial activity, revenues on sales of securities, exchange gains, restoration of lost value of investments, the value of cancelled credits and loans as well as profits from settlement of derivative instruments.

Financial costs include mainly interest on credits and loans, interest for delay in the payment of receivables, created provisions for certain or probable losses on financial operations, acquisition value of sold shares, stocks, securities, commissions and handling fees, value of short-term investments, discount and exchange rate differences, losses on settlement of derivative instruments, and, in the case of financial leasing, other fees, excluding capital instalments.

3.4. Income tax

Income tax includes: current tax payable and deferred tax.

Current tax

Current tax is calculated on the basis of tax result (tax base) of a given trading year.

Tax profit (loss) is different than balance-sheet profit (loss) due to the exclusion of revenues subject to taxation and costs which constitute tax-deductible revenues in the subsequent years as well as the revenues and costs which will never be subject to taxation. The current tax value is calculated on the basis of tax rate applicable in a given trading year.

Ten Sqaure Games S.A. as a company carrying out research and development activities and earning income from qualified intellectual property rights applies a preferential income tax rate. In order to take advantage of the IP BOX tax relief, the Company:

» divides the tax income into income from qualified intellectual property rights (in the case of the company, these are games meeting the definition of computer programs) and other sources;

» for income from qualified intellectual property rights, the nexus ratio is calculated in accordance with the rules set out in the Corporate Income Tax Act;

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

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

Deferred tax

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

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

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

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

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

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

Uncertainty 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.

3.5. Tangible fixed assets

The Group 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 Group, using the significance rule, decided that amortization shall start in the month of the asset's acceptance for use.

The Company, no later than at the end of the financial year, conducts a periodical verification of the adopted economic useful life periods for fixed assets, final value and depreciation methods, and the effects of changes in these estimates are reflected in the following and subsequent financial years (prospectively).

As at the balance-sheet date, the Group shall also evaluate tangible fixed assets for impairment and evaluates a necessity of preparing impairment write-downs. This takes place when the Group is sufficiently assured that a given asset shall not generate the expected economic benefits or the achieved benefits shall be significantly lower. The impairment loss shall be recognized in the amount by which the balance-sheet value exceeds the recoverable amount. The recoverable amount is the higher of two amounts: fair value less selling costs or value in use.

The write-downs shall be recognized as other costs relevant for the property functions of fixed assets in the period during which the impairment was determined, no later than at the end of the financial year. If it has been established, with sufficient certainty, that the reasons for which a write-down on the value of assets had been made have stopped, the Company shall introduce the reversal of the conducted impairment write-down, in full or in part, by recognition of revenues.

Profits or losses resulting from sales/liquidation or disposal of fixed assets shall be determined as the difference between sales revenues and net value of these fixed assets, and they shall be recognized in the profit and loss statement.

3.6.
Intangible assets

Intangible assets are valuated at acquisition or construction cost less amortization and impairment write-downs. Depreciation is made with a straight--line method.

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

The write-downs shall be recognized as other costs relevant for the property functions of intangible assets in the period during which the impairment was determined, no later than at the end of the financial year. If it has been established, with sufficient certainty, that the reasons for which a write-down on the value of assets had been made have stopped, the Company shall introduce the reversal of the conducted impairment write-down, in full or in part, by recognition of revenues.

Intangible assets of the Group with the depreciation rates:

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

Development works

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

a. it is technically possible to complete an intangible asset so that it is suitable for sale or use,

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

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

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

e. technical and financial measures will be provided in order to complete development works and the asset's use and sale,

f. it is possible to reliably establish the expenditures incurred during development works.

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

Intangible assets under construction include compensation expense, which is recognized along with share-based payments.

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 Group shall treat the expenditures on games as completed and it shall requalify them to the development costs upon the so-called soft launch, which is the release of a game on a few chosen markets.

3.7. 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 valuates an asset by virtue of the right of use, using the cost model, while the liability is valuated through:

a. increasing the balance sheet value to reflect interest on the lease liability,

b. reducing in the carrying amount to reflect the lease payments made; and

c. revaluing the carrying amount to reflect any reassessment or change in the lease, or to reflect revalued substantially fixed lease payments.

