



ten square\_games

**CONSOLIDATED QUARTERLY REPORT  
THE GROUP TEN SQUARE GAMES S.A.  
FOR Q1 2022**

**WROCLAW, 23.05.2022**



# SELECTED FINANCIAL DATA CONVERTED TO EUR

## CONSOLIDATED DATA

STATEMENT OF COMPREHENSIVE INCOME	PLN		EUR	
	01.01.2022 – 31.03.2022	01.01.2021 – 31.03.2021	01.01.2022 – 31.03.2022	01.01.2021 – 31.03.2021
Bookings	142,551,363	169,196,150	30,674,678	37,006,223
Revenues	150,334,662	174,113,976	32,349,514	38,081,839
Cost of sales	15,854,847	10,566,550	3,411,699	2,311,093
Operating profit	29,391,817	55,919,321	6,324,629	12,230,555
Gross profit	30,975,300	58,432,050	6,665,368	12,780,134
Net profit	25,585,263	52,681,537	5,505,523	11,522,394
EBITDA	32,133,872	56,860,731	6,914,674	12,436,458
Adjusted EBITDA	41,130,412	64,410,836	8,850,579	14,087,801

CASH FLOW STATEMENT	PLN		EUR	
	01.01.2022 – 31.03.2022	01.01.2021 – 31.03.2021	01.01.2022 – 31.03.2022	01.01.2021 – 31.03.2021
Net cash flow from operating activities	53,352,825	49,871,474	11,480,639	10,907,782
Net cash flow from investment activities	-23,728,299	-2,909,365	-5,105,934	-636,330
Net cash flow from financial activity	-19,552,561	-273,953	-4,207,385	-59,918

STATEMENT OF FINANCIAL SITUATION	PLN		EUR	
	31.03.2022	31.12.2021	31.03.2022	31.12.2021
Fixed assets	320,496,580	298,865,805	68,886,960	64,979,303
Current assets	224,197,205	221,414,318	48,188,545	48,139,826
Equity	372,812,593	351,051,347	80,131,670	76,325,466
Long-term liabilities	63,455,859	64,993,212	13,639,089	14,130,802
Short-term liabilities	108,425,333	104,235,564	23,304,746	22,662,861

EUR/PLN exchange rate	2022	2021
for the balance-sheet data	4.6525	4.5994
for the data from the profit and loss statement and cash flow statement	4.6472	4.5721

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 2021	2Q 2021	3Q 2021	4Q 2021 *	1Q 2022
<b>EBIT</b>	<b>55,919,321</b>	<b>38,696,044</b>	<b>31,192,480</b>	<b>40,412,748</b>	<b>29,391,817</b>
Amortisation and depreciation (excluding capitalised part)	941,410	978,452	3,304,646	2,359,808	2,742,054
Write-downs for impairment	0	3,760,700	0	0	0
<b>EBITDA</b>	<b>56,860,731</b>	<b>43,435,196</b>	<b>34,497,126</b>	<b>42,772,556</b>	<b>32,133,872</b>
Non-cash impact of incentive scheme (excluding capitalised portion)	10,981,139	10,970,806	7,694,579	10,023,537	12,303,319
Deferred result (revenue minus commissions) – consumables	-2,249,545	-198,724	1,585,693	5,232,970	-3,456,258
Deferred result (revenue minus commissions) – durable	-1,181,489	-6,649,270	5,331,821	9,330,773	-1,859,303
Costs of potential and completed acquisitions (M&A) and review of strategic options	0	0	3,686,602	0	1,760,415
Other one offs	0	0	2,054,828	0	248,368
<b>Adjusted EBITDA</b>	<b>64,410,836</b>	<b>47,558,008</b>	<b>54,850,650</b>	<b>67,359,837</b>	<b>41,130,412</b>

\* 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.





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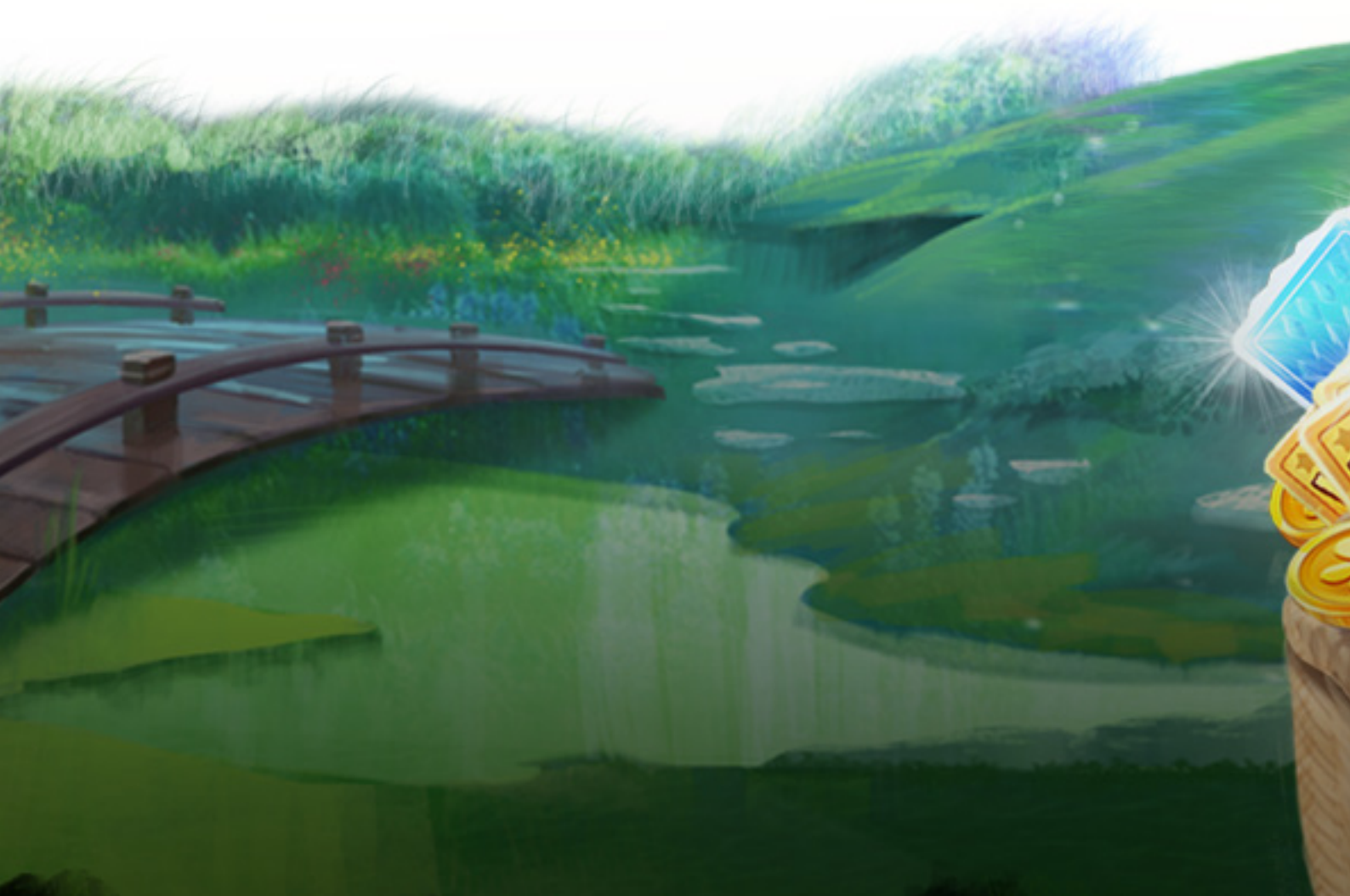




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## **GENERAL INFORMATION**









## REPORTING ENTITY'S DATA

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.

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

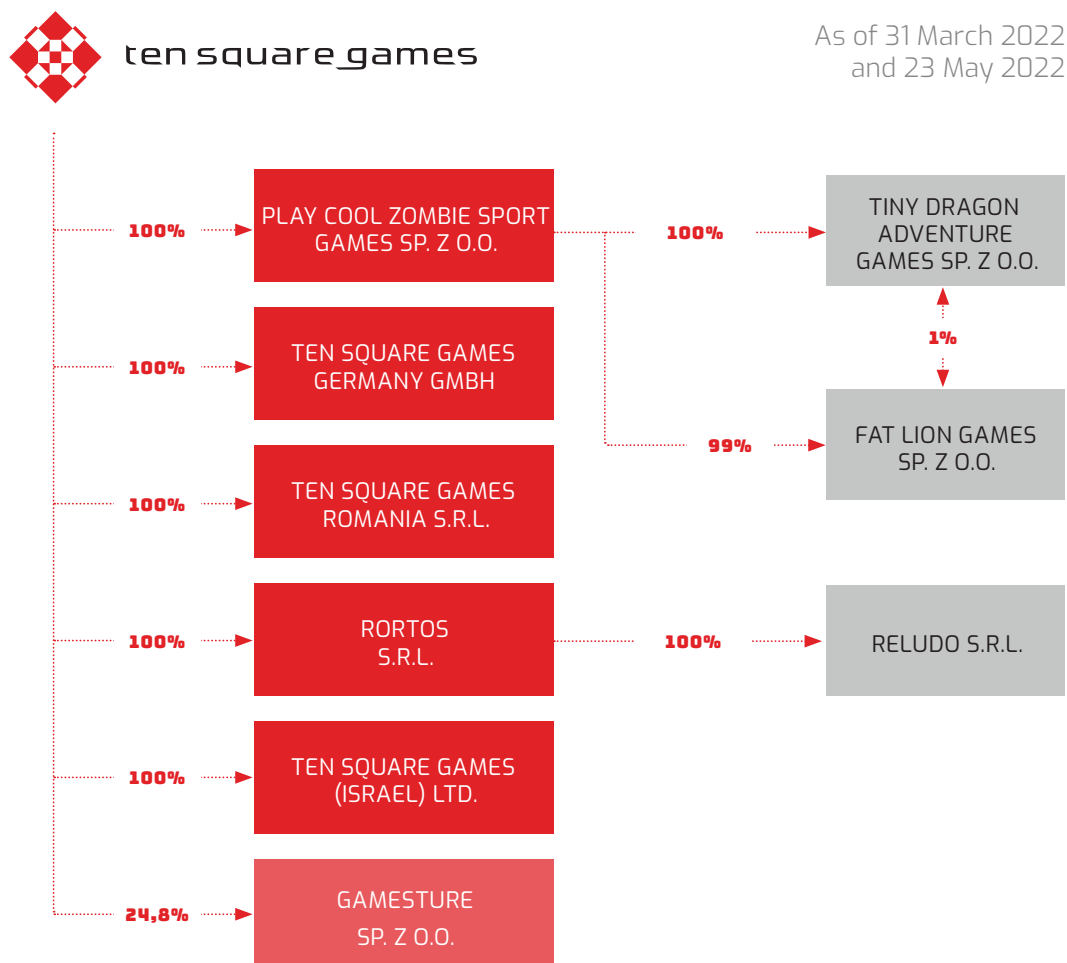


# 2.

## CAPITAL GROUP

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

The subsidiaries represented above are subject to the consolidated financial statement since the date of a given company's establishment, until the date of loss of control over the company.





## 3.

## SHAREHOLDERS STRUCTURE

## 3.1.

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

SHAREHOLDER	number of shares as at 30.03.2022, 31.03.2022, 23.05.2022	share in capital	number of votes at GSM	% share in the number of votes
Shareholders' Agreement *	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%
<b>TOTAL</b>	<b>7,301,783</b>	<b>100%</b>	<b>7,301,783</b>	<b>100%</b>

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' Agreement *	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%
<b>TOTAL</b>	<b>7,301,783</b>	<b>100%</b>	<b>7,301,783</b>	<b>100%</b>

\* The agreement of the Company's shareholders of October 21, 2019 regarding the pursuit of a permanent policy towards the Company and the consistent exercise of voting rights in the Company's shares (current report No. 30/2019). The parties to the shareholders' agreement are, inter alia, Maciej Popowicz and Arkadiusz Pernal.

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

SHAREHOLDER	number of shares as at 30.03.2022, 31.03.2022, 23.05.2022	share in capital	number of votes at GSM	% share in the number of votes
President of the Management Board – Maciej Zużatek	194,826	2.67%	194,826	2.67%
Member of the Management Board – Anna Idzikowska	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 Marszałek	44,000	0.60%	44,000	0.60%
Member of the Supervisory Board – Rafał Olesiński	669	0.01%	669	0.01%
Member of the Supervisory Board – Kinga Stanisławska	105	0.00%	105	0.00%
<b>TOTAL</b>	<b>1,048,987</b>	<b>14.37%</b>	<b>1,048,987</b>	<b>14.37%</b>
Others	6,252,796	85.63%	6,252,796	85.63%
<b>TOTAL</b>	<b>7,301,783</b>	<b>100.00%</b>	<b>7,301,783</b>	<b>100.00%</b>

SHAREHOLDER	number of shares as at 31.12.2021	share in basic capital	number of votes at GSM	% share in the number of votes
President of the Management Board – Maciej Zużatek	194,826	2.67%	194,826	2.67%
Member of the Management Board – Anna Idzikowska	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 Marszałek	44,000	0.60%	44,000	0.60%
Member of the Supervisory Board – Rafał Olesiński	669	0.01%	669	0.01%
Member of the Supervisory Board – Kinga Stanisławska	105	0.00%	105	0.00%
<b>TOTAL</b>	<b>1,195,035</b>	<b>16.43%</b>	<b>1,195,035</b>	<b>16.43%</b>
Others	6,095,013	83.57%	6,095,013	83.57%
<b>TOTAL</b>	<b>7,301,783</b>	<b>100.00%</b>	<b>7,301,783</b>	<b>100.00%</b>





### 3.3. Series of shares

SERIES OF SHARES	number of shares as of 31.12.2021, 30.03.2022, 31.03.2022, 23.05.2022	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 are related to the Company's incentive program.

### 3.4. Description of changes in shareholder's structure

Changes in the shareholding structure between 31.12.2021 and 23.05.2022 result from the transactions described in:

1. Received on January 24, 2022, notifications regarding the change in the ownership of the Company's shares, submitted by: Maciej Popowicz and Arkadiusz Pernal, about which the Company informed in the current report No. 9/2022.
2. The notification on the change in the ownership of the Company's shares received on January 28, 2022, submitted by NN OFE, about which the Company informed in the current report No. 15/2022.



## COMPOSITION OF THE COMPANY'S BODIES AS AT 31.03.2022

### The Management Board:

**Maciej Zużatek**

– 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.

