



ten square_games

**CONSOLIDATED QUARTERLY REPORT
OF TEN SQUARE GAMES S.A. GROUP
FOR Q1 2021**

WROCLAW, 24.05.2021

Disclaimer

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



SELECTED FINANCIAL DATA CONVERTED TO EUR

CONSOLIDATED DATA

SPECIFICATION	PLN		EUR	
	01.01.2021 – 31.03.2021	01.01.2020 – 31.03.2020	01.01.2021 – 31.03.2021	01.01.2020 – 31.03.2020
STATEMENT OF COMPREHENSIVE INCOME				
Sales revenues	174 113 976	95 017 672	38 081 839	21 965 849
Costs of services sold	10 566 550	4 756 485	2 311 093	1 099 587
Operating profit (loss)	55 919 321	37 555 065	12 230 555	8 681 847
Gross profit (loss)	58 432 050	39 192 112	12 780 134	9 060 294
Net profit (loss)	52 681 537	35 340 987	11 522 394	8 170 004
EBITDA	56 860 731	38 248 741	12 436 458	8 842 208
Adjusted EBITDA	65 123 686	38 617 791	14 243 714	8 927 524
CASH FLOW STATEMENT				
Net cash flows from operating activities	49 871 474	29 784 056	10 907 783	6 885 373
Net cash flows from investment activities	-2 909 365	-959 914	-636 330	-221 910
Net cash flows from financial activity	-273 953	-174 003	-59 918	-40 225

SPECIFICATION	PLN		EUR	
	31.03.2021	31.12.2020	31.03.2021	31.12.2020
STATEMENT OF FINANCIAL POSITION				
Fixed assets	19 090 803	16 100 828	4 096 475	3 488 955
Current assets	367 558 584	307 582 759	78 870 155	66 651 374
Equity	302 418 679	238 050 607	64 892 535	51 584 166
Long-term liabilities	7 366 296	7 437 421	1 580 648	1 611 645
Short-term liabilities	76 864 412	78 195 559	16 493 447	16 944 517

EUR/PLN exchange rate	2021	2020
for the balance-sheet data	4,6603	4,6148
for the data from the profit and loss statement and cash flow statement	4,5721	4,3257

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

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





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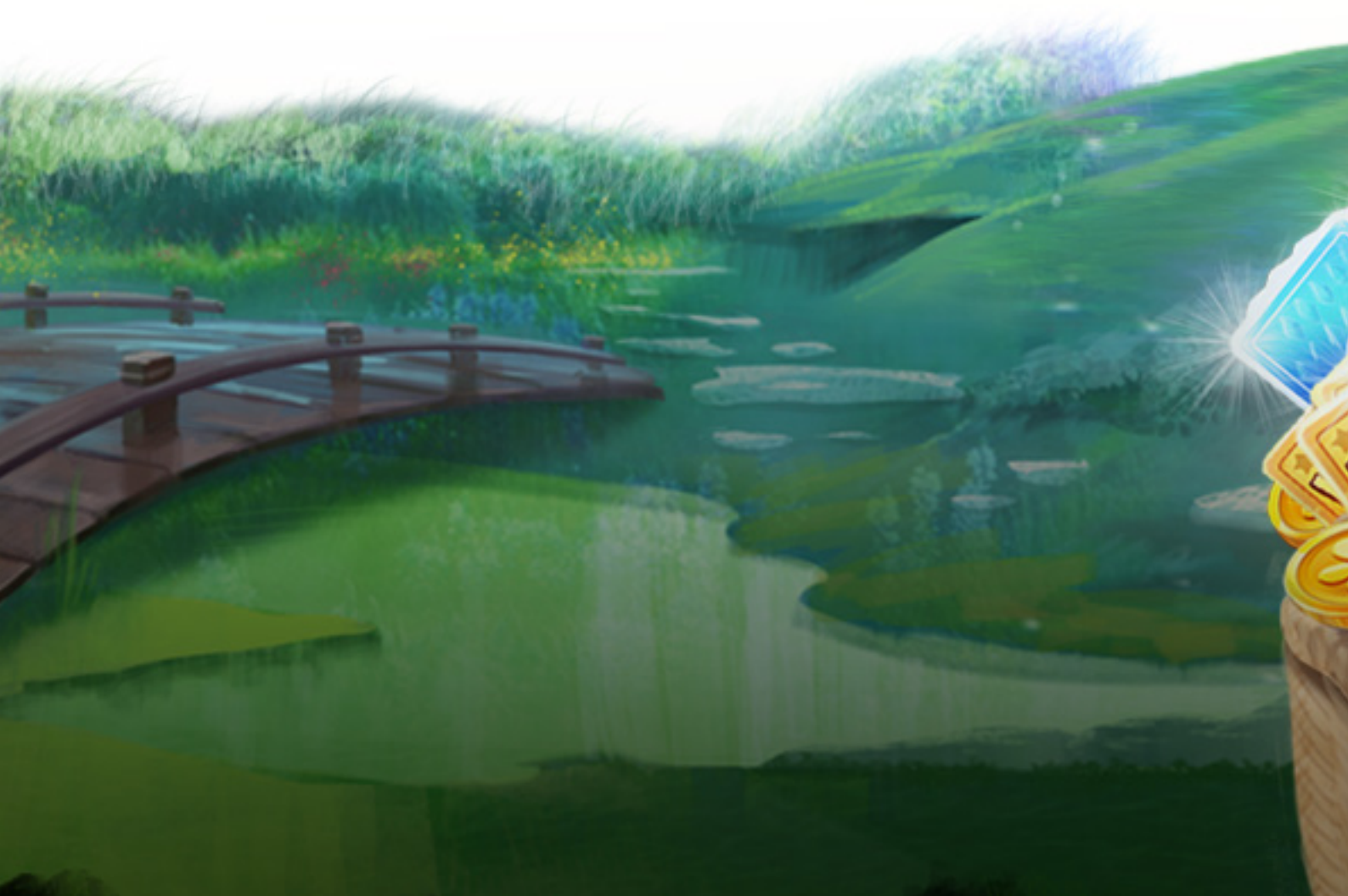
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GENERAL INFORMATION







COMPANY DATA

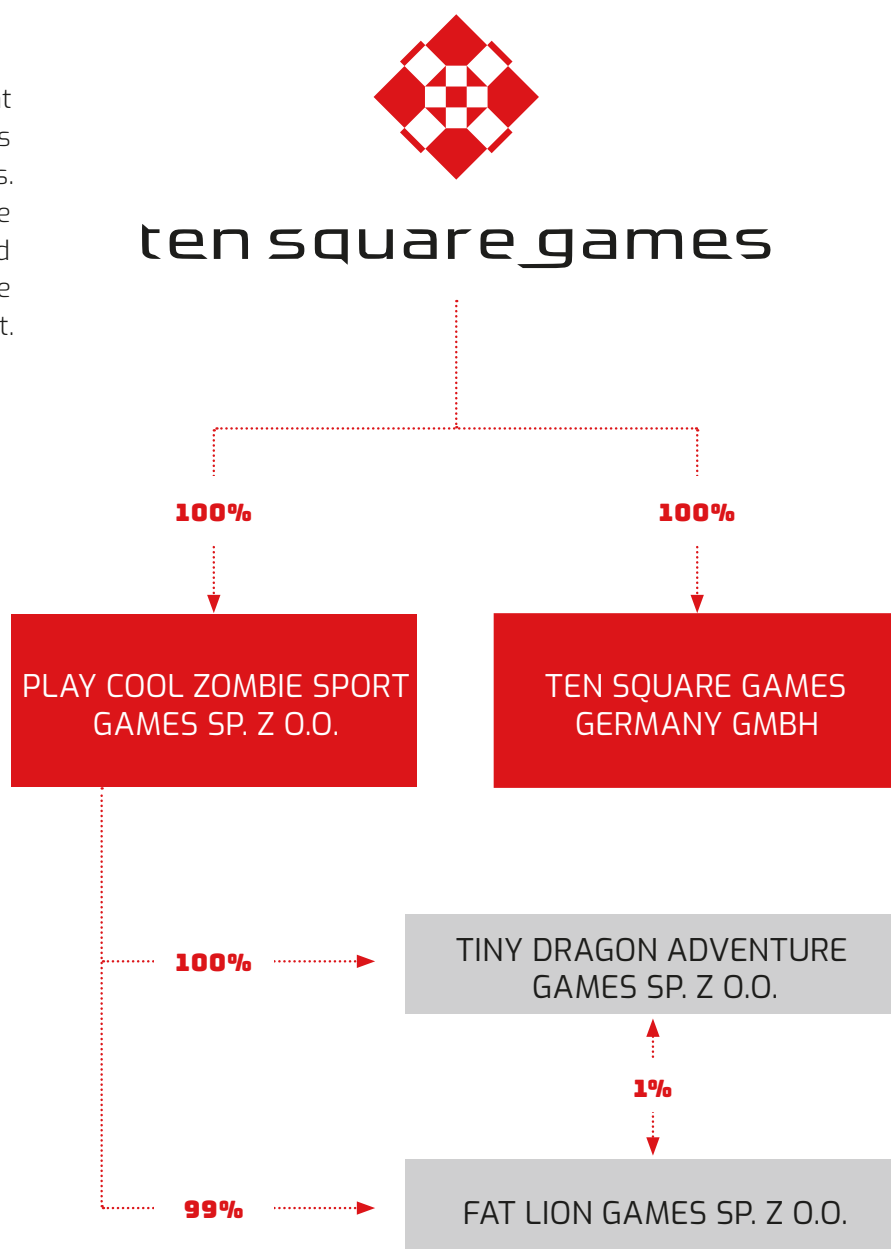
Ten Square Games Sp. z o. o. was registered on 21 October 2011, entry no. 0000399940. Ten Square Games S.A. was established through the transformation of Ten Square Games Sp. z o. o., which was registered by the District Court on 20 November 2017.

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

2.

GROUP

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





3.

SHAREHOLDERS STRUCTURE

3.1.

