



ten square_games

**REPORT OF THE MANAGEMENT
BOARD ON THE ACTIVITIES OF
THE 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.



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BASIC INFORMATION

The Ten Square Games S.A. Ten Square Games S.A. Group consists of a parent company and subsidiaries. Ten Square Games S.A. ("Parent Company", "TSG") 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





The composition of the Company's bodies as of 30.06.2021:

THE MANAGEMENT BOARD:

Maciej Zużatek

– President of the Management Board;

Anna Idzikowska

– Member of the Management Board.

Marcin Chruszczyński

– Member of the Management Board.

Janusz Dziemidowicz

– Member of the Management Board.

Wojciech Gattner

– Member of the Management Board.

Andrzej Ilczuk

– Member of the Management Board

On December 17, 2020, the Company's Supervisory Board adopted resolutions regarding the appointment to the Management Board for the current term:

Mr Janusz Dziemidowicz

– Member of the Management Board;

Mr Wojciech Gattner

– Member of the Management Board;

Ms Anna Idzikowska

– Member of the Management Board;

Mr Andrzej Ilczuk

– Member of the Management Board.

Appointment of the aforementioned persons shall take effect as of the date of registration by the competent registry court of the amendment to the Company's Articles of Association, effected pursuant to Resolution No. 4 of the Extraordinary General Meeting of Shareholders of the Company dated December 16, 2020, which occurred on January 21, 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.

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

Shareholder	Number of shares as at 23.08.2021 and 30.06.2021	share in the share capital	number of votes at the GMS	% share in 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 (none of which above 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 the share capital	number of votes at the GMS	% share in votes
Shareholders' Arrangement ^[1]	3 739 649	51,46%	3 739 649	51,46%
Others (none of which above 5% of shares)	3 527 662	48,54%	3 527 662	48,54%
TOTAL	7 267 311	100%	7 267 311	100%

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

[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.





List of shares held by members of the Issuer's Management or Supervisory Board

Shareholder	Number of shares as at 30.06.2021	share in the share capital	number of votes at the GMS	% share in 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 the share capital	number of votes at the GMS	% share in votes
President of the Management Board – Maciej Zużatek	194 826	2,68%	194 826	2,68%
WicePresident 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 by Arkadiusz Pernal concerning a change in the holding of the Company's shares, of which the Company informed in current report No. 6/2021.

Serie of shares

Serie of shares	Numer of shares as at 23.08.2021 and as at 31.12.2020	nominal value of shares	total nominal value of shares
A	7 225 000	0,1 PLN	722 500,00
B	42 311	0,1 PLN	4 231,10



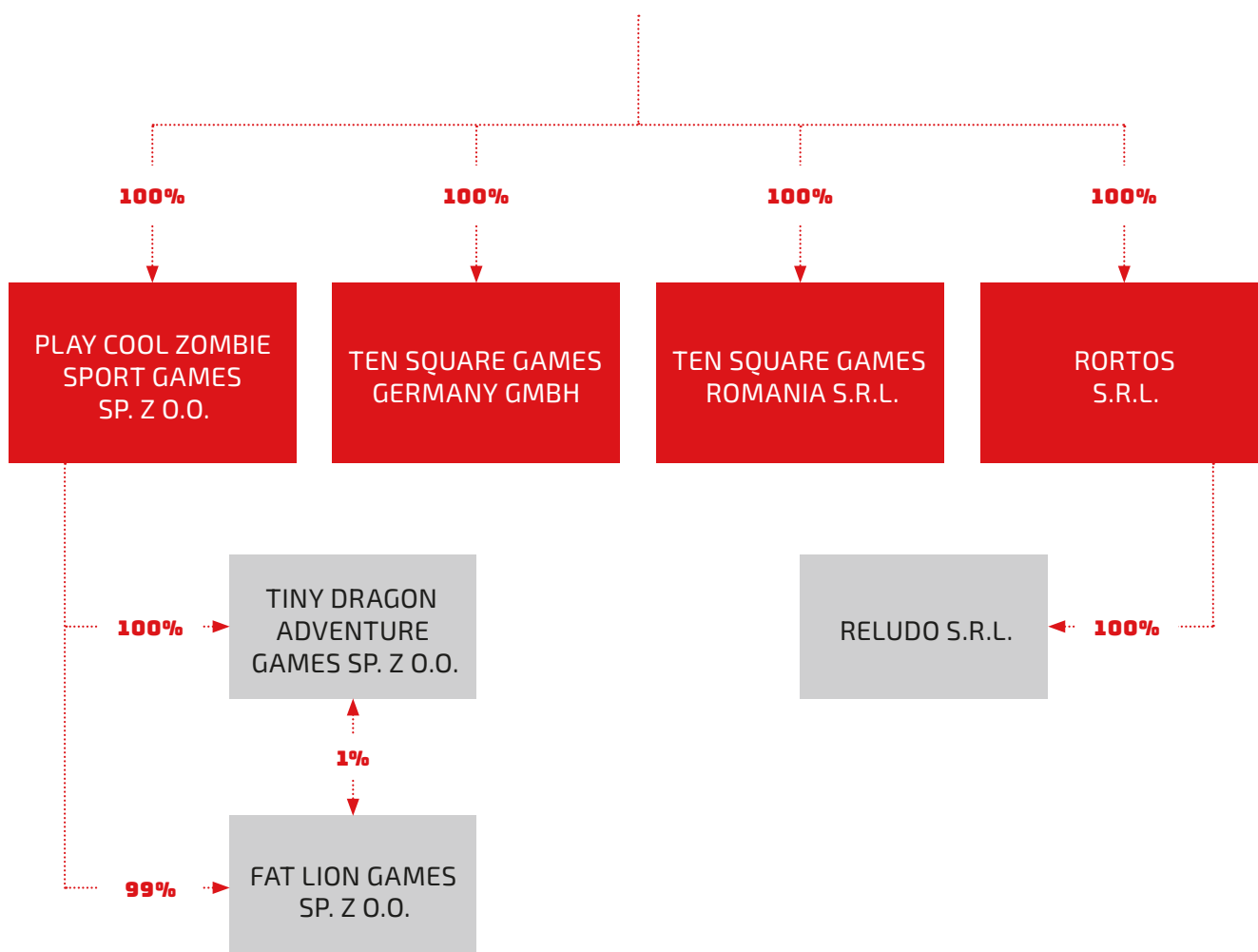


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Composition of the Ten Square Games S.A. Group as at 30.06.2021 and 23.08.2021:



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All entities indicated in the above diagram of the Ten Square Games S.A. Group are subject to consolidation.