### The Supervisory Board:

**Rafał Olesiński**

– Chairman of the Supervisory Board;

**Wiktor Schmidt**

– Vice-Chairman of the Supervisory Board;

**Marcin Biłos**

– Member of the Supervisory Board;

**Maciej Marszałek**

– Member of the Supervisory Board;

**Arkadiusz Pernal**

– Member of the Supervisory Board;

**Kinga Stanisławska**

– Member of the Supervisory Board.

There were no changes in the composition of the Management Board during the reporting period and after it, until the date of preparation of the financial statements.

During the reporting period and after it, until the date of preparation of the financial statements, the following changes in the composition of the body took place:

1. Mr. Tomasz Drożdżyński resigned from the function of a Supervisory Board Member on March 11, 2022.





# 5.

## FORM OF THE CONDENSED STATEMENT

### **The basis for the preparation of the financial statement**

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

The interim condensed consolidated financial statement does not involve all information and disclosures required in the annual financial statement and it shall be read in conjunction with the consolidated financial statement of the Group for the year ending on 31 December 2021.

### **Functional currency and presentation currency**

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

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

## Presented periods

The interim condensed consolidated financial statement has been prepared as at 31.03.2022 and it covers the period of 3 months, i.e. since 01.01.2022 to 31.03.2022.

For the data presented in the interim condensed consolidated statement of financial situation and off-balance sheet items, comparable financial data as at 31.12.2021 and 31.03.2021 were presented.

For the data presented in the interim condensed consolidated statement of comprehensive income and the interim condensed standalone statement of comprehensive income, comparable financial data for the period from 01.01.2021 to 31.03.2021 were presented.

For the data presented in the interim condensed consolidated statement of changes in equity and in the interim condensed standalone cash flow statement, comparable financial data were presented for the period from 01.01.2021 to 31.03.2021.

## Continuity assumption

The interim condensed consolidated financial statement has been prepared assuming that the Company and the Capital Group shall continue their activities for the period of 12 months after the last balance-sheet date, i.e. 31.03.2023. The Management Board of the Parent Entity, as at the date of signing the statement, was not aware of any facts or circumstances which could indicate a threat to the continuation of activity for the period of 12 months after the balance-sheet date due to an intended or forced discontinuance or material limitation of the activity.

Until the date of preparation of the interim condensed consolidated financial statement for the first quarter of 2022, there were no events which were not and which should have been included in the accountancy books of the reporting period. At the same time, no material events relating to previous years in these financial statements are included in the financial statement.

## Audit carried out by an auditing company

These interim condensed consolidated financial statements with selected elements of the interim condensed consolidated financial statements were neither audited nor reviewed by an independent audit firm.







# 6.

## STATEMENT OF THE MANAGEMENT BOARD

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

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

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





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# II.

## **INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENT**







# INTERIM CONDENSED CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT	01.01.2022 – 31.03.2022	01.01.2021 – 31.03.2021
<b>Revenues from the sales of services</b>	<b>150,334,662</b>	<b>174,113,976</b>
<b>Costs of goods and services sold</b>	<b>15,854,847</b>	<b>10,566,550</b>
<b>Gross profit (loss) on sales</b>	<b>134,479,815</b>	<b>163,547,426</b>
Other operating revenues	82,676	381,540
Selling costs	79,870,756	95,935,217
General and administrative costs	24,095,803	11,758,384
Other operating costs	1,204,115	316,044
<b>Operating profit (loss)</b>	<b>29,391,817</b>	<b>55,919,321</b>
Financial revenues	3,585,368	2,578,758
Financial costs	1,509,386	66,029
<b>Loss on associates</b>	<b>492,499</b>	<b>0</b>
<b>Profit before taxation</b>	<b>30,975,300</b>	<b>58,432,050</b>
Income tax	5,390,036	5,750,513
<b>Net profit on continued activity</b>	<b>25,585,263</b>	<b>52,681,537</b>
<b>Profit on discontinued activity</b>	<b>0</b>	<b>0</b>
<b>Net profit</b>	<b>25,585,263</b>	<b>52,681,537</b>
<b>Net profit attributable to the parent company</b>	<b>25,585,263</b>	<b>52,681,537</b>
<b>Items for requalification for the profit and loss statement in the subsequent periods</b>	<b>4,932,843</b>	<b>5,428</b>
Other comprehensive income	4,864,236	5,428
Subject to reclassification to profit or loss – foreign exchange differences on translation of foreign statements	4,864,236	5,428
<b>Items which will not be subject to requalification for the profit and loss statement in the subsequent periods</b>	<b>0</b>	<b>0</b>
<b>Total comprehensive income</b>	<b>30,449,500</b>	<b>52,676,109</b>
Total comprehensive income assigned to non-controlling shareholders	0	0
<b>Net profit (loss) attributable to the parent company</b>	<b>30,449,500</b>	<b>52,676,109</b>

## EARNINGS PER SHARE

CALCULATION OF EARNINGS PER SHARE	01.01.2022 – 31.03.2022	01.01.2021 – 31.03.2021
<b>Number of shares</b>		
The weighted average number of shares for the purpose of calculating the value basic of earnings per share (in units)	7,301,783	7,267,311
The weighted average number of shares for the purpose of calculating the value of diluted earnings per share (in units)	7,301,783	7,267,311
Net profit assigned to the Parent Entity	25,585,263	52,681,537
<b>Net earnings per share on continued operations in PLN</b>		
basic for the financial period	3.50	7.25
diluted for the financial period	3.50	7.25
<b>Net profit per share attributable to discontinued operations in PLN</b>		
basic for the financial period	0.00	0.00
diluted for the financial period	0.00	0.00





2.

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL SITUATION

ASSETS	31.03.2022	31.12.2021	31.03.2021
<b>Fixed assets</b>	<b>320,496,580</b>	<b>298,865,805</b>	<b>19,090,803</b>
Property, plant and equipment	15,451,154	15,210,185	8,211,841
Intangible assets	112,966,167	106,445,245	7,555,954
Goodwill	162,909,830	161,050,504	0
Other financial assets	23,619,604	9,575,534	857,595
Deferred income tax assets	5,549,825	6,584,337	2,465,413
<b>Current assets</b>	<b>224,197,205</b>	<b>221,414,318</b>	<b>367,558,584</b>
Receivables	57,815,462	62,040,655	68,549,746
Assets under contracts with customers	16,769,408	19,237,145	13,428,564
Loans granted	331,559	583,091	893,758
Cash and cash equivalents	149,280,776	139,553,427	284,686,516
<b>TOTAL ASSETS</b>	<b>544,693,785</b>	<b>520,280,123</b>	<b>386,649,387</b>



EQUITY & LIABILITIES	31.03.2022	31.12.2021	31.03.2021
<b>Equity</b>	<b>372,812,593</b>	<b>351,051,347</b>	<b>302,418,679</b>
<i>Equity of the Parent Entity's shareholders</i>	<i>372,812,593</i>	<i>351,051,347</i>	<i>302,418,679</i>
Share capital	730,178	730,178	726,731
Reserve capital from the sales of shares above their nominal value	496,100	496,100	496,100
Capital from the settlement of the incentive scheme	77,850,516	65,139,524	35,130,040
Foreign exchange differences on translation of statements of foreign operations	4,864,236	2,715,041	5,428
Retained earnings	307,507,612	281,970,504	266,060,380
Own shares	-18,636,050	0	0
<b>Long-term liabilities</b>	<b>63,455,859</b>	<b>64,993,212</b>	<b>7,366,296</b>
Deferred income tax provisions	6,999,856	4,993,184	778,223
Provisions for employee benefits	2,601,014	2,588,247	0
Lease liabilities	7,009,503	8,991,251	6,588,073
Other liabilities	46,845,487	48,420,530	0
<b>Short-term liabilities</b>	<b>108,425,333</b>	<b>104,235,564</b>	<b>76,864,412</b>
Trade liabilities	18,746,014	6,844,591	21,976,336
Current income tax liabilities	18,465,776	18,766,559	4,924,067
Lease liabilities	4,952,382	3,684,538	1,451,945
Other liabilities	2,976,043	2,463,393	664,935
Provisions for employee benefits	5,826,551	7,234,618	3,047,111
Liabilities under contracts with customers	57,458,566	65,241,865	44,800,018
<b>Total liabilities</b>	<b>171,881,192</b>	<b>169,228,776</b>	<b>84,230,708</b>
<b>TOTAL EQUITY &amp; LIABILITIES</b>	<b>544,693,785</b>	<b>520,280,123</b>	<b>386,649,387</b>





3.

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

3 months ending 31.03.2022	Share capital	Share premium	Capital from the settlement of the incentive scheme	Foreign exchange differences on translation	Retained earnings	Own shares	Total equity
<b>Equity as at 01.01.2022</b>	<b>730,178</b>	<b>496,100</b>	<b>65,139,524</b>	<b>2,715,041</b>	<b>281,970,504</b>	<b>0</b>	<b>351,051,347</b>
Share-based payments			12,710,992				<b>12,710,992</b>
Foreign exchange differences					-2,763,196		<b>-2,763,196</b>
Net profit					25,585,263		<b>25,585,263</b>
Acquisition of own shares						-18,636,050	<b>-18,636,050</b>
Other comprehensive income				2,149,195	2,715,041		<b>4,864,236</b>
Total comprehensive income				2,149,195	28,300,304		<b>30,449,500</b>
<b>Change in equity</b>	<b>0</b>	<b>0</b>	<b>12,710,992</b>	<b>2,149,195</b>	<b>25,537,108</b>	<b>-18,636,050</b>	<b>21,761,246</b>
<b>Equity as at 31.03.2022</b>	<b>730,178</b>	<b>496,100</b>	<b>77,850,516</b>	<b>4,864,236</b>	<b>307,507,612</b>	<b>-18,636,050</b>	<b>372,812,593</b>

<b>3 months ending 31.03.2021</b>	Share capital	Share premium	Capital from the settlement of the incentive scheme	Foreign exchange differences on translation	Retained earnings	Own shares	Total equity
<b>Equity as at 01.01.2021</b>	<b>726,731</b>	<b>496,100</b>	<b>23,436,052</b>	<b>4,290</b>	<b>213,387,433</b>	<b>0</b>	<b>238,050,606</b>
Share-based payments			11,693,989				<b>11,693,989</b>
Foreign exchange differences				-4,290	-8,590		<b>-12,880</b>
Net profit					52,681,537		<b>52,681,537</b>
Other comprehensive income				5,428			<b>5,428</b>
Total comprehensive income				5,428	52,681,537		<b>52,686,965</b>
<b>Change in equity</b>	<b>0</b>	<b>0</b>	<b>11,693,989</b>	<b>1,138</b>	<b>52,672,947</b>	<b>0</b>	<b>64,368,074</b>
<b>Equity as at 31.03.2021</b>	<b>726,731</b>	<b>496,100</b>	<b>35,130,041</b>	<b>5,428</b>	<b>266,060,380</b>	<b>0</b>	<b>302,418,680</b>





## 4.

INTERIM CONDENSED CONSOLIDATED  
CASH FLOW STATEMENT

CONSOLIDATED CASH FLOW STATEMENT	01.01.2022 – 31.03.2022	01.01.2021 – 31.03.2021
<b>OPERATING ACTIVITY</b>		
<b>Profit/loss before taxation</b>	<b>30,975,300</b>	<b>58,432,050</b>
<b>Total corrections:</b>	<b>26,738,559</b>	<b>5,172,418</b>
Depreciation (including the capitalized portion)	2,788,738	941,410
Profit/loss on exchange differences	5,078,373	1,327,070
Interest paid on leasing	87,973	64,482
Change in receivables	4,225,193	-13,384,480
Change in liabilities and accrued expenses	7,407,101	11,167,863
Change in liabilities due to contracts with customers	-7,783,300	4,917,826
Change in assets due to contracts with customers	2,467,737	1,486,792
Share-based payments (part not included in the acquisition of intangible assets)	12,303,319	11,154,476
Other corrections	163,424	-13,229
<b>Cash from operating activity</b>	<b>57,713,858</b>	<b>63,604,468</b>
Income tax (paid) / reimbursed	-4,361,033	-13,732,994
<b>A. Net operating cash flow</b>	<b>53,352,825</b>	<b>49,871,474</b>
<b>INVESTMENT ACTIVITY</b>		
Repayment of loans granted	222,582	0,
Purchase of intangible and tangible fixed assets	-9,630,481	-2,909,365
Purchase of shares	-14,320,399	0,
<b>B. Net cash flow from investment activities</b>	<b>-23,728,299</b>	<b>-2,909,365,</b>

CONSOLIDATED CASH FLOW STATEMENT	01.01.2022 – 31.03.2022	01.01.2021 – 31.03.2021
<b>FINANCIAL ACTIVITY</b>		
Payment of liabilities under leasing agreements	-825,800	-209,471
Purchase of own shares	-18,636,050	0,
Interest on lease	-90,711	-64,482
<b>C. Net cash flow from financial activities</b>	<b>-19,552,561</b>	<b>-273,953</b>
<b>D. Total net cash flow</b>	<b>10,071,967</b>	<b>46,688,156</b>
– change in cash due to exchange losses/gains	-344,617	1,389,981
<b>E. Increase in cash and cash equivalents (with exchange differences)</b>	<b>9,727,349</b>	<b>48,078,137</b>
<b>F. Cash at the beginning of the period</b>	<b>139,553,427</b>	<b>236,608,379</b>
<b>G. Cash at the end of the period</b>	<b>149,280,776</b>	<b>284,686,516</b>





## 5.

## COMMENTS ON THE RESULTS

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

In 2021, the subsidiary Rortos was acquired, which significantly changed the value of shares in the separate statements and the value of intangible assets in the consolidated financial statements along with the increase in the liability for the purchase and outflow of cash. However, this transaction did not have such a significant impact on the statement of comprehensive income, hence the Parent Company decided to continue to describe the consolidated data