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

Shareholder	number of shares as at 24.05.2021	share in basic capital	number of votes at GSM	% share in the number of votes
Shareholders' Arrangement ⁽¹⁾	3 022 321	41,59%	3 022 321	41,59%
Aviva Investors Poland TFI S.A.	368 255	5,07%	368 255	5,07%
Others (of which none holds more than 5% of shares)	3 876 735	53,34%	3 876 735	53,34%
TOTAL	7 267 311	100%	7 267 311	100%

Akcjonariusz	number of shares as at 31.12.2020	share in basic capital	number of votes at GSM	% share in the number of votes
Shareholders' Arrangement ⁽¹⁾	3 739 649	51,46%	3 739 649	51,46%
Others (of which none holds more than 5% of shares)	3 527 662	48,54%	3 527 662	48,54%
TOTAL	7 267 311	100%	7 267 311	100%

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

Changes in the shareholder structure between 31.12.2020 and 24.05.2021 result from the transactions described in:

- 1.** notifications received on 15 January 2021 regarding changes in the ownership of the Company's shares, submitted by: Maciej Popowicz and Arkadiusz Pernal, about which the Company informed in the current report no. 5/2021;
- 2.** notice received on 10 May 2021 from Aviva Investors Poland Towarzystwo Funduszy Inwestycyjnych SA acting on behalf of the investment funds: Aviva Investors Open-Ended Investment Fund, Aviva Investors Specialized Open-Ended Investment Fund, Aviva Specialized Open-Ended Investment Fund PPK and Aviva Investors Specialized Open-Ended Investment Fund Large Companies, regarding the holding of the Company's shares by these funds, which the Company informed about in current report No. 11/2021.



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

Shareholder	number of shares as at 24.05.2021	share in basic capital	number of votes at GSM	% share in the number of votes
President of the Management Board – Maciej Zużatek	194 826	2,68%	194 826	2,68%
Member of the Management Board – Anna Idzikowska	20 000	0,28%	20 000	0,28%
Member of the Management Board – Janusz Dziemidowicz	84 249	1,16%	84 249	1,16%
Member of the Management Board – Wojciech Gattner	20 849	0,29%	20 849	0,29%
Member of the Supervisory Board – Arkadiusz Pernal	807 600	11,11%	807 600	11,11%
Member of the Supervisory Board – Maciej Marszałek	44 000	0,60%	44 000	0,60%
Member of the Supervisory Board – Rafał Olesiński	669	0,01%	669	0,01%
Member of the Supervisory Board – Kinga Stanisławska	105	0,00%	105	0,00%
TOTAL	1 172 298	16,13%	1 172 298	16,13%
others	6 095 013	83,87%	6 095 013	83,87%
TOTAL	7 267 311	100,00%	7 267 311	100,00%

Shareholder	number of shares as at 31.12.2020	share in basic capital	number of votes at GSM	% share in the number of votes
President of the Management Board – Maciej Zużatek	194 826	2,68%	194 826	2,68%
Vice-President of the Management Board – Arkadiusz Pernal	1 014 012	13,95%	1 014 012	13,95%
Member of the Supervisory Board – Maciej Marszałek	44 000	0,61%	44 000	0,61%
Member of the Supervisory Board – Rafał Olesiński	669	0,01%	669	0,01%
Member of the Supervisory Board – Kinga Stanisławska	105	0,00%	105	0,00%
TOTAL	1 253 612	17,25%	1 253 612	17,25%
Others	6 013 699	82,75%	6 013 699	82,75%
TOTAL	7 267 311	100%	7 267 311	100%

Changes in the structure of shares held by members of the Management Board and the Supervisory Board between 31 December 2020 and 24 May 2021 resulted from changes in the composition of the bodies and from the transaction described in the notification received on 15 January 2021 by Arkadiusz Pernal concerning a change in the holding of the Company's shares, of which the Company informed in current report No. 6/2021.

3.3. Share series

SHARE SERIES	Number of shares as at 24.05.2021 and 31.12.2020	Nominal value per share	Total nominal value of shares
A	7 225 000	0,1 PLN	722 500,00
B	42 311	0,1 PLN	4 231,10

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

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

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





4.

COMPOSITION OF THE COMPANY'S BODIES AS AT 31.03.2021

The Management Board:

- » **Maciej Zużalek** – President of the Management Board;
- » **Anna Idzikowska** – Member of the Board;
- » **Marcin Chruszczyński** – Member of the Board;
- » **Janusz Dziemidowicz** – Member of the Board;
- » **Wojciech Gattner** – Member of the Board;
- » **Andrzej Ilczuk** – Member of the Board.

On 17 December 2020, the Supervisory Board of the Company adopted resolutions concerning the appointment to the Management Board of the current term:

- » **Janusz Dziemidowicz** – Member of the Management Board;
- » **Wojciech Gattner** – Member of the Management Board;
- » **Anna Idzikowska** – Member of the Management Board;
- » **Andrzej Ilczuk** – Member of the Management Board.

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

Supervisory Board:

- » **Rafał Olesiński** – Chairman of the Supervisory Board;
- » **Wiktor Schmidt** – Vice Chairman of the Supervisory Board;
- » **Marcin Biłos** – Member of the Supervisory Board;
- » **Tomasz Drożdżyński** – Member of the Supervisory Board;
- » **Maciej Marszałek** – Member of the Supervisory Board;
- » **Kinga Stanisławska** – Member of the Supervisory Board;
- » **Arkadiusz Pernal** – Member of the Supervisory Board.

There were no changes in the composition of the body between 1.01.2021 and 24.05.2021.

5.

FORM OF THE CONDENSED STATEMENT

The basis for the preparation of the financial statement

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

The interim condensed consolidated financial statement does not contain all information and disclosures required in the annual financial statement and it shall be read in conjunction with the consolidated financial statement of the Group for the year ended 31 December 2020.

Functional currency and presentation currency

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

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





Presented periods

The interim condensed consolidated financial statement has been prepared as at 31.03.2021 and it covers the period of 3 months, i.e. from 01.01.2021 to 31.03.2021.

For the data presented in the interim condensed consolidated statement of financial situation and off-balance sheet items, comparable financial data as at 31.12.2020 and 31.03.2020 were presented.

For the data presented in the interim condensed consolidated statement of comprehensive income and the interim condensed standalone statement of comprehensive income, comparable financial data for the period from 01.01.2020 to 31.03.2020 were presented.

For the data presented in the interim condensed consolidated statement of changes in equity and in the interim condensed standalone cash flow statement, comparable financial data were presented for the period from 01.01.2020 to 31.03.2020.

Ability to continue as a going concern

The interim condensed consolidated financial statement has been prepared assuming that the Company and the Group shall continue their activities for the period of 12 months after the last balance-sheet date, i.e. 31.03.2021. The Management Board of the Parent Entity, as at the date of signing the statement, was not aware of any facts or circumstances which could indicate a threat to the continuation of activity for the period of 12 months after the balance-sheet date due to an intended or forced discontinuance or material limitation of the activity.

Until the date of preparation of the interim condensed consolidated financial statement for the first quarter of 2021, there were no events which were not and which should have been included in the accountancy books of the reporting period. No material events relating to previous years are included in the financial statement.

Audit carried out by an auditing company

These interim condensed consolidated financial statements were neither audited nor reviewed by an independent audit firm.



REPRESENTATION OF THE MANAGEMENT BOARD

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

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

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





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II.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENT







INTERIM CONDENSED CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT	for the period 01.01.2021 – 31.03.2021	for the period 01.01.2020 – 31.03.2020
Sales revenues	174 113 976	95 017 672
Cost of services sold	10 566 550	4 756 485
Gross profit (loss)	163 547 426	90 261 187
Other operating income	381 540	4 702
Selling costs	95 935 217	48 544 738
General and administrative costs	11 758 384	3 403 652
Other operating costs	316 044	762 434
Operating profit (loss)	55 919 321	37 555 065
Financial income	2 578 758	1 692 385
Financial expense	66 029	55 338
Gain (loss) on loss of control	0	0
Profit (loss) before taxation	58 432 050	39 192 112
Income tax	5 750 513	3 851 125
Net profit (loss) on continued activity	52 681 537	35 340 987
Profit (loss) on discontinued activity	0	0
Net profit (loss)	52 681 537	35 340 987
Net profit (loss) attributable to the parent company	52 681 537	35 340 987
Items that may be reclassified subsequently to profit or loss	5 428	0
Other comprehensive income	5 428	0
Subject to reclassification to profit or loss – foreign exchange differences on translation of foreign financial statements	5 428	0
Items that will not be reclassified to profit or loss	0	0
Total comprehensive income	52 676 109	35 340 987
Total comprehensive income attributable to non-controlling shareholders	0	0
Net profit (loss) attributable to the parent company	52 676 109	35 340 987

EARNINGS PER SHARE

CALCULATION OF EARNINGS PER SHARE	for the period 01.01.2021 – 31.03.2021	for the period 01.01.2020 – 31.03.2020
Number of shares		
The weighted average number of shares for the purpose of calculating the value of basic earnings per share (in units)	7 267 311	7 241 245
The weighted average number of shares for the purpose of calculating the value of diluted earnings per share (in units)	7 267 311	7 241 245
Net profit attributable to Parent Entity	52 681 537	35 340 987
Net earnings per share in PLN		
Basic net earnings per share	7,25 zł	4,88 zł
Diluted net earnings per share	7,25 zł	4,88 zł
Net earnings per share on continued operations in PLN		
Basic net earnings per share	7,25 zł	4,88 zł
Diluted net earnings per share	7,25 zł	4,88 zł
Net profit per share attributable to discontinued operations in PLN		
Basic net earnings per share	0,00 zł	0,00 zł
Diluted net earnings per share	0,00 zł	0,00 zł





2.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL SITUATION

ASSETS	31.03.2021	31.12.2020	31.03.2020
Fixed assets	19 090 803	16 100 828	11 214 548
Tangible fixed assets	8 211 841	8 556 339	6 538 700
Intangible fixed assets	7 555 954	4 701 705	3 636 091
Other financial assets	857 595	857 595	673 312
Deferred tax asset	2 465 413	1 985 189	366 445
Current assets	367 558 584	307 582 759	144 958 340
Receivables	68 549 746	55 165 266	39 282 220
Contract assets	13 428 564	14 915 356	572 386
Loans granted	893 758	893 758	60 000
Cash and cash equivalents	284 686 516	236 608 379	105 043 734
TOTAL ASSETS	386 649 387	323 683 587	156 172 888