Interest on the lease obligation at any time during the lease term is the amount by which a fixed periodic rate of interest is obtained on the outstanding balance of the lease obligation. The interest element of the finance charge is charged to the profit or loss for the current period.

3.8.
Financial instruments

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1. International payment intermediaries (online shops, payment aggregators);
2. Advertising intermediaries;
3. Licensees.

3.9. Transactions in foreign currencies

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

Valuation

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

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

Transactions during the year

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

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

3.10. Pre-payments and accruals

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

3.11. Equity

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

3.12. Share-based payments

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

3.13. Payment of dividends

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

3.14. Provisions

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

3.15. Liabilities

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

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

3.16. Significant balances based on professional judgement and estimates

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

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

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

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

Professional judgement:

Moment of activation of development costs

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

Depreciation period of activated intangible assets

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

Deferred income tax assets and liabilities

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

Fair value of share-based payments

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

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.

FULL TEXT OF THE AGREEMENT
https://play.google.com/intl/ALL_pl/about/developer-distribution-agreement.html

Uncertainty of estimates

Impairment of assets

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

The use of consumables 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:

1. the ability to exchange some goods for other goods;
2. possibility of receiving selected goods for free
3. 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 Group 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 Group 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 Group 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 Group applies the materiality principle. The materiality principle introduces the possibility to apply simplifications, if it does not have a materially negative impact on the reliable and clear presentation of the property and financial situation and financial result. The Group has adopted the amount of PLN 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).

ten square games

IV.

ADDITIONAL NOTES AND EXPLANATIONS TO THE CONSOLIDATED FINANCIAL STATEMENT

1.

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

<table>
<tr><th>2019</th><th colspan="2">2020</th></tr>
<tr><td>Trade receivables</td><td rowspan="2"></td><td rowspan="3">Receivables</td></tr>
<tr><td>Other receivables</td></tr>
<tr><td rowspan="2">Prepayments</td><td>Prepayment</td></tr>
<tr><td>Contract assets</td><td>Contract assets</td></tr>
</table>

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&Liabilties

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

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	Retained earnings
Undistributed financial result	
Financial result of the current period	

rows

2019	2020
Share-based payments	Share-based payments
Adjustment of share-based payments combined with share capital reduction	
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 assers
	Receivables
Change in liabilities and accruals	Trade payables
	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.

SALES 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 sale of services	578 194 656	241 133 094
TOTAL revenue from sales of services	**578 194 656**	**241 133 094**
Other operating income	201 281	48 726
Financial income	83 320	218 885
TOTAL revenue from continuing operations	**578 479 257**	**241 400 705**
TOTAL revenue	**578 479 257**	**241 400 705**

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 Group's financial performance primarily based on 2 metrics: „Bookings" and „Adjusted EBITDA".

Under „Bookings", the Group 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 Group's operations are based on the production and distribution of Free to Play (F2P) games. The Group 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	611 654 530	97,7%	228 071 644	94,3%
advertisements	10 174 349	1,6%	10 135 475	4,2%
licences	4 080 106	0,7%	3 708 752	1,5%
BOOKINGS TOTAL	**625 908 985**	**100,0%**	**241 915 870**	**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	**578 194 656**	**N/D**	**241 133 094**	**N/D**

Revenues from micropayments and licenses are entirely generated by natural persons, while the flow of funds to the Group 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 Group. 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 Group 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 Group 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 Group 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 behaviuor. Accordingly, as of 31 December 2020, the Group 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 Parent Company's Management Board estimates that the impact of the same adjustment in 2021 will have a significantly smaller percentage impact on the Group'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 Group 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 rok	share in bookings in 2020	bookings 2019 rok	share in bookings in 2019
Fishing Clash	562 334 549	89,8%	206 500 718	85,3%
Hunting Clash	16 076 997	2,6%	0	0,0%
Let's Fish	16 477 763	2,6%	15 213 995	6,3%
Wild Hunt	15 395 071	2,5%	9 626 317	4,0%
Others	15 624 605	2,5%	10 574 839	4,4%
BOOKINGS TOTAL	**625 908 985**	**100,0%**	**241 915 870**	**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	**578 194 656**	**N/D**	**241 133 094**	**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 consolidated 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
others	2 987 762	3 228 617	4 798 386	4 609 840
BOOKINGS TOTAL	**95 142 310**	**170 546 205**	**179 833 838**	**180 386 632**
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	**95 237 879**	**169 852 396**	**179 258 549**	**133 845 832**