## 5.1. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

### BREAKDOWN OF CONSOLIDATED PAYMENTS BY GAME BY QUARTER

GAME	1Q2021	2Q2021	3Q2021	4Q2021	1Q2022
Fishing Clash	131,659,442	114,983,038	114,371,143	121,867,964	95,826,978
Hunting Clash	26,840,820	30,390,316	28,042,011	30,493,190	32,279,619
Let's Fish	4,208,029	3,710,888	3,110,282	3,445,192	3,099,293
Wild Hunt	3,666,218	3,331,467	2,761,094	3,312,206	2,790,545
Rortos' games	0	0	7,183,811	6,954,796	7,547,941
Others	2,821,641	2,561,285	2,237,641	1,616,584	1,006,988
<b>BOOKINGS TOTAL</b>	<b>169,196,150</b>	<b>154,976,993</b>	<b>157,705,984</b>	<b>167,689,934</b>	<b>142,551,363</b>
Deferred revenue (consumable)	3,213,637	283,892	-2,265,275	-7,475,672	4,937,513
Deferred revenue (durable)	1,704,189	9,624,478	-7,489,650	-13,119,620	2,845,786
<b>REVENUES TOTAL</b>	<b>174,113,976</b>	<b>164,885,363</b>	<b>147,951,059</b>	<b>147,094,641</b>	<b>150,334,662</b>

\* under „Bookings“ the Groups recognizes revenues that were not reduced by revenues deferred in time (i.e. in the case of micropayments, these are payments made by users during the indicated period). The amount of deferred income results from the estimate of the unused virtual currency and durable virtual goods by active players made as at the balance sheet date. The amount of such deferred income is shown in the financial statements in the balance sheet item „deferred income“

## BREAKDOWN OF SELLING COSTS BY QUARTERS

SPECIFICATION	1Q2021	2Q2021	3Q2021	4Q2021	1Q2022
<b>Selling costs</b>	<b>95,935,217</b>	<b>95,799,537</b>	<b>82,618,730</b>	<b>72,895,344</b>	<b>79,870,756</b>
marketing:	40,137,460	42,419,871	33,944,492	23,020,677	29,766,907
– Fishing Clash	22,551,718	24,783,495	21,055,086	13,614,460	16,110,636
– Hunting Clash	17,412,032	17,438,915	12,889,406	9,334,220	13,532,653
– other titles	173,710	197,461	0	71,997	123,618
Comissions	50,414,040	47,816,995	41,574,686	41,874,524	42,032,471
revenue share	477,124	423,624	411,570	509,652	448,775
remuneration, external services	3,961,297	3,338,075	4,496,667	5,461,878	5,857,302
Services of mobile gaming market research	548,606	1,317,788	571,024	596,223	308,753
Others	396,689	483,185	1,620,289	1,432,390	1,456,548

The Management Board does not perceive non-cash postings (incentive plan and deferment of income) as having any impact on operating activities, therefore it analyzes financial results and plans operating and strategic activities without taking them into account. Therefore, the Management Board of the Company decided to:

» introduce the „Adjusted EBITDA" ratio, which is a key indicator reflecting the operating results of the Company and the Group;

» analyze revenues through „Payments", which are based on actual payments made in a given period by users and fully translate into generating cash flows, and do not take into account the effect of recognizing revenues from the sale of virtual currency and virtual durable goods over time. Analyzing revenues (i.e. payments adjusted for the impact of their deferral and recognized over time) could lead to completely wrong conclusions from the point of view of user behavior in the game and management of the further development of the game.







The table below presents the calculation of the „Adjusted EBITDA“ ratio – consolidated data.

SPECIFICATION	1Q 2021	2Q 2021	3Q 2021	4Q 2021*	1Q 2022
<b>EBIT</b>	<b>55,919,321</b>	<b>38,696,044</b>	<b>31,192,480</b>	<b>40,412,748</b>	<b>29,391,817</b>
Amortization and depreciation (without capitalized portion)	941,410	978,452	3,304,646	2,359,808	2,742,054
Write-offs	0	3,760,700	0	0	0
<b>EBITDA</b>	<b>56,860,731</b>	<b>43,435,196</b>	<b>34,497,126</b>	<b>42,772,556</b>	<b>32,133,872</b>
The non-cash impact of the incentive program	10,981,139	10,970,806	7,694,579	10,023,537	12,303,319
Deferred net revenue (unused virtual currency)	-2,249,545	-198,724	1,585,693	5,232,970	-3,456,258
Deferred net revenue (unused durables)	-1,181,489	-6,649,270	5,331,821	9,330,773	-1,859,303
Costs of potential and completed acquisitions (M&A) and reviews of strategic options	0	0	3,686,602	0	1,760,415
Other one-offs	0	0	2,054,828	0	248,368
<b>Adjusted EBITDA</b>	<b>64,410,836</b>	<b>47,558,008</b>	<b>54,850,650</b>	<b>67,359,837</b>	<b>41,130,412</b>

In the first quarter of 2022, payments amounted to PLN 142.6 million and were 15% lower than in the fourth quarter of 2021 and 16% lower than in the first quarter of 2021. The main reason for the decrease is the decrease in payments in the Fishing Clash game (-21% compared to 4Q 2021 and - 27% compared to 1Q 2021). Hunting Clash at the same time recorded a 6% increase in payments compared to Q4 2021 and by 20% compared to Q1 2021.

In the same period, i.e. during Q1 2022, the Group incurred marketing expenses of PLN 29.8 million and they were PLN 6.7 million higher than in the previous quarter and PLN 10.4 million lower than in Q1 2021. This quarter is the second consecutive period when marketing expenses do not exceed PLN 30 million, while the last six quarters (since the beginning of the COVID-19 pandemic) have average expenses of around PLN 44 million. In the longer term, the decline in expenditure is related to the alleged end of the pandemic and not being able to acquire users on such favorable terms.

Selling costs are mainly marketing costs described above, as well as commissions dependent on the level of revenues (which increased by 2% quarter on quarter), which also means a proportional increase in the cost of the commission.

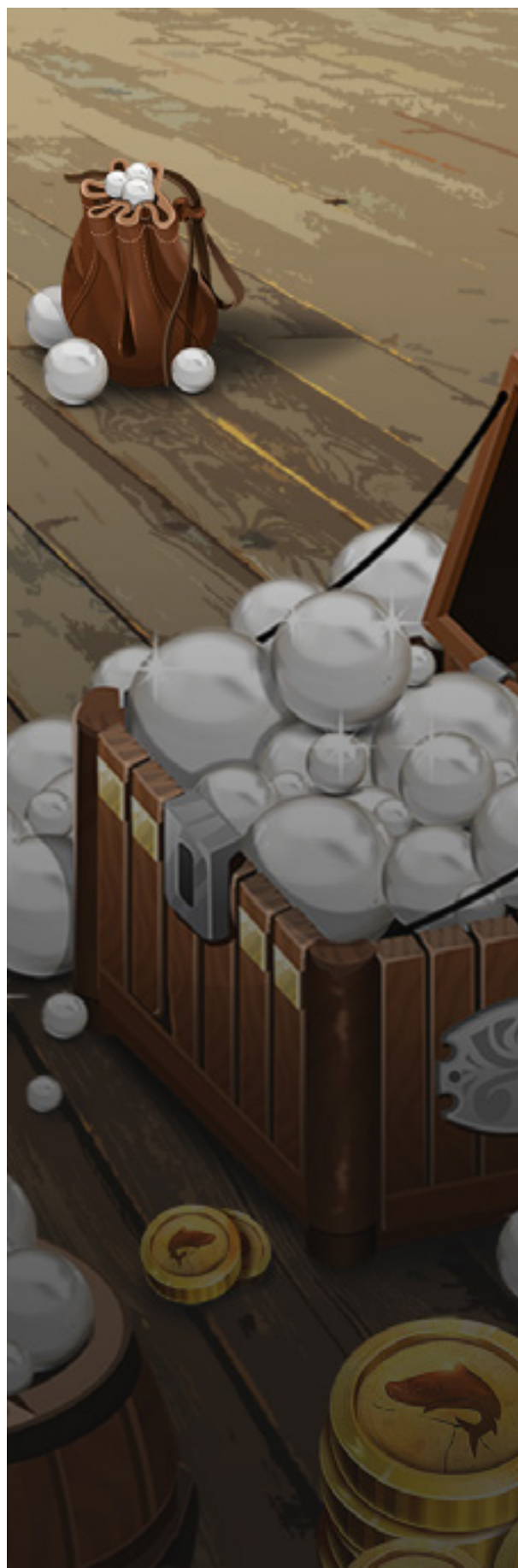
The costs of producing the services sold include mainly the remuneration of the employees and associates of the Company. The increase in costs in Q1 2022 results from the increase in the level of employment in the compared periods.

General and administrative expenses almost doubled comparing Q1 2022 to Q1 2021 – from PLN 11.8 million to PLN 24.1 million, which was mainly due to the non-cash cost of the incentive program. The Group reclassified the allocation of program participants to individual cost categories, thus increasing the burden on this cost line. The second unusual cost in Q1 2022 is the cost of potential investments and acquisitions in the amount of PLN 1.8m, compared to no such item a year ago.

General and administrative expenses, excluding the incentive program and M&A costs, amount to PLN 11 million for Q1 2022 and PLN 4.5 million for Q1 2021, respectively. This increase in costs is related to the real increase in employment and infrastructure of the Group – including the costs of subsidiaries from Germany and Romania and Italy.

All the factors discussed above translated into a nominal decrease in net profit, which in Q1 2022 amounted to PLN 30.5 million and was PLN 22.2 million (42%) lower than in Q1 2021.

Adjusted EBITDA for Q1 2022 amounted to PLN 41.1 million and was lower by PLN 23.3 million (36%) compared to Q1 2021.





## 5.2. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In March 2022, the Group acquired 24.8% of shares in Gamesture Sp. z o.o. The value of the transaction amounted to PLN 14.3 million (USD 3.5 million), and its recognition had a direct impact on the increase in the value of the item „other financial assets“.

The main reason for the increase in the „intangible assets“ item is the active work on five new games, the value of capitalized costs of which in Q1 2022 amounted to PLN 7.6 million.

In terms of the balance sheet, the decrease in payments translated into a decrease in trade receivables by PLN 4.2 million, a decrease in recognized assets due to contracts with customers (deferred commission cost) by PLN 2.5 million, as well as on the liabilities side for a decrease in liabilities due to contracts with customers (deferred revenues) by PLN 7.8 million.

In January and February 2022, the Parent Company carried out a buyback of its own shares. The value of the purchase was PLN 18.6m (70,000 shares), which was shown as a decrease in equity and resulted in a smaller than usual increase in cash held.

The increase in trade payables by PLN 11.9 million (174%) compared to December 31, 2021 is mainly related to conducting more numerous marketing campaigns in March compared to December 2021. The cost of March campaigns for the two main games of the Group (FC and HC) amounted to PLN 6.8 million compared to PLN 0.7 million three months earlier.

The Group (and the Parent Entity) has high financial liquidity, all liabilities are settled on time, and the Group has no problems with the collection of receivables.

## 5.3. CONSOLIDATED CASH FLOW STATEMENT

As at March 31, 2022, the Parent Entity still had a liability due to CIT (incomet tax) for 2021 in the amount of PLN 16.6 million, which is related to the extension of the period in which the annual settlement of this tax can be made. The lack of a standard tax payment in the first quarter of 2022 had a positive effect on the cash position shown in operating activities, which increased by 7% quarter to the comparable quarter.

On the investment activity side, apart from ongoing work on new productions, the Parent Company purchased shares in Gamesture Sp. z o.o., which has already been described above.

In the financial activity, the Group disclosed the purchase of its own shares, which was also already described above.

Two large, unusual transactions, which are the purchase of shares and the purchase of shares, resulted in the balance sheet increase in cash value of PLN 9.7 million, which is a 7% increase in cash compared to the beginning of 2022.





ten square\_games

# III.

## **INTERIM CONDENSED STANDALONE FINANCIAL STATEMENT**









# INTERIM CONDENSED STANDALONE STATEMENT OF COMPREHENSIVE INCOME

STANDALONE FINANCIAL STATEMENT OF COMPREHENSIVE INCOME

01.01.2022 – 31.03.2022

01.01.2021 – 31.03.2021

<b>Sales revenues</b>	<b>142,492,868</b>	<b>173,440,494</b>
<b>Costs of services sold</b>	<b>12,045,547</b>	<b>10,589,660</b>
<b>Gross profit</b>	<b>130,447,321</b>	<b>162,850,834</b>
Other operating income	75,253	381,293
Selling costs	77,399,034	95,832,122
General and administrative costs	23,598,789	11,681,312
Other operating costs	1,199,454	314,124
<b>Operating profit</b>	<b>28,325,298</b>	<b>55,404,569</b>
Financial income	3,443,338	2,563,365
Financial expense	1,486,820	66,029
<b>Loss on associates</b>	<b>492,499</b>	
<b>Profit before taxation</b>	<b>29,789,316</b>	<b>57,901,905</b>
Income tax	4,497,986	5,661,971
<b>Net profit on continued activity</b>	<b>25,291,330</b>	<b>52,239,935</b>
<b>Items for requalification for the profit and loss statement in the subsequent periods</b>	<b>0</b>	<b>0</b>
<b>Items which will not be subject to requalification for the profit and loss statement in the subsequent periods</b>	<b>0</b>	<b>0</b>
<b>Total comprehensive income</b>	<b>25,291,330</b>	<b>52,239,935</b>



## EARNINGS PER SHARE

CALCULATION OF EARNINGS PER SHARE	01.01.2022 – 31.03.2022	01.01.2021 – 31.03.2021
<b>Number of shares</b>		
The weighted average number of shares for the purpose of calculating the value basic of earnings per share (in units)	7,301,783	7,267,311
The weighted average number of shares for the purpose of calculating the value of diluted earnings per share (in units)	7,301,783	7,267,311
Net profit assigned to the Parent Entity	25,291,330	52,239,935
<b>Net earnings per share on continued operations in PLN</b>		
basic for the financial period	3.46,zł	7.19,zł
diluted for the financial period	3.46,zł	7.19,zł
<b>Net profit per share attributable to discontinued operations in PLN</b>		
basic for the financial period	0.00,zł	0.00,zł
diluted for the financial period	0.00,zł	0.00,zł





# 2.

## INTERIM CONDENSED STANDALONE STATEMENT OF FINANCIAL SITUATION

ASSETS	31.03.2022	31.12.2021	31.03.2021
<b>Fixed assets</b>	<b>325,276,142</b>	<b>304,648,853</b>	<b>20,093,567</b>
Tangible fixed assets	13,502,085	13,336,300	8,196,663
Intangible fixed assets	29,782,746	22,278,984	7,555,954
Investments in affiliates	266,721,292	252,893,402	116,080
Loans granted	0	0	901,862
Other financial assets	9,791,714	9,575,534	857,595
Deferred tax asset	5,478,305	6,564,633	2,465,413
<b>Current assets</b>	<b>200,775,528</b>	<b>200,056,217</b>	<b>361,923,973</b>
Receivables	49,589,033	54,163,340	67,563,804
Contract assets	16,769,408	19,237,145	13,428,564
Loans granted	3,776,267	3,983,406	893,758
Cash and cash equivalents	130,640,820	122,672,326	280,037,847
<b>TOTAL ASSETS</b>	<b>526,051,670</b>	<b>504,705,070</b>	<b>382,017,540</b>