The following changes in the composition of the Group took place in the first half of 2021:

1. In the fourth quarter of 2020, the Parent Company's Management Board decided to establish a subsidiary in Berlin, which over time is expected to become a mobile game development studio operationally independent of the Parent Company. Ten Square Games Germany GmbH was established on 7th December 2020 (date of the articles of association) and entered into the commercial register on 25th January 2021;
2. In the first quarter of 2021, the Management Board of the Parent Company decided to establish a subsidiary company in Bucharest which will employ skilled and experienced Romanian employees in the video gaming industry for the purposes of projects carried out by the Parent Company or other entities in the Group. Ten Square Games Romania S.R.L. was entered in the relevant register of companies on 28 June 2021 and commenced operations in July 2021;
3. On 30 June 2021, the Parent Company entered into an agreement as buyer with the existing shareholders Antonio Farina and Roberto Simonetti as sellers (collectively, the „Sellers“) requiring the sale of a shareholding in Rortos S.r.l., Verona, („Rortos“) relating to the acquisition by the Company of a shareholding in Rortos, representing 100% of the share capital and carrying 100% of the voting rights at the shareholders' meeting of Rortos (the „Transaction“). On 5 July 2021, pursuant to the provisions of the agreement of commitment to sell the shareholding in Rortos entered into on 30 June 2021, the Company, as buyer, entered into a final agreement with the Sellers for the sale of the shareholding in Rortos, relating to the acquisition by TSG of a shareholding in the share capital of Rortos, representing 100% of the share capital and carrying 100% of the voting rights at the shareholders' meeting of Rortos (the „Transaction“). The price for the entire shareholding in Rortos to be acquired was set at EUR 45,000,000 on cash free and debt free basis based on a 2020 EBITDA multiplier of 9,8 (normalized by capitalisation of personnel costs). In addition, under the terms of the Agreement, the Sellers shall 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 in the Agreement, up to a maximum amount not exceeding the EBITDA achieved by Rortos for the relevant period.





SELECTED FINANCIAL DATA CONSOLIDATED DATA IN PLN

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 goods and 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	13 726 481
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	
	01.01.2021 – 30.06.2021	01.01.2020 – 30.06.2020	01.01.2021 – 30.06.2021	01.01.2020 – 30.06.2020
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.





BREAKDOWN OF CONSOLIDATED BOOKINGS PER GAME PER QUARTER

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
PAYMENTS TOTAL*	95 142 310	170 546 205	179 833 838	180 386 632	169 196 150	154 976 993
deferred income (virtual currency)	95 569	-693 809	-575 289	-3 370 129	3 213 637	283 892
deferred income (durables)	0	0	0	-43 170 671	1 704 189	9 624 478
REVENUE TOTAL	95 237 879	169 852 396	179 258 549	133 845 832	174 113 976	164 885 363

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“.

BREAKDOWN OF CONSOLIDATED SELLING COSTS PER QUARTER

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
– Fishing Clash	18 263 312	70 508 454	33 387 047	23 128 972	22 551 718	24 783 495
– Wild Hunt	325 446	470 675	667 616	78 860	0	0
– Hunting Clash	83 663	607 147	4 385 558	7 863 570	17 412 032	17 438 915
– other titles, events	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
remunerations, services provided by subcontractors	1 559 372	1 683 409	1 613 386	2 820 699	3 961 297	3 338 075
mobile games market research services	0	0	0	0	548 606	1 317 788
other	400 724	627 129	604 983	856 468	396 689	483 185

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

In the first half of 2021, TSG's revenues increased by PLN 74.4 million, or 28%, compared to the same period in 2020, mainly due to the Hunting Clash, which had a global release in August 2020 and generated revenues of PLN 57.2 million in the current period. This title is being intensively developed by the product team, which is focused on offering new features and live-ops activities to enhance the game's appeal to existing and newly acquired users. Payments in the flagship title Fishing Clash amounted to PLN 246.6 million and were 2% higher than in the same period last year. The relatively small increase is due to the so-called „base effect” – in the first half of 2020, the Company, taking advantage of the market situation (as a result of the global COVID-19 virus pandemic, the average cost of paid user acquisition temporarily fell sharply in the second quarter of 2020), incurred exceptionally high marketing expenses, which translated into a sharp increase in Fishing Clash revenues in the second quarter of 2020. In 2021, marketing spend on the Fishing Clash title was PLN 47.3 million (H1 2020: PLN 88.8 million), hence the relatively small growth in payments for this title. A significant proportion of the players acquired for Fishing Clash in Q2 2020 are still (and will remain) actively engaged with the game, while some users are no longer using the title, so the decline in payments in the individual months of 2021 is not surprising.

Another game, Let's Fish, also performed well, generating payments of PLN 7.9m in H1 2021 – 6% lower than in the corresponding period of 2020, which was historically high. This game does not require marketing expenditures, so the margin earned contributes significantly to the Group's financial result.

Next title, Wild Hunt, generated payments of PLN 7.0m in H1 2021, 12% less than in the same, record breaking, period of 2020. The decrease is largely due to the cessation of support for this title with marketing spend from the fourth quarter of 2020 onwards.

The Group does not note significant seasonality of sales. The level of revenues depends on the life cycle of a given game (group of games) and marketing expenses, as well as, in the last several months, the introduction or cancellation of lockdowns caused by the COVID-19 pandemic.