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	1 227 884	1 368 393	4 226 738	3 751 825
BOOKINGS TOTAL	**45 287 096**	**49 925 696**	**68 067 086**	**78 635 992**
Deferred revenue (unused virtual currency)	16 544	-48 092	-416 592	-334 636
Deferred revenue (unused durables)	0	0	0	0
REVENUES TOTAL	**45 303 640**	**49 877 604**	**67 650 494**	**78 301 356**

2.4. Revenues – by partner

counterparty	bookings 2020 rok	share in bookings in 2020	bookings 2019 rok	share in bookings in 2019
Google Inc.	362 263 244	57,9%	136 455 420	56,4%
Apple Distribution International	224 354 185	35,8%	72 419 227	29,9%
Others (none of which above 10%)	39 291 556	6,3%	33 041 223	13,7%
BOOKINGS TOTAL	**625 908 985**	**100,0%**	**241 915 870**	**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	**578 194 656**	**N/D**	**241 133 094**	**N/D**

2.5.
Revenues – distribution channel

distribution channel	bookings 2020 rok	share in bookings in 2020	bookings 2019 rok	share in bookings in 2019
Mobile	597 167 165	95,4%	219 331 171	90,7%
Browser	28 741 820	4,6%	22 584 699	9,3%
BOOKINGS TOTAL	**625 908 985**	**100,0%**	**241 915 870**	**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	**578 194 656**	**N/D**	**241 133 094**	**N/D**

2.6.
Revenues – geographical breakdown

With regards to bookings analysis per geographical markets, the Group 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 rok	share in bookings in 2020	bookings 2019 rok	share in bookings in 2019
North America	258 775 994	41,3%	101 169 683	41,8%
Europe	245 992 079	39,3%	96 426 051	39,9%
including Poland	31 826 280	5,1%	15 261 950	6,3%
Asia	88 084 808	14,1%	32 945 580	13,6%
South America	18 172 694	2,9%	5 159 616	2,1%
Australia and Oceania	9 801 122	1,6%	4 080 471	1,7%
Africa	5 082 288	0,8%	2 134 470	0,9%
BOOKING TOTAL	**625 908 985**	**100%**	**241 915 870**	**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	**578 194 656**	**N/D**	**241 133 094**	**N/D**

3.

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	653 494
Third-party services	359 274 742	144 979 121
Taxes and fees	2 335 412	609 356
Remuneration	38 009 818	9 406 078
Social insurance and other benefits	3 675 601	1 644 328
Other costs by type	126 889	154 402
Total costs by type, including:	**407 943 325**	**158 597 021**
Costs of rendering of services for internal purposes (negative value)	-2 247 154	-3 004 572
Selling costs (negative)	-343 569 143	-137 154 216
General and administrative costs (negative)	-36 688 631	-7 084 518
Costs of services sold	**25 438 397**	**11 353 715**

Split of selling costs:

Description	01.01.2020 – 31.12.2020	01.01.2019 – 31.12.2019
Selling costs	**343 569 143**	**137 154 216**
marketing:	164 631 427	64 674 742
– *Fishing Clash*	145 287 784	63 265 403
– *Wild Hunt*	1 542 597	1 042 257
– *Hunting Clash*	11 397 341	0
– *other games, events*	6 403 705	367 082
provisions	167 019 929	66 498 951
revenue share	1 751 615	1 517 915
salaries, subcontractor services	7 676 866	3 214 199
others	2 489 306	1 248 409