EQUITY & LIABILITIES	31.03.2021	31.12.2020	31.03.2020
Equity	302 418 679	238 050 607	128 394 461
Equity attributable to owners of the Parent Entity	302 418 679	238 050 607	128 394 461
Share capital	726 731	726 731	724 125
Share premium	496 100	496 100	496 100
Capital from the settlement of the incentive scheme	35 130 040	23 436 052	2 672 873
Foreign exchange differences on translation of statements of foreign operations	5 428	4 290	0
Retained earnings	266 060 380	213 387 434	124 501 363
Equity of non-controlling shareholders	0	0	0
Long-term liabilities	7 366 296	7 437 421	6 323 055
Deferred tax liability	778 223	443 394	812 193
Lease liabilities	6 588 073	6 994 027	5 510 862
Short-term liabilities	76 864 412	78 195 559	21 455 372
Trade liabilities	21 976 336	12 392 029	10 062 843
Current tax liabilities	4 924 067	12 764 644	8 019 691
Other liabilities	664 935	635 806	409 827
Lease liabilities	1 451 945	1 192 551	616 393
Provisions for employee benefits	3 047 111	1 492 685	438 672
Contract liabilities	44 800 018	49 717 844	1 907 946
Total liabilities	84 230 708	85 632 980	27 778 427
TOTAL EQUITY & LIABILITIES	386 649 387	323 683 587	156 172 888





3.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

3 months ending on 31.03.2021	Share capital	Share premium	Capital from the settlement of the incentive scheme	Foreign exchange differences on translation	Retained earnings	Total equity
Equity as at 01.01.2021	726 731	496 100	23 436 052	4 290	213 387 434	238 050 607
Payment of share capital						0
Share-based payments			11 693 989			11 693 989
Foreign exchange differences				-4 290	-8 590	-12 880
Distribution of net profit						0
Payment of dividends						0
Net profit					52 681 537	52 681 537
Other comprehensive income				5 428		5 428
Total comprehensive income				5 428	52 672 946	52 686 965
Change in equity			11 693 989	1 138	52 672 947	64 368 074
Equity as at 31.03.2021	726 731	496 100	35 130 041	5 428	266 060 381	302 418 681

12 months ending on 31.12.2021	Share capital	Share premium	Capital from the settlement of the incentive scheme	Foreign exchange differences on translation	Retained earnings	Total equity
Equity as at 01.01.2020	724 125	496 100	1 764 034	0	89 160 377	92 144 636
Payment of share capital	2 606					2 606
Share-based payments			21 672 018			21 672 018
Foreign exchange differences						0
Distribution of net profit						0
Payment of dividends					-27 371 907	-27 371 907
Net profit					151 598 963	151 598 963
Other comprehensive income				4 290		4 290
Total comprehensive income				4 290	151 598 963	151 603 253
Change in equity	2 606	0	21 672 018	4 290	124 227 056	145 905 970
Equity as at 31.12.2020	726 731	496 100	23 436 052	4 290	213 387 434	238 050 607

3 months ending on 31.03.2020	Share capital	Share premium	Capital from the settlement of the incentive scheme	Foreign exchange differences on translation	Retained earnings	Total equity
Equity as at 01.01.2020	724 125	496 100	1 764 034		89 160 376	92 144 635
Payment of share capital						0
Share-based payments			908 839		0	908 839
Foreixn exchange differences						0
Distribution of net profit						0
Payment of dividends						0
Net profit					35 340 987	35 340 987
Other comprehensive income						0
Total comprehensive income					35 340 987	35 340 987
Equity as at 31.03.2020	724 125	496 100	2 672 873	0	124 501 363	128 394 461





4.

INTERIM CONDENSED CONSOLIDATED
CASH FLOW STATEMENT

	for the period 01.01.2021 – 31.03.2021	for the period 01.01.2020 – 31.03.2020
OPERATING ACTIVITY		
Profit/loss before taxation	58 432 050	39 192 112
Total adjustments:	5 172 418	-7 735 372
Depreciation and amortization	941 410	693 676
Foreign exchange gain/loss	-1 327 070	-768 122
Interest paid on lease	64 482	55 338
Change in receivables	-13 384 480	-14 110 329
Change in liabilities and accrued expenses	11 167 863	5 558 886
Change in contract liabilities	-4 917 826	95 569
Change in contract assets	1 486 792	-28 671
Share-based payments (part not included in the acquisition of intangible assets)	11 154 476	829 756
Other adjustments	-13 229	-61 475
Cash from operating activity	63 604 468	31 456 740
Income tax (paid) / reimbursed	-13 732 994	-1 672 684
A. Net operating cash flow	49 871 474	29 784 056
INVESTMENT ACTIVITY		
Purchase of intangible and tangible fixed assets	-2 909 365	-959 914
B. Net cash flow from investment activities	-2 909 365	-959 914

	for the period 01.01.2021 – 31.03.2021	for the period 01.01.2020 – 31.03.2020
FINANCIAL ACTIVITY		
Other financial proceeds	0	20 000
Payment of finance lease liabilities	-209 471	-138 665
Interest on lease	-64 482	-55 338
C. Net cash flow from financing activity	-273 953	-174 003
D. Total net cash flow	46 688 156	28 650 139
– change in cash due to exchange losses/gains	1 389 981	1 163 568
E. Balance sheet change in cash, including foreign exchange	48 078 137	29 813 707
F. Cash at the beginning of the period	236 608 379	75 230 027
G. Cash at the end of the period	284 686 516	105 043 734





5.

COMMENTS ON THE RESULTS

Due to the fact that the separate and consolidated data for Ten Square Games S.A. and the Ten Square Games S.A. Group are similar (trends for particular balance sheet items and results), the Management Board of the Parent Company performs a joint analysis for the consolidated data.

5.1. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Revenue and bookings distribution by quarters for the main titles:

GAME	1Q 2020	2Q 2020	3Q2020	4Q2020	1Q2021
Fishing Clash	84 677 795	158 043 812	164 256 332	155 356 610	131 659 442
Hunting Clash	65 559	347 467	3 361 414	12 302 557	26 840 820
Let's Fish	3 868 618	4 551 211	3 708 977	4 348 957	4 208 029
Wild Hunt	3 542 576	4 375 098	3 708 729	3 768 668	3 666 218
Others	2 987 762	3 228 617	4 798 386	4 609 840	2 821 641
TOTAL BOOKINGS ⁽¹⁾	95 142 310	170 546 205	179 833 838	180 386 632	169 196 150
Deferred revenue (virtual currency)	95 569	-693 809	-575 289	-3 370 129	3 213 637
Deferred revenue (durables)	0	0	0	-43 170 671	1 704 189
TOTAL REVENUE	95 237 879	169 852 396	179 258 549	133 845 832	174 113 976

[1] Under „Bookings“ the Group recognizes revenue not reduced by deferred revenue (i.e. in the case of micropayments these are payments made by users during the period indicated). The amount of deferred revenue results from an estimate of the unused virtual currency and durable goods by active players made at the balance sheet date. The amount of such deferred revenue is reported in the financial statements under the balance sheet item „customer contract liabilities“.

Breakdown of selling costs by quarters:

SPECIFICATION	1Q 2020	2Q 2020	3Q2020	4Q2020	1Q2021
Selling costs	48 544 738	124 795 326	95 253 370	74 975 709	95 935 217
marketing:	19 122 999	72 755 974	40 423 986	32 328 468	40 137 460
– Fishing Clash	18 263 312	70 508 454	33 387 047	23 128 972	22 551 718
– Wild Hunt	325 446	470 675	667 616	78 860	0
– Hunting Clash	83 663	607 147	4 385 558	7 863 570	17 412 032
– other titles, events	450 578	1 169 699	1 983 765	1 257 066	173 710
commissions	27 044 419	49 255 530	52 189 581	38 530 399	50 414 040
revenue share	417 224	473 283	421 434	439 675	477 124
remuneration, external services	1 559 372	1 683 409	1 613 386	2 820 699	3 961 297
others	400 724	627 129	604 983	856 468	945 296





In the first quarter of 2021, bookings amounted to PLN 169.2 million and were 78% higher than in the same period last year. The main reason for this increase was the title Fishing Clash, for which bookings were higher by PLN 47.0 million, or 55%. Another significant factor determining the increase in bookings was the global launch of Hunting Clash in the third quarter of 2020 – revenues from this game amounted to PLN 26.8 million in Q1 2021. Compared to the fourth quarter of 2020, bookings were lower by over 6%, mainly as a result of lower revenue from Fishing Clash – the impact of the decrease in revenue from this game was, however, largely offset by a PLN 14.5 million increase in bookings in Hunting Clash.

TSG's older titles Let's Fish and Wild Hunt generated bookings 9% and 3% higher than in the first quarter of 2020 and 3% and 3% lower than in the fourth quarter of 2020, respectively. The Wild Hunt game was not supported by marketing budgets in the first quarter of 2021, traffic was therefore generated organically and the increase in revenue is related to the introduction of new events and optimization of game parameters.

The Group does not record any significant seasonality of sales. The level of revenues depends on the life cycle of a given game as well as on the level of marketing expenses in the months preceding the reporting period.

Cost of services sold primarily includes compensation of the Company's employees and cooperators. The increase in costs in Q1 2021 is due to an increase in the level of employment in the compared periods.

In correlation with the increase in revenues as compared to the 1st quarter of 2020, the value of selling costs also increased. In this item the Group presents mainly commissions for mobile stores and marketing expenditures.

The costs of marketing campaigns increased by PLN 21.0 million, mainly due to the global launch of the game Hunting Clash in Q3 2020 – marketing expenses for this title amounted to PLN 17.4 million. Expenditures for Fishing Clash were higher by PLN 4.3 million. Compared to Q4 2020, the cost of paid user acquisition increased by PLN 7.8 million, which was driven by the Hunting Clash game (up by PLN 9.5 million).

The increase in general and administrative expenses in 2021 is due to further strengthening of the company's structures – expansion of general departments, as well as an increase in office maintenance costs. Additionally, it should be mentioned that general and administrative expenses in Q1 2021 include an amount of PLN 7.3 million related to the non-cash share-based incentive scheme (1Q 2020: PLN 0.1 million), so excluding these costs general administrative expenses increased by PLN 1.1 million as compared to the corresponding period of last year.

The Group also recorded foreign exchange gains of PLN 2.6 million in 1Q 2021, compared to PLN 1.7 million in the same period of the previous year, which is mainly attributable to the balance sheet re-valuation of cash, receivables and payables as at 31 March 2021.

All the above factors translated into a significant increase in net profit, which for Q1 2021 amounted to PLN 52.7m and was by PLN 17.3m (or 49%) higher than in Q1 2020. The main indicator of performance used by the Group, i.e. adjusted EBITDA, amounted to PLN 65.1m and was by PLN 26.5m (or 69%) higher than in the corresponding quarter of the previous year.

