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**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENT
OF TEN SQUARE GAMES S.A. GROUP
FOR 01.01.2021 – 30.06.2021**

WROCLAW, 23.08.2021

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

STATEMENT OF COMPREHENSIVE INCOME	PLN		EUR	
	01.01.2021 – 30.06.2021	01.01.2020 – 30.06.2020	01.01.2021 – 30.06.2021	01.01.2020 – 30.06.2020
Sales revenues	338 999 340	264 640 047	74 551 774	59 586 168
Costs of services sold	22 019 279	10 361 544	4 842 417	2 332 998
Operating profit (loss)	94 615 365	66 977 496	20 807 543	15 080 606
Gross profit (loss)	95 466 480	68 005 940	20 994 718	15 312 170
Net profit (loss)	86 077 936	60 963 419	18 930 016	19 381 248
EBITDA	100 306 990	68 408 225	22 059 229	15 402 748
Adjusted EBITDA	111 979 595	76 848 495	24 626 235	17 303 153

CASH FLOW STATEMENT	PLN		EUR	
	01.01.2021 – 30.06.2021	01.01.2020 – 30.06.2020	01.01.2021 – 30.06.2021	01.01.2020 – 30.06.2020
Net cash flows from operating activities	107 723 162	43 693 544	23 690 172	9 838 007
Net cash flows from investment activities	-11 478 016	-1 807 731	-2 524 213	-407 027
Net cash flows from financial activity	-547 907	-27 762 020	-120 494	-6 250 877

STATEMENT OF FINANCIAL POSITION	PLN		EUR	
	30.06.2021	31.12.2020	30.06.2021	31.12.2020
Fixed assets	23 994 107	16 100 828	5 307 491	3 488 955
Current assets	398 668 970	307 582 759	88 185 492	66 651 374
Equity	274 431 175	238 050 607	60 704 118	51 584 166
Long-term liabilities	6 530 806	7 437 421	1 444 613	1 611 645
Short-term liabilities	141 701 096	78 195 559	31 344 252	16 944 517

EUR/PLN exchange rate	2021	2020
for the balance-sheet data	4,5208	4,6148
for the data from the profit and loss statement and cash flow statement	4,5472	4,4413

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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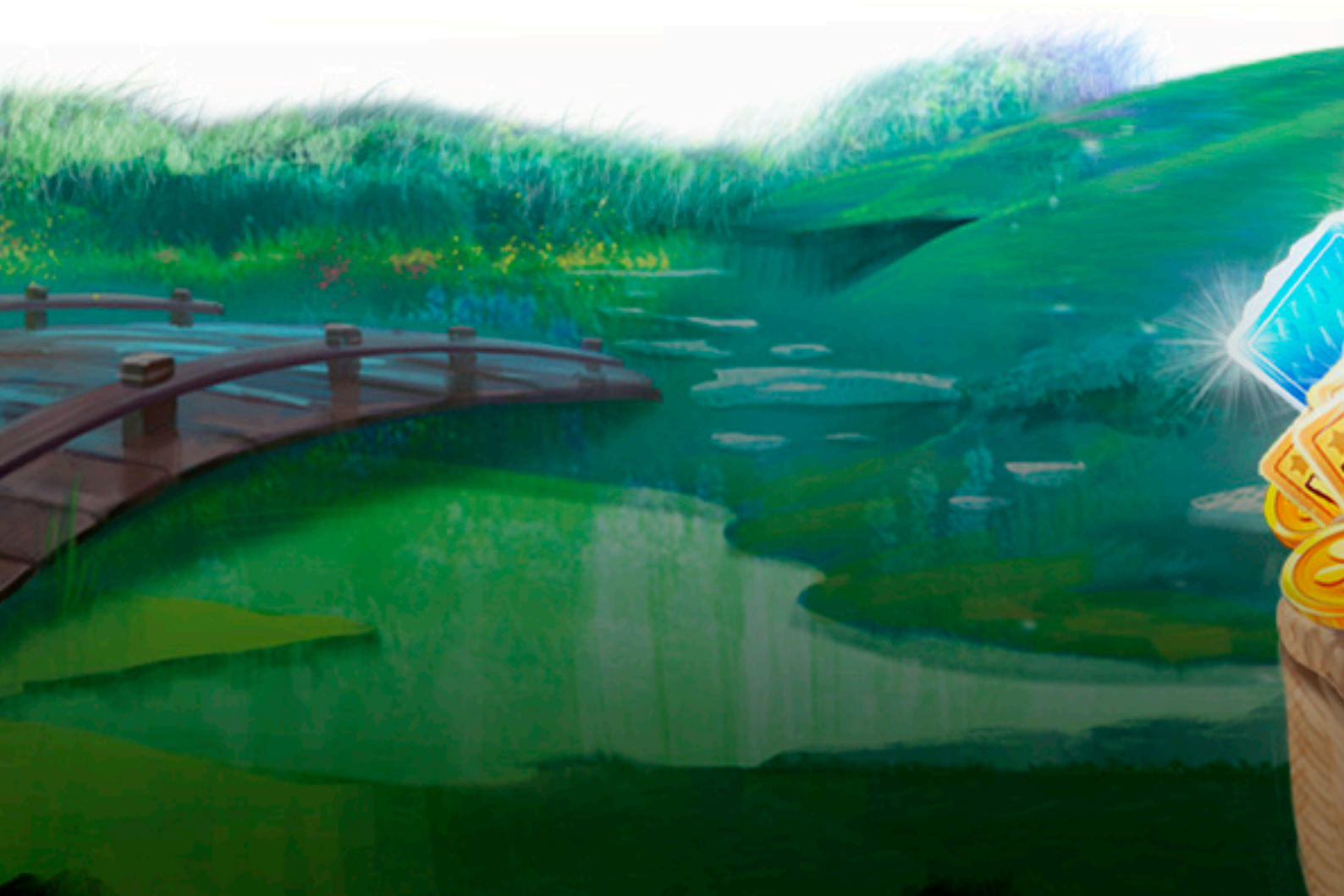




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GENERAL INFORMATION







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

2.

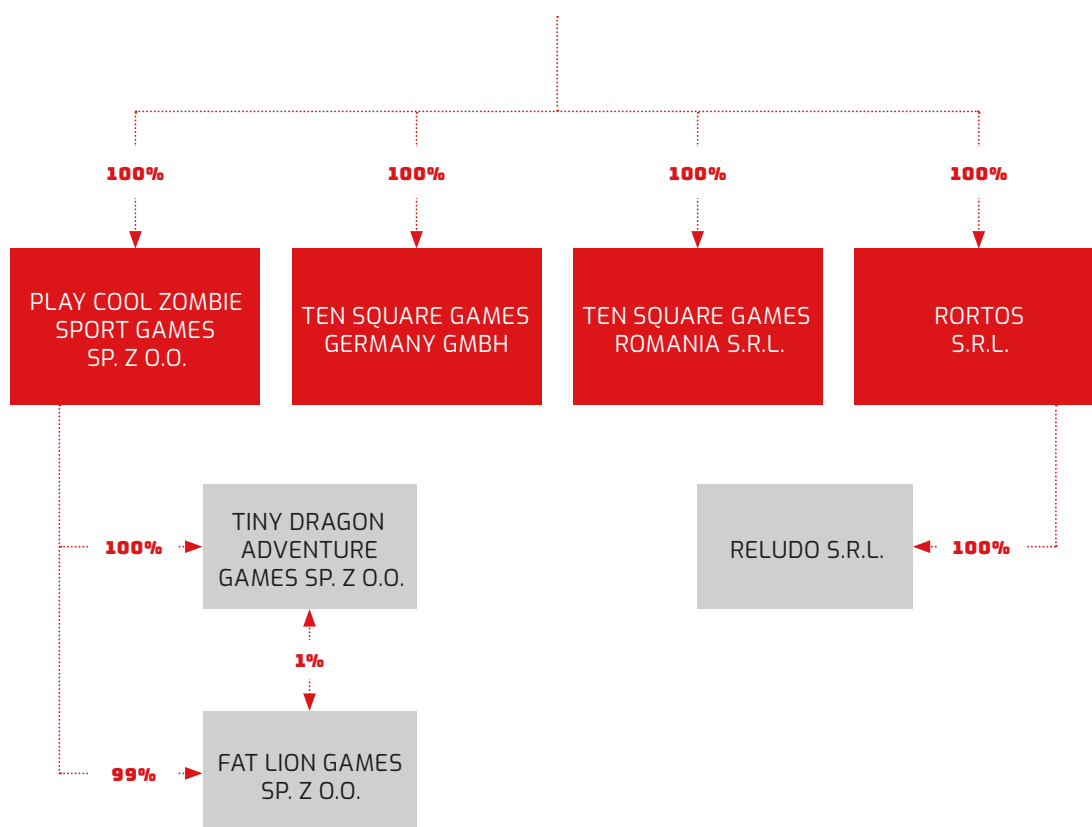
GROUP

Ten Square Games S.A. is the Parent Entity in the Group, which prepares consolidated financial statements.

The subsidiaries are subject to the consolidated financial statement since the date of a given company's establishment.



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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 23.08.2021	share in basic capital	number of votes at G5M	% 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%

Shareholder	number of shares as at 30.06.2021	share in basic capital	number of votes at G5M	% 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%

Shareholder	number of shares as at 31.12.2020	share in basic capital	number of votes at G5M	% 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 (current report number 30/2019). The parties to the Shareholders' Arrangement include Maciej Popowicz (President of the Management Board until 20.05.2020) and Arkadiusz Pernal (Vice-President of the Management Board until 31.12.2020). On 09.07.2020 two more members joined the Arrangement.

Changes in the shareholder structure between 31.12.2020 and 23.08.2021 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, of 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, of which the Company informed in current report No. 11/2021.