Description	1Q2020	2Q2020	3Q2020	4Q2020
Selling costs	**48 544 738**	**124 795 326**	**95 253 370**	**74 975 709**
marketing:	19 122 999	72 755 975	40 423 986	32 328 468
– *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	1 257 066
provisions	27 044 419	49 255 530	52 189 581	38 530 399
revenue share	417 224	473 283	421 434	439 675
salaries, subcontractor services	1 559 372	1 683 409	1 613 387	3 207 421
others	400 724	627 129	604 984	469 746

Description	1Q 2019	2Q 2019	3Q 2019	4Q 2019
Costs of sales	**29 688 819**	**29 478 964**	**41 040 733**	**36 945 700**
marketing:	15 487 704	14 286 418	21 210 446	13 690 173
– *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*	44 435	49 250	62 501	210 896
provisions	12 552 593	14 000 307	18 333 228	21 612 824
revenue share	441 691	331 973	347 491	396 760
salaries, subcontractor services	892 588	665 773	728 866	926 972
others	314 243	194 492	420 702	318 971

Cost analyses:

Components of the cost of rendering of services for the entity's own needs	01.01.2020 – 31.12.2020	01.01.2019 – 31.12.2019
Basic remuneration	1 080 881	1 674 352
Third party services	668 149	849 849
Social insurance and other benefits	209 184	273 260
Share-based payments	288 940	207 111
Total	**2 247 154**	**3 004 572**

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	15 256 919	6 498 914
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:	**40 106 415**	**8 895 683**
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	25 304 193	3 617 473

Distribution of depreciation costs	01.01.2020 – 31.12.2020	01.01.2019 – 31.12.2019
Items included in the cost of goods 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	8 176	1 574
Other	3 828	16 547
Total	**925 424**	**1 011 993**

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 INCOME	01.01.2020 – 31.12.2020	01.01.2019 – 31.12.2019
Interest income	83 320	218 885
Total	**83 320**	**218 885**

FINANCIAL COSTS	01.01.2020 – 31.12.2020	01.01.2019 – 31.12.2019
Excess of negative exchange rate differences	679 002	168 355
Others	233 359	2 097
Total	**912 361**	**170 452**

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	**21 045 949**	**8 241 630**
Concerning the financial year	21 045 949	8 241 630
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 consolidated statement of comprehensive income	**19 346 338**	**8 240 010**

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)	**170 945 301**	**84 625 811**
Unrealized exchange rate differences	76 130	32 388
Write-down of receivables (non-deductible)	8 175	1 574
Unused annual leave accrual	276 908	77 451
Cost accruals	1 004 486	42 761
Social Insurance (temporary difference)	0	7 200
Donations (subsequently deducted from income)	876 698	6 300
Other non-tax-deductible costs	465 822	236 321
Amortization of intangible assets	978 157	808 591
Depreciation – lease	1 546 361	
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	**227 838 676**	**85 602 150**
Including income taxed at the rate of 5% (IP Box)	*153 331 258*	*54 280 076*
Including income taxed at the rate of 19%	*74 507 418*	*31 322 074*

The parent 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	1 510 973	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	71 609	0
Other provisions	35 143	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	418 038	537 405
Revaluation of settlements	25 356	0
Total	**443 394**	**537 405**

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 Parent 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.

9.

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 27.

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 Group does not own land in perpetual usufruct.

The Group 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 Group'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: 12 months;
5. Flip This House – net value: 412,521, remaining amortization period: 12 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**

The item „development costs" as of 31.12.2019 consists of the Group's games:

1. Fishing Clash – net value: PLN 255,111.56, remaining amortization period: 18 months;
2. Wild Hunt – net value: 124,122.40, remaining amortization period: 16 months;
3. Golf Rush – net value: PLN 304,224.98, remaining amortization period: 39 months;
4. SoliTales – net value: 453,708.35, remaining amortization period: 45 months;
5. Flip This House – net value: 562,528.59, remaining amortization period: 45 months;
6. Hunting Clash – net value: 1,343,146.89, remaining amortization period: 46 months;

The item „intangible assets under construction" at 31.12.2019 consists of capitalized costs of a modified version of the Golf Rush game – the Group treats this as a new production.

Intangibles – ownership structure

DESCRIPTION	31.12.2020	31.12.2019
Own	4 701 705	3 397 514
Used under a rental, lease or other agreement, including a lease agreement	0	0
TOTAL	**4 701 705**	**3 397 514**

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.

