CONSOLIDATED FINANCIAL STATEMENT
TEN SQUARE GAMES S.A. GROUP
AS AT 31 DECEMBER 2021

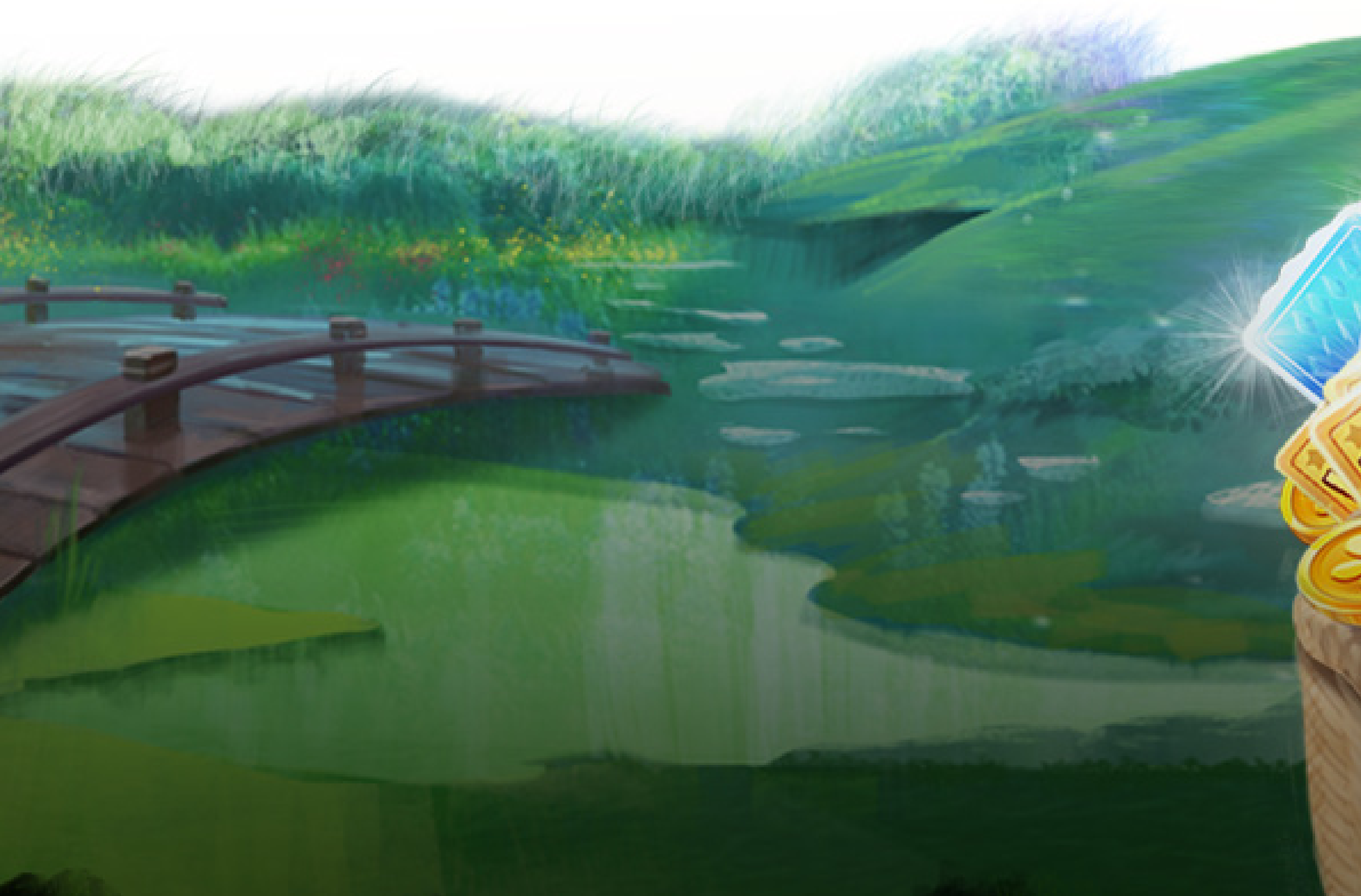
WROCLAW, MARCH 30TH, 2022

TABLE OF CONTENTS

ten square games

I.

CONSOLIDATED FINANCIAL STATEMENT




WILD

1.

SELECTED FINANCIAL DATA

SPECIFICATION	PLN		EUR	
	2021	2020	2021	2020
STATEMENT OF COMPREHENSIVE INCOME				
Bookings	649.569.060	625.908.985	141.904.765	139.892.938
Revenues	634.045.040	578.194.656	138.513.389	129.228.612
Cost of sales	53.930.727	25.438.397	11.781.699	5.685.575
Operating profit (loss)	166.220.593	171.774.342	36.312.527	38.392.191
Gross profit (loss)	161.981.769	170.945.301	35.386.514	38.206.898
Net profit (loss)	141.264.582	151.598.963	30.860.641	33.882.921
EBITDA	177.565.609	174.860.108	38.790.958	39.081.871
Adjusted EBITDA	234.179.331	229.643.214*	51.158.783	51.326.095
CASH FLOW STATEMENT				
Net operating cash flow	200.946.153	193.713.645	43.898.668	43.295.704
Net cash flow from investment activities	-222.004.602	-4.597.770	-48.499.094	-1.027.618
Net cash flow from financial activity	-75.070.128	-28.243.317	-16.399.810	-6.312.484

* For the purpose of data comparability, for the adjusted EBITDA item, the Company recalculated the ratio for 2020 according to the rules applicable in 2021, i.e. according to the definition of recurring EBITDA calculated for the purposes of the incentive programme. Due to the change in the method of calculating this ratio, the Company presents the adjusted data after the quarters below.

SPECIFICATION	PLN		EUR	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
STATEMENT OF FINANCIAL SITUATION				
Fixed assets	298.865.805	16.100.828	66.596.433	3.488.955
Current assets	221.414.318	307.582.759	48.139.826	66.651.374
Equity	351.051.347	238.050.607	77.942.596	51.584.166
Long-term liabilities	64.993.212	7.437.421	14.130.802	1.611.645
Short-term liabilities	104.235.564	78.195.559	22.662.861	16.944.517

EUR/PLN exchange rate	2021	2020
for the balance-sheet data	4.5994	4.6148
for the data from the profit and loss statement and cash flow statement	4.5775	4.4742

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 of 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.

SPECIFICATION	1Q	2Q	3Q	4Q**	Total 2021
EBIT	**55.919.321**	**38.696.044**	**31.192.480**	**40.412.748**	**166.220.593**
Amortisation (excluding capitalised part)	941.410	978.452	3.304.646	2.359.808	7.584.316
Write-downs for impairment	0	3.760.700	0	0	3.760.700
EBITDA	**56.860.731**	**43.435.196**	**34.497.126**	**42.772.556**	**177.565.609**
Non-cash impact of incentive scheme (excluding capitalised portion)	10.981.139	10.970.806	7.694.579	10.023.537	39.670.061
deferred result (revenue minus commissions) – consumables	-2.249.545	-198.724	1.585.693	5.232.970	4.370.394
deferred result (revenue minus commissions) – – durable	-1.181.489	-6.649.270	5.331.821	9.330.773	6.831.835
costs of potential and completed acquisitions (M&A) and review of strategic options	0	0	3.686.602	0	3.686.602
other one offs	0	0	2.054.828	0	2.054.828
Adjusted EBITDA	**64.410.836**	**47.558.008**	**54.850.650**	**67.359.837**	**234.179.331**

** Note: The Group reported in the consolidated financial statements for the 3 quarters 2021 the first settlement of the acquisition of the subsidiary Rortos. As of 31.12.2021, the recognition was updated, which affected the values originally recognised in the Group's books. The figures for Q4 2021 are shown as a difference of the amounts for the full year 2021 minus the 3 quarters of the same year.

SPECIFICATION	1Q	2Q	3Q	4Q**	Total 2020
EBIT	**37.555.065**	**29.422.432**	**66.475.126**	**38.321.719**	**171.774.342**
Amortisation (excluding capitalised part)	693.676	737.053	781.666	873.371	3.085.766
Write-downs for impairment	0	0	0	0	0
EBITDA	**38.248.741**	**30.159.485**	**67.256.792**	**39.195.090**	**174.860.108**
Non-cash impact of incentive scheme (excluding capitalised portion)	838.571	6.860.299	6.852.424	6.831.782	21.383.076
deferred result (revenue minus commissions) – consumables	66.898	531.342	402.702	2.179.618	3.180.560
deferred result (revenue minus commissions) – – durable	0	0	0	30.219.470	30.219.470
costs of potential and completed acquisitions (M&A) and review of strategic options	0	0	0	0	0
other one offs	0	0	0	0	0
Adjusted EBITDA	**39.154.210**	**37.551.126**	**74.511.918**	**78.425.960**	**229.643.214**

2.

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT	note	for the period 01.01.2021 – 31.12.2021	for the period 01.01.2020 – 31.12.2020
Revenues from the sales of services	**1**	**634.045.040**	**578.194.656**
Costs of services sold	**2**	**53.930.727**	**25.438.397**
Gross profit (loss) on sales		**580.114.313**	**552.756.259**
Other operating income		438.596	201.281
Selling costs	2	347.248.828	343.569.143
General and administrative costs	2	62.707.801	36.688.631
Other operating costs	3	4.375.687	925.424
Operating profit (loss)		**166.220.593**	**171.774.342**
Financial income	4	45.090	83.320
Financial expense	4	4.283.914	912.361
Profit (loss) before taxation		**161.981.769**	**170.945.301**
Income tax	5	20.717.187	19.346.338
Net profit (loss) on continued activity		**141.264.582**	**151.598.963**
Profit (loss) on discontinued activity		**0**	**0**
Net profit (loss)		**141.264.582**	**151.598.963**
Net profit (loss) attributable to Parent Entity		**141.264.582**	**151.598.963**
Items that may be reclassified subsequently to profit or loss		**2.715.041**	**4.290**
Subject to reclassification to profit or loss – foreign exchange differences on translation of foreign financial statements		2.715.041	4.290
Items that will not be reclassified to profit or loss		**0**	**0**
Other comprehensive income		**2.715.041**	**4.290**
Total comprehensive income		**143.979.623**	**151.603.253**
Total comprehensive income attributable to non-controlling shareholders		0	0
Total comprehensive income attributable to Parent Entity		**143.979.623**	**151.603.253**

Earnings per share

CALCULATION OF PROFIT PER SHARE	for the period 01.01.2021 – 31.12.2021	for the period 01.01.2020 – 31.12.2020
Number of shares		
The weighted average number of shares for the purpose of calculating the value of basic profit per share (in units)	7,276,566	7,249,957
The weighted average number of shares for the purpose of calculating the value of diluted profit per share (in units)	7,276,566	7,249,957
Net profit attributable to Parent Entity	141,264,582	151,598,963
net earnings per share in PLN		
basic for the financial period	19.41	20.91
diluted for the financial period	19.41	20.91
net earnings per share on continued operations in PLN		
basic for the financial period	19.41	20.91
diluted for the financial period	19.41	20.91
Net earnings per share attributable to discontinued operations in PLN		
basic for the financial period	0.00	0.00
diluted for the financial period	0.00	0.00

3.

CONSOLIDATED STATEMENT OF FINANCIAL SITUATION

ASSETS	note	31.12.2021	31.12.2020
Fixed assets		**298,865,805**	**16,100,828**
Tangible fixed assets	8	15,210,185	8,556,339
Intangible fixed assets other than goodwill	9, 10	106,445,245	4,701,705
Goodwill	9, 10	161,050,504	0
Other financial assets	11	9,575,534	857,595
Deferred tax assets	5	6,584,337	1,985,189
Current assets		**221,414,318**	**307,582,759**
Receivables	12	62,040,655	55,165,266
Contract assets	1.3	19,237,145	14,915,356
Loans granted		583,091	893,758
Cash and cash equivalents	13	139,553,427	236,608,379
TOTAL ASSETS		**520,280,123**	**323,683,587**

EQUITY & LIABILITIES	note	31.12.2021	31.12.2020
Equity		**351,051,347**	**238,050,607**
Equity attributable to owners of the Parent Entity		**351,051,347**	**238,050,607**
Share capital	14	730,178	726,731
Share premium		496,100	496,100
Capital from the settlement of the incentive scheme	23	65,139,524	23,436,052
Foreign exchange differences on translation of statements of foreign operations		2,715,041	4,290
Retained earnings		281,970,504	213,387,434
Equity of non-controlling shareholders		**0**	**0**
Long-term liabilities		**64,993,212**	**7,437,421**
Deferred income tax provisions	5	4,993,184	443,394
Provision for employee benefits	19	2,588,247	0
Leasing liabilities	16	8,991,251	6,994,027
Other liabilities	16	48,420,530	0
Short-term liabilities		**104,235,564**	**78,195,559**
Trade liabilities	15	6,844,591	12,392,029
Current tax liabilities		18,766,559	12,764,644
Lease liabilities	16	3,684,538	1,192,551
Other liabilities	16	2,463,393	635,806
Provisions for employee benefits	19	7,234,618	1,492,685
Contract liabilities	1, 3	65,241,865	49,717,844
Total Liabilities		**169,228,776**	**85,632,980**
TOTAL EQUITY & LIABILITIES		**520,280,123**	**323,683,587**

4.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	Share capital	Share premium	Capital from the settlement of the incentive scheme	Foreign exchange differences on translation	Retained earnings	Equity attributable to owners of the Parent Entity	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					3,447	3,447
Share-based payments			41,703,472			41,703,472	41,703,472
Reduction of the share capital in accordance with a resolution of the GSM					-12,692	-12,692	-12,692
Payment of dividends					-72,673,110	-72,673,110	-72,673,110
Net profit					141,264,582	141,264,582	141,264,582
Other comprehensive income				2,710,751	4,290,	2,715,041	2,715,041
Total comprehensive income				**2,710,751**	**141,268,872**	**143,979,623**	**143,979,623**
Change in equity	**3,447**	**0**	**41,703,472**	**2,710,751**	**68,583,070**	**113,000,740**	**113,000,740**
Equity as at 31.12.2021	**730,178**	**496,100**	**65,139,524**	**2,715,041**	**281,970,504**	**351,051,347**	**351,051,347**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	Share capital	Share premium	Capital from the settlement of the incentive scheme	Foreign exchange differences on translation	Retained earnings	Equity attributable to owners of the Parent Entity	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
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

5.

CONSOLIDATED CASH FLOW STATEMENT

CONSOLIDATED CASH FLOW STATEMENT	for the period 01.01.2021 – 31.12.2021	for the period 01.01.2020 – 31.12.2020
OPERATING ACTIVITY		
Profit/loss before taxation	**161,981,769**	**170,945,301**
Total adjustments:	**56,144,346**	**37,175,792**
Depreciation and amortization	7,987,477	3,085,766
Foreign exchange gain/loss	-327,162	25,484
Interest paid on lease	271,675	233,280
Change in receivables	-3,332,704	-30,235,408
Change in liabilities and accrued expenses	-3,170,045	9,296,235
Change in contract liabilities	15,524,021	47,714,329
Change in contract assets	-4,321,789	-14,314,299
Write-offs on intangible assets	3,760,701	0
Share based payments (part not included in the acquisition of intangible assets)	39,670,061	21,383,078
Other adjustments	82,111	-12,673
Cash on operating activity	**218,126,115**	**208,121,093**
Income tax (paid) / refunded	-17,722,296	-14,407,448
A. Net operating cash flow	**200,403,819**	**193,713,645**
INVESTMENT ACTIVITY		
Repayment of loans granted	957,128	80,000
Purchase of intangible and tangible fixed assets	-24,386,332	-3,792,770
Purchase of shares	-218,160,548	0
Acquisition of shares – payment of cash of the acquired company	20,165,150	0
Loans granted	-580,000	-885,000
B. Net cash flow from investment activities	**-222,004,602**	**-4,597,770**

CONSOLIDATED CASH FLOW STATEMENT	for the period 01.01.2021 – 31.12.2021	for the period 01.01.2020 – 31.12.2020
FINANCIAL ACTIVITY		
Net proceeds from issue of shares and other capital instruments and additional payments to capital	3,447	2,606
Dividends and other payments to owners	-72,673,110	-27,371,906
Payments of finance lease liabilities	-2,128,790	-640,737
Interest on lease	-271,675	-233,280
C. Net cash flow from financing activity	**-75,070,128**	**-28,243,317**
D. Total net cash flow	**-96,670,911**	**160,872,558**
– change in cash due to exchange losses/gains	-384,041	505,794
E. Balance-sheet change in cash, including foreign exchange	**-97,054,952**	**161,378,352**
F. Cash at the beginning of the period	**236,608,379**	**75,230,027**
G. Cash at the end of the period	**139,553,427**	**236,608,379**

ten square games

II.