Additionally, in August 2021, shares were allocated to participants approved by the Supervisory Board under the existing 2018-2020 incentive program. On 20th August 2021, the Company filed an application with the National Court Register for the registration of an increase in supplementary capital by PLN 3,447.20 in connection with the incentive program.



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

Shareholder	number of shares as at 30.06.2021	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	100,00%	7 267 311	100,00%

Changes in the structure of shares held by members of the Management Board and the Supervisory Board between 31 December 2020 and 23.08.2021 resulted from changes in the composition of the bodies and from the transaction described in the notification received on 15 January 2021 from 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 23.08.2021 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

Series B shares are issued in connection with the Company's incentive program, and the related share capital increase was communicated in current reports No. 23/2019 and 25/2019.

On 20th August 2021 the Company filed with the National Court Register an application for registration of an increase in the share capital by PLN 3,447.20 in connection with the MSOP. By the date of publication of the report, the application had not been registered.





4.

COMPOSITION OF THE COMPANY'S BODIES AS AT 30.06.2021

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 Board;

Wojciech Gattner – Member of the Board;

Anna Idzikowska – Member of the Board;

Andrzej Ilczuk – Member of the 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 23.08.2021.

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 30.06.2021 and it covers the period of 6 months, i.e. from 01.01.2021 to 30.06.2021.

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.

For the data presented in the interim condensed consolidated statement of comprehensive income, comparable financial data for the period from 01.01.2020 to 30.06.2020 were presented.

For the data presented in the interim condensed consolidated statement of changes in equity and in the interim condensed consolidated cash flow statement, comparable financial data were presented for the period from 01.01.2020 to 30.06.2020.

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. 30.06.2021. 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 six months 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.

Auditing company

These interim condensed consolidated financial statements were audited and reviewed by an independent audit firm:

PKF Consult
Spółka z ograniczoną odpowiedzialnością Sp. k.
ul. Orzycka 6 lok. 1B
02-695 Warszawa
wpisaną na listę firm audytorskich
pod numerem 477.

6.

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

In March 2020, The World Health Organization declared that the COVID-19 disease caused by the SARS-CoV-2 coronavirus could be referred to as a pandemic, which is the highest level of alert that is issued by the WHO. While the pandemic has had and is having a negative impact on most businesses, there are industries for which 2020 has meant an increase in business.

The emergence of the COVID-19 outbreak has increased interest in, among other things, mobile games, including those offered by the Group, which has translated into increased revenues. The Management Board monitors the situation on an ongoing basis and reacts accordingly. As at the date of publication of these consolidated financial statements, the Company's Management Board, based on the risk analysis performed to date, estimates that the pandemic does not affect the assessment of the reasonableness of the going concern assumption of the Company.





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II.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENT







INTERIM CONDENSED CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT	01.01.2021 – 30.06.2021	01.01.2020 – 30.06.2020
Sales revenues	338 999 340	264 640 047
Cost of services sold	22 019 279	10 361 544
Gross profit (loss)	316 980 061	254 278 503
Other operating income	383 449	5 607
Selling costs	191 734 753	173 340 064
General and administrative costs	26 817 669	13 125 727
Other operating costs	4 195 723	840 823
Operating profit (loss)	94 615 365	66 977 496
Financial income	979 836	1 137 785
Financial expense	128 721	109 341
Gain (loss) on loss of control	0	0
Profit (loss) before taxation	95 466 480	68 005 940
Income tax	9 388 544	7 042 521
Net profit (loss) on continued activity	86 077 936	60 963 419
Profit (loss) on discontinued activity	0	
Net profit (loss)	86 077 936	60 963 419
Net profit (loss) attributable to the parent company	86 077 936	60 963 419
Items that may be reclassified subsequently to profit or loss	1 940	0
Other comprehensive income	1 940	0
Subject to reclassification to profit or loss – foreign exchange differences on translation of foreign financial statements	1 940	0
Items that will not be reclassified to profit or loss	0	0
Total comprehensive income	86 075 996	60 963 419
Total comprehensive income attributable to non-controlling shareholders	0	0
Net profit (loss) attributable to the parent company	86 075 996	60 963 419

EARNINGS PER SHARE

CALCULATION OF EARNINGS PER SHARE	01.01.2021 – 30.06.2021	01.01.2020 – 30.06.2020
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)	7 301 783	7 267 311
Net profit attributable to Parent Entity	86 077 936	60 963 419
Net earnings per share in PLN		
Basic net earnings per share	11,84 zł	8,42 zł
Diluted net earnings per share	11,79 zł	8,39 zł
Net earnings per share on continued operations in PLN		
Basic net earnings per share	11,84 zł	8,42 zł
Diluted net earnings per share	11,79 zł	8,39 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	30.06.2021	31.12.2020	30.06.2020
Fixed assets	23 994 107	16 100 828	11 604 097
Tangible fixed assets	8 019 642	8 556 339	6 351 447
Intangible fixed assets	8 391 361	4 701 705	4 025 268
Other financial assets	5 466 210	857 595	687 212
Deferred tax asset	2 116 894	1 985 189	540 170
Current assets	398 668 970	307 582 759	158 750 800
Receivables	55 690 077	55 165 266	68 383 132
Contract assets	10 368 188	14 915 356	780 529
Loans granted	0	893 758	60 000
Cash and cash equivalents	332 610 705	236 608 379	89 527 139
TOTAL ASSETS	422 663 077	323 683 587	170 354 897

EQUITY & LIABILITIES	30.06.2021	31.12.2020	30.06.2020
Equity	274 431 175	238 050 607	133 578 178
Equity attributable to owners of the Parent Entity	274 431 175	238 050 607	133 578 178
Share capital	726 731	726 731	724 125
Share premium	496 100	496 100	496 100
Capital from the settlement of the incentive scheme	46 426 208	23 436 052	9 606 064
Foreign exchange differences on translation of statements of foreign operations	1 940	4 290	0
Retained earnings	226 780 196	213 387 434	122 751 889
Equity of non-controlling shareholders	0	0	0
Long-term liabilities	6 530 806	7 437 421	5 867 366
Deferred tax liability	661 939	443 394	615 772
Lease liabilities	5 868 867	6 994 027	5 251 594
Short-term liabilities	141 701 096	78 195 559	30 909 353
Trade liabilities	20 524 616	12 392 029	23 284 805
Current tax liabilities	6 983 088	12 764 644	3 359 158
Other liabilities	73 459 248	635 806	558 724
Lease liabilities	1 709 735	1 192 551	610 471
Provisions for employee benefits	4 132 761	1 492 685	494 440
Contract liabilities	34 891 648	49 717 844	2 601 755
Total liabilities	148 231 902	85 632 980	36 776 719
TOTAL EQUITY & LIABILITIES	422 663 077	323 683 587	170 354 897





3.

INTERIM CONDENSED CONSOLIDATED
STATEMENT OF CHANGES IN EQUITY

6 months ending on 30.06.2021	Share capital	Share premium	Capital from the settlement of the incentive scheme	Foreign exchange differences on translation	Retained earnings	Equity attributable to equity holders of the parent	Total equity
Equity as at 01.01.2021	726 731	496 100	23 436 052	4 290	213 387 434	238 050 607	238 050 607
Payment of share capital						0	0
Share-based payments			22 990 156			22 990 156	22 990 156
Foreign exchange differences				-4 290	-12 064	-16 354	-16 354
Payment of dividends					-72 673 110	-72 673 110	-72 673 110
Net profit					86 077 936	86 077 936	86 077 936
Other comprehensive income				1 940		1 940	1 940
Total comprehensive income				1 940	86 077 936	86 079 876	86 079 876
Change in equity			22 990 156	-2 350	13 392 762	36 380 568	36 380 568
Equity as at 30.06.2021	726 731	496 100	46 426 208	1 940	226 780 196	274 431 175	274 431 175

6 months ending on 30.06.2020	Share capital	Share premium	Capital from the settlement of the incentive scheme	Foreign exchange differences on translation	Retained earnings	Equity attributable to equity holders of the parent	Total equity
Equity as at 01.01.2020	724 125	496 100	1 764 034	0	89 160 377	92 144 636	92 144 636
Payment of share capital						0	0
Share-based payments			7 842 030			7 842 030	7 842 030
Foreign exchange differences						0	0
Payment of dividends					-27 371 907	-27 371 907	-27 371 907
Net profit					60 963 419	60 963 419	60 963 419
Other comprehensive income						0	0
Total comprehensive income					60 963 419	60 963 419	60 963 419
Equity as at 30.06.2020	724 125	496 100	9 606 064	0	122 751 889	133 578 178	133 578 178

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	Equity attributable to equity holders of the parent	Total equity
Equity as at 01.01.2020	724 125	496 100	1 764 034	0	89 160 377	92 144 636	92 144 636
Payment of share capital	2 606					2 606	2 606
Share-based payments			21 672 018			21 672 018	21 672 018
Foreixn exchange differences						0	0
Payment of dividends					-27 371 907	-27 371 907	-27 371 907
Net profit					151 598 963	151 598 963	151 598 963
Other comprehensive income				4 290		4 290	4 290
Total comprehensive income				4 290	151 598 963	151 603 253	151 603 253
Change in equity	2 606	0	21 672 018	4 290	124 227 056	145 905 970	145 905 970
Equity as at 31.12.2020	726 731	496 100	23 436 052	4 290	213 387 434	238 050 607	238 050 607





4.

