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**CONSOLIDATED QUARTERLY REPORT OF
THE GROUP TEN SQUARE GAMES S.A
FOR Q3 2021**

WROCLAW, 22.11.2021

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 - 30.09.2021	01.01.2020 - 30.09.2020	01.01.2021 - 30.09.2021	01.01.2020 - 30.09.2020
Sales revenues	486 950 398	443 898 596	106 822 507	99 932 147
Costs of goods and services sold	37 267 741	17 199 016	8 175 439	3 871 908
Operating profit (loss)	125 807 845	133 452 623	27 598 518	30 043 364
Gross profit (loss)	126 757 259	133 854 576	27 806 791	30 133 853
Net profit (loss)	110 873 324	119 734 401	24 322 326	26 955 066
EBITDA	134 793 054	135 665 018	29 569 607	30 541 427
Adjusted EBITDA	166 800 595	150 796 057	36 591 114	33 947 784

CASH FLOW STATEMENT	PLN		EUR	
	01.01.2021 - 30.09.2021	01.01.2020 - 30.09.2020	01.01.2021 - 30.09.2021	01.01.2020 - 30.09.2020
Net cash flows from operating activities	154 012 873	109 552 770	33 785 867	24 662 938
Net cash flows from investment activities	-229 082 157	-3 562 814	-50 253 846	-802 074
Net cash flows from financial activity	-73 789 566	-27 971 971	-16 187 247	-6 297 157

STATEMENT OF FINANCIAL POSITION	PLN		EUR	
	30.09.2021	31.12.2020	30.09.2021	31.12.2020
Fixed assets	291 171 259	16 100 828	62 848 596	3 488 955
Current assets	171 878 096	307 582 759	37 099 462	66 651 374
Equity	321 211 367	238 050 607	69 332 679	51 584 166
Long-term liabilities	54 400 368	7 437 421	11 742 185	1 611 645
Short-term liabilities	87 437 620	78 195 559	18 387 194	16 944 517

EUR/PLN exchange rate	2021	2020
for the balance-sheet data	4,6329	4,6148
for the data from the profit and loss statement and cash flow statement	4,5585	4,4420

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

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





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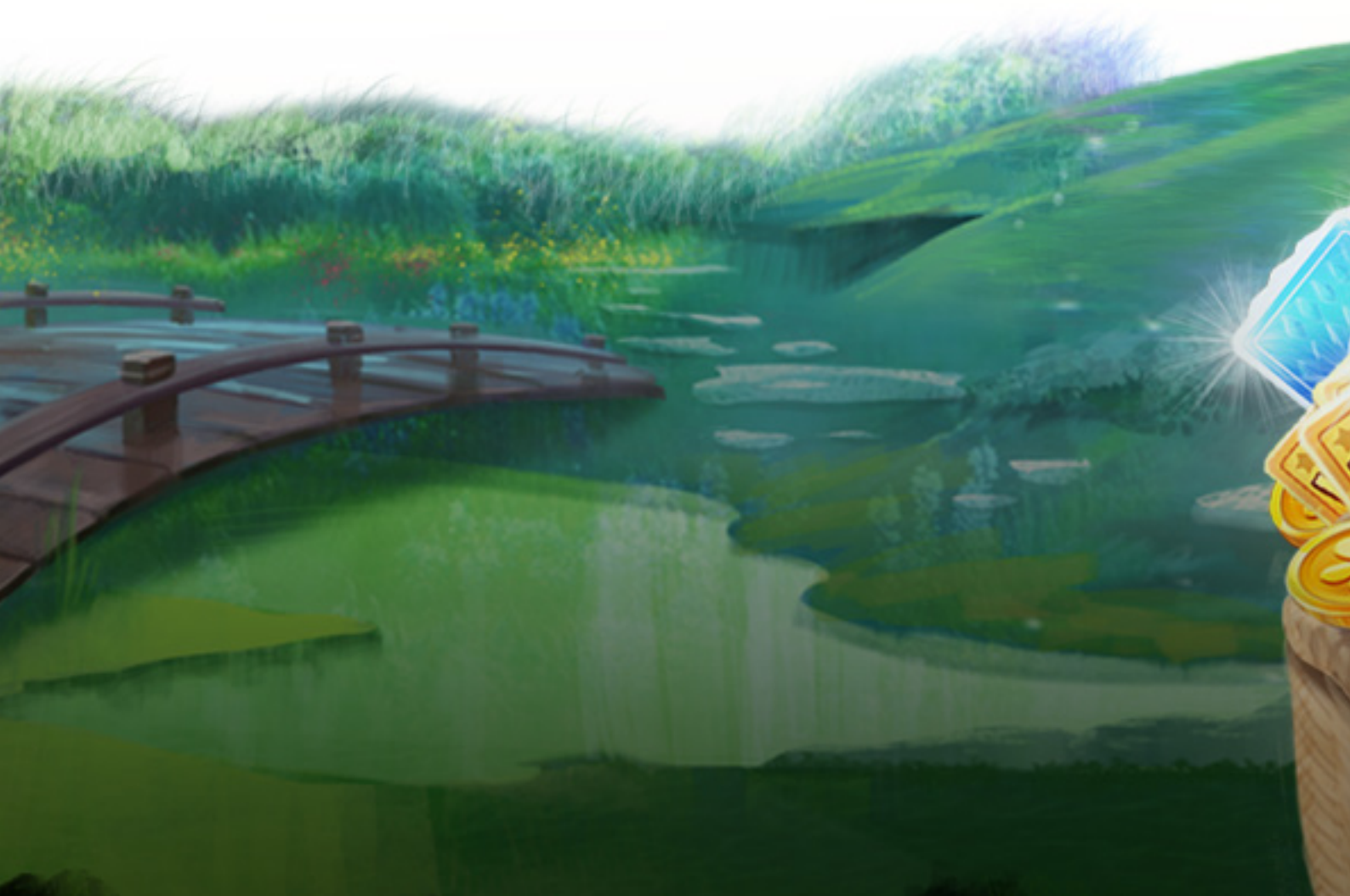




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GENERAL INFORMATION







COMPANY DATA

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

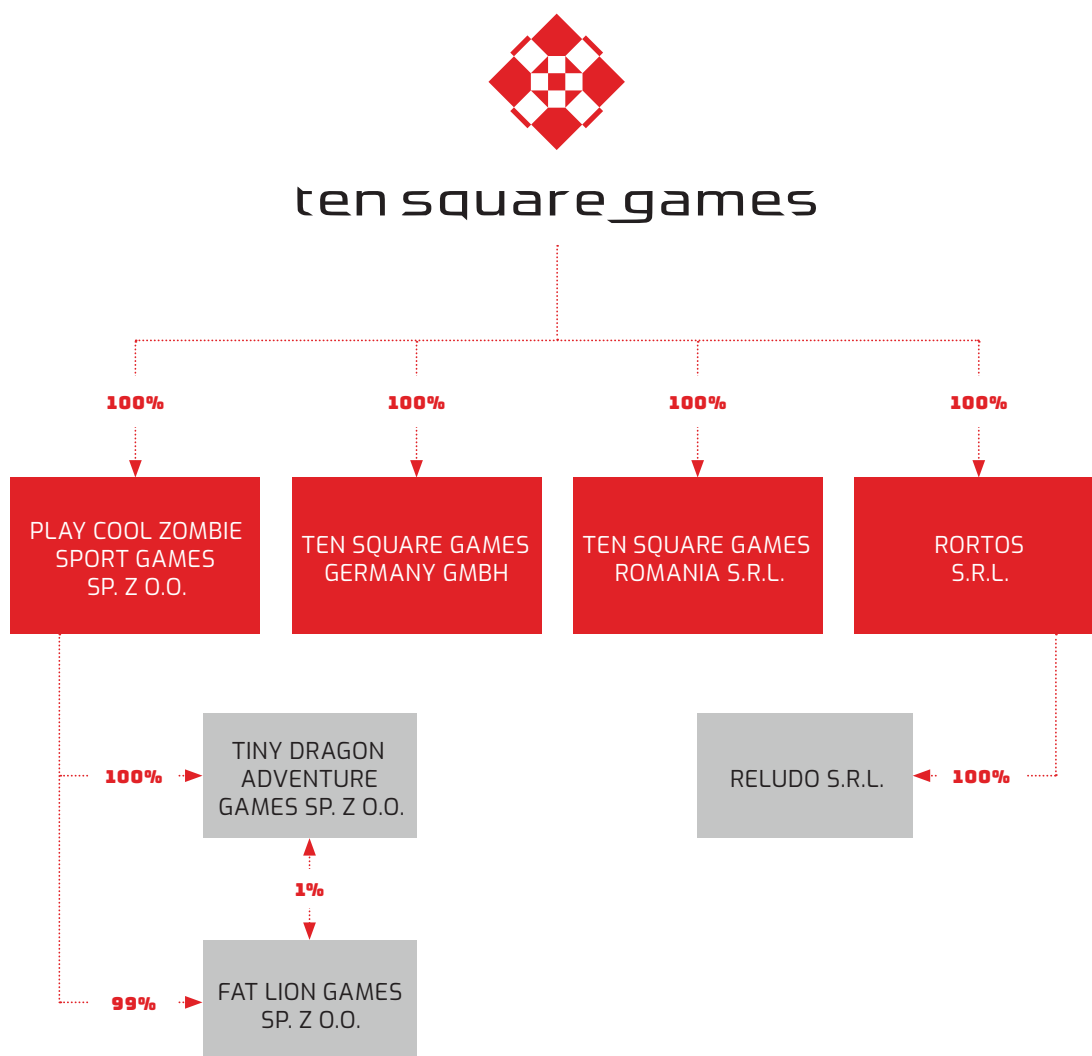
Name	Ten Square Games
Legal form	Spółka Akcyjna
Registered seat	ul. Traugutta 45, 50-416 Wrocław
Registration country	Poland
Core business activity	publishing activity with regard to computer games (58.21.Z)
Authority keeping the register	District Court, VI Commercial Division of the National Court Register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

2.

GROUP

Ten Square Games S.A. is the Parent Entity in the Group, which prepares consolidated financial statements. The subsidiaries shown on the graph

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





3.

SHAREHOLDERS STRUCTURE

3.1.

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

Shareholder as at the date of publication of this report	number of shares as at 22.11.2021	share in basic capital	number of votes at GSM	% share in the number of votes
Shareholders Arrangement ⁽¹⁾	3 010 120	41,22%	3 010 120	41,22%
Others (of which none holds more than 5% of shares)	4 291 663	58,78%	4 291 663	58,78%
TOTAL	7 301 783	100%	7 301 783	100%

Shareholder as at the publication date of the previous interim report	number of shares as at 23.08.2021	share in basic capital	number of votes at GSM	% share in the number of votes
Shareholders Arrangement ⁽¹⁾	3 022 321	41,59%	3 022 321	41,59%
Aviva Investors Poland TFI S.A.	368 255	5,07%	368 255	5,07%
Others (of which none holds more than 5% of shares)	3 876 735	53,34%	3 876 735	53,34%
TOTAL	7 267 311	100%	7 267 311	100%

[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. On 09.07.2020 two more members joined the Arrangement.