GENERAL INFORMATION

1.

REPORTING ENTITY'S DATA

Name:	Ten Square Games S.A.
Name of higher level entity:	N/A
Legal form:	Spolka Akcyjna
Registered seat:	ul. Traugutta 45. 50-416 Wroclaw
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
KRS no	0000704863
Statistical REGON no	021744780
Tax identification number	8982196752
Company duration	indefinite
Name of the reporting entity:	Ten Square Games
Name of the ultimate parent company of the group:	none
Principal place of business:	Poland

Ten Square Games Sp. z o.o. was registered on 21 October 2011, under the 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. There were no changes in name or other identifying information in subsequent periods.

2.

FUNCTIONAL CURRENCY AND PRESENTATION CURRENCY

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

3.

PRESENTED PERIODS

The consolidated financial statement includes data for the period from 1 January 2020 to 31 December 2020. Comparative data are presented as at 31 December 2019 for the consolidated statement of financial condition and for the period from 1 January 2019 to 31 December 2019 for the consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity.

4.

ABILITY TO CONTINUE AS A GOING CONCERN

The consolidated financial statement has been prepared assuming that the Group (including the Issuer) shall continue their activities for the period of at least 12 months after the last balance-sheet date, i.e. 31.12.2020. 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 at least 12 months after the balance-sheet date due to an intended or forced discontinuance or material limitation of the activity.

5.

COMPOSITION OF THE PARENT ENTITY'S BODIES AS AT 31.12.2021

The Management Board:

Maciej Zuzalek – President of the Management Board;

Anna Idzikowska – Member of the Management Board;

Janusz Dziemidowicz – Member of the Management Board;

Wojciech Gattner – Member of the Management Board;

Andrzej Ilczuk – Member of the Management Board;;

Magdalena Jurewicz – Member of the Management 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 position set for 21.10.2021.

Ms Magdalena Jurewicz was also previously a member of the Management Board of the Company until 30 July 2020, and the interruption in her function was due to family reasons.

For the duration of her absence, Mr Marcin Chruszczyński – previously a Member of the Supervisory Board of the Company – assumed the position of a Member of the Management Board of the Company,

In the course of the reporting period and until the date of this report, the following changes in the composition of aforementioned bodies occurred:

1. On 17 December 2020, the Company's Supervisory Board adopted resolutions concerning the appointment of additional persons to the Management Board for the current term of office:

   Mr. Janusz Dziemidowicz – Member of the Management Board;

   Mr. Wojciech Gattner – Member of the Management Board;

   Ms Anna Idzikowska – Member of the Management Board;

   Mr. Andrzej Ilczuk – Member of the Management Board.

2. 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:

Rafal Olesinski – Chairman of the Supervisory Board;

Wiktor Schmidt – Vice Chairman of the Supervisory Board;

Marcin Bilos – Member of the Supervisory Board;

Tomasz Drozdzynski – Member of the Supervisory Board;

Maciej Marszalek – Member of the Supervisory Board;

Arkadiusz Pernal– Member of the Supervisory Board;

Kinga Stanislawska – Member of the Supervisory Board.

The following changes in the composition of the body took place during and after the reporting period up to the date of the financial statements:

1. Mr Arkadiusz Pernal joined the Supervisory Board on 1 January 2021.
2. Mr Tomasz Drożdzyński resigned from the Supervisory Board on 11 March 2022.

6.

SHAREHOLDERS STRUCTURE

6.1.
List of shareholders holding directly or indirectly through subsidiaries at least 5% of the total number of votes at the issuer's general meeting

Shareholder	number of shares as at 30.03.2022	share in basic capital	number of votes at GSM	% share in the number of votes
Shareholders' Arrangement *	2,559,307	35.05%	2,559,307	35.05%
Nationale-Nederlanden OFE/PTE	524,371	7.18%	524,371	7.18%
Aviva TFI S.A.	365,910	5.01%	365,910	5.01%
own shares acquired by the Company	70,000	0.96%	70,000	0.96%
Others (none of which holds above 5% of shares)	3,782,195	51.80%	3,782,195	51.80%
TOTAL	**7,301,783**	**100%**	**7,301,783**	**100%**

Shareholder	number of shares as at 31.12.2021	share in basic capital	number of votes at GSM	% share in the number of votes
Shareholders Arrangement *	3,000,120	41.09%	3,000,120	41.09%
Others (none of which holds above 5% of shares)	4,301,663	58.91%	4,301,663	58.91%
TOTAL	**7,301,783**	**100%**	**7,301,783**	**100%**

Shareholder	number of shares as at 31.12.2020	share in basic capital	number of votes at GSM	% share in the number of votes
Shareholders' Arrangement *	3,739,649	51.46%	3,739,649	51.46%
Others	3,527,662	48.54%	3,527,662	48.54%
TOTAL	**7,267,311**	**100%**	**7,267,311**	**100%**

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

6.2. List of shares owned by members of the Management Board and Supervisory Board of the Issuing Party

Shareholder	Number of shares as of 30/03/2022	% share in the share capital	number of votes at the GMS	% share in the number of votes
President of the Management Board – Maciej Zuzalek	194,826	2.67%	194,826	2.67%
Member of the Management Board – Anna Idzikowska	17,000	0.23%	17,000	0.23%
Member of the Management Board – Andrzej Ilczuk	2,388	0.03%	2,388	0.03%
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	661,552	9.06%	661,552	9.06%
Member of the Supervisory Board – Maciej Marszalek	44,000	0.60%	44,000	0.60%
Member of the Supervisory Board – Rafal Olesinski	669	0.01%	669	0.01%
Member of the Supervisory Board – Kinga Stanislawska	105	0.00%	105	0.00%
TOTAL	**1,048,987**	**14.37%**	**1,048,987**	**14.37%**
Others	6,252,796	85.63%	6,252,796	85.63%
TOTAL	**7,301,783**	**100.00%**	**7,301,783**	**100.00%**

Shareholder	Number of shares as of 31.12.2021	share in the share capital	number of votes at the GMS	% share in the number of votes
President of the Management Board – Maciej Zuzalek	194,826	2.67%	194,826	2.67%
Member of the Management Board – Anna Idzikowska	17,000	0.23%	17,000	0.23%
Member of the Management Board – Andrzej Ilczuk	2,388	0.06%	2,388	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 Marszalek	44,000	0.60%	44,000	0.60%
Member of the Supervisory Board – Rafal Olesinski	669	0.01%	669	0.01%
Member of the Supervisory Board – Kinga Stanislawska	105	0.00%	105	0.00%
TOTAL	**1,195,035**	**16.43%**	**1,195,035**	**16.43%**
Others	6,095,013	83.57%	6,095,013	83.57%
TOTAL	**7,301,783**	**100.00%**	**7,301,783**	**100.00%**

Shareholder	Number of shares as of 31.12.2020	share in the share capital	number of votes at the GMS	% share in the number of votes
President of the Management Board – Maciej Zuzalek	194,826	2.68%	194,826	2.68%
Vicepresident of the Management Board – Arkadiusz Pernal	1,014,012	13.95%	1,014,012	13.95%
Member of the Supervisory Board – Maciej Marszalek	44,000	0.61%	44,000	0.61%
Member of the Supervisory Board – Rafal Olesinski	669	0.01%	669	0.01%
Member of the Supervisory Board – Kinga Stanislawska	105	0.00%	105	0.00%
TOTAL	**1,253,612**	**17.25%**	**1,253,612**	**17.25%**
Others	6,013,699	82.75%	6,013,699	82.75%
TOTAL	**7,267,311**	**100%**	**7,267,311**	**100%**

6.3. Series of shares

SERIES OF SHARES	Number of shares as of 30.03.2022 and as of 31.12.2021	Nominal value of shares	Total nominal value of shares
A	7,225,000	0.1,PLN	722,500.00
B	76,783	0.1,PLN	7,678.30

Series B shares relate to the Company's incentive programme.

SERIES OF SHARES	Number of shares as of 31.12.2020	Nominal value of shares	Total nominal value of shares
A	7,225,000	0.1,PLN	722,500.00
B	42,311	0.1,PLN	4,231.10

6.4. Description of changes in shareholding

Changes in the shareholding structure between 31.12.2020 and 30.03.2022 result from the transactions described in:

1. Notifications received on 15 January 2021 regarding changes in the shareholding of the Company, submitted by: Maciej Popowicz and Arkadiusz Pernal, of which the Company informed in the current report No. 5/2021.

2. Personal changes in the composition of the Company's Management Board, as described in the note above.

3. Notification of change in the holding of the Company's shares received on 29 November 2021, submitted by Anna Idzikowska, of which the Company informed in current report no. 37/2021.

4. Notification of change in the ownership of the Company's shares, received on 15 December 2021, submitted by Andrzej Ilczuk, of which the Company informed in the current report no. 39/2021.

5. Notifications received on 24 January 2022 concerning a change in the holding of the Company's shares, submitted by: Maciej Popowicz and Arkadiusz Pernal, of which the Company informed in current report No. 9/2022.

6. Notification regarding a change in the holding of shares in the Company, received on 28 January 2022, submitted by NN OFE, of which the Company informed in current report no. 15/2022.

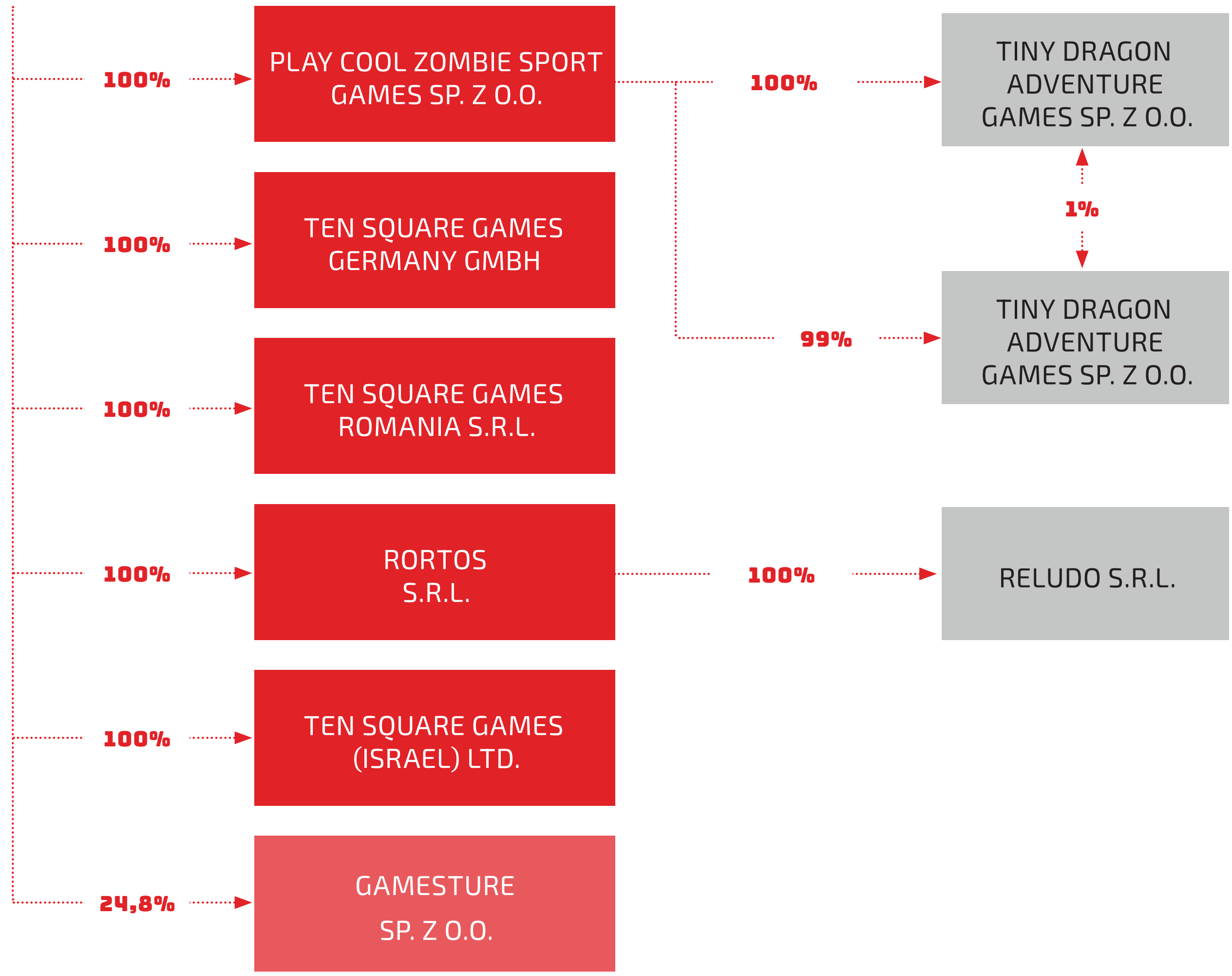
In addition, in July 2021, within the framework of the existing 2018-2020 incentive programme, shares were allocated to participants approved by the Supervisory Board. The related increase was registered on 24 September 2021 – the capital was increased by PLN 3,447.20 which corresponds to a capital increase of 34,472 shares.

7.

TEN SQUARE GAMES GROUP

ten square games

As at 30.03.2022:



On 14 October 2015, the first subsidiary – Play Cool Zombie Sport Games Sp. z o.o. was registered.

On 29 August 2016, Tiny Dragon Adventure Games Sp. z o.o. was registered.

On 17 November 2017, Fat Lion Games Sp. z o.o. was registered.

Ten Square Games Germany GmbH was established on 7 December 2020 (date of articles of association) and entered in the commercial register on 25 January 2021.

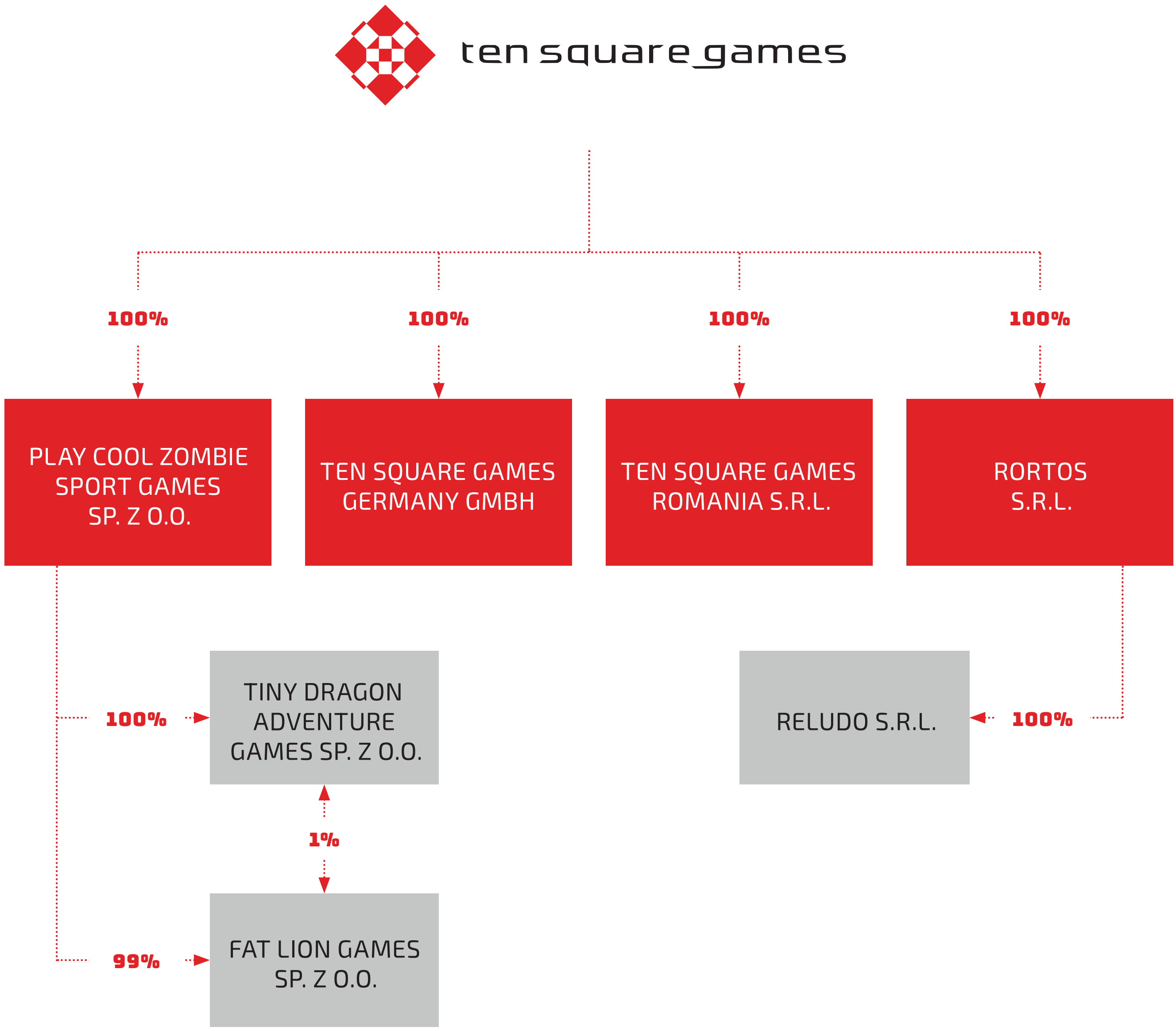
Ten Square Games Romania S.r.l. was incorporated on 17 May 2021 (the date of the memorandum of association) and entered in the commercial register on 28 June 2021.