INTERIM CONDENSED CONSOLIDATED
CASH FLOW STATEMENT

CONSOLIDATED CASH FLOW STATEMENT

for the period
01.01.2021
– 30.06.2021for the period
01.01.2020
– 30.06.2020

OPERATING ACTIVITY		
Profit/loss before taxation	95 466 480	68 005 940
Total adjustments:	27 324 025	-14 410 059
Depreciation and amortization	1 919 862	1 430 729
Foreign exchange gain/loss	-492 331	99 044
Interest paid on lease	127 174	109 342
Interest and shares in profits (dividends)	0	0
Change in receivables	-524 811	-43 641 427
Change in liabilities and accrued expenses	10 922 996	20 373 131
Change in contract liabilities	-14 826 196	-598 240
Change in contract assets	4 547 168	179 472
Revaluation allowance for intangible assets under construction	3 760 701	0
Share-based payments (part not included in the acquisition of intangible assets)	21 936 704	7 698 872
Other adjustments	-47 242	-60 982
Cash from operating activity	122 790 505	53 595 881
Income tax (paid) / reimbursed	-15 067 343	-9 902 337
A. Net operating cash flow	107 723 162	43 693 544
INVESTMENT ACTIVITY		
Repayment of loans granted	893 758	20 000
Purchase of intangible and tangible fixed assets	-7 786 093	-1 827 731
Purchase of shares	-4 585 680	0
B. Net cash flow from investment activities	-11 478 016	-1 807 731

CONSOLIDATED CASH FLOW STATEMENT

for the period
01.01.2021
– 30.06.2021for the period
01.01.2020
– 30.06.2020

FINANCIAL ACTIVITY		
Dividends and other payments to owners	0	-27 371 906
Payment of finance lease liabilities	- 420 733	-280 773
Interest on lease	-127 174	-109 341
C. Net cash flow from financing activity	-547 907	-27 762 020
D. Total net cash flow	95 697 240	14 123 793
- change in cash due to exchange losses/gains	305 087	173 319
E. Balance sheet change in cash, including foreign exchange	96 002 327	14 297 112
F. Cash at the beginning of the period	236 608 379	75 230 027
G. Cash at the end of the period	332 610 705	89 527 139





ten square_games

III.

ACCOUNTING PRINCIPLES







1.

COMPLIANCE WITH THE INTERNATIONAL ACCOUNTING STANDARDS

This interim condensed financial statement has been prepared in accordance with International Accounting Standard No. 34 "Interim Financial Reporting".

The accounting principles (policy) used in the preparation of this report are consistent with those used in the preparation of the financial statements for the year ended December 31, 2019 except for the application of amendments to standards and new interpretations effective for annual periods beginning on or after January 1, 2020.

Standards and interpretations adopted by the IASB that have not yet been endorsed by the EU for use:

- a.** IFRS 14: Price Controlled Activities; Deferred Item Balances – effective for reporting periods beginning on or after January 1, 2017. This standard, as an interim standard, in accordance with the European Commission's decision, will not be subject to the adoption process.
- b.** IFRS 17 Insurance Contracts – effective for reporting periods beginning on or after 1 January 2021. The application of IFRS 17 is possible provided that IFRS 9 and IFRS 15 are implemented.
- c.** Amendments to IFRS 4 "Insurance Contracts" (effective for annual periods beginning on or after 1 January 2021).
- d.** Deferral of IFRS 9 "Financial Instruments" (effective for annual periods beginning on or after 1 January 2021).

e. Amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" – effective for reporting periods beginning on or after 1 January 2020.

The Group is in the process of reviewing its estimates of how the above standards and amendments to standards will have a material impact on the Group's financial statements.

f. Amendments to IFRS 3 Business Combinations, IAS 16 Property, Plant and Equipment, IAS 37 Provisions, Contingent Liabilities and Contingent Assets, Amendments arising from the IFRS Review 2018-2020 (published on 14 May 2020) – not endorsed by the EU as at the date of approval of these financial statements – applicable to annual periods beginning on or after 1 January 2022;

g. Amendments to IFRS 16 Leases – Rent concessions related to Covid-19 (published on 28 May 2020) – not approved by the EU as at the date of approval of these financial statements – applicable to annual periods beginning on 1 June 2020 or later. Earlier application is permitted, including for financial statements not authorised for issue as at 28 May 2020; Amendments to IFRS 4 Insurance Contracts (published on 25 June 2020) – not endorsed by the EU as at the date of approval of these financial statements – effective for annual periods beginning on or after 1 January 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
- 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 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.





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.

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.

[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

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 deferred revenue from durable goods over time only for Fishing Clash – the second leading title Hunting Clash was made available to players in the global market only 4 months prior to the balance date, so determining the average time a paying user stays in the game would be subject to a large error.

DETERMINATION OF MATERIALITY

When preparing financial statements, the Group applies the materiality principle. The materiality principle introduces the possibility to apply simplifications, if it does not have a materially negative impact on the reliable and clear presentation of the property and financial situation and financial result. The Group has adopted the amount of PLN 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

IV.

ADDITIONAL EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT







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 – 30.06.2021	01.01.2020 – 30.06.2020
Sales of services	338 999 340	264 640 047
TOTAL revenues from sales of services	338 999 340	264 640 047
Other operating income	383 449	5 607
Financial income	979 836	1 137 785
TOTAL revenues from continuing operations	340 362 625	265 783 439
TOTAL revenues	340 362 625	265 783 439

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 – 30.06.2021	01.01.2020 – 30.06.2020
Operating profit	93 740 338	65 294 410
Amortisation	1 919 862	1 430 729
Write-offs for impairment	3 760 700	0
EBITDA	99 420 900	66 725 139
The non-cash impact of the incentive program	21 951 633	7 842 030
Deferred net revenue (unused virtual currency)	-2 448 269	598 240
Deferred net revenue (unused durables)	-7 830 759	0
Adjusted EBITDA	111 093 505	75 165 409

Consolidated data:

SPECIFICATION	01.01.2021 – 30.06.2021	01.01.2020 – 30.06.2020
Operating profit	94 615 365	66 977 496
Amortisation	1 930 925	1 430 729
Write-offs for impairment	3 760 700	0
EBITDA	100 306 990	68 408 225
The non-cash impact of the incentive program	21 951 633	7 842 030
Deferred net revenue (unused virtual currency)	-2 448 269	598 240
Deferred net revenue (unused durables)	-7 830 759	0
Adjusted EBITDA	111 979 595	76 848 495

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 1-6 2021	share of bookings 1-6 2021	bookings 1-6 2020	share of bookings 1-6 2020
micro-payments	318 604 882	98,3%	258 367 652	97,4%
advertisements	3 692 206	1,1%	4 894 378	1,8%
licences	1 876 056	0,6%	1 976 257	0,7%
BOOKINGS TOTAL	324 173 144	100,0%	265 238 287	100,0%
deferred income (unused virtual currency)	3 497 529	N/D	-598 240	N/D
deferred income (unused durables)	11 328 667	N/D	0	N/D
REVENUES TOTAL	338 999 340	N/D	264 640 047	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 1-6 2021	share of bookings 1-6 2021	bookings 1-6 2020	share of bookings 1-6 2020
Fishing Clash	246 642 480	76,1%	242 721 607	91,51%
Hunting Clash	57 231 136	17,7%	413 022	0,16%
Let's Fish	7 918 916	2,4%	8 419 829	3,17%
Wild Hunt	6 997 685	2,2%	7 917 674	2,99%
other	5 382 926	1,7%	5 766 154	2,17%
BOOKINGS TOTAL	324 173 144	100,0%	265 238 287	100%
deferred income (unused virtual currency)	3 497 529	N/D	-598 240	N/D
deferred income (unused durables)	11 328 667	N/D	0	0,00
REVENUES TOTAL	338 999 340	N/D	264 640 047	N/D

Revenue distribution by quarters:

GAME	1Q 2020	2Q 2020	3Q2020	4Q2020	1Q2021	2Q2021
Fishing Clash	84 677 795	158 043 812	164 256 332	155 356 610	131 659 442	114 983 038
Hunting Clash	65 559	347 467	3 361 414	12 302 557	26 840 820	30 390 316
Let's Fish	3 868 618	4 551 211	3 708 977	4 348 957	4 208 029	3 710 888
Wild Hunt	3 542 576	4 375 098	3 708 729	3 768 668	3 666 218	3 331 467
other	2 987 762	3 228 617	4 798 386	4 609 840	2 821 641	2 561 285
BOOKINGS TOTAL	95 142 310	170 546 205	179 833 838	180 386 632	169 196 150	154 976 993
deferred income (unused virtual currency)	95 569	-693 809	-575 289	-3 370 129	3 213 637	283 892
deferred income (unused durables)	0	0	0	-43 170 671	1 704 189	9 624 478
REVENUES TOTAL	95 237 879	169 852 396	179 258 549	133 845 832	174 113 976	164 885 363

1.4. Revenues – by counterparty

COUNTERPARTY	bookings 1-6 2021	share of bookings 1-6 2021	bookings 1-6 2020	share of bookings 1-6 2020
Google Inc.	192 641 369	59,4%	152 071 196	57,3%
Apple Distribution International	114 213 802	35,2%	93 946 395	35,4%
Others (of which none individually exceeds 10%)	17 317 973	5,3%	19 220 696	7,2%
BOOKINGS TOTAL	324 173 144	100,0%	265 238 287	100,0%
deferred income (unused virtual currency)	3 497 529	N/D	-598 240	N/D
deferred income (unused durables)	11 328 667	N/D	0	N/D
REVENUES TOTAL	338 999 340	N/D	264 640 047	N/D

1.5. Revenues – distribution channels

DISTRIBUTION CHANNEL	bookings 1-6 2021	share of bookings 1-6 2021	bookings 1-6 2020	share of bookings 1-6 2020
mobile	311 320 751	96,0%	251 059 264	94,7%
web browsers	12 852 393	4,0%	14 179 023	5,3%
BOOKINGS TOTAL	324 173 144	100,0%	265 238 287	100,0%
deferred income (unused virtual currency)	3 497 529	N/D	-598 240	N/D
deferred income (unused durables)	11 328 667	N/D	0	N/D
REVENUES TOTAL	338 999 340	N/D	264 640 047	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 1-6 2021	share of bookings 1-6 2021	bookings 1-6 2020	share of bookings 1-6 2020
North America	143 145 984	44,2%	110 965 798	41,8%
Europe	119 768 539	36,9%	104 235 187	39,3%
<i>including Poland</i>	<i>15 219 671</i>	<i>4,7%</i>	<i>13 834 623</i>	<i>5,2%</i>
Asia	45 634 044	14,1%	36 704 992	13,8%
South America	8 291 062	2,6%	7 247 717	2,7%
Australia and Oceania	4 589 118	1,4%	4 154 812	1,6%
Africa	2 744 397	0,8%	1 929 781	0,7%
BOOKINGS TOTAL	324 173 144	100%	265 238 287	100,0%
deferred income (unused virtual currency)	3 497 529	N/D	-598 240	N/D
deferred income (unused durables)	11 328 667	N/D	0	N/D
REVENUES TOTAL	338 999 340	N/D	264 640 047	N/D





2.