Changes in the shareholder structure between 23.08.2021 and 22.11.2021 result from the transactions described in:

1. the Company's current report no. 24/2021, i.e. acquisition of 3,849 shares by Wojciech Gattner, member of the Shareholders Agreement as part of the Company's incentive scheme;
2. current report of the Company no. 27/2021 i.e. change of the holding of shares by Aviva Investors Poland TFI S.A.;
3. the Company's current report No. 28/2021, i.e. the registration by the Court of 34,472 series B shares under the existing incentive programme for 2018-2020.

The change in the shareholding of the Shareholders' Agreement is also due to share transactions executed by the members of the Shareholders' Agreement, which individually and collectively did not exceed the limits requiring stock exchange reporting.





3.2.

List of shares held by members of the Management Board and Supervisory Board

Shareholder as at the date of publication of this report	number of shares as at 22.11.2021	share in basic capital	number of votes at GSM	% share in the number of votes
President of the Management Board – Maciej Zużatek	194 826	2,67%	194 826	2,67%
Member of the Management Board – Anna Idzikowska	20 000	0,27%	20 000	0,27%
Member of the Management Board – Andrzej Ilczuk	4 335	0,06%	4 335	0,06%
Member of the Management Board – Janusz Dziemidowicz	84 249	1,15%	84 249	1,15%
Member of the Management Board – Wojciech Gattner	24 698	0,34%	24 698	0,34%
Member of the Management Board – Magdalena Jurewicz	19 500	0,27%	19 500	0,27%
Member of the Supervisory Board – Arkadiusz Pernal	807 600	11,06%	807 600	11,06%
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	1 199 982	16,43%	1 199 982	16,13%
Others	6 095 013	83,57%	6 095 013	83,87%
TOTAL	7 301 783	100,00%	7 301 783	100,00%

Shareholder as at the publication date of the previous interim report	as at 23.08.2021	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%

The changes in the structure of shares held by members of the Management Board between 23.08.2021 and 22.11.2021 result from:

- » the transaction described in the Company's current report No. 24/2021, i.e. the acquisition of 3,849 shares by Wojciech Gattner as part of the Company's incentive scheme;
- » transaction as described in the Company's current report no 25/2021, i.e. acquisition of 4,335 shares by Andrzej Ilczuk as part of the Company's incentive scheme;
- » changes to the composition of the Management Board, i.e. Magdalena Jurewicz joined the Management Board.

3.3. Share series

SHARE SERIES as at the publication date of this report	Type of shares	Number of shares as at 22.11.2021	Nominal value per share	Total nominal value of shares
A	ordinary	7 225 000	0,1 PLN	722 500,00
B	ordinary	76 783	0,1 PLN	7 678,30

SHARE SERIES as at the publication date of the previous interim report	Type of shares	Number of shares as at 23.08.2021	Nominal value per share	Total nominal value of shares
A	ordinary	7 225 000	0,1 PLN	722 500,00
B	ordinary	42 311	0,1 PLN	4 231,10

The Series B shares relate to the Company's incentive programme and the related share capital increase in 2021 was communicated in current report No. 28/2021.





4.

COMPOSITION OF THE COMPANY'S BODIES AS AT 30.09.2021

The Management Board:

Maciej Zużatek – 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 11 October 2021, the Management Board of the Company received information about the decision of the Member of the Management Board of the Company, Mr. Marcin Chruszczyński, to resign from the position in the Management Board of the Company with effect from 20.10.2021. On the same day Ms Magdalena Jurewicz was appointed to the Management Board of the Company, with the date of taking up the function set for 21.10.2021.

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.

Between 22 August 2021 and 22 November 2021, there were no changes in the composition of the body.

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 30.09.2021 and it covers the period of 9 months, i.e. from 01.01.2021 to 30.09.2021.

For the data presented in the interim condensed consolidated statement of financial situation and off-balance sheet items, comparable financial data as at 30.09.2020 as well as 31.12.2020.

For the data presented in the interim condensed consolidated statement of comprehensive income as well as 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 30.09.2020.

For the data presented in the interim condensed consolidated statement of changes in equity, comparable financial data are presented for the period from 01.01.2020 to 30.09.2020 and for the period from 01.01.2020 to 31.12.2020.

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. 30.09.2021. 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 third quarter of 2021, there were no events which were not and which should have been included in the accountancy books of the reporting period. No material events relating to previous years are included in the financial statement.

Audit by an audit company

The interim condensed consolidated financial statement was neither audited nor reviewed by an independent audit firm.



STATEMENT OF THE MANAGEMENT BOARD

The Management Board of the Parent Company declares that, to the best of its knowledge, these interim condensed consolidated financial statements and the comparative data have been prepared in accordance with the accounting principles applicable to the Ten Square Games S.A. Group and that they give a true, fair and clear view of the Company's and the Group's assets, financial standing and financial performance.

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

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





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II.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENT







INTERIM CONDENSED CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT	01.07.2021 - 30.09.2021	01.01.2021 - 30.09.2021	01.07.2020 - 30.09.2020	01.01.2020 - 30.09.2020
Sales revenues	147 951 059	486 950 398	179 258 550	443 898 596
Cost of services sold	15 248 462	37 267 741	6 837 473	17 199 016
Gross profit (loss)	132 702 597	449 682 658	172 421 077	426 699 580
Other operating income	7 130	390 579	54 623	60 229
Selling costs	82 618 729	274 353 483	95 253 370	268 593 435
General and administrative costs	18 024 872	44 842 541	10 692 843	23 818 570
Other operating costs	873 646	5 069 368	54 360	895 183
Operating profit (loss)	31 192 480	125 807 845	66 475 126	133 452 623
Financial income	177 928	1 157 764	-568 727	569 058
Financial expense	79 629	208 350	57 763	167 104
Profit (loss) before taxation	31 290 779	126 757 259	65 848 636	133 854 576
Income tax	6 495 390	15 883 934	7 077 654	14 120 175
Net profit (loss) on continued activity	24 795 388	110 873 324	58 770 982	119 734 401
Profit (loss) on discontinued activity	0	0	0	0
Net profit (loss)	24 795 388	110 873 324	58 770 982	119 734 401
Net profit (loss) attributable to the parent company	24 795 388	110 873 324	58 770 982	119 734 401
Items that may be reclassified subsequently to profit or loss	4 508 863	4 510 803	0	0
Other comprehensive income	4 508 863	4 510 803	0	0
Subject to reclassification to profit or loss - foreign exchange differences on translation of foreign financial statements	4 508 863	4 510 803	0	0
Items that will not be reclassified to profit or loss	0	0	0	0
Total comprehensive income	29 304 251	115 384 127	58 770 982	119 734 401
Total comprehensive income attributable to non-controlling shareholders	29 304 251	115 384 127	58 770 982	119 734 401
Net profit (loss) attributable to the parent company	29 304 251	115 384 127	58 770 982	119 734 401
EBITDA	34 486 064	134 793 054	67 256 792	135 665 017
EBITDA adjusted	54 821 000	166 800 595	74 431 344*	150 796 057*

The Group presents consolidated data including the financial data of Rortos S.r.l starting from 5 July 2021. The above figures also include the initial accounting for the acquisition of Rortos S.r.l (estimation of the fair value of the net assets acquired and recognition of goodwill) - these figures may be subject to change during the measurement period, not exceeding twelve months from the date of acquisition, in accordance with IFRS 3 Business Combinations, para. 45, 85.

EBITDA is profit/(loss) before depreciation and amortisation, 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 additionally includes adjustments related to extraordinary and non-recurring events, adjustment of costs of carrying out the share-based incentive programme, adjustment of deferral of revenues (and expenses) over time.

SPECIFICATION	01.07.2021 - 30.09.2021	01.01.2021 - 30.09.2021	01.07.2020 - 30.09.2020	01.01.2020 - 30.09.2020
Operating profit (EBIT)	31 192 480	125 807 845	66 475 127	133 452 623
Amortisation	3 293 584	5 224 508	781 666	2 212 395
Write-downs for impairment	0	3 760 700	0	0
EBITDA	34 486 064	134 793 054	67 256 793	135 665 018
Non-cash impact of the incentive scheme	7 694 579	29 646 212	6 771 849	14 309 569
result (revenue minus commissions) deferred – consumable	1 585 693	-862 578	402 702	821 470
result (revenue minus commissions) deferred – consumable	5 242 755	-2 687 312	0	0
costs of potential and completed acquisitions (M&A) and review of strategic options	3 668 514	3 668 514	0	0
other one offs	2 143 395	2 242 705	0	0
EBITDA adjusted	54 821 000	166 800 595	74 431 344	150 796 057

* EBITDA adjusted for the period 01.01.2020-30.09.2020 and for the period 01.07.2020-30.09.2020 reported in 2020 did not include the adjustment of the cost of running the classic share-based incentive programme spread over 2018-2020 and the adjustment of deferral of revenue (and cost) over time. In order to maintain comparability of data, the Parent Company has decided to adjust 'Adjusted EBITDA' by these two items in this quarterly report.





EARNINGS PER SHARE

CALCULATION OF EARNINGS PER SHARE	01.01.2021 - 30.09.2021	01.01.2020 - 30.09.2020
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	110 873 324	119 734 401
Net earnings per share in PLN		
Basic net earnings per share	15,26 zł	16,54 zł
Diluted net earnings per share	15,18 zł	16,48 zł
Net earnings per share on continued operations in PLN		
Basic net earnings per share	15,26 zł	16,54 zł
Diluted net earnings per share	15,18 zł	16,48 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	30.09.2021	31.12.2020	30.09.2020
Fixed assets	291 171 259	16 100 828	14 394 589
Tangible fixed assets	10 044 452	8 556 339	8 732 695
Intangible fixed assets	272 492 357	4 701 705	4 290 872
Other financial assets	5 648 595	857 595	857 595
Deferred tax asset	2 985 855	1 985 189	513 428
Current assets	171 878 096	307 582 759	227 102 767
Receivables	50 624 009	55 165 266	71 348 638
Contract assets	13 205 598	14 915 356	953 116
Loans granted	416 365	893 758	889 296
Cash and cash equivalents	107 632 124	236 608 379	153 911 716
TOTAL ASSETS	463 049 355	323 683 587	241 497 356

EQUITY & LIABILITIES	30.09.2021	31.12.2020	30.09.2020
Equity	321 211 367	238 050 607	199 277 081
<i>Equity attributable to owners of the Parent Entity</i>	<i>321 211 367</i>	<i>238 050 607</i>	<i>199 277 081</i>
Share capital	730 178	726 731	726 731
Share premium	496 100	496 100	496 100
Capital from the settlement of the incentive scheme	54 736 131	23 436 052	16 531 379
Foreign exchange differences on translation of statements of foreign operations	4 510 803	4 290	0
Retained earnings	260 738 156	213 387 434	181 522 871
<i>Equity of non-controlling shareholders</i>	<i>0</i>	<i>0</i>	<i>0</i>
Long-term liabilities	54 400 368	7 437 421	8 140 968
Other long term liabilities	45 403 153	0	0
Deferred tax liability	1 957 655	443 394	845 028
Lease liabilities	7 039 560	6 994 027	7 295 940
Short-term liabilities	87 437 620	78 195 559	34 079 307
Trade liabilities	19 362 930	12 392 029	20 941 387
Current tax liabilities	10 653 984	12 764 644	7 966 944
Other liabilities	5 919 731	635 806	544 072
Lease liabilities	1 703 972	1 192 551	952 449
Provisions for employee benefits	5 150 430	1 492 685	497 411
Contract liabilities	44 646 573	49 717 844	3 177 044
Total liabilities	141 837 988	85 632 980	42 220 275
TOTAL EQUITY & LIABILITIES	463 049 355	323 683 587	241 497 356





