



ten square\_games

**MANAGEMENT BOARD REPORT  
ON ACTIVITIES  
TEN SQUARE GAMES S.A.  
TEN SQUARE GAMES S.A. GROUP  
FOR THE YEAR 2020  
WROCLAW, 22 MARCH 2021**

**DISCLAIMER**

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



# DEAR SHAREHOLDERS,

2020 was without a doubt a landmark year for TSG. We owe everything we have achieved to our people – the team as a whole and each individual team member at Ten Square Games. This is a team for whom any obstacle is a challenge and a driving force. Despite the difficulties resulting from the turmoil of the pandemic, motivation, fighting spirit and belief in success allowed us to achieve above-average results in many fields in 2020.

As we were entering last year, we were convinced of Ten Square Games' high potential and capabilities, the foundations which were built in previous years. We firmly believed in the strength, prospects and possibilities of our flagship game – Fishing Clash. At the same time, we looked forward to our new products that would complement Fishing Clash. Additionally, as we opened 2020, we knew that we had to work hard to further strategically develop the company.

Like many other businesses, we had to face the new reality of COVID-19. Our work culture and team structure of the organization were put to a real test, which we passed with flying colours. Practically overnight, a team of over 200 people transitioned from office space to working from home. This changed forever our thinking about TSG's growth potential as a company that can grow no matter where it is. It only reinforced our belief that flexibility, internationality and multiculturalism are all in our company's DNA.

The second key decision in the reality of the COVID-19 pandemic was to respond quickly and effectively to the market opportunity and to step up our investment in order to scale Fishing Clash. This title emerged from a hobby niche and in a short time it became one of the most popular sports games in the world hitting the TOP 40 grossing games on Google Play platform. The scaling of Fishing Clash was made possible by two factors.

First, the depth of the game, which was achieved through years of teamwork. And secondly, a brave decision, supported by data analysis, to significantly increase marketing expenditures in a dynamically changing advertising market, which in fact was going through a temporary collapse in spring 2020. In taking the decision to dynamically develop Fishing Clash, we were fully aware that we were increasing the number of our players, who would stay with us for years. The year 2020 confirmed the strength of this game, and we are convinced that this is not the end of the opportunities to develop this product.

In 2020, in addition to celebrating victories, we also came to experience disappointments, which in our industry are an integral part of the process of achieving success. Failures build the spirit of an organization and allow us to redefine goals. This is exactly what happened in the second half of 2020, when we decided to stop developing two games. Those of you who were with us at the time, remember the decision to put Solitales and Flip This House in the so-called „low maintenance mode“. In order to quickly turn this failure into a success, thanks to the released energy of the teams, we focused as much as possible on working on new titles.

At the same time, we watched the growth potential of our new hobby game, Hunting Clash, which entered the TOP 250 grossing games on Google Play in the US in early 2021, less than five months after its global launch. Hunting Clash's strong start confirmed our belief that creating "clash" games is a segment in which we feel at home. This is why we are going to continue to develop this genre. Production of the third game in the series started in the last quarter of 2020, and on top of that we have other, very specific, ideas for new games that are and will continue to be intensively developed in the first half of 2021.

All these decisions resulted in a significant increase in the number of active players in our games, as well as in a corresponding jump in financial performance. In the peak second quarter of 2020, the average monthly number of players in Fishing Clash reached 6.9 million – nearly five times more than a year earlier. Our other products also saw significant increases in player numbers. User payments in our games grew two-and-a-half fold to over PLN 625 million last year, a level that might have seemed unattainable in such a short time even at the beginning of 2020. Adjusted EBITDA grew over 160% in the reporting period to PLN 226 million, cash flow from operations more than tripled and year-end cash balance approached PLN 240 million. Strong financial position gives us a great potential for further investments in business development.

The numbers we are presenting are even more impressive when compared to the growth dynamics of the market in which we operate. According to global independent analyses, the free-to-play segment is the fastest growing part of the gaming market. Its growth is estimated at around 15% per year, whereas we grew by 150% in the same period of time!

The year 2020 was also a time of changes in the Management Board. Our two key founders, Maciej Popowicz and Arkadiusz Pernal, handed over the reins of the company to a new Management Board, the vast majority of which consists of people who have been contributing to TSG's success for years.

Another important event was the decision in June 2020 to expand our strategy. Although our Wrocław studio remains the key fundament of TSG's development, we decided to increase the potential for revenue diversification based on two additional pillars. The first is to build teams and open new studios outside Wrocław, and the second is to look for opportunities to buy external studios (M&A).

A few months after implementing the updated strategy, we gained momentum in new strategic areas. The team in Warsaw is working at full speed on its first title, and the Berlin team leaders are preparing to build a complete studio. We have also become an active player on the M&A market, where after a few months of work we have full access to most, if not all, transactions of interest in the gaming world.

Our decision to further diversify TSG involved growing our team of staff from 220 at the end of 2019 to over 320 today. In 2020, we took a significant step towards internationalizing TSG, where already nearly 30 percent of new team members are coming from abroad. We believe that the know-how accumulated in Wrocław, combined with the experience of people joining TSG from all parts of the world, will allow us to play in the world's premier league of free-to-play game development companies in the long term.

A memorable year, full of twists and turns, is behind us. And yet, the nature of TSG makes us very focused on the future. We have a wealth of opportunities ahead of us, and the strategy we have chosen in 2020 gives us the chance to continue to grow and diversify. The momentum of the first quarter of 2021 reinforces our belief that this year will be just as exciting. Thank you for believing in the potential of Ten Square Games and for the trust you have placed in us.

Best regards,

**Maciej Zużatek**

President of the Management Board





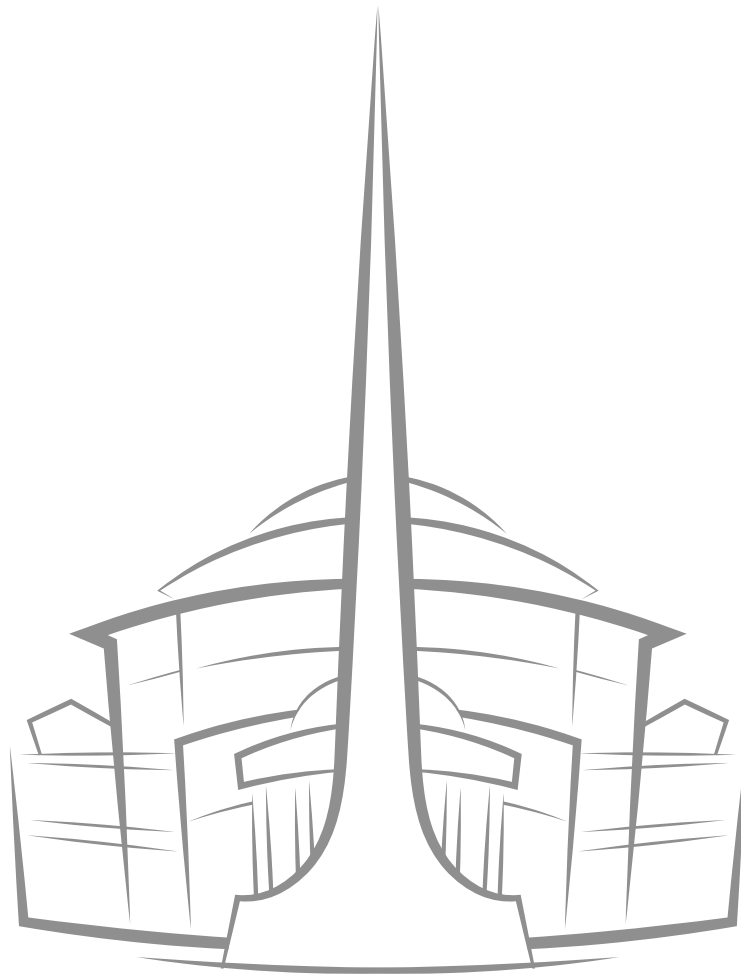
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## CORPORATE INFORMATION

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

### PARENT COMPANY DETAILS:

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





**As at 31.12.2020 the composition of the management and supervisory bodies is as follows:**

### **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

**Wiktor Schmidt**

Vice-President of the Supervisory Board

**Marcin Bilos**

Member of the Supervisory Board

**Tomasz Drozdzyński**

Member of the Supervisory Board

**Maciej Marszałek**

Member of the Supervisory Board

**Kinga Stanisławska**

Member of the Supervisory Board



In the course of the reporting period and until the date of this report, the following changes in the composition of the Management Board 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 Supervisory Board 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.



## THE MANAGEMENT BOARD AS AT 31 DECEMBER 2020

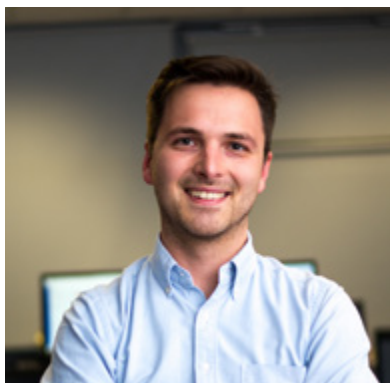


### **Maciej Zużalek** President of the Management Board

Maciej Zużalek has over 20 years of experience working for international companies, including Andersen, E&Y and Enterprise Investors. From 2007 to 2020 he was associated with the international private equity fund Bridgepoint, where he was responsible for its investment activities in Poland and the CEE region as well as investment supervision of the fund's portfolio companies. From 2017 to 2020 he served as Chairman of the Supervisory Board of Ten Square Games Group.

Maciej Zużalek holds a university degree, having graduated from the West Pomeranian University of Technology in Szczecin in Food Technology and from the University of Szczecin in Management and Marketing. He also completed International Master of Business Administration (MBA) studies at the Warsaw University of Technology Business School.

**Areas of expertise and responsibility:**  
strategic management



### **Arkadiusz Pernal** Vice-President of the Management Board

Arkadiusz Pernal is the co-founder and Vice President of the Company since its inception in 2011. At the same time, he is a Member of the Board in TSG subsidiaries: Tiny Dragon Adventure Games Sp. z o.o. and Play Cool Zombie Sport Games Sp. z o.o. Earlier, for 4 years he worked for the Nasza Klasa social network, where from 2007 he was a Member of the Management Board and subsequently from 2009 President of the Board. Arkadiusz Pernal is a graduate of the Wrocław University of Economics.

**Areas of expertise and responsibility:**  
Operations



### **Marcin Chruszczyński** Member of the Management Board

Marcin Chruszczyński has nearly 20 years of professional experience. Between 2001 and 2008 he worked for PwC in the offices in Rotterdam (3 years) and Wrocław (4 years). From 2009 to 2013 he held, in the rank of board member, the position of Finance and Operations Director at Nasza Klasa Sp. z o.o. From 2014 to 2017, he held management positions in the shared service centres of Bank of New York Mellon and Sidel (Tetra Laval Group). Since 2017, he has been a member of the Board of Directors in the consulting company O&W Analytics Sp. z o.o.

From December 2017 until May 2020 Marcin Chruszczyński was a member of the supervisory board of Ten Square Games S.A. He is a graduate of the Cracow University of Economics (Direction Economics) and Hogeschool Brabant, Breda, the Netherlands (Marketing in International Business). Since 2004 he has been a member of ACCA.

**Areas of expertise and responsibility:**  
finance, internal control and management of company resources.







## The shareholding structure of the Parent Company as at 31 December 2020 is as follows:

| 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 <sup>[1]</sup>  | 3 739 649                         | 51,46%                 | 3 739 649              | 51,46%                         |
| Others (none of which above 5% of shares) | 3 527 662                         | 48,54%                 | 3 527 662              | 48,54%                         |
| <b>TOTAL</b>                              | <b>7 267 311</b>                  | <b>100%</b>            | <b>7 267 311</b>       | <b>100%</b>                    |

After 31/12/2020 changes in the ownership of shares took place. The table below presents the shareholders holding directly or indirectly at least 5% of the total number of votes at the General Meeting of Shareholders as at 22/03/2021.

| 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 <sup>[1]</sup>  | 3 022 321                         | 41,59%                 | 3 022 321              | 41,59%                         |
| Others (none of which above 5% of shares) | 4 244 990                         | 58,41%                 | 4 244 990              | 58,41%                         |
| <b>TOTAL</b>                              | <b>7 267 311</b>                  | <b>100%</b>            | <b>7 267 311</b>       | <b>100%</b>                    |

[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.