OPERATING COSTS

SPECIFICATION	01.01.2021 – 30.06.2021	01.01.2020 – 30.06.2020
Depreciation	1 930 925	1 430 729
Consumption of materials and energy	458 347	760 826
Third-party services	206 863 718	178 874 418
Taxes and fees	1 290 342	871 615
Remuneration	34 790 432	14 518 370
Social insurance and other benefits	3 147 038	1 394 806
Other costs by nature	101 919	21 265
Total costs by nature	248 582 721	197 872 029
Costs of rendering services for internal purposes (negative value)	-8 011 020	-1 044 694
Selling costs	-191 734 753	-173 340 064
General and administrative costs	-26 817 669	-13 125 727
Cost of services sold	22 019 279	10 361 544

Breakdown of selling costs:

SPECIFICATION	01.01.2021 – 30.06.2021	01.01.2020 – 30.06.2020
Selling costs	191 734 753	173 340 064
marketing:	82 557 330	91 878 974
– <i>Fishing Clash</i>	47 335 212	88 771 766
– <i>Wild Hunt</i>	0	796 121
– <i>Hunting Clash</i>	34 850 947	690 810
– <i>other titles, events</i>	371 171	1 620 277
commissions	98 231 035	76 299 949
revenue share	900 748	890 507
remuneration, external services	7 299 372	3 242 781
gaming & marketing research	1 866 395	0
others	879 873	1 027 853

SPECIFICATION	1Q 2020	2Q 2020	3Q 2020	4Q 2020	1Q 2021	2Q 2021
Selling costs	48 544 738	124 795 326	95 253 370	74 975 709	95 935 217	95 799 537
marketing:	19 122 999	72 755 974	40 423 986	32 328 468	40 137 460	42 419 871
– <i>Fishing Clash</i>	18 263 312	70 508 454	33 387 047	23 128 972	22 551 718	24 783 495
– <i>Wild Hunt</i>	325 446	470 675	667 616	78 860	0	0
– <i>Hunting Clash</i>	83 663	607 147	4 385 558	7 863 570	17 412 032	17 438 915
– <i>other titles, events</i>	450 578	1 169 699	1 983 765	1 257 066	173 710	197 461
commissions	27 044 419	49 255 530	52 189 581	38 530 399	50 414 040	47 816 995
revenue share	417 224	473 283	421 434	439 675	477 124	423 624
remuneration, external services	1 559 372	1 683 409	1 613 386	2 820 699	3 961 297	3 338 075
gaming & marketing research					548 606	1 317 788
others	400 724	627 129	604 983	856 468	396 689	483 185





3.

OTHER OPERATING INCOME AND EXPENSES

OTHER OPERATING INCOME	01.01.2021 – 30.06.2021	01.01.2020 – 31.06.2020
Others	383 449	5 607
Total	383 449	5 607

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 – 30.06.2021	01.01.2020 – 31.06.2020
Donations	361 930	836 222
Writing off uncollectible debts	5 698	2 769
Write-off of intangible assets under construction	3 760 701	0
Others	67 394	1 832
Total	4 195 723	840 823

During the second quarter of 2021, after reanalyzing the competitive environment, the Company's Management decided to discontinue development of Golf Royale, a game in development stage. Taking into consideration the growing number of competitors offering advanced games with similar themes and the relatively high marketing costs in this segment, it was not considered profitable to continue investing in this title.

Accordingly, the Company incurred a write-off expense of PLN 3,761 thousand. The personnel creating Golf Royale were allocated mainly to the team working on further development of Fishing Clash.

4.

FINANCIAL INCOME

FINANCIAL INCOME	01.01.2021 – 30.06.2021	01.01.2020 – 31.06.2020
Interest income	53 006	65 711
Surplus of positive exchange rate differences	926 831	1 072 074
Total	979 836	1 137 785





5.

INCOME TAX AND DEFERRED TAX

INCOME TAX DISCLOSED IN THE STATEMENT OF COMPREHENSIVE INCOME	01.01.2021 – 30.06.2021	01.01.2020 – 30.06.2020
Current income tax	9 301 704	7 124 735
Relating to the fiscal year	9 301 704	7 124 735
Deferred income tax	86 840	-82 214
Relating to the origination and reversal of temporary differences	86 840	-82 214
Tax expense reported in the consolidated statement of comprehensive income	9 388 544	7 042 521



The reconciliation of gross profit to tax basis is as follows:

NAME	01.01.2021 – 30.06.2021	01.01.2020 – 30.06.2020
Gross financial result (profit, loss)	95 466 480	68 005 940
Foreign exchange differences – balance sheet differences, differences not constituting the tax base, not constituting the tax deductible costs	-511 352	66 150
Write-off of receivables which do not constitute tax deductible costs	3 056	2 769
Release and establishment of the provision for holiday pay	391 948	240 387
Establishment of provision for other costs	2 200 648	0
ZUS – costs excluded, orders at the turn of the period	0	-7 200
Donations (subsequently deducted from income)	361 930	799 500
Other costs not constituting tax deductible costs	956 776	583 891
Depreciation of lease	564 172	358 465
Amortisation of intangible assets	702 884	489 078
Capitalisation of games costs	-8 011 020	-1 044 694
Creation of a write-down for capitalized games	3 760 701	0
Share-based payments	22 990 156	7 842 030
Income (and related expense) deferred in time – finally, as per account balance	-10 279 028	418 768
Other tax-deductible expenses, not being balance sheet costs	-1 093 806	-653 716
Taxable income	107 503 545	77 101 368
<i>including income taxed at 5% (IP Box)</i>	<i>76 377 821</i>	<i>50 321 695</i>
<i>including income taxed at 19%</i>	<i>31 125 724</i>	<i>26 779 673</i>

The parent company has benefited from the so-called IP Box relief since 2019. This relief consists in taxing income derived from qualified property rights at a rate of 5% instead of the standard 19%. Corporate income tax regulations are subject to frequent changes, as a result of which there is often no reference to established regulations or legal precedents. The current regulations also contain ambiguities, which result in differences in opinion as to the legal interpretation of tax regulations both between state authorities and between state authorities and enterprises.

Tax and other settlements (e.g. customs or foreign exchange settlements) may be the subject of inspections by the authorities, which are entitled to impose high penalties, and the additional amounts of liabilities determined as a result of the inspection must be paid together with high interest. These facts create tax risks in Poland that are higher than those typically found in countries with developed tax systems. Tax settlements may be audited for a period of five years. As a result, the amounts disclosed in the financial statements may change at a later date, after they are finally determined by the tax authorities.





Structure of a deferred income tax asset

SPECIFICATION	as at 30.06.2021	as at 31.12.2020	as at 30.06.2020
deferred income – settlement of pearls in time (net)	106 737	229 151	346 034
deferred income – settlement of durables in time (net)	1 491 751	1 510 973	0
annul leave accrual	92 291	58 937	93 944
provision for audit costs	1 756	4 746	0
leasing – IFRS 16 valuation	108 121	74 630	57 592
Provision for bonuses	316 238	71 609	0
Other provisions	0	35 143	0
accounts receivable and payable valuation	0	0	42 600
Total	2 116 894	1 985 189	540 170

Structure of deferred income tax provision

SPECIFICATION	as at 30.06.2021	as at 31.12.2020	as at 30.06.2020
amortisation of games	635 656	418 038	615 772
valuation of settlements and cash	26 283	25 356	0
Total	661 939	443 394	615 772



DISTRIBUTION OF PROFIT FOR 2020

The Company's General Meeting of Shareholders on 23.06.2021 adopted a resolution on the distribution of the Company's net profit for 2020 in the amount of PLN 150,589,521 as follows:

1. the amount of PLN 72,673,110.00 will be allocated for distribution to shareholders in the form of dividend payment in the amount of PLN 10.00 per share;
2. the amount of PLN 77,916,411.00 will be allocated to the creation of the reserve capital for the acquisition of own shares.

The dividend date has been set at 5 July 2021 and the dividend payment date at 19 July 2021.





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	11 170 812
Increase, due to:	619 377	0	0	619 377
– Purchase of fixed assets	619 377	0	0	619 377
Decrease, due to:	78 927	0	0	78 927
– Sale of fixed assets	78 927	0	0	78 927
Gross balance sheet value as at 30.06.2021	2 818 669	8 693 695	198 898	11 711 262
Accumulated depreciation as at 01.01.2021	1 110 157	1 373 227	131 089	2 614 473
Increase, due to:	270 965	869 369	8 973	1 149 307
– Depreciation	270 965	869 369	8 973	1 149 307
Decrease	72 160	0	0	72 160
Accumulated depreciation as at 30.06.2021	1 308 962	2 242 596	140 062	3 691 620
Revaluation write-offs as at 01.01.2021	0	0	0	0
Increase	0	0	0	0
Decrease	0	0	0	0
Revaluation write-offs as at 30.06.2021	0	0	0	0
Net balance sheet value as at 30.06.2021	1 509 707	6 451 099	58 836	8 019 642

Ownership structure – net value:

SPECIFICATION	30.06.2021	31.12.2020
Own	1 568 543	1 235 871
Used under a rental, lease or other agreement, including leasing agreements	6 451 099	7 320 468
TOTAL	8 019 642	8 556 339

Changes in fixed assets (by type) – for the period 1.01.2020-30.06.2020.

