



ten square\_games

**REPORT OF THE MANAGEMENT  
BOARD ON THE ACTIVITIES OF  
THE TEN SQUARE GAMES S.