Cost of services sold primarily includes compensation of the Company's employees and cooperators. The costs increase in the first half of 2021 results from an increase in the level of employment in the comparable periods and from a greater number of ongoing projects.

The increase in selling costs by 11% was less dynamic than the increase in revenues (+28%) due to extraordinary expenditures on marketing in Q2 2020 described above. Another significant component of these expenses, i.e. commissions, is fully dependent on the level of payments and the amount of commissions increases in proportion to the increase of payments.





The increase in general and administrative costs in the first half of 2021 is caused by the expansion of general company departments – including finance, human resources, HR and the general increase in the number of employees and associates, which translates into higher office maintenance costs.

The Group's consolidated net profit for the first half of 2021 amounted to PLN 86.1 million compared to PLN 61.0 million in the first half of 2020. The primary performance indicator used by the Group, adjusted EBITDA, amounted to PLN 112.0 million and was PLN 35.1 million (or 46%) higher than in the same period last year.

The increase in cash flows from operating activities in the first half of 2021 by 147% is a result of good financial performance as well as high marketing expenses in Q2 2020, which negatively impacted the cash flows in 2020. The Group's investment activities are related to the production of new titles – the increase in expenditure on the acquisition of intangible assets and property, plant and equipment is mainly due to increased employment in the games production teams. Additionally, in the first half of 2021, the Group incurred an outflow of PLN 4.6 million for the acquisition of shares in the investment fund Sisu Game Ventures. Financing activities are cash flows related to the payment of dividends – the dividend for 2020 was paid on 19 July 2021, hence the absence of these cash flows in the reporting period.

In balance sheet terms, high sales of the Group's products translate into an increase in cash. Additionally, a greater number of new projects translates into an increase in intangible assets.

The increase in trade payables results mostly from the increase in scale of operations. The increase in other liabilities to PLN 73.5 million is mainly due to the dividend payable of PLN 72.7 million.

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





BUSINESS PROFILE

The Group's and the Parent Company's activities focus on the design, production, distribution and development of games for mobile and stationary devices (browser games). The Group's products are available on the most important mobile platforms – iOS and Android, as well as on Internet portals.

The Group's game portfolio is developed in the F2P model in which downloading the game is free of charge, and revenues come from the following sources:

REVENUES

MICROPAYMENTS

- » additional functionalities purchased by the players

ADVERTISEMENTS

- » displayed in games (ad monetisation)

LICENCES

- » revenues from user activity in games, which are made available to the Company's business partners on the basis of licence agreements





4.

KEY PRODUCTS



FISHING CLASH

Mobile game

Launch date:

soft launch: 06.2016

hard launch: 10.2017

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

In the first half of 2021, the Group's most important revenue-generating products were the following:

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



HUNTING CLASH

Mobile game

Launch date:

soft launch: 11.2019

hard launch: 08.2020

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



LET'S FISH

Mobile game app

Launch date:

global launch: 01.2014 – Apple, 06.2014 – Google

Browser game:

Global launch date: 01.2012

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



WILD HUNT

Mobile game app

Launch date:

soft launch: 04.2016

global launch: 07.2017

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





5.

BRIEF DESCRIPTION OF THE ISSUER'S MATERIAL ACHIEVEMENTS AND FAILURES

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

In the first half of 2021, the Group consistently delivered on its strategy. TSG's revenue increased by PLN 74.4 million, or 28%, mainly due to the Hunting Clash title, which had its global release in August 2020, and a slight increase in bookings in the flagship game Fishing Clash. Profitability measured by adjusted EBITDA was PLN 112.0m, up by PLN 35.1m (or 46%) from H1 2020.

An evident achievement of the Company in the analysed period was obtaining on 28 June 2021 a licence from the regulatory authority managing the Chinese video game market to publish the Fishing Clash game on the Chinese market. The process of receiving a licence to publish games in this huge and promising market is lengthy and complicated and is not often successful. After receiving a positive decision from the NPPA, the Company has been working very hard to make the game (along with paid features) available on Apple's Chinese online shop, which happened at the end of July 2021. In the coming weeks Fishing Clash will also be made available in Chinese shops (marketplace) for Android devices.