EQUITY & LIABILITIES	31.03.2022	31.12.2021	31.03.2021
<b>Equity</b>	<b>360,375,015</b>	<b>341,008,743</b>	<b>297,647,549</b>
Share capital	730,178	730,178	726,731
Reserve capital from the sales of shares above their nominal value	496,100	496,100	496,100
Capital from the settlement of the incentive scheme	77,850,516	65,139,524	35,130,041
Foreign exchange differences on translation of statements of foreign operations	299,934,271	274,642,941	261,294,677
Retained earnings	-18,636,050	0	0
<b>Long-term liabilities</b>	<b>60,954,621</b>	<b>62,355,120</b>	<b>7,377,613</b>
Deferred income tax provisions	5,917,446	3,618,004	789,540
Provisions for employee benefits	5,898,659	7,861,020	6,588,073
Lease liabilities	2,466,599	2,455,566	0
Other liabilities	46,671,917	48,420,530	0
<b>Short-term liabilities</b>	<b>104,722,034</b>	<b>101,341,207</b>	<b>76,992,378</b>
Trade liabilities	20,546,319	9,431,245	23,175,718
Current income tax liabilities	15,345,930	16,842,777	4,890,122
Lease liabilities	4,823,058	3,556,967	1,451,945
Other liabilities	1,467,104	1,211,822	651,410
Provisions for employee benefits	5,081,058	5,056,531	2,023,165
Liabilities under contracts with customers	57,458,565	65,241,865	44,800,018
<b>TOTAL LIABILITIES</b>	<b>526,051,670</b>	<b>504,705,070</b>	<b>382,017,540</b>





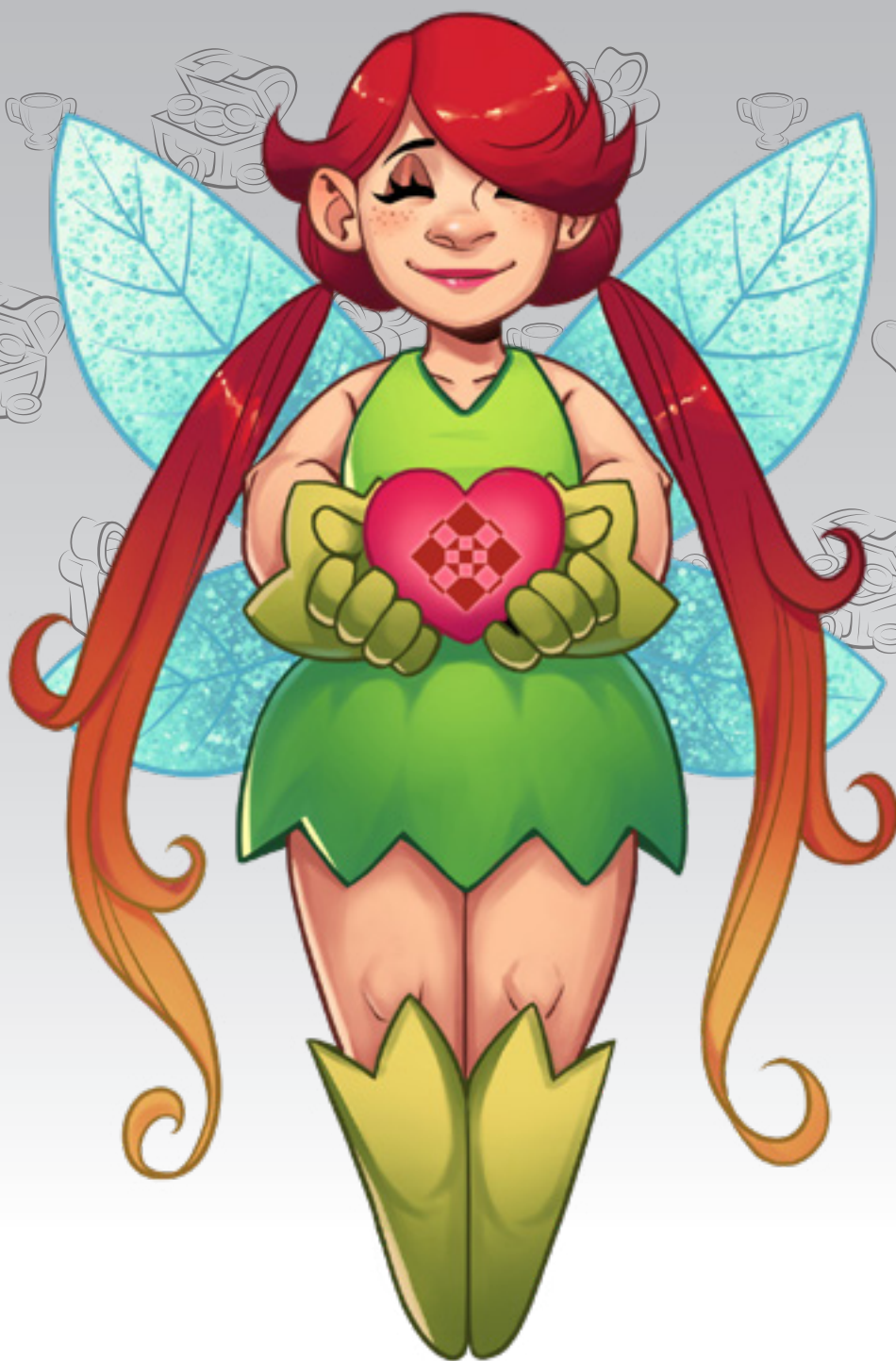
## 3.

## INTERIM CONDENSED STANDALONE STATEMENT OF CHANGES IN EQUITY

## STANDALONE STATEMENT OF CHANGES IN EQUITY

3 months ending 31.03.2022	Share capital	Share premium	Capital from the settlement of the incentive scheme	Retained earnings	Own shares	Total equity
<b>Equity as at 01.01.2022</b>	<b>730,178</b>	<b>496,100</b>	<b>65,139,524</b>	<b>274,642,941</b>	<b>0</b>	<b>341,008,743</b>
Payment of share capital						<b>0</b>
Share-based payments			12,710,992			<b>12,710,992</b>
Dividend payment						<b>0</b>
Purchase of own shares					-18,636,050	<b>-18,636,050</b>
Total comprehensive income				25,291,330		<b>25,291,330</b>
<b>Equity as at 31.03.2022</b>	<b>730,178</b>	<b>496,100</b>	<b>77,850,516</b>	<b>299,934,270</b>	<b>-18,636,050</b>	<b>360,375,015</b>

3 months ending 31.03.2021	Share capital	Share premium	Capital from the settlement of the incentive scheme	Retained earnings	Own shares	Total equity
<b>Equity as at 01.01.2021</b>	<b>726,731</b>	<b>496,100</b>	<b>23,436,052</b>	<b>209,054,742</b>	<b>0</b>	<b>233,713,625</b>
Payment of share capital						
Share-based payments			11,693,989			<b>11,693,989</b>
Dividend payment						<b>0</b>
Purchase of own shares				52,239,935		<b>52,239,935</b>
Total comprehensive income				52,239,935		<b>52,239,935</b>
<b>Equity as at 31.03.2022</b>	<b>730,178</b>	<b>496,100</b>	<b>35,130,041</b>	<b>261,294,677</b>	<b>0</b>	<b>297,647,549</b>





4.

# INTERIM CONDENSED STANDALONE CASH FLOW STATEMENT

STANDALONE CASH FLOW STATEMENT	01.01.2022 – 31.03.2022	01.01.2021 – 31.03.2021
<b>OPERATING ACTIVITY</b>		
<b>Profit/loss before taxation</b>	<b>29,789,316</b>	<b>57,901,905</b>
<b>Total corrections:</b>	<b>22,960,135</b>	<b>5,248,215</b>
Amortization and depreciation (including the capitalized portion)	886,113	933,881
Foreign exchange gain/loss	641,451	1,324,495
Interest paid on lease	82,353	64,482
Discount unwinding (Rortos)	1,404,467	0
Change in receivables	4,574,307	-13,480,217
Change in liabilities and accrued expenses	8,171,489	11,330,684
Change in contract liabilities	-7,783,300	-4,917,826
Change in contract assets	2,467,737	1,486,792
Share based payments (part not included in the acquisition of intangible assets)	12,303,319	11,154,476
Other adjustments	212,198	438
<b>Cash on operating activity</b>	<b>52,749,451</b>	<b>63,150,120</b>
Income tax (paid) / refunded	-2,543,813	-13,631,082
<b>A. Net operating cash flow</b>	<b>50,205,638</b>	<b>49,519,038</b>
<b>INVESTMENT ACTIVITY</b>		
Repayment of loans granted	252,000	0
Purchase of intangible and tangible fixed assets	-8,300,354	-2,894,187
Purchase of shares	-14,320,399	0
Loans granted	0	-901,860
<b>B. Net cash flow from investment activities</b>	<b>-22,368,753</b>	<b>-3,796,047</b>

STANDALONE CASH FLOW STATEMENT	01.01.2022 – 31.03.2022	01.01.2021 – 31.03.2021
<b>FINANCIAL ACTIVITY</b>		
Payments of finance liabilities	-809,602	-209,471
Purchase of own shares	-18,636,050	0
Interest on lease	-82,353	-64,482
<b>C. Net cash flow from financing activity</b>	<b>-19,528,005</b>	<b>-273,953</b>
<b>D. Total net cash flow</b>	<b>8,308,880</b>	<b>45,449,038</b>
– change in cash due to exchange losses/gains	-340,385	1,387,406
<b>E. Balance-sheet change in cash, including foreign exchange</b>	<b>7,968,495</b>	<b>46,836,444</b>
<b>F. Cash at the beginning of the period</b>	<b>122,672,326</b>	<b>233,201,403</b>
<b>G. Cash at the end of the period</b>	<b>130,640,821</b>	<b>280,037,847</b>



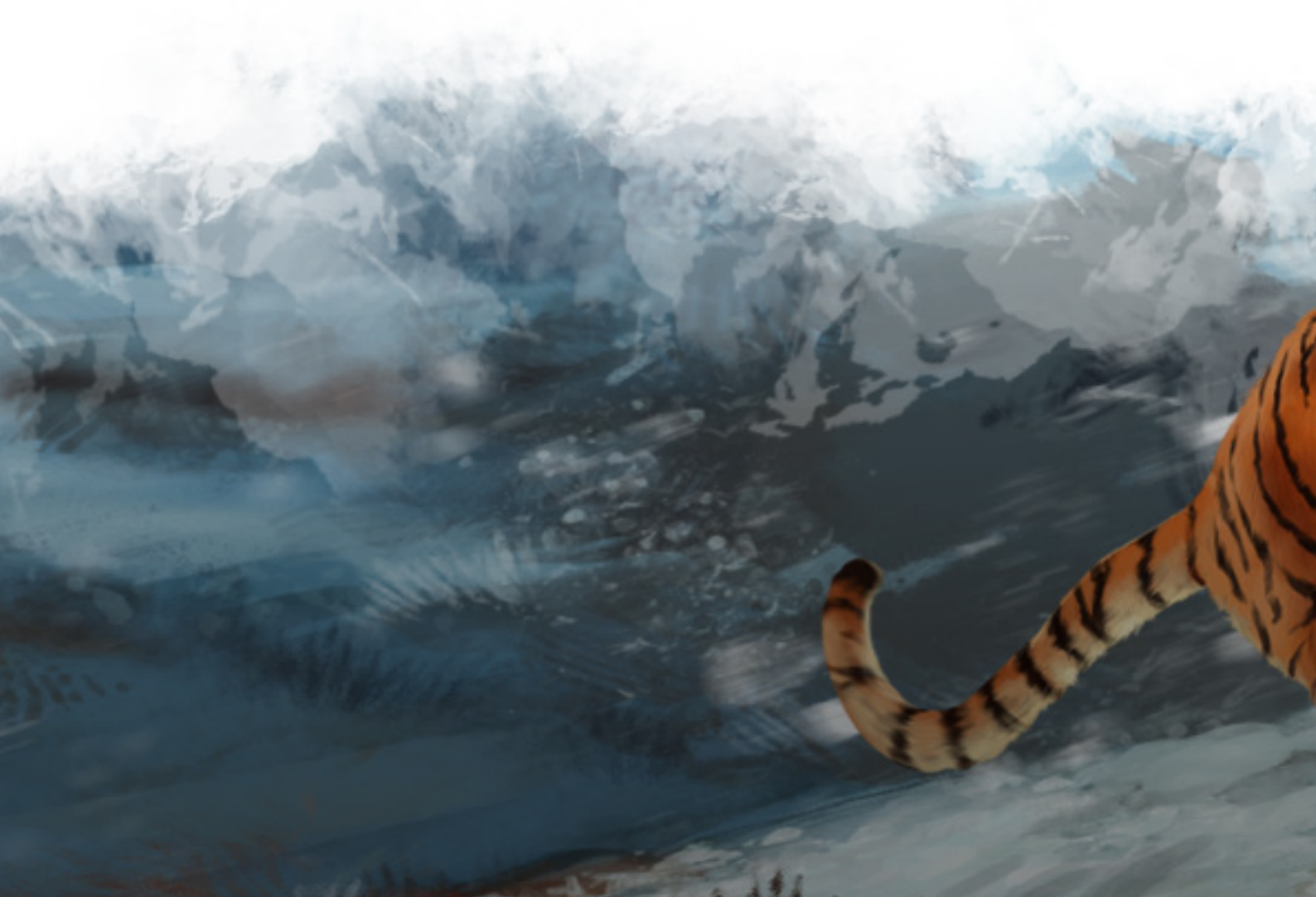




ten square\_games

# IV.

## **BASIS OF PREPARATION AND ACCOUNTING POLICY**









# 1.

## COMPLIANCE WITH THE INTERNATIONAL ACCOUNTING STANDARDS

This interim condensed consolidated financial statement has been prepared in accordance with International Financial Reporting Standards and interpretations issued by the International Accounting Standards Board as approved by the European Union, under the IFRS Regulation (European Commission 1606/2002), hereinafter referred to as „EU IFRS“ as applicable at 31.03.2022.