SPECIFICATION	Machinery and equipment	Buildings and premises	Other fixed assets	TOTAL
Gross balance sheet value as at 01.01.2020	1 038 975	0	114 403	1 153 378
Increase, due to:	455 829	6 183 069	63 862	6 702 760
– Purchase of fixed assets	455 829	6 183 069	63 862	6 702 760
Decrease, due to:	0	0	0	0
– Sale of fixed assets	0	0	0	0
Gross balance sheet value as at 30.06.2020	1 494 804	6 183 069	178 265	7 856 138
Accumulated depreciation as at 01.01.2020	499 389	0	85 421	584 810
Increase, due to:	277 378	609 941	32 562	919 880
– Depreciation	277 378	609 941	32 562	919 880
Decrease	0	0	0	0
Accumulated depreciation as at 30.06.2020	776 767	609 941	117 983	1 504 691
Revaluation write-offs as at 01.01.2020	0	0	0	0
Increase	0	0	0	0
Decrease	0	0	0	0
Revaluation write-offs as at 30.06.2020	0	0	0	0
Net balance sheet value as at 30.06.2020	718 037	5 573 128	60 282	6 351 447

Changes in fixed assets (by type) – for the period 01.01.2020-31.12.2020.

SPECIFICATION	Machinery and equipment	Buildings and premises	Other fixed assets	TOTAL
Gross balance sheet value as at 01.01.2020	1 038 975	0	114 403	1 153 378
Increase, due to:	1 239 244	8 693 695	84 495	10 017 434
– Purchase of fixed assets	1 239 244	8 693 695	84 495	10 017 434
Decrease, due to:	0	0	0	0
– Sale of fixed assets	0	0	0	0
Gross balance sheet value as at 31.12.2020	2 278 219	8 693 695	198 898	11 170 812
Accumulated depreciation as at 01.01.2020	499 389	0	85 421	584 810
Increase, due to:	610 768	1 373 227	45 668	2 029 663
– Depreciation	610 768	1 373 227	45 668	2 029 663
Decrease	0	0	0	0
Accumulated depreciation as at 31.12.2020	1 110 157	1 373 227	131 089	2 614 473
Revaluation write-offs as at 01.01.2020	0	0	0	0
Increase	0	0	0	0
Decrease	0	0	0	0
Revaluation write-offs as at 31.12.2020	0	0	0	0
Net balance sheet value as at 31.12.2020	1 168 062	7 320 468	67 809	8 556 339





8.

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	220 955	8 011 020	8 231 976
– Purchase of assets	0	220 955	8 011 020	8 231 976
– Reclassification	0	0	0	0
Decrease, due to:	0	0	0	0
– liquidation	0	0	0	0
Gross balance sheet value as at 30.06.2021	7 995 077	890 240	10 565 483	19 450 803
Accumulated depreciation as at 01.01.2021	3 681 433	586 731	0	4 268 164
Increase, due to:	702 883	78 733	0	781 617
– Depreciation	702 883	78 733	0	781 617
Decrease	0	0	0	0
Accumulated depreciation as at 30.06.2021	4 384 316	665 465	0	5 049 781
Revaluation write-offs as at 01.01.2021	2 248 958	0	0	2 248 958
Increase	171 615	0	3 589 086	3 760 701
Decrease	0	0	0	0
Revaluation write-offs as at 30.06.2021	2 420 573	0	3 589 086	6 009 659
Net balance sheet value as at 30.06.2021	1 190 188	224 776	6 976 397	8 391 361

Changes in intangible assets during the period 1.01.2020-30.06.2020:

SPECIFICATION	Development costs	Computer software	Intangible assets under development	TOTAL
Gross balance sheet value as at 01.01.2020	7 995 077	556 146	307 310	8 858 533
Increase, due to:	0	93 908	1 044 694	1 138 602
– Purchase of assets	0	93 908	1 044 694	1 138 602
– Reclassification	0	0	0	0
Decrease, due to:	0	0	0	0
– liquidation	0	0	0	0
Gross balance sheet value as at 30.06.2020	7 995 077	650 054	1 352 004	9 997 135
Accumulated depreciation as at 01.01.2020	2 703 276	508 784	0	3 212 060
Increase, due to:	489 078	21 771	0	510 849
– Depreciation	489 078	21 771	0	510 849
Decrease	0	0	0	0
Accumulated depreciation as at 30.06.2020	3 192 354	530 555	0	3 722 909
Revaluation write-offs as at 01.01.2020	2 248 958	0	0	2 248 958
Increase	0	0	0	0
Decrease	0	0	0	0
Revaluation write-offs as at 30.06.2020	2 248 958	0	0	2 248 958
Net balance sheet value as at 30.06.2020	2 553 765	119 499	1 352 004	4 025 268

The net value as at 30.06.2021 disclosed under "completed development costs" consists of the Group's games:

1. Soli Tales – net value: PLN 166,359, remaining amortization period: 6 months;
2. Flip This House – net value: PLN 206,260, remaining amortization period: 6 months;
3. Hunting Clash – net value: PLN 817,567, remaining amortization period: 28 months;

During the second quarter of 2021, after reanalyzing the competitive environment, the Company's Management decided to discontinue development of Golf Royale, a game in development. Taking into consideration the growing number of competitors offering advanced games with similar themes and the relatively high marketing costs in this segment, it was not considered profitable to continue investing in this title. Accordingly, the Company incurred an expense of PLN 3,761 thousand. The personnel resources creating Golf Royale were allocated mainly to the team working on the further development of Fishing Clash.





Changes in intangible assets during the period 01.01.2020-31.12.2020 r.

SPECIFICATION	Development costs	Computer software	Intangible assets under development	TOTAL
Gross balance sheet value as at 01.01.2020	7 995 077	556 146	307 310	8 858 533
Increase, due to:	0	113 140	2 247 154	2 360 294
– Purchase of assets	0	113 140	2 247 154	2 360 294
– Reclassification	0	0	0	0
Decrease, due to:	0	0	0	0
– liquidation	0	0	0	0
Gross balance sheet value as at 31.12.2020	7 995 077	669 286	2 554 464	11 218 827
Accumulated depreciation as at 01.01.2020	2 703 276	508 784	0	3 212 060
Increase, due to:	978 157	77 947	0	1 056 104
– Depreciation	978 157	77 947	0	1 056 104
Decrease	0	0	0	0
Accumulated depreciation as at 31.12.2020	3 681 433	586 731	0	4 268 164
Revaluation write-offs as at 01.01.2020	2 248 958	0	0	2 248 958
Increase	0	0	0	0
Decrease	0	0	0	0
Revaluation write-offs as at 31.12.2020	2 248 958	0	0	2 248 958
Net balance sheet value as at 31.12.2020	2 064 686	82 555	2 554 464	4 701 705





9.

RECEIVABLES

Receivables structure:

SPECIFICATION	30.06.2021	31.12.2020	30.06.2020
Trade receivables	45 945 678	47 589 017	58 723 501
Other receivables	7 124 171	4 073 461	8 192 809
Accruals and deferred income	2 620 227	3 502 788	2 247 351
Total	55 690 077	55 165 266	69 163 661

Currency structure of trade receivables:

WALUTA	30.06.2021			31.12.2020			30.06.2020		
	Value in currency	PLN valuation	% share	Value in currency	PLN valuation	% share	Value in currency	PLN valuation	% share
PLN	20 043 595	20 043 595	43,62%	25 032 361	25 032 361	52,60%	26 289 804	26 289 805	44,77%
USD	6 666 424	25 355 743	55,19%	5 733 350	21 548 224	45,28%	7 934 030	31 583 120	53,78%
EUR	59 055	266 976	0,58%	103 763	478 845	1,01%	81 410	365 626	0,62%
RUB	5 053 714	262 793	0,57%	10 132 938	507 660	1,07%	8 396 811	473 580	0,81%
Other currencies	—	16 571	0,04%	—	21 927	0,04%	—	11 370	0,02%
TOTAL	—	45 945 678	100%	—	47 589 017	100%	—	58 723 501	100%

Age structure:

OVERDUE	30.06.2021 value of receivables	31.12.2020 value of receivables	30.06.2020 value of receivables
not overdue	45 856 783	44 211 099	58 529 970
up to one month	81 251	607 355	105 044
1-3 months	4 880	2 247 572	88 183
3-6 months	2 282	522 991	305
6-12 months	482	0	0
over 1 year	0	0	0
Total receivables	45 945 678	47 589 017	58 723 501

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 – 41,5% as at 30.06.2021 compared to 49.9% as at 31.12.2020;
- » Apple Distribution International – 51.5% as at 30.06.2021 compared to 32.7% as at 31.12.2020.

No other entity exceeded 10% share of total receivables as at 30.06.2021 and 31.12.2020.

The Group had no material amounts of receivables as at 30.06.2021 and 31.12.2020 for which it expected credit losses to occur.





10.