Ten Square Games S.A. acquired 100% of the shares of Rortos S.r.l. on 5 July 2021, in execution of the provisions of the sale commitment agreement concluded on 30 June 2021.

Ten Square Games (Israel) Ltd. was incorporated on 15 February 2022 (the date of the memorandum of association) and entered in the commercial register on 20 February 2022.

Ten Square Games S.A. acquired 24.8% of the shares of Gamesture Sp. z o.o. on 11 March 2022.

As at 31.12.2021:



8.

INFORMATION ON CONSOLIDATION

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

SUBSIDIARIES' DATA

NAME	Play Cool Zombie Sport Games Sp. z o.o.	Tiny Dragon Adventure Games Sp. z o.o.	Fat Lion Games Sp. z o.o.	Gamesture Sp. z o.o.
Legal form	Spółka z ograniczoną odpowiedzialnością	Spółka z ograniczoną odpowiedzialnością	Spółka z ograniczoną odpowiedzialnością	Spółka z ograniczoną odpowiedzialnością
Registered seat	ul. Traugutta 45. 50-416 Wrocław. Poland	ul. Traugutta 45. 50-416 Wrocław. Poland	ul. Traugutta 45. 50-416 Wrocław. Poland	ul. Grodziska 8. 60-363 Poznań. Poland
Registration country	Poland	Poland	Poland	Poland
Core business activity	publishing activity with regard to computer games (58.21.Z)	publishing activity with regard to computer games (58.21.Z)	publishing activity with regard to computer games (58.21.Z)	Computer consultancy activities (62.02.Z)
Authority keeping the register	District Court. VI Commercial Division of the National Court Register	District Court. VI Commercial Division of the National Court Register	District Court. VI Commercial Division of the National Court Register	District Court. VIII Commercial Division of the National Court Register
Registry no.	KRS 0000580667	KRS 0000634216	KRS 0000704592	KRS 0000531228
Statistical REGON no.	362748821	365263544	368774363	360207363
Tax identification number	8982214450	8982223710	8982238999	7811902941
Company duration	indefinite	indefinite	indefinite	indefinite
% of capital held by the Parent Company	100%	100% (indirectly)	100% (indirectly)	24.8%

NAME	Ten Square Games Germany GmbH	Ten Square Games Romania Srl	Ten Square Games (Israel) Ltd	Rortos S.r.l.	Reludo S.r.l.
Forma prawna	Spółka z ograniczoną odpowiedzialnością	Spółka z ograniczoną odpowiedzialnością	Spółka z ograniczoną odpowiedzialnością	Spółka z ograniczoną odpowiedzialnością	Spółka z ograniczoną odpowiedzialnością
Registered seat	c/o BRL Boege Rohde Luebbehuesen Partnerschaft Pariser Platz 4A 10117 Berlin. Niemcy	82-98 Calea Griviței. 1st floor. The Podium building. The Mark complex. District 1. Bucharest. Romania	Gornitzky. law firm HaHarash 20 6761310 Tel Aviv. Izrael	Via del Pontiere 11. 37122 Verona. Italy	Via del Pontiere 11. 37122 Verona. Italy
Registration country	Germany	Romania	Israel	Italy	Italy
Core business activity	development. production. distribution. licensing and support of computer software. computer games. console games. online or mobile games. and the provision of online platforms for computer games.	publication of software. including in particular computer games	all economic activities legally permitted. including game production	design. development. installation. maintenance and management of software	design. development. installation. maintenance and management of software
Authority keeping the register	Amtsgericht Charlottenburg. Berlin. Niemcy	Bucharest Trade Registry Office	The State of Israel Ministry of Justice Corporations Authority Registrar of Companies	Companies' Register of Verona	Companies' Register of Verona
Registry no.	HRB 225333	J40/11061/2021	516564846	4132300239	3996860239
Statistical REGON no.	N/A	N/A	N/A	Economic and Administrative Index No. VR 394801	Economic and Administrative Index No. VR 383022
Tax identification number	The entity has not yet received a tax identification number	RO44499736	The entity has not yet received a tax identification number	4132300239 (same as register number)	03996860239 (same as register number)
Company duration	indefinite	indefinite	indefinite	indefinite	indefinite
% of capital held by the Parent Company	100%	100%	100%	100%	100% (indirectly)

9.

AUDITING COMPANY

PKF Consult Spólka z ograniczoną odpowiedzialnością Sp.k.
ul. Orzycka 6 lok. 1B, 02 – 695 Warszawa

10.

THE IMPACT OF THE COVID-19 OUTBREAK ON GROUP OPERATIONS

In March 2020 the World Health Organization declared that the COVID-19 disease caused by the SARS-CoV-2 coronavirus could be referred to as a pandemic, which is the highest level of alert that is issued by the WHO. While the pandemic has had and is having a negative impact on most businesses, there are industries for which 2020 meant an increase in business. The emergence of the COVID-19 outbreak has increased interest in, among other things, mobile games, including those offered by the Group, which has translated into a significant increase in revenue.

The Management Board monitors the situation on an ongoing basis and reacts accordingly. The Management Board report on activities includes a detailed description of the impact of the COVID-19 outbreak on the Group's operations. As at the date of publication of these consolidated financial statements, the Company's Management Board, based on the risk analysis performed to date, estimates that the pandemic does not affect the assessment of the ability to continue as a going concern assumption of the Company.

11.

IMPACT OF THE WAR IN UKRAINE ON GROUP OPERATIONS

On 24 February 2022, the Russian invasion of Ukraine began. This event has had and continues to have a significant impact on the Company's operations – among other things, it has rapidly disrupted financial markets (strong weakening of the Polish zloty, potentially positive impact on results in subsequent periods). The Company employs a total of several dozen people from countries involved in the conflict (Ukraine, Russia, Belarus), so the priority was to ensure, as far as possible, the safety of employees located in the war zone, which is dealt with by a special working group. In addition, the Board of Directors decided to donate PLN 1 million to NGOs supporting refugees from Ukraine and to provide a subsidy to employees who decide to host them in their own homes.

On 8 March 2022, the Company ceased providing, maintaining and blocked payments for all of its games in Russia and Belarus, which may impact the results generated in 2022 and beyond. Sales in these markets accounted for approximately 5.3% of total 2021 payments and 99% of the receivables have already been paid to the Group as at the date of this report.

12.

REPRESENTATION OF THE MANAGEMENT BOARD

The Management Board of the Parent Entity represents that, to the best of their knowledge, this consolidated financial statement and the comparative data have been prepared in accordance with the accounting policy of the Ten Square Games S.A. Group and that they give a true and fair view of the Group's assets, financial position and results of operations.

The Management Board also declares that the Management Board report on activities gives a true picture of the Group's development, achievements and situation, including a description of the main threats and risks.

13.

MANAGEMENT BOARD INFORMATION

The Management Board of the Parent Company announces that the selection of the audit firm to audit the annual standalone and consolidated financial statement for fiscal year 2020 was made by the Supervisory Board of the Company in the form of a resolution adopted on 17 May 2019 after the recommendation presented by the Audit Committee. The Supervisory Board selected the audit firm PKF Consult Sp. z o.o. sp. k. to review the semi-annual financial statements of Ten Square Games S.A. and the semi-annual consolidated financial statements of the Ten Square Games S.A. Group for the periods from 01.01.2019 to 30.06.2019, from 01.01.2020 to 30.06.2020 and from 01.01.2021 to 30.06.2021, as well as the audit of the annual separate financial statements of Ten Square Games S.A. and the annual consolidated financial statements of the Ten Square Games S.A. Group for the years 2019, 2020 and 2021 and thus decided to extend the agreement with PKF Consult Sp. z o.o. sp.k.

The audit firm and the members of the team auditing the annual separate and consolidated financial statements for the financial year 2020 fulfilled the conditions for the preparation of an objective and independent report on the audit of the annual financial statement in accordance with the applicable regulations, professional standards and professional ethics.

Ten Square Games S.A. Group complies with applicable laws relating to the rotation of the audit firm and the key statutory auditor, as well as mandatory grace periods;

Ten Square Games S.A. (parent entity) has a policy for selecting an audit firm and a policy for the provision to the issuer by the audit firm, an entity affiliated with the audit firm or a member of its network of additional non-audit services, including services conditionally exempt from the prohibition on the provision by the audit firm.

III.

BASIS OF PREPARATION AND ACCOUNTING POLICY

1.

COMPLIANCE WITH THE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The consolidated financial statement prepared as at 31 December 2020 has been prepared in accordance with International Accounting Standards, International Financial Reporting Standards and interpretations issued by the International Accounting Standards Board approved by the European Union, hereinafter referred to as "EU IFRS".

In preparing the consolidated financial statements as at 31 December 2021, the Company adopted all new and approved standards and interpretations issued by the International Accounting Standards Board and the International Accounting Standards Interpretation Committee and approved for application in the EU, applicable to its operations .

Standards, interpretations and amendments to published Standards endorsed by the EU that have been adopted as at 30 March 2022 but are not yet effective for annual periods beginning on 1 January 2021 include:

- Amendments to IFRS 3 Business Combinations, IAS 16 Property, Plant and Equipment, IAS 37 Provisions, Contingent Liabilities and Contingent Assets and Amendments to International Financial Reporting Standards 2018-2020, – effective for annual periods beginning 1 January 2022. (earlier application is permitted);
- Amendments to IAS 1 Presentation of Financial Statements and IFRSs-Practical Position 2: Disclosures about Accounting Policies, – effective for annual periods beginning on or after 1 January 2023 (earlier application is permitted);
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors – effective for annual periods beginning on or after 1 January 2023 (earlier application is permitted);
- Amendments to IFRS 17 Insurance Contracts – effective for annual periods beginning on or after 1 January 2023. (early application is permitted).

In approving these financial statements, the Group has not applied the following standards, amendments to standards and interpretations that have not yet been endorsed for use in the EU, such as:

» Amendments to IAS 1 Presentation of Financial Statements: Classification of liabilities as current or non-current and Classification of liabilities as current or non-current;

» Amendments to IAS 12 Income Taxes: Deferred tax on assets and liabilities recognised in a single transaction;

» Amendments to IFRS 17 Insurance Contracts: First-time Adoption of IFRS 17 and IFRS 9;

The above amendments to standards and interpretations were not relevant to the Company or had an immaterial impact on the Company's financial position, results of operations or the scope of information presented in these financial statements of the Company.

In preparing the financial statements as at 31.12.2021, the Group has not opted for early application of any standard, interpretation or amendment that has been published but has not yet become effective under European Union legislation. According to the Company's estimates, the early application by the Company of these standards, interpretations and amendments to standards would not have a material impact on these financial statements.

2.

CHANGES IN ACCOUNTING PRINCIPLES (POLICY)

There were no changes in accounting policies during 2021.

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:

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 Group 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, the Group has made changes to its IT systems, whereby it has started to collect data to analyze the usage of durable goods over time. Accordingly, the Group estimates the amount of the liability (customer contract liability) for the provision of the durable good in the game – the revenue relating to the purchase of durable virtual goods (and the commission of digital distribution platforms such as Google Play and App Store relating to this revenue) is recognized by the estimated average playing period of 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 Group in the costs of sales.

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 goods and 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 Sqaure 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 Company and balance sheet valuation of settlements as well as the time allocation of revenues from users.

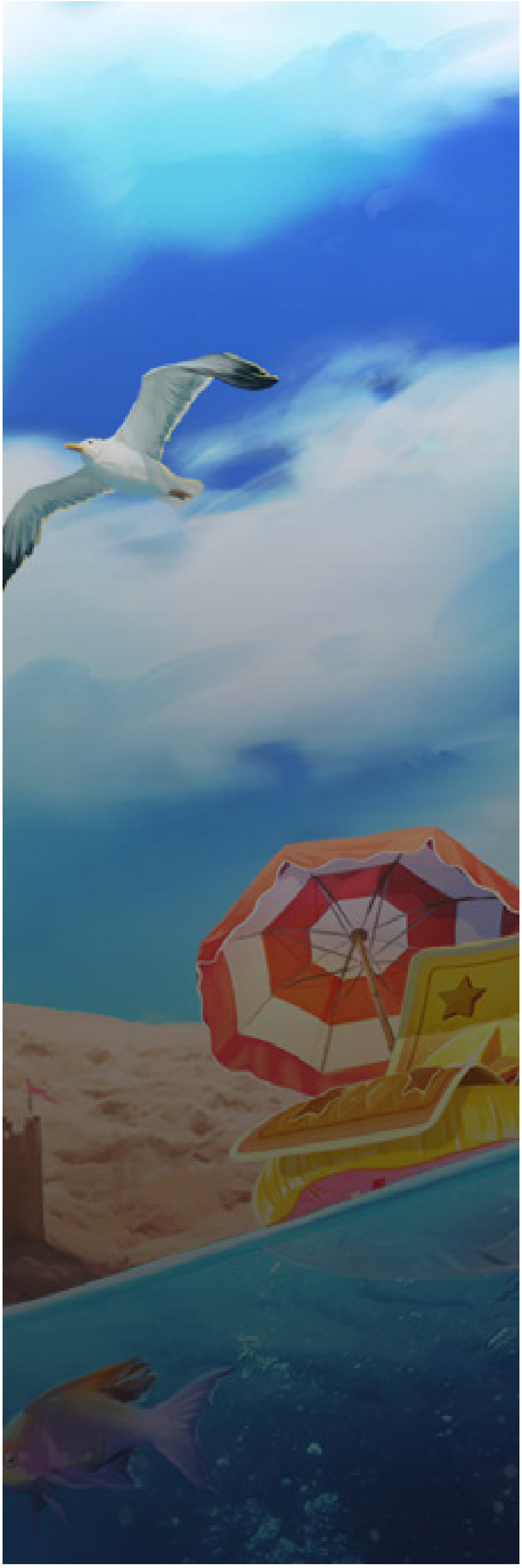
Deferred income tax is calculated with the use of tax rates, legally or actually binding as at the balance-sheet date, which will be applicable upon their implementation.

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 connected with 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 will recognise 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 that better reflects the resolution of the uncertainty, using the single most probable result or the expected value method (the probability-weighted amounts of possible solutions). In the assessment of 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 IAC 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 valuated 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.

Development works

The Group's intangible assets also include tangible assets in progress (games) if they can be qualified as development works, in accordance with IAC 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.

Intangible assets under construction include compensation expense, which is recognized along with share-based payments.

Intangible assets under construction include, among other things, salary costs, recognised together with share-based payments as well as indirect cost markup.

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, valuation, 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 valued based on the 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 valuates an asset by virtue of the right of use, using the cost model, while the liability is valuated through:

a. increasing the balance sheet value to reflect interest on the lease liability,

b. reducing in the carrying amount to reflect the lease payments made; and

c. revaluing the carrying amount 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 valuate a financial asset or financial liability at its fair value, which in the case of financial assets or financial liabilities not valuated 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 valuated, 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 valuated at amortized costs if it meets both of the following conditions:

a. a financial asset is maintained in accordance with the business model whose aim is maintaining financial assets for the purpose of obtaining cash flows resulting from the agreement;

b. the provisions of the agreement concerning a financial asset result in the creation of cash flows, within specified periods, which are only the repayment of main amount and interest on the outstanding amount.

A financial asset shall be valuated 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 valuated at fair value by financial result unless it is valuated 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 valuated, after initial recognition, at amortized cost, excluding: financial liabilities valuated 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 valuate 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 valuated at fair value and denominated in foreign currencies are valuated according to the rates applicable at the date when fair value was determined. Non-financial items are valuated 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. Pre-payments 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. Capitals

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 valuate 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 statements, provisions are presented as non-current and current respectively.