5.2. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In balance sheet terms, high level of revenues translates into higher level of current assets (increase in cash and trade receivables). Additionally, a larger number of new projects under development results in an increase in the value of the "intangible assets" item.

The increase in receivables is due to the fact that the payment for February 2021 from the second largest customer (Apple) was received at the beginning of April, while the payment for November 2020 was received in December 2020 (therefore, as at 31.03.2021, the receivables from Apple concerned two months – February and March).

The increase in current liabilities is mainly due to the timing of payments (in December 2020 some liabilities were paid before maturity).

The decrease in tax liabilities is mainly due to the payment of the final amount of CIT for 2020 in March 2021.

The decrease in customer contract liabilities is due to lower Fishing Clash revenue in Q1 2021 compared to the prior year quarter, which translated into a lower amount of deferred revenue.

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





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III.

INTERIM CONDENSED STANDALONE FINANCIAL STATEMENT







INTERIM CONDENSED STANDALONE STATEMENT OF COMPREHENSIVE INCOME

STANDALONE FINANCIAL STATEMENT OF COMPREHENSIVE INCOME	for the period 01.01.2021 – 31.03.2021	for the period 01.01.2020 – 31.03.2020
Sales revenues	173 440 494	94 050 376
Costs of services sold	10 589 660	4 756 135
Gross profit (loss)	162 850 834	89 294 241
Other operating income	381 293	4 608
Selling costs	95 832 122	48 466 125
General and administrative costs	11 681 312	3 354 191
Other operating costs	314 124	761 736
Operating profit (loss)	55 404 569	36 716 797
Financial income	2 563 365	3 482 222
Financial expense	66 029	55 338
Profit (loss) before taxation	57 901 905	40 143 681
Income tax	5 661 971	3 728 416
Net profit (loss) on continued activity	52 239 935	36 415 265
Profit (loss) on discontinued activity	0	0
Net profit (loss)	52 239 935	36 415 265
Items that may be reclassified subsequently to profit or loss	0	0
Items that will not be reclassified to profit or loss	0	0
Total comprehensive income	52 239 935	36 415 265

EARNINGS PER SHARE

CALCULATION OF EARNINGS PER SHARE	for the period 01.01.2021 – 31.03.2021	for the period 01.01.2020 – 31.03.2020
Number of shares		
The weighted average number of shares for the purpose of calculating the value of basic earnings per share (in units)	7 267 311	7 241 245
The weighted average number of shares for the purpose of calculating the value of diluted earnings per share (in units)	7 267 311	7 241 245
Net profit	52 239 935	36 415 265
Net earnings per share		
Basic net earnings per share	7,19 zł	5,03 zł
Diluted net earnings per share	7,19 zł	5,03 zł





2.

INTERIM CONDENSED STANDALONE STATEMENT OF FINANCIAL SITUATION

ASSETS	31.03.2021	31.12.2020	31.03.2020
Fixed assets	20 093 567	16 221 198	11 219 548
Tangible fixed assets	8 196 663	8 556 339	6 538 700
Intangible fixed assets	7 555 954	4 701 705	3 636 091
Investments in affiliates	116 080	120 371	5 000
Loans granted	901 862	0	
Other financial assets	857 595	857 595	673 312
Deferred tax asset	2 465 413	1 985 189	366 445
Current assets	361 923 973	303 094 104	142 678 597
Receivables	67 563 804	54 083 587	41 490 113
Contract assets	13 428 564	14 915 356	572 386
Loans granted	893 758	893 758	60 000
Cash and cash equivalents	280 037 847	233 201 403	100 556 098
TOTAL ASSETS	382 017 540	319 315 303	153 898 145

EQUITY AND LIABILITIES	31.12.2020	31.12.2019	31.12.2019
Equity	297 647 549	233 713 625	126 145 490
Share capital	726 731	726 731	724 125
Share premium	496 100	496 100	496 100
Capital from the settlement of the incentive scheme	35 130 041	23 436 052	2 672 873
Retained earnings	261 294 677	209 054 742	122 252 392
Long-term liabilities	7 377 613	7 448 738	6 334 372
Deferred tax liability	789 540	454 711	823 510
Lease liabilities	6 588 073	6 994 027	5 510 862
Short-term liabilities	76 992 378	78 152 940	21 418 283
Trade liabilities	23 175 718	12 392 029	10 062 843
Current tax liabilities	4 890 122	12 722 936	7 988 277
Lease liabilities	1 451 945	1 192 551	616 393
Other liabilities	651 410	634 894	404 152
Provisions for employee benefits	2 023 165	1 492 685	438 672
Contract liabilities	44 800 018	49 717 844	1 907 946
TOTAL EQUITY AND LIABILITIES	382 017 540	319 315 303	153 898 145





3.

INTERIM CONDENSED STANDALONE STATEMENT
OF CHANGES IN EQUITY

3 months ending on 31.03.2021	Share capital	Share premium	Capital from the settlement of the incentive scheme	Foreign exchange differences on translation	Retained earnings	Total equity
Equity as at 01.01.2021	726 731	496 100	23 436 052	0	209 054 742	233 713 625
Payment of share capital						0
Share-based payments			11 693 989			11 693 989
Payment of dividends						0
Net profit					52 239 935	52 239 935
Total comprehensive income					52 239 935	52 239 935
Equity as at 31.03.2021	726 731	496 100	35 130 041	0	261 294 677	297 647 549

12 months ending on 31.12.2020	Share capital	Share premium	Capital from the settlement of the incentive scheme	Foreign exchange differences on translation	Retained earnings	Total equity
Equity as at 01.01.2020	724 125	496 100	1 764 034	0	85 837 127	88 821 386
Payment of share capital	2 606					2 606
Share-based payments			21 672 018			21 672 018
Payment of dividends					-27 371 907	-27 371 907
Net profit					150 589 521	150 589 521
Total comprehensive income					150 589 521	150 589 521
Equity as at 31.12.2020	726 731	496 100	23 436 052	0	209 054 742	233 713 625

3 months ending on 31.03.2020	Share capital	Share premium	Capital from the settlement of the incentive scheme	Foreign exchange differences on translation	Retained earnings	Total equity
Equity as at 01.01.2020	724 125	496 100	1 764 034	0	85 837 127	88 821 386
Payment of share capital						0
Share-based payments			908 839			908 839
Payment of dividends						0
Net profit					36 415 265	36 415 265
Total comprehensive income					36 415 265	36 415 265
Equity as at 31.03.2020	724 125	496 100	2 672 873	0	122 252 392	126 145 490





4.

INTERIM CONDENSED STANDALONE
CASH FLOW STATEMENT

	for the period 01.01.2021 – 31.03.2021	for the period 01.01.2020 – 31.03.2020
OPERATING ACTIVITY		
Profit/loss before taxation	57 901 905	40 143 681
Total adjustments:	5 248 215	-10 532 254
Depreciation and amortization	933 881	693 676
Foreign exchange gain/loss	-1 324 495	-718 444
Interest paid on lease	64 482	55 338
Interest and share in profit (dividends)	0	-1 656 905
Change in receivables	-13 480 217	-15 341 505
Change in liabilities and accrued expenses	11 330 684	5 600 408
Change in contract liabilities	-4 917 826	95 569
Change in contract assets	1 486 792	-28 671
Share-based payments (part not included in the acquisition of intangible assets)	11 154 476	829 756
Other adjustments	438	-61 476
Cash from operating activity	63 150 120	29 611 427
Income tax (paid) / reimbursed	-13 631 082	-1 529 071
A. Net operating cash flow	49 519 038	28 082 356
INVESTMENT ACTIVITY		
Purchase of intangible and tangible fixed assets	-2 894 187	-959 914
Loans granted	-901 860	0
B. Net cash flow from investment activities	-3 796 047	-959 914

	for the period 01.01.2021 – 31.03.2021	for the period 01.01.2020 – 31.03.2020
FINANCIAL ACTIVITY		
Dividends from subsidiaries	0	1 656 905
Repayment of loans	0	20 000
Payment of finance lease liabilities	-209 471	-138 665
Interest on lease	-64 482	-55 338
C. Net cash flow from financing activities	-273 953	1 482 903
D. Total net cash flow	45 449 038	28 605 345
– change in cash due to exchange losses/gains	1 387 406	1 113 890
E. Balance sheet change in cash, including foreign exchange	46 836 444	29 719 234
F. Cash at the beginning of the period	233 201 403	70 836 864
G. Cash at the end of the period	280 037 847	100 556 098





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IV.

ACCOUNTING PRINCIPLES







1.

COMPLIANCE WITH THE INTERNATIONAL ACCOUNTING STANDARDS

This interim condensed consolidated financial statement has been prepared in accordance with the International Financial Reporting Standards and related interpretations, issued by the International Accounting Standards Board, approved by the European Union, under the Regulation on IFRS (European Commission 1606/2002), hereinafter referred to as "EU IFRS", applicable as at 31.03.2021.

2.

CHANGES IN ACCOUNTING PRINCIPLES (POLICY)

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

3.

DESCRIPTION OF THE ADOPTED ACCOUNTING PRINCIPLES (POLICY)

3.1. Consolidation – subsidiaries

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

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





3.2. Revenues and costs of operating activity

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

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

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

The Group distinguishes three main sources of revenues:

REVENUES

MICRO-PAYMENTS

- » revenues from additional functionalities purchased by the players



ADVERTISEMENTS

- » revenues from advertisements displayed in games



LICENSES

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



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

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

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

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

Revenues from advertisements displayed in games (advertisements)

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

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

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





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

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

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

3.3. Revenues and costs of financial activity

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

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

3.4. Income tax

Income tax includes: current tax payable and deferred tax.

Current tax

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

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

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

- » divides the tax income into income from qualified intellectual property rights (in the case of the company, these are games meeting the definition of computer programs) and other sources;
- » for income from qualified intellectual property rights, the nexus ratio is calculated in accordance with the rules set out in the Corporate Income Tax Act;
- » the nexus index is used to calculate the tax for each source of income.

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





Deferred tax

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

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

Basic temporary differences concern different depreciation of the games created by the Group, balance sheet valuation of settlements and accounting for revenues from users over time.