**31.12.2020**

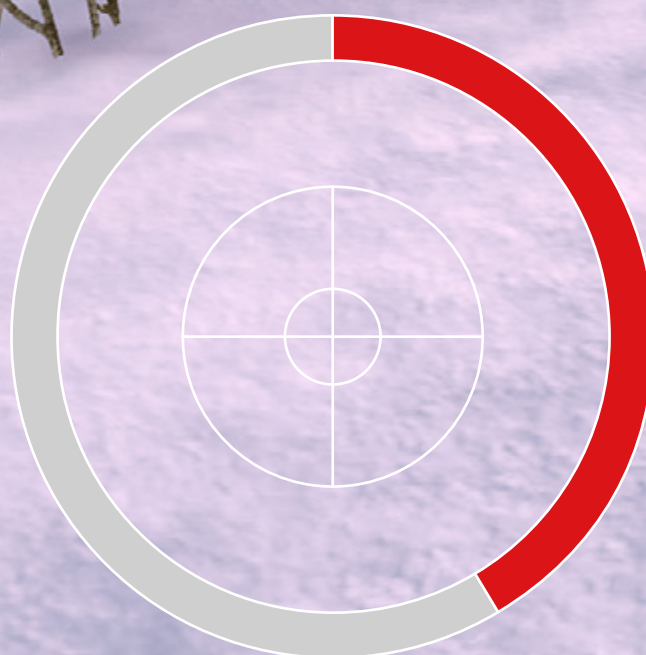
Shareholders'  
Arrangement  
**51,46%**



Others  
**48,54%**

**22.03.2020**

Shareholders'  
Arrangement  
**41,59%**



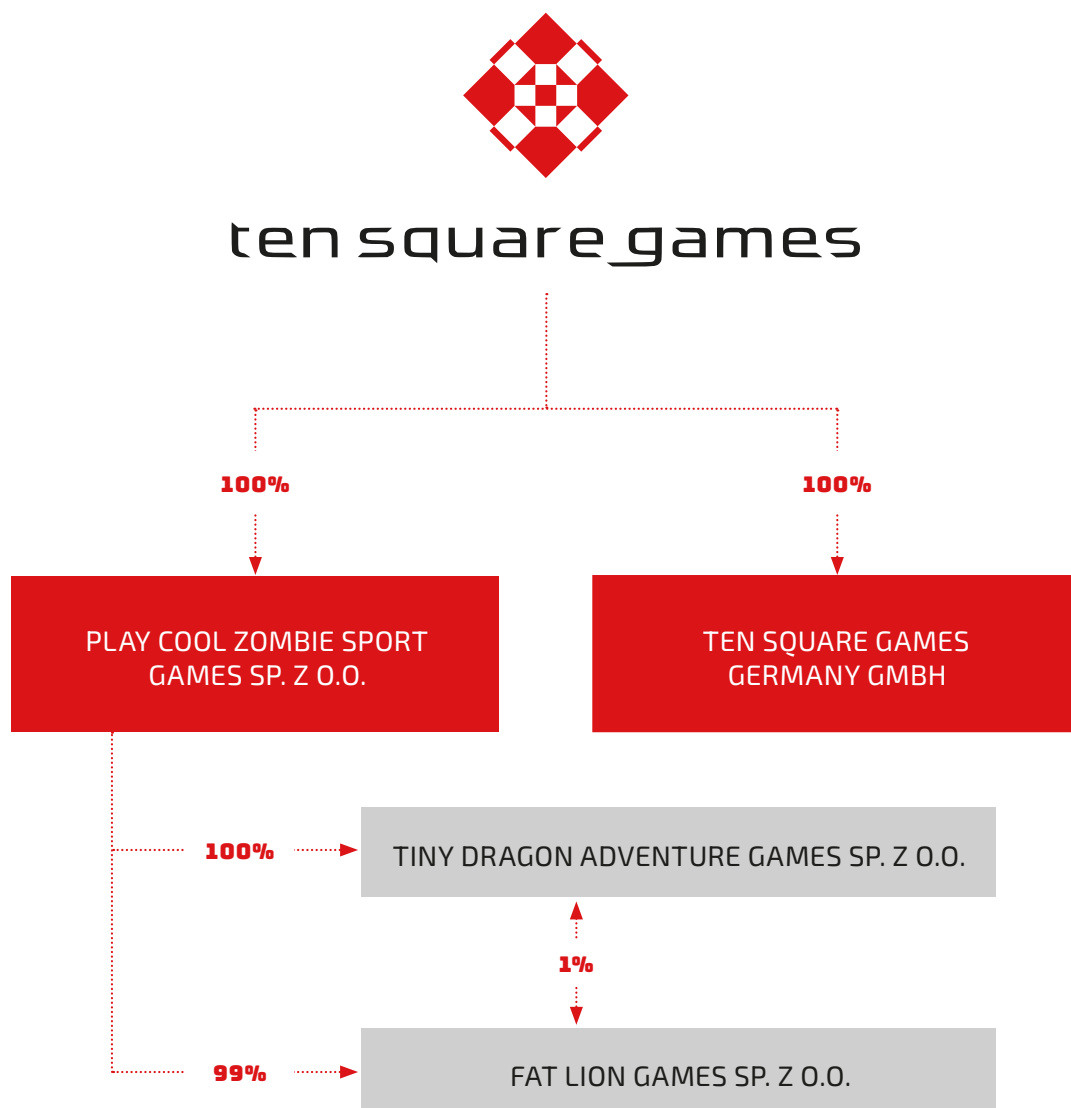
Others  
**58,41%**



## Information on the organizational or capital relations of the issuer with other entities

**and specification of the main domestic and foreign investments, in particular securities, financial instruments, intangible assets and real estate, including capital investments made outside its group of related entities, and description of financing methods**

The diagram below presents the Issuer's relations with other entities as at 31/12/2020 and as at the date of publication of the standalone and consolidated annual report for 2020:



In 2020, as well as from 1 January 2021 until the date of the standalone and consolidated annual report for 2020, the Issuer, as the sole shareholder in Play Cool Zombie Sport Games sp. z o.o. as well as Ten Square Games Germany GmbH, has decisive influence on the direction of activity of all subsidiaries belonging to the Issuer's 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, a subsidiary 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 over time is expected to become a mobile game development studio operationally independent from the Parent Company. Ten Square Games Germany was established on 7 December 2020 (the date of signing of the articles of association) and entered in the commercial register on 25 January 2021.

Information on transactions with related parties  
The Issuer included in the Consolidated Financial Statements (Note 25).

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

The Issuer did not make any other investments (except for investments in its own products – games), including capital investments, in 2020, as well as from 1 January 2021 until the date of the standalone and consolidated annual report for 2020.









## BUSINESS PROFILE

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

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

## REVENUES

### MICRO-PAYMENTS

- » revenues from additional functionalities purchased by the players, significant majority of revenues

### 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





# 3.

## KEY PRODUCTS

In the Q4 and throughout 2020, the most important products of the Group generating revenues were:

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



### FISHING CLASH

#### Mobile game

Launch date:

soft launch: 06.2016

hard launch: 10.2017

Mobile fishing game. Players have the opportunity to take part in a sports competition between anglers in excellent 3D graphics. Since its launch in October 2017, Fishing Clash has established its position as the most important mobile angling game in the world, generating over PLN 562 million in bookings in 2020. Fishing Clash is the biggest game of the Group, and in 2020 the game broke into top 50 grossing games globally in Google Play store.



### HUNTING CLASH

#### Mobile game

Launch date:

soft launch: 10.2019

hard launch: 08.2020

Product targeted at a wide range of players, focusing on collecting and competition. The game features advanced 3D graphics and realistically animated animals. Hunting Clash player has the opportunity to become the best hunter in the world by hunting many of the most famous animal species and collecting different types of weapons. All this while exploring the beautiful scenery of hunting grounds inspired by real-life locations. Since its release in the third quarter of 2020, the game has been among the 200 highest-grossing games on the Android platform in the U.S., generating in 2020 over PLN 16 million in revenue.



## LET'S FISH

### Mobile game app

Launch date:

global launch: 01.2014 – Apple, 06.2014 – Google

### Browser game:

Global launch date: 01.2012

A fishing game with over nine (browser version) and seven years (mobile) of tradition. There are more than 600 species of fish and more than 60 incredible fisheries available in the game. Players can plan their strategy and experience their own fishing adventure. Despite its age, the game still generates significant revenues (over PLN 16 million in 2020).



## WILD HUNT

### Mobile game app

Launch date:

soft launch: 04.2016

global launch: 07.2017

Mobile hunting simulator designed for hunting fans. A player can choose from a variety of hunting weapons. The game offers the opportunity to explore the world created using 3D graphics. Since its launch in 2017, the game has established strong position among players and in 2020 generated revenues of over PLN 15 million.







The background of the entire image is an underwater scene. It features a large, detailed shark swimming towards the viewer in the center. To the left, a large yellow fish is partially visible. To the right, there are several smaller striped fish and some green seaweed. Bubbles are scattered throughout the water. The lighting is a mix of blue and green, with a bright green light source visible in the bottom right corner. The logo for 'FISHING CLASH' is prominently displayed at the top. It has a jagged, comic-book style border. The word 'FISHING' is in a bold, yellow-green font, and 'CLASH' is in a bold, blue font. Both words have a black outline and a slight 3D effect.

# FISHING CLASH

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**562 MLN PLN**

**BOOKINGS IN 2020**

**41 MLN**

**DOWNLOADS IN 2020**

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The background of the entire image is a composite of two nature scenes. The upper portion shows a majestic, snow-dusted mountain peak under a clear blue sky, with a dense forest of evergreen trees at its base. Below this, a calm lake reflects the surrounding greenery. In the lower right foreground, a close-up of a fox's head is visible, looking through the scope of a red and silver rifle. The rifle is pointed towards the left, and its barrel extends across the bottom of the frame. The overall aesthetic is that of a high-quality video game or digital artwork.

# 15 MLN PLN

BOOKINGS IN Q4 2020

# 5.4 MLN

DOWNLOADS IN Q4 2020





# HUNTING CLASH





let's

**16 MLN PLN**

**BOOKINGS IN 2020**



fish

**70 MLN**

NUMBER OF PLAYERS IN LIFETIME



**15 MLN PLN**

**BOOKINGS IN 2020**

**29 MLN**

**NUMBER OF PLAYERS IN LIFETIME**



# WILD HUNT









## KEY FINANCIAL DATA

### CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

|                                | PLN         |             | EUR         |            |
|--------------------------------|-------------|-------------|-------------|------------|
|                                | 2020        | 2019        | 2020        | 2019       |
| Bookings                       | 625 908 985 | 241 915 870 | 139 892 938 | 56 235 964 |
| Net revenues                   | 578 194 656 | 241 133 094 | 129 228 612 | 56 053 999 |
| Cost of sales                  | 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 <sup>[1]</sup>          | 174 860 108 | 85 727 620  | 39 081 871  | 19 928 314 |
| Adjusted EBITDA <sup>[2]</sup> | 226 359 642 | 86 275 561  | 50 592 205  | 20 055 689 |

### CONSOLIDATED CASH FLOW STATEMENT

|  | PLN         |             | EUR        |            |
|--|-------------|-------------|------------|------------|
|  | 2020        | 2019        | 2020       | 2019       |
| 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 |

### CONSOLIDATED STATEMENT OF FINANCIAL POSITION

|                        | PLN         |             | EUR        |            |
|------------------------|-------------|-------------|------------|------------|
|                        | 31.12.2020  | 31.12.2019  | 31.12.2020 | 31.12.2019 |
| 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  |

[1] EBITDA is net income/(loss), before depreciation and amortization, impairment losses (and their reversals) on property, plant and equipment and intangible assets, finance income and expenses, and income taxes

[2] Adjusted EBITDA excludes non-cash revenue recognition adjustment under IFRS 15.15 (impact on 2020 gross profit: minus 33.4 PLN mln) and non-cash expense of the incentive scheme (impact on 2020 gross profit: 18.1 PLN mln), both specified in section 4.1.1




**STANDALONE COMPREHENSIVE INCOME STATEMENT**

|                         | PLN         |             | EUR         |            |
|-------------------------|-------------|-------------|-------------|------------|
|                         | 2020        | 2019        | 2020        | 2019       |
| Bookings                | 622 000 492 | 238 148 125 | 139 019 376 | 55 360 111 |
| Net revenues            | 574 286 163 | 237 365 349 | 128 355 050 | 55 178 146 |
| Cost of sales           | 25 436 249  | 11 347 016  | 5 685 094   | 2 637 737  |
| Operating profit (loss) | 168 457 062 | 81 341 152  | 37 650 767  | 18 908 632 |
| Gross profit (loss)     | 169 339 478 | 81 470 679  | 37 847 990  | 18 938 742 |
| Net profit (loss)       | 150 589 521 | 73 796 395  | 33 657 307  | 17 154 771 |
| EBITDA                  | 171 542 828 | 82 491 394  | 38 340 447  | 19 176 018 |
| Adjusted EBITDA         | 223 042 362 | 83 039 335  | 49 850 780  | 19 303 393 |

**STANDALONE CASH FLOW STATEMENT**

|  | PLN         |             | EUR        |            |
|--|-------------|-------------|------------|------------|
|  | 2020        | 2019        | 2020       | 2019       |
| Net operating cash flow                  | 193 206 116 | 62 702 110  | 43 182 271 | 14 575 785 |
| Net cash flow from investment activities | -4 713 140  | -3 543 312  | -1 053 404 | -823 681   |
| Net cash flow from financial activities  | -26 586 412 | -27 184 000 | -5 942 160 | -6 319 215 |

**STANDALONE STATEMENT OF FINANCIAL POSITION**

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

| EUR/PLN exchange rate   | 2020   | 2019   |
|---|--------|--------|
| – for the statement of financial position 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 under the comprehensive income statement and the cash flow statement, the exchange rate which is the arithmetical average of the exchange rates quoted by the National Bank of Poland at the last day of each month of a given period was adopted.