# 2.

## CHANGES IN ACCOUNTING PRINCIPLES (POLICY)

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





# 3.

## DESCRIPTION OF THE ADOPTED ACCOUNTING PRINCIPLES (POLICY)

### 3.1. Subsidiaries

#### Consolidated financial statement

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.

#### Standalone financial statement

Pursuant to IAS 27, the Company, as the parent company preparing separate financial statements, recognizes investments in subsidiaries, jointly controlled entities and associates at cost. If the purchase price includes future contingent payments, the Company estimates the value of future cash flows as credibly as possible on the date of purchase, and then recognizes them at the present value, adjusted by the change in the value of cash over time.

In accordance with IAS 28, the Company measures investments in associates using the equity method. an investment in an associate is recognized initially at cost, and the carrying amount is increased or decreased in order to recognize the investor's share of the profit or loss of the investee, noted by it after the acquisition date. An associate is an entity over which the investor has significant influence and which is neither a subsidiary of the investor nor a joint venture of the investor. The management board of the parent company always considers the existence of significant influence and dependence of the company in which the shares are acquired.

## 3.2. Revenues and costs of operating activity

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

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

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

### THE GROUP DISTINGUISHES THREE MAIN SOURCES OF REVENUES:

## INCOME

### MICRO-PAYMENTS

- » revenues from additional functionalities purchased by the players

### ADVERTISEMENTS

- » revenues from advertisements displayed in games

### LICENSES

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





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

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

During the course of 2020, the Company made changes to its information systems so that it began collecting data to analyze the use of durable goods over time. As a result, the Company estimates the amount of the liability (customer contract liability) for the provision of the durable good in the game – revenues related to the purchase of durable virtual goods (and the commission of digital distribution platforms such as Google Play and the App Store related to these revenues) are recognized by the estimated average play 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 Company in the selling costs.

### **Revenues from advertisements displayed in games (advertisements)**

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

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

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

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

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

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

### 3.3. Revenues and costs of financial activity

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

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





## 3.4. Income tax

Income tax includes: current tax payable and deferred tax.

### Current tax

Calculated on the basis of tax result (tax base) of a given trading year.

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

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

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

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



## Deferred tax

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

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

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

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

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

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

## Uncertainty related to the recognition of income tax

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





### 3.5. Tangible fixed assets

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

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

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

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

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

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

### 3.6. Intangible assts

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.





## Software development activities

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

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

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

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

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

### 3.7. Lease

In accordance with IFRS 16 on recognition, 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 values an asset by virtue of the right of use, using the cost model, while the liability is valued 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 value a financial asset or financial liability at its fair value, which in the case of financial assets or financial liabilities not valued at fair value by financial result shall be increased or decreased by transaction costs that are directly attributable to the acquisition or issue of such financial assets or financial liabilities.

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

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

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

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

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

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

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

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

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

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

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





### **3.9.**

## **Transactions in foreign currencies**

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

### **Valuation**

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

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

### **Transactions during the year**

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

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



### **3.10.** **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 value the fair value of received services by reference to the fair value of the equity instruments. It is a consequence of the fact that it is usually not possible to reliably estimate the fair value of the received services. The fair value of equity instruments shall be determined at the date of granting such instruments.

### **3.13.** **Payment of dividends**

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





### **3.14.** **Provisions**

Provisions shall be recognized if the Group is under an existing liability (legal or customary), resulting from past events and if it is probable or highly probable that fulfilment of this liability will require expending of funds that form economic benefits and if it is possible to reliably estimate the value of such liability. The amount of the created provisions shall be verified and updated at the end of the reporting period in order to adjust the estimates to the values prepared in accordance with the Group's best knowledge as at that date. In the financial 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 valued in accordance with tax rates, which are expected to apply at the moment when the assets are realized or the liabilities are released, adopting as a basis the tax regulations which were legally or actually effective at the end of the reporting period. The probability of realizing deferred income tax assets with future tax income is based on the Group's plans.

### Fair value of share-based payments

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

### Recognition of revenue from the 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](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 Company defines an active user as one who has ever made a minimum of one payment up to the balance sheet date and has been active in the game (i.e. logged in a minimum of 1 time) in the 30 days

» before the balance sheet date and/or

» after the balance sheet date.

### The use of durables 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 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 31.03.2022.

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 1.5 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).





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## **ADDITIONAL NOTES AND EXPLANATIONS TO THE CONSOLIDATED FINANCIAL STATEMENT**









## 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	01.01.2022 – 31.03.2022	01.01.2021 – 31.03.2021
Sales of services	150,334,662	174,113,976
<b>TOTAL revenues from sales of services</b>	<b>150,334,662</b>	<b>174,113,976</b>
Other operating revenues	82,676	381,540
Financial revenues	3,585,368	2,578,758
<b>TOTAL revenues from continuing operations</b>	<b>154,002,705</b>	<b>177,074,274</b>
<b>TOTAL revenues</b>	<b>154,002,705</b>	<b>177,074,274</b>

Revenues from discontinued operations did not occur.



## 1.1. Information on operating segments and result performance indicators

The Management Board does not distinguish separate operating segments, in accordance with the definition specified in IFRS 8 par. 5, including revenues, costs, assets and liabilities, for which separate financial information shall be prepared and on the basis of which the decisions concerning the allocation of resources by main operating decision-making body would be made.

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 "customer contract liabilities".

Recurring EBITDA means the Group's operating profit for a given financial year as disclosed in the consolidated financial statements, increased by depreciation of fixed assets and intangible assets, adjusted by:

- » extraordinary and one-off events;
- » 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 Zużatek (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 to the tax and social security systems, resulting, inter alia, from due to changes in applicable regulations, including the "Nowy Lad", which would increase the costs of the Company 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 REVENUES	Bookings 1Q 2022	Share of bookings 1Q 2022	Bookings 1Q 2021	Share of bookings 1Q 2021
micro-payments	136,474,477	95.7%	166,343,037	98.3%
advertisements	4,416,918	3.1%	1,835,815	1.1%
licences	1,659,968	1.2%	1,017,298	0.6%
<b>BOOKINGS TOTAL</b>	<b>142,551,363</b>	<b>100%</b>	<b>169,196,150</b>	<b>100%</b>
Deferred income (consumable)	4,937,513	N/D	3,213,637	N/D
Deferred income (durable)	2,845,786	N/D	1,704,189	N/D
<b>REVENUES TOTAL</b>	<b>150,334,662</b>	<b>N/D</b>	<b>174,113,976</b>	<b>N/D</b>

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.

Estimating the average length of time a paying user remains in a game requires a sufficiently long history of player behavior. 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.

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 revenue by PLN 6m. In subsequent reporting periods, the amounts of the adjustments should be (and are in Q1 2022) 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 1Q 2022	Share of bookings 1Q 2022	Bookings 1Q 2021	Share of bookings 1Q 2021
Fishing Clash*	95,826,978	67.2%	131,659,442	77.8%
Hunting Clash	32,279,619	22.6%	26,840,820	15.9%
Let's Fish	3,099,293	2.2%	4,208,029	2.5%
Wild Hunt	2,790,545	2.0%	3,666,218	2.2%
Airline Commander	3,143,732	2.2%	0	0.0%
Real Flight Simulator	3,578,332	2.5%	0	0.0%
Others	1,832,865	1.3%	2,821,641	1.7%
<b>BOOKINGS TOTAL</b>	<b>142,551,363</b>	<b>100.0%</b>	<b>169,196,150</b>	<b>100.0%</b>
Deferred income (consumable)	4,937,513	N/D	3,213,637	N/D
Deferred income (durable)	2,845,786	N/D	1,704,189	N/D
<b>REVENUES TOTAL</b>	<b>150,334,662</b>	<b>N/D</b>	<b>174,113,976</b>	<b>N/D</b>

\* The amount of payments for the Fishing Clash game includes the amount of PLN 1.27 million (1.3% of the total payments for this title) related to the license income generated on the Chinese market, in 1Q2021 the Fishing Clash game was not yet distributed in China, hence the revenue for the previous year from this source was not obtained.

Split of consolidated bookings by games by quarters:

GAME	1Q2021	2Q2021	3Q2021	4Q2021	1Q2022
Fishing Clash	131,659,442	114,983,038	114,371,143	121,867,964	95,826,978
Hunting Clash	26,840,820	30,390,316	28,042,011	30,493,190	32,279,619
Let's Fish	4,208,029	3,710,888	3,110,282	3,445,192	3,099,293
Wild Hunt	3,666,218	3,331,467	2,761,094	3,312,206	2,790,545
Rortos' games	0	0	7,183,811	6,954,796	7,547,941
Other	2,821,641	2,561,285	2,237,641	1,616,584	1,006,988
<b>BOOKINGS TOTAL</b>	<b>169,196,150</b>	<b>154,976,993</b>	<b>157,705,984</b>	<b>167,689,934</b>	<b>142,551,363</b>
Deferred income (consumable)	3,213,637	283,892	-2,265,275	-7,475,672	4,937,513
Deferred income (durable)	1,704,189	9,624,478	-7,489,650	-13,119,620	2,845,786
<b>REVENUES TOTAL</b>	<b>174,113,976</b>	<b>164,885,363</b>	<b>147,951,059</b>	<b>147,094,641</b>	<b>150,334,662</b>





Deferred revenue by game and quarter in 2021 and the balance sheet balance at 1.01.2021, 31.12.2021 and 31.03.2022 (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 deferral Q1 2021	Change of deferral Q2 2021	Change of deferral Q3 2021	Change of deferral Q4 2021	Balance sheet item 31.12.2021	Change of deferral Q1 2022	Balance sheet item 31.03.2022
<b>Fishing Clash</b>								
Deferred revenues	-6,235,931	3,080,182	263,529	-1,285,117	-5,245,808	-9,423,145	3,305,098	-6,118,047
Deferred costs	1,870,779	-924,055	-79,059	385,535	1,573,743	2,826,943	-991,529	1,835,414
<b>Hunting Clash</b>								
Deferred revenues	0	0	0	-953,028	-1,918,953	-2,871,981	1,505,052	-1,366,929
Deferred costs	0	0	0	285,908	575,686	861,594	-451,516	410,078
<b>Let's Fish</b>								
Deferred revenues	-143,137	62,366	6,257	-17,775	-122,288	-214,577	31,977	-182,600
Deferred costs	42,941	-18,710	-1,877	5,332	36,687	64,373	-9,593	54,780
<b>Wild Hunt</b>								
Deferred revenues	-168,108	71,089	14,106	-9,355	-188,622	-280,890	95,385	-185,505
Deferred costs	50,433	-21,327	-4,232	2,806	56,587	84,267	-28,616	55,651
<b>TOTAL</b>								
<b>Deferred revenues</b>	<b>-6,547,176</b>	<b>3,213,637</b>	<b>283,892</b>	<b>-2,265,274</b>	<b>-7,475,672</b>	<b>-12,790,593</b>	<b>4,937,512</b>	<b>-7,853,081</b>
<b>Deferred costs</b>	<b>1,964,153</b>	<b>-964,091</b>	<b>-85,168</b>	<b>679,582</b>	<b>2,242,702</b>	<b>3,837,178</b>	<b>-1,481,254</b>	<b>2,355,924</b>

DURABLE	Balance sheet item 1.01.2021	Change of deferral Q1 2021	Change of deferral Q2 2021	Change of deferral Q3 2021	Change of deferral Q4 2021	Balance sheet item 31.12.2021	Change of deferral Q1 2022	Balance sheet item 31.03.2022
<b>Fishing Clash</b>								
Deferred revenues	-43,170,671	1,704,189	9,624,478	-7,489,650	-7,100,476	-46,432,130	4,497,751	-41,934,379
Deferred costs	12,951,201	-522,700	-2,975,208	2,157,829	2,007,090	13,618,212	-1,463,979	12,154,233
<b>Hunting Clash</b>								
Deferred revenues	0	0	0	0	-6,019,144	-6,019,144	-1,651,965	-7,671,109
Deferred costs	0	0	0	0	1,781,756	1,781,756	477,496	2,259,252
<b>TOTAL</b>								
<b>Deferred revenues</b>	<b>-43,170,671</b>	<b>1,704,189</b>	<b>9,624,478</b>	<b>-7,489,650</b>	<b>-13,119,620</b>	<b>-52,451,274</b>	<b>2,845,786</b>	<b>-49,605,488</b>
<b>Deferred costs</b>	<b>12,951,201</b>	<b>-522,700</b>	<b>-2,975,208</b>	<b>2,157,829</b>	<b>3,788,846</b>	<b>15,399,968</b>	<b>-986,483</b>	<b>14,413,485</b>
<b>CONSUMABLE + DURABLE</b>								
Deferred revenues	-49,717,847	4,917,826	9,908,370	-9,754,924	-20,595,291	-65,241,866	7,783,298	-57,458,568
Deferred costs	14,915,354	-1,486,791	-3,060,376	2,837,411	6,031,547	19,237,146	-2,467,737	16,769,409
<b>TOTAL</b>	<b>-34,802,493</b>	<b>3,431,035</b>	<b>6,847,994</b>	<b>-6,917,513</b>	<b>-14,563,743</b>	<b>-46,004,721</b>	<b>5,315,561</b>	<b>-40,689,160</b>





## 1.4. Revenues – by partner

CONTRACTOR	Bookings 1Q 2022	Share of bookings 1Q 2022	Bookings 1Q 2021	Share of bookings 1Q 2021
Google Inc.	81,152,010	56.9%	99,571,806	58.8%
Apple Distribution International	50,412,939	35.4%	60,431,493	35.7%
Others (none of which is above 10%)	10,986,414	7.7%	9,192,851	5.4%
<b>BOOKINGS TOTAL</b>	<b>142,551,363</b>	<b>100%</b>	<b>169,196,150</b>	<b>100%</b>
Deferred income (consumable)	4,937,513	N/D	3,213,637	N/D
Deferred income (durable)	2,845,786	N/D	1,704,189	N/D
<b>REVENUES TOTAL</b>	<b>150,334,662</b>	<b>N/D</b>	<b>174,113,976</b>	<b>N/D</b>

## 1.5. Revenues – distribution channel

DISTRIBUTION CHANNEL	Bookings 1Q 2022	Share of bookings 1Q 2022	Bookings 1Q 2021	Share of bookings 1Q 2021
Mobile	137,418,537	96.4%	162,213,592	95.9%
Browser	5,132,826	3.6%	6,982,558	4.1%
<b>BOOKINGS TOTAL</b>	<b>142,551,363</b>	<b>100%</b>	<b>169,196,150</b>	<b>100%</b>
Deferred income (consumable)	4,937,513	N/D	3,213,637	N/D
Deferred income (durable)	2,845,786	N/D	1,704,189	N/D
<b>REVENUES TOTAL</b>	<b>150,334,662</b>	<b>N/D</b>	<b>174,113,976</b>	<b>N/D</b>