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

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

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

Uncertainty related to the recognition of income tax

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

3.5. Tangible fixed assets

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

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

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

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

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

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





3.6. Intangible assets

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

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

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

Intangible assets of the Group with the depreciation rates:

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

Software development activities

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

- a.** it is technically possible to complete an intangible asset so that it is suitable for sale or use,
- b.** it is possible to prove the intent of completing an asset and its use and sale,
- c.** an asset will be suitable for use or sale,
- d.** it is known in what way an asset will generate future economic benefits,
- e.** technical and financial measures will be provided in order to complete development works and the asset's use and sale,
- f.** it is possible to reliably establish the expenditures incurred during development works.

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

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

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





3.7. Lease

In accordance with IFRS 16 on recognition, measurement, presentation and disclosure of leases, the Company presents assets and liabilities arising from the agreements described in IFRS 16.

At the beginning of an agreement, an entity assesses whether the agreement is or contains a lease. An agreement is a lease or contains a lease if it gives the right to control the use of an identified asset for a given period in exchange for remuneration.

At the date of commencement of the agreement, the Company recognises an asset under the right of use and a liability under the lease. An asset under the right of use is measured at cost, while a liability under the lease is recognized at the present value of the lease payments outstanding at that date.

The cost of the debt is the average market interest rate of PLN loans to enterprises published by the NBP.

After the commencement date, the Company measures an asset by virtue of the right of use, using the cost model, while the liability is measured through:

- a.** increasing the balance sheet value to reflect interest on the lease liability,
- b.** a reduction in the balance sheet value to reflect the lease payments made; and
- c.** revaluing the balance sheet value to reflect any reassessment or change in the lease, or to reflect revalued substantially fixed lease payments.

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





3.8. Financial instruments

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

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

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

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

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

- a. a financial asset is maintained in accordance with the business model whose aim is maintaining financial assets for the purpose of obtaining cash flows resulting from the agreement;
- b. the provisions of the agreement concerning a financial asset result in the creation of cash flows, within specified periods, which are only the repayment of main amount and interest on the outstanding amount.

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

- a.** a financial asset is maintained in accordance with the business model whose aim is maintaining financial assets for the purpose of obtaining cash flows resulting from the agreement and the sales of financial assets; and
- a.** the provisions of the agreement concerning a financial asset result in the creation of cash flows, within specified periods, which are only the repayment of main amount and interest on the outstanding amount.

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

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

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

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

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





3.9.

Transactions in foreign currencies

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

Valuation

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

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

Transactions during the year

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

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

3.10. **Prepayments and accruals**

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

3.11. **Equity**

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

3.12. **Share-based payments**

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

3.13. **Payment of dividends**

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





3.14. **Provisions**

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

3.15. **Liabilities**

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

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

3.16. **Significant values based on professional judgement and estimates**

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

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

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

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

PROFESSIONAL JUDGEMENT

Moment of activation of development costs

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

Depreciation period of activated intangible assets

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

Deferred income tax assets and liabilities

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

Fair value of share-based payments

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

Recognition of revenue from the provision of durable virtual goods

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





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

Under the distribution agreement with Google (full text of the agreement: https://play.google.com/intl/ALL_pl/about/developer-distribution-agreement.html), the Company is required to provide virtual goods in exchange for cash received by Google Play. The above implies recognition of 100% of the net payment amount in sales revenue and 30% of the commission amount in cost of sales.



FULL TEXT OF THE AGREEMENT

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

UNCERTAINTY OF ESTIMATES

Impairment of assets

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

The use of consumables over time

As at the reporting date, the Company shall estimate a number of unused premium packages (notes and pearls) for active players^[1]. The basis for determining a number of unused packages shall be their turnover rate (average period of using a package by active users) and average revenues from sales of premium packages. The average period of using a package amounts to up to 7 days, according to the analysis.

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

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

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

The use of durables over time

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

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

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

In the course of 2020, the Company made changes to its IT systems, which enabled it to start collecting data to analyze the use of durable goods over time. As a result, the Company has estimated the amount of the liability (customer contract liability) for the provision of durable goods in the game as of 31 December 2020 – revenue relating to the purchase of durable virtual goods is recognized by the estimated average playing period of paying users. Estimating the average period of time a paying user remains in the game requires a sufficiently long history of player behaviour. Accordingly, as at 31 December 2020, the Company only deferred revenue from durable goods over time only for Fishing Clash – the other leading title Hunting Clash has been present on the market for too short an order to determine the average length of time a paying user remains in the game, which is the crucial element of the calculation model.

DETERMINATION OF MATERIALITY

When preparing financial statements, the Group applies the materiality principle. The materiality principle introduces the possibility to apply simplifications, if it does not have a materially negative impact on the reliable and clear presentation of the property and financial situation and financial result. The Group has adopted the amount of PLN 2.5 m as the materiality level in the preparation of the financial statement (according to the accounting policy, not more than 5% of the gross result).





ten square_games



EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS







REVENUES

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

SPECIFICATION	01.01.2021 – 31.03.2021	01.01.2020 – 31.03.2020	01.01.2019 – 31.03.2019
Sales of services	174 113 976	95 017 672	45 303 640
TOTAL revenues from sales of services	174 113 976	95 017 672	45 303 640
Other operating income	381 540	4 702	40 212
Financial income	15 837	1 692 385	379 609
TOTAL revenues from continuing operations	174 511 353	96 714 759	45 723 461
TOTAL revenues	174 511 353	96 714 759	45 723 461

Revenues from discontinued operations did not occur.

1.1. Information on operating segments and result performance indicators

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

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

Under „Bookings", the Group recognizes revenue not reduced by deferred revenue (i.e. in the case of micropayments, these are payments made by users during the period indicated). The amount of deferred revenue results from an estimate of the unused virtual currency and durable goods (durable) by active players made at the balance sheet date. The amount of such deferred revenue is reported in the financial statements under the balance sheet item „contract liabilities".

EBITDA is net income/(loss) before depreciation and amortization, impairment losses (and their reversals) on property, plant and equipment and intangible assets, interest income, finance costs, foreign exchange differences and income taxes. Adjusted EBITDA excludes the effect of deferred income from micropayments and the non-cash cost of the share-based incentive programs.

A reconciliation of revenue and bookings is provided in section 1.2 below.





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

Standalone data of Ten Square Games S.A.:

SPECIFICATION	01.01.2021 – 31.03.2021	01.01.2020 – 31.03.2020
Operating profit	55 404 569	36 716 797
Amortisation	933 881	693 676
EBITDA	56 338 450	37 410 473
The non-cash impact of the incentive program	11 693 989	302 152
Deferred net revenue (unused virtual currency)	-2 249 545	66 898
Deferred net revenue (unused durables)	-1 181 489	0
Adjusted EBITDA	64 601 405	37 779 523

Consolidated data:

SPECIFICATION	01.01.2021 – 31.03.2021	01.01.2020 – 31.03.2020
Operating profit	55 919 321	37 555 065
Amortisation	941 410	693 676
EBITDA	56 860 731	38 248 741
The non-cash impact of the incentive program	11 693 989	302 152
Deferred net revenue (unused virtual currency)	-2 249 545	66 898
Deferred net revenue (unused durables)	-1 181 489	0
Adjusted EBITDA	65 123 687	38 617 791

1.2. Revenues – source

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

TYPE OF REVENUES	bookings 1Q 2021*	share of bookings 1Q 2021	bookings 1Q 2020	share of bookings 1Q 2020
micro-payments	166 343 037	98,3%	91 568 092	96,5%
advertisements	1 835 815	1,1%	2 463 987	2,6%
licences	1 017 298	0,6%	890 024	0,9%
BOOKINGS TOTAL	169 196 150	100,0%	94 922 103	100,0%
deferred income	4 917 826	N/D	95 569	N/D
REVENUES TOTAL	174 113 976	N/D	95 017 672	N/D

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

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

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





1.3. Revenues – games

GAME	bookings 1Q 2021	share of bookings 1Q 2021	bookings 1Q 2020	share of bookings 1Q 2020
Fishing Clash	131 659 442	77,8%	84 677 795	89,2%
Hunting Clash	26 840 820	15,9%	65 559	0,1%
Let's Fish	4 208 029	2,5%	3 868 618	4,1%
Wild Hunt	3 666 218	2,2%	3 542 576	3,7%
other	2 821 641	1,7%	2 987 762	2,9%
BOOKINGS TOTAL	169 196 150	100,0%	95 142 310	100,0%
deferred income	4 917 826	N/D	95 569	N/D
REVENUES TOTAL	174 113 976	N/D	95 237 879	N/D

In Q1 2021, the Group recognized an amount of PLN 4.9 million of revenue deferred in Q4 2020, which is primarily due to the decrease in revenues of Fishing Clash in the current period.

Revenue distribution by quarters for main titles:

GAME	1Q 2020	2Q 2020	3Q2020	4Q2020	1Q2021
Fishing Clash	84 677 795	158 043 812	164 256 332	155 356 610	131 659 442
Hunting Clash	65 559	347 467	3 361 414	12 302 557	26 840 820
Let's Fish	3 868 618	4 551 211	3 708 977	4 348 957	4 208 029
Wild Hunt	3 542 576	4 375 098	3 708 729	3 768 668	3 666 218
other	2 767 555	3 228 617	4 798 386	4 609 840	2 821 641
BOOKINGS TOTAL	94 922 103	170 546 205	179 833 838	180 386 632	169 196 150
Deferred revenue (virtual currency)	95 569	-693 809	-575 289	-3 370 129	3 213 637
Deferred revenue (durables)	0	0	0	-43 170 671	1 704 189
REVENUES TOTAL	95 017 672	169 852 396	179 258 549	133 845 832	174 113 976

1.4. Revenues – by partner

COUNTERPARTY	bookings 1Q 2021	share of bookings 1Q 2021	bookings 1Q 2020	share of bookings 1Q 2020
Google Inc.	99 571 806	58,8%	53 169 108	56,0%
Apple Distribution International	60 431 493	35,7%	33 055 646	34,8%
Others (of which none individually exceeds 10%)	9 192 851	5,4%	8 697 349	9,2%
BOOKINGS TOTAL	169 196 150	100,0%	94 922 103	100,0%
Deferred income	4 917 826	N/D	95 569	N/D
REVENUES TOTAL	174 113 976	N/D	95 017 672	N/D

1.5. Revenues – distribution channels

DISTRIBUTION CHANNEL	bookings 1Q 2021	share of bookings 1Q 2021	bookings 1Q 2020	share of bookings 1Q 2020
mobile	162 213 592	95,9%	88 734 952	93,5%
web browsers	6 982 558	4,1%	6 187 150	6,5%
BOOKINGS TOTAL	169 196 150	100,0%	94 922 103	100,0%
deferred income	4 917 826	N/D	95 569	N/D
REVENUES TOTAL	174 113 976	N/D	95 017 672	N/D





1.6. Revenues – geographical breakdown

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

REGION	bookings 1Q 2021	share of bookings 1Q 2021	bookings 1Q 2020	share of bookings 1Q 2020
North America	75 308 486	44,5%	38 249 613	40,3%
Europe	62 975 561	37,2%	39 268 840	41,4%
<i>including Poland</i>	<i>8 155 801</i>	<i>4,8%</i>	<i>5 695 666</i>	<i>6,0%</i>
Asia	23 071 137	13,6%	12 875 310	13,6%
South America	4 116 972	2,4%	2 416 456	2,5%
Australia and Oceania	2 355 282	1,4%	1 410 351	1,5%
Africa	1 368 713	0,8%	701 532	0,7%
BOOKINGS TOTAL	169 196 150	100%	94 922 103	100%
deferred income	4 917 826	N/D	95 569	N/D
REVENUES TOTAL	174 113 976	N/D	95 017 672	N/D





2.