OTHER RECEIVABLES AND PREPAYMENTS

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

SPECIFICATION	30.06.2021	31.12.2020	30.06.2020
Other short-term receivables, including:	7 124 171	4 073 461	8 192 809
– VAT tax	6 994 696	4 046 461	8 165 809
– office lease deposit	129 475	27 000	27 000

SPECIFICATION	30.06.2021	31.12.2020	30.06.2020
Other long-term receivables, including:	857 595	857 595	687 212
– office lease deposit	857 595	857 595	687 212

Prepayments are made up of:

DESCRIPTION	30.06.2021	31.12.2020	30.06.2020
Registration fees for trademark applications	90 845	122 517	46 836
Maintenance of software technical service/software subscriptions	2 173 709	2 405 477	1 358 166
Insurance	141 717	20 639	33 737
TV advertising – prepayment	0	830 488	0
Other prepayments	213 956	123 668	808 612
Prepayments	2 620 227	3 502 788	2 247 351



CONTRACT ASSETS AND LIABILITIES

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

The following tables present, as of 30.06.2021 and 31 December 2020, the assets and liabilities related to revenue deferral

SPECIFICATION	30.06.2021	31.12.2020	30.06.2020
Commission expense related to deferred revenue (unused virtual currency)	914 895	1 964 155	780 529
Commission expense related to deferred revenue (unused durable)	9 453 293	12 951 201	0
Assets under contracts with customers	10 368 188	14 915 356	780 529

SPECIFICATION	30.06.2021	31.12.2020	30.06.2020
Deferred revenue (unused virtual currency)	3 049 644	6 547 173	2 601 755
Deferred revenue (unused durables)	31 842 004	43 170 671	0
Liabilities under contracts with customers	34 891 648	49 717 844	2 601 755





12.

TRADE PAYABLES

As at 30.06.2021, 31.12.2020 and 30.06.2020 the Group had no trade payables to related parties,

Ageing of payables:

SPECIFICATION	30.06.2021	31.12.2020	30.06.2020
Not overdue	20 524 616	12 264 263	23 280 784
Due within 30 days	19 748 837	7 709 041	13 851 299
Due within 31-60 days	775 779	4 555 222	9 429 485
Overdue	0	127 765	4 021
Up to one month	0	127 765	4 021
1-3 months	0	0	0
3-6 months	0	0	0
6-12 months	0	0	0
Over one year	0	0	0
Total payables	20 524 616	12 392 029	23 284 805

13.

OTHER LIABILITIES

As at 30.06.2021, other liabilities amounted to PLN 73,459 thousand, of which PLN 72,673 thousand relates to the dividend for 2020, which was paid on 19 July 2021.

14.

PROVISIONS FOR EMPLOYEE BENEFITS

SPECIFICATION	As at 1.01.2021	Changes during the year		As at 30.06.2021
		Addition	Use	
provision for holidays	530 961	922 909	530 961	922 909
provision for remuneration	961 724	2 893 248	645 121	3 209 852
TOTAL PROVISIONS	1 492 685	2 730 508	1 176 082	4 132 761





15.

INFORMATION ON FINANCIAL INSTRUMENTS

FINANCIAL ASSETS	Book value		Fair value	Category of financial instruments
	30.06.2021	31.12.2020	2021/2020	
Other financial assets (long-term), including:	5 466 210	857 595	n/d	financial assets valued at amortized cost
<i>Deposit</i>	<i>857 595</i>	<i>857 595</i>	<i>n/d</i>	<i>financial assets valued at amortized cost</i>
Trade and other receivables	55 690 077	55 165 266	55 690 077 / 55 165 266	financial assets valued at amortized cost
Cash and cash equivalents	332 610 705	236 608 379	332 610 705 / 236 608 379	financial assets valued at amortized cost
LIABILITIES	Book value		Fair value	Category of financial instruments
	30.06.2021	31.12.2020	2021/2020	
Trade and other payables (including leases)	22 234 352	13 027 834	22 234 351 / 13 027 834	financial liabilities valued at amortized cost

The increase in "Other financial assets" is due to the investment of USD 1.2 million in shares of the investment fund Sisu Game Ventures in June 2021, while committing to invest an extra USD 1.8 million of additional contribution. As of the date of signing this Report, Sisu Game Ventures has not called on the Parent Company to contribute the additional amount.

16.

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:

16.1. Management

RELATED PERSON	PERIOD	Remuneration		Net dividend	
		01.01.2021 – 30.06.2021	01.01.2020 – 30.06.2020	01.01.2021 – 30.06.2021	01.01.2020 – 30.06.2020
Management Board		13 366 313	6 443 204	2 591 384	4 264 362
Maciej Popowicz (until 20.05.2020)		0	83 612	0	0
– Ten Square Games S.A. (CEO until 20.05.2020)		0	83 612	0	0
Maciej Zużalek (since 20.05.2020)		12 478 536	6 132 389	1 578 091	189 000
– Ten Square Games S.A. – cash remuneration		412 200	99 221	1 578 091	189 000
– Ten Square Games S.A. – share based motivation scheme recognized over time		12 066 336	6 033 168	0	0
Arkadiusz Pernal		0	88 911	0	3 980 862
– Ten Square Games S.A.		0	88 911	0	3 980 862
Magdalena Jurewicz (until 31.07.2020)		0	138 292	0	94 500
– Ten Square Games S.A.		0	138 292	0	94 500





RELATED PERSON	PERIOD	Remuneration		Net dividend	
		01.01.2021 – 30.06.2021	01.01.2020 – 30.06.2020	01.01.2021 – 30.06.2021	01.01.2020 – 30.06.2020
Marcin Chruszczyński (since 01.08.2020)		192 940	0	0	0
– Ten Square Games S.A.		192 940	0	0	0
Andrzej Ilczuk (since 21.01.2021)		256 175	0	0	0
– Ten Square Games S.A.		256 175	0	0	0
Anna Idzikowska (since 21.01.2021)		256 412	0	162 000	0
– Ten Square Games S.A.		256 412	0	162 000	0
Janusz Dziemidowicz (since 21.01.2021)		166 185	0	682 417	0
– Ten Square Games S.A.		166 185	0	682 417	0
Wojciech Gattner (since 21.01.2021)		1 053 370	0	168 877	0
– Ten Square Games S.A.		1 053 370	0	168 877	0
Supervisory Board (Ten Square Games S.A.)		210 000	135 148	6 904 229	187 749
Maciej Zużatek (Chairman of the Supervisory Board until 21.04.2020, CEO since 20.05.2020)		0	3 700	0	0
Rafał Olesiński		51 000	27 854	5 419	2 529
Marcin Chruszczyński (Member of the Supervisory Board until 20.05.2020)		0	16 258	0	0
Tomasz Drożdżyński		27 000	19 983	0	0
Maciej Marszałek		30 000	13 516	356 400	185 220
Milena Olszewska-Miszuris (Member of the Supervisory Board until 20.05.2020)		0	19 258	0	0
Wiktor Schmidt		24 000	22 483	0	0
Marcin Bitos (Member of the Supervisory Board since 20.05.2020)		27 000	6 048	0	0
Kinga Stanisławska (Member of the Supervisory Board since 20.05.2020)		27 000	6 048	851	0
Arkadiusz Pernal (Member of the Supervisory Board since 01.01.2021)		24 000	0	6 541 560	0
Related Persons (Ten Square Games S.A.)		81 000	29 808	13 081 500	8 318 979
Maciej Popowicz (since 20.05.2020)		81 000	18 290	13 081 500	8 318 979
Marcin Chruszczyński (since 01.06.2020)		0	11 518	0	0
Key personnel (Ten Square Games S.A.)		0	0	n/a	n/a
Family members of key personnel/Management Board (Ten Square Games S.A.)		0	163 870	n/a	n/a

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

16.2. Other related entities

AFFILIATE	PERIOD	Net sales		Net purchase	
		1.01.2021 – 30.06.2021	1.01.2020 – 30.06.2020	1.01.2021 – 30.06.2021	1.01.2020 – 30.06.2020
Subsidiaries:		3 446 764	3 058 815	1 112 482	0
Play Cool Zombie Sport Games Sp. z o.o.		43 280	95 257	0	0
Tiny Dragon Adventure Games Sp. z o.o.		1 446 363	2 264 371	0	0
Fat Lion Games Sp. z o.o.		853 544	699 187	0	0
Ten Square Games Germany GmbH		1 103 577	0	1 112 482	0
Personally related entities:		57 593	0	0	45 460
Olesiński i Wspólnicy Spółka komandytowa		57 593	0	0	45 460

AFFILIATE	AS AT	Gross receivables		Gross liabilities	
		30.06.2021	31.12.2020	30.06.2021	31.12.2020
Subsidiaries:		512 735	931 456	748 003	0
Play Cool Zombie Sport Games Sp. z o.o.		8 834	44 627	0	0
Tiny Dragon Adventure Games Sp. z o.o.		301 967	591 102	0	0
Fat Lion Games Sp. z o.o.		201 934	295 727	0	0
Ten Square Games Germany GmbH		0	0	748 003	0
Personally related entities:		0	0	0	25 450
Olesiński i Wspólnicy Spółka komandytowa		0	0	0	25 450

The Parent Entity sells internally produced games to its subsidiaries and receives remuneration in return.

The Parent Entity uses legal/tax services offered by Olesiński i Wspólnicy Sp.k. as needed, each time based on the valuation of work for a given project.

Transactions between related parties were conducted on an arm's length basis.





17.

COURT CASES

The Group had no pending litigation in 2021 or 2020.

18.

OTHER SIGNIFICANT EVENTS

There were no other significant events not described in this report that could affect the financial data included in the report for the period ended June 30, 2021.

19.

EVENTS AFTER THE BALANCE SHEET DATE

On 28th June 2021 The National Press and Publication Agency (NPPA), the regulatory body governing the Chinese video game market, announced the issuance of a license to publish Fishing Clash on the Chinese market. This fulfilled a condition necessary to begin distribution of Fishing Clash in the territory of the People's Republic of China. The Company's partner on the Chinese market is NetEase Shanghai Online Games Co. Ltd ("NetEase"), with whom the Company entered into an agreement on distribution of the Fishing Clash game. The Company announced the conclusion of the agreement with Netease in current report No. 22/2018 dated 13th December 2018. Following the NPPA's positive decision, the Company has been working to make the game (including paid features) available on Apple's Chinese online store, which was achieved at the end of July 2021. In the coming weeks, Fishing Clash will also be made available in Chinese stores (marketplaces) for Android devices.