## 1.6. Revenues – geographical breakdown

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

REGION	Bookings 1Q 2022	Share of bookings 1Q 2022	Bookings 1Q 2021	Share of bookings 1Q 2021
North America	59,924,705	42.0%	75,308,486	44.5%
Europe	53,773,523	37.7%	62,975,561	37.2%
<i>including Poland</i>	<i>6,570,712</i>	<i>4.6%</i>	<i>8,155,801</i>	<i>4.8%</i>
Asia	21,033,819	14.8%	23,071,137	13.6%
South America	3,602,665	2.5%	4,116,972	2.4%
Australia and Oceania	2,880,383	2.0%	2,355,282	1.4%
Africa	1,336,268	0.9%	1,368,713	0.8%
<b>BOOKING TOTAL</b>	<b>142,551,363</b>	<b>100%</b>	<b>169,196,151</b>	<b>100%</b>
Deferred revenue (unused virtual currency)	4,937,513	N/D	3,213,637	N/D
Deferred revenue (unused durables)	2,845,786	N/D	1,704,189	N/D
<b>REVENUES TOTAL</b>	<b>150,334,662</b>	<b>N/D</b>	<b>174,113,977</b>	<b>N/D</b>





# 2.

## OPERATING COSTS

SPECIFICATION	01.01.2022 – 31.03.2022	01.01.2021 – 31.03.2021
Amortization and depreciation	2,788,738	941,411
Consumption of materials and energy	353,749	222,719
Third-party services	96,722,396	100,870,090
Taxes and fees	729,135	629,742
Remuneration	24,739,384	17,182,670
Social insurance and other benefits	2,635,378	1,371,957
Other costs by type	209,909	72,597
<b>Total costs by type, including:</b>	<b>128,178,689</b>	<b>121,291,186</b>
Costs of rendering of services for internal purposes (negative value)	-8,357,284	-3,031,035
Selling costs (negative)	-79,870,756	-95,935,217
General and administrative costs (negative)	-24,095,803	-11,758,384
<b>Costs of services sold</b>	<b>15,854,846</b>	<b>10,566,550</b>

## Breakdown of selling costs by quarters:

SPECIFICATION	1Q 2021	2Q,2021	3Q,2021	4Q,2021	1Q,2022
<b>Selling costs</b>	<b>95,935,217</b>	<b>95,799,537</b>	<b>82,618,730</b>	<b>72,895,344</b>	<b>79,870,756</b>
marketing:	40,137,460	42,419,871	33,944,492	23,020,677	29,766,907
– <i>Fishing Clash</i>	22,551,718	24,783,495	21,055,086	13,614,460	16,110,636
– <i>Hunting Clash</i>	17,412,032	17,438,915	12,889,406	9,334,220	13,532,653
– <i>other titles</i>	173,710	197,461	0	71,997	123,618
commissions	50,414,040	47,816,995	41,574,686	41,874,524	42,032,471
revenue share	477,124	423,624	411,570	509,652	448,775
remuneration, external services	3,961,297	3,338,075	4,496,667	5,461,878	5,857,302
Services of mobile gaming market research	548,606	1,317,788	571,024	596,223	308,753
others	396,689	483,185	1,620,289	1,432,390	1,456,548





# 3.

## OTHER OPERATING COSTS

OTHER OPERATING	01.01.2022 – 31.03.2022	01.01.2021 – 31.03.2021
Donations	1,098,428	257,595
Write-down of uncollectible receivables	4,434	3,226
Other	101,253	55,223
<b>Total</b>	<b>1,204,115</b>	<b>316,044</b>

The donations reported in Q1 2022 are related to the support of charity institutions providing aid related to the war in Ukraine.



## FINANCIAL INCOME AND EXPENSE

FINANCIAL INCOME	01.01.2022 – 31.03.2022	01.01.2021–,31.03.2021
Interest income	250,524	15,837
Surplus of positive exchange differences	3,334,844	2,562,921
<b>TOTAL</b>	<b>3,585,368</b>	<b>2,578,758</b>

FINANCIAL EXPENSES	01.01.2022 – 31.03.2022	01.01.2021–,31.03.2021
Interest on lease	82,353	64,482
Interest – discount unwinding on the liability related to purchase of Rortos	1,404,467	0
Others	22,566	1,547
<b>TOTAL</b>	<b>1,509,386</b>	<b>66,029</b>





## 5.

TABLE OF MOVEMENT  
– TANGIBLE ASSETS

SPECIFICATION	Machinery and equipment	Buildings, premises and civil engineering works	Other fixed assets	Fixed assets under construction	TOTAL
<b>Gross carrying amount at 01.01.2022</b>	<b>5 560 158</b>	<b>10 049 365</b>	<b>419 726</b>	<b>5 079 800</b>	<b>21 109 049</b>
Increases due to acquisition of fixed assets	703 416	0	69 204	436 784	1 209 404
Decreases due to sale of fixed assets	91 511	0	0	0	91 511
<b>Gross carrying amount at 31.03.2022</b>	<b>6 172 064</b>	<b>10 049 365</b>	<b>488 930</b>	<b>5 516 584</b>	<b>22 226 942</b>
<b>Cummulated depreciation at 01.01.2021</b>	<b>2 522 928</b>	<b>3 179 749</b>	<b>196 187</b>	<b>0</b>	<b>5 898 864</b>
Increases due to depreciation	497 180	454 100	8 068	0	959 347
Decreases due to sale	82 423	0	0	0	82 423
<b>Cummulated depreciation at 31.03.2022</b>	<b>2 937 684</b>	<b>3 633 849</b>	<b>204 255</b>	<b>0</b>	<b>6 775 788</b>
<b>Write-downs at 01.01.2021</b>	<b>0</b>	<b>0</b>	<b>0</b>		<b>0</b>
Increases	0	0	0		0
Decreases	0	0	0		0
<b>Write-downs at 31.03.2022</b>	<b>0</b>	<b>0</b>	<b>0</b>		<b>0</b>
<b>Net carrying amount as at 31.03.2022</b>	<b>3 234 379</b>	<b>6 415 516</b>	<b>284 675</b>	<b>5 516 584</b>	<b>15 451 154</b>

SPECIFICATION	Machinery and equipment	Buildings, premises and civil engineering works	Other fixed assets	TOTAL
<b>Gross carrying amount at 01.01.2021</b>	<b>2 278 219</b>	<b>8 693 695</b>	<b>198 898</b>	<b>11 170 812</b>
Increases due to acquisition of fixed assets	212 872	0	0	212 872
Decreases due to sale of fixed asset	38 317	0	0	38 317
<b>Gross carrying amount at 31.03.2021</b>	<b>2 452 773</b>	<b>8 693 695</b>	<b>198 898</b>	<b>11 345 366</b>
<b>Cummulated depreciation at 01.01.2021</b>	<b>1 110 156</b>	<b>1 373 227</b>	<b>131 089</b>	<b>2 483 383</b>
Increases due to depreciation	112 954	434 685	4 486	547 639
Decreases due to sale	33 072	0	0	33 072
<b>Cummulated depreciation at 31.03.2021</b>	<b>1 190 038</b>	<b>1 807 911</b>	<b>135 576</b>	<b>3 133 525</b>
<b>Write-downs at 01.01.2021</b>	<b>0</b>	<b>0</b>		<b>0</b>
Increases	0	0		0
Decreases	0	0		0
<b>Write-downs at 31.03.2021</b>	<b>0</b>	<b>0</b>		<b>0</b>
<b>Net carrying amount as at 31.03.2021</b>	<b>1 262 735</b>	<b>6 885 784</b>	<b>63 322</b>	<b>8 211 841</b>

## OWNERSHIP STRUCTURE – CARRYING AMOUNT:

SPECIFICATION	31.03.2022	31.12.2021
Owned	3,519,054	3,633,728
Used under a lease, tenancy or other agreement, including a lease agreement	11,932,100	11,576,457
<b>Total</b>	<b>15,451,154</b>	<b>15,210,185</b>





6.

## MOVEMENT TABLE – INTANGIBLE ASSETS AND GOODWILL

SPECIFICATION	Development costs	Computer software	Intangible assets under construction	Goodwill	TOTAL
<b>Gross carrying amount at 01.01.2022</b>	75 987 957	1 264 868	45 128 114	161 050 504	283 431 443
Increases, including:	93 396	28 779	8 412 337	1 859 326	10 393 839
– acquisition	93 396	28 779	8 412 337	0	8 534 513
– balance sheet valuation	0	0	0	1 859 326	1 859 326
Decreases due to reclassification	0	0	93 396		93 396
<b>Gross carrying amount at 31.03.2022</b>	<b>76 081 353</b>	<b>1 293 647</b>	<b>53 447 055</b>	<b>162 909 830</b>	<b>293 731 886</b>
<b>Cummulated amortization at 01.01.2022</b>	<b>9 125 712</b>	<b>800 325</b>	<b>0</b>	<b>0</b>	<b>9 926 037</b>
Increases due to amortization	1 783 404	45 987	0	0	1 829 391
Decreases	0	0	0	0	0
<b>Cummulated amortization at 31.03.2022</b>	<b>10 909 116</b>	<b>846 312</b>	<b>0</b>	<b>0</b>	<b>11 755 428</b>
<b>Write-downs at 01.01.2022</b>	<b>2 420 573</b>	<b>0</b>	<b>3 589 086</b>	<b>0</b>	<b>6 009 659</b>
Increases	0	0	0	0	0
Decreases	0	0	0	0	0
<b>Write-downs at 31.03.2022</b>	<b>2 420 573</b>	<b>0</b>	<b>3 589 086</b>	<b>0</b>	<b>6 009 659</b>
<b>Net carrying amount as at 31.03.2022</b>	<b>62 751 665</b>	<b>447 335</b>	<b>49 857 969</b>	<b>162 909 830</b>	<b>275 966 799</b>



The net value as at 31.03.2022 roku shown under „development costs” consists of the Group’s games and internally created tools:

- 1.** Hunting Clash – carrying amount: 554.778 PLN, remaining amortisation period: 19 months;
- 2.** Virality – carrying amount: 90.802 PLN, remaining amortisation period: 35 months;
- 3.** Games of the Rortos S.r.l. – games valued at fair value using the DCF method in the course of settlement of the acquisition
  - a.** Airline Commander – carrying amount: 28.264.285 PLN, remaining amortisation period: 111 months;
  - b.** RF5 – carrying amount: 29.028.186 PLN, remaining amortisation period: 111 months;
  - c.** Other games – carrying amount: 4.101.077 PLN, remaining amortisation period: 27 months.

As at March 31, 2022, the item “intangible assets under construction” includes the capitalized costs of five titles at various stages of advancement, including one Rortos game, as well as the costs of the Company’s internal tools that meet the conditions for recognizing them as development works according to IAS 38:

- 1.** Undead Clash – 10.211.914 PLN;
- 2.** Football Elite – 6.604.199 PLN;
- 3.** Magical District – 8.450.394 PLN;
- 4.** Fishing Master – 1.896.162 PLN
- 5.** Wings of Heroes – 21.137.459 PLN;
- 6.** Other – 1.557.841 PLN.'





Goodwill consists of the value resulting from the settlement of the acquisition of Rortos in the amount of PLN 162.537.630 PLN and the value of Reludo, which was acquired by Rortos in previous years, in amount of 372.200 PLN, valued at the balance sheet date.

SPECIFICATION	Development costs	Computer software	Intangible assets under construction	TOTAL
<b>Gross carrying amount at 01.01.2021</b>	<b>7 995 077</b>	<b>669 286</b>	<b>2 554 464</b>	<b>11 218 827</b>
Increases due to acquisition	0	204 970	3 031 035	3 236 006
Decreases	0	0	0	0
<b>Gross carrying amount at 31.03.2021</b>	<b>7 995 077</b>	<b>874 256</b>	<b>5 585 499</b>	<b>14 454 833</b>
<b>Cummulated amortization at 01.01.2021</b>	<b>3 681 433</b>	<b>586 731</b>	<b>0</b>	<b>4 268 164</b>
Increases due to amortization	363 100	18 656	0	381 756
Decreases	0	0	0	0
<b>Umorzenie na dzień 31.03.2021</b>	<b>4 044 533</b>	<b>605 387</b>	<b>0</b>	<b>4 649 920</b>
<b>Write-downs at 01.01.2021</b>	<b>2 248 958</b>	<b>0</b>	<b>0</b>	<b>2 248 958</b>
Increases	0	0	0	0
Decreases	0	0	0	0
<b>Write-downs at 31.03.2021</b>	<b>2 248 958</b>	<b>0</b>	<b>0</b>	<b>2 248 958</b>
<b>Net carrying amount at 31.03.2021</b>	<b>1 701 586</b>	<b>268 869</b>	<b>5 585 499</b>	<b>7 555 954</b>





## RECEIVABLES

SPECIFICATION	31.03.2022	31.12.2021
Trade receivables	38,709,480	46,140,422
Other receivables	15,532,311	11,602,972
Accruals and deferred income	3,573,671	4,297,261
<b>Receivables</b>	<b>57,815,462</b>	<b>62,040,655</b>

## TRADE RECEIVABLES

CURRENCY	31.03.2022			31.12.2021		
	amount in currency	valuation	% share	amount in currency	valuation	% share
PLN	19,949,302	19,949,302	51.54%	25,313,416	25,313,416	54.86%
USD	3,405,964	14,237,269	36.78%	4,527,014	18,379,677	39.83%
EUR	874,020	4,066,373	10.50%	469,254	2,158,288	4.68%
RUB	8,741,150	430,939	1.11%	4,871,221	264,020	0.57%
Other	—	25,597	0.07%	—	25,021	0.05%
<b>RAZEM</b>	<b>—</b>	<b>38,709,480</b>	<b>100%</b>	<b>—</b>	<b>46,140,422</b>	<b>100%</b>





AGE STRUCTURE – OVERDUE	31.03.2022 value of receivables	31.12.2021 value of receivables
not overdue	38,328,979	46,056,781
up to one month	135,647	23,655
1-3 months	233,167	59,529
3-6 months	11,285	397
6-12 months	402	60
over a year	0	0
<b>Total receivables</b>	<b>38,709,480</b>	<b>46,140,422</b>

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 – 45,4% at 31.03.2022 compared to 55,3% at 31.12.2021;
- » Apple Distribution International – 29,0% at 31.03.2022 compared to 34,3% at 31.12.2021.