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

## SPLIT OF **CONSOLIDATED** BOOKINGS BY GAMES BY QUARTERS

| GAME                                 | 1Q 2019           | 2Q 2019           | 3Q 2019           | 4Q 2019           | 1Q 2020           | 2Q 2020            | 3Q2020             | 4Q2020             |
|--------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|--------------------|--------------------|--------------------|
| Fishing Clash                        | 37 524 342        | 43 146 664        | 57 896 490        | 67 933 223        | 84 677 795        | 158 043 812        | 164 256 332        | 155 356 610        |
| Hunting Clash                        | 0                 | 0                 | 0                 | 0                 | 65 559            | 347 467            | 3 361 414          | 12 302 557         |
| Let's Fish                           | 4 095 505         | 3 316 451         | 3 600 089         | 4 201 949         | 3 868 618         | 4 551 211          | 3 708 977          | 4 348 957          |
| Wild Hunt                            | 2 439 365         | 2 094 188         | 2 343 769         | 2 748 995         | 3 542 576         | 4 375 098          | 3 708 729          | 3 768 668          |
| others                               | 1 227 884         | 1 368 393         | 4 226 738         | 3 751 825         | 2 987 762         | 3 228 617          | 4 798 386          | 4 609 840          |
| <b>TOTAL BOOKINGS</b>                | <b>45 287 096</b> | <b>49 925 696</b> | <b>68 067 086</b> | <b>78 635 992</b> | <b>95 142 310</b> | <b>170 546 205</b> | <b>179 833 838</b> | <b>180 386 632</b> |
| Deferred revenues (virtual currency) | 16 544            | -48 092           | -416 592          | -334 636          | 95 569            | -693 809           | -575 289           | -3 370 129         |
| Deferred revenues (durables)         | 0                 | 0                 | 0                 | 0                 | 0                 | 0                  | 0                  | -43 170 671        |
| <b>TOTAL REVENUES</b>                | <b>45 303 640</b> | <b>49 877 604</b> | <b>67 650 494</b> | <b>78 301 356</b> | <b>95 237 879</b> | <b>169 852 396</b> | <b>179 258 549</b> | <b>133 845 832</b> |

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

## **CONSOLIDATED** SELLING COSTS BY QUARTERS

| GAME                                    | 1Q 2019           | 2Q 2019           | 3Q 2019           | 4Q 2019           | 1Q 2020           | 2Q 2020            | 3Q2020            | 4Q2020            |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|--------------------|-------------------|-------------------|
| <b>Selling costs</b>                    | <b>29 688 819</b> | <b>29 478 964</b> | <b>41 040 733</b> | <b>36 945 700</b> | <b>48 544 738</b> | <b>124 795 326</b> | <b>95 253 370</b> | <b>74 975 709</b> |
| marketing:                              | 15 487 704        | 14 286 418        | 21 210 446        | 13 690 173        | 19 122 999        | 72 755 975         | 40 423 986        | 32 328 468        |
| – Fishing Clash                         | 15 060 121        | 14 014 231        | 20 966 520        | 13 224 531        | 18 263 312        | 70 508 454         | 33 387 047        | 23 128 972        |
| – Hunting Clash                         | 0                 | 0                 | 0                 | 0                 | 83 663            | 607 147            | 4 385 558         | 7 863 570         |
| – Wild Hunt                             | 383 148           | 222 937           | 181 426           | 254 746           | 325 446           | 470 675            | 667 616           | 78 860            |
| – other titles, events                  | 44 435            | 49 250            | 62 501            | 210 896           | 450 578           | 1 169 699          | 1 983 765         | 1 257 066         |
| Provisions                              | 12 552 593        | 14 000 307        | 18 333 228        | 21 612 824        | 27 044 419        | 49 255 530         | 52 189 581        | 38 530 399        |
| revenue share                           | 441 691           | 331 973           | 347 491           | 396 760           | 417 224           | 473 283            | 421 434           | 439 675           |
| Payroll, remuneration of subcontractors | 892 588           | 665 773           | 728 866           | 926 972           | 1 559 372         | 1 683 409          | 1 613 387         | 3 207 421         |
| Others                                  | 314 243           | 194 492           | 420 702           | 318 971           | 400 724           | 627 129            | 604 984           | 469 746           |





## **4.1.** **COMMENTS ON THE** **RESULTS – STATEMENT OF** **COMPREHENSIVE INCOME**

### **4.1.1.** **4.1.1. TRANSACTIONS WITH** **A MATERIAL IMPACT ON THE** **STANDALONE AND CONSOLIDATED** **STATEMENTS OF COMPREHENSIVE** **INCOME**

#### **RECOGNITION OF REVENUE OVER** **TIME**

Within games offered by TSG, premium packages, such as coins and pearls (the game's virtual currency), are available to users. Players can convert game currency into either durables, such as fishing rods or lures, or consumables, such as: boosters (+x% of fish weight etc) or another opportunity to draw a card. As required by IFRS 15, revenue from durable virtual goods should be recognized over the period in which a paying user utilizes goods in a game. Until 2019, the Group did not analyze the use of durable goods over time and did not recognize in its financial statements an estimate of the amount of the potential liability for making them available in the game (nevertheless, it did recognize revenue from the sale of virtual currency over time in both 2019 and 2020) because its IT systems did not gather data required to provide a reliable analysis of durable goods use over time.

In 2020 the Group made amendments to its IT systems which enabled collecting data that would allow it to analyze use of durable goods over time. As a result, the Group estimated the amount of deferred revenue (contract liability) related to provision of durable goods in a game as at 31 December 2020 – revenue relating to the purchase of durable virtual goods is recognized over 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 behavior. Accordingly, as of 31 December 2020, the Group deferred durables-related revenue over time only for Fishing Clash – the second leading title Hunting Clash was made available to players globally 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. The negative impact of the aforementioned adjustment related to virtual durable goods amounts to:

- » on revenue – PLN 43.2 million,
- » on operating profit – PLN 30.2 million.

The Management Board estimates that the impact of a similar adjustment in 2021 will have a significantly smaller percentage impact on the Company's and Group's revenues and operating profit than in 2020.

## INCENTIVE PROGRAM OF THE PRESIDENT OF THE MANAGEMENT BOARD

During the reporting period, the Group recognized part of the cost of the dedicated incentive program for the new President of the Management Board, Mr. Maciej Zuzalek. The said incentive scheme provides for a transfer at par value of PLN 0.1 per share of 144,825 shares by the Company's existing shareholders (and not by the Company itself). 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 shall be measured in accordance with the said standard. The market value of the programme amounted to PLN 72.4 million and the non-cash cost will be borne by the Group proportionally over 3 years (12 commenced quarters) starting from 20 May 2020. The cost incurred in 2020 is PLN 18.1 million.

The Management Board, in evaluating of TSG performance and in managing the Group, does not perceive these non-cash transactions (incentive plan and deferral of revenue) as having any impact on operations, and therefore analyses the financial results and plans operational and strategic actions without taking them into account. Therefore, the Company's Management Board has decided to:

- » introduce the indicator „Adjusted EBITDA”, which is a key indicator reflecting the operating performance of the Company and the Group;
- » analyse sales revenues through „Bookings”, which are based on actual payments made by users in a given period and are entirely translated into cash flow generation, and do not take into account the effect of recognizing deferred revenues from the sale of virtual currency and virtual durable goods over time. Analysing revenues (i.e. bookings adjusted for the impact of deferring and recognizing them over time) could lead to completely wrong conclusions from the point of view of user behaviour in the game and management of future game development.





The following tables present a reconciliation of revenues and bookings.

## STANDALONE DATA OF TEN SQUARE GAMES S.A.

| DESCRIPTION                                 | 01.01.2020<br>– 31.12.2020 | 01.01.2019<br>– 31.12.2019 |
|---|----------------------------|----------------------------|
| <b>TOTAL BOOKINGS</b>                       | <b>622 000 492</b>         | <b>238 148 125</b>         |
| Deferred revenues (unused virtual currency) | -4 543 658                 | -782 776                   |
| Deferred revenues (unused durables)         | -43 170 671                | 0                          |
| <b>TOTAL REVENUES</b>                       | <b>574 286 163</b>         | <b>237 365 349</b>         |

## CONSOLIDATED DATA OF TEN SQUARE GAMES GROUP

| DESCRIPTION                                 | 01.01.2020<br>– 31.12.2020 | 01.01.2019<br>– 31.12.2019 |
|---|----------------------------|----------------------------|
| <b>TOTAL BOOKINGS</b>                       | <b>625 908 985</b>         | <b>241 915 870</b>         |
| Deferred revenues (unused virtual currency) | -4 543 658                 | -782 776                   |
| Deferred revenues (durables)                | -43 170 671                | 0                          |
| <b>TOTAL REVENUES</b>                       | <b>578 194 656</b>         | <b>241 133 094</b>         |

The following tables present the calculation of „Adjusted EBITDA“.

## STANDALONE DATA OF TEN SQUARE GAMES S.A.

| DESCRIPTION  | 01.01.2020<br>– 31.12.2020 | 01.01.2019<br>– 31.12.2019 |
|--|----------------------------|----------------------------|
| Profit before tax  | 169 339 478                | 81 470 679                 |
| <b>EBIT</b>  | <b>168 457 062</b>         | <b>81 341 152</b>          |
| Depreciation and amortisation                                | 3 085 766                  | 1 150 242                  |
| <b>EBITDA</b>  | <b>171 542 828</b>         | <b>82 491 394</b>          |
| Non-cash impact of CEO incentive program                     | 18 099 504                 | 0                          |
| Deferred revenue after commissions (unused virtual currency) | 3 180 560                  | 547 941                    |
| Deferred revenue after commissions (unused durables)         | 30 219 470                 | 0                          |
| <b>Adjusted EBITDA</b>                                       | <b>223 042 362</b>         | <b>83 039 335</b>          |

## CONSOLIDATED DATA OF TEN SQUARE GAMES GROUP:

| DESCRIPTION  | 01.01.2020<br>– 31.12.2020 | 01.01.2019<br>– 31.12.2019 |
|--|----------------------------|----------------------------|
| Profit before tax  | 170 945 301                | 84 625 811                 |
| <b>EBIT</b>  | <b>171 774 342</b>         | <b>84 577 378</b>          |
| Depreciation and amortisation                                | 3 085 766                  | 1 150 242                  |
| <b>EBITDA</b>  | <b>174 860 108</b>         | <b>85 727 620</b>          |
| Non-cash impact of CEO incentive program                     | 18 099 504                 | 0                          |
| Deferred revenue after commissions (unused virtual currency) | 3 180 560                  | 547 941                    |
| Deferred revenue after commissions (unused durables)         | 30 219 470                 | 0                          |
| <b>Adjusted EBITDA</b>                                       | <b>226 359 642</b>         | <b>86 275 561</b>          |





#### 4.1.2. COMMENTARY ON THE RESULTS

2020 is another very successful year in the Group's history. Bookings in games amounted to PLN 625.9 million, an increase of 159% compared to the previous year. The continued growth in popularity of the Fishing Clash game, which was heavily developed by the product team in 2020, is mainly responsible for the increase in bookings. Bookings for this title amounted to PLN 562.3 million in 2020, up 172% year-on-year. The game is supported by significant marketing budgets, with costs of PLN 145.3m in 2020 compared to PLN 63.3m in 2019. On a quarterly basis, Q2 2020 saw a sharp increase in marketing expenses compared to the previous quarter (PLN 70.5m vs. PLN 18.3m). This was linked to a temporarily very favourable situation on the advertising market (decline in demand from advertisers resulting in the possibility of cheaper acquisition of new players), caused by sharp reductions of marketing budgets of many industries such as retail and tourism due to the pandemic. The Group, believing in the huge market potential of Fishing Clash, decided to capitalize on the market situation to accelerate the game's user base by leaps and bounds, acquiring them at lower than usual unit prices. From the perspective of the following months, the decision to increase marketing expenditures in Q2 2020 should be considered very successful, as the users acquired then generate significant revenues and, in the opinion of the Management Board, a significant number of them will remain active in the game for years to come.