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 valuated 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 sales of durable virtual goods

The Group estimates the amount of the liability (customer contract liability) for the provision of a durable in-game good – 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.

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 in the game over time

As at the reporting date, the Company shall estimate a number of unused premium packages (banknotes 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 use of durables in the game over time

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

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

*The 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 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 Group 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 has only recognised the time income from fixed assets for Fishing Clash. The Company did not recognise deferred revenue from fixed assets for the other leading title, Hunting Clash, until 31 December 2021.

Contingent earn-out payments

In connection with the acquisition of Rortos in July 2021, the parent company has made an initial accounting for the acquisition of the shares and the calculation of the liability to pay. The payment for the acquisition of the shares consists of a cash portion, payable immediately after the acquisition of the shares, and future payments contingent on meeting Rortos' financial targets as set out in the agreement. The acquisition liability has therefore been calculated based on the projected performance of Rortos and the amount of earn-out to be paid for the years 2022-2025 predicted on that basis. The projections of future performance have been determined based on the entity's estimates of revenue, direct costs – including user acquisition expenses, and indirect costs. The calculation includes projected financial results by Rortos' main game titles – including primarily Warplanes, RFS and Airline Commander.

In order to reflect the current market assessment of the time value of money and the risks specific to the liability, future payments were estimated taking into account changes in the time value of money and discounted to present value.

In the calculation of acquisition liabilities, there is primarily uncertainty regarding the achievement of the assumed financial results of the related party. The results in subsequent years may assume a value higher or lower than assumed, resulting in a deviation of the actual liability from the estimated amount as at 31.12.2021.

The amount included under liabilities in the balance sheet represents the most appropriate estimate, consistent with the best available knowledge at the date of preparation of the report.

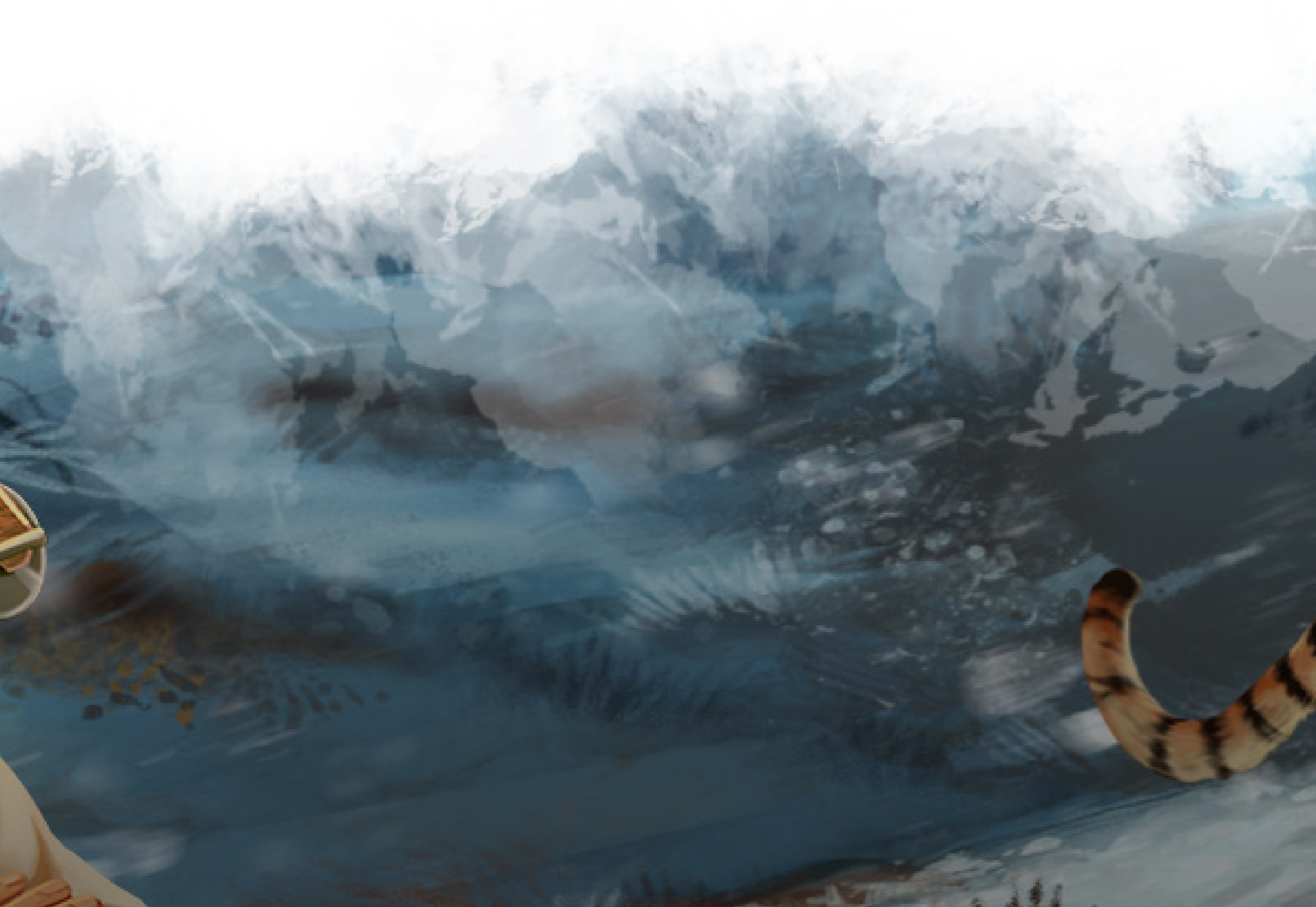
Determination of materiality

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 8 million as the materiality level in the preparation of the financial statement (according to the accounting policy, not more than 5% of the gross result).

ten square games

IV.

ADDITIONAL NOTES AND EXPLANATIONS TO THE CONSOLIDATED FINANCIAL STATEMENT



1.

SALES REVENUES

In accordance with IFRS 15, revenues from the sale of services, net of value added tax, discounts and rebates are recognised when the obligation to provide the service by handing over the service to the contractor is met.

SPECIFICATION	01.01.2021 – 31.12.2021	01.01.2020 – 31.12.2020
Sales of services	634,045,040	578,194,656
TOTAL revenues from sales of services	**634,045,040**	**578,194,656**
Other operating revenues	438,596	201,281
Financial revenues	45,090	83,320
TOTAL revenues from continuing operations	**634,528,726**	**578,479,257**
TOTAL revenues	**634,528,726**	**578,479,257**

Revenues from discontinued operations did not occur.

1.1. Information on operating segments and 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, in turn, the effect of deferred income from micropayments and the non-cash cost of the incentive program of the CEO, Mr. Maciej Zuzalek (cost recognized in the statement of comprehensive income in 2020-2022).

Recurring EBITDA means the Group's reported operating profit for the financial year plus depreciation and amortisation of property, plant and equipment and intangible assets, adjusted for:

» extraordinary and non-recurring events;

» costs of conducting the Programme in accordance with the financial reporting standards binding for the Company;

» effect of accounting recognition in time of the incentive programme of President of the Management Board Maciej Zużałek (described below)

» impact of non-cash adjustments to revenue (and related distributor commission expense), related to e.g. deferred revenue from virtual currency or durable virtual goods (durables)

» the effect of possible one-off write-downs on capital expenditure on the creation of mobile games;

» the effect of possible changes in the tax and social security system, resulting, inter alia, from changes in the applicable legislation, including the "New Deal", which would cause an increase in the Company's costs due to the need to increase the remuneration of employees and associates (applies only to the financial result for 2022).

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 REVENUE	bookings 2021	share in bookings in 2021	bookings 2020	share in bookings in 2020
micro-payments	633,533,173	97.5%	611,654,530	97.7%
advertisements	9,732,979	1.5%	10,174,349	1.6%
licences	6,302,908	1.0%	4,080,106	0.7%
BOOKINGS TOTAL	**649,569,060**	**100.0%**	**625,908,985**	**100.0%**
Deferred revenue (unused virtual currency)	-6,243,418	N/A	-4,543,658	N/A
Deferred revenue (unused durables)	-9,280,603	N/A	-43,170,671	N/A
REVENUES TOTAL	**634,045,040**	**N/A**	**578,194,656**	**N/A**

Revenues from micropayments and licenses are entirely generated by natural persons, while the flow of funds to the Group takes place through payment aggregators, mobile marketplaces or licensees. Users purchase certain packages in the game, e.g. a package of pearls, a package of lures (in fishing games), improved rods. The price of the package is fixed and determined by the Group. The goods are handed over to the user at the moment of registration of payment by the indicated entities. Although in the case of purchase of premium packages, i.e. packages containing e.g. virtual currency, the transfer of currency to the user's account takes place immediately after the payment is made, the very use of the virtual currency in the game may be postponed in time – this depends on the decision of the player, who may individually, within the framework of an agreement between the parties, choose the moment of exchange of the virtual currency for other virtual goods.

In the course of 2020, the Group has made changes to its IT systems so that it has started to collect data to analyze the usage of durable goods over time. As a result, the Group has estimated the amount of the liability (customer contract liability) for the provision of durable goods in the game as at 31 December 2020 – the revenue relating to the purchase of durable virtual goods (and the commission of digital distribution platforms such as Google Play and App Store relating to this revenue) is recognised over the estimated average play period of the paying users. As it is impracticable for the Group to apply the new accounting policies retrospectively as the Group is unable to determine the cumulative effect of applying the new accounting policies to all prior periods, the new accounting policies have therefore been applied prospectively from 2020.

Estimating the average length of time a paying user remains in a game requires a sufficiently long history of player behaviuor. Accordingly, as of 31 December 2020, the Group recognized over time revenue from durable goods only for the Fishing Clash game. The posted adjustment resulted in a decrease of the 2020 revenue by PLN 43.2 million and operating profit by PLN 30.2 million. Subsequent adjustments for the Fishing Clash title, made on a quarterly basis beginning January 1, 2021, no longer have such a material impact on the financial statements.

The impact of a corresponding adjustment in 2021 has a much smaller percentage impact on the Company's revenue and operating profit than it did in 2020.

For the second leading title, i.e. Hunting Clash, the Company did not recognise the timing of revenue from durable goods until 31 December 2021. Due to the first recognition of the adjustment, the impact on the statement is also one-off higher, i.e. a reduction in revenue by PLN 6m and a corresponding reduction in operating profit by PLN 4.2m. In subsequent reporting periods, the amounts of the adjustments should be smaller due to regular recognition and translation of goods every quarter.

In the case of advertising revenue, advertisements in games are displayed to users (natural persons). 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 2021	share in bookings in 2021	bookings 2020	share in bookings in 2020
Fishing Clash*	482,881,589	74.3%	562,334,549	89.8%
Hunting Clash	115,766,337	17.8%	16,076,997	2.6%
Let's Fish	14,474,391	2.2%	16,477,763	2.6%
Wild Hunt	13,070,985	2.0%	15,395,071	2.5%
Airline Commander	5,097,467	1.0%	N/A	N/A
Real Flight Simulator	6,851,087	1.3%	N/A	N/A
Others	11,427,205	1.4%	15,624,605	2.5%
BOOKINGS TOTAL	**649,569,060**	**100.0%**	**625,908,985**	**100.0%**
Deferred revenue (unused virtual currency)	-6,243,418	N/A	-4,543,658	N/A
Deferred revenue (unused durables)	-9,280,603	N/A	-43,170,671	N/A
REVENUES TOTAL	**634,045,040**	**N/A**	**578,194,656**	**N/A**

* In the amount of bookings for the Fishing Clash game, an amount of PLN 3.27 million (0.7% of the total payments for this title) was included relating to licence revenues generated in the Chinese market, in 2020 the Fishing Clash game had not yet been distributed in China, hence revenues for the previous year from this source were not generated.

SPLIT OF CONSOLIDATED BOOKINGS BY GAMES BY QUARTERS:

GAME	1Q 2021	2Q 2021	3Q 2021	4Q 2021
Fishing Clash	131,659,442	114,983,038	114,371,143	121,867,964
Hunting Clash	26,840,820	30,390,316	28,042,011	30,493,190
Let's Fish	4,208,029	3,710,888	3,110,282	3,445,192
Wild Hunt	3,666,218	3,331,467	2,761,094	3,312,206
Rortos Games	—	—	7,183,811	6,954,796
Others	2,821,641	2,561,285	2,237,641	1,616,584
TOTAL BOOKINGS	**169,196,150**	**154,976,993**	**157,705,984**	**167,689,934**
Deferred revenue (unused virtual currency)	3,213,637	283,892	-2,265,275	-7,475,672
Deferred revenue (unused durables)	1,704,189	9,624,478	-7,489,650	-13,119,620
REVENUES TOTAL	**174,113,976**	**164,885,363**	**147,951,059**	**147,094,641**

GAME	1Q 2020	2Q 2020	3Q 2020	4Q 2020
Fishing Clash	84,677,795	158,043,812	164,256,332	155,356,610
Hunting Clash	65,559	347,467	3,361,414	12,302,557
Let's Fish	3,868,618	4,551,211	3,708,977	4,348,957
Wild Hunt	3,542,576	4,375,098	3,708,729	3,768,668
Rortos Games	—	—	—	—
others	2,987,762	3,228,617	4,798,386	4,609,840
BOOKINGS TOTAL	**95,142,310**	**170,546,205**	**179,833,838**	**180,386,632**
Deferred revenue (unused virtual currency)	95,569	-693,809	-575,289	-3,370,129
Deferred revenue (unused durables)	0	0	0	-43,170,671
REVENUES TOTAL	**95,237,879**	**169,852,396**	**179,258,549**	**133,845,832**

Deferred revenuee by game and quarter in 2021 and the balance sheet balance at 1.01.2021 and 31.12.2021 (balance sheet item "liabilities under contracts with customers" for deferred revenue and balance sheet item "assets under contracts with customers" for deferred commission costs):

CONSUMABLE	Balance sheet item 1.01.2021	Change of deferrement 1Q 2021	Change of deferrement 2Q 2021	Change of deferrement 3Q 2021	Change of deferrement 4Q 2021	Balance sheet item 31.12.2021
Fishing Clash						
Deferred revenues	-6,235,931	3,080,182	263,529	-1,285,117	-5,245,808	-9,423,145
Deferred costs	1,870,779	-924,055	-79,059	385,535	1,573,743	2,826,943
Hunting Clash						
Deferred revenues	0	0	0	-953,028	-1,918,953	-2,871,981
Deferred costs	0	0	0	285,908	575,686	861,594
Let's Fish						
Deferred revenues	-143,137	62,366	6,257	-17,775	-122,288	-214,577
Deferred costs	42,941	-18,710	-1,877	5,332	36,687	64,373
Wild Hunt						
Deferred revenues	-168,108	71,089	14,106	-9,355	-188,622	-280,890
Deferred costs	50,433	-21,327	-4,232	2,806	56,587	84,267
Total						
Deferred revenues	-6,547,176	3,213,637	283,892	-2,265,274	-7,475,672	-12,790,593
Deferred costs	1,964,153	-964,091	-85,168	679,582	2,242,702	3,837,178

DURABLE	Balance sheet item 1.01.2021	Change of deferrement 1Q 2021	Change of deferrement 2Q 2021	Change of deferrement 3Q 2021	Change of deferrement 4Q 2021	Balance sheet item 31.12.2021
Fishing Clash						
Deferred revenues	-43,170,671	1,704,189	9,624,478	-7,489,650	-7,100,476	-46,432,130
Deferred costs	12,951,201	-522,700	-2,975,208	2,157,829	2,007,090	13,618,212
Hunting Clash						
Deferred revenues	0	0	0	0	-6,019,144	-6,019,144
Deferred costs	0	0	0	0	1,781,756	1,781,756
Total						
Deferred revenues	-43,170,671	1,704,189	9,624,478	-7,489,650	-13,119,620	-52,451,274
Deferred costs	12,951,201	-522,700	-2,975,208	2,157,829	3,788,846	15,399,968

CONSUMABLE + DURABLE	Balance sheet item 1.01.2021	Change of deferrement 1Q 2021	Change of deferrement 2Q 2021	Change of deferrement 3Q 2021	Change of deferrement 4Q 2021	Balance sheet item 31.12.2021
Deferred revenues	-49,717,847	4,917,826	9,908,370	-9,754,924	-20,595,291	-65,241,866
Deferred costs	14,915,354	-1,486,791	-3,060,376	2,837,411	6,031,547	19,237,146
Impact on result	**-34,802,493**	**3,431,035**	**6,847,994**	**-6,917,513**	**-14,563,743**	**-46,004,721**

1.4. Revenues – by partner

counterparty	bookings 2021	share in bookings in 2021	bookings 2020	share in bookings in 2020
Google Inc.	390,427,975	60.1%	362,263,244	57.9%
Apple Distribution International	226,519,219	34.9%	224,354,185	35.8%
Others (none of which above 10%)	32,621,866	5.0%	39,291,556	6.3%
BOOKINGS TOTAL	**649,569,060**	**100.0%**	**625,908,985**	**100.0%**
Deferred revenue (unused virtual currency)	-6,243,418	N/A	-4,543,658	N/A
Deferred revenue (unused durables)	-9,280,603	N/A	-43,170,671	N/A
REVENUES TOTAL	**634,045,040**	**N/A**	**578,194,656**	**N/A**

1.5. Revenues – distribution channel

distribution channel	bookings 2021	share in bookings in 2021	bookings 2020	share in bookings in 2020
Mobile	626,256,053	96.4%	597,167,165	95.4%
Browser	23,313,007	3.6%	28,741,820	4.6%
BOOKINGS TOTAL	**649,569,060**	**100.0%**	**625,908,985**	**100.0%**
Deferred revenue (unused virtual currency)	-6,243,418	N/A	-4,543,658	N/A
Deferred revenue (unused durables)	-9,280,603	N/A	-43,170,671	N/A
REVENUES TOTAL	**634,045,040**	**N/A**	**578,194,656**	**N/A**

1.6.
Revenues – geographical breakdown

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

region	bookings 2021	share in bookings in 2021	bookings 2020	share in bookings in 2020
North America	278,406,215	41.3%	258,775,994	41.3%
Europe	242,676,411	39.3%	245,992,079	39.3%
including Poland	*33,660,826*	*5.1%*	*31,826,280*	*5.1%*
Asia	98,485,916	14.1%	88,084,808	14.1%
South America	14,283,599	2.9%	18,172,694	2.9%
Australia and Oceania	9,957,890	1.6%	9,801,122	1.6%
Africa	5,759,029	0.8%	5,082,288	0.8%
BOOKING TOTAL	**649,569,060**	**100%**	**625,908,985**	**100%**
Deferred revenue (unused virtual currency)	-6,243,418	N/A	-4,543,658	N/A
Deferred revenue (unused durables)	-9,280,603	N/A	-43,170,671	N/A
REVENUES TOTAL	**634,045,040**	**N/A**	**578,194,656**	**N/A**

2.