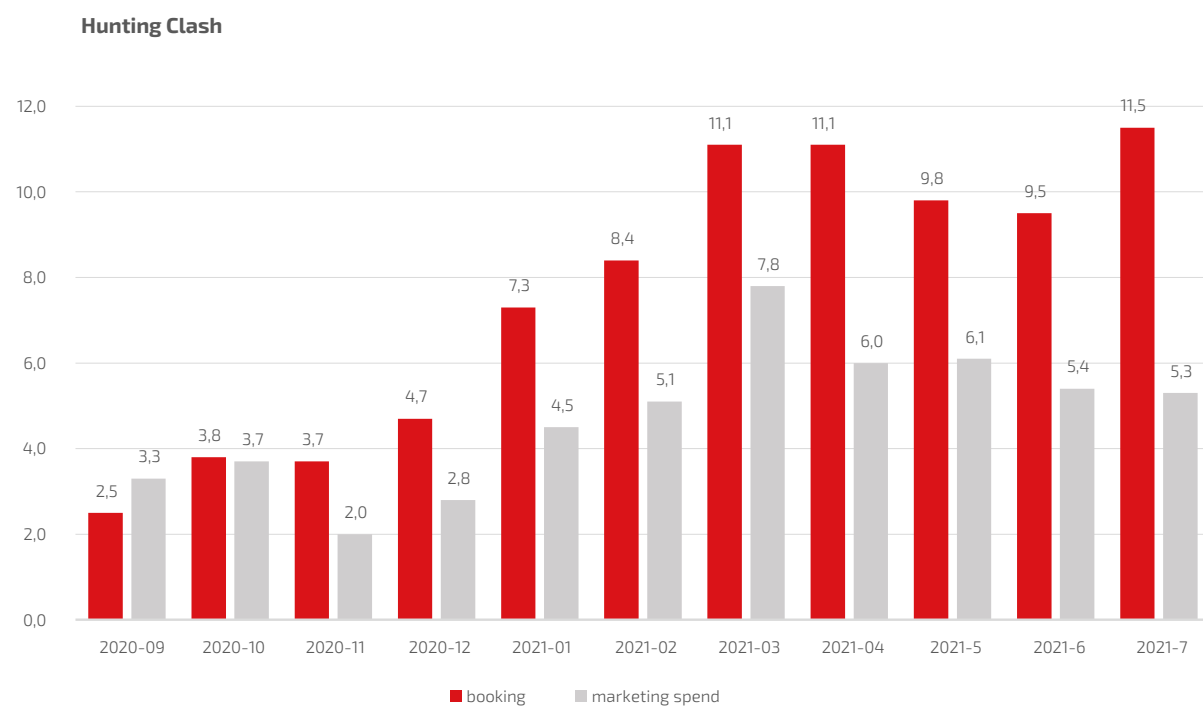
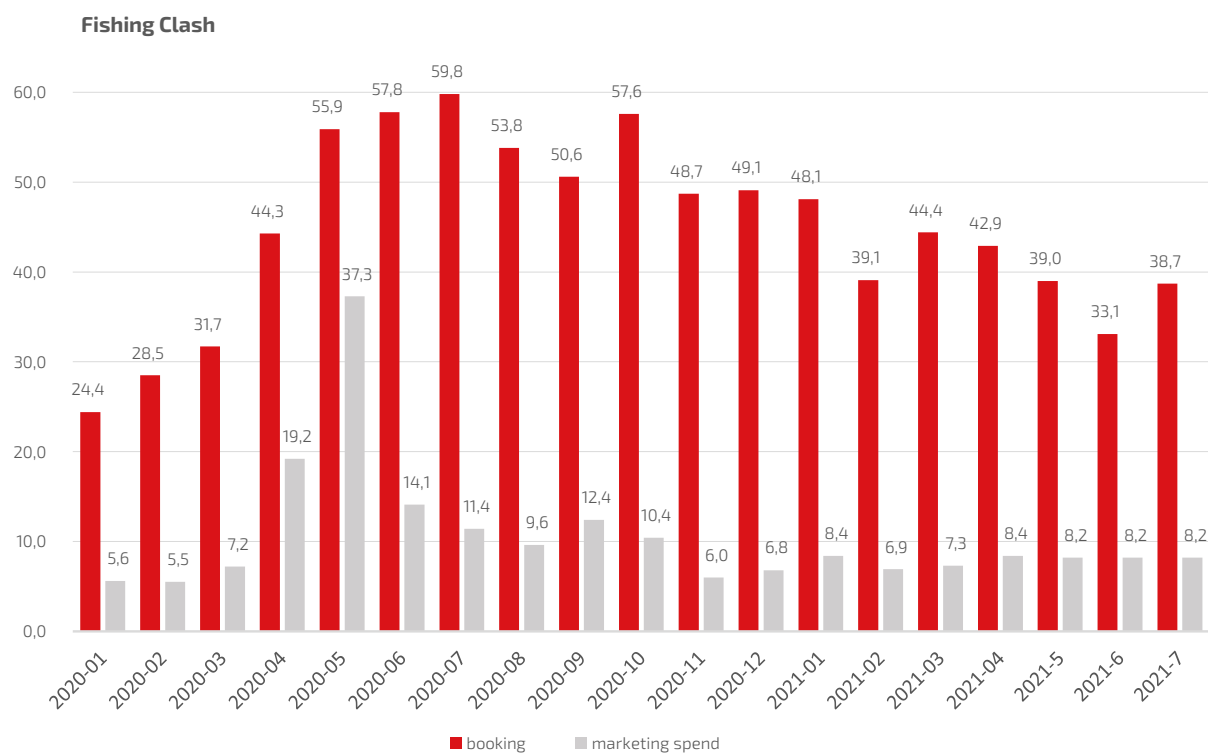
A significant event in TSG's activities in the first half of the year was the negotiations in the process of acquiring 100% of the share capital of Rortos S.r.l., based in Verona, concluded on 5 July 2021 with the signing of the disposal agreement. This transaction, detailed in the financial statements, follows the implementation of the strategy announced in 2020 and is the first acquisition in TSG's history.

On 10 June 2021, the Management Board of Ten Square Games S.A. decided to initiate a process of reviewing strategic options for the Company. The purpose of this process is to select the best way to implement the Company's long-term strategy of further growth and maximising shareholder value. During the review, the Company will continue to pursue its existing strategy, activities and projects. The Board will consider various strategic options, including the entrance of a strategic or financial investor. As at the date of signing this Report, no decision has been made to select a specific strategic option and there is no certainty as to whether or when such a decision will be made.

Both in the period under review and in the coming months, the Company's Management Board is focusing its efforts on strengthening teams (mainly product and non-product teams – e.g. Marketing and Business Intelligence) by recruiting experienced specialists. The aim of these activities is to accelerate the creation and further development of high quality mobile games which engage users and generate satisfactory financial results. The marketing team, in turn, continues to focus on scaling and optimising marketing expenditures dedicated to the promotion of Fishing Clash and Hunting Clash. The Group continuously monitors developments in the advertising market and changes in the behaviour of acquired user groups.

Monthly payments and user acquisition costs analysis of major games

data in mln PLN





6.