3.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

9 months ending on 30.09.2021	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	3 447				9 164 161	9 167 608	9 167 608
Share-based payments			31 300 079			31 300 079	31 300 079
Foreign exchange differences				-4 290	-13 655	-17 945	-17 945
Payment of dividends					-72 673 110	-72 673 110	-72 673 110
Net profit					110 873 324	110 873 324	110 873 324
Other comprehensive income				4 510 803		4 510 803	4 510 803
Total comprehensive income				4 510 803	110 873 324	115 384 127	115 384 127
Change in equity	3 447		31 300 079	4 506 513	47 350 722	83 160 759	83 160 759
Equity as at 30.09.2021	730 178	496 100	54 736 131	4 510 803	260 738 156	321 211 367	321 211 367

9 months ending on 30.09.2020	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
Equity after adjustments	724 125	496 100	1 764 034	0	89 160 377	92 144 636	92 144 636
Payment of share capital	2 606				0	2 606	2 606
Share-based payments			14 767 345		0	14 767 345	14 767 345
Foreign exchange differences						0	0
Payment of dividends					-27 371 907	-27 371 907	-27 371 907
Net profit						0	0
Other comprehensive income					-27 371 907	-27 371 907	-27 371 907
Total comprehensive income					119 734 401	119 734 401	119 734 401
Equity as at 30.09.2020	726 731	496 100	16 531 379	0	181 522 871	199 277 081	199 277 081

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	01.07.2021 - 30.09.2021	01.01.2021 - 30.09.2021	01.07.2020 - 30.09.2020	01.01.2020 - 30.09.2020
OPERATING ACTIVITY				
Profit/loss before taxation	31 290 779	126 757 259	65 848 636	133 854 576
Total adjustments:	61 742 444	89 066 469	2 219 782	-12 190 277
Depreciation and amortization	3 304 646	5 224 508	781 666	2 212 395
Foreign exchange gain/loss	-3 760 838	-4 253 169	-377 354	-278 310
Interest paid on lease	60 887	188 061	57 683	167 025
Change in receivables	5 066 068	4 541 257	-1 594 042	-45 235 469
Change in liabilities and accrued expenses	-2 700 439	8 222 557	-5 438 603	14 934 528
Change in contract liabilities	9 754 925	-5 071 271	1 771 769	1 173 529
Change in contract assets	-2 837 410	1 709 758	172 587	352 059
Revaluation allowance for intangible assets under construction	0	3 760 701	0	0
Share-based payments (part not included in the acquisition of intangible assets)	7 880 326	29 817 030	6 852 424	14 551 296
Other adjustments	-428 873	-476 115	-6 348	-67 330
Cash from operating activity	47 630 070	170 420 575	68 068 418	121 664 299
Income tax (paid) / reimbursed	-1 340 359	-16 407 702	-2 209 193	-12 111 530
A. Net operating cash flow	46 289 711	154 012 873	65 859 225	109 552 769
INVESTMENT ACTIVITY				
Repayment of loans granted	-8 758	885 000	60 000	80 000
Purchase of intangible and tangible fixed assets	-216 965 206	-224 752 299	-930 083	-2 757 814
Purchase of shares	-205 320	-4 791 000	0	0
Loans granted	-424 858	-424 858	-885 000	-885 000
B. Net cash flow from investment activities	-217 604 141	-229 082 157	-1 755 083	-3 562 814

Consolidated cash flow statement	01.07.2021 - 30.09.2021	01.01.2021 - 30.09.2021	01.07.2020 - 30.09.2020	01.01.2020 - 30.09.2020
FINANCIAL ACTIVITY				
Net proceeds from the issue of shares and other equity instruments and capital contributions	3 447	3 447	0	0
Dividends and other payments to shareholders	-72 673 110	-72 673 110	0	-27 371 906
Payment of finance lease liabilities	-278 437	-699 170	-152 267	-433 040
Interest on lease	-293 559	-420 733	-57 684	-167 025
C. Net cash flow from financing activity	-73 241 659	-73 789 566	-209 951	-27 971 971
D. Total net cash flow	-244 556 089	-148 858 849	63 894 192	78 017 985
- change in cash due to exchange losses/gains	-587 643	-282 556	490 385	663 704
E. Balance sheet change in cash, including foreign exchange	-245 143 732	-149 141 406	64 384 577	78 681 689
F. Cash at the beginning of the period	352 775 854	256 773 529	89 527 139	75 230 027
G. Cash at the end of the period	107 632 124	107 632 124	153 911 716	153 911 716

Note: in cash and cash equivalents at the beginning of the period, the cash and cash equivalents of Rortos S.r.l. at the acquisition date have been added.





5.

COMMENTARY ON THE RESULTS

Due to the fact that the separate and consolidated data for Ten Square Games S.A. and the Ten Square Games S.A. Group are similar to each other (preserved trends for individual balance sheet and result items), the Management Board of the Parent Company performs a combined analysis for the consolidated data.

5.1. STATEMENT OF COMPREHENSIVE INCOME

BREAKDOWN OF CONSOLIDATED REVENUE PER GAME AFTER THE QUARTERS

GAME	1Q 2020	2Q 2020	3Q 2020	4Q 2020	1Q 2021	2Q 2021	3Q 2021
Fishing Clash	84 677 795	158 043 812	164 256 332	155 356 610	131 659 442	114 983 038	114 371 143
Hunting Clash	65 559	347 467	3 361 414	12 302 557	26 840 820	30 390 316	28 042 011
Let's Fish	3 868 618	4 551 211	3 708 977	4 348 957	4 208 029	3 710 888	3 110 282
Wild Hunt	3 542 576	4 375 098	3 708 729	3 768 668	3 666 218	3 331 467	2 761 094
Rortos games							7 183 811
Others	2 987 762	3 228 617	4 798 386	4 609 840	2 821 641	2 561 285	2 237 641
TOTAL BOOKINGS	95 142 310	170 546 205	179 833 838	180 386 632	169 196 150	154 976 993	157 705 984
Deferred revenues (virtual currency)	95 569	-693 809	-575 289	-3 370 129	3 213 637	283 892	-2 265 275
Deferred revenues (durables)	0	0	0	-43 170 671	1 704 189	9 624 478	-7 489 650
TOTAL REVENUES	95 237 879	169 852 396	179 258 549	133 845 832	174 113 976	164 885 363	147 951 059

* Under bookings, the Group recognises revenue not reduced by deferred revenue (i.e. in the case of micropayments these are payments made by users during the period indicated). The amount of deferred revenue results from the estimate of the unused virtual currency by active players made at the balance sheet date. The amount of such deferred revenue is recognised in the financial statements under the balance sheet item „deferred revenue“

BREAKDOWN OF CONSOLIDATED SELLING COSTS BY QUARTER

GAME	1Q 2020	2Q 2020	3Q 2020	4Q 2020	1Q 2021	2Q 2021	3Q 2021
Selling costs	48 544 738	124 795 326	95 253 370	74 975 709	95 935 217	95 799 537	82 618 730
marketing:	19 122 999	72 755 974	40 423 986	32 328 468	40 137 460	42 419 871	33 944 492
– Fishing Clash	18 263 312	70 508 454	33 387 047	23 128 972	22 551 718	24 783 495	21 055 086
– Wild Hunt	325 446	470 675	667 616	78 860	0	0	0
– Hunting Clash	83 663	607 147	4 385 558	7 863 570	17 412 032	17 438 915	12 889 406
– other titles	450 578	1 169 699	1 983 765	1 257 066	173 710	197 461	0
Provisions	27 044 419	49 255 530	52 189 581	38 530 399	50 414 040	47 816 995	41 574 686
revenue share	417 224	473 283	421 434	439 675	477 124	423 624	411 570
remuneration, subcontracting services	1 559 372	1 683 409	1 613 386	2 820 699	3 961 297	3 338 075	4 496 667
mobile games market research services	0	0	0	0	548 606	1 317 788	571 024
others	400 724	627 129	604 983	856 468	396 689	483 185	1 620 289

In nine months of 2021, bookings amounted to PLN 481.9 million and were PLN 36.8 million higher than in the same period last year. The revenue growth in 2021 is mainly attributable to the strong development of the game Hunting Clash, which had its global release in the third quarter of 2020. Bookings for this title amounted to PLN 85.3 million in the current year, thus recording an increase of PLN 81 million over last year's. The 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. The game is also supported by significant marketing expenditures - for the three quarters of 2021 user acquisition costs amounted to PLN 47.7 million.

The increase in revenue from the from the title above coincided with a decrease in revenue for the Fishing Clash game, for which marketing expenditures were also reduced in 2021 - these expenditures amounted to PLN 68 million and therefore a decrease of 44% on the previous year was recorded, which translated into a decrease in operating margin by only 13%. 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 one-off exceptionally high marketing expenses while maintaining high profitability of marketing campaigns. The level of this expenditure was not maintained in 2021 - player acquisition prices returned to pre-pandemic levels.





A licence to publish the Fishing Clash game in the Chinese market was also obtained from the regulatory authority governing the Chinese video game market in the second quarter of 2021. The process of obtaining a licence to publish games in this significant and promising market is lengthy, complex and subject to significant risk of failure. After receiving a positive decision from the NPPA, the Company made the game available on Apple's Chinese online shop, which occurred in late July 2021. In November this year, the Fishing Clash game is also expected to be made available in Chinese shops for Android devices, which could translate into further increases in payments. During the third quarter, the game generated net revenue of PLN 1.7 million - this is already „net" revenue, after the cost of commissions and user acquisition, as these costs are borne by the partner in China, Netease Shanghai (the Company settles under the licensing model).

The increase in bookings in 2021 was also influenced by the acquisition of the Italian company, named Rortos, in July and the inclusion of games produced by the unit in the Group's portfolio. The largest revenues are generated by the Group from payments for its two largest games, Real Flight Simulator and Airline Commander, which generated PLN 3.6 million and PLN 2.7 million in bookings in the third quarter of 2021, respectively.

Another Group's title, Let's Fish, despite being nine years after its global launch (seven years after its release for mobile devices), generated over PLN 11m in bookings in the first three quarters of 2021 - 9% lower than in the record-breaking year of 2020. PLN 9.8m in bookings, which represents a 16% decrease on the previous period, while at the same time marketing spendings were reduced to zero (in Q3 2020 these amounted to less than PLN 1.5m). Both games went into maintenance mode in Q3 2021, so the greatest emphasis in future periods will be on live ops activities rather than active game development.

The Group does not record significant seasonality in sales. The level of revenues depends on the life cycle of a given game (group of games) and on marketing expenditures and, in the last two years, on introduced or lifted lockdowns caused by the COVID-19 pandemic.