OPERATING COSTS

SPECIFICATION	01.01.2021 – 31.03.2021	01.01.2020 – 31.03.2020
Depreciation	941 411	693 676
Consumption of materials and energy	222 719	534 680
Third-party services	100 870 090	51 002 818
Taxes and fees	629 742	281 657
Remuneration	17 182 670	4 111 609
Social insurance and other benefits	1 371 957	548 000
Other costs by nature	72 597	25 690
Total costs by nature	121 291 186	57 198 130
Including costs of rendering services for internal purposes (negative value)	-3 031 035	-493 255
Costs by function	118 260 151	56 704 875
Cost of services sold	10 566 550	4 756 485
Selling costs	95 935 217	48 544 738
General and administrative costs	11 758 384	3 403 652

Breakdown of selling costs by quarters:

SPECIFICATION	1Q 2020	2Q 2020	3Q 2020	4Q 2020	1Q 2021
Selling costs	48 544 738	124 795 326	95 253 370	74 975 708	95 935 217
marketing:	19 122 999	72 755 974	40 423 986	32 328 468	40 137 460
– <i>Fishing Clash</i>	18 263 312	70 508 454	33 387 047	23 128 972	22 551 718
– <i>Wild Hunt</i>	325 446	470 675	667 616	78 860	0
– <i>Hunting Clash</i>	83 663	607 147	4 385 558	7 863 570	17 412 032
– <i>other titles, events</i>	450 578	1 169 699	1 983 765	1 257 066	173 710
commissions	27 044 419	49 255 530	52 189 581	38 530 399	50 414 040
revenue share	417 224	473 283	421 434	439 675	477 124
remuneration, external services	1 559 372	1 683 409	1 613 386	2 820 699	3 961 297
others	400 724	627 129	604 983	856 470	945 296





3.

OTHER OPERATING INCOME AND EXPENSES

OTHER OPERATING INCOME	01.01.2021 – 31.03.2021	01.01.2020 – 31.03.2020
Others	381 540	4 702
Total	381 540	4 702

Other operating income in Q1 2021 consists mainly of reimbursement of operating expenses received from a business partner in the amount of PLN 326 thousand.

OTHER OPERATING COSTS	01.01.2021 – 31.03.2021	01.01.2020 – 31.03.2020
Donations	257 595	754 500
Writing off uncollectible debts	3 226	1 169
Others	55 223	6 765
Total	316 044	762 434

The majority of other operating expenses are donations, including a donation of PLN 232 thousand to the Healthy Seas Foundation as part of cooperation concerning the Fishing Clash game.

4.

FINANCIAL INCOME AND EXPENSE

FINANCIAL INCOME	01.01.2021 – 31.03.2021	01.01.2020 – 31.03.2020
Interest income	15 837	44 418
Surplus of positive exchange rate differences	2 562 921	1 647 967
Total	2 578 758	1 692 385

FINANCIAL COSTS	01.01.2021 – 31.03.2021	01.01.2020 – 31.12.2020
Lease interest	64 482	55 338
Others	1 547	0
Total	66 029	55 338





5.

FIXED ASSETS MOVEMENT SCHEDULE

SPECIFICATION	Machinery and equipment	Buildings and premises	Other fixed assets	TOTAL
Gross balance sheet value as at 01.01.2021	2 278 219	8 693 695	198 898	95 017 672
Increase, due to:	212 872	0	0	212 872
– Purchase of fixed assets	212 872	0	0	212 872
Decrease, due to:	38 317	0	0	38 317
– Sale of fixed assets	38 317	0	0	38 317
Gross balance sheet value as at 31.03.2021	2 452 773	8 693 695	198 898	11 345 366
Accumulated depreciation as at 01.01.2021	1 110 157	1 373 227	131 089	2 614 473
Increase, due to:	112 954	434 685	4 486	552 126
– Depreciation	112 954	434 685	4 486	552 126
Decrease	33 073	0	0	33 073
Accumulated depreciation as at 31.03.2021	1 190 038	1 807 911	135 576	3 133 525
Revaluation write-offs as at 01.01.2021	0	0		0
Increase	0	0		0
Decrease	0	0		0
Revaluation write-offs as at 31.03.2021	0	0		0
Net balance sheet value as at 31.03.2021	1 262 736	6 885 784	63 322	8 211 842

Ownership structure – net value:

SPECIFICATION	31.03.2021	31.12.2020
Own	1 326 057	1 235 871
Used under a rental, lease or other agreement, including leasing agreements	6 885 784	7 320 468
TOTAL	8 211 841	8 556 339





6.

INTANGIBLE ASSETS MOVEMENT SCHEDULE

SPECIFICATION	Development costs	Computer software	Intangible assets under development	TOTAL
Gross balance sheet value as at 01.01.2021	7 995 077	669 286	2 554 464	11 218 827
Increase, due to:	0	204 970	3 031 035	3 236 006
– nabycia	0	204 970	3 031 035	3 236 006
Decrease	0	0	0	0
Gross balance sheet value as at 31.03.2021	7 995 077	874 256	5 585 499	14 454 833
Accumulated depreciation as at 01.01.2021	3 681 433	586 731	0	4 268 164
Increase, due to:	363 100	18 656	0	381 756
– Depreciation	363 100	18 656	0	381 756
Decrease	0	0	0	0
Accumulated depreciation as at 31.03.2021	4 044 533	605 387	0	4 649 920
Revaluation write-offs as at 01.01.2021	2 248 958	0	0	2 248 958
Increase	0	0	0	0
Decrease	0	0	0	0
Revaluation write-offs as at 31.03.2021	2 248 958	0	0	2 248 958
Net balance sheet value as at 31.03.2021	1 701 586	268 869	5 585 499	7 555 954

The net value as at 31.03.2021 shown under „completed development work“ consists of the Group's games:

1. Fishing Clash – net value: PLN 42,518.56, remaining amortization period: 3 months
2. Wild Hunt – net value: PLN 7,757.65, remaining amortization period: 1 month
3. Golf Rush – net value: PLN 187,215.98, remaining amortization period: 24 months
4. SoliTales – net value: PLN 249,539.60, remaining amortization period: 9 months
5. Flip This House – net value: PLN 309,390.71, remaining amortization period: 9 months
6. Hunting Clash – net value: 905,164.20 PLN, remaining amortization period: 31 months

“Intangible assets under construction” as at 31.03.2021 consist of capitalized costs of modified games Golf Royale, Undead Clash and two other titles with undisclosed names.





RECEIVABLES

Receivables structure:

SPECIFICATION	31.03.2021	31.12.2020
Trade receivables	57 331 158	47 589 017
Other receivables	8 465 503	4 073 461
Accruals and deferred income	2 753 085	3 502 788
Total	68 549 746	55 165 266

Currency structure of trade receivables:

CURRENCY	31.03.2021			31.03.2020		
	Value in currency	PLN valuation	% share	Value in currency	PLN valuation	% share
PLN	25 663 750	25 663 750	44,76%	25 032 361	25 032 361	52,6%
USD	7 805 167	30 967 782	54,02%	5 733 350	21 548 224	45,28%
EUR	74 827	348 716	0,61%	103 763	478 845	1,01%
RUB	6 065 480	318 438	0,56%	10 132 938	507 660	1,07%
Other currencies	—	32 472	0,06%	—	21 927	0,04%
TOTAL		57 331 158	100%		47 408 873	100%

Age structure:

OVERDUE	31.03.2021 value of receivables	31.12.2020 value of receivables
not overdue	56 405 379	44 211 099
up to one month	924 927	607 355
1-3 months	60	2 247 572
3-6 months		522 991
6-12 months	792	0
over 1 year		0
Total receivables	57 331 158	47 589 017

Payments from users are aggregated by intermediaries (mobile stores, payment aggregators, licensees). Payments from displayed ads, on the other hand, are accumulated by advertising intermediaries. In the structure of receivables, the largest balances come from: Google Inc – 43.8% as at 31.03.2021 compared to 49.9% as at 31.12.2020; Apple Distribution International – 50.3% as at 31.03.2021 compared to 32.7% as at 31.12.2020. No other entity exceeded 10% share of total receivables as at 31.03.2021 and 31.12.2020.

The Group had no material amounts of receivables as at 31.03.2021 and 31.12.2020 for which it expected credit losses to occur.





OTHER RECEIVABLES AND PREPAYMENTS

Other long-and short-term receivables are made up of:

SPECIFICATION	31.03.2021	31.12.2020
Other short-term receivables, including:	8 465 503	4 073 461
– VAT tax	8 309 028	4 046 461
– office lease deposit	156 475	27 000
– others	0	0

SPECIFICATION	31.03.2021	31.12.2020
Other long-term receivables, including:	857 595	857 595
– office lease deposit	857 595	857 595

Prepayments are made up of:

DESCRIPTION	31.03.2021	31.12.2020
Registration fees for trademark applications	264 330	122 517
Maintenance of software technical service/software subscriptions	1 873 727	2 405 477
Insurance	9 576	20 639
TV advertising – prepayment	0	830 488
Other prepayments	605 453	123 667
Prepayments	2 753 085	3 502 788



CONTRACT ASSETS AND LIABILITIES

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

The following tables present, as of 31 March 2021 and 31 December 2020, the assets and liabilities related to revenue deferral.