In Q2 and Q3 2020, we made 3 new games available to users worldwide – Hunting Clash, Solitales and Flip This House. Hunting Clash has performed very well in terms of user engagement and revenue and became the second largest game in TSG's portfolio in Q4 2020. Bookings from this game totalled PLN 16.1 million, with PLN 12.3 million in the fourth quarter alone. The results of Solitales and Flip This House fell short of expectations and targets for these games.

The Management Board decided that, also due to very rapidly growing competition in this market segment, both games do not have sufficiently high growth potential considering TSG's aspirations, and therefore the Parent Company made a decision in November 2020 to stop supporting (also with marketing expenses) these titles and to technically maintain them in the near future with minimal personnel engagement. The teams developing these titles were transferred to work on more promising games.

The Group's oldest title, Let's Fish, had another successful year with bookings of PLN 16.5 million compared to PLN 15.2 million in the previous year. The browser version of this game has been on the market for more than 9 years, which shows that hobby games created by the Group remain popular among users for many years.

Another game, Wild Hunt, similarly to the previous year, generated strong revenue growth – bookings in 2020 amounted to PLN 15.4 million and were higher 60% than the year before. Wild Hunt is a title supported by a relatively small marketing budget, which amounted to PLN 1.5 million in 2020 compared to PLN 1.0 million in the previous year. The increase in marketing spend in 2020 was year-on-year in line with revenue growth.

The „other games” category, despite an increase in bookings from PLN 10.6 million in 2019 to PLN 15.6 million in 2020, was losing significance in the Group's total revenues. The majority of revenues in this group were, as in the previous year, games from the Game Factory segment. The Group does not consider this type of games to be promising, therefore as of the beginning of 2021 the personnel resources dedicated to them were significantly reduced and directed to other projects. Part of the revenue from the „other games” category was also generated by the aforementioned Solitales and Flip This House titles, whose further development will not be continued.



The Group does not record significant seasonality in sales. Level of revenues depends on the life cycle of a given game and the cumulative marketing expenditures over the prior few months.

The cost of services sold includes mainly remuneration of employees and associates of the Company. Significant increase in costs during 2020 is due to an increase in size of teams in the comparative periods and a higher number of active projects. In addition, in order to increase competence of teams, TSG has a policy of enrolling increasingly experienced staff, which is reflected in the increase in personnel costs. For the vast majority of 2020, only one game (Golf Royale) was before the so-called technical launch phase, and therefore a very small (compared to 2018 and 2019) portion of personnel costs was capitalized, with the vast majority expensed in costs of the current period.

The 150% increase in selling costs compared to the prior year is strongly correlated with the 159% increase in bookings. As new content is developed and added to Fishing Clash, the game becomes more attractive and „deeper” for users, so investing in paid user acquisition is a perfectly reasonable action. Additionally, the increase in marketing costs was significantly impacted by the Q2 2020 decline in internet marketing unit prices described in the first paragraph of this section, which TSG capitalized on to invest significant amounts in user acquisition. Another material component of costs, commissions, is fully dependent on bookings levels and as these increase, the amount of commissions increases proportionately.

The increase in general and administrative expenses in 2020 is due to the expansion of company-wide departments – including finance, human resources, HR and an overall increase in the number of staff, which translates into higher office maintenance costs.

Since January 2020, the Company has been working in a new, much larger office in Wroclaw, which also resulted in increased costs, both one-off (related to the move) and recurring (higher rent and maintenance fees). In addition, in the reporting period the Group recognized part of the cost of the dedicated incentive program, described in detail above, for the new President of the Management Board Mr. Maciej Zuzalek. The cost recognized in 2020 amounted to PLN 18.1 million.

The Group's consolidated gross profit in 2020 amounted to PLN 170.9 million and was higher by PLN 86.3 million as compared to 2019, representing an increase of 102%. The Group's consolidated net profit in 2020 amounted to PLN 151.6 million and was higher by PLN 75.2 million compared to 2019, an increase of 98%. Due to the impact of the non-cash transactions described in section 4.1.1, the increase in the Company's and Group's operating results is not adequately reflected by the two ratios above.

In 2021, consolidated adjusted EBITDA amounted to PLN 226.4 million and increased by PLN 140.1 million, i.e. by 162%. This significant increase is primarily attributable to the tremendous growth in users (including paying users) of Fishing Clash, driven by both sizable marketing spend and organic traffic generation as a result of the continued development and addition of new features and content to our flagship product.





## 4.2. COMMENTS ON THE RESULTS – STATEMENT OF FINANCIAL SITUATION

The very significant increase in user payments and the accompanying increase in operating profit translates into:

- » a 215% increase in cash balance from PLN 75.2 million at 31.12.2019 to PLN 236.6 million at 31.12.2020;
- » increase in trade receivables by 129% from PLN 12.7 million as at the end of the previous year to PLN 47.6 million as at 31.12.2020
- » an increase in trade payables by PLN 8.1 million or 174%.

As at 31 December 2020, the balance of "Contract assets" increased by PLN 14.3 million, mainly as a result of the first time adjustment of revenues from the sale of durable virtual goods in 2020 (and related partner commission expenses) in the amount of PLN 13.0 million. Similarly, on the liabilities side, the balance of Contract liability increased by PLN 43.2 million as a result of the above mentioned adjustment of revenues.

A significant change on the assets side is the PLN 8.0 million increase in property, plant and equipment, which results primarily from recognition of an asset related to the lease of office space at the TSG headquarters in Wrocław; as at 31 December 2020, the value of right to use this asset amounts to PLN 7.3 million. On the liabilities side, these items correspond to long – and short-term lease liabilities which amounted to PLN 8.2 million as at 31 December 2020.

Current income tax liabilities increased from PLN 6.1 million to PLN 12.8 million, because during the year the Parent Company pays tax advances based on the actual tax charges for the previous year. Due to a significant increase in pre-tax profit in 2020, as at 31 December 2020 The Parent Company reports a corporate income tax liability of a material amount.

The Group (and the Parent Company) has strong liquidity and has no problems in the collection of receivables and all liabilities are paid on time.

### 4.3.

## COMMENTS ON THE RESULTS – CASH FLOW STATEMENT

The increase in operating cash flow (+192%) is a direct result of excellent financial results, due to the global success of Fishing Clash.

Net cash flow from investment (mainly capitalized games development costs) and financial activities (dividend pay-outs) are similar to in the prior year with regards to amounts and type of transactions.



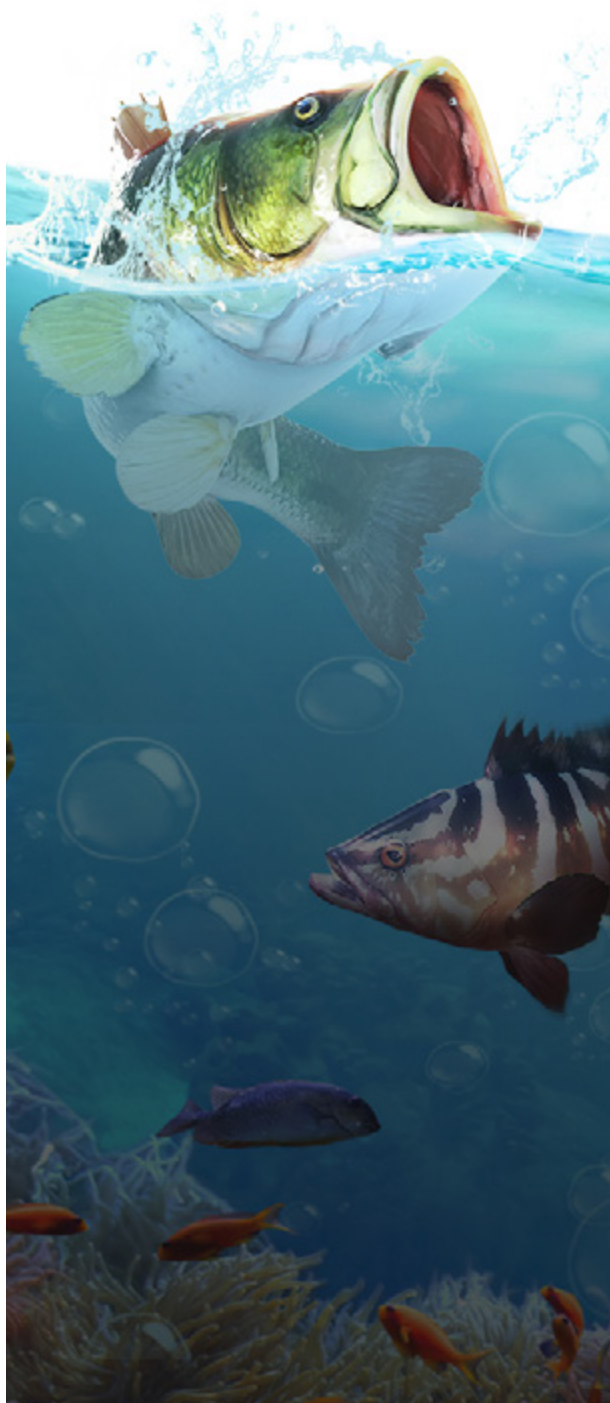


# 5.

## INFORMATION ON MAJOR PRODUCTS/ SERVICES

**WITH AN INDICATION OF THE VALUE AND  
QUANTITY AND THE SHARE OF EACH PRODUCT/  
SERVICE AND EXPLANATION OF CHANGES IN  
THIS RESPECT DURING THE FINANCIAL YEAR.**

The Group focuses on the distribution of games in the F2P (Free-2-Play) model and revenues from games are generated mainly by micro-payments in the game (almost 100% of total revenues). Therefore, the Group does not report the number of products sold, but only the value of sales. In the opinion of the Management Board, the major indicator allowing to determine the popularity of the product is the level of bookings generated by active players.



| GAME                                | 1Q 2020           | 2Q 2020            | 3Q 2020            | 4Q 2020            | razem 2020         |
|-------------------------------------|-------------------|--------------------|--------------------|--------------------|--------------------|
| Fishing Clash                       | 84 677 795        | 158 043 812        | 164 256 332        | 155 356 610        | 562 334 549        |
| Hunting Clash                       | 65 559            | 347 467            | 3 361 414          | 12 302 557         | 16 076 997         |
| Let's Fish                          | 3 868 618         | 4 551 211          | 3 708 977          | 4 348 957          | 16 477 763         |
| Wild Hunt                           | 3 542 576         | 4 375 098          | 3 708 729          | 3 768 668          | 15 395 071         |
| other                               | 2 987 762         | 3 228 617          | 4 798 386          | 4 609 840          | 15 624 605         |
| <b>BOOKINGS IN TOTAL</b>            | <b>95 142 310</b> | <b>170 546 205</b> | <b>179 833 838</b> | <b>180 386 632</b> | <b>625 908 985</b> |
| Deferred revenue (virtual currency) | 95 569            | -693 809           | -575 289           | -3 370 129         | -4 543 658         |
| Deferred revenue (durables)         | 0                 | 0                  | 0                  | -43 170 671        | -43 170 671        |
| <b>REVENUES IN TOTAL</b>            | <b>95 237 879</b> | <b>169 852 396</b> | <b>179 258 549</b> | <b>133 845 832</b> | <b>578 194 656</b> |

| GAME  | 1Q 2020   | 2Q 2020   | 3Q 2020   | 4Q 2020   |
|---|-----------|-----------|-----------|-----------|
| Fishing Clash – MAU <sup>[1]</sup> (average per period) | 2 894 045 | 6 915 710 | 4 165 725 | 3 223 278 |
| Hunting Clash – MAU (average per period)                | 44 658    | 98 120    | 1 239 513 | 1 791 051 |
| Let's Fish – MAU (average per period)                   | 428 742   | 514 341   | 369 797   | 347 293   |
| Wild Hunt – MAU (average per period)                    | 1 293 296 | 1 203 639 | 777 609   | 589 348   |