The cost of services sold mainly includes the salaries of the Company's employees and associates. The increase in costs in 2021 is due to the dynamic increase in staffing levels over the comparative periods. The average number of people working and collaborating in the Group increased by 46% compared to last year's nine-month headcount - the majority of people hired are project staff. Additionally, in 2021 the costs of the incentive programme for the years 2021-2022 are higher, and thus for 9 months of 2021 amounted to PLN 5.3 million for the item „costs of services sold" compared to PLN 0.6 million in the comparable period.

Selling costs are primarily driven by marketing spend as described above and commissions, which are fully dependent on the level of bookings and as they decrease/increase there is a proportional

decrease/increase in the amount of commissions. Marketing expenses in the three quarters of 2021 amounted to PLN 116.5m representing 42% of selling costs, and in the comparable period of 2020 marketing amounted to PLN 132.3m representing however as much as 49% of selling costs.

The increase in general and administrative expenses in 2021 is due to the expansion of company-wide departments and a general increase in the number of employees and associates, which translates into higher office maintenance costs. The cost of the training and integration trip to Croatia, which was organised for all employees and associates, is also responsible for the increase in this category. This item also includes costs related to the review of strategic options and the acquisition of Rortos S.r.l. in the amount of PLN 3.7 million. In addition, in the reporting period the Group recognised part of the non-cash cost of the dedicated incentive programme for the President of the Management Board Mr. Maciej Zużatek. The quarterly cost of the program amounts to PLN 6.033 million and is incurred starting from 2Q 2020.

Due to the significant costs of the incentive schemes (based on new share issues for 2021-2022 and based on existing shares for CEO Maciej Zużatek) - PLN 29.6m for 1-3Q2021 and PLN 14.3 for 1-3Q2020, the Group bases the analysis of its operations on adjusted EBITDA. This ratio amounted to PLN 166.8m for the three quarters of 2021 compared to PLN 150.8m in the same period of 2020, resulting in an increase of 11%.





5.2. STATEMENT OF FINANCIAL POSITION

The increase in total assets as at 30.09.2021 is mainly due to the acquisition of Rortos and the settlement of its acquisition.

The PLN 275 million change in fixed assets is mainly due to the initial recognition of the value of the acquired goodwill in the amount of PLN 194.1 million. Also contributing to the increase in this value was the recognition of the value of acquired games in the amount of PLN 61.9m.

The decrease in the value of current assets was caused by a decrease in cash - the large one-off event was the payment for the shares in Rortos S.r.l. in the amount of EUR 46.7 million, which took place at the beginning of July 2021.

In the context of liabilities, the change in liabilities was mostly influenced by the recognition of a long-term liability for the acquisition of shares in Rortos - so-called earn-out payments of PLN 45.4 million (item „other liabilities”).

The increase in current liabilities is a result of the Group's ongoing operations and the steady increase in its scale. Leasing liabilities consisted of liabilities on account of the rental of an office by the Parent Company and the office of Rortos, which is rented in Italy. In the category of provisions for employee benefits, it was recognized PLN 3.6 million for employee bonuses under the long-term incentive program, which was the reason for the largest change in this category (no similar provision was recognized as at 30.09.2020).

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

5.3.

CASH FLOW STATEMENT

The increase in cash flow from operating activities in the 9-month period ended 30 September 2021 of over 41% is a direct result of payments received in the Group's main titles, Fishing Clash and Hunting Clash.

The Group's investment activities are classically 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 headcount in the game production teams and the recognition of new games in progress. In Q3 2021, on the other hand, the largest item in investing activities is the acquisition of shares in Rortos S.r.l., which ultimately resulted in a significant decrease in cash during the period under review.

Financing activities are cash flows related to dividend payments, which in 2021 (for 2020) were significantly higher than the amount paid a year earlier (PLN 72.7 million compared to PLN 27.4 million).





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III.

INTERIM CONDENSED STANDALONE FINANCIAL STATEMENT







INTERIM CONDENSED STANDALONE STATEMENT OF COMPREHENSIVE INCOME

STANDALONE FINANCIAL STATEMENT OF COMPREHENSIVE INCOME	01.07.2021 - 30.09.2021	01.01.2021 - 30.09.2021	01.07.2020 - 30.09.2020	01.01.2020 - 30.09.2020
Sales revenues	140 111 485	477 776 015	178 277 166	440 988 991
Costs of services sold	12 231 778	34 270 438	6 836 573	17 197 767
Gross profit (loss)	127 879 707	443 505 577	171 440 593	423 791 223
Other operating income	6 212	389 237	54 554	60 006
Selling costs	81 132 421	272 490 043	95 120 197	268 296 701
General and administrative costs	16 894 448	43 612 301	10 647 702	23 693 287
Other operating costs	38 390	4 231 471	54 109	893 693
Operating profit (loss)	29 820 661	123 560 999	65 673 138	130 967 548
Financial income	363 693	3 408 976	-569 174	2 269 204
Financial expense	75 262	209 064	57 685	167 025
Profit (loss) before taxation	30 109 093	126 760 910	65 046 280	133 069 727
Income tax	5 370 189	14 575 792	6 922 507	13 694 225
Net profit (loss) on continued activity	24 738 904	112 185 118	58 123 773	119 375 502
Net profit (loss)	24 738 904	112 185 118	58 123 773	119 375 502
Total comprehensive income	24 738 904	112 185 118	58 123 773	119 375 502

EBITDA is net profit/(loss) before depreciation and amortisation, impairment losses (and their reversals) on property, plant and equipment and intangible assets, interest income, finance costs, foreign exchange differences and income tax.

Adjusted EBITDA additionally includes adjustments for extraordinary and non-recurring events, adjustment for the cost of running a share-based incentive scheme, adjustment for deferral of income (and expense) over time.

EARNINGS PER SHARE

CALCULATION OF EARNINGS PER SHARE	for 01.01.2021 - 30.09.2021	for 01.01.2020 - 30.09.2020
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	110 873 324	119 734 401
Net earnings per share		
Basic net earnings per share	15,26 zł	16,54 zł
Diluted net earnings per share	15,18 zł	16,48 zł





2.

INTERIM CONDENSED STANDALONE STATEMENT OF FINANCIAL SITUATION

ASSETS	30.09.2021	31.12.2020	30.09.2020
Fixed assets	289 367 034	16 221 198	14 399 589
Tangible fixed assets	8 154 130	8 556 339	8 732 695
Intangible fixed assets	14 677 516	4 701 705	4 290 872
Investments in affiliates	255 827 690	120 371	5 000
Loans granted	2 092 572	0	0
Other financial assets	5 648 595	857 595	857 594
Deferred tax asset	2 966 531	1 985 189	513 428
Current assets	151 802 201	303 094 104	223 344 770
Receivables	45 636 293	54 083 587	71 444 398
Contract assets	13 205 598	14 915 356	953 116
Loans granted	1 424 858	893 758	889 296
Cash and cash equivalents	91 535 453	233 201 403	150 057 960
TOTAL ASSETS	441 169 236	319 315 302	237 744 359

EQUITY AND LIABILITIES	30.09.2021	31.12.2020	30.09.2020
Equity	304 529 159	233 713 625	195 594 932
Share capital	730 178	726 731	726 731
Share premium	496 100	496 100	496 100
Capital from the settlement of the incentive scheme	54 736 131	23 436 052	16 531 379
Retained earnings	248 566 750	209 054 742	177 840 722
Long-term liabilities	45 550 976	7 448 738	8 152 285
Deferred tax liability	1 968 972	454 711	856 345
Lease liabilities	5 868 867	6 994 027	7 295 940
Other liabilities	37 713 138	0	0
Short-term liabilities	91 089 100	78 152 940	33 997 142
Trade liabilities	20 666 064	12 392 029	20 941 387
Current tax liabilities	10 626 044	12 722 936	7 884 779
Lease liabilities	1 575 749	1 192 551	952 449
Other liabilities	8 613 036	634 894	544 072
Provisions for employee benefits	4 961 633	1 492 685	497 411
Contract liabilities	44 646 573	49 717 844	3 177 044
TOTAL EQUITY AND LIABILITIES	441 169 236	319 315 302	237 744 359





3.

INTERIM CONDENSED STANDALONE STATEMENT OF CHANGES IN EQUITY

STANDALONE STATEMENT OF CHANGES IN EQUITY

9 months ending on 30.09.2021	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	3 447				3 447
Payment of dividends			31 300 079		31 300 079
Net profit				-72 673 110	-72 673 110
Total comprehensive income				112 185 118	112 185 118
Equity as at 30.09.2021	730 178	496 100	54 736 131	248 566 750	304 529 159

9 months ending on 30.09.2020	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			14 767 345		14 767 345
Net profit				-27 371 907	-27 371 907
Total comprehensive income				119 375 502	119 375 502
Equity as at 30.09.2020	726 731	496 100	16 531 379	177 840 723	195 594 932

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				2 607
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	01.07.2021 - 30.09.2021	01.01.2021 - 30.09.2021	01.07.2020 - 30.09.2020	01.01.2020 - 30.09.2020
OPERATING ACTIVITY				
Profit/loss before taxation	30 109 092	126 760 910	65 046 280	133 069 727
Total adjustments:	26 556 740	52 078 353	6 100 088	-12 742 624
Depreciation and amortization	969 214	2 900 139	781 666	2 212 395
Foreign exchange gain/loss	737 454	241 702	-340 989	-245 625
Interest paid on lease	60 887	188 061	57 684	167 025
Interest and share in profit (dividends)	0	-2 261 792	0	-1 656 905
Change in receivables	9 045 379	8 447 295	2 211 024	-44 314 208
Change in liabilities and accrued expenses	600 165	12 031 110	-5 399 731	14 941 424
Change in contract liabilities	9 754 925	-5 071 271	1 771 770	1 173 529
Change in contract assets	-2 837 410	1 709 758	172 587	352 059
Revaluation allowance for intangible assets	0	3 760 701	0	0
Share-based payments (part not included in the acquisition of intangible assets)	7 880 326	29 817 030	6 852 424	14 551 296
Other adjustments	345 800	315 620	-6 347	76 386
Cash from operating activity	56 665 833	178 839 263	71 146 368	120 327 103
Income tax (paid) / reimbursed	-1 239 939	-16 110 961	-2 085 030	-11 703 321
A. Net operating cash flow	55 425 894	162 728 302	69 061 338	108 623 782

STANDALONE CASH FLOW STATEMENT	01.07.2021 - 30.09.2021	01.01.2021 - 30.09.2021	01.07.2020 - 30.09.2020	01.01.2020 - 30.09.2020
INVESTMENT ACTIVITY				
Repayment of loans granted	-8 758	885 000	60 000	80 000
Purchase of intangible and tangible fixed assets	-7 134 118	-14 875 957	-930 083	-2 757 814
Purchase of shares	-210 488 902	-215 095 166	-885 000	-885 000
Loans granted	-1 591 702	-3 495 862	0	0
B. Net cash flow from investment activities	-219 223 479	-232 581 985	-1 755 083	-3 562 814
FINANCIAL ACTIVITY				
Dividends from subsidiaries	0	2 261 792	0	1 656 905
Net proceeds from the issue of shares and other equity instruments and capital contributions	3 447	3 447	0	
Dividends and other distributions to owners	-72 673 110	-72 673 110	0	-27 371 906
Payment of finance lease liabilities	-278 437	-699 170	-152 267	-433 040
Interest on lease	-293 559	-420 733	-57 684	-167 025
C. Net cash flow from financing activities	-73 241 659	-71 527 774	-209 951	-26 315 066
D. Total net cash flow	-237 039 244	-141 381 457	67 096 304	78 745 901
- change in cash due to exchange losses/gains	-593 002	-284 494	454 017	475 195
E. Balance sheet change in cash, including foreign exchange	-237 632 245	-141 665 950	67 550 321	79 221 096
F. Cash at the beginning of the period	329 167 698	233 201 403	82 507 639	70 836 864
G. Cash at the end of the period	91 535 453	91 535 453	150 057 960	150 057 960





ten square_games

IV.