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 valuated at amortized costs
deposit	*857 595*	*590 589*	*Financial assets valuated at amortized costs*
Trade receivables and other receivables	51 662 478	24 236 498	Financial assets valuated at amortized costs
Cash and cash equivalents	236 608 379	75 230 027	Financial assets valuated at fair value

FINANCIAL LIABILITIES	31.12.2020	31.12.2019	Category of financial instruments
Trade liabilities and other liabilities	13 027 834	4 970 232	Financial liabilities valuated at amortized costs

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

12.

RECEIVABLES

Balance structure:

DESCRIPTION	31.12.2020	31.12.2019
Trade receivables	47 589 017	20 737 918
Other receivables	4 073 461	3 498 580
Accruals and deferred income	3 502 788	960 773
Receivables	**55 165 266**	**25 197 271**

12.1. Trade receivables

Trade receivables at 31 December 2020 and 2019 are balances from unrelated parties only.

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

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 Distibution International – 34% at 31 December 2020 compared to 26% at 31 December 2019;

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

Currency structure:

currency	31.12.2020 amount in currency	31.12.2020 valuation	31.12.2020 % share	31.12.2019 amount in currency	31.12.2019 valuation	31.12.2019 % share
PLN	25 032 361	25 032 361	52,60%	11 162 105	11 162 105	53,82%
USD	5 733 350	21 548 224	45,28%	2 371 692	9 006 974	43,43%
EUR	103 763	478 845	1,01%	54 480	232 004	1,12%
RUB	10 132 938	507 660	1,07%	5 242 421	320 312	1,54%
BRL	0	0	0,00%	529	500	0,00%
JPY	0	0	0,00%	213 096	7 450	0,04%
Others	—	21 927	0,04%	—	8 573	0,05%
TOTAL		**47 589 017**	**100%**		**20 737 918**	**100%**

AGE STRUCTURE – OVERDUE	31.12.2020 value of receivables	31.12.2019 value of receivables
not overdue	44 211 099	20 736 599
up to one month	607 355	526
1-3 months	2 247 572	733
3-6 months	522 991	60
6-12 months	0	0
over a year	0	0
Total receivables	**47 589 017**	**20 737 918**

As at the balance sheet dates of 31/12/2020 and 31/12/2019, the Group 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 Group did not create allowances for trade receivables or have receivables pursued in court.

12.2.
Other receivables

DESCRIPTION	31.12.2020	31.12.2019
Other receivables, including:	**4 073 461**	**3 498 580**
– on account of VAT taxreceivable	4 046 461	3 179 440
– deposit for office rental	27 000	207 831
– other	0	111 309

12.3.
Prepayments

SPECIFICATION	31.12.2020	31.12.2019
Registration fees for trademark applications	122 517	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	123 668	5 820
Prepayments	**3 502 789**	**960 774**

13.

CONTRACT ASSETS AND LIABILITIES

The Group estimated the amount of the in-game durable good liability as of 31 December 2020 – 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**

14.

CASH AND CASH EQUIVALENTS

DESCRIPTION	31.12.2020	31.12.2019
Cash at hand and in bank accounts:	**236 608 379**	**75 230 027**
cash on hand	3 776	2 057
cash in bank accounts:	236 604 603	75 227 970
including deposits up to 3 months	190 000 000	0
Total	**236 608 379**	**75 230 027**

As at 31 December 2020, the Group 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.

15.

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.

16.

TRADE LIABILITIES

DESCRIPTION	31.12.2020	31.12.2019
Trade liabilities	**12 708 632**	**4 633 152**
– towards related parties	0	0
– towards third parties	12 708 632	4 633 152

Description	Total	due date			
		overdue		not overdue, payable to	
		31 – 90 days	0 – 30 days	0 – 30 days	31 – 90 days
31/12/2020	**12 392 029**	**0**	**127 765**	**7 709 041**	**4 555 222**
– towards related parties	0	0	0	0	0
– towards third parties	12 392 029	0	127 765	7 709 041	4 555 222
31/12/2019	**4 633 152**	**0**	**0**	**2 690 363**	**1 942 789**
– towards related parties	0	0	0	0	0
– towards third parties	4 633 152	0	0	2 690 363	1 942 789

17.