| GAME                                | 1Q 2019           | 2Q 2019           | 3Q 2019           | 4Q 2019           | razem 2019         |
|-------------------------------------|-------------------|-------------------|-------------------|-------------------|--------------------|
| Fishing Clash                       | 37 524 342        | 43 146 664        | 57 896 490        | 67 933 223        | 206 500 719        |
| Hunting Clash                       | 0                 | 0                 | 0                 | 0                 | 0                  |
| Let's Fish                          | 4 095 505         | 3 316 451         | 3 600 089         | 4 201 949         | 15 213 994         |
| Wild Hunt                           | 2 439 365         | 2 094 188         | 2 343 769         | 2 748 995         | 9 626 317          |
| other                               | 1 227 884         | 1 368 393         | 4 226 737         | 3 751 825         | 10 574 840         |
| <b>BOOKINGS IN TOTAL</b>            | <b>45 287 096</b> | <b>49 925 696</b> | <b>68 067 086</b> | <b>78 635 992</b> | <b>241 915 870</b> |
| Deferred revenue (virtual currency) | 16 544            | -48 092           | -416 592          | -334 636          | -782 776           |
| <b>REVENUES IN TOTAL</b>            | <b>45 303 640</b> | <b>49 877 604</b> | <b>67 650 494</b> | <b>78 301 356</b> | <b>241 133 094</b> |

| GAME                                     | 1Q 2019   | 2Q 2019   | 3Q 2019   | 4Q 2019   |
|--|-----------|-----------|-----------|-----------|
| Fishing Clash – MAU (average per period) | 1 991 253 | 1 435 734 | 1 984 688 | 1 854 046 |
| Hunting Clash – MAU (average per period) | 0         | 0         | 0         | 22 800    |
| Let's Fish – MAU (average per period)    | 499 767   | 459 712   | 432 407   | 384 618   |
| Wild Hunt – MAU (average per period)     | 843 800   | 668 371   | 652 730   | 802 574   |

[1] MAU – monthly active users





# 6.

## INFORMATION ON KEY MARKETS

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

The Group's products are sold globally through stores with mobile applications (mainly Google Play, AppStore) and, to an increasingly lesser extent, with the use of browser channels. Bookings are made by individuals and the Group receives an aggregated amount from its intermediaries (e.g. Google Play). The Group signed (at arm's length) framework agreements with intermediaries. The share of aggregators in bookings is presented in the table below. The increase in the share of AppStore and Google Play results from constant increase in revenues from the mobile channel, mainly due to an increase in revenues from Fishing Clash as well as, in the fourth quarter of 2020, Hunting Clash.



| Counterparty                        | bookings<br>2020 rok | share of<br>bookings<br>2020 | bookings<br>2019 rok | share of<br>bookings<br>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%                        |
| <b>BOOKINGS TOTAL</b>               | <b>625 908 985</b>   | <b>100,0%</b>                | <b>241 915 870</b>   | <b>100,0%</b>                |
| Deferred revenue (virtual currency) | -4 543 658           | N/D                          | -782 776             | N/D                          |
| Deferred revenue (durables)         | -43 170 671          | N/D                          | 0                    | N/D                          |
| <b>REVENUE TOTAL</b>                | <b>578 194 656</b>   | <b>N/D</b>                   | <b>241 133 094</b>   | <b>N/D</b>                   |

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.

The percentage share of individual users from each continent in the Group's total bookings changed marginally in 2021 compared to the previous period – North America and Europe are by far the most important markets for TSG's products.

| region                              | bookings<br>2020 rok | share of<br>bookings<br>2020 | bookings<br>2019 rok | share of<br>bookings<br>2019 |
|-------------------------------------|----------------------|------------------------------|----------------------|------------------------------|
| North America                       | 258 775 994          | 41,3%                        | 101 169 683          | 41,8%                        |
| Europe                              | 245 992 079          | 39,3%                        | 96 426 051           | 39,9%                        |
| <i>including Poland</i>             | 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%                         |
| <b>BOOKINGS IN TOTAL</b>            | <b>625 908 985</b>   | <b>100%</b>                  | <b>241 915 870</b>   | <b>100%</b>                  |
| Deferred revenue (virtual currency) | -4 543 658           | N/D                          | -782 776             | N/D                          |
| Deferred revenue (durables)         | -43 170 671          | N/D                          | 0                    | N/D                          |
| <b>REVENUES IN TOTAL</b>            | <b>578 194 656</b>   | <b>N/D</b>                   | <b>241 133 094</b>   | <b>N/D</b>                   |

Costs incurred by the Group include costs of production, maintenance, distribution and marketing of games. Remunerations of employees and co-workers constitute majority of costs of production and maintenance of titles. Distribution costs are commissions for intermediaries (mobile stores, payment aggregators). Marketing costs are related to the costs of marketing campaigns run by intermediaries.

In none of these cases is the Group obliged to co-operate with a given entity (no binding long-term agreements signed, cooperation based on orders each time). Although the Group does not identify any significant formal dependence on suppliers, it should be noted that majority of the user acquisition costs are generated with Google and Facebook







## BRIEF DESCRIPTION OF THE ISSUER'S MATERIAL ACHIEVEMENTS AND FAILURES

### FAILURES IN THE REPORTING PERIOD, TOGETHER WITH THE SPECIFICATION OF THE MOST IMPORTANT EVENTS RELATED TO THE ISSUER

2020, due to the COVID-19 outbreak, will be remembered in economic history as a very unusual year. Mobile game development is one of the few industries that did very well during the pandemic. The sudden drop in demand for online advertising that occurred at the end of the first quarter created a unique opportunity to acquire new game users at unit prices significantly lower than those prevailing in the preceding months. The Group made a decision, based on thorough analyses, to increase marketing expenditures for its flagship game Fishing Clash multiple times in the second quarter, which resulted in gaining millions of new users. Higher marketing expenses were supported by consistent work on the game's development, which made it possible to increase bookings in Fishing Clash from PLN 206.5 million in 2019 to PLN 562.3 million in 2020, and the game entered the top 50 grossing games in the Google Play store. In the fourth quarter of 2020, percentage of Fishing Clash bookings to total bookings began to decline, primarily due to rapidly growing revenue from Hunting Clash, which had a global release in late August 2020. For all of 2020, Fishing Clash bookings accounted for 89.8% of total bookings, and in the fourth quarter of this year, this share declined to 86.1%, while Hunting Clash's share for that quarter was 6.8%. In 2020, significant revenues were also generated by the older titles Let's Fish and Wild Hunt, bookings for which totalled PLN 31.9m (2019: PLN 24.8m). This underlines the importance of the Group's strategy of building a portfolio of profitable long-life products.

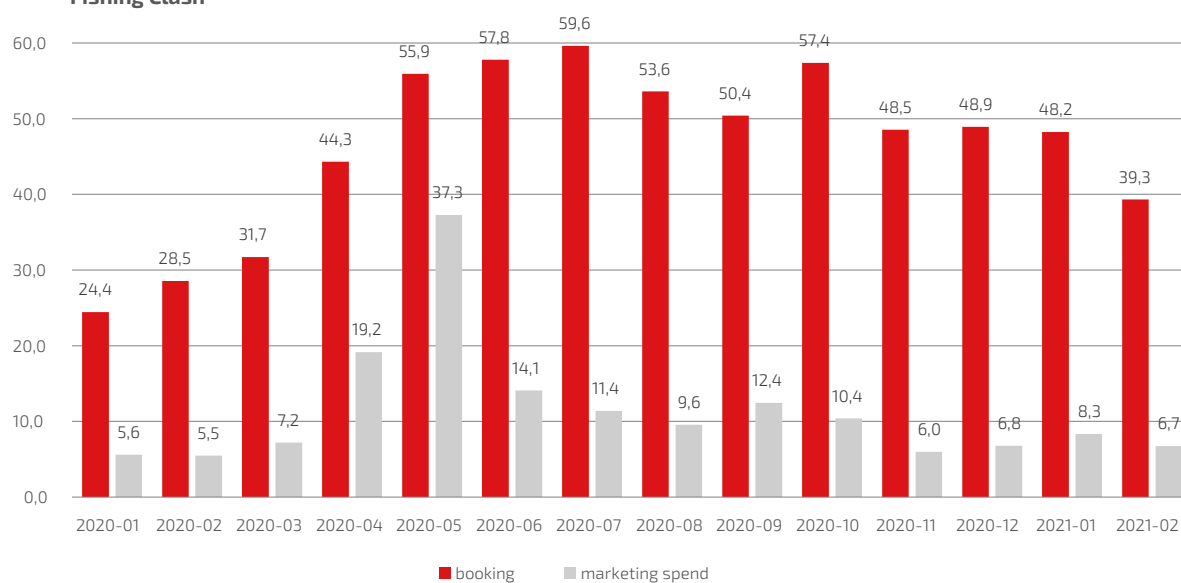
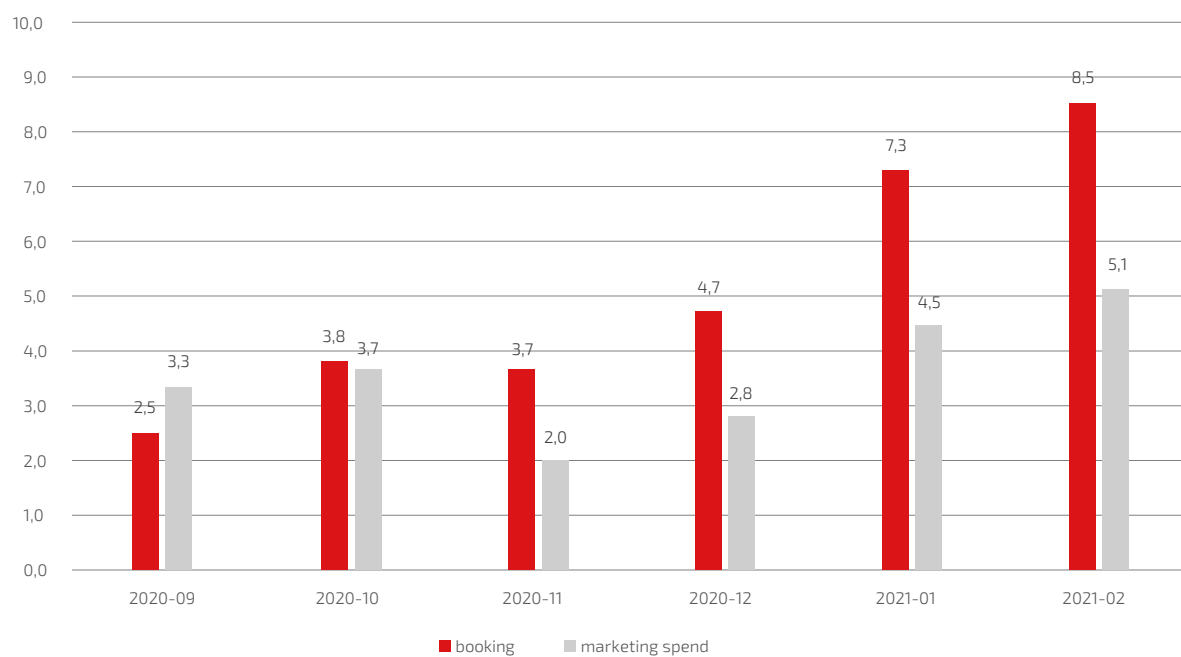
The Group's results were visibly influenced by marketing expenses incurred for the promotion of Fishing Clash. In 2020, marketing expenses reached the total level of PLN 164,6 million, of which PLN 145,4 million was spent on the most popular product. The Group considers the operational effectiveness and profitability of its marketing activities, run based on "smart growing" strategy, to be one of the key elements of Fishing Clash's success.

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

As the COVID-19 outbreak had a negative impact on both the healthcare system and many economic sectors, the Ten Square Games S.A. team decided to support healthcare charities (e.g. the "Wielka Orkiestra Świątecznej Pomocy" – one of the largest charities in Poland), hospitals, and small local businesses that were deprived of revenue sources by the lockdown (e.g. restaurants, catering and event-organizing companies). The total value of support provided in 2020 reached PLN 1 million.