ACCOUNTING PRINCIPLES







1.

COMPLIANCE WITH THE INTERNATIONAL ACCOUNTING STANDARDS

This interim condensed consolidated financial statement has been prepared in accordance with International Financial Reporting Standards and interpretations issued by the International Accounting Standards Board as approved by the European Union, under the IFRS Regulation (European Commission 1606/2002), hereinafter referred to as „EU IFRS“ as applicable at 30.09.2021.



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:

INCOME

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. 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*. 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 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

» before the balance sheet date and/or

» after the balance sheet date.

The use of durables over time

CAs 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] Spółka definiuje użytkownika aktywnego jako takiego, który dokonał kiedykolwiek minimum jednej płatności do dnia bilansowego oraz był aktywny w grze (tj. zalogował się minimum 1 raz) w ciągu 30 dni poprzedzających dzień bilansowy i/lub po dniu bilansowym

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

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

In the course of 2020, the Company made changes to its IT systems, which enabled it to start collecting data to analyze the use of durable goods over time. As a result, the Company has estimated the amount of the liability (customer contract liability) for the provision of durable goods in the game as of 31 December 2020 – revenue relating to the purchase of durable virtual goods is recognized by the estimated average playing period of paying users. Estimating the average period of time a paying user remains in the game requires a sufficiently long history of player behaviour. Accordingly, as at 31 December 2020, the Company deferred revenue from durable goods over time only for Fishing Clash – the second leading title Hunting Clash does not currently have, in the Company's opinion, a sufficient history of players to estimate the value of the durable goods used over time without significant risk of 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



NOTES TO THE FINANCIAL STATEMENT – CONSOLIDATED DATA







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 - 30.09.2021	01.01.2020 - 30.09.2020
Sales of services	486 950 398	443 898 596
TOTAL revenues from sales of services	486 950 398	443 898 596
Other operating income	390 579	60 229
Financial income	1 157 764	569 058
TOTAL revenues from continuing operations	488 498 741	444 527 886
TOTAL revenues	488 498 741	444 527 886

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 calculation of EBITDA is presented in the section „Interim consolidated statement of comprehensive income".





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 1-9 2021	share of bookings 1-9 2021	bookings 1-9 2020	share of bookings 1-9 2020
micro-payments	471 533 477	98,0%	434 723 519	97,67%
advertisements	6 215 823	1,1%	7 409 494	1,66%
licences	4 129 827	0,9%	2 939 113	0,66%
BOOKINGS TOTAL	481 879 127	100,0%	445 072 125	100,00%
deferred income (unused virtual currency)	1 232 254	N/D	-1 173 529	N/D
deferred income (unused durables)	3 839 017	N/D	0	N/D
REVENUES TOTAL	486 950 398	N/D	443 898 596	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, the transfer of the package 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. Similarly with durable goods, these are delivered to the player's account immediately, while they remain available for use

by the player for the entire duration of his or her activity in the game and are therefore sales that are settled over time.

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 1-9 2021	share of bookings 1-9 2021	bookings 1-9 2020	share of bookings 1-9 2020
Fishing Clash	361 013 624	74,9%	406 977 939	91,44%
Hunting Clash	85 273 148	17,7%	3 774 373	0,85%
Let's Fish	11 029 198	2,3%	12 128 806	2,73%
Wild Hunt	9 758 779	2,0%	11 626 403	2,61%
Gry Rortos	7 183 811	1,5%	0	0,00%
other	7 620 568	1,6%	10 564 604	2,37%
BOOKINGS TOTAL	481 879 127	100,0%	445 072 125	100%
deferred income (unused virtual currency)	1 232 254	N/D	-1 173 529	N/D
deferred income (unused durables)	3 839 017	N/D	0	N/D
REVENUES TOTAL	486 950 398	N/D	443 898 596	N/D

Deferred revenue by game for the period 1-3Q 2021:

TOTAL	Amount
FC durable	3 839 017
FC consumable	2 058 594
HC consumable	-953 028
WH consumable	75 840
LF consumable	50 848
total	5 071 271

Deferred revenue by game (cumulative) in relation to total deferred revenue - balance sheet item „liabilities under contracts with customers“:

TOTAL	Amount
FC durable	39 331 654
FC consumable	4 177 337
HC consumable	953 028
WH consumable	92 269
LF consumable	92 285
total	44 646 573





Revenue distribution by quarters:

GAME	1Q 2020	2Q 2020	3Q2020	4Q2020	1Q2021	2Q2021	3Q2021
Fishing Clash	84 677 795	158 043 812	164 256 332	155 356 610	131 659 442	114 983 038	114 371 143
Hunting Clash	65 559	347 467	3 361 414	12 302 557	26 840 820	30 390 316	28 042 011
Let's Fish	3 868 618	4 551 211	3 708 977	4 348 957	4 208 029	3 710 888	3 110 282
Wild Hunt	3 542 576	4 375 098	3 708 729	3 768 668	3 666 218	3 331 467	2 761 094
Gry Rortos							7 183 811
other	2 987 762	3 228 617	4 798 386	4 609 840	2 821 641	2 561 285	2 237 641
BOOKINGS TOTAL	95 142 310	170 546 205	179 833 838	180 386 632	169 196 150	154 976 993	157 705 984
deferred income (unused virtual currency)	95 569	-693 809	-575 289	-3 370 129	3 213 637	283 892	-2 265 275
deferred income (unused durables)	0	0	0	-43 170 671	1 704 189	9 624 478	-7 489 650
REVENUES TOTAL	95 237 879	169 852 396	179 258 549	133 845 832	174 113 976	164 885 363	147 951 059

1.4. Revenues – by counterparty

COUNTERPARTY	bookings 1-9 2021	share of bookings 1-9 2021	bookings 1-9 2020	share of bookings 1-9 2020
Google Inc.	285 567 692	59,6%	256 923 241	57,7%
Apple Distribution International	169 048 318	35,0%	159 110 723	35,7%
Others (of which none individually exceeds 10%)	27 263 117	5,5%	29 038 161	6,5%
BOOKINGS TOTAL	481 879 127	100,0%	445 072 125	100,0%
deferred income (unused virtual currency)	1 232 254	N/D	-1 173 529	N/D
deferred income (unused durables)	3 839 017	N/D	0	N/D
REVENUES TOTAL	486 950 398	N/D	443 898 596	N/D

1.5. Revenues – distribution channels

DISTRIBUTION CHANNEL	bookings 1-9 2021	share of bookings 1-9 2021	bookings 1-9 2020	share of bookings 1-9 2020
mobile	464 311 270	96,3%	423 667 612	95,2%
web browsers	17 567 857	3,7%	21 404 513	4,8%
BOOKINGS TOTAL	481 879 127	100,0%	445 072 125	100,0%
deferred income (unused virtual currency)	1 232 254	N/D	-1 173 529	N/D
deferred income (unused durables)	3 839 017	N/D	0	N/D
REVENUES TOTAL	486 950 398	N/D	443 898 596	N/D

1.6. Revenues – geographical breakdown

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 1-9 2021	share of bookings 1-9 2021	bookings 1-9 2020	share of bookings 1-9 2020
North America	208 099 128	43,4%	186 203 758	41,8%
Europe	177 007 583	36,7%	172 316 077	38,7%
<i>including Poland</i>	6 765 179	1,4%	22 261 124	5,0%
Asia	72 951 324	15,0%	62 691 410	14,1%
South America	12 425 157	2,5%	13 215 743	3,0%
Australia and Oceania	7 162 915	1,5%	7 255 897	1,6%
Africa	4 233 022	0,9%	3 389 240	0,8%
BOOKINGS TOTAL	481 879 127	100%	445 072 125	100%
deferred income (unused virtual currency)	1 232 254	N/D	-1 173 529	N/D
deferred income (unused durables)	3 839 017	N/D	0	N/D
REVENUES TOTAL	486 950 398	N/D	443 898 596	N/D





2.

OPERATING COSTS

SPECIFICATION	01.01.2021 - 30.09.2021	01.01.2020 - 30.09.2020
Depreciation	5 224 508	2 212 395
Consumption of materials and energy	852 029	1 211 132
Third-party services	302 111 364	278 194 092
Taxes and fees	2 963 358	1 650 230
Remuneration	52 206 921	25 470 593
Social insurance and other benefits	7 031 043	2 339 483
Other costs by nature	675 896	130 078
Total costs by nature	371 065 120	311 208 002
Costs of rendering services for internal purposes (negative value)	-14 601 355	-1 570 385
Selling costs	-274 353 483	-268 620 031
General and administrative costs	-44 842 541	-23 818 570
Cost of services sold	37 267 741	17 199 016

Split of yearly selling costs

SPECIFICATION	01.01.2021 - 30.09.2021	01.01.2020 - 30.09.2020
Selling costs	274 353 483	268 593 435
marketing:	116 501 822	132 302 959
– <i>Fishing Clash</i>	68 390 299	122 158 812
– <i>Wild Hunt</i>	0	1 463 737
– <i>Hunting Clash</i>	47 740 353	5 076 368
– <i>other titles, events</i>	371 171	3 604 042
commissions	139 805 722	128 489 530
revenue share	1 312 318	1 311 941
remuneration, external services	11 796 039	4 856 168
gaming & marketing research	2 437 419	0
others	2 500 163	1 632 837

SPECIFICATION	1Q 2020	2Q 2020	3Q 2020	4Q 2020	1Q 2021	2Q 2021	3Q 2021
Selling costs	48 544 738	124 795 326	95 253 370	74 975 709	95 935 217	95 799 537	82 618 730
marketing:	19 122 999	72 755 974	40 423 986	32 328 468	40 137 460	42 419 871	33 944 492
– <i>Fishing Clash</i>	18 263 312	70 508 454	33 387 047	23 128 972	22 551 718	24 783 495	21 055 086
– <i>Wild Hunt</i>	325 446	470 675	667 616	78 860	0	0	0
– <i>Hunting Clash</i>	83 663	607 147	4 385 558	7 863 570	17 412 032	17 438 915	12 889 406
– <i>other titles, events</i>	450 578	1 169 699	1 983 765	1 257 066	173 710	197 461	0
commissions	27 044 419	49 255 530	52 189 581	38 530 399	50 414 040	47 816 995	41 574 686
revenue share	417 224	473 283	421 434	439 675	477 124	423 624	411 570
remuneration, external services	1 559 372	1 683 409	1 613 386	2 820 699	3 961 297	3 338 075	4 496 667
gaming & marketing research	0	0	0	0	548 606	1 317 788	571 024
others	400 724	627 129	604 983	856 468	396 689	483 185	1 620 289





3.