SPECIFICATION	31.03.2021	31.12.2020
Commission expense related to deferred revenue (unused virtual currency)	1 000 063	1 964 155
Commission expense related to deferred revenue (unused durable)	12 428 501	12 951 201
Assets under contracts with customers	13 428 564	14 915 356

SPECIFICATION	31.03.2021	31.12.2020
Deferred revenue (unused virtual currency)	3 333 536	6 547 173
Deferred revenue (unused durables)	41 466 482	43 170 671
Liabilities under contracts with customers	44 800 018	49 717 844





10.

DISTRIBUTION OF PROFIT FOR 2020

The Company's General Meeting of Shareholders, deciding on the distribution of profit earned in 2020, will take place after the date of this report.

The proposal of the Company's Management Board regarding profit distribution is described in Item No. 4 of Other Additional Information.

11.

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

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

11.1.

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

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

RELATED PERSON	Remuneration		Net dividend	
	01.01.2021-31.03.2021	01.01.2020-31.03.2020	01.01.2021-31.03.2021	01.01.2020-31.03.2020
Management Board	7 213 174	166 500	0	0
Maciej Popowicz (until 20.05.2020)	0	54 000	0	0
– Ten Square Games S.A. (CEO until 20.05.2020)	0	54 000	0	0
Maciej Zużatek (since 20.05.2020)	6 239 268	0	0	0
– Ten Square Games S.A. – cash remuneration	206 100	0	0	0
– Ten Square Games S.A. – share based motivation scheme recognized over time	6 033 168	0	0	0
Arkadiusz Pernal	0	43 500	0	0
– Ten Square Games S.A.	0	43 500	0	0
Magdalena Jurewicz (until 31.07.2020)	0	69 000	0	0
– Ten Square Games S.A. (do 31.07.2020)	0	69 000	0	0
Marcin Chruszczyński (since 01.08.2020)	96 490	0	0	0
– Ten Square Games S.A.	96 490	0	0	0
Andrzej Ilczuk (since 21.01.2021)	127 175	0	0	0
– Ten Square Games S.A.	127 175	0	0	0
Anna Idzikowska (since 21.01.2021)	127 215	0	0	0
– Ten Square Games S.A.	127 215	0	0	0
Janusz Dziemidowicz (since 21.01.2021)	82 185	0	0	0
– Ten Square Games S.A.	82 185	0	0	0
Wojciech Gattner (since 21.01.2021)	540 841	0	0	0
– Ten Square Games S.A.	540 841	0	0	0
Supervisory Board (Ten Square Games S.A.)	105 000	57 000	0	0
Maciej Zużatek (Chairman of the Supervisory Board until 21.04.2020, CEO since 20.05.2020)	0	3 000	0	0
Rafał Olesiński	25 500	10 500	0	0
Marcin Chruszczyński (Member of the Supervisory Board until 20.05.2020)	0	10 500	0	0
Tomasz Drożdżyński	13 500	9 000	0	0
Maciej Marszałek	15 000	4 500	0	0
Milena Olszewska-Miszuris (Member of the Supervisory Board until 20.05.2020)	0	10 500	0	0
Wiktor Schmidt	12 000	9 000	0	0
Marcin Bitos (Member of the Supervisory Board since 20.05.2020)	13 500	0	0	0
Kinga Stanisławska (Member of the Supervisory Board since 20.05.2020)	13 500	0	0	0
Arkadiusz Pernal (Member of the Supervisory Board since 01.01.2021)	12 000	0	0	0
Related Persons (Ten Square Games S.A.)	40 500	0	0	0
Maciej Popowicz (since 20.05.2020)	40 500	0	0	0
Key personnel (Ten Square Games S.A.)	0	0	b/d	b/d
Family members of key personnel/Management Board (Ten Square Games S.A.)	0	95 453	b/d	b/d

The transactions between affiliates were conducted at arm's length.





11.2. Other related entities

AFFILIATE	Net sales		Net purchase	
PERIOD	01.01.2021- 31.03.2021	01.01.2020- 31.03.2020	01.01.2021- 31.03.2021	01.01.2020- 31.03.2020
Subsidiaries:	1 212 133	1 530 683	365 885	0
Play Cool Zombie Sport Games Sp. z o.o.	21 139	60 899	0	0
Tiny Dragon Adventure Games Sp. z o.o.	735 518	1 119 119	0	0
Fat Lion Games Sp. z o.o.	455 475	350 666	0	0
Ten Square Games Germany GmbH	0	0	365 885	0
Personally related entities:	0	0	17 115	26 345
Olesiński i Wspólnicy Spółka komandytowa	0	0	17 115	26 345

AS AT	Gross receivables		Gross liabilities	
SUBSIDIARIES	31.03.2021	31.12.2020	31.03.2021	31.12.2020
Play Cool Zombie Sport Games Sp. z o.o.	540 020	931 456	365 885	0
Tiny Dragon Adventure Games Sp. z o.o.	9 499	44 627	0	0
Fat Lion Games Sp. z o.o.	321 973	591 102	0	0
Ten Square Games Germany GmbH	208 549	295 727	0	0
Personally related entities:	0	0	365 885	0
Olesiński i Wspólnicy Spółka komandytowa	0	0	9 686	25 450
Olesiński i Wspólnicy Spółka komandytowa	0	0	9 686	25 450

12.

DEFERRED TAX

Structure of a deferred tax asset

SPECIFICATION	As at 31.03.2021	As at 31.12.2020
Accounting for virtual currency over time	116 674	229 151
Accounting for durables over time	1 966 766	1 510 973
Accrual for annual leave	84 266	58 937
Accrual for audit costs	0	4 746
Lease – IFRS 16 valuation	87 767	74 630
Provision for bonuses	209 940	71 609
Other provisions	0	35 143
Total	2 465 413	1 985 189

Structure of deferred tax liability

SPECIFICATION	As at 31.03.2021	As at 31.12.2020
Amortisation of games	599 616	418 038
Revaluation of receivables, payables and cash	178 607	25 356
Total	778 223	443 394





13.

PROVISIONS FOR EMPLOYEE BENEFITS

During the reporting period covered by the financial statements, the following changes in provisions occurred:

SPECIFICATION	As at 01.01.2021	Changes during the year		As at 31.03.2021
		Assumption	Use	
Provision for holidays	530 961	842 655	530 961	842 655
Provision for remuneration	961 724	1 887 852	645 121	2 204 456
TOTAL PROVISIONS	1 492 685	2 730 508	1 176 082	3 047 111





ten square games

VI.

**OTHER ADDITIONAL
INFORMATION**







A BRIEF DESCRIPTION OF THE ISSUER'S SIGNIFICANT ACHIEVEMENTS OR FAILURES

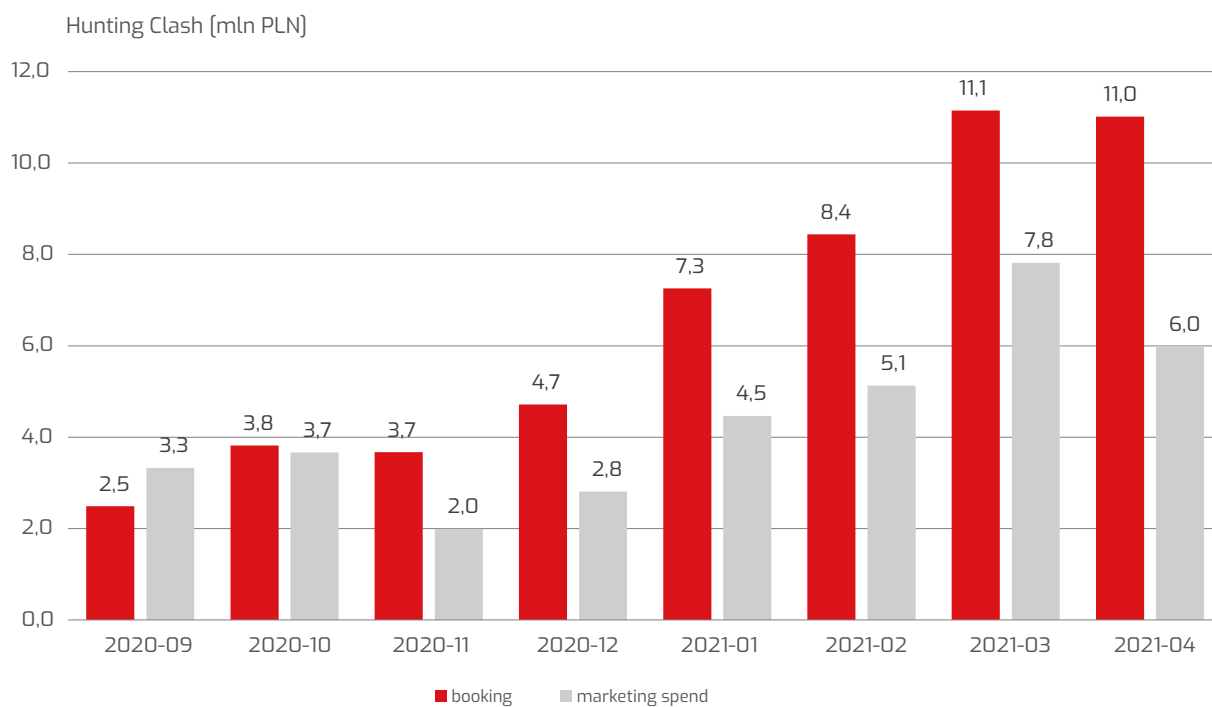
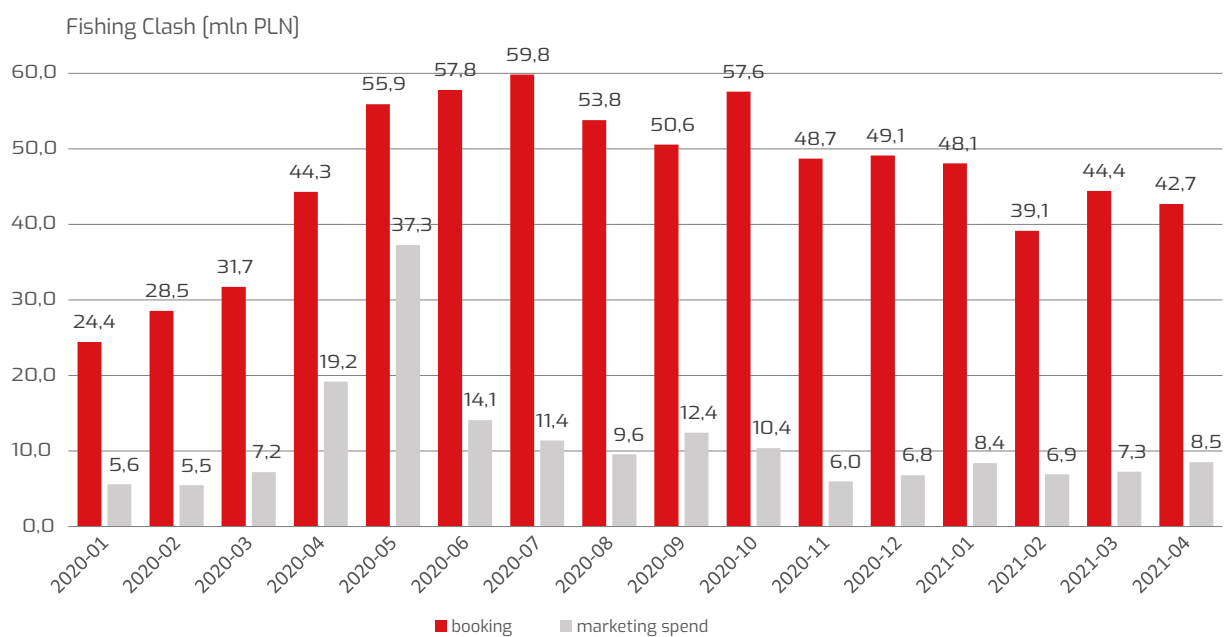
IN THE REPORTING PERIOD, INCLUDING A LIST OF THE MOST IMPORTANT EVENTS CONCERNING THE ISSUER