On 30th June 2021, the Company entered into, as buyer, with its existing partners Antonio Farina and Roberto Simonetti, as sellers (collectively, the "Sellers"), an agreement concerning the sale of shares in Rortos S.r.l., Verona, ("Rortos") relating to the acquisition by the Company of shares in the share capital of Rortos, representing 100% of the share capital and entitling it to 100% of the votes at the shareholders' meeting of Rortos (the "Transaction").

On 5th July 2021, in execution of the provisions of the commitment agreement for the sale of the shareholding in Rortos entered into on 30th June 2021, the Company, as the buyer, entered into an agreement with the Sellers for the sale of the shareholding in Rortos, relating to the acquisition by the Issuer of a shareholding in the share capital of Rortos, representing 100% of the share capital and entitling to 100% of the votes at the shareholders' meeting of Rortos (the "Transaction"). The price for the entire acquired shareholding in Rortos was set at EUR 45,000,000 on a cash free and debt free basis based on a 2020 EBITDA multiplier. In addition, under the terms of the Agreement, the Sellers will be entitled to an earn-out payment depending on Rortos' performance for the period from 1 July 2021 to 31 December 2025, calculated in accordance with a formula agreed upon in the Agreement, up to a maximum amount not higher than the EBITDA achieved by Rortos for the relevant period.





INTERIM CONDENSED STANDALONE FINANCIAL STATEMENT







INTERIM CONDENSED STANDALONE STATEMENT OF COMPREHENSIVE INCOME

STANDALONE FINANCIAL STATEMENT OF COMPREHENSIVE INCOME

for 01.01.2021
– 30.06.2021for 01.01.2020
– 30.06.2020

Sales revenues	337 664 530	262 711 825
Costs of services sold	22 038 660	10 361 195
Gross profit (loss)	315 625 870	252 350 630
Other operating income	383 025	5 452
Selling costs	191 357 623	173 176 503
General and administrative costs	26 717 853	13 045 585
Other operating costs	4 193 081	839 584
Operating profit (loss)	93 740 338	65 294 410
Financial income	3 045 282	2 838 377
Financial expense	133 802	109 340
Profit (loss) before taxation	96 651 818	68 023 447
Income tax	9 205 603	6 771 718
Net profit (loss) on continued activity	87 446 215	61 251 729
Profit (loss) on discontinued activity	0	0
Net profit (loss)	87 446 215	61 251 729
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	87 446 215	61 251 729

EARNINGS PER SHARE

CALCULATION OF EARNINGS PER SHARE	for 01.01.2021 – 30.06.2021	for 01.01.2020 – 30.06.2020
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)	7 301 783	7 267 311
Net profit	87 446 215	61 251 729
Net earnings per share		
Basic net earnings per share	12,03 zł	8,46 zł
Diluted net earnings per share	11,98 zł	8,43 zł





2.

INTERIM CONDENSED STANDALONE STATEMENT OF FINANCIAL SITUATION

ASSETS	30.06.2021	31.12.2020	30.06.2020
Fixed assets	24 972 033	16 221 198	11 609 097
Tangible fixed assets	7 975 388	8 556 339	6 351 447
Intangible fixed assets	8 391 361	4 701 705	4 025 268
Investments in affiliates	140 955	120 371	5 000
Loans granted	904 160	0	0
Other financial assets	5 443 275	857 595	687 212
Deferred tax asset	2 116 894	1 985 189	540 170
Current assets	395 226 782	303 094 104	155 631 819
Receivables	54 681 672	54 083 587	72 283 651
Contract assets	10 368 188	14 915 356	780 529
Loans granted	1 009 224	893 758	60 000
Cash and cash equivalents	329 167 698	233 201 403	82 507 639
Assets classified as held for sale	0	0	0
TOTAL ASSETS	420 198 815	319 315 303	167 240 916

EQUITY AND LIABILITIES	30.06.2021	31.12.2020	30.06.2020
Equity	271 476 886	233 713 625	130 543 238
Share capital	726 731	726 731	724 125
Share premium	496 100	496 100	496 100
Capital from the settlement of the incentive scheme	46 426 208	23 436 052	9 606 064
Retained earnings	223 827 847	209 054 742	119 716 949
Long-term liabilities	6 542 123	7 448 738	5 878 683
Deferred tax liability	673 256	454 711	627 089
Lease liabilities	5 868 867	6 994 027	5 251 594
Short-term liabilities	142 179 806	78 152 940	30 818 995
Trade liabilities	21 081 655	12 392 029	23 245 628
Current tax liabilities	6 954 760	12 722 936	3 307 977
Lease liabilities	1 709 735	1 192 551	610 471
Other liabilities	73 447 644	634 894	558 724
Provisions for employee benefits	4 094 364	1 492 685	494 440
Contract liabilities	34 891 648	49 717 844	2 601 755
Liabilities directly related to assets classified as held for sale	0	0	0
TOTAL EQUITY AND LIABILITIES	420 198 815	319 315 303	167 240 916





3.

INTERIM CONDENSED STANDALONE STATEMENT OF CHANGES IN EQUITY

6 months ending on 30.06.2021	Share capital	Share premium	Capital from the settlement of the incentive scheme	Retained earnings	Total equity
Equity as at 01.01.2021	726 731	496 100	23 436 052	209 054 742	233 713 625
Payment of share capital	726 731	496 100	23 436 052	209 054 742	233 713 625
Share-based payments					0
Payment of dividends			22 990 156		22 990 156
Net profit				-72 673 110	-72 673 110
Total comprehensive income				87 446 215	87 446 215
Equity as at 30.06.2021	726 731	496 100	46 426 208	223 827 847	271 476 886

6 months ending on 30.06.2020	Share capital	Share premium	Capital from the settlement of the incentive scheme	Retained earnings	Total equity
Equity as at 01.01.2020	724 125	496 100	1 764 034	85 837 127	88 821 386
Payment of share capital	724 125	496 100	1 764 034	85 837 127	88 821 386
Share-based payments					
Payment of dividends			7 842 030		7 842 030
Net profit				-27 371 907	-27 371 907
Total comprehensive income				61 251 729	61 251 729
Equity as at 30.06.2020	724 125	496 100	9 606 064	119 716 949	130 543 238

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





4.

INTERIM CONDENSED STANDALONE
CASH FLOW STATEMENT

STANDALONE CASH FLOW STATEMENT

for 01.01.2021
– 30.06.2021for 01.01.2020
– 30.06.2020

OPERATING ACTIVITY

Profit/loss before taxation	96 651 818	68 023 447
Total adjustments:	25 521 613	-18 842 712
Depreciation and amortization	1 930 925	1 430 729
Foreign exchange gain/loss	-495 752	95 364
Interest paid on lease	127 174	109 341
Interest and share in profit (dividends)	-2 261 792	-1 656 905
Change in receivables	-598 084	-46 525 232
Change in liabilities and accrued expenses	11 430 945	20 341 155
Change in contract liabilities	-14 826 196	-598 241
Change in contract assets	4 547 168	179 472
Revaluation allowance for intangible assets	3 760 701	0
Share-based payments (part not included in the acquisition of intangible assets)	21 936 704	7 698 872
Other adjustments	-30 180	82 733
Cash from operating activity	122 173 430	49 180 735
Income tax (paid) / reimbursed	-14 871 022	-9 618 291
A. Net operating cash flow	107 302 408	39 562 444

STANDALONE CASH FLOW STATEMENT

for 01.01.2021
– 30.06.2021for 01.01.2020
– 30.06.2020**INVESTMENT ACTIVITY**

Repayment of loans granted	893 758	20 000
Purchase of intangible and tangible fixed assets	- 7 741 839	-1 827 731
Purchase of shares	-4 606 264	0
Loans granted	-1 904 160	0
B. Net cash flow from investment activities	- 13358506	-1807 731

FINANCIAL ACTIVITY

Dividends from subsidiaries	2 261 792	1 656 905
Repayment of loans	0	0
Net proceeds from the issue of shares and other equity instruments and capital contributions	0	
Dividends and other distributions to owners	0	-27 371 906
Payment of finance lease liabilities	-420 733	-280 773
Interest on lease	-127 174	-109 341
C. Net cash flow from financing activities	1 713 885	-26 105 115
D. Total net cash flow	95 657 787	11 649 597
– change in cash due to exchange losses/gains	308 508	21 178
E. Balance sheet change in cash, including foreign exchange	95 966 295	11 670 775
F. Cash at the beginning of the period	233 201 403	70 836 864
G. Cash at the end of the period	329 167 698	82 507 639





VI.

ADDITIONAL NOTES TO THE STANDALONE FINANCIAL STATEMENTS







REVENUES

SPECIFICATION	01.01.2021 – 30.06.2021	01.01.2020 – 30.06.2020
Sales of services	337 664 530	262 711 825
TOTAL revenues from sales of services	337 664 530	262 711 825
Other operating income	383 025	5 452
Financial income	3 045 282	2 838 377
TOTAL revenues from continuing operations	341 092 837	265 555 654
TOTAL revenues	341 092 837	265 555 654

Revenues from discontinued operations did not occur.

1.1. Revenues – source

TYPE OF REVENUES	bookings 1-6 2021	share of bookings 1-6 2021	bookings 1-6 2020	share of bookings 1-6 2020
micro-payments	318 565 793	98,3%	258 271 437	98,1%
advertisements	53 298	0,0%	3 557	0,0%
Licences*	4 219 243	1,3%	5 035 071	1,9%
BOOKINGS TOTAL	322 838 334	100,0%	263 310 065	100,0%
deferred income (unused virtual currency)	3 497 529	N/D	-598 240	N/D
deferred income (unused durables)	11 328 667	N/D	0	N/D
REVENUES TOTAL	337 664 530	N/D	262 711 825	N/D

* The Parent entity produces games of the Game Factory type, which are sold to subsidiary companies and released by them. These subsidiaries transfer a portion of their revenue (the so-called revenue share) to the Parent Company as compensation – here it is presented as licenses.

