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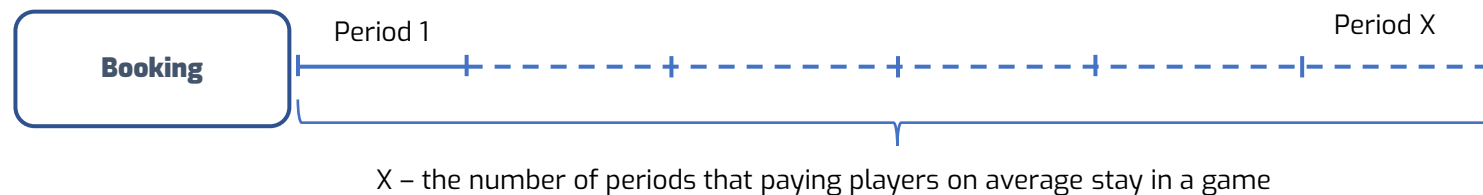
BOOKING DEFERRED REVENUES - DURABLES

March 2021



Recognition of sales revenue in accordance with IFRS15 - durables

As required by IFRS 15, revenue from durable virtual goods should be recognized over the period in which the paying user disposes of the goods in the 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 because its IT systems did not collect data needed to provide a reliable analysis of the use of durable goods over time. Deferring durables-related revenues was introduced for the first time in FY 2020 report, affecting Q4 2020 reported results.



Period 1 – user makes a payment for a durable good in a game (e.g., a fishing rod) - a cash flow is generated. The revenue for the period is the value of the payment divided by X; the remaining value of the payment is booked as deferred revenue.

Periods from 2 to X – in each period the same value (equal to revenue recognized in period 1) is reclassified from deferred revenue to current period revenue.

Effect of recognizing deferred revenue on P&L - durable

Selected items of the Profit and Loss Statement	Impact on 2020 results (PLN M)	Commentary
Bookings from users	N/A	No impact on bookings
Deferred revenue - durable	-43,2	Prior to Q4 2020, the Company did not defer durables-related revenues. As a result of the method used to process adjustment under IFRS 15, i.e. without adjusting prior years' results, the Company estimates that processing a similar adjustment in 2021 will have a significantly smaller percentage impact on its revenue and operating profit than in 2020.
Revenues	-43,2	Revenues lower than payments by the value of deferred revenues
Selling costs	-13	Commission expenses less 30% of deferred revenue
<i>Commissions</i>	-13	Commission expenses less 30% of deferred revenue
EBIT	-30,2	Profit reduced by the value of revenues after deferred commissions
EBITDA	-30,2	Profit reduced by the value of revenues after deferred commissions

Method of determining adjusted EBITDA

Selected items of the Profit and Loss Statement	Results FY 2020 (PLN M)	Commentary
EBITDA IFRS	X	
Adjustments:		
The non-cash impact of the incentive program	Y	Non-cash expense included in General and Administrative Expenses (6M PLN per quarter since Q2 2020)
Deferred revenues after commissions (unused virtual currency)	Z	The portion of bookings not recognized in revenues, less store commissions (30%)
Deferred revenues after commissions (unused durables)	30,2	The portion of bookings not recognized in revenues, less store commissions (30%)
Adjusted EBITDA	=X+Y+Z+30,2	



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