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:	1 670 287	1 365 544	1 018 848	4 054 679
– Purchase of fixed assets	1 670 287	1 365 544	1 018 848	4 054 679
Decrease, due to:	90 342	0	0	90 342
– Sale of fixed assets	90 342	0	0	90 342
Gross balance sheet value as at 30.09.2021	3 858 163	10 059 239	1 217 746	15 135 149
Accumulated depreciation as at 01.01.2021	1 110 157	1 373 227	131 089	2 614 473
Increase, due to:	498 202	1 338 193	721 597	2 557 992
– Depreciation	498 202	1 338 193	721 597	2 557 992
Decrease	81 768	0,00	0,00	81 768
Accumulated depreciation as at 30.09.2021	1 526 591	2 711 419	852 686	5 090 697
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 30.09.2021	0	0	0	0
Net balance sheet value as at 30.09.2021	2 331 572	7 347 819	365 060	10 044 452

OWNERSHIP STRUCTURE – NET VALUE:

SPECIFICATION	30.09.2021	31.12.2020
Own	2 696 632	1 235 871
Used under a rental, lease or other agreement, including leasing agreements	7 347 819	7 320 468
TOTAL	10 044 452	8 556 339

During 2020, the Parent Company took over for use, under a lease agreement, office space located in the City One office building at 45 Traugutta Street in Wrocław. Due to the 5-year lease term, this agreement, in accordance with IFRS16, is recognised as a lease and shown in the balance sheet as an increase in fixed assets on the assets side and as a lease liability (long- and short-term) on the liabilities side.





4.

INTANGIBLE ASSETS MOVEMENT SCHEDULE

SPECIFICATION	Development costs	Computer software	Intangible assets	Goodwill	TOTAL
Gross balance sheet value as at 01.01.2021	7 995 077	669 286	2 554 464	0	11 218 827
Increase, due to:	64 159 931	245 394	16 445 129	194 101 098	274 951 553
- Purchase of assets	64 159 931	245 394	16 445 129	194 101 098	274 951 553
- Reclassification	0	0	0		0
Decrease, due to:	0	0	0		0
- liquidation	0	0	0		0
Gross balance sheet value as at 30.09.2021	72 155 008	914 680	18 999 592	194 101 098	286 170 379
Accumulated depreciation as at 01.01.2021	3 681 433	586 731	0	0	4 268 164
Increase, due to:	3 268 217	131 980	0	0	3 400 197
- Depreciation	3 268 217	131 980	0	0	3 400 197
Decrease	0	0	0		0
Accumulated depreciation as at 30.09.2021	6 949 650	718 711	0	0	7 668 361
Revaluation write-offs as at 01.01.2021	2 248 958	0	0		2 248 958
Increase	171 615	0	3 589 086	0	3 760 701
Decrease	0	0	0	0	0
Revaluation write-offs as at 30.09.2021	2 420 573	0	3 589 086	0	6 009 659
Net balance sheet value as at 30.09.2021	62 784 785	195 969	15 410 506	194 101 098	272 492 357

The net value as at 30.09.2021 disclosed under „finished development costs” consists of the Group's games:

- 1.** SoliTales - net value: PLN 83,180, remaining amortization period: 3 months;
- 2.** Flip This House - net value: PLN 103,130, remaining amortization period: 3 months;
- 3.** Hunting Clash - net value: PLN 729,971, remaining amortization period: 25 months;

- 4.** Games of acquired Company Rortos S.r.l – fair value measurement - preliminary settlement: PLN 61,868,504;

- a.** Airline Commander – PLN 28,607,832;
- b.** RFS – PLN 26,695,762;
- c.** Extreme Landings – PLN 3,212,204;
- d.** other games: PLN 3,352,706.

The item „intangible assets under construction” at 30.09.2021 consists of the capitalised costs of five titles at various stages of development, including one game by Rortos.





5.

OTHER FINANCIAL ASSETS

SPECIFICATION	30.09.2021	31.12.2020
Other financial assets	5 648 595	857 595
- units in the investment fund Sisu Game Ventures	4 791 000	0
- Deposit on office rent	857 595	857 595





RECEIVABLES

SPECIFICATION	30.09.2021	31.12.2020
Trade receivables	37 996 081	47 589 017
Other receivables	8 981 888	4 073 461
Accruals and deferred income	3 646 040	3 502 788
Total	50 624 009	55 165 266

TRADE RECEIVABLES

CURRENCY	30.09.2021			31.12.2020		
	Value in currency	PLN valuation	% share	Value in currency	PLN valuation	% share
PLN	20 336 119	20 336 119	53,52%	25 032 361	25 032 361	52,60%
USD	3 837 503	15 321 230	40,32%	5 733 350	21 548 224	45,28%
EUR	423 111	1 960 231	5,16%	103 763	478 845	1,01%
RUB	6 533 491	358 689	0,94%	10 132 938	507 660	1,07%
Other currencies	—	19 812	0,06%	—	21 927	0,04%
TOTAL	—	37 996 081	100%	—	47 589 017	100%





OVERDUE	30.09.2021 value of receivables	31.12.2020 value of receivables
not overdue	37 990 553	44 211 099
up to one month	4 268	607 355
1-3 months	1 200	2 247 572
3-6 months	60	522 991
6-12 months	0	0
over 1 year	0	0
Total receivables	37 996 081	47 589 017

Payments from users are aggregated by intermediaries (mobile shops, 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 - 53.2% at 30.09.2021 compared to 49.9% at 31.12.2020;
- » Apple Distribution International - 32.6% at 30.09.2021 compared to 32.7% at 31.12.2020.

No other entity exceeded 10% of total receivables as at 30.09.2021 and 31.12.2020. The Group had no material amounts of receivables as at 30.09.2021 or 31.12.2020 for which it expected credit losses to occur.

OTHER RECEIVABLES

SPECIFICATION	30.09.2021	31.12.2020
Other short-term receivables, including:	8 981 888	4 073 461
- VAT tax	8 800 888	4 046 461
- office lease deposit	181 000	27 000

PREPAYMENTS

SPECIFICATION	30.09.2021	31.12.2020
Prepayments, of which:	3 646 040	3 502 788
Registration fees for trademark applications	305 035	122 517
Maintenance of software technical service/software subscriptions	2 616 094	2 405 477
Insurance	111 858	20 639
TV advertising - prepayment	0	830 488
Other prepayments	613 053	123 668





LEASING LIABILITIES

SPECIFICATION	30.09.2021	31.12.2020
Leasing liabilities	8 743 532	8 186 578
Short term leasing liabilities	1 703 972	1 192 551
- office in Poland	1 575 749	1 192 551
- office in Italy	128 223	0
Long term leasing liabilities	7 039 560	6 994 027
- office in Poland	5 868 867	6 994 027
- office in Italy	1 170 693	0

	Ten Square Games S.A.	Rortos S.r.l
Short term	1 575 749	128 223
Long term	5 868 867	1 170 693

8.

OTHER LIABILITIES

SPECIFICATION	30.09.2021	31.12.2020
Other liabilities	51 322 884	635 806
Other long term liabilities	45 405 153	0
- liability due to acquisition of shares (earn-out payments)	45 405 153	0
Other short term liabilities	5 919 731	635 806
- tax related	5 919 731	635 806

9.

PROVISIONS FOR EMPLOYEE BENEFITS

SPECIFICATION	As at 1.01.2021	Changes during the year		As at 30.09.2021
		Assumption	Use	
vacation reserve	530 961	860 663	530 961	860 663
provision for salaries and wages	961 724	4 289 766	961 723	4 289 767
TOTAL PROVISIONS	1 492 685	5 150 430	1 492 684	5 150 430





10.

CURRENT INCOME TAX

INCOME TAX DISCLOSED IN THE STATEMENT OF COMPREHENSIVE INCOME	01.01.2021 - 30.09.2021	01.01.2020 - 30.09.2020
Current income tax	15 350 481	13 946 390
Relating to the fiscal year	15 350 481	13 946 390
Deferred income tax	533 453	173 785
Relating to the origination and reversal of temporary differences	533 453	173 785
Tax expense reported in the consolidated statement of comprehensive income	15 883 934	14 120 175

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

NAME	01.01.2021 - 30.09.2021	01.01.2020 - 30.09.2020
Gross financial result (profit, loss)	126 757 259	133 854 576
Foreign exchange differences – balance sheet differences, differences not constituting the tax base, not constituting the tax deductible costs	-5 386 456	-865 130
Write-off of receivables which do not constitute tax deductible costs	5 285	3 407
Release and establishment of the provision for holiday pay	329 704	243 358
Establishment of provision for other costs	3 440 488	0
ZUS – costs excluded, orders at the turn of the period	0	-7 200
Donations (subsequently deducted from income)	391 930	834 500
Amortisation – leasing	1 432 464	1 065 305
Other costs not constituting tax deductible costs	479 659	384 526
Amortisation of intangible assets	994 470	733 618
Capitalisation of games costs	-14 601 355	-1 570 385
Creation of a write-down for capitalized games	3 760 701	0
Share-based payments	34 237 243	14 767 344
Income (and related expense) deferred in time – finally, as per account balance	-2 007 963	821 470
Other tax-deductible expenses, not being balance sheet costs	-12 199 298	-871 250
Taxable income	137 634 129	149 394 139
including income taxed at 5% (IP Box)	97 141 469	98 762 169
including income taxed at standard rate	40 492 660	50 631 970

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.





11.

DEFERRED INCOME TAX

STRUCTURE OF DEFERRED INCOME TAX ASSETS

SPECIFICATION	as at 30/09/2021	as at 31/12/2020
deferred income - settlement of pearls in time (net)	186 022	229 151
deferred income - settlement of durables in time (net)	2 079 919	1 510 973
annul leave accrual	97 685	58 937
provision for audit costs	0	4 746
leasing – IFRS 16 valuation	138 195	74 630
Provision for bonuses	464 710	71 609
Other provisions	19 324	35 143
accounts receivable and payable valuation		0
Total	2 985 855	1 985 189

STRUCTURE OF DEFERRED INCOME TAX PROVISION

SPECIFICATION	as at 30/09/2021	as at 31/12/2020
amortisation of games	1 389 332	418 038
valuation of settlements and cash	568 323	25 356
Total	1 957 655	443 394

12.