**Monthly payments and user acquisition costs analysis of major games**

Data in PLN mln. Data for January and February 2021 are the Group's estimates

**Fishing Clash****Hunting Clash**



In the second half of 2020, TSG launched new titles – two games for women (Flip This House and SoliTales) and one with a hunting theme (Hunting Clash). Hunting Clash is proving to be a very promising game and the Group is developing it further and making marketing expenditures to attract new users. Flip This House and SoliTales, on the other hand, did not meet objectives set for them – therefore, taking into account significantly increased and growing competition in these segments, the Group decided in November 2020 to stop developing and promoting these titles and to transfer human resources to new projects. Both games are managed in a so-called “low maintenance” mode and will eventually be closed. Another title that the Group has been working on is the Golf Royale game, which entered the technical launch phase in February 2021 and will have a global release later in the year.

In late 2020 and early 2021, the Group began working on new titles.

2020 was also the year in which we developed and began to implement a new strategy, further discussed in section 11 “Expected development of the entity and the Group”. Part of this strategy is also development through acquisitions of other mobile game developers. In 2020, the Group participated in several M&A processes, however none of them resulted in a transaction. In 2021, TSG plans to continue to actively analyze the mobile game developer market in search of attractive entities for strategic cooperation.



## CURRENT AND PROJECTED FINANCIAL SITUATION

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

The table below presents the key performance indicators of the Group and the Parent Company.

| PROFITABILITY INDICATORS         | 2020               | 2019              |
|----------------------------------|--------------------|-------------------|
| <b>EBIT – Group</b>              | <b>171 774 342</b> | <b>84 577 378</b> |
| EBIT – Parent Company            | 168 457 062        | 81 341 152        |
| EBITDA – Group                   | 174 860 108        | 85 727 620        |
| EBITDA – Parent Company          | 171 542 828        | 82 491 394        |
| Adjusted EBITDA – Group          | 226 359 642        | 86 275 561        |
| Adjusted EBITDA – Parent Company | 223 042 362        | 83 039 335        |





| PROFITABILITY INDICATOR – THE GROUP | 2020   | 2019   |
|-------------------------------------|--------|--------|
| Profitability EBITDA*               | 30,24% | 35,55% |
| Profitability adjusted EBITDA**     | 36,16% | 35,66% |
| Profitability EBIT***               | 29,71% | 35,07% |
| Gross profitability                 | 29,57% | 35,10% |
| Net profitability                   | 26,22% | 31,68% |
| ROA                                 | 46,84% | 72,03% |
| ROE                                 | 63,68% | 82,90% |

| PROFITABILITY INDICATOR – PARENT COMPANY | 2020   | 2019   |
|--|--------|--------|
| Profitability EBITDA*                    | 29,87% | 34,75% |
| Profitability adjusted EBITDA**          | 36,39% | 36,23% |
| Profitability EBIT***                    | 29,33% | 34,27% |
| Gross profitability                      | 29,49% | 34,32% |
| Net profitability                        | 26,22% | 31,09% |
| ROA                                      | 47,16% | 71,87% |
| ROE                                      | 64,43% | 83,08% |

Source: Management Board

Principles for the calculation of indicators:

- \* Profitability at the level of operating profit plus depreciation (EBITDA) – (operating profit for the period + depreciation) / revenues from operations;
- \*\* Profitability at the level of Adjusted EBITDA (as defined in Section 4) / bookings;
- \*\*\* Profitability at the level of operating profit (EBIT) – operating profit for the period / revenues from operations; Gross profitability – profit before tax for the period / revenues from operations; Net profitability – net profit for the period / revenues from operations; Return on assets (ROA) – net profit for the period / total assets; Return on equity (ROE) – net profit for the period / total equity.

Profitability ratios remained at very high levels both in 2020 and 2019. Revenue growth (mainly thanks to Fishing Clash) was in line with an increase in operating result, gross result and net result.

## DEBT RATIOS

Due to the fact that the Group (including the Parent Company) did not use external financing in 2019-2020, no debt ratios will be presented.

The structure of liabilities in standalone balance sheet is similar to consolidated data.

At the end of 2020, the Group's equity accounted for 73,5% of total balance sheet value, compared to 86,9% at the end of 2019. The increase in the percentage of liabilities in the balance sheet structure is mainly due to the deferral of virtual durable goods revenue as of December 31, 2020, which resulted in a significant increase in the Contract liability item, which represents 15.4% of assets as of December 31, 2020 (prior year: 1.9%).

| Liquidity ratios                             | 2020 | 2019 |
|--|------|------|
| Current liquidity ratio – the Group          | 3,93 | 7,57 |
| Current liquidity ratio – the Parent Company | 3,88 | 7,35 |

Source: The Group

Principles for the calculation of indicators:

Current liquidity ratio = total current assets / total short-term liabilities

Both in 2020 and 2019 the liquidity ratios remained at a very high level due to generating positive cash flows during the year – consolidated net cash flow from operating activities was nearly 3 times higher than in 2019. The decrease in ratios on 31 December 2020 is primarily due to the deferral of virtual durable goods revenue, which resulted in a significant increase in current liabilities.





# 9.

## DESCRIPTION OF FACTORS AND EVENTS

**INCLUDING THE UNUSUAL ONES, HAVING A SIGNIFICANT IMPACT ON THE FINANCIAL STATEMENT**

The financial statements for the year ended 31 December 2020 are impacted by 2 significant matters discussed in Section 4.1.1 above.





# 10.

## MAJOR ACHIEVEMENTS IN RESEARCH AND DEVELOPMENT

The Group is constantly conducting research and development work related to new games. In 2020, work was conducted on two new games for women (SoliTales and Flip This House) and one with a hunting theme (Hunting Clash). We made them available to users worldwide in the second and third quarters of 2020. The Management Board of the Parent Company evaluates the performance of Hunting Clash very well, therefore this title is and will be intensively developed and expenditures on user acquisition will be incurred. Another title the Group has been working on is Golf Royale, which entered the technical launch phase in February 2021 and will have a global release later in the year. Additionally, at the end of the first quarter of 2020, we started setting up a new design office and development team in Warsaw – this team is working on the release of a new title.

Work is also underway, as in previous years, to improve the Group's core infrastructure and tools, with particular emphasis on the Business Intelligence department – constantly improved predictive and analytical models are key to planning and verifying further development of the product portfolio and marketing activities.

In the opinion of the Management Board, the development projects run currently are aimed at consistent implementation of the strategy and are a chance to broaden the Group's product offer with new profitable, timeless titles.





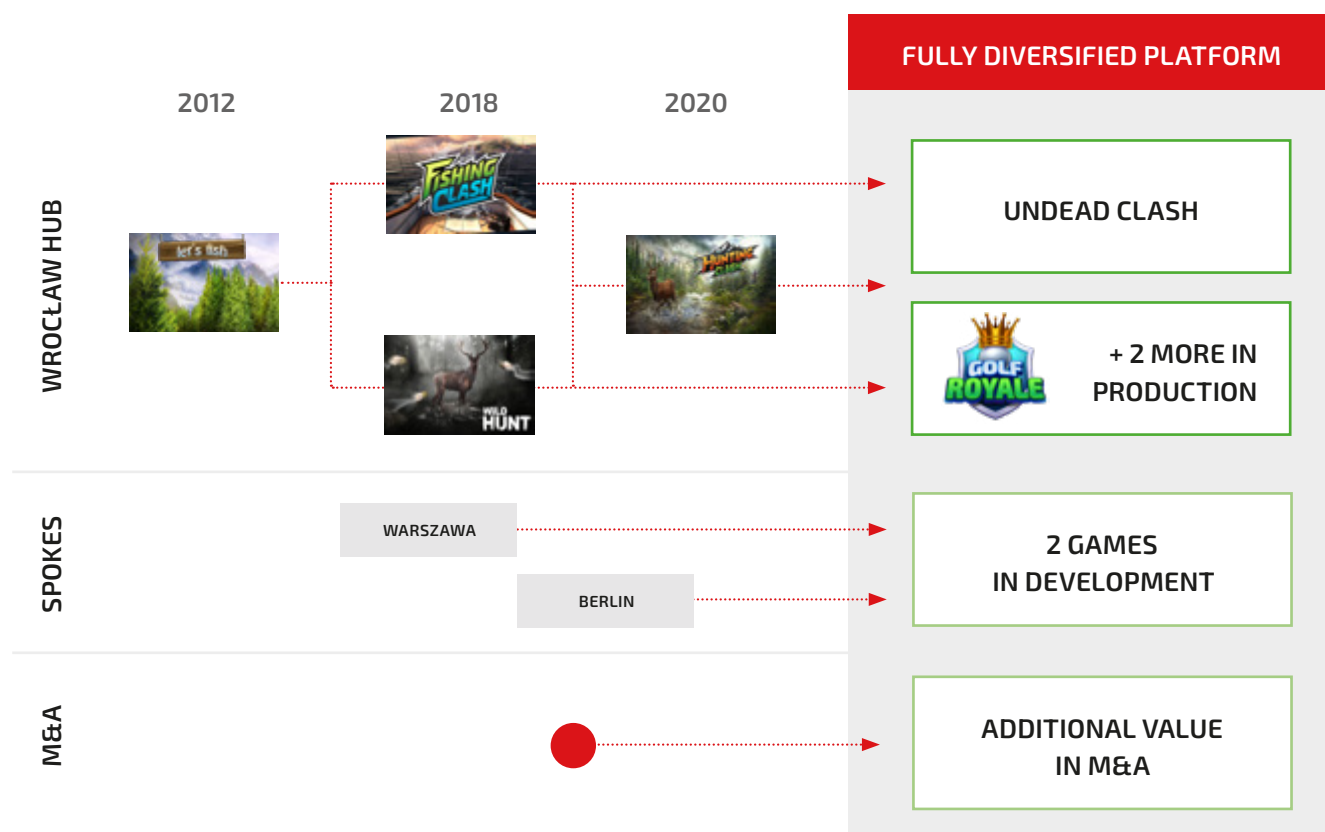
# 11.

## EXPECTED DEVELOPMENT OF THE ENTITY AND THE GROUP

The Group's strategy is based on the search for and innovative combination of the most effective models of games from the Free 2 Play segment in interesting thematic areas. Its implementation involves building a portfolio of timeless products with a long lifespan and deep monetization.

In the opinion of the Management Board, long-time experience in maintaining and developing F2P games and a well thought-out publishing pipeline support consistent implementation of its strategy.

In 2020, the Parent Company's Management Board developed and began implementing a new strategy – its basic assumptions are presented in the graphic below:





The core pillar of future growth is the team in TSG's Wrocław office where new titles will be created and current titles developed. We are constantly increasing the size of our team, especially in product units and business departments supporting them (e.g. Growth, Business development, Business intelligence, Market Insight) – the goal is to have a strong team developing a diversified portfolio of mobile games. An extremely important aspect of building a very strong team of professionals in Wrocław is the ability to provide specialized product support services for the second and third elements of the strategy described below.

The second fundamental element of the strategy is the creation of design studios in new locations. Launched in the first quarter of 2020, TSG's design office in Warsaw continues to work on the development of a new title. Additionally, in the fourth quarter of 2020 the Parent's Management Board made a decision to establish a subsidiary in Berlin, which over time is intended to become a mobile games studio operationally independent from the Parent and additionally to attract to TSG talented employees who do not decide to move to Poland and work within the Parent's structures.

Thirdly, the Group is constantly analysing the free-to-play games market and actively pursuing actions aimed at entering into close cooperation (e.g. through acquisition) with another entity operating in this market. However, M&A transactions are characterized by the fact that it is difficult to estimate when such cooperation may be established.





# 12.

## SIGNIFICANT EVENTS OCCURRING AFTER THE END OF THE REPORTING PERIOD

### **WHICH WERE NOT REFLECTED IN THE FINANCIAL STATEMENT FOR A GIVEN PERIOD**

In the period from 1 January 2021 to 22 March 2021, there were no significant events not reflected in the Group's financial statement.

# 13.

## DESCRIPTION OF SIGNIFICANT RISK FACTORS AND THREATS

### SPECIFYING TO WHAT EXTENT THE ISSUER IS EXPOSED TO THEM

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

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

- » – PLN/EUR and PLN/USD exchange rate. A significant portion of the Group's revenue is generated in foreign currencies, and the Group is therefore exposed to the risk of sudden changes in foreign exchange rates. At present, a significant portion of the costs associated with the purchase of advertising is incurred in U.S. dollars, offsetting the risk of exposure to foreign exchange rate fluctuations. A change in this proportion may happen in the future.
- » Launch on the market of products competitive to the Group's games. Due to low entry barriers for new entrants and easy access to global distribution of new products, the mobile gaming market is competitive. Consumers are offered numerous products, often with similar themes. A competitive market requires the Group to work on continuous improvement of the quality of its products and search for new areas of interest to a wide range of customers.
- » Parameters of the advertising market, such as prices of advertisements purchased by the Group. The Group's economic model is based on the possibility of acquiring players at prices lower than the expected value generated by the players – which was the case in 2020. However it cannot be ruled out that the cost of acquiring a user will exceed the above mentioned profitability threshold.
- » Change in the policy of key distribution platforms such as Google Play, Apple and Facebook, affecting the scope and distribution capabilities of the Group's products. As our games reach users through entities independent of the Group, any change on their part as regards the Group's application promotion policy, application selection and distribution rules may have an impact on the Group's results.