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:	**635 805**	**330 852**
Flat tTax at source	11 279	362
Personal Income Tax	109 404	54 790
Social insurance contributions (ZUS)	494 947	267 140
State Fund for Rehabilitation of Disabled People (pol. PFRON)	20 175	8 560
Other liabilities	**1**	**6 228**
Other liabilities in total	**635 806**	**337 080**

The Group 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.

18.

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

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

19.

CONTINGENT LIABILITIES

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

20.

PROVISIONS FOR EMPLOYEE BENEFITS

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

DESCRIPTION	As at 01.01.2020	Chances during the year Assumption	Chances during the year Use	As at 31.12.2020
Provision for annual leave	254 054	530 961	254 054	530 961
Provisions for renumeration	0	961 724	0	961 724
TOTAL PROVISIONS	**254 054**	**1 492 685**	**254 054**	**1 492 685**

In the previous reporting period, there were the following changes in provisions for employee benefits:

DESCRIPTION	As at 01.01.2020	Chances during the year Assumption	Chances during the year Use	As at 31.12.2020
Provision for leaves	176 602	254 054	176 602	254 054

21.

EXPLANATIONS TO THE STATEMENT OF CASH FLOWS

DESCRIPTION	31.12.2020	31.12.2019
Cash in the balance sheet	**236 608 379**	**75 230 027**
Unrealized foreign exchange differences	0	0
Total cash and cash equivalents disclosed in the cash flow statement	**236 608 379**	**75 230 027**

22.

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 Group. Credit risk arises in the case of receivables, cash and cash equivalents, deposits, purchased bonds and deposits.

The Group's core business – generating revenues from games – due to its specific nature, is to a negligible extent exposed to this type of risk. The Group 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 Group consistently monitors the inflow of receivables and keeps in touch with customers in case of payment delays. The Group invests its cash in reliable financial institutions (banks). Credit risk concerns the Group to an insignificant extent.

Liquidity risk – this is a risk that arises when the Group encounters difficulties in meeting its obligations related to financial liabilities. The Group maintains liquidity at an appropriate and safe level. Historically, the Group finances itself 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 Group 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 Group's 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 Group, which results in a decrease in the Group's sales revenues. In order to reduce foreign exchange risk, the Group partially mitigates the currency risk in its operations by adjusting the currency cost structure, however, it is not possible to eliminate the Group's foreign exchange risk completely. The Group 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 Group 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 Group 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 Group does not use financial instruments that carry a price risk. The Group 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 Group'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	5 733 350	103 763	10 132 938	–
trade receivables valued at PLN	21 548 224	478 845	507 660	21 927
cash in foreign currency	7 593 029	111 806	719 492	–
cash and cash equivalents valued at PLN	28 537 641	515 961	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	**16 121 360**	**284 347**	**10 852 430**	**–**
net exposure in PLN	**60 590 522**	**1 312 205**	**543 707**	**133 804**

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	2 371 692	54 480	5 242 421	–
trade receivables valued at PLN	9 006 974	232 004	320 312	16 522
cash in foreign currency	3 785 259	80 234	8 964 935	–
cash and cash equivalents valued at PLN	14 375 280	341 678	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	**5 085 990**	**121 048**	**14 207 356**	–
net exposure in PLN	**19 315 064**	**515 481**	**868 069**	**16 522**

The table below presents the Group'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%	+ 6 258 024 / – 6 258 024	+ 2 071 514 / – 2 071 514

23.

CAPITAL MANAGEMENT

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

At present, the Group finances its operations with operating profits and does not use debt financing. The Group 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 Group 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	13 027 834	4 970 232
Cash and cash equivalents	236 608 379	75 230 027
Net debt	**-223 580 545**	**-70 259 795**
Equity	238 050 607	92 144 636
Total capital	**238 050 607**	**92 144 636**
Net equity and debt	**461 631 152**	**162 404 431**

24.

EMPLOYEE BENEFIT PLANS

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

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

25.