1.2. Revenues – games

GAME	bookings 1-6 2021	share of bookings 1-6 2021	bookings 1-6 2020	share of bookings 1-6 2020
Fishing Clash	246 642 480	76,1%	242 721 607	92,18%
Hunting Clash	57 231 136	17,7%	413 022	0,16%
Let's Fish	7 918 916	2,4%	8 419 829	3,20%
Wild Hunt	6 997 685	2,2%	7 917 674	3,01%
other	4 048 116	1,2%	3 837 932	1,46%
BOOKINGS TOTAL	322 838 334	100,0%	263 310 065	100%
deferred income (unused virtual currency)	3 497 529	N/D	-598 240	N/D
deferred income (unused durables)	11 328 667	N/D	0	0,00
REVENUES TOTAL	337 664 530	N/D	262 711 825	0,00





1.3. Revenues – counterparty

COUNTERPARTY	bookings 1-6 2021	share of bookings 1-6 2021	bookings 1-6 2020	share of bookings 1-6 2020
Google Inc.	192 602 384	59,7%	151 979 572	57,7%
Apple Distribution International	114 213 698	35,4%	93 941 803	35,7%
Others (of which none individually exceeds 10%)	16 022 252	5,0%	17 388 690	6,6%
BOOKINGS TOTAL	322 838 334	100,0%	263 310 065	100,0%
deferred income (unused virtual currency)	3 497 529	N/D	-598 240	N/D
deferred income (unused durables)	11 328 667	N/D	0	N/D
REVENUES TOTAL	337 664 530	N/D	262 711 825	N/D

1.4. Revenues – distribution channels

DISTRIBUTION CHANNEL	bookings 1-6 2021	share of bookings 1-6 2021	bookings 1-6 2020	share of bookings 1-6 2020
mobile	309 985 941	96,0%	249 131 042	94,6%
web browsers	12 852 393	4,0%	14 179 023	5,4%
BOOKINGS TOTAL	322 838 334	100,0%	263 310 065	100,0%
deferred income (unused virtual currency)	3 497 529	N/D	-598 240	N/D
deferred income (unused durables)	11 328 667	N/D	0	N/D
REVENUES TOTAL	337 664 530	N/D	262 711 825	N/D

1.5. Revenues – geography

REGION	bookings 1-6 2021	share of bookings 1-6 2021	bookings 1-6 2020	share of bookings 1-6 2020
North America	142 216 613	44,1%	109 391 637	41,5%
Europe	121 332 639	37,6%	106 122 098	40,3%
<i>including Poland</i>	<i>17 492 908</i>	<i>5,4%</i>	<i>16 805 970</i>	<i>6,4%</i>
<i>Including revenue from subsidiaries (Europe)</i>	<i>2 343 187</i>	<i>0,7%</i>	<i>3 058 815</i>	<i>1,2%</i>
Asia	44 373 177	13,7%	35 129 529	13,3%
South America	7 656 368	2,4%	6 690 914	2,5%
Australia and Oceania	4 553 208	1,4%	4 076 429	1,5%
Africa	2 706 328	0,8%	1 899 458	0,7%
BOOKINGS TOTAL	322 838 334	100%	263 310 065	100,0%
deferred income (unused virtual currency)	3 497 529	N/D	-598 240	N/D
deferred income (unused durables)	11 328 667	N/D	0	N/D
REVENUES TOTAL	337 664 530	N/D	262 711 825	N/D





2.

OPERATING COSTS

SPECIFICATION	01.01.2021 – 30.06.2021	01.01.2020 – 30.06.2020
Depreciation	1 919 862	1 430 729
Consumption of materials and energy	458 347	760 826
Third-party services	207 383 669	178 634 253
Taxes and fees	1 288 239	869 789
Remuneration	33 951 093	14 518 370
Social insurance and other benefits	3 024 349	1 394 806
Other costs by nature	99 596	19 205
Total costs by nature	248 125 155	197 627 978
Costs of rendering services for internal purposes (negative value)	-8 011 020	-1 044 694
Selling costs	-191 357 623	- 173 176 503
General and administrative costs	-26 717 853	- -13 045 586
Cost of services sold	22 038 660	10 361 195

3.

FINANCIAL REVENUES

SPECIFICATION	01.01.2021 – 30.06.2021	01.01.2020 – 30.06.2020
Interest income	62 228	57 912
Surplus of positive exchange rate differences	721 263	1 123 560
Dividends received	2 261 792	1 656 905
Total	3 045 282	2 838 377





4.

INCOME TAX AND DEFERRED TAX

SPECIFICATION	01.01.2021 – 30.06.2021	01.01.2020 – 30.06.2020
Current income tax	9 118 763	6 853 932
Relating to the fiscal year	9 118 763	6 853 932
Deferred income tax	86 840	-82 214
Relating to the origination and reversal of temporary differences	86 840	-82 214
Tax expense reported in the consolidated statement of comprehensive income	9 205 603	6 771 718

The reconciliation of gross profit to tax basis is as follows:

NAME	01.01.2021 – 30.06.2021	01.01.2020 – 30.06.2020
Gross financial result (profit, loss)	96 651 818	68 023 447
Foreign exchange differences – balance sheet differences, differences not constituting the tax base, not constituting the tax deductible costs	-507 409	-43 416
Dividends received	-2 261 792	-1 656 905
Write-off of receivables which do not constitute tax deductible costs	3 056	1 530
Release and establishment of the provision for holiday pay	391 948	240 387
Establishment of provision for other costs	2 200 648	0
ZUS – costs excluded, orders at the turn of the period	0	0
Donations (subsequently deducted from income)	361 930	799 500
Other costs not constituting tax deductible costs	956 776	583 891
Depreciation of lease	564 172	355 797
Amortisation of intangible assets	702 884	489 078
Capitalisation of games costs	-8 011 020	-1 044 694
Creation of a write-down for capitalized games	3 760 701	0
Share-based payments	22 990 156	7 842 030
Income (and related expense) deferred in time – finally, as per account balance	-10 279 028	418 768
Other tax-deductible expenses, not being balance sheet costs	-1 093 806	-653 716
Taxable income	106 431 034	75 355 696
<i>including income taxed at 5% (IP Box)</i>	<i>76 377 821</i>	<i>50 321 695</i>
<i>including income taxed at 19%</i>	<i>30 053 214</i>	<i>25 034 001</i>





Structure of a deferred income tax asset

SPECIFICATION	as at 30.06.2021	as at 31.12.2020	as at 30.06.2020
deferred income – settlement of pearls in time (net)	106 737	229 151	346 034
deferred income – settlement of durables in time (net)	1 491 751	1 510 973	0
annul leave accrual	92 291	58 937	93 944
provision for audit costs	1 756	4 746	0
leasing – IFRS 16 valuation	108 121	74 630	57 592
Provision for bonuses	316 238	71 609	0
Other provisions	0	35 143	0
accounts receivable and payable valuation	0	0	42 600
Total	2 116 894	1 985 189	540 170

Structure of deferred income tax provision

SPECIFICATION	as at 30.06.2021	as at 31.12.2020	as at 30.06.2020
amortisation of games	635 656	429 355	627 089
valuation of settlements and cash	37 600	25 356	0
Total	673 256	443 394	627 089

5. RECEIVABLES

SPECIFICATION	30.06.2021	31.12.2020	30.06.2020
Trade receivables	45 588 032	47 408 874	63 423 918
Other receivables	6 475 865	3 174 480	7 395 772
Accruals and deferred income	2 617 774	3 500 233	2 244 490
Total	54 681 671	54 083 587	73 064 180

Currency structure of trade receivables:

CURRENCY	30.06.2021			31.12.2020			30.06.2020		
	Value in currency	PLN valuation	% share	Value in currency	PLN valuation	% share	Value in currency	PLN valuation	% share
PLN	19 610 871	19 610 871	43,02%	24 738 891	24 738 891	52,18%	26 985 864	26 985 864	42,55%
USD	6 687 965	25 437 676	55,80%	5 764 819	21 666 494	45,70%	8 940 832	35 590 797	56,11%
EUR	57 878	261 653	0,57%	103 763	478 845	1,01%	81 126	362 307	0,57%
RUB	5 053 714	262 793	0,58%	10 132 938	507 660	1,07%	—	473 580	0,75%
Other currencies	—	15 040	0,03%	—	16 984	0,04%	—	11 370	0,02%
TOTAL	—	45 588 032	100%	—	47 408 874	100%	—	63 423 918	100%

Age structure:

OVERDUE	30.06.2021 value of receivables	31.12.2020 value of receivables	30.06.2020 value of receivables
From subsidiaries	512 734	931 458	6 054 516
Not overdue	512 734	931 458	6 054 516
From other entities	45 075 298	46 477 416	57 369 402
not overdue	45 005 408	43 203 675	57 252 685
up to one month	62 246	503 177	105 044
1-3 months	4 880	2 247 572	11 369
3-6 months	2 282	522 992	305
6-12 months	482	0	0
over 1 year	0	0	0
Total receivables	45 588 032	47 408 874	63 423 918





APPROVAL OF THE FINANCIAL STATEMENT

This report for the period from January 1 to 30 June 2021 was signed and approved for publication by the Management Board of Ten Square Games S.A. on 23 August 2021.

**PRESIDENT OF THE MANAGEMENT
BOARD**

Maciej Zużatek

**MEMBER OF THE MANAGEMENT
BOARD**

Andrzej Ilczuk

**MEMBER OF THE MANAGEMENT
BOARD**

Anna Idzikowska

**MEMBER OF THE MANAGEMENT
BOARD**

Janusz Dziemidowicz

**MEMBER OF THE MANAGEMENT
BOARD**

Marcin Chruszczyński

**MEMBER OF THE MANAGEMENT
BOARD**

Wojciech Gattner

PERSON ENTRUSTED WITH BOOKKEEPING

Karolina Hoszowska-Dubaniowska

Wrocław, 23 August 2021