STATISTICS
OF THE GAMES

PERIOD	1Q2020	2Q2020	3Q2020	4Q2020	1Q2021	2Q2021
Fishing Clash – MAU (average in the period)	2 894 045	6 915 710	4 165 725	3 223 278	3 849 763	2 928 300
Hunting Clash – MAU (average in the period)	0	0	1 315 618	2 042 704	3 136 097	2 241 126
Let's Fish – MAU (average in the period)	428 742	514 341	369 797	347 293	281 634	300 303
Wild Hunt – MAU (average in the period)	1 293 296	1 203 639	777 609	589 348	651 733	524 830

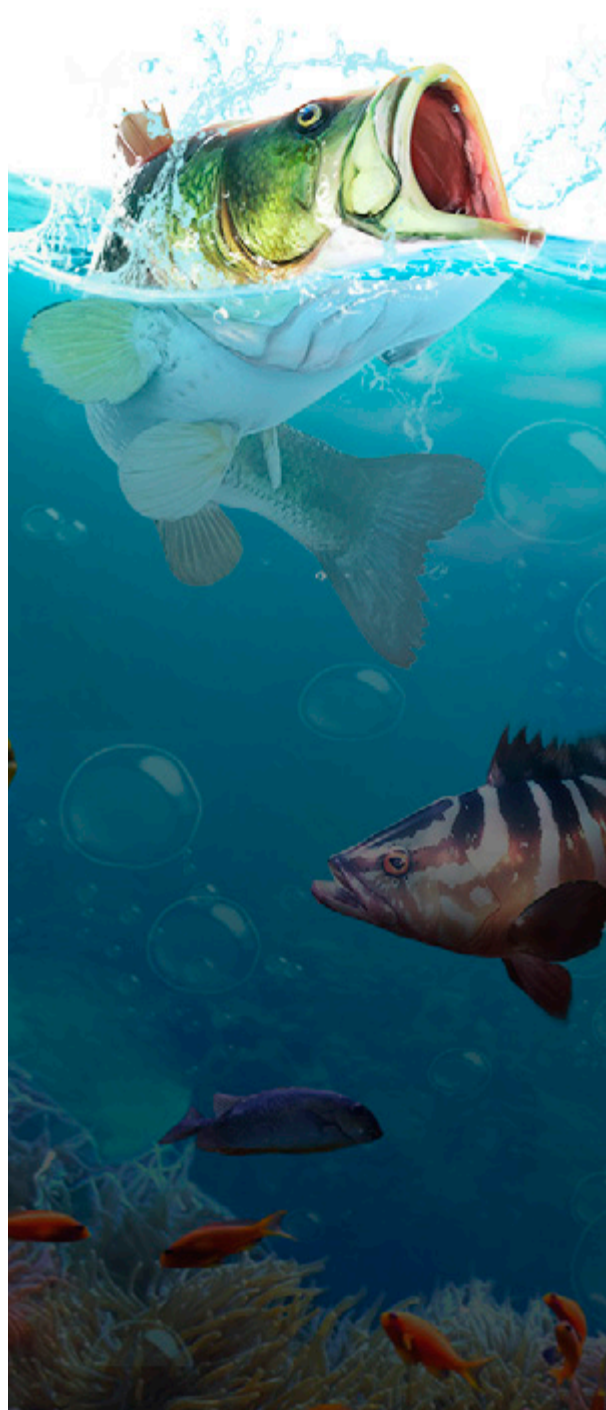
The MAU level in the case of Fishing Clash is significantly influenced by marketing expenses, which in the second quarter of 2020 were the highest ever, as well as the so-called featurings of distribution platforms. MAU of Fishing Clash in the second quarter of 2020 more than doubled compared to the first quarter. MAU levels declined in subsequent quarters, primarily due to marketing spend returning to more regular levels. The decline in Fishing Clash's MAU to 2.9 million users in the second quarter of 2021 is also a result of the loosening of lockdown in most countries, which resulted, particularly in June 2021, in lower user activity in mobile games. However, the Management Board believes that this is not a sustainable trend, as evidenced by, among other things, the 11.7% increase in MAU for Fishing Clash in July 2021 compared to the previous month.

MAU for Hunting Clash developed in 2021 similarly to Fishing Clash and also for this game the lowest value in 2020 was recorded in June 2021 before increasing the following month by 7.4%.



DESCRIPTION OF FACTORS AND EVENTS, INCLUDING THE UNUSUAL ONES, HAVING A SIGNIFICANT IMPACT ON THE CONDENSED FINANCIAL STATEMENT

In the period from 1 January to 30 June 2021 there were no atypical events that would have a significant impact on the condensed interim consolidated financial statement.





8.

SIGNIFICANT ACHIEVEMENTS IN THE FIELD OF RESEARCH AND DEVELOPMENT

The Group is constantly engaged in the development of new games. Inherent in this process is the risk that certain titles may not meet market expectations and TSG's ambitions. One such game was Golf Royale – during the second quarter of 2021, the Company's Management Board, having re-examined the competitive environment, decided to cease development of this game. Given the increasing number of competitors offering advanced games with similar themes and the relatively high marketing costs in this segment, it was deemed unprofitable to continue investing in this title. As a result, the Company incurred a cost 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.

Similarly to previous years, work on improving the Group's business fundamentals is also underway, with particular emphasis on the Business Intelligence department – constantly improved predictive and analytical models are key to planning and verifying further development of the product portfolio and marketing activities. In the opinion of the Management Board, the projects being currently developed are focused on the consistent implementation of the strategy and increase a chance to expand the Group's product portfolio with further profitable, lasting titles.