OPERATING COSTS

SPECIFICATION	01.01.2021 – 31.12.2021	01.01.2020 – 31.12.2020
Depreciation	7,987,477	3,085,766
Consumption of materials and energy	1,259,607	1,435,098
Third-party services	388,937,245	359,274,742
Taxes and fees	3,050,720	2,335,412
Remuneration	69,951,138	38,009,818
Social insurance and other benefits	13,959,180	3,675,601
Other costs by type	981,591	126,889
Total costs by type. including:	**486,126,958**	**407,943,325**
Costs of rendering of services for internal purposes (negative value)	-22,239,602	-2,247,154
Selling costs (negative)	-347,248,828	-343,569,143
General and administrative costs (negative)	-62,707,801	-36,688,631
Costs of services sold	**53,930,727**	**25,438,397**

Split of selling costs:

SPECIFICATION	01.01.2021 – 31.12.2021	01.01.2020 – 31.12.2020
Selling costs	**347,248,828**	**343,569,143**
marketing:	139,522,500	164,631,427
– *Fishing Clash*	82,004,759	145,287,784
– *Wild Hunt*	0	1,542,597
– *Hunting Clash*	57,074,573	12,939,938
– *other games. events*	443,168	4,861,108
provisions	181,680,245	167,019,929
revenue share	1,821,970	1,751,615
salaries. subcontractor services	17,257,917	7,676,866
mobile games market research services	3,033,641	0
others	3,932,555	2,489,306

Quarterly breakdown of selling costs

SPECIFICATION	1Q 2021	2Q 2021	3Q 2021	4Q 2021
Selling costs	**95,935,217**	**95,799,537**	**82,618,730**	**72,895,344**
marketing:	40,137,460	42,419,871	33,944,492	23,020,677
– *Fishing Clash*	22,551,718	24,783,495	21,055,086	13,614,460
– *Wild Hunt*	0	0	0	0
– *Hunting Clash*	17,412,032	17,438,915	12,889,406	9,334,220
– *other games. events*	173,710	197,461	0	71,997
provisions	50,414,040	47,816,995	41,574,686	41,874,524
revenue share	477,124	423,624	411,570	509,652
salaries. subcontractor services	3,961,297	3,338,075	4,496,667	5,461,878
mobile games market research services	548,606	1,317,788	571,024	596,223
others	396,690	483,184	1,620,291	1,432,390

SPECIFICATION	1Q 2020	2Q 2020	3Q 2020	4Q 2020
Costs of sales	**48,544,738**	**124,795,326**	**95,253,370**	**74,975,709**
marketing:	19,122,999	72,755,975	40,423,986	32,328,468
– *Fishing Clash*	18,263,312	70,508,454	33,387,047	23,128,972
– *Wild Hunt*	325,446	470,675	667,616	78,860
– *Hunting Clash*	83,663	607,147	4,385,558	7,863,570
– *other games. events*	450,578	1,169,699	1,983,765	1,257,066
provisions	27,044,419	49,255,530	52,189,581	38,530,399
revenue share	417,224	473,283	421,434	439,675
salaries. subcontractor services	1,559,372	1,683,409	1,613,387	3,207,421
others	400,724	627,129	604,984	469,746

Cost analysis:

COMPONENTS OF THE COST OF RENDERING OF SERVICES FOR THE ENTITY'S OWN NEEDS	01.01.2021 – 31.12.2021	01.01.2020 – 31.12.2020
Basic remuneration	4,168,693	1,080,881
Third party services	13,055,305	668,149
Social insurance and other benefits	653,073	209,184
Share-based payments	2,054,142	288,940
Company-wide expense charge	2,308,389	0
Total	**22,239,602**	**2,247,154**

BREAKDOWN OF COSTS OF SALARIES AND OTHER EMPLOYEE BENEFITS (EXCLUDING AMOUNTS SHOWN IN THE PRODUCTION COST COMPONENTS)	01.01.2021 – 31.12.2021	01.01.2020 – 31.12.2020
Basic remuneration	28,247,666	15,256,919
Share-based payments (part of remuneration)	41,703,472	21,383,078
Social insurance and other benefits	13,959,180	3,466,418
Total costs of employee benefits. including:	**83,910,318**	**40,106,415**
Items included in the cost of goods sold	31,638,484	12,140,659
Items included in the selling costs	9,829,802	2,661,563
Items included in general and administrative costs	42,442,032	25,304,193

DISTRIBUTION OF DEPRECIATION COSTS	01.01.2021 – 31.12.2021	01.01.2020 – 31.12.2020
Items included in the cost of services sold:	**6,598,603**	**2,298,192**
Amortization of fixed assets	1,250,715	1,271,869
Amortization of intangible assets	5,347,888	1,026,323
Items included in the selling costs	**565,909**	**390,400**
Amortization of fixed assets	527,789	376,235
Amortization of intangible assets	38,120	14,165
Items included in general and administrative costs	**420,609**	**397,174**
Amortization of fixed assets	394,321	381,558
Amortization of intangible assets	26,288	15,616
Items included in the cost of products manufactured for the entity's own use:	**402,357**	**0**
Amortization of fixed assets	375,407	0
Amortization of intangible assets	26,950	0

3.

OTHER OPERATING COSTS

OTHER OPERATING COSTS	01.01.2021 – 31.12.2021	01.01.2020 – 31.12.2020
Intangible assets impairment charge	3,760,701	0
Donations	404,430	913,420
Write-down of uncollectible receivables	7,118	8,176
Other	203,438	3,828
Total	**4,375,687**	**925,424**

During the second quarter of 2021, the Company's Management Board, having re-examined the competitive environment, decided to discontinue development of Golf Royale, a game in development. Taking into account the growing number of competitors offering advanced games with similar themes and the relatively high marketing costs in this segment, further investment in this title was deemed unprofitable.

As a result, the Company incurred a cost of PLN 3,761 thousand. The personnel resources creating Golf Royale were allocated mainly to the team working on the further development of Fishing Clash.

4.

FINANCIAL INCOME AND EXPENSE

FINANCIAL REVENUES	01.01.2021 – 31.12.2021	01.01.2020 – 31.12.2020
Interest income	45,090	83,320
Total	**45,090**	**83,320**

FINANCIAL COSTS	01.01.2021 – 31.12.2021	01.01.2020 – 31.12.2020
Excess of negative exchange rate differences	1,629,111	679,002
Interest – unwinding of the discount on the liability for the purchase of Rortos	2,652,789	0
Others	2,014	233,359
Total	**4,283,914**	**912,361**

5.

INCOME TAX AND DEFERRED TAX

INCOME TAX DISCLOSED IN THE STATEMENT OF COMPREHENSIVE INCOME	01.01.2021 – 31.12.2021	01.01.2020 – 31.12.2020
Current income tax	**22,133,337**	**21,045,949**
Concerning the financial year	22,133,337	21,045,949
Deferred income tax	**-1,416,150**	**-1,699,611**
Related to the origination and reverse of temporary differences	-1,416,150	-1,699,611
Tax disclosed in the consolidated statement of comprehensive income	**20,717,187**	**19,346,338**

The determination of gross profit for the purpose of determining the tax base is as follows:

SPECIFICATION	01.01.2021 – 31.12.2021	01.01.2020 – 31.12.2020
Gross profit (loss)	**161,981,769**	**170,945,301**
Unrealized exchange rate differences	4,178,565	76,130
Write-down of receivables (non-deductible)	10,706	8,175
Unused annual leave accrual	362,142	276,908
Cost accruals	5,657,269	1,004,486
Donations (subsequently deducted from income)	404,430	876,698
Other non-tax-deductible costs	3,483,433	465,822
Amortization of intangible assets	1,289,109	978,157
Depreciation – lease	1,925,258	1,546,361
Capitalisation of game costs	-22,239,602	-2,247,154
Intangible assets impairment charge	3,760,701	0
Share-based payments	41,703,472	21,672,018
Revenue (and related cost) deferred in the balance sheet	11,202,237	33,400,030
Other tax-deductible expenses	-6,199,547	-1,164,257
Taxable income	**207,519,942**	**227,838,676**

The parent company took advantage of the so-called IP Box relief in 2019 and 2020. This relief allows taxation of income obtained from qualified property rights at the rate of 5% instead of standard 19%.

The subsidiary Rortos S.r.l. also benefits from a relief for research and development (the so-called patent box), allowing it to reduce the tax base and to account for up to 110% (and in subsequent years up to 190%) of the costs related to research and development. The accrual of the allowance in 2021 was based on an agreement between Rortos S.r.l. and the Italian Tax Authority in December 2021. The allowance retrospectively covered the years 2016-2020 and was accountable in the current year, reducing the tax base by €1,906 million.

Laws concerning corporate income tax are subject to frequent changes, as a result of which there is often no reference to well-established regulations or legal precedents. The current regulations also contain ambiguities, which cause differences in legal interpretations 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 subject to control by authorities which are entitled to impose high penalties, and additional amounts of liabilities determined as a result of control must be paid together with high interest. These phenomena mean that the tax risk in Poland is higher than usually existing in countries with developed tax system. Tax settlements may be audited for a period of five years. As a result, the amounts disclosed in the financial statement may be subject to change at a later date after they are finally determined by the tax authorities.

Structure of a deferred income tax asset

SPECIFICATION	as at 31.12.2021	as at 31.12.2020
Accounting for virtual currency over time	447,671	229,151
Accounting for durables over time	4,343,041	1,510,973
Accrual for annual leave	169,690	58,937
Accrual for audit costs	9,797	4,746
Lease – IFRS 16 valuation	204,628	74,630
Revaluation of settlements	149,957	0
Provision for renumerations	1,257,609	71,609
Other provisions	1,944	35,143
Total	**6,584,337**	**1,985,189**

Structure of deferred income tax provision

SPECIFICATION	as at 31.12.2021	as at 31.12.2020
Depreciation of games	4,993,184	418,038
Revaluation of settlements	0	25,356
Total	**4,993,184**	**443,394**

Deferred tax assets and liabilities are measured using the tax rates that are expected to apply when the asset is realized or the liability is settled, based on available projections. For a significant portion of temporary differences, a rate of 5% has been applied resulting from the Parent Company's application of the IP Box tax credit.

6.

DISCONTINUED ACTIVITY

The Company did not discontinue any activities during the financial year.

7. DISTRIBUTION OF PROFIT FOR 2020

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

1. the amount of PLN 72,673,110.00 was earmarked for distribution to shareholders in the form of a dividend payment of PLN 10.00 per share;

2. the amount of PLN 77,916,411.00 was allocated to the creation of reserve capital for the acquisition of own shares.

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

8.

TANGIBLE FIXED ASSETS

SPECIFICATION	Machinery and equipment	Buildings. premises and civil engineering works	Other fixed assets	fixed assets under construction	TOTAL
Gross carrying amount at 01.01.2021	**2,278,219**	**8,693,695**	**198,898**	**0**	**11,170,812**
Increases due to acquisition of fixed assets	3,393,779	1,355,670	220,828	5,079,800	10,050,077
Decreases due to sale of fixed assets	111,840	0	0	0	111,840
Gross carrying amount at 31.12.2021	**5,560,158**	**10,049,365**	**419,726**	**5,079,800**	**21,109,049**
Depreciation at 01.01.2021	**1,110,157**	**1,373,227**	**131,089**	**0**	**2,614,473**
Increases due to depreciation*	1,514,326	1,806,522	65,097	0	3,385,945
Decreases due to sale	101,554	0	0	0	101,554
Depreciation at 31.12.2021	**2,522,928**	**3,179,749**	**196,187**	**0**	**5,898,864**
Write-downs as at 01.01.2021	**0**	**0**	**0**	**0**	**0**
Increases	0	0	0	0	0
Decreases	0	0	0	0	0
Write-downs as at 31.12.2021	**0**	**0**	**0**	**0**	**0**
Net carrying amount as at 31.12.2021	**3,037,230**	**6,869,616**	**223,539**	**5,079,800**	**15,210,185**

* Increases in depreciation and amortisation are not the same as the item „Depreciation and amortisation" shown in the statement of comprehensive income due to the recognition of the accumulated depreciation of fixed assets of the Rortos Company, acquired in 2021, as an increase in depreciation and amortisation.

Fixed assets movement schedule – for the period 01.01.2020-31.12.2020.

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

The amount shown under assets under construction as at 31.12.2021 relates to the leasing of office space. On 3 November 2021, the Parent Company signed a lease agreement for the 1st floor in the City One office building, where it also leases the third and part of the fourth floor from 2020. The lease agreement was concluded until 2 January 2025 and will be accounted for in accordance with IFRS16 Leases.

As at the balance sheet date of 31.12.2021, renovation and adaptation works are still in progress on the first floor, the Entity is not yet using this space in its intended manner.

Property, plant and equipment – ownership structure

SPECIFICATION	31.12.2021	31.12.2020
Owned	3,633,728	1,235,871
Used under a lease. tenancy or other agreement. including a lease agreement	11,576,457	7,320,468
Total	**15,210,185**	**8,556,339**

The Group does not own land in perpetual usufruct.

The Group does not have any liabilities towards the state budget or local government authorities arising from the acquisition of ownership rights to buildings.

Depreciation of fixed assets in 2021 and 2020 was charged to costs of services sold, selling costs,general and administrative costs as well as, in part, accounted for own production costs as presented in note 2. The breakdown of the increase in depreciation is shown in the table below.

SPECIFICATION	31.12.2021	31.12.2020
Depreciation of own fixed assets	1,659,035	716,582
Amortisation of the right of use	1,726,910	1,313,081
Total	**3,385,945**	**2,029,663**

9.

INTANGIBLE ASSETS

Changes in intangible assets (by type group) – for the period 01.01.2021-31.12.2021.