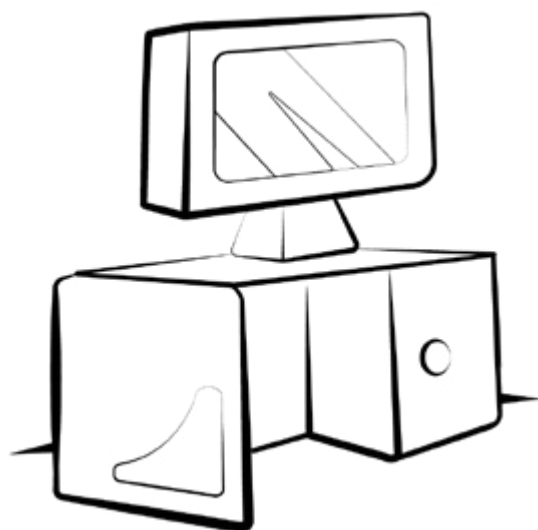




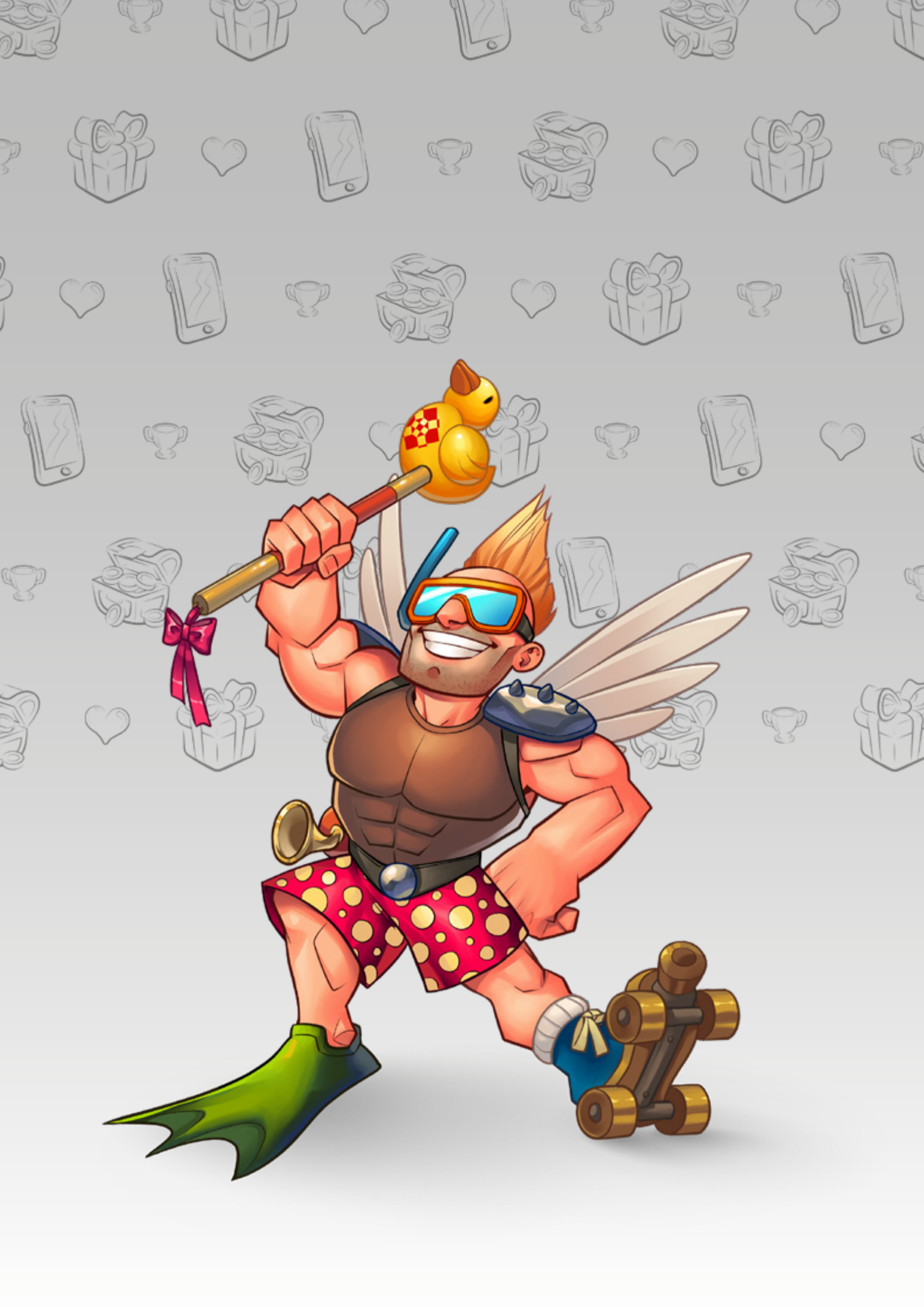
- » Duration of game development. F2P productions are relatively short and low-budget, but here, too, delays in production may occur as a result of difficult access to talent or changes in the market and the resulting changes in the product. Game production is a complex process based to a large extent on creative and artistic work, which often makes it difficult to set a precise production schedule.
- » The ability to maintain and develop a team of developers and other professionals in the field of development of F2P games, as well as attracting talent from Poland and abroad. The market of F2P specialists in Poland is young and shallow. Access to such specialists is of key importance for the Group. In addition, the Group notes strong wage pressure from both existing and new potential employees.
- » The Group's products are consumed by players. The demand for these products may be subject to changing fashions, market trends or sudden changes in the perception of specific customer groups. A change in the macroeconomic situation may also result in a shift in the purchasing behaviour of some customers.
- » Innovation in new technologies in the segment of electronic entertainment. Technological changes that may affect the way games are delivered to consumers and the way they are consumed cannot be ruled out. This may necessitate rapid adaptation of the Group's products to new realities.
- » If the Group takes steps to take over external entities or projects, the Group will be exposed to business risk related to their correct valuation and subsequent integration. This may affect the Group's financial results in the future.
- » The Group's operations depend on the proper functioning of IT systems and technical infrastructure, networks and servers. As a result of failure of the technical infrastructure, the Group's products may be interrupted, which makes it impossible for the Group to conduct its daily operations. Any system failure or access to data by unauthorized persons may result in loss or disclosure of data, reduction of sales revenues, necessity to incur unforeseen costs or penalties.
- » Due to its business profile, the Group is exposed to hacking attacks on its technology infrastructure. The Group takes a number of measures to mitigate this risk.

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

In addition, a new risk (since the beginning of February 2020) to the Group's operations is the unfavourable development of the situation related to the continuing effects of the spread of COVID-19 coronavirus. On 12 March 2020, the Group decided to change the mode of operation from stationary work in the Wrocław office to remote work. The remote working model was subsequently used by the Group for a significant part of 2020 and 2021 (until the date of this report). The fact of operating under the remote working model has not had a material impact on the Group's operating efficiency to date.







# 14.

## CHARACTERISTICS OF EXTERNAL AND INTERNAL FACTORS

### SIGNIFICANT FOR THE DEVELOPMENT OF THE ISSUER'S BUSINESS

In 2021 the Group intends to continue development of its operations in the existing areas, i.e. develop its current portfolio and create new projects in the Free 2 Play mobile game apps segment.

Further development of Fishing Clash will have key impact on the Group's results. The improvement of results, both in the area of product and marketing, may significantly influence the result of subsequent quarters. In order to use its potential, the Group is continuing the optimization of live-ops, developing the functionalities of the product and incurring user acquisition costs.

Equally important to the development of TSG will be the growth rate of the number of active users and bookings for the Hunting Clash. The first months after the global premiere show that this title has a very high growth potential, which is why we have engaged a very strong team of product specialists for its further development.

External factors which may influence the Group's results are: the exchange rate of American dollar, the appearance of competitive games on the market, the parameters of advertising market, such as the prices of advertisements bought by the Group or a change of policy of crucial distribution platforms, such as Google Play, Apple and Facebook which may influence the scope and possibility of distribution of the Group's products. The eventual publication of Fishing Clash and its success in the Chinese market is also regarded by the Group as an external factor.

External factors coincide with the Group's main risks. Internal factors include outflow of staff, delays in game production or the risk of inaccuracy of estimates and trends on the basis of which the Management Board makes decisions regarding the development of the Group's products or incurring costs (including user acquisition expenditures).

Finally, further developments related to the global COVID-19 pandemic should be mentioned. The Parent Company's Management Board estimates that the prolonged emergency situation in many countries (including the North American and European markets of key importance to TSG) will not have a significant impact on the Group's economic situation or its growth prospects.





# 15.

## AGREEMENTS WHICH MAY RESULT IN FUTURE CHANGES

### CHANGES IN THE PROPORTIONS OF SHARES HELD BY SHAREHOLDERS

Agreements that may affect future changes in the proportions of shares held by shareholders are those relating to the incentive scheme.

Details of the plan are described in note 25 in the consolidated financial statement.

# 16.

## THE MANAGEMENT BOARD'S STANCE

### ON THE POSSIBILITY OF FULFILMENT OF PREVIOUSLY PUBLISHED FORECASTS FOR A GIVEN YEAR IN THE LIGHT OF THE RESULTS PRESENTED IN THE QUARTERLY REPORT, COMPARED TO THE FORECASTED RESULTS

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

# 17.

## SEASONALITY OR CYCLICALITY OF OPERATIONS

The Group's activity is not seasonal.



# 18.

## CREDITS, LOANS, WARRANTIES

Ten Square Games S.A. granted in 2020 to unrelated parties loans on market terms (fixed interest rate at 2%, tenure of 1 year) for a total amount of PLN 885 thousand. These loans should be repaid with interest in 2021.

Ten Square Games S.A. and none of its subsidiaries, as at 31 December 2020 and as at the date of issue of the financial statement, was not a party to credit or loan agreements other than described in previous sentence. The Issuer and its subsidiaries did not grant any warranties or sureties during the reporting period.





# 19.

## ACQUISITION OF OWN SHARES

No acquisition of own shares took place.

# 20.

## AFFILIATED BRANCHES (PLANTS) OWNED BY THE ENTITY

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



# 21.

## FINANCIAL INSTRUMENTS

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

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

### **21.2.** **Financial instruments within the scope of the entity's objectives and methods of financial risk management, including methods of hedging material types of planned transactions for which hedge accounting is applied**

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





# 22.

## INFORMATION ON CONCLUDED AGREEMENTS SIGNIFICANT FOR THE ISSUER'S OPERATIONS

**INCLUDING AGREEMENTS CONCLUDED BETWEEN SHAREHOLDERS KNOWN TO THE ISSUER, INSURANCE  
AGREEMENTS, COOPERATION AGREEMENTS OR COOPERATION AGREEMENTS**

On 11 February 2019 the Parent Company and Archicom Nieruchomości 5 Spółka z ograniczona odpowiedzialnością with its registered seat in Wrocław entered into a lease agreement concerning office space located in the City One office and service building developed within the City Forum project located in Wrocław at ul. Traugutta 45. The agreement was concluded for a definite period of 5 years. The lease period began on 02.01.2020, i.e. on the date of taking over the leased object and will end on 02.01.2025. The office space covered by the lease agreement is used by the Issuing Party in order to conduct business activity. Terms and conditions of the lease agreement do not differ from market standards used in agreements of this type.

On 21 January 2020 the Parent Company concluded another agreement with Archicom Nieruchomości 5 Spółka z ograniczona odpowiedzialnością with its registered office in Wrocław for the lease of office space in the same building as the agreement indicated above. The need to lease additional space is related to the increase in the number of employees and collaborators. The new office space was made available to the Issuer on 15 September 2020 and the lease period is 5 years from the date of taking over the object of lease. The office space covered by the lease agreement is used by the Company for business activity. The terms and conditions of the lease agreement do not deviate from market standards applied in agreements of this type.



On 21 October 2019 the Shareholders' Arrangement was concluded, as a result of which, as at the date of conclusion of the Agreement, the Members of the Agreement held a total of 4,603,750 shares in the Company, constituting 63.58% of the share capital, entitled to 4,603,750 votes at the General Meeting of Shareholders of the Company, constituting 63.58% of the total number of votes at the General Meeting of Shareholders of the Company, which the Company informed about in current report no. 30/2019. Among the Members of the Agreement are Maciej Popowicz and Arkadiusz Pernal.