No other entity exceeded a 10% share of total receivables at 31.03.2022.

As at the balance sheet date, March 31, 2022 and December 31, 2021, the Group did not have any significant amounts of receivables for which credit losses would be expected. As at March 31, 2022, receivables from Russian entities amounted to PLN 430 thousand. Their payment will be possible after resuming payments between Poland and Russia.

## OTHER RECEIVABLES

SPECIFICATION	31.03.2022	31.12.2021
<b>Other short-term liabilities, including:</b>	<b>15,532,311</b>	<b>11,602,972</b>
– tax-related	13,829,954	11,437,914
– deposit for the rental of office	223,087	165,058
– other	1,479,270	0

## PREPAYMENTS

SPECIFICATION	31.03.2022	31.12.2021
Registration fees for trademark applications	305,132	301,876
Maintenance of software technical service/software subscriptions	2,583,330	3,202,110
Insurance	29,981	70,919
Other prepayments	655,228	722,356
<b>Prepayments</b>	<b>3,573,671</b>	<b>4,297,261</b>





## OTHER FINANCIAL ASSETS

SPECIFICATION	31.03.2022	31.12.2021
<b>Other financial assets</b>	<b>23,619,604</b>	<b>9,575,534</b>
– long-term deposits for office rental	2,267,534	2,267,534
– participation units of Sisu Game Ventures investment fund	7,524,180	7,308,000
– shares in Gamesture Sp. z o.o.	13,827,890	0

On March 11, 2022, the Parent Company acquired 24.8% of shares in the share capital of Gamesture Sp. z o.o. The amount paid was approximately \$ 3.5 million. As at the purchase date, the shares were valued at the purchase price – PLN 14,320,389. The value as at the balance sheet date was adjusted by Gamesture's loss on the shares held by Ten Square Games in the amount of PLN 492,499.



## DISTRIBUTION OF THE PROFIT FOR 2021

On April 22, 2022, the Management Board submitted to the General Meeting of Shareholders a proposal for the distribution of profit for 2021 in the amount of PLN 138,261,309 as follows:

1. the amount of PLN 72,317,830 to be distributed among the shareholders as a dividend of PLN 10.00 per share (excluding treasury shares);
2. the amount of PLN 65,943,479 to be transferred to the Company's supplementary capital.

At the same time, the Management Board of the Company requested the General Meeting of Shareholders of the Company to designate the dividend day on June 2, 2022 and the dividend payment date on June 16, 2022. The final decision regarding the distribution of profit for the financial year that ended on December 31, 2021 will be made by the Ordinary General Meeting of the Company, the meeting of which was set for May 26, 2022.





# 10.

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

The salaries broken down into paid and due are presented below. In the absence of an annotation, the amount paid is equal to the amount due for a given reporting period. On the other hand, the totals for a given person present the amounts due (accrual basis), without the amounts paid (cash basis).

### 1. MANAGEMENT

AFFILIATE	PERIOD	Remuneration		Net dividend	
		01.01.2022 – 31.03.2022	01.01.2021,– ,31.03.2021	01.01.2022,– ,31.03.2022	01.01.2021,– ,31.03.2021
<b>Management Board</b>		<b>12,295,425</b>	<b>10,282,796</b>	<b>0</b>	<b>0</b>
<b>Maciej Zużatek</b>		<b>7,272,571</b>	<b>6,239,268</b>	<b>0</b>	<b>0</b>
– Ten Square Games S.A. – cash fixed remuneration		206,100	206,100	0	0
– Ten Square Games S.A. – cash variable remuneration paid		0	0	0	0
– Ten Square Games S.A. – cash variable remuneration outstanding		0	0	0	0
– Ten Square Games S.A. – share-based incentive program for 2021-2022*		1,033,303	0	0	0
– Ten Square Games S.A. – share-based incentive program recognized over time		6,033,168	6,033,168	0	0
<b>Marcin Chruszczyński (from 01.08.2020 to 21.10.2021)</b>		<b>0</b>	<b>96,490</b>	<b>0</b>	<b>0</b>
– Ten Square Games S.A. – cash remuneration - paid		0	96,490	0	0



AFFILIATE	PERIOD	Remuneration		Net dividend	
		01.01.2022 – 31.03.2022	01.01.2021, – 31.03.2021	01.01.2022, – 31.03.2022	01.01.2021, – 31.03.2021
<b>Andrzej Ilczuk (from 21.01.2021)</b>		<b>1,192,303</b>	<b>1,160,478</b>	<b>0</b>	<b>0</b>
– Ten Square Games S.A. – cash fixed remuneration		159,000	127,175	0	0
– Ten Square Games S.A. – share-based incentive program for 2021-2022*		1,033,303	1,033,303	0	0
<b>Anna Idzikowska (from 21.01.2021)</b>		<b>1,225,883</b>	<b>1,160,478</b>	<b>0</b>	<b>0</b>
– Ten Square Games S.A. – cash fixed remuneration		159,000	127,175	0	0
– Ten Square Games S.A. – cash variable remuneration paid		33,580	0	0	0
– Ten Square Games S.A. – share-based incentive program for 2021-2022*		1,033,303	1,033,303	0	0
<b>Janusz Dziemidowicz (from 21.01.2021)</b>		<b>159,000</b>	<b>82,185</b>	<b>0</b>	<b>0</b>
– Ten Square Games S.A. – cash remuneration paid		159,000	82,185	0	0
– Ten Square Games S.A. – share-based incentive program for 2021-2022*		0	0	0	0
<b>Wojciech Gattner (from 21.01.2021)</b>		<b>1,430,334</b>	<b>1,543,897</b>	<b>0</b>	<b>0</b>
– Ten Square Games S.A. – cash fixed remuneration paid		129,000	127,065	0	0
– Ten Square Games S.A. – cash fixed remuneration outstanding		159,000	127,065	0	0
– Ten Square Games S.A. – cash variable remuneration paid		348,216	413,776	0	0
– Ten Square Games S.A. – cash variable remuneration outstanding *		238,031	383,529	0	0
– Ten Square Games S.A. – share-based incentive program for 2021-2022*		1,033,303	1,033,303	0	0
<b>Magdalena Jurewicz (from 21.10.2021)</b>		<b>1,015,334</b>	<b>0</b>	<b>0</b>	<b>0</b>
– Ten Square Games S.A. – cash remuneration paid		129,000	0	0	0
– Ten Square Games S.A. – cash remuneration outstanding		159,000	0	0	0
– Ten Square Games S.A. – share-based incentive program for 2021-2022*		856,334	0	0	0
<b>Supervisory Board (Ten Square Games S.A.)</b>		<b>102,290</b>	<b>105,000</b>	<b>0</b>	<b>0</b>
Rafał Olesiński		25,500	25,500	0	0
Tomasz Drożdżyński (until 11.03.2022)		9,290	13,500	0	0
Maciej Marszałek		15,000	15,000	0	0
Wiktor Schmidt		12,000	12,000	0	0
Marcin Bitos		13,500	13,500	0	0
Kinga Stanisławska		13,500	13,500	0	0
Arkadiusz Pernal		13,500	12,000	0	0
<b>Related persons (Ten Square Games S.A.)</b>		<b>0</b>	<b>40,500</b>	<b>0</b>	<b>0</b>
Maciej Popowicz (from 20.05.2020 to 31.12.2021)		0	40,500	0	0
<b>Key personnel (Ten Square Games)</b>		<b>0</b>	<b>0</b>	<b>b/d</b>	<b>b/d</b>
<b>Family members of key personnel / Management Board (Ten Square Games)</b>		<b>295,900</b>	<b>0</b>	<b>b/d</b>	<b>b/d</b>





AFFILIATE	PERIOD	Liabilities		Receivables	
		31.03.2022	31.12.2021	31.03.2022	31.12.2021
<b>Management Board</b>		752,996	639,981	1,967	0
Maciej Zużatek		0	205,440	0	0
Magdalena Jurewicz (from 21.10.2021)		30,000	0	0	0
Marcin Chruszczyński (from 01.08.2020 to 21.10.2021)		0	0	0	0
Andrzej Ilczuk (from 21.01.2021)		79,200	0	1,297	0
Anna Idzikowska (from 21.01.2021)		97,276	0	0	0
Janusz Dziemidowicz (from 21.01.2021)		86,100	0	0	0
Wojciech Gattner (from 21.01.2021)		460,421	434,541	670	0

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 and January 2022, 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 2022. The total cost of share-based payments for the Management Board – with the exception of the one-off incentive program for the President of the Management Board from 2020, settled in time – for the entire year 2022 (assuming the achievement of the goal and all members of the Management Board remaining with the Company) is PLN 19,958,184.

The adjusted EBITDA target for the share-based incentive program for 2022 is PLN 251,330,811 (Supervisory Board Resolution of April 2021). According to the rules of the program, shares are issued only when EBITDA reaches / exceeds the assumed threshold.

In April 2022, the Supervisory Board adopted a one-off new variable remuneration element for four members of the Management Board (Anna Idzikowska, Magdalena Jurewicz, Andrzej Ilczuk, Wojciech Gattner). In case of achieving the adjusted EBITDA target in 2022 in the range of PLN 172,714,508 – PLN 251,330,811, members of the Management Board will be entitled to receive a cash payment. The total sums of payments for 5 members of the Management Board are:

- 6 100 000 PLN – when adjusted EBITDA will be in the range of 172 714 508 – 198 919 942 PLN;
- 6 900 000 PLN – when adjusted EBITDA will be in the range of 198 919 942 – 225 125 377 PLN;
- 7 700 000 PLN – when adjusted EBITDA will be in the range of 225 125 377 – 251 330 811 PLN.

In this periodic report, the Company included the cost of the share-based incentive program without including the cost of the potential variable remuneration (programs that are mutually exclusive due to different levels of the EBITDA target).

\*\* The variable remuneration due to the President of the Management Board, Mr Maciej Zużatek, 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.

## 2. OTHER AFFILIATED PARTIES

AFFILIATED PARTY	PERIOD	Net sales		Net purchase		Dividend	
		01.01.2022 – 31.03.2022	01.01.2021 – 31.03.2021	01.01.2022 – 31.03.2022	01.01.2021 – 31.03.2021	01.01.2022 – 31.03.2022	01.01.2021 – 31.03.2021
<b>Subsidiaries::</b>		<b>1,323,304</b>	<b>1,212,133</b>	<b>2,536,309</b>	<b>365,885</b>	<b>0</b>	<b>0</b>
Play Cool Zombie Sport Games Sp. z o.o.		14,486	21,139	0	0		
Tiny Dragon Adventure Games Sp. z o.o.		331,082	735,518	0	0	0	0
Fat Lion Games Sp. z o.o.		112,980	455,475	0	0	0	0
Ten Square Games Germany GmbH		0	0	2,116,168	365,885	0	0
Ten Square Games S.R.L.		0	0	420,141	0	0	0
RORTOS S.R.L.		864,756	0	0	0	0	0
<b>Personally affiliated entities:</b>		<b>0</b>	<b>0</b>	<b>61,069</b>	<b>17,115</b>	<b>0</b>	<b>0</b>
Olesiński i Wspólnicy Spółka komandytowa		0	0	61,069	17,115	0	0

AFFILIATED PARTY	AS OF:	Net sales		Net purchase		Dividend	
		31.03.2022	31.12.2021	31.03.2022	31.12.2021	31.03.2022	31.12.2021
<b>Subsidiaries:</b>		<b>1,048,213</b>	<b>762,982</b>	<b>2,537,128</b>	<b>2,953,716</b>	<b>2,473,575</b>	<b>3,400,315</b>
Play Cool Zombie Sport Games Sp. z o.o.		6,109	7,359	0	0	0	0
Tiny Dragon Adventure Games Sp. z o.o.		128,034	185,190	0	0	5,933	506,767
Fat Lion Games Sp. z o.o.		49,314	63,388	0	0	5,933	506,767
Ten Square Games Germany GmbH		0	0	2,116,987	2,618,125	1,774,585	1,724,775
Ten Square Games S.R.L.		0	0	420,141	335,591	687,125	662,006
RORTOS S.R.L.		864,756	502,045	0	0	0	0
<b>Personally affiliated entities:</b>		<b>0</b>	<b>0</b>	<b>46,745,187</b>	<b>48,436,059</b>	<b>0</b>	<b>0</b>
Olesiński i Wspólnicy Spółka komandytowa		0	0	73,270	15,529	0	0
Roberto Simonetto		0	0	27,998,483	29,047,476	0	0
Antonio Farina		0	0	18,673,434	19,373,054	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 Antonio Farina (members of the Management Board of the subsidiary Rortos) results from the purchase of 100% shares in Rortos in 2021. The change in the liability results from its balance sheet valuation and the discount unwinding.

# 11.

## DEFERRED TAX

### STRUCTURE OF A DEFERRED INCOME TAX ASSET

SPECIFICATION	as at 31.03.2022	as at 31.12.2021
Accounting for virtual currency over time	274,858	447,671
Accounting for durables over time	3,770,554	4,343,041
Accrual for annual leave	259,033	169,690
Accrual for audit costs	1,672	9,797
Valuation of liabilities and receivables	0	149,957
Lease – IFRS 16 valuation	113,968	204,628
Provision for remuneration	1,106,119	1,257,609
Other provisions	23,621	1,944
<b>TOTAL</b>	<b>5,549,825</b>	<b>6,584,337</b>

### STRUCTURE OF DEFERRED INCOME TAX PROVISION

SPECIFICATION	as at 31.03.2022	as at 31.12.2021
Amortization of games	6,605,304	599,616
Revaluation of settlements	394,552	178,607
<b>TOTAL</b>	<b>6,999,856</b>	<b>778,223</b>





# 12.

## PROVISIONS FOR EMPLOYEE BENEFITS

SPECIFICATION	As at 1.01.2022	Changes during the year		As at 31.03.2022
		Increase	Use	
Provision for annual leave (short-term)	1,353,213	1,955,036	1,353,213	1,955,036
Provision for bonuses (short-term)	5,881,405	676,891	2,686,781	3,871,515
Provision for bonuses (long-term)	2,588,248	12,766		2,601,014
<b>TOTAL PROVISIONS</b>	<b>9,822,866</b>	<b>2,644,693</b>	<b>4,039,994</b>	<b>8,427,565</b>





ten square\_games

# VI.

## **OTHER ADDITIONAL INFORMATIONS**









# 1.

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

The beginning of 2022 brought declines in in-game payments for Fishing Clash and a moderate level of payments for Hunting Clash – the overall decrease in payments on quarter-on-quarter basis was 21%, which is an unsatisfactory result. Nevertheless, the Group identifies several global factors that had an impact on the Group's operations:

1. The beginning of the war in Ukraine. At the beginning of March 2022, the Group blocked distribution, marketing and the possibility of paying in all key games of the Group in the territory of Russia and Belarus. The share of the Russian market (the Belarusian market is negligible from the Group's perspective) in payments in 2021 amounted to approx. 5.3% – including approx. 6.5% for the Fishing Clash game and 2.5% for the Hunting Clash game. Closing the market had a direct impact on the decline in payments, but also an indirect effect on the players' activity within the so-called clans. The exclusion of Russian users resulted in player rotations within the clans and a temporary disruption of their involvement in the game (e.g. good clans with a large share of Russian players automatically weakened in the rankings, demotivating other players to the game).