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:

12.1. Management

RELATED PERSON	PERIOD	Remuneration		Net dividend	
		01.01.2021- 30.09.2021	01.01.2020- 30.09.2020	01.01.2021- 30.09.2021	01.01.2020- 30.09.2020
Management Board		34 496 860	12 817 852	2 591 385	4 264 362
Maciej Popowicz (until 20.05.2020)		0	83 612	0	0
- Ten Square Games S.A. (CEO until 20.05.2020) - cash remuneration		0	83 612	0	0
Maciej Zużalek (since 20.05.2020)		19 009 333	12 371 667	1 578 091	189 000
- Ten Square Games S.A. - cash remuneration		909 829	305 331	1 578 091	189 000
- Ten Square Games S.A. - 2020 share based motivation scheme recognized over time		18 099 504	12 066 336	0	0
Arkadiusz Pernal		0	136 954	0	3 980 862
- Ten Square Games S.A. - cash remuneration		0	136 954	0	3 980 862
Magdalena Jurewicz (until 31.07.2020 and since 21.10.2020)		0	161 309	0	94 500
- Ten Square Games S.A. - cash remuneration		0	161 309	0	94 500
Marcin Chruszczyński (since 01.08.2020)		561 922	64 310	0	0
- Ten Square Games S.A. - cash remuneration		290 680	64 310	0	0
- Ten Square Games S.A. - share based motivation scheme for years 2021-2022		271 242	0	0	0





RELATED PERSON	PERIOD	Remuneration		Net dividend	
		01.01.2021-30.09.2021	01.01.2020-30.09.2020	01.01.2021-30.09.2021	01.01.2020-30.09.2020
Andrzej Ilczuk (since 21.01.2021)		3 485 099	0	0	0
- Ten Square Games S.A. - cash remuneration		385 190	0	0	0
- Ten Square Games S.A. - share based motivation scheme for years 2021-2022		3 099 909	0	0	0
Anna Idzikowska (since 21.01.2021)		3 492 776	0	162 000	0
- Ten Square Games S.A. - cash remuneration		392 867	0	162 000	0
- Ten Square Games S.A. - share based motivation scheme for years 2021-2022		3 099 909	0	0	0
Janusz Dziemidowicz (since 21.01.2021)		280 225	0	682 417	0
- Ten Square Games S.A. - cash remuneration		280 225	0	682 417	0
Wojciech Gattner (since 21.01.2021)		4 567 597	0	168 877	0
- Ten Square Games S.A. - cash remuneration		1467 688	0	168 877	0
- Ten Square Games S.A. - share based motivation scheme for years 2021-2022		3 099 909	0	0	0
Supervisory Board (Ten Square Games S.A.)		315 016	228 148	6 904 230	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		76 500	53 354	5 419	2 529
Marcin Chruszczyński (Member of the Supervisory Board until 20.05.2020)		0	16 258	0	0
Tomasz Drożdżyński		39 565	33 483	0	0
Maciej Marszałek		45 000	28 516	356 400	185 220
Milena Olszewska-Miszuris (Member of the Supervisory Board until 20.05.2020)		0	19 258	0	0
Wiktor Schmidt		36 000	34 483	0	0
Marcin Bitos (Member of the Supervisory Board since 20.05.2020)		40 500	19 548	0	0
Kinga Stanisławska (Member of the Supervisory Board since 20.05.2020)		40 500	19 548	851	0
Arkadiusz Pernal (Member of the Supervisory Board since 01.01.2021)		36 952	0	6 541 560	0
Management Board of Rortos S.r.l. (from 1.07.2021 to 30.09.2021)		227 926	0	0	0
Antonio Farina		113 963	0	0	0
Roberto Simonetto		113 963	0	0	0
Related Persons (Ten Square Games S.A.)		108 000	84 057	13 081 500	8 318 979
Maciej Popowicz (since 20.05.2020)		108 000	58 790	13 081 500	8 318 979
Marcin Chruszczyński (since 01.06.2020)		0	25 267	0	0
Key personnel (Ten Square Games S.A.)		0	0	b/d	b/d
Family members of key personnel/Management Board (Ten Square Games S.A.)		0	217 956	b/d	b/d

* in April 2021, the allocation of shares to participants in the programme took place in accordance with a resolution of the Supervisory Board. The actual allocation of shares depends on the fulfilment of the conditions of the programme (e.g. remaining in a legal relationship with the Company, fulfilment of financial objectives) and is verified after the end of the financial year for which the shares were initially allocated, i.e. after the approval of the financial statements. The cost of the pre-allocated shares, on the other hand, is recognised at the time the services are provided, i.e. during 2021.

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

The directors have not entered into transactions with subsidiaries of Ten Square Games S.A.

16.2. Other related entities

AFFILIATE	Net sales		Net purchase	
PERIOD	1.01.2021- 30.09.2021	1.01.2020- 30.09.2020	1.01.2021- 30.09.2021	1.01.2020- 30.09.2020
Subsidiaries:	3 447 081	4 690 706	3 127 025	0
Play Cool Zombie Sport Games Sp. z o.o.	63 224	118 871	0	0
Tiny Dragon Adventure Games Sp. z o.o.	2 092 147	3 431 649	0	0
Fat Lion Games Sp. z o.o.	1 291 709	1 140 186	0	0
Ten Square Games Germany GmbH	0	0	2 912 196	0
Ten Square Games S.R.L.	0	0	214 829	0
Personally related entities:	0	0	79 846	74 334
Olesiński i Wspólnicy Spółka komandytowa	0	0	79 846	74 334

AFFILIATE	Gross receivables		Gross liabilities		Loans	
AS AT:	30.09.2021	30.09.2020	30.09.2021	30.09.2020	30.09.2021	30.09.2020
Subsidiaries:	369 232	2 243 193	2 014 543	0	3 101 065	0
Play Cool Zombie Sport Games Sp. z o.o.	7 401	10 958	0	0	0	0
Tiny Dragon Adventure Games Sp. z o.o.	229 434	1 542 412	0	0	504 247	0
Fat Lion Games Sp. z o.o.	132 397	689 823	0	0	504 247	0
Ten Square Games Germany GmbH	0	0	1 799 714	0	1 749 372	0
Ten Square Games S.R.L.	0	0	214 829	0	343 200	0
Personally related entities:	0	0	6 056	33 067	0	0
Olesiński i Wspólnicy Spółka komandytowa	0	0	6 056	33 067	0	0

The Parent Entity sells internally produced games to its Polish subsidiaries and receives remuneration in return. On the other hand, Ten Square Games Germany GmbH and Ten Square Games S.R.L. were established in order to attract human capital (gaming talent) in the local markets. Employees of these companies work for games produced by the Parent Company and their cost is then invoiced to the Parent Company.

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.





ten square_games

VI.

**OTHER ADDITIONAL
INFORMATIONS**







1.

A BRIEF DESCRIPTION OF THE ISSUER'S MATERIAL ACCOMPLISHMENTS OR FAILURES IN THE PERIOD COVERED BY THE REPORT TOGETHER WITH A LIST OF THE MOST SIGNIFICANT EVENTS CONCERNING THE ISSUER

In first nine months of 2021, the Group consistently pursued its strategy. Bookings in the Group's games increased year-on-year by PLN 36 million, or 8%, mainly due to the global launch of the title Hunting Clash in August 2020, whose growing contribution helped to offset a slight decline in payments in the flagship game Fishing Clash. Earnings as measured by adjusted EBITDA amounted to PLN 166.8 million, an increase of PLN 16 million compared to the same period in 2020.

The Company's undoubted achievement in the analysed period was obtaining a licence on 28 June 2021 from the regulatory body managing the Chinese video games market (NPPA) to publish the Fishing Clash game in the Chinese market. The process of obtaining a licence to publish games in this huge and promising market is lengthy and complicated and is not often successful. Since receiving the NPPA's positive decision, the Company has been working very hard to make the game, with all its key functionalities, available to Chinese users. As a first step, in late July 2021, the game was launched exclusively on the local Apple shop. The initial results on this platform have identified priority directions for further work to adapt the product to the expectations of Chinese players. In the coming weeks, the Fishing Clash game will also be made available in Chinese shops (marketplace) for Android devices. At the same time, numerous tests and works are being carried out to adapt the Chinese version of the game to the preferences of local users.

A significant event in TSG's activities during the reported period was the acquisition of 100% of the share capital of Rortos S.r.l., Verona, completed on 5 July 2021 with the signing of a disposal agreement. This transaction, detailed in the financial statements, is part of 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 was 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 continued to implement its existing strategy, activities and projects. The Board considered various strategic options, including the acquisition of a strategic or financial investor. The decision concerning the selection of a specific strategic option was made on 11.10.2021. After numerous discussions with entities involved in the process, including industry leaders and potential financial investors, the Management Board decided to complete the review of strategic options and continue the implementation of the chosen strategy in its current form - as an independent entity listed on the Warsaw Stock Exchange.

Both in the period under review and in the coming months, the Company's Management Board is focusing its efforts on strengthening the teams (mainly product and around-product teams - including: Growth, R&D, and Business Intelligence)

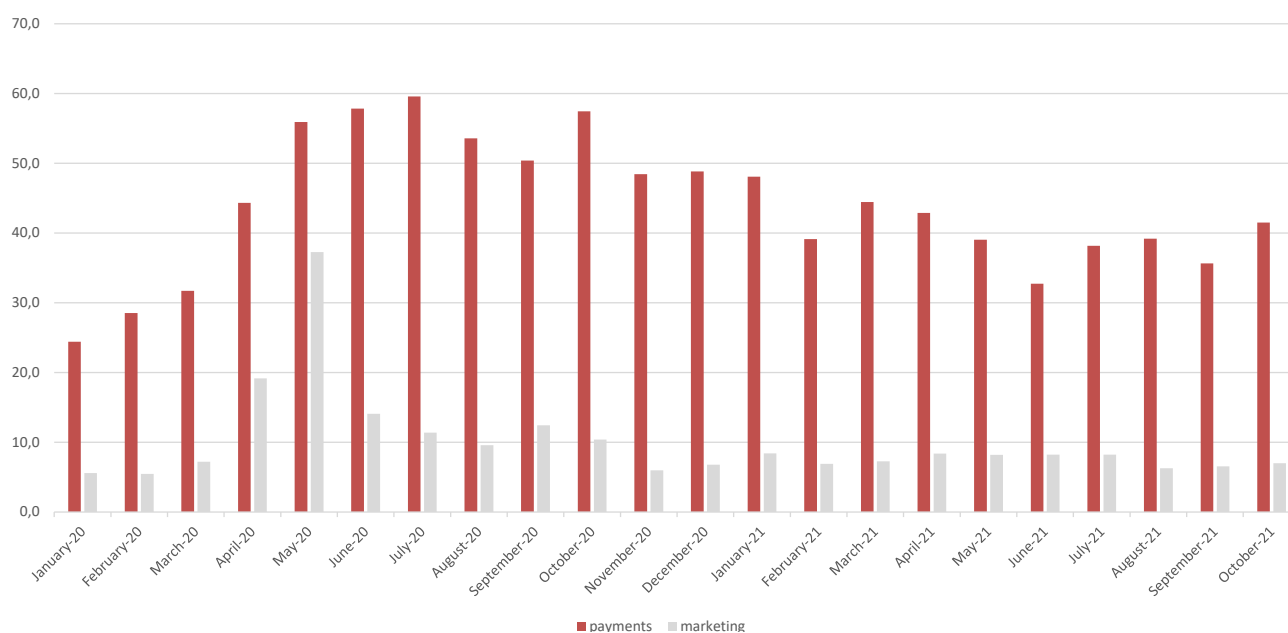
by recruiting experienced specialists. In recent months, a new subsidiary was opened in Bucharest, which brings together talented employees from the Romanian market. The aim is to accelerate the creation and further development of high-quality mobile games that engage users and generate satisfactory financial results. The marketing team continues to focus on scaling and optimising marketing spend 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.