SPECIFICATION	Development costs	Computer software	Intangible assets under construction	Goodwill	TOTAL
Gross carrying amount at 01.01.2021	**7,995,077**	**669,286**	**2,554,464**	**0**	**11,218,827**
Increases due to acquisition	67,992,880	595,583	42,573,651	161,050,504	272,212,617
Decreases	0	0	0	0	0
Gross carrying amount at 31.12.2021	**75,987,957**	**1,264,868**	**45,128,114**	**161,050,504**	**283,421,443**
Depreciation at 01.01.2021	**3,681,433**	**586,731**	**0**	**0**	**4,268,164**
Increases due to depreciation	5,444,279	213,594	0	0	5,657,873
Decreases	0	0	0	0	0
Depreciation at 31.12.2021	**9,125,712**	**800,325**	**0**	**0**	**9,926,037**
Write-downs as at 01.01.2021	**2,248,958**	**0**	**0**	**0**	**2,248,958**
Increases	171,615	0	3,589,086	0	3,760,701
Decreases	0	0	0	0	0
Write-downs as at 31.12.2021	**2,420,573**	**0**	**3,589,086**	**0**	**6,009,659**
Net carrying amount as at 31.12.2021	**64,441,673**	**464,543**	**41,539,028**	**161,050,504**	**267,495,749**

The net value as at 31.12.2021 shown under "completed development work" consists of the Group's games:

1. Hunting Clash – net value: PLN 642,375, remaining amortisation period: 22 months;

2. Games of the acquired Rortos S.r.l. – games valued at fair value using the DCF method in the course of settlement of the acquisition – preliminary settlement: PLN 61,868,504:

    a. Airline Commander – net value: PLN 30,543,199, remaining amortisation period: 114 months;

    b. RFS – net value: PLN 29,028,186, remaining amortisation period: 114 months;

    c. Other games – net value: 4,227,914 PLN, remaining amortisation period: 30 months.

The item "intangible assets under construction" as at 31.12.2021 consists of capitalised costs of five titles at various stages of development:

1. Undead Clash – PLN 8,027,498;

2. Magical District – PLN 6,422,102;

3. Football Elite – PLN 4,859,871;

4. Fishing Master – PLN 897,366;

5. Warplanes (a game by Rortos) – PLN 20,334,049 – fair value measurement using the DCF method.

Additionally, costs of internally manufactured tools used for company-wide/product-wide purposes were capitalised under this item. The value of these tools under construction as at 31.12.2021 amounted to PLN 998,143.

Goodwill consists of the value resulting from the settlement of the acquisition of Rortos in the amount of PLN 168,120,380 and the value of Reludo, which was acquired by Rortos in previous years, in the amount of PLN 367,952.

During the second quarter of 2021 the Company's Management Board, having re-examined the competitive environment, decided to discontinue development of Golf Royale, which is currently in production. Taking into consideration the growing number of competitors offering advanced games with similar themes and the relatively high marketing costs in this segment, further investment in this title was considered to be unprofitable. Accordingly, the Company incurred an expense of PLN 3,761 thousand (PLN 3,589 thousand through a decrease in the gross value of intangible assets under construction and PLN 172 thousand as a write-off of development costs). The personnel resources creating Golf Royale were allocated mainly to the team working on the further development of Fishing Clash.

Intangible assets movement schedule – for the period 01.01.2020-31.12.2020.

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

Intangibles – ownership structure

SPECIFICATION	31.12.2021	31.12.2020
Own	267,495,749	4,701,705
Used under a rental. lease or other agreement. including a lease agreement	0	0
TOTAL	**267,495,749**	**4,701,705**

The Group does not hold any intangible assets with limited use rights.

The Group does not have any bank loans which would be secured with intangible assets.

Amortization of intangible assets in 2021 and 2020 was charged to costs of services sold, selling costs, general and administrative costs, as well as, in part, accounted for own production costs as presented in note 2.

10.

SETTLEMENT OF THE ACQUISITION OF THE ASSETS OF A SUBSIDIARY – RORTOS

On 5 July 2021, the Company entered into an agreement for the sale of its entire shareholding in Rortos S.r.l, Verona, as buyer, with its existing partners Antonio Farina and Roberto Simonetti as sellers.

The price for the entire stake acquired in Rortos was set at EUR 45,000,000 without taking into account the cash free and debt free basis based on a 2020 EBITDA multiplier, normalised by the capitalisation of personnel costs, of 9.8. After taking into account the cash and debt free basis at the date of settlement, the payment amounted to EUR 46.7 million. In addition, under the terms of the Agreement, the Sellers will be entitled to an additional consideration (earn-out payment) depending on Rortos' performance in the period from 1 July 2021 to 31 December 2025, calculated in accordance with the formula agreed in the Agreement – in a maximum amount not exceeding the EBITDA achieved by Rortos in the relevant period.

The Parent has made a preliminary settlement of the acquisition of shares and calculation of the liability to pay for earn-out payments. The acquisition liability was calculated based on Rortos' forecasted results for the coming years and the amount of the earn-out payment predicted on that basis.

Goodwill on acquisition is initially recognised at cost, being the excess of the cost of the business combination over the net assets measured at fair value. Goodwill acquired in a business combination represents the consideration paid by the acquirer in exchange for the expected future economic benefits from assets that are not capable of being individually identified and separately recognised.

The main assets acquired that the Parent Company has recognised as acquired during the acquisition are the games of Rortos. The Company analysed games which are currently generating revenue or are in the process of being developed and will generate revenue in the future. Based on a 10-year forecast, the fair value of the games was calculated using the discounted cash flow (DCF) method. The possibilities of generating positive cash flows during the analysed period were analysed, and the economic useful life of games was assumed as 10 years from the valuation date or, in the case of games under development, from the soft launch date. The main games recognised in the valuation are Airline Commander (fair value: PLN 32 151 thousand), Real Flight Simulator (fair value: PLN 30 556 thousand), Warplanes (game under development, soft launch planned for early 2022). – PLN 19,335 thousand) and other games by Rortos and Reludo (PLN 5,267 thousand).

The DCF calculation assumed a weighted average cost of capital rate of 13%.

Management has recognised games as the main asset acquired in the acquisition of the Company. No other significant assets have been identified.

As at 31.12.2021, EUR 3,078 thousand of revenue from Rortos games and EUR 1,641 thousand of net profit (excluding consolidation adjustments) were recognised in the consolidated statements. Revenue for the full year amounted to EUR 5,969 thousand and profit amounted to EUR 230 thousand.

Receivables acquired as at 05.07.2021 are shown in the table below:

MAIN ASSETS	Data in EUR	Data in PLN
Trade receivables	545,185	2,457,859
Public-law receivables	531,243	2,395,003
Others	22,129	99,764
Receivables	**1,098,557**	**4,952,626**
Cash	**4,352,598**	**19,622,816**

Liabilities acquired are presented in the table below:

LIABILITIES	Data in EUR	Data in PLN
Trade liabilities – mostly connected with the M&A proces	2,455,755	11,071,279
Income tax liabilities	426,726	1,923,810
Leasing liabilities	294,749	1,328,817
Other liabilities	768,013	3,462,434
Provision for employee benefits	95,583	430,917
Total	**4,040,826**	**18,217,257**

No contingent liabilities at the acquisition date.

SETTLEMENT AT THE ACQUISITION DATE

The above figures include the settlement of the acquisition of Rortos S.r.l at the acquisition date (estimation of the fair value of the net assets acquired and recognition of goodwill).

SETTLEMENT AS AT THE BALANCE SHEET DATE 31.12.2021

GOODWILL	Data in PLN
Value at the date of acquisition	158,107,803
Balance sheet valuation	2,574,750
Value at balance sheet date	**160,682,552**

The goodwill recognised in the balance sheet consists of the value resulting from the settlement of the acquisition of Rortos in the amount of PLN 160,682,552 and the value of Reludo, which was acquired by Rortos in previous years, in the amount of PLN 367,952.

ACQUISITION LIABILITY	Data in PLN
Value at acquisition date (discounted)	252,754,322
Cash payment – July 2021 (FIFO valuation)	-211,102,628
Balance sheet valuation	4,116,047
Unfolding of the discount	2,652,789
Value at the balance sheet date – other long-term liabilities	**48,420,530**

AMOUNT RESULTING FROM TRANSLATION RECOGNISED IN THE STATEMENT OF COMPREHENSIVE INCOME:	Data in PLN
Financial costs	-6,768,835
Valuation of goodwill – other comprehensive income:	2,574,750
Revaluation of existing games to fair value – other comprehensive income:	-250,437
TOTAL	**-4,444,522**

11.

INFORMATION ON FINANCIAL INSTRUMENTS

FINANCIAL ASSETS	31.12.2021	31.12.2020	Category of financial instruments
Other financial assets (long-term), including:	9,575,534	857,595	Financial assets valuated at amortized costs
deposit	*2,267,534*	*857,595*	*Financial assets valuated at amortized costs*
units in the investment fund Sisu Game Ventures	*7,308,000*	*0*	*Financial assets valuated at amortized costs*
Trade receivables and other receivables	62,040,655	55,165,266	Financial assets valuated at amortized costs
unrealised exchange differences on measurement	*59,458*	*281,884*	*financial Financial assets measured at fair value*
Cash and cash equivalents	139,553,427	236,608,379	Financial assets valuated at fair value
unrealised exchange differences on measurement	*-384,041*	*505,794*	*Ffinancial assets measured at fair value*

FINANCIAL LIABILITIES	31.12.2021	31.12.2020	Category of financial instruments
Trade liabilities and other liabilities	9,307,984	13,027,834	Financial liabilities valuated at amortized costs
unrealised exchange differences on measurement	*3,660*	*151,052*	*Financial liabilities valuated at amortized costs*

For both financial assets and financial liabilities, fair value equals carrying value.

12.

RECEIVABLES

Balance structure:

SPECIFICATION	31.12.2021	31.12.2020
Trade receivables	46,140,422	47,589,017
Other receivables	11,602,972	4,073,461
Accruals and deferred income	4,297,261	3,502,788
Receivables	**62,040,655**	**55,165,266**

12.1. Trade receivables

Payments from users are aggregated by intermediaries (mobile application stores, payment aggregators, licensees).

Payments from displayed ads, on the other hand, are accumulated by advertising intermediaries. In the structure of receivables, the largest balances come from:

- Google Inc – 55,3% as of 31 December 2021 compared to 50% as of 31 December 2020.
- Apple Distibution International – 34,3% at 31 December 2021 compared to 34% at 31 December 2020;

No other entity exceeded a 10% share of total receivables on 31 December 2021.

Currency structure:

CURRENCY	31.12.2021			31.12.2020		
	amount in currency	valuation	% share	amount in currency	valuation	% share
PLN	25,313,416	25,313,416	54.86%	25,032,361	25,032,361	52.60%
USD	4,527,014	18,379,677	39.83%	5,733,350	21,548,224	45.28%
EUR	469,254	2,158,288	4.68%	103,763	478,845	1.01%
RUB	4,871,221	264,020	0.57%	10,132,938	507,660	1.07%
BRL	0	0	0.00%	0	0	0.00%
JPY	0	0	0.00%	0	0	0.00%
Others	—	25,021	0.05%	—	21,927	0.05%
TOTAL		**46,140,422**	**100%**		**47,589,017**	**100%**

Age structure:

AGE STRUCTURE – OVERDUE	31.12.2021 value of receivables	31.12.2020 value of receivables
not overdue	46,056,781	44,211,099
up to one month	23,655	607,355
1-3 months	59,529	2,247,572
3-6 months	397	522,991
6-12 months	60	0
over a year	0	0
Total receivables	**46,140,422**	**47,589,017**

As at the balance sheet dates of 31.12.2021 and 31.12.2020, the Group did not have any significant amounts of receivables which would be expected to result in credit losses. As of 31.12.2021 and 31.12.2020 The Group did not create allowances for trade receivables or have receivables pursued in court.

12.2. Other receivables

SPECIFICATION	31.12.2021	31.12.2020
Other receivables, including:	**11,602,972**	**4,073,461**
– tax related	11,437,914	4,046,461
– deposit for office rental	165,058	27,000

12.3. Prepayments

SPECIFICATION	31.12.2021	31.12.2020
Registration fees for trademark applications	3,202,110	2,405,477
Maintenance of software technical service/software subscriptions	301,876	122,517
Insurance	70,919	20,639
TV advertising – prepayment	0	830,488
Other prepayments	722,356	123,668
Prepayments	**4,297,261**	**3,502,789**

13.

CASH AND CASH EQUIVALENTS

SPECIFICATION	31.12.2021	31.12.2020
Cash at hand and in bank accounts:	**139,553,427**	**236,608,379**
cash on hand	21,464	3,776
cash in bank accounts:	139,531,963	236,604,603
including deposits up to 3 months	*0,*	*190,000,000*
Total	**139,553,427**	**236,608,379**

As at 31 December 2021, the Group held cash in banks: ING Bank Śląski S.A. and Bank Gospodarstwa Krajowego S.A. The maximum value of credit risk associated with cash equals its carrying amount. Current accounts do not bear interest.

The fair value of cash and cash equivalents as at 31 December 2021 is not materially different from their carrying amount.

14.

SHARE CAPITAL

The share capital of Ten Square Games S.A. as at 31.12.2021 amounts to PLN 730,178.30 and is divided into 7,301,783 bearer shares with a nominal value of PLN 0.10 each.

15.

TRADE LIABILITIES

SPECIFICATION	31.12.2021	31.12.2020
Trade liabilities	**6,844,591**	**12,392,029**
– towards related parties	15,529	0
– towards third parties	6,829,062	12,392,029

SPECIFICATION	Total	due date		
		overdue	not overdue, payable to	
		0 – 30 days	0 – 30 days	31-90 days
31.12.2021	**6,844,591**	**38,537**	**6,806,054**	**0**
– towards related parties	15,529	0	15,529	0
– towards third parties	6,829,062	38,537	6,790,525	0
31.12.2020	**12,392,029**	**127,765**	**7,709,041**	**4,555,222**
– towards related parties	0	0	0	0
– towards third parties	12,392,029	127,765	7,709,041	4,555,222

16.

OTHER LIABILITIES AND LEASE LIABILITIES

SPECIFICATION	31.12.2021	31.12.2020
Liabilities due to the acquisition of Rortos	48,420,530	0
TOTAL OTHER LONG-TERM LIABILITIES	**48,420,530**	**0**

SPECIFICATION	31.12.2021	31.12.2020
Liabilities due to other taxes, customs duties, social security and other, excluding corporate income tax:	**1,941,186**	**635,805**
Tax at source	*62,493*	*11,279*
Personal Income Tax	*87,148*	*109,404*
Social insurance contributions (ZUS)	*1,759,312*	*494,947*
State Fund for Rehabilitation of Disabled People (pol. PFRON)	*32,233*	*20,175*
Other liabilities	522,207	1
Other liabilities in total	**2,463,393**	**635,806**

The Group did not have any materially overdue liabilities as at the balance sheet dates of 31.12.2021 and 31.12.2020.

The liabilities are due within up to 25 days.

SPECIFICATION	31.12.2021	31.12.2020
Shortterm lease liabilities	3,684,538	1,192,551
Longterm lease liabilities	8,991,251	6,994,027
– due within 1 to 2 years	*3,734,878*	*2,032,345*
– due within 2 to 3 years	*3,849,513*	*2,214,203*
– due within 3 to 4 years	*669,445*	*2,291,652*
– due within 4 to 5 years	*133,227*	*455,827*
– due within over 5 years	*604,187*	*0*
TOTAL LEASING LIABILITIES	**12,675,789**	**8,186,578**

The lease obligations arise from entered into lease agreements described in detail in Note 27.

Costs recognised in profit or loss arising from leases are set out below.

SPECIFICATION	31.12.2021	31.12.2020
Amortisation	1,726,910	1,313,081
Interest	271,663	141,790
Realised and unrealised exchange differences	-10,764	560,834
Total	**1,987,809**	**2,015,705**

17.

SOCIAL ASSETS AND LIABILITIES OF THE COMPANY'S SOCIAL BENEFITS FUND

The Group did not have any company social benefits fund as at the balance sheet date 31.12.2021 and 31.12.2020.

18.

CONTINGENT LIABILITIES

As at 31 December 2021 and 2020, the Group did not have any significant contingent liabilities, including guarantees and sureties granted, including bills of exchange.

19.

PROVISIONS FOR EMPLOYEE BENEFITS

In the reporting period covered by these financial statements, the following changes occurred:

SPECIFICATION	As at 01.01.2021	Chances during the year		As at 31.12.2021
		Assumption	Use	
Provision for annual leave (short term)	530,961	1,353,213	530,961	1,353,213
Provisions for bonuses (short term)	961,724	5,881,405	961,724	5,881,405
Provisions for bonuses (long term)	0	2,588,247	0	2,588,247
TOTAL PROVISIONS	**1,492,685**	**9,822,865**	**1,492,685**	**9,822,865**

The increase in the holiday reserve is due to the increase in headcount, the reserve amount should be utilised within 12 months after the end of the financial year.