The first quarter of 2021 was a period of stabilization (considering monthly figures) of revenues of the leading game Fishing Clash, which, as a result of both the increase in the game's attractiveness due to the intensive efforts of the project team and the exceptionally high marketing expenditure in the second quarter of 2020, recorded record revenues in the period from May to October 2020. In the analyzed period, very dynamic growth was recorded by the Group's second most important title, Hunting Clash, released in August 2020, which in the first quarter of 2021 reached a 15.9% share in the Company's sales. As this game has only been available to players for a few months, its revenues are relatively strongly influenced by the level of ongoing marketing spend. Over time, as revenues are generated by both players acquired in the current period and those who started playing

earlier, the correlation of the amount of current revenues with current marketing expenditures will decrease.

Both in the period under review and in the coming months, the Company's Management Board focuses its efforts on strengthening the teams (mainly product and product-related – e.g. Marketing and Business Intelligence) by recruiting experienced specialists. The aim of these actions is to accelerate the creation and further development of high quality mobile games which engage users and generate satisfactory financial results.

Monthly analysis of payments and marketing costs for key games





2.

STATISTICS OF GAMES

PERIOD	1Q 2020	2Q 2020	3Q2020	4Q2020	1Q2021
Fishing Clash – MAU* (average for the period)	2 894 045	6 915 710	4 165 725	3 223 278	3 849 763
Let's Fish – MAU (average for the period)	428 742	514 341	369 797	347 293	281 634
Wild Hunt – MAU (average for the period)	1 293 296	1 203 639	777 609	589 348	651 733

*MAU – monthly average active users



3.

INDICATION OF FACTORS AND EVENTS, INCLUDING OF ONE-OFF NATURE, HAVING A SIGNIFICANT IMPACT ON THE CONDENSED FINANCIAL STATEMENT

Between 1 January and 31 March 2021 no untypical events occurred, which would have significant impact on condensed interim consolidated financial statement.





4.

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

On 19 May 2021, the Company's Management Board adopted a resolution concerning submission to the Company's General Meeting of Shareholders of a motion for distribution of the net profit generated in 2020 in the amount of PLN 150,589,521.00 (say: one hundred and fifty million five hundred and eighty nine thousand five hundred and twenty one zloty and 00/100) in such a manner that:

1. the amount of PLN 72,673,110 proposed to allocate for distribution among the shareholders in the form of a dividend payment of PLN 10 (in words: ten zlotys) per share;
2. the amount of PLN 77,916,411 should be allocated to the creation of the reserve capital intended for the acquisition of own shares for Accumulated depreciation
3. no supplementary capital is created.

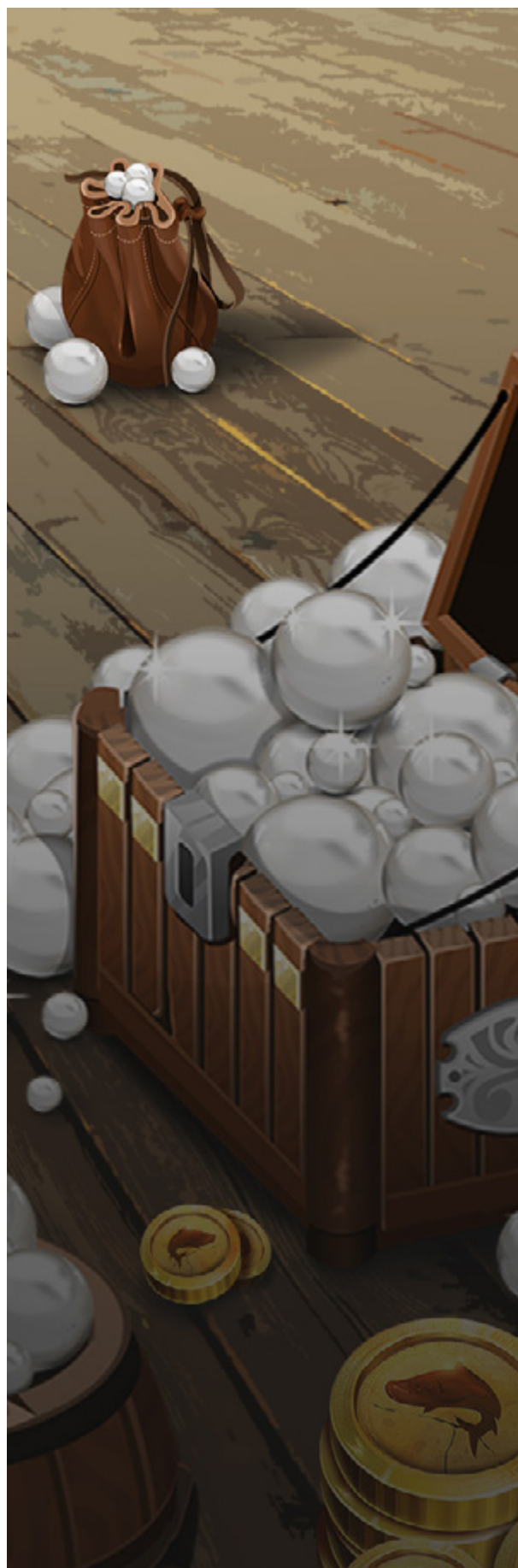
The Management Board of the Company applied to the General Meeting of Shareholders to set the dividend date at 5 July 2021 and the dividend payment date at 19 July 2021.

On 19 May 2021, the Board of Directors of Ten Square Games S.A. also adopted a resolution to refer to the Company's Annual General Meeting of Shareholders a motion to authorize the Board of Directors to purchase own shares in the name and on behalf of the Company and to create a reserve capital, whereby:

4. the shares will be purchased for the purpose of: (i) voluntary redemption of shares or (ii) exchange for shares or stocks in the course of acquisitions made by the Company or (iii) disposition by the Company's Management Board in any other manner permitted by law, taking into account the needs arising from its business;
5. the subject of the acquisition shall be the Company's own shares not exceeding 670,000 (six hundred and seventy thousand shares);
6. the shares may be purchased within 12 months from the date of adoption of the resolution of the AGM on giving consent to purchase the shares;

- 7.** the purchase price per share shall not be lower than PLN 200 and higher than PLN 600, provided that if the purchase of shares takes place taking into account the relevant provisions of Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse and repealing Directive 2003/6/EC of the European Parliament and of the Council and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC („MAR Regulation”) and Commission Delegated Regulation (EU) 2016/1052 of 8 March 2016 supplementing the MAR Regulation as regards regulatory technical standards on conditions applicable to buyback programmes and stabilisation measures (the „Standard”), in which case the price will be determined taking into account Article 5 of the MAR Regulation and the Standard;
- 8.** a reserve capital of PLN 134,000,000 shall be created for the purpose of acquisition of shares.

On 19 May 2021 the Supervisory Board of the Company gave a positive opinion on the subject proposals.





5.

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

In the perspective of subsequent quarters of 2021, the Group intends to continue the development of its operations in the existing areas.

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

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

A factor that may affect the Group's results is the „technical launch“ of the new title Football Elite, which took place in the second quarter of 2021.

After testing this title in several markets, the Board of Directors will decide on a possible global launch in the second half of 2021.

External factors that may affect the Group's results include the duration of the COVID-19 pandemic and its impact on consumers' behavior and condition of global economies, the exchange rate of the USD and EUR to PLN, the emergence of products competing with the Group's games, advertising market parameters such as prices and supply of ads displayed in the Group's games and the prices of ads purchased by the Group or the change in the policy of key distribution platforms Google Play and Apple affecting the scope and possibility of distribution of the Group's products.

6.

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

As at 31.03.2021, the Ten Square Games S.A. Group did not have any other material information of the above nature.





7.

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

The Management Board of Ten Square Games S.A.
did not publish forecasts of financial results for
year 2021.

8.

SEASONALITY OR
CYCLICALITY OF
OPERATIONS

There is no seasonality or cyclicity in Group's
operations.

9.

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

Ten Square Games S.A. or any of its subsidiaries was not a party to any legal, arbitration or governmental proceeding as at 31 March 2021 or the date of the financial statements.

10.

LOANS, BORROWINGS, WARRANTIES, SURETIES

Neither Ten Square Games S.A. nor any of its subsidiaries was a party to any loan or borrowing agreement (other than intra-group loans) as at 31 March 2021 and as at the date of the financial statements. The Issuer and its subsidiaries did not grant any warranties or sureties in the period covered by this report.





APPROVAL OF THE FINANCIAL STATEMENT

This report for the period from January 1 to 31 March 2021 was signed and approved for publication by the Management Board of Ten Square Games S.A. on 24 May 2021.

**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

PERSON ENTRUSTED WITH BOOKKEEPING

Karolina Hoszowska-Dubaniowska

Wrocław, 24 May 2021