INCENTIVE SCHEME

25.1 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 2017-2019	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

25.2
Incentive program for 2021-2022

In May 2020, the Shareholders of the Parent Company adopted an incentive program for key employees and associates of the Group for the years 2021-2022. The Program was established in order to ensure that the persons key to the development of the Group participate in the expected increase in the value of the Group 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 Group'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.

25.3
Incentive program for President of the Management Board Maciej Zuzalek

In the reported period the Parent 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.

26. 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:

26.1. Management

Period	Net purchase 01.01.2020-31.12.2020	Net purchase 01.01.2019-31.12.2019	Remuneration 01.01.2020-31.12.2020	Remuneration 01.01.2019-31.12.2019	Net dividend 01.01.2020-31.12.2020	Net dividend 01.01.2019-31.12.2019
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 renumeration	*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*

ten square games

Period	Net purchase 01.01.2020-31.12.2020	Net purchase 01.01.2019-31.12.2019	Remuneration 01.01.2020-31.12.2020	Remuneration 01.01.2019-31.12.2019	Net dividend 01.01.2020-31.12.2020	Net dividend 01.01.2019-31.12.2019
Arkadiusz Pernal	**48 000**	**126 000**	**140 742**	**51 600**	**3 980 862**	**4 179 357**
– 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.	*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 Chruszczynski (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 Zuzalek (until 21/04/2020)	0	0	3 700	12 000	0	229 635
Rafal Olesinski	0	0	78 854	42 000	2 529	2 048
Marcin Chruszczynski (until 20/05/2020)	0	0	16 258	42 000	0	0
Tomasz Drozdzynski	0	0	46 983	36 000	0	0
Maciej Marszalek	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 Bilos (until 20/05/2020)	0	0	33 777	0	0	0
Kinga Stanislawska (since 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 Chruszczynski (until 31/07/2020)	25 267	0	0	0	0	0
Key personnel (Ten Square Games)	**0**	**0**	**0**	**0**	**b/d**	**b/d**
Family members of key personnel / Management Board (Ten Square Games)	**217 956**	**255 153**	**0**	**0**	**b/d**	**b/d**

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.

26.2. Other affiliated parties

The following table contains transactions between the Parent Company and its subsidiaries and a personally related party.

Period	Net sales 01.01.2020-31.12.2020	Net sales 01.01.2019-31.12.2019	Net purchase 01.01.2020-31.12.2020	Net purchase 01.01.2019-31.12.2019
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
Personally affiliated entities:	**0**	**0**	**0**	**0**
Olesinski i Wspólnicy Spólka komandytowa	0	0	125 606	97 918

As of:	Net receivables 31.12.2020	Net receivables 31.12.2019	Net payables 31.12.2020	Net payables 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**
Olesinski i Wspólnicy Spólka komandytowa	0	0	25 450	0

27.

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.

28.

LEASE AGREEMENTS

On 11 February 2019 the Issuer and Archicom Nieruchomości 5 Spólka z ograniczoną odpowiedzialnością with its registered office in Wroclaw signed a lease agreement concerning office space in the City One office and service building located in Wroclaw 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 Parent Company and Archicom Nieruchomości 5 Spólka z ograniczoną odpowiedzialnością with its registered office in Wroclaw, concerning office space located in the City One office and service building located in Wroclaw 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 Parent Company and its subsidiaries were parties to lease agreements for offices located in Wroclaw at ul. Dlugosza 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 Parent 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 Group recognized the lease payments in the income statement on a straight-line basis over the term of the lease.

29.

LITIGATIONS

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

30.

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.

31.

SHARE OF SUBSIDIARIES NOT INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENT

Not applicable – all subsidiaries have been included in the consolidated financial statement.

32.

INFORMATION ON TRANSACTIONS WITH THE ENTITY AUDITING THE FINANCIAL STATEMENTS

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

CONSOLIDATED FINANCIAL STATEMENT
was approved for issue by the Board of Directors of the Company
on 22 March 2021 and signed by:

PRESIDENT OF THE MANAGEMENT BOARD

Maciej Zużałek

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 March 2021