The provision for bonuses mainly results (total of PLN 5.1 million) from the bonus system in force in the Group from 2021, the main purpose of which is to tie key employees of the company more firmly to the TSG Group. These bonuses are contingent on financial performance and are only payable upon continued employment with the Group at the time of payment – in varying proportions, this is between a few months and 2.5 years after the end of the period for which they are due.

The remaining amount of provisions for bonuses (PLN 3.4 million) are short-term provisions, payable during the first half of 2022, and are mostly due for 4Q2021.

In the previous reporting period, there were the following changes in provisions for employee benefits:

SPECIFICATION	As at 01.01.2020	Chances during the year		As at 31.12.2020
		Assumption	Use	
Provision for leaves (short term)	254,054	530,961	254,054	530,961
Provisions for bonuses (short term)	0	961,724	0	961,724
TOTAL PROVISIONS	**254,054**	**1,492,685**	**254,054**	**1,492,685**

20.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND PRINCIPLES

The Group's operations are exposed to the following financial risks:

a. credit risk,

b. liquidity risk,

c. market risk.

Credit risk – this is a risk that arises when one of the parties to a financial instrument causes the Group to incur financial losses, if it fails to meet its obligations towards the Group. Credit risk arises in the case of receivables, cash and cash equivalents, deposits, purchased bonds and deposits.

The Group's core business – generating revenues from games – due to its specific nature, is to a negligible extent exposed to this type of risk. The Group cooperates with a narrow group of customers (including aggregators of payments from individual users) and through long-established relationships and historical absence of problems with the repayment of receivables, exposure to a single credit risk is not high. The vast majority of receivables are repaid within 3 months after the receivables arise. The Group consistently monitors the inflow of receivables and keeps in touch with customers in case of payment delays. The Group invests its cash in reliable financial institutions (banks). Credit risk concerns the Group to an insignificant extent.

Liquidity risk – this is a risk that arises when the Group encounters difficulties in meeting its obligations related to financial liabilities. The Group cares about maintaining liquidity at an appropriate and safe level. Historically, the Group finances itself from its own resources and all new projects or significant purchases are verified for the possibility of timely repayment of the liability. Cash allows to cover all liabilities (the value of cash exceeds the value of liabilities more than twice) and therefore the entity does not assess this risk as significant. Liquidity risk concerns the Group to an insignificant extent.

Market risk – is the risk that arises when the fair value of a financial instrument or future cash flows related to it will fluctuate due to changes in market prices. This risk comprises three types of risk: currency risk, interest rate risk, other price risk.

Currency risk – is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Due to the global nature of Ten Square Games Group's operations, where the majority of revenues are generated in USD and partly in EUR, the Group is exposed to the risk of rapid changes in foreign exchange rates, including in particular the strengthening of the Polish zloty against foreign currencies, mainly USD.

The majority of revenue contracts are settled in foreign currencies, mainly in USD and PLN. As a result, the strengthening of the Polish zloty against the USD is an undesirable phenomenon for the Group, which results in a decrease in the Group's sales revenues. In order to reduce foreign exchange risk, the Group partially mitigates the currency risk in its operations by adjusting the currency cost structure, however, it is not possible to eliminate the Group's foreign exchange risk completely. The Group does not use (and has not used) any instruments to hedge against currency risk.

Interest rate risk – the risk that arises when the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group invests surplus funds in interest-bearing assets (interest-bearing bank accounts) to an insignificant extent, hence it is not significantly exposed to interest rate risk.

The main interest rate risk is related to debt instruments, however, in 2021 and 2020 the Group did not use external debt instruments with variable interest rates (loans and bonds), therefore it was not exposed to changes in cash flows as a result of interest rate changes.

Other price risks – these are risks that arise when the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those resulting from interest rate or currency risk), regardless of whether these changes are caused by factors specific to individual financial instruments or to their issuer, or factors relating to all similar financial instruments traded on the market. The Group does not use financial instruments that carry a price risk. The Group is not exposed to any other price risk.

ANALYSIS OF EXPOSURE TO CURRENCY RISK

A significant share of sales in USD and EUR in the Group's revenue structure means that the Group's financial results can be materially influenced by the exchange rate of the Polish zloty against these currencies. Net foreign currency exposure as at the balance sheet date is presented in the table below.

31.12.2021 currency risk – exposure to currency risk	USD	EUR	RUB	GBP	other currencies (excluding PLN)
trade receivables in currency	4,527,014	469,254	4,871,221	0	–
trade receivables valued at PLN	18,379,677	2,158,288	264,020	0	25,021
cash in foreign currency	3,509,731	2,862,519	13,482,844	205,252	–
cash and cash equivalents valued at PLN	14,249,509	13,165,870	730,770	1,125,724	181,069
trade liabilities in currency	444,075	889,527	0	0	–
trade liabilities valued at PLN	1,802,944	4,091,293	0	0	407,081
net exposure in currency	**8,475,358**	**1,282,792**	**18,354,065**	**205,252**	**–**
net exposure in PLN	**34,432,130**	**19,415,450**	**994,790**	**1,125,724**	**432,102**

Data for the previous reporting period:

31.12.2020 currency risk – exposure to currency risk	USD	EUR	RUB	other currencies (excluding PLN)
trade receivables in currency	5,733,350	103,763	10,132,938	–
trade receivables valued at PLN	21,548,224	478,845	507,660	21,927
cash in foreign currency	7,593,029	111,806	719,492	–
cash and cash equivalents valued at PLN	28,537,641	515,961	36,047	111,877
trade liabilities in currency	2,794,981	68,779	0	–
trade liabilities valued at PLN	10,504,657	317,400	0	0
net exposure in currency	**16,121,360**	**284,347**	**10,852,430**	**–**
net exposure in PLN	**60,590,522**	**1,312,205**	**543,707**	**133,804**

The table below presents the Group's sensitivity to a 10% increase in the zloty's exchange rate in relation to the above-mentioned currencies. A positive value indicates an increase in pre-tax profit due to an increase in the exchange rate (weakening of the Polish zloty).

currency risk – sensitivity analysis	31.12.2021	31.12.2020
change by +10% / – 10%	+ 5,640,020 / – 5,640,020,	+ 6,258,024 / – 6,258,024

21.

CAPITAL MANAGEMENT

The main objective of the Group's capital management is to maintain solid credit rating and safe capital ratios that would support the Group's operations and increase the value for its shareholders.

At present, the Group finances its operations with operating profits and does not use debt financing. The Group manages its capital structure and may change it as a result of changes in the economic situation.

In order to maintain or adjust the capital structure, the Group may change the payment of dividends to shareholders, return capital to shareholders or issue new shares. In the years ended 31 December 2021 and 31 December 2020, no changes were introduced to the objectives, principles and processes applicable in this area.

SPECIFICATION	31.12.2021	31.12.2020
Interest-bearing loans and borrowings	0	0
Trade liabilities and other liabilities	57,728,514	13,027,834
Cash and cash equivalents	139,553,427	236,608,379
Net debt	**-81,824,913**	**-223,580,545**
Equity	351,051,3475	238,050,607
Total capital	**351,051,347**	**238,050,607**
Net equity and debt	**432,876,260**	**461,631,151**

22.

EMPLOYEE BENEFIT PLANS

In connection with the introduction of the Employee Capital Plan program in Poland, the Company entered into an agreement with Aviva Specialized Open Investment Fund PPK to operate the Employee Capital Plan, and the Parent Company's employees became participants in the Plan from November 2020.

The total costs of the PPK program incurred by the Company in 2021 amounted to PLN 166 thousand, compared to PLN 20 thousand in 2020.

23.

INCENTIVE SCHEME

Incentive program for 2018-2020

In March 2018, the Shareholders of the Parent Company adopted an incentive scheme for key employees and associates of the Group. As a result of the implementation of the programme, there occured a change in the proportions of shares held by the shareholders.

On the basis of the resolution on the programme, the share capital of the Company could be increased by an amount not exceeding PLN 6,547.50 by issuing not more than 65,475 ordinary registered shares of series B with a nominal value of PLN 0.10

The incentive scheme covered the years 2018-2020, and the shares could be subscribed for in three tranches – for the financial year 2018 (tranche I), 2019 (tranche II) and 2020 (tranche III). In order to offer shares, the Group must reach a certain level of consolidated, adjusted for extraordinary events and costs of the programme itself, EBITDA. Supervisory Board established the following levels of EBITDA:

» PLN 26 million for the financial year 2018;

» PLN 31.5 million for the financial year 2019;

» PLN 35 million for the financial year 2020.

Programme participants had the right to sell shares acquired under Tranche I not earlier than on 1 July 2020. Programme participants had the right to sell shares acquired under Tranche II not earlier than on 1 January 2021. Program participants had the right to sell shares acquired in Tranche III not earlier than on 1 September 2021.

In 2018, 2019 and 2020, the Issuer's Supervisory Board adopted resolutions on establishing the list of Programme Participants and made an initial allocation of 81,612 shares: 16,245 under Tranche I, 26,915 under Tranche II and 38,452 under Tranche III.

The cost of the incentive scheme in 2018 amounted to PLN 236 thousand and all the shares initially allocated in the first tranche were taken up by the programme participants (i.e. 16,245 shares) during 2019.

The cost of the incentive scheme in 2019 was PLN 1.187 million and all shares initially allocated in the second Tranche were taken up by the scheme participants (i.e. 26,066 shares) during 2020.

The cost of the incentive scheme in 2020 was PLN 3.572 million, 34,472 shares were issued under the third Tranche during 2021.

Incentive program for 2021-2022

In May 2020, the Shareholders of the Company adopted an incentive program for key employees and associates of TSG for the years 2021-2022. The Program was established in order to ensure that the persons key to the development of the Company participate in the expected increase in the value of the Company and to bind the persons covered by the Program with the Company in a lasting way.

The aim of the Programme is to create mechanisms which will encourage and motivate qualified individuals, key to the implementation of the Company's strategy, to act in the interest of the Group and its shareholders by enabling them to acquire shares in the Company.

Participants in the Scheme will be entitled to subscribe for a total of up to 100,000 Shares issued through an increase of the share capital within the authorised capital established under the Resolution on the Scheme.

The Incentive Scheme covers the years 2021-2022, and the shares may be acquired in two tranches – for the financial year 2021 (Tranche I) and 2022 (Tranche II). The shares may be offered on condition that the Group achieves a certain level of recurring EBITDA*, which was determined by the Supervisory Board for each of the years 2021 and 2022.

If the required level is not achieved in the first year of the program, in the subsequent period shares for a given year may be granted if the cumulative recurring EBITDA reaches the level required for both years.

The Supervisory Board set the following levels of recurring EBITDA based on the resolution in April 2021:

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

Recurring EBITDA means the operating profit achieved by the Group for a given financial year, as disclosed in the consolidated financial statements, plus depreciation and amortisation of tangible and intangible assets, adjusted for:

» extraordinary and non-recurring events;

» costs of conducting the Programme in accordance with the financial reporting standards binding for the Company;

» effect of accounting recognition in time of the incentive programme of President of the Management Board Maciej Zużałek (described below)

» impact of non-cash adjustments to revenue (and related distributor commission expense), related to e.g. deferred revenue from virtual currency or durable virtual goods (durables)

» the effect of possible one-off write-downs on capital expenditure on the creation of mobile games;

» the effect of possible changes in the tax and social security system, resulting, inter alia, from changes in current legislation, including the "New Deal", which would cause an increase in the Company's costs due to the need to increase the salaries of employees and associates (applies only to the financial result for 2022).

As regards the amount of recurring EBITDA in 2021, in October 2021 the Supervisory Board adopted a resolution allowing the target to be reduced by 8%, i.e. to PLN 228,899,896.

The cost of the incentive programme in 2021 amounted to PLN 17.6 million, and as at the date of issuing this report, the Company estimates that 34,009 shares will be issued under the first Tranche.

Participants in the program will have the right to sell shares acquired under tranche I no earlier than 2 January 2024, and under tranche II no earlier than 2 January 2025.

Incentive program for President of the Management Board

In the reported period the Company recognized a portion of the cost of the dedicated incentive program for the new President of the Management Board, Mr. Maciej Zuzalek. The said incentive scheme entailed a transfer of 144,825 shares at a par value of PLN 0.1 per share by the Company's existing shareholders. In accordance with IFRS 2 "Share-based Payment", any transfer of equity instruments of an enterprise from its shareholders to parties providing goods or services is a share-based payment and is measured in accordance with that standard. The market value of the scheme was PLN 72.4 million and the cost (not related to cash outflow) will be borne by the Group proportionally over 3 years (12 consecutive quarters) starting from 20 May 2020.

RECONCILIATION OF COSTS

Reconciliation of costs of incentive schemes by nature and by function:

SPECIFICATION	01.01.2021-31.12.2021 (current scheme)	01.01.2020-31.12.2020 (previous scheme)
Share-based payments – cost by nature:	**41,703,472**	**21,672,018**
Costs of the motivation scheme for years 2018-2020	0	3,572,514
Costs of the motivation scheme for years 2021-2022	17,570,794	0
Costs of the motivation scheme for CEO Maciej Zużałek	24,132,678	18,099,504
Share-based payments – costs by function:	**39,670,061**	**21,383,078**
Cost of services sold	5,611,739	1,162,930
Selling costs	2,818,075	1,311,325
General administrative costs	31,240,247	18,908,823
Capitalisation of share-based payment costs (game production)	**2,033,411**	**288,940**

The reconciliation of the costs of the incentive schemes to the capital created from the valuation of the incentive scheme is as follows:

SPECIFICATION	As at 31.12.2021	As at 31.12.2020
TOTAL Capital from the settlement of the incentive scheme	**65,139,524**	**23,436,052**
Including costs of the CEO's incentive scheme	42,232,182	18,099,504
Including costs of the incentive scheme for 2021	17,570,794	0
Including costs of the incentive scheme for 2020	3,572,514	3,572,514
Including costs of the incentive scheme for 2019	1,187,441	1,187,441
Including costs of the incentive scheme for 2018	236,328	236,328
Including costs of the incentive scheme for 2017	340,265	340,265

24.

INFORMATION ON AFFILIATED ENTITIES, 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:

24.1. Management

Remuneration is presented below, broken down into paid and payable. In the absence of annotations, the amount paid is equal to the amount due for the reporting period. The totals for a given person present instead the amounts paid, without the amounts due.