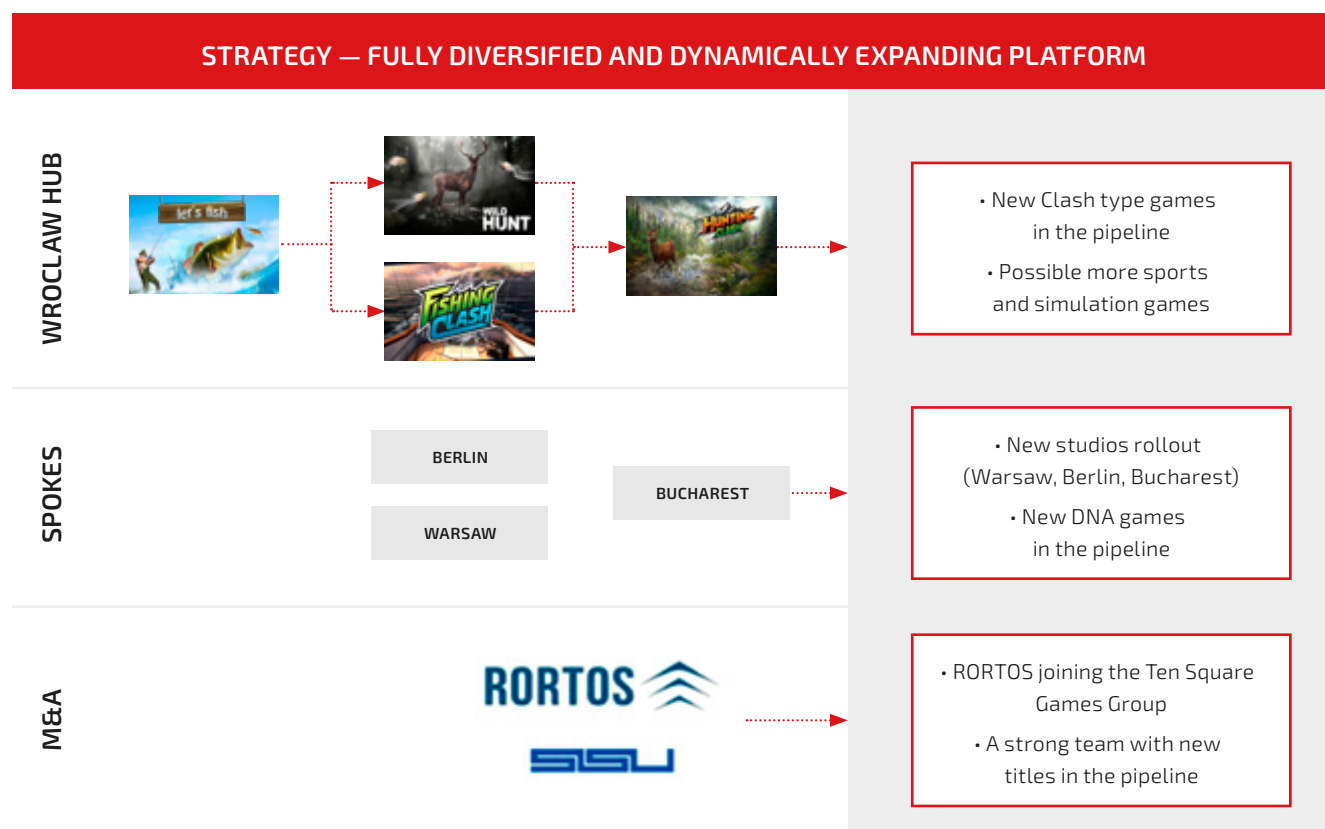
9.

FORECASTED DEVELOPMENT OF THE ENTITY AND THE GROUP

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

In the opinion of the Management Board, the experience in maintaining and developing F2P games for many years and a well thought-out publishing pipeline allow the Group to consistently implement its strategy.

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





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

The second fundamental element of the strategy is the creation of design studios in new locations. Launched in the first quarter of 2020, TSG's design office in Warsaw continues to work on the development of a new title. In addition, in the fourth quarter of 2020, the Parent's Management Board decided to establish a subsidiary in Berlin, which over time is expected to become a mobile games studio operationally independent of the Parent Company and to additionally attract talented employees to TSG who do not decide to move to Poland and work within the Parent's structures. Ten Square Games Germany GmbH has started operations and is intensively recruiting a team that will soon start work on a new game.

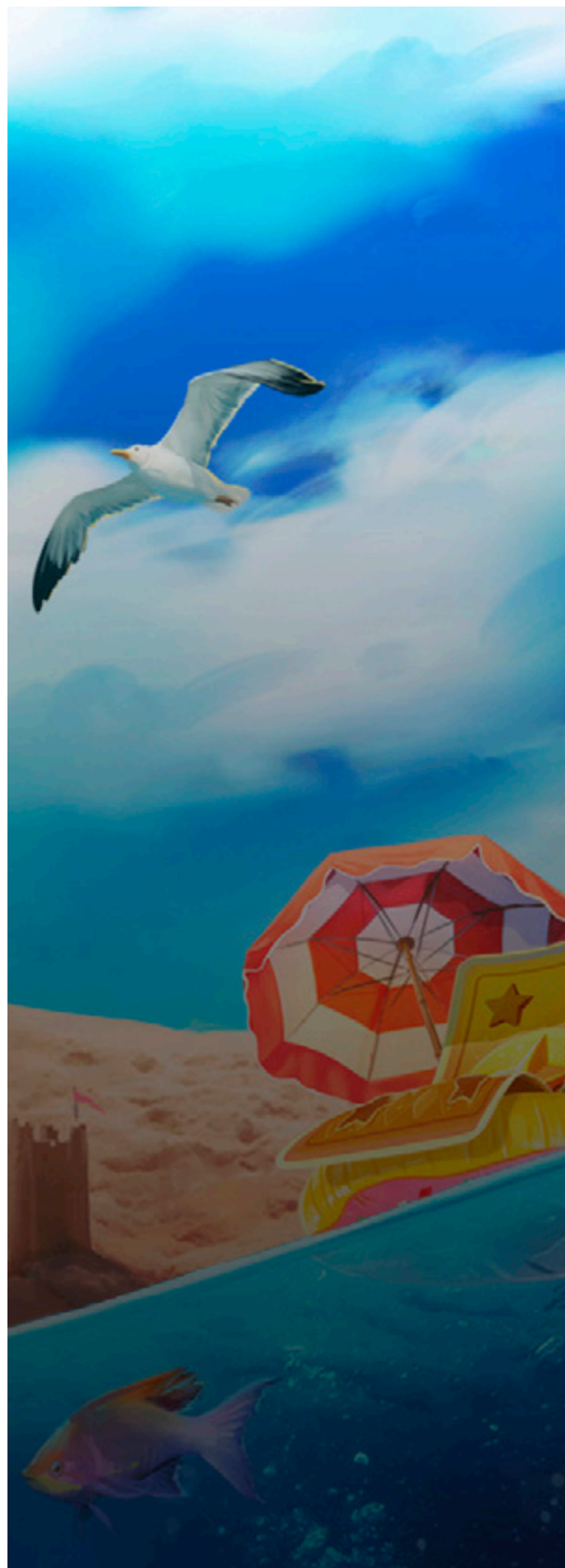
Moreover, the Parent's Management Board decided to establish a subsidiary in Bucharest, which in July began hiring Romanian employees qualified and experienced in the video gaming industry, who work for the projects run by the Parent Company or other entities in the Group.