In January 2020 and January 2021 transactions of sale of the Company's shares by Maciej Popowicz and Arkadiusz Pernal took place, in the process of accelerated book-building addressed only to selected investors meeting specific criteria. The Parent Company informed about these transactions in current reports no. 10/2020 of 31 January 2020 and 6/2021 of 15 January 2021.

As of 20 May 2020, Mr. Maciej Zuzalek, who was employed in the Parent Company on the basis of a managerial contract, became the President of the Management Board.

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





# 23.

## ASSESSMENT OF FINANCIAL RESOURCES MANAGEMENT

**INCLUDING THE ABILITY TO MEET THE ISSUER'S OBLIGATIONS, AND IDENTIFICATION OF ANY THREATS AND ACTIONS THAT THE ISSUER HAS UNDERTAKEN OR INTENDS TO UNDERTAKE IN ORDER TO COUNTERACT SUCH THREATS**

The Parent Company and its subsidiaries have a high level of cash as at 31 December 2020 and 31 December 2019. The Group companies settle their liabilities on time. The Group companies also do not encounter problems with collection of receivables – the vast majority of amounts relating to a given month are settled within the next 4-5 weeks. In the opinion of the Management Board, the Issuer's current financial situation does not require taking any additional steps to counteract the above-mentioned threats.



# 24.

## ASSESSMENT OF THE POSSIBILITY OF REALIZATION OF INVESTMENT PLANS

**INCLUDING CAPITAL INVESTMENTS, IN COMPARISON TO THE AMOUNT OF FUNDS HELD, TAKING INTO  
ACCOUNT POSSIBLE CHANGES IN THE STRUCTURE OF FINANCING OF THIS ACTIVITY.**

Cash available as at 31 December 2020 amounted to PLN 236.6 million, therefore the Group has full capacity to develop the existing product portfolio and create new ones. The Group is also interested in acquiring other entities operating on the F2P games market – if the Parent's Management Board considers it advantageous to acquire a large entity, it is not precluded to obtain external financing. Such steps will be taken if a favourable investment opportunity arises.







# 25.

## INFORMATION ON THE CONTROL SYSTEM OVER EMPLOYEE SHARE PROGRAMS

The Company's share-based incentive scheme covering the activities of the Company and its Group in 2018-2020 was approved at the General Meeting on 15 March 2018 and partially modified on 14 January 2019 (shareholders' resolution).

The Company's share-based incentive program covering the Company's and its Group's operations from 2021 to 2022 was approved by the General Meeting on 20 May 2020.

Detailed regulations of the programmes were also approved by the shareholders in the form of resolutions. Implementation of the programmes is overseen directly by the Supervisory Board and the Management Board of the Issuer.

# 26.

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

As at 31 December 2020 and as at 31 December 2019, the Group did not have any significant off-balance sheet items.

27.

## VALUE OF REMUNERATION, AWARDS OR BENEFITS

INCLUDING THOSE RESULTING FROM INCENTIVE OR BONUS SCHEMES BASED ON THE ISSUER'S CAPITAL FOR MEMBERS OF THE ISSUER'S MANAGEMENT, SUPERVISORY OR ADMINISTRATIVE BODIES

| Period   | Net purchase<br>01.01.2020-<br>31.12.2020 | Net purchase<br>01.01.2019-<br>31.12.2019 | Remuneration<br>01.01.2020-<br>31.12.2020 | Remuneration<br>01.01.2019-<br>31.12.2019 | Net dividend<br>01.01.2020-<br>31.12.2020 | Net dividend<br>01.01.2019-<br>31.12.2019 |
|--|---|---|---|---|---|---|
| <b>Management Board</b>  | <b>110 709</b>                            | <b>288 000</b>                            | <b>19 095 519</b>                         | <b>320 610</b>                            | <b>4 264 362</b>                          | <b>12 989 687</b>                         |
| <b>Maciej Popowicz (until 20/05/2020):</b>                                   | <b>62 709</b>                             | <b>162 000</b>                            | <b>21 275</b>                             | <b>57 600</b>                             | <b>0</b>                                  | <b>8 733 785</b>                          |
| – 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   |
| <b>Maciej Zuzalek (since 20/05/2020)</b>                                     | <b>0</b>                                  | <b>0</b>                                  | <b>18 608 045</b>                         | <b>0</b>                                  | <b>189 000</b>                            | <b>0</b>                                  |
| – Ten Square Games S.A. – cash remuneration                                  | 0   | 0   | 508 541                                   | 0   | 189 000                                   | 0   |
| – Ten Square Games S.A. – share-based incentive program recognized over time | 0   | 0   | 18 099 504                                | 0   | 0   | 0   |
| – Play Cool Zombie Sport Games Sp. z o.o.                                    | 0   | 0   | 0   | 0   | 0   | 0   |
| – Tiny Dragon Adventure Games Sp. z o.o.                                     | 0   | 0   | 0   | 0   | 0   | 0   |
| – Fat Lion Games Sp. z o.o.  | 0   | 0   | 0   | 0   | 0   | 0   |
| <b>Arkadiusz Pernal</b>  | <b>48 000</b>                             | <b>126 000</b>                            | <b>140 742</b>                            | <b>51 600</b>                             | <b>3 980 862</b>                          | <b>4 179 357</b>                          |
| – 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   |





| Period   | Net purchase<br>01.01.2020-<br>31.12.2020 | Net purchase<br>01.01.2019-<br>31.12.2019 | Remuneration<br>01.01.2020-<br>31.12.2020 | Remuneration<br>01.01.2019-<br>31.12.2019 | Net dividend<br>01.01.2020-<br>31.12.2020 | Net dividend<br>01.01.2019-<br>31.12.2019 |
|--|---|---|---|---|---|---|
| <b>Magdalena Jurewicz(until 31/07/2020):</b>                                     | <b>0</b>                                  | <b>0</b>                                  | <b>164 567</b>                            | <b>211 410</b>                            | <b>94 500</b>                             | <b>76 545</b>                             |
| – 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   |
| <b>– Fat Lion Games Sp. z o.o.</b>   | <b>0</b>                                  | <b>0</b>                                  | <b>1 086</b>                              | <b>0</b>                                  | <b>0</b>                                  | <b>0</b>                                  |
| <b>Marcin Chruszczynski (since 01/08/2020)</b>                                   | <b>0</b>                                  | <b>0</b>                                  | <b>160 890</b>                            | <b>0</b>                                  | <b>0</b>                                  | <b>0</b>                                  |
| – 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   |
| <b>Supervisory Board (Ten Square Games S.A.)</b>                                 | <b>0</b>                                  | <b>0</b>                                  | <b>321 877</b>                            | <b>222 500</b>                            | <b>187 749</b>                            | <b>392 428</b>                            |
| Maciej Zuzalek (until 21/04/2020)  | 0   | 0   | 3 700                                     | 12 000                                    | 0   | 229 635                                   |
| Rafał 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 Drozdzyński   | 0   | 0   | 46 983                                    | 36 000                                    | 0   | 0   |
| Maciej Marszałek   | 0   | 0   | 43 516                                    | 18 000                                    | 185 220                                   | 160 745                                   |
| Milena Olszewska-Miszuris (until 20/05/2020)                                     | 0   | 0   | 19 258                                    | 36 500                                    | 0   | 0   |
| Wiktor Schmidt   | 0   | 0   | 46 483                                    | 36 000                                    | 0   | 0   |
| Marcin Bilos (until 20/05/2020)  | 0   | 0   | 33 777                                    | 0   | 0   | 0   |
| Kinga Stanisławska (since 20/05/2020)  | 0   | 0   | 33 048                                    | 0   | 0   | 0   |
| <b>Affiliates (Ten Square Games S.A.)</b>  | <b>132 307</b>                            | <b>0</b>                                  | <b>0</b>                                  | <b>0</b>                                  | <b>8 318 979</b>                          | <b>0</b>                                  |
| 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   |
| <b>Key personnel (Ten Square Games)</b>  | <b>0</b>                                  | <b>0</b>                                  | <b>0</b>                                  | <b>0</b>                                  | <b>b/d</b>                                | <b>b/d</b>                                |
| <b>Family members of key personnel /<br/>Management Board (Ten Square Games)</b> | <b>217 956</b>                            | <b>255 153</b>                            | <b>0</b>                                  | <b>0</b>                                  | <b>b/d</b>                                | <b>b/d</b>                                |

# 28.

## AGREEMENT WITH THE AUDITOR

The selection of an audit firm to audit the annual standalone and consolidated financial statements for the financial year 2019 and 2020 was made by the Company's Supervisory Board in the form of a resolution adopted on 17 May 2019 after the recommendation presented by the Audit Committee. The Supervisory Board appointed an auditing firm PKF Consult Sp. z o.o. sp. k. to review the semi-annual financial statements of Ten Square Games S.A. and the semi-annual consolidated financial statements of Ten Square Games S.A. Group for the periods from 01.01.2019 to 30.06.2019, from 01.01.2020 to 30.06.2020 and from 01.01.2021 to 30.06.2021,

as well as audit of the annual standalone financial statements of Ten Square Games S.A. and annual consolidated financial statements of 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.

Other than the audit agreement, the Issuer has not entered into any other agreements with PKF Consult Sp. z o.o. sp.k. in 2019 or 2020.

| Description  | costs in 2020 | costs in 2019 |
|--|---------------|---------------|
| audit of the consolidated and standalone financial statements for 2020 (201)                     | 42 761        | 42 761        |
| review of the consolidated and standalone financial statements for the first half of 2020 (2019) | 25 202        | 25 202        |
| <b>TOTAL</b>   | <b>67 963</b> | <b>67 963</b> |





# 29.

## INFORMATION ON TRANSACTIONS CONCLUDED BY THE ISSUER

**OR ITS SUBSIDIARY WITH RELATED PARTIES ON TERMS OTHER THAN MARKET TERMS, TOGETHER WITH  
THEIR AMOUNTS AND INFORMATION SPECIFYING THE NATURE OF SUCH TRANSACTIONS**

In 2020, as well as from 1 January 2021 until the date of publication of the standalone and consolidated annual report for 2020, the Issuer and its subsidiaries did not enter into any significant transactions with related parties under conditions other than market conditions.

# 30.

## ISSUE OF SECURITIES

**USE OF PROCEEDS FROM THE ISSUE OF SECURITIES IN THE PERIOD COVERED BY THE REPORT**

In 2020, as well as from 1 January 2021 until the date of publication of the standalone and consolidated annual report for 2020, no issue of the Issuer's securities took place.



# 31.

## CHANGES IN THE BASIC PRINCIPLES OF MANAGEMENT OF THE ISSUER AND ITS GROUP

In 2020, as well as from 1 January 2021 until the date of publication of the standalone and consolidated annual report for 2020, the Issuer did not make any changes to the basic principles of management of the Issuer's enterprise and its Group.





# 32.

## AGREEMENTS CONCLUDED BETWEEN THE ISSUER AND MANAGEMENT BOARD MEMBERS

### **PROVIDING FOR COMPENSATION IN CASE OF RESIGNATION OR DISMISSAL FROM THEIR FUNCTION WITHOUT AN IMPORTANT REASON OR IF THEIR DISMISSAL RESULTS FROM THE ISSUER'S MERGER VIA ACQUISITION**

In 2020, as well as from 1 January 2021 until the date of publication of the standalone and consolidated annual report for 2020, the Issuer did not conclude any agreements with members of the Management Board providing for compensation in the event of resignation or dismissal from the position held without an important reason or if the dismissal is due to the Issuer's merger by acquisition.



# 33.

## INFORMATION ON ALL LIABILITIES ARISING FROM PENSIONS AND BENEFITS OF A SIMILAR NATURE FOR FORMER MANAGING

### **SUPERVISING OR FORMER MEMBERS OF ADMINISTRATIVE BODIES AND ON LIABILITIES INCURRED IN CONNECTION WITH THOSE PENSIONS**

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





# 34.

## PRINCIPLES OF CORPORATE GOVERNANCE

The Issuer is subject to corporate governance rules contained in the document 'Code of Best Practice for WSE Listed Companies'. The statement of compliance with corporate governance rules in Ten Square Games S.A. in 2020 is a separate part of this Management Board Report on activities.



**THE PRESIDENT OF  
THE MANAGEMENT BOARD**

Maciej Zużalek

**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

Wroclaw, 22 March 2021