AFFILIATE	Remuneration		Net dividend	
PERIOD	1.01.2021-31.12.2021	1.01.2020-31.12.2020	1.01.2021-31.12.2021	1.01.2020-31.12.2020
Management Board	**41,740,662**	**19,198,998**	**2,591,385**	**4,264,362**
Maciej Popowicz (until 20/05/2020):	**0**	**83,612**	**0**	**0**
– Ten Square Games S.A.	*0*	*83,612*	*0*	*0*
Maciej Zuzalek (since 20/05/2020)	**25,247,671**	**18,608,045**	**1,578,091**	**189,000**
– Ten Square Games S.A. – cash fixed renumeration	*824,520*	*508,541*	*1,578,091*	*189,000*
– Ten Square Games S.A. – cash variable renumeration paid	*290,479*	*0*	*0*	*0*
*– Ten Square Games S.A. – cash variable renumeration outstanding***	*205,440*	*290,479*	*0*	*0*
– Ten Square Games S.A. – share-based incentive program recognized over time	*24,132,672*	*18,099,504*	*0*	*0*

AFFILIATE	Remuneration		Net dividend	
PERIOD	1.01.2021-31.12.2021	1.01.2020-31.12.2020	1.01.2021-31.12.2021	1.01.2020-31.12.2020
Arkadiusz Pernal	**0**	**185,142**	**0**	**3,980,862**
– Ten Square Games S.A. – cash renumeration	*0*	*185,142*	*0*	*3,980,862*
Marcin Chruszczynski (between 01/08/2020 and 21/10/2021)	**602,093**	**160,890**	**0**	**0**
– Ten Square Games S.A. – cash renumeration	*310,759*	*160,890*	*0*	*0*
*– Ten Square Games S.A. – share-based incentive program for 2021-2022**	*291,334*	*0*	*0*	*0*
Andrzej Ilczuk (since 21.01.2021)	**4,647,402**	**0**	**0**	**0**
– Ten Square Games S.A. – cash renumeration	*514,190*	*0*	*0*	*0*
*– Ten Square Games S.A. – share-based incentive program for 2021-2022**	*4,133,212*	*0*	*0*	*0,*
Anna Idzikowska (since 21.01.2021)	**4,712,024**	**0**	**162,000**	**0**
– Ten Square Games S.A. – cash fixed renumeration	*514,065*	*0*	*162,000*	*0*
– Ten Square Games S.A. – cash variable renumeration	*64,747,*	*0*	*0*	*0*
*– Ten Square Games S.A. – share-based incentive program for 2021-2022**	*4,133,212*	*0*	*0*	*0,*
Janusz Dziemidowicz (since 21.01.2021)	**409,225**	**0**	**682,417**	**0**
– Ten Square Games S.A. – cash renumeration	*409,225*	*0*	*682,417*	*0*
Wojciech Gattner (since 21.01.2021)	**6,021,714**	**0**	**168,877**	**0**
– Ten Square Games S.A. – cash fixed renumeration	*514,066*	*0*	*168,877*	*0*
*– Ten Square Games S.A. – cash variable renumeration paid***	*1,374,436*	*0*	*0*	*0*
– Ten Square Games S.A. – cash variable renumeration outstanding	*1,395,201*	*0*	*0*	*0*
*– Ten Square Games S.A. – share-based incentive program for 2021-2022**	*4,133,212*	*0*	*0*	*0*
Magdalena Jurewicz(until 31/07/2020 and since 21.10.2021):	**100,533**	**161,309**	**0**	**94,500**
– Ten Square Games S.A. – cash renumeration	*100,533*	*161,309*		*94,500*

AFFILIATE	Remuneration		Net dividend	
PERIOD	1.01.2021-31.12.2021	1.01.2020-31.12.2020	1.01.2021-31.12.2021	1.01.2020-31.12.2020
Supervisory Board (Ten Square Games S.A.)	**420,016**	**321,877**	**6,904,230**	**187,749**
Maciej Zuzalek (until 21/04/2020 Chairman of the Supervisory Board. since 20.05.2020 CEO)	0	3,700	0	0
Rafal Olesinski	102,000	78,854	5,419	2,529
Marcin Chruszczynski (until 20/05/2020)	0	16,258	0	0
Tomasz Drozdzynski	51,565	46,983	0	0
Maciej Marszalek	60,000	43,516	356,400	185,220
Milena Olszewska-Miszuris (until 20/05/2020)	0	19,258	0	0
Wiktor Schmidt	48,000	46,483	0	0
Marcin Bilos (until 20/05/2020)	54,000	33,777	0	0
Kinga Stanislawska (since 20/05/2020)	54,000	33,048	851	0
Arkadiusz Pernal (since 01.01.2021)	50,452	0	6,541,560	0
Affiliates (Ten Square Games S.A.)	162,000	107,040	13,081,500	8,318,979
Maciej Popowicz (since 20/05/2020)	162,000	107,040	13,081,500	8,318,979
Marcin Chruszczynski (between 01/06/2020 and 31/07/2020)	0	25,267	0	0
Key personnel (Ten Square Games)	**0**	**0**	**b/d**	**b/d**
Family members of key personnel / Management Board (Ten Square Games)	**55,395**	**217,956**	**b/d**	**b/d**

RELATED PERSON	Liabilities		Receivables	
PERIOD	1.01.2021-31.12.2021	1.01.2020-31.12.2020	1.01.2021-31.12.2021	1.01.2020-31.12.2020
Management Board	**639,981**	**290,479**	**0**	**0**
Maciej Popowicz (until 20.05.2020)	0	0	0	0
Maciej Zużałek (since 20.05.2020)	205,440	290,479	0	0
Arkadiusz Pernal (until 31.12.2020)	0	0	0	0
Marcin Chruszczyński (from 01.08.2020 to 21.10.2021)	0	0	0	0
Andrzej Ilczuk (since 21.01.2021)	0	0	0	0
Anna Idzikowska (since 21.01.2021)	0	0	0	0
Janusz Dziemidowicz (since 21.01.2021)	0	0	0	0
Wojciech Gattner (since 21.01.2021)	434,541	0	0	0
Magdalena Jurewicz (until 31.07.2020 and since 21.10.2021)	0	0	0	0
Supervisory Board	**0**	**0**	**0**	**0**
Related persons (Ten Square Games S.A.)	**0**	**0**	**0**	**0**
Key personnel (Ten Square Games S.A.)	**0**	**0**	**0**	**0**
Family members of key personnel/ Management Board (Ten Square Games S.A.)	**0**	**0**	**0**	**0**

Members of the Management Board who were appointed to the Management Board by Resolution No. 4 of the Extraordinary General Meeting of Shareholders of the Company of December 16, 2020 (Janusz Dziemidowicz, Wojciech Gattner, Anna Idzikowska and Andrzej Ilczuk) did not receive remuneration in 2020 for performing the function of a Member of the Management Board. Appointment of the persons indicated above took place on the date of registration by the competent registration court of the amendment to the Company's Articles of Association, which took place on 21 January 2021.

In the case of the members of the Management Board, the fixed cash remuneration is presented together with the amounts resulting from two legal relationships:

» appointment

» employment contract / cooperation agreement / management contract.

* In April 2021, the so-called allocation of shares to programme participants 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 (among others. remaining in a legal relationship with the Company, meeting financial targets) and is verified after the end of the financial year for which the shares were pre-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 variable remuneration due to the President of the Management Board, Mr Maciej Zużałek, depends on the fulfilment of management objectives, which is confirmed by a resolution of the Supervisory Board after approval of the report. Therefore, the amount indicated above may still be subject to later changes.

*** The variable remuneration of the Management Board member Mr Wojciech Gattner is calculated for a given quarter and paid in the following quarter. Mr Wojciech Gattner joined the Management Board in January 2021, for clarity of data the amount of remuneration paid includes all payments made in the period 21 January 2021 – 31 December 2021, although the amount of PLN 413,776 was paid for Q4 2020.

Transactions between related parties took place on terms equivalent to those in arm's length transactions. The executives did not enter into transactions with subsidiaries of Ten Square Games S.A.

24.2.
Other affiliated parties

AFFILIATED PARTY	Net sales		Net purchase		Dividend	
PERIOD	1.01.2021-31.12.2021	1.01.2020-31.12.2020	1.01.2021-31.12.2021	1.01.2020-31.12.2020	1.01.2021-31.12.2021	1.01.2020-31.12.2020
Subsidiaries:	**4,663,840**	**6,470,076**	**7,226,393**	**0**	**2,261,792**	**1,656,905**
Play Cool Zombie Sport Games Sp. z o.o.	80,687	146,607	0	0	2,261,792	1,656,905
Tiny Dragon Adventure Games Sp. z o.o.	2,566,393	4,666,667	0	0	0	0
Fat Lion Games Sp. z o.o.	1,514,715	1,656,802	0	0	0	0
Ten Square Games Germany GmbH	0	0	6,584,079	0	0	0
Ten Square Games S.R.L	0	0	642,314	0	0	0
RORTOS S.R.L.	502,045	0	0	0	0	0
Personally affiliated entities:	**0**	**0**	**106,646**	**125,606**	**0**	**0**
Olesinski i Wspólnicy Spólka komandytowa	0	0	106,646	125,606	0	0
Roberto Simonetto	0	0	0	0	0	0
Antonio Farina	0	0	0	0	0	0

AFFILIATED PARTY	Net receivables		Net payables		Loans	
AS OF:	31.12.2021	31.12.2020	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Subsidiaries:	**762,982**	**931,456**	**2,953,716**	**0**	**3,400,315**	**0**
Play Cool Zombie Sport Games Sp. z o.o.	7,359	44,627	0	0	0	0
Tiny Dragon Adventure Games Sp. z o.o.	185,190	591,102	0	0	506,767	0
Fat Lion Games Sp. z o.o.	68,388	295,727	0	0	506,767	0
Ten Square Games Germany GmbH	0	0	2,618,125	0	1,724,775	0
Ten Square Games S.R.L	0	0	335,591	0	662,006	0
RORTOS S.R.L.	502,045	0	0	0	0	0
Personally affiliated entities:	**0**	**0**	**48,436,059**	**25,450**	**0**	**0**
Olesinski i Wspólnicy Spólka komandytowa	0	0	15,529	25,450	0	0
Roberto Simonetto	0	0	29,047,476	0	0	0
Antonio Farina	0	0	19,373,054	0	0	0

The Parent 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 acquire human capital (gaming industry 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. Transactions between the Parent and Rortos S.r.l. consist of production/maintenance support for Rortos' games, for which the Parent receives remuneration.

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

Transactions between related parties took place on terms equivalent to those applicable to transactions concluded on market terms.

The liability to Mr Roberto Simonetto and Mr Antonio Farina arises from the purchase of 100% of the shares in Rortos, as further described in Note 10.

25.

EMPLOYMENT

The average of employees in the financial year was 235 persons (147 in 2020). The main group of employees are specialists in information and communication technologies.

26.

LEASE AGREEMENTS

Parent company

On 11 February 2019 the Company and Archicom Nieruchomości 5 Spółka z o.o. signed a lease agreement concerning office space located in the City One office and service building located in Wrocław at 45 Traugutta Street. The agreement was concluded for a definite period of 5 years. The lease period started on 02.01.2020, i.e. on the date of taking over the Leased Object and will end on 02.01.2025.

On January 21, 2020 another lease agreement was concluded between the Company and Archicom Nieruchomości 5 Spółka z ograniczoną odpowiedzialnością with its registered seat in Wrocław, concerning office space located in the City One office and service building located in Wrocław at 45 Traugutta Street. The lease period started on September 15, 2021 and the agreement was concluded for the period of 5 years, starting from the date of handover of the premises (terms and conditions of the agreement are the same as those of the earlier agreement).

On 3.11.2021 the third lease agreement was concluded for office space in the City One office building in Wrocław. The agreement was concluded for a definite period, i.e. until 2 January 2025.

All the above agreements are recognised in the financial statements in accordance with IFRS 16, i.e. the initial value of the acquired right to use is recognised in fixed assets and subsequently depreciated over the office lease term. The discounted payments under the leases are shown in liabilities in the long – and short-term parts, respectively.

Rortos S.r.l

The right to use Rortos' office space was also recognised in 2021. The lease agreement for the office on Del Pontiere Street in Verona was concluded on 01.07.2019 for a period of 6 years from the date of acceptance of the premises, with an option to extend for a further 6 years – until 2031. The monthly rent is EUR 2,500.

27.

LITIGATIONS

The Group had no pending court cases in 2021 or 2020.

28.

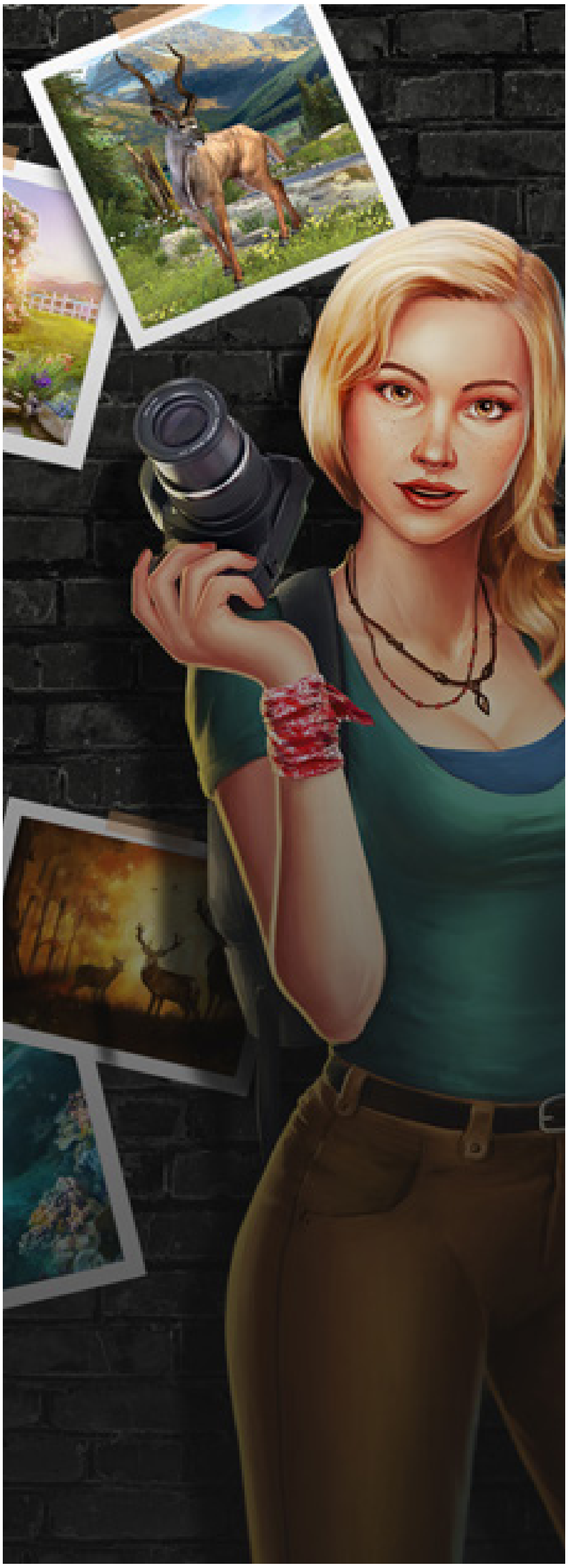
EVENTS AFTER THE BALANCE SHEET DATE

There were no significant events after the balance sheet date that could affect the financial data included in the financial statements for the period ended 31 December 2021. However, significant events that will affect the report in the next period are presented below.

From 20 January 2022 to 28 January 2022 the first tranche of the own share buyback launched by the Parent Company was carried out in accordance with the resolution of the Issuer's Management Board of 20 January 2022 on commencement of the own share buyback and detailed conditions and procedures for carrying out the first tranche of the Company's own share buyback, adopted in execution of Resolution No. 7 of the Company's Ordinary General Meeting of 23 June 2021 on authorising the Management Board to acquire own shares in the name and on behalf of the Company and defining the principles for the acquisition of own shares by the Company and creating a reserve capital.

The total number of shares purchased under the first tranche of the buy-back of treasury shares amounted to 70,000 shares and corresponds to 70,000 votes at the Company's General Meeting; which represents a 0.96% share in the Company's share capital and 0.96% in the total number of votes at the Company's General Meeting. The average unit purchase price of own shares was PLN 266.04. The shares were purchased for the total amount of PLN 18,623,013.60.

The shares acquired as part of the transaction may be (i) redeemed (voluntary redemption), (ii) exchanged for shares in the course of the Company's acquisitions, (iii) disposed of by the Company's Management Board in another manner permitted by law, taking into account the needs resulting from the Company's operations.



On 24 February 2022, the Russian invasion of Ukraine commenced. This event has had and continues to have a significant impact on the Company's operations – among other things, it has rapidly disrupted financial markets (strong weakening of the Polish zloty, potentially positive impact on results in subsequent periods). The Company employs a total of several dozen people from countries involved in the conflict (Ukraine, Russia, Belarus), so the priority was to ensure, as far as possible, the safety of employees located in the war zone, which is dealt with by a special working group. In addition, the Board of Directors decided to donate PLN 1 million to NGOs involved in humanitarian support in Ukraine and to provide subsidies to employees who decide to host them in their own homes. On 8 March 2022, the Company ceased the provision, maintenance and ability to pay of all its games in Russia and Belarus, which may impact the results generated in 2022 and beyond.

On 11 March 2022, the Parent purchased 24.8% of the share capital of Gamesture Sp. z o.o. The payment amounted to approximately USD 3.5 million.

29. SHARE OF SUBSIDIARIES NOT INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENT

Not applicable – all subsidiaries have been included in the consolidated financial statement.

30. INFORMATION ON TRANSACTIONS WITH THE ENTITY AUDITING THE FINANCIAL STATEMENTS

SPECIFICATION	costs in 2021	costs in 2020
audit of the consolidated and separate financial statements for 2021 (2020)	42,761	42,761
review of the consolidated and separate financial statements for the first half of 2021 (2020)	25,202	25,202
assessment of the remuneration report for 2021 (2020)	8,800	8,800
TOTAL	**76,763**	**76,763**

CONSOLIDATED FINANCIAL STATEMENT
was approved for issue by the Board of Directors of the Company
on 30 March 2022 and signed by:

THE CHAIRMAN
OF THE MANAGEMENT BOARD

Maciej Zużałek

MEMBER
OF THE MANAGEMENT BOARD

Anna Idzikowska

MEMBER
OF THE MANAGEMENT BOARD

Andrzej Ilczuk

MEMBER
OF THE MANAGEMENT BOARD

Janusz Dziemidowicz

MEMBER
OF THE MANAGEMENT BOARD

Wojciech Gattner

MEMBER
OF THE MANAGEMENT BOARD

Magdalena Jurewicz

PERSON ENTRUSTED WITH KEEPING THE BOOKS OF ACCOUNTS

Karolina Hoszowska-Dubaniowska

Wroclaw, March 30^{th}, 2022