2. End of lock-downs related to the COVID-19 pandemic in many foreign markets and the related change in consumer behavior.
3. Increase of inflation, which, in principle, reduces spending on the consumption of goods.
4. Increase in marketing costs on a unitary basis (CPI), as well as the quality and quantity of traffic obtained (again related to point 2 – change in time spent with electronic media).

The decrease in payments combined with less effective marketing reduced the operating profit to PLN 29.4 million compared to PLN 55.9 million in Q1 2021 and compared to PLN 40.4 million in Q4 2021.

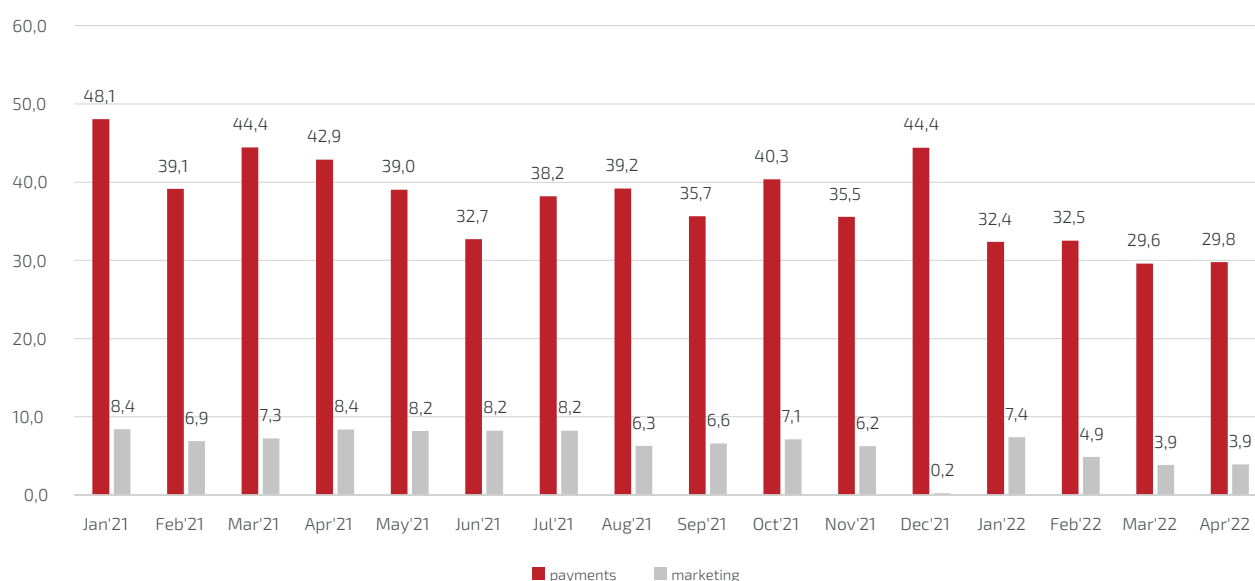
In March 2022, the Group finalized the purchase of 24.8% shares in Gamesture Sp. z o.o. The value of the transaction was approximately USD 3.5 million. As at March 31, 2022, the Group recognized a loss of PLN 0.5 million resulting from the current results of this company, however, the Group is satisfied with the results achieved by this entity. Gamesture Sp. z o.o. has increased its marketing expenses and is achieving good initial parameters for its games. From the Group's perspective, it is a long-term investment.





## ANALYSIS OF MONTHLY PAYMENTS AND MARKETING COST ANALYSIS FOR KEY GAMES

### Fishing Clash (without FC China) \*\*

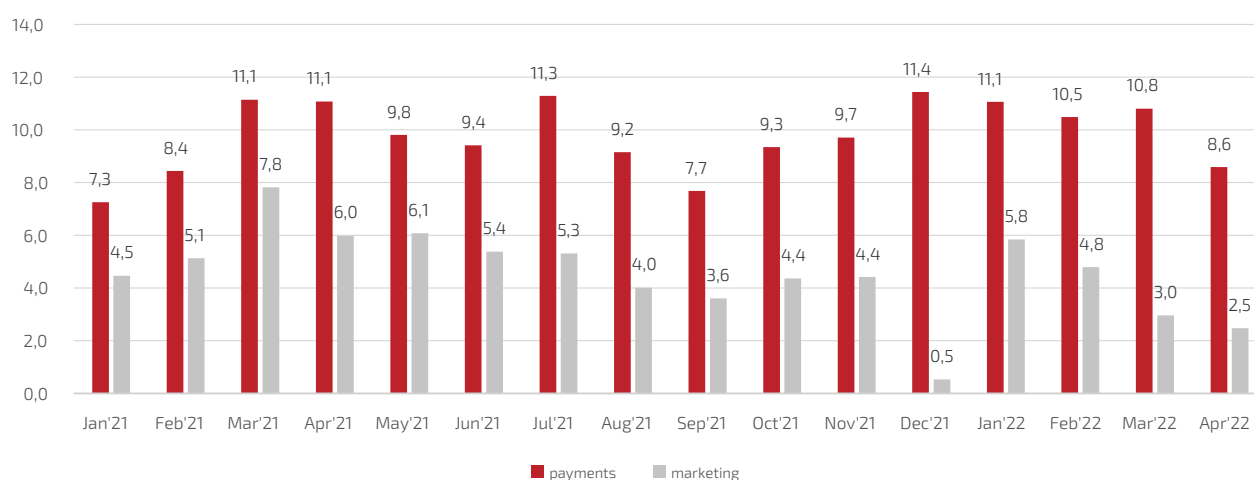


\* Figures for April 2022 are the Group's estimates

\*\* The graph above does not include revenue from the Chinese market due to a different settlement model. The Group records as revenue from this market the licence payment from its partner Netease, which is the recipient of aggregated payments from users, and also incurs marketing expenses. The licence income is the profit distribution after aggregator commissions and after marketing expenses according to the agreement concluded between the parties. In the classic sales model – i.e. directly through the GooglePlay shop and AppStore – the Group is the recipient of aggregated user payments and also bears the full cost of commissions and marketing itself.

Q1 2022 was a time of decline for the Fishing Clash after the exceptional period of 2020-2021. The product team focused on keeping players engaged through new events and fisheries, which – along with the change in consumer behavior – was a real challenge. In addition, marketing expenditures have not returned to the levels from the beginning of 2021, which resulted in lower inflow of players during this period and translates into a decrease in payments in the long run.

## Hunting Clash



\* Figures for April 2022 are the Group's estimates

The turn of 2021 and 2022 meant very satisfactory level of payments for Hunting Clash – around PLN 11 million per month. However, with the difficulties with the marketing market in April, this trend was changed. The product team currently focuses on making entertainment more attractive and analyzes the behavior of players in order to be able to react quickly and adapt the game to the expectations of players.





# 2.

## GAME KPI'S

PERIOD	1Q 2021	2Q,2021	3Q,2021	4Q,2021	1Q,2022
Fishing Clash – MAU* (average)	3,849,763	2,928,300	3,165,192	2,499,913	2,227,450
Hunting Clash – MAU (average)	3,136,097	2,241,126	1,729,973	1,711,249	1,494,746
Evergreen – MAU (average)	933,367	825,133	895,264	989,561	700,115

\* MAU – monthly active users



# 3.

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

From January 20, 2022 to January 28, 2022, the first tranche of share buyback – launched by the Parent – was carried out in accordance with the resolution of the Issuer's Management Board of January 20, 2022 on the commencement of share buyback and the detailed conditions and procedure for conducting the first share buyback tranche of the Company's own shares, adopted pursuant to Resolution No. 7 of the Ordinary General Meeting of the Company of June 23, 2021 on authorizing the Management Board to purchase own shares on behalf of and for the benefit of the Company and to define the rules for the acquisition of own shares by the Company and the creation of reserve capital.

The total number of shares acquired under the first tranche of share buyback was 70,000 shares and which corresponds to 70,000 votes at the General Meeting of the Company; which constitutes 0.96% of the share capital of the Company and 0.96% of the total number of votes at the General Meeting of the Company. The average unit share acquisition price amounted to PLN 266.04. The shares were acquired for the total amount of PLN 18,623,013.60.

The shares acquired in the transaction may be (i) redeemed (voluntary redemption), (ii) exchanged for shares or stocks in the course of acquisitions made by the Company (iii) distributed by the Management Board of the Company in any other way permitted by law, taking into account the needs arising from the business.





On February 24, 2022, the Russian invasion of Ukraine began. This event had and has a significant impact on the Company's operations – it rapidly disrupted the financial markets (strong weakening of the zloty, potentially positive impact on the 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 the safety of employees in the war zone as far as possible, which is handled by a special working group. In addition, the Management Board decided to transfer PLN 1 million to non-governmental organizations dealing with humanitarian aid in Ukraine and to grant funding to employees who decide to host them in their own homes. On March 8, 2022, the Group ceased to make available, maintain and pay all its games in Russia and Belarus, which may translate into the results generated in 2022 and in the following years.

On March 11, 2022, the Parent purchased 24.8% of shares in the share capital of Gamesture Sp. z o.o. The amount paid amounted to approximately \$ 3.5 million.

In the period from January 1, 2022 to March 30, 2022, no other, unusual events occurred.





# 4.

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

On May 17, 2022, in the current report No. 25/2022, the Company announced that work on the Magical District game was suspended.

The potential resumption of works may take place at the turn of 2022 and 2023. The value of capitalized expenditure on this title is approx. PLN 9 million.





# 5.

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

In coming quarters of 2022, the Group intends to continue the development of its activities and focus on improving the results of its games.

In terms of existing productions, product teams are tasked with increasing player engagement through ongoing work on new functionalities. Each team has a detailed roadmap showing the work planned for the next few months.

New productions enter the next stages of advancement. Football Elite at the turn of April and May 2022 had its technical launch on selected markets. Currently the Group analyzes the generated traffic and key parameters of the game in order to make further decisions regarding this product.

Wings of Heroes, the production of the Italian subsidiary Rortos, in the last few days also had its launch on two markets – the USA and India. The first, very preliminary parameters look satisfactory.

The next production – Undead Clash – carries out its work in accordance with the established schedule, the launch of this game is scheduled for the end of 2022.

Fishing Master, the production of the Warsaw studio, intensifies the work, which is possible thanks to the shift of the design team from the temporarily frozen Magical District production. Another game in the field of fishing should strengthen the leading position in this segment of the gaming market. The launch of this game is scheduled for the turn of 2022/2023.

The early stages of the life, games (Football Elite, Wings of Heroes, Undead Clash and Fishing Master) are not likely to bring positive cash flow in the period of several months after the soft launch, but are a long-term opportunity to improve Group's financial results.

The Management Board of the Parent Company, closely monitoring the situation on the market and the financial results achieved by the Group, will adjust the scope of its activities to the revenues (payments) achieved in subsequent periods. The idea behind Ten Square Games is to remain able to change when required. The level of employment, the number of projects carried out, involvement in external initiatives is and will be verified to maximize the added value of these initiatives.

From external factors, the improvement of the situation on the marketing market, stabilization of players' behavior and reversal of the negative trend for the gaming industry, as well as the potential end of the war in Ukraine, may contribute to an increase in the Group's results.

The Group is constantly exposed to the risk of changes in currency exchange rates – mainly in relation to USD / PLN (marketing expenses) and EUR / PLN (costs of conducting business in Germany and Italy). Any changes to these rates also translate into the financial results achieved by the Group.

As far as risk factors are concerned, the Group also identifies potential changes in the policies of the main advertising networks such as Google and Apple, which may further translate into the method of acquiring players.





# 6.

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

There is no other material information of the above nature in the Ten Square Games S.A. Group as at 31.03.2022.





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

The Management Board of Ten Square Games S.A. has not published financial forecasts for 2022.





# 8.

## SEASONALITY OR CYCLICALITY OF ACTIVITIES

There is no seasonality in the Group's operations.





# 9.

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

Neither Ten Square Games S.A., nor any of its subsidiaries were, as at 31 March 2022 and as at the date of issuing the financial statements, parties to any court proceedings, arbitration proceedings or proceedings before a public administration body.





# 10.

## LOANS, CREDITS, GUARANTEES

Ten Square Games S.A. granted loans to unrelated entities on market terms for a total amount of PLN 580 thousand in 2021. These loans should be repaid with interest in 2022. The parent company also granted loans to its subsidiaries. Loans are granted on an arm's length basis and the repayment period has been specified no longer than until December 31, 2022. The balance of loans to related entities as at March 31, 2022 is PLN 3.4 million.

Except for the loans indicated above, neither Ten Square Games S.A. nor any of its subsidiaries were, as at 31 March 2022 or the date of issuing the financial statements, parties to any loan or credit agreements (except for agreements concluded between members of the capital group). The Issuer and its subsidiaries also did not grant any sureties during the period covered by the report.







## APPROVAL OF THE FINANCIAL STATEMENT

This report for the period from January 1 to 31 March 2022 was signed and approved for publication by the Management Board of Ten Square Games S.A. on 23 May 2022.

**PRESIDENT  
OF THE MANAGEMENT BOARD**

Maciej Zużatek

**MEMBER  
OF THE MANAGEMENT BOARD**

Janusz Dziemidowicz

**MEMBER  
OF THE MANAGEMENT BOARD**

Anna Idzikowska

**MEMBER  
OF THE MANAGEMENT BOARD**

Wojciech Gattner

**MEMBER  
OF THE MANAGEMENT BOARD**

Andrzej Ilczuk

**MEMBER  
OF THE MANAGEMENT BOARD**

Magdalena Jurewicz

Wrocław, 23 May 2022