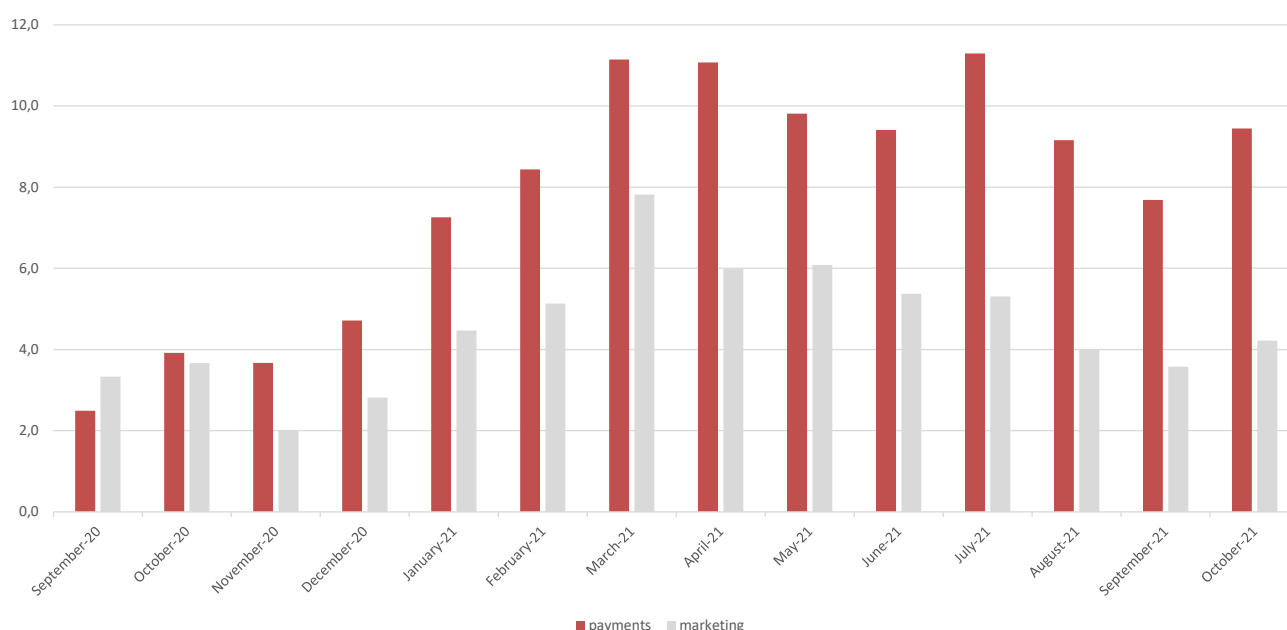


MONTHLY ANALYSIS OF PAYMENTS AND MARKETING COSTS FOR KEY GAMES:

Fishing Clash (without revenues from licences)



Hunting Clash



The flat revenue trend of the Fishing Clash game observed in recent months is, in the opinion of the Board, mainly a result of the normalisation of the market situation after the pandemic-dominated year 2020, during which both the Group's games and the broad market benefited from significantly higher than normal user interest. Marketing spend has been kept to a limited level since the beginning of this year due to market conditions. The production teams are constantly working to improve the key

metrics of the games, the effects of which can be seen, among other things, in the results for October - it was possible to clearly increase revenues for both games without significantly increasing marketing expenditure.





2.

GAME KPI'S

PERIOD	1Q 2020	2Q 2020	3Q 2020	4Q 2020	1Q 2021	2Q 2021	3Q 2021
Fishing Clash – MAU* (average)	2 894 045	6 915 710	4 165 725	3 223 278	3 849 763	2 928 300	3 165 192
Hunting Clash – MAU (average)	0	0	1 315 618	2 042 704	3 136 097	2 241 126	1 729 973
Let's Fish - MAU (average)	428 742	514 341	369 797	347 293	281 634	300 303	299 096
Wild Hunt - MAU (average)	1 293 296	1 203 639	777 609	589 348	651 733	524 830	596 168

* MAU – monthly active users

The MAU level for Fishing Clash is significantly influenced by marketing expenditures, which in 2020 were the highest ever, as well as the so-called featuring of distribution platforms. The MAU of Fishing Clash more than doubled in spring 2020 due to record expenditures on acquiring new users. MAU levels declined in subsequent quarters, primarily due to marketing spend returning to more standard levels and changes in player behaviour following a pandemic-dominated 2020. Fishing Clash's MAU has stabilised in the last two quarters in the region of 3 million users - this is due in part to the loosening of lockdown in most countries, which has resulted

in less user activity in mobile games. In the opinion of the Management Board, this is not a permanent trend, and further increases can be expected in the future, after improving quality parameters of the game and increasing marketing budgets.

The MAU ratio for the Hunting Clash game has evolved in 2021 depending on the level of marketing spend - it is a young title where marketing spend translates into MAU to the greatest extent (no significant organic user base built).

3.

IDENTIFICATION OF FACTORS AND EVENTS, INCLUDING THOSE OF AN UNTYPICAL NATURE, HAVING A SIGNIFICANT IMPACT ON THE ABBREVIATED FINANCIAL STATEMENTS

On June 30, 2021, the Company entered into, as buyer, with its existing partners Antonio Farina and Roberto Simonetti, as sellers (collectively, the „Sellers”), an agreement requiring 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 5 July 2021, in execution of the provisions of the commitment agreement for the sale of the shareholding in Rortos entered into on 30 June 2021, the Company, as the buyer, entered into a dispositive 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.





The parent company has made a preliminary settlement of the acquisition of shares and calculation of the liability to pay for earn-out payments, details of the settlement are presented below.

SPECIFICATION - STANDALONE REPORT	amount
Cash payment (k EUR)	46 696
Discounted earn-out payments (k EUR)	9 800
TOTAL value of shares purchased (k EUR)	56 496
EUR/PLN rate at transaction date	4,5257
TOTAL value of shares purchased (k PLN)	255 683

SPECIFICATION - CONSOLIDATED REPORT	amount
identified assets - completed games and games under development	14 584
assets – goodwill	41 912
TOTAL settlement value (k EUR)	56 496
EUR/PLN rate at transaction date	4,5257
TOTAL settlement value (k PLN)	255 683

The above figures include preliminary accounting for the acquisition of Rortos S.r.l (estimation of the fair value of the net assets acquired and recognition of goodwill) - these figures may be subject to change during the measurement period, not exceeding twelve months from the date of acquisition, in accordance with IFRS 3 Business Combinations, par. 45, 85.

4.

SIGNIFICANT EVENTS AFTER THE END OF THE INTERIM PERIOD THAT ARE NOT REFLECTED IN THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD

On 3 November 2021, the Parent Company signed a lease agreement for the 1st floor of the City One office building, where it also leases the third and part of the fourth floor since 2020. The lease agreement has been concluded until 2 January 2025 and the nominal payments related to rent

payments amount to EUR 972 thousand. The described agreement will be accounted for in accordance with IFRS16 Leases.





5.

INDICATION OF FACTORS WHICH, IN THE ISSUER'S OPINION, WILL AFFECT ITS RESULTS IN THE PERSPECTIVE OF AT LEAST THE NEXT QUARTER

Looking ahead to the next quarters, the Group intends to continue developing its activities in the areas it has pursued to date.

The key influence on results in the following quarters will be the further development of the Fishing Clash game and the situation on the advertising market. Improving results in both the product and marketing spheres may significantly influence the next quarter's results. In order to realise this potential, the Group conducts continuously optimised live-ops activities, continues to develop product functionality and conducts marketing activities. The large reinforcement of the team working on the game in recent months (from 50 to 90 people) should significantly improve productivity and the speed at which new content is added.

At the same time, the group is working on developing a version of Fishing Clash dedicated to the Chinese market and making it available to the largest possible number of users in this country. In the opinion of the Management Board, the potential success of the game on the Chinese market may have a significant impact on the Group's results starting from 2022.

Among the Group's other products the best results in terms of user engagement and revenue generation are demonstrated by the game Hunting Clash, which in the first nine months of 2021 generated revenue of PLN 85 million (PLN 3.8 million in the same period of 2020, with the global premiere taking place in August 2020). Management has high expectations for this product and is continually investing in its development. The strengthening of the team working on this game in recent months (from 32 at the end of 2020 to 65 people currently) should significantly improve productivity and the speed at which new content is added.

Factors likely to affect the Group's performance going forward also include directional decisions on products currently in production. Open testing of several new games is planned in the coming months, the results of which will determine further work on them. The potential market success of all or some of these may have a significant impact on the Group's results in future periods.

The integration and further development of Rortos S.r.l., an Italian mobile games developer acquired during the reporting period, may also prove potentially significant for the future trajectory of the Group's results. The potential success of scaling the current portfolio and launching new products based on the Group's experience may bring significant financial benefits in the future and increase the Ten Square Games Group's product diversification.

The Group's current axis of development is organic growth understood as the production and distribution of its own F2P games. However, the Group is working on other possible development strategies, i.e. it does not rule out acquisitions, investments or publishing agreements concluded with other entities producing games in a similar model.

External factors which could affect the Group's results include the duration of the COVID-19 pandemic and its impact on the economy, USD exchange rate, emergence on the market of products competing with the Group's games, advertising market parameters such as prices and supply of advertising displayed in the Group's games and the prices of advertising purchased by the Group, as well as changes in the policy of key distribution platforms such as Google Play, Facebook and Apple, affecting the scope and possibility of distribution of the Group's products.





6.

OTHER INFORMATION RELEVANT TO THE ASSESSMENT OF THE ISSUER'S PERSONNEL, ASSETS, FINANCIAL SITUATION, FINANCIAL RESULT AND THEIR CHANGES AS WELL AS INFORMATION RELEVANT TO THE ASSESSMENT OF THE ISSUER'S ABILITY TO FULFIL ITS OBLIGATIONS

There is no other material information of the above nature in the Ten Square Games S.A. Group as at 30.09.2021.





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

The Management Board of Ten Square Games S.A.
has not published financial forecasts for 2021.





8.

SEASONALITY OR CYCLICALITY OF ACTIVITIES

There is no seasonality in the Group's operations.



9.

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

Neither Ten Square Games S.A. nor any of its subsidiaries were, as at 30 September 2021 and as at the date of issuing the financial statements, parties to any court proceedings, arbitration proceedings or proceedings before a public administration body.





10.

LOANS, CREDITS, GUARANTEES

Ten Square Games S.A. is a party to five loan agreements (lender) for a total amount of PLN 416 thousand. The loans were granted on market terms to entities unrelated to the Company.

Except for the loans indicated above, neither Ten Square Games S.A. nor any of its subsidiaries were, as at 30 September 2021 or the date of issuing the financial statements, parties to any loan or credit agreements (except for agreements concluded between members of the capital group). The Issuer and its subsidiaries also did not grant any sureties during the period covered by the report.





APPROVAL OF THE FINANCIAL STATEMENT

This report for the period from January 1 to 30 September 2021 was signed and approved for publication by the Management Board of Ten Square Games S.A. on 22 November 2021.

**PRESIDENT OF THE
MANAGEMENT BOARD**

Maciej Zużatek

**MEMBER OF THE
MANAGEMENT BOARD**

Janusz Dziemidowicz

**MEMBER OF THE
MANAGEMENT BOARD**

Anna Idzikowska

**MEMBER OF THE
MANAGEMENT BOARD**

Wojciech Gattner

**MEMBER OF THE
MANAGEMENT BOARD**

Andrzej Ilczuk

**MEMBER OF THE
MANAGEMENT BOARD**

Magdalena Jurewicz

Wrocław, 22.11.2021 r.