Thirdly, for over a year the Group has been continuously analysing the free-to-play games market and actively pursuing activities aimed at entering into close cooperation (e.g. through an acquisition transaction) with another entity operating in this market. The result of these activities is the acquisition in July 2021 of Rortos, which is the world's leading Italian manufacturer of flight simulators produced for mobile devices. This transaction is described in more detail in part one of the Basic Information of this Report.

10.

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

In the period from 1 July 2021 to 23 August 2021 there were no significant events not reflected in the financial statements of the Group.





11.

INDICATION OF FACTORS WHICH, IN THE ISSUER'S OPINION, WILL AFFECT THE PERFORMANCE OF THE ISSUER IN THE PERSPECTIVE OF AT LEAST THE NEXT QUARTER AND DESCRIPTION OF BASIC THREATS AND RISKS RELATED TO THE REMAINING MONTHS OF THE FINANCIAL YEAR

In the subsequent quarters of 2021 the Group intends to continue the development of its activity in current areas of operation.

Further development of Fishing Clash as well as the situation on the User Acquisition market shall have a crucial impact on the Group's results in the subsequent quarters. Potential improvement of results, both in the product and marketing sphere, may significantly influence the results of the subsequent quarter. In order to utilize this potential, the Group constantly conducts optimized live-ops activities, continues the development of product functionality and intensifies its marketing efforts.

The Group also expects the Chinese version of Fishing Clash game to become increasingly important in its revenue structure. Success on this market depends, however, on the ability to meet the expectations of Chinese players, in which the Group has no experience, but it cooperates closely in this area with a local partner (Netease Shanghai).

A factor which may have an impact on the Group's future results will be the performance of Hunting Clash. The team developing this title was significantly strengthened in the second quarter of this year and will be further strengthened with the aim of adding new functionalities to the game. The Group has developed a product roadmap for Hunting Clash over the next few quarters and its implementation will be of key importance for the game's future performance.

The current core of the Group's development is organic growth – the production and distribution of own F2P games. Additionally the Group is working on other possible development strategies, i.e. it does not rule out more acquisitions, investments or publishing agreements concluded with other entities producing games in a similar gaming model. In July 2021, TSG invested USD 1.2 million in shares of Sisu Game Ventures, which is a very active early stage investor in the video game industry with approximately 60 completed investments. Sisu Game Ventures analyzes more than 150 companies per year and through this partnership TSG will have access to potentially very interesting video game companies at a very early stage of development.

External factors that may affect the Group's results include the duration of the COVID-19 pandemic and its impact on the economy, the exchange rate of the U.S. dollar, the appearance of products competing with the Group's games on the market, advertising market parameters such as prices and supply of ads displayed in the Group's games and prices of ads purchased by the Group or a change in the policy of key distribution platforms Google Play, Facebook and Apple affecting the scope and possibility of distribution of the Group's products.





12.

AGREEMENTS WHICH MAY RESULT IN FUTURE CHANGES IN THE PROPORTIONS OF SHARES HELD BY SHAREHOLDERS

In March 2018, the Company's Shareholders adopted an incentive program for key employees and associates of the Ten Square Games Ten Square Games S.A. Group. The program may potentially result in a change in the proportions of shares held by shareholders.

Based on the programme resolution, the Company's share capital, excluding pre-emptive rights of the existing shareholders, was conditionally increased by up to PLN 6,547.50 through the issue of up to 65,475 Series B Ordinary registered shares with a par value of PLN 0.10 per share. Pursuant to the Programme Resolution series B shares could be acquired by holders of series A registered subscription warrants issued in the maximum number of 65,475.

In January 2019, the Extraordinary General Meeting of Shareholders adopted an amendment to the incentive scheme consisting in:

1. replacement of the conditional share capital with the target capital;
2. revoking of subscription warrants – the participants of the program receive, after meeting the conditions of the program, bearer shares that have limited lock-up during the period specified in the program regulations;
3. increasing the pool of shares possible to be granted during the programme's operation (the pool of the programme after changes: 101,850 ordinary bearer shares of series B with a nominal value of PLN 0.10 per share).

The incentive scheme covers the years 2018-2020 and the shares may be acquired in three tranches – for the financial year 2018 (tranche I), 2019 (tranche II) and 2020 (tranche III).

The shares may be offered provided that the Ten Square Games S.A. Group reaches a certain level of consolidated, adjusted for extraordinary events and the costs of the programme itself, EBITDA.

Beneficiaries of the programme have the right to sell shares acquired within Tranche I not earlier than 1 July 2020. Beneficiaries of the programme have the right to sell shares acquired within Tranche II not earlier than 1 January 2021. Beneficiaries of the programme have the right to sell shares acquired within Tranche III not earlier than 1 September 2021.

In May 2019, the Issuer's Supervisory Board adopted a resolution on meeting the Participation Criteria and Programme 1 Criteria and confirming the number of shares awarded under Tranche I of the incentive scheme. In connection with this resolution, on 12 June 2019 the Management Board of the Company adopted a resolution on the issue of shares within the framework of the target share capital increase. The share capital was increased by 16,245 shares with a total value of PLN 1,624.50, which was registered by the District Court on 24 July 2019.

In July 2021, the Issuer's Supervisory Board adopted a resolution on the fulfilment of the Participation Criteria and Programme 1 Criteria and confirmation of the number of shares granted under Tranche I of the incentive programme. In connection with this resolution, on 12 July 2021 the Company's Management Board adopted a resolution on the issue of shares as part of the authorised share capital increase. The capital was increased by 34,472 shares, with a total value of PLN 3,447.20. As at the date of publication of this Report, the capital increase has not been registered by the District Court in Wrocław.

On 20 May 2020, by resolution of the Ordinary General Meeting, an incentive scheme was established in the Company for the years 2021-2022.

The scheme will be based on the Company's financial results achieved in particular financial years, starting from the financial year ending on 31 December 2021 until the financial year ending on 31 December 2022. Participants of the Programme, addressed to key employees and associates of the Company, will have the right to take up a total of no more than 100,000 shares, issued through a share capital increase. The offer of shares is conditional on the Group achieving a certain level of consolidated EBITDA, adjusted for extraordinary events and the costs of the programme itself. The Supervisory Board has set the following EBITDA levels:

- » PLN 248 804 235 for the year 2021;
- » PLN 251 330 811 for the year 2022,

whereby EBITDA will be adjusted, in accordance with the rules of the programme, by costs of share-based incentive programmes and extraordinary and non-recurring events, including in particular the effect of non-cash revenue adjustments (and the related distributor commission expenses), the effect of possible non-recurring write-downs on capital expenditure on the creation of mobile games and the effect of possible changes to the tax and social security systems.

If the required level is not achieved in the first year of the programme, shares for a given year may be awarded in the subsequent period if the cumulative EBITDA reaches the required level and the EBITDA for the subsequent period is achieved.

The participants of the programme have the right to sell the shares acquired

- » in tranche I not earlier than 2 January 2024;
- » in tranche II not earlier than 2 January 2025.





13.

OTHER INFORMATION RELEVANT TO THE ASSESSMENT OF THE ISSUER'S HUMAN RESOURCES, PROPERTY AND FINANCIAL SITUATION AS WELL AS THE FINANCIAL RESULT, THEIR CHANGES AND INFORMATION RELEVANT TO ASSESSING THE POSSIBILITY OF FULFILMENT OF THE ISSUER'S COMMITMENTS

As at 30 June 2021 and 23 August 2021, no significant information of such nature is known in the Ten Square Games S.A. Group Ten Square Games S.A.



14.

THE MANAGEMENT BOARD'S STANCE ON THE POSSIBILITY OF FULFILMENT OF PREVIOUSLY PUBLISHED FORECASTS FOR A GIVEN YEAR IN THE LIGHT OF THE RESULTS PRESENTED IN THE QUARTERLY REPORT, COMPARED TO THE FORECASTED RESULTS

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

15.

SEASONALITY OR CYCLICALITY OF OPERATIONS

The Group's activity is not significantly seasonal.





16.

CREDITS, LOANS, SURETIES, GUARANTEES

Neither Ten Square Games S.A. nor any of its subsidiaries, as at 30 June 2021 and as at the date of issue of the financial statement, was a party to credit or loan agreements. The Issuer and its subsidiaries did not grant any sureties or guarantees in the period covered by the report.

17.

PURCHASE OF OWN SHARES (STOCKS)

Purchase of own shares did not occur in the period covered by this Report.

18.

BRANCHES (PLANTS) OWNED BY THE COMPANY

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

19.

INDICATION OF SIGNIFICANT PROCEEDINGS PENDING BEFORE COURT,

COMPETENT ARBITRATION AUTHORITY OR PUBLIC ADMINISTRATION AUTHORITY, CONCERNING LIABILITIES AND RECEIVABLES OF THE ISSUER OR ITS SUBSIDIARY, WITH INDICATION OF THE SUBJECT MATTER OF THE PROCEEDINGS, VALUE OF THE SUBJECT MATTER OF THE DISPUTE, DATE OF COMMENCEMENT OF THE PROCEEDINGS, PARTIES TO THE PROCEEDINGS AND THE ISSUER'S STANCE

No record in the reporting period.





20.

INFORMATION ON CONCLUSION BY THE ISSUER OR ITS SUBSIDIARY OF ONE OR MORE TRANSACTIONS WITH AFFILIATED ENTITIES, IF THEY WERE CONCLUDED ON TERMS OTHER THAN MARKET TERMS

All transactions with subsidiaries carried out by the Issuer or its subsidiary are carried out on an arm's length basis. The list of transactions between related entities is presented in the semi-annual report in Note 15 to the consolidated financial statements.



21.

FINANCIAL INSTRUMENTS IN TERMS OF RISK AND RISK MANAGEMENT

21.1.

Financial instruments in the scope of risk: price changes, credit risk, significant cash flow disturbances and loss of financial liquidity to which the entity is exposed

Neither the Group nor the Parent Company use such financial instruments due to the fact that the expected costs of their use could be higher than the probable benefits.

21.2.

Financial instruments within the scope of financial risk management objectives and methods adopted by the entity, including methods of hedging significant types of planned transactions for which hedge accounting is applied

Neither the Group nor the Parent Company use such financial instruments due to the fact that the expected costs of their use could be higher than the probable benefits.





APPROVAL OF THE REPORT

This report for the period from 1.01.2021 to 30.06.2021 was signed and approved for publication by the Management Board of Ten Square Games S.A. on 23.08.2021.

**PRESIDENT OF THE MANAGEMENT
BOARD**

Maciej Zużalek

**MEMBER OF THE MANAGEMENT
BOARD**

Andrzej Ilczuk

**MEMBER OF THE MANAGEMENT
BOARD**

Anna Idzikowska

**MEMBER OF THE MANAGEMENT
BOARD**

Janusz Dziemidowicz

**MEMBER OF THE MANAGEMENT
BOARD**

Marcin Chruszczyński

**MEMBER OF THE MANAGEMENT
BOARD**

Wojciech Gattner

Wrocław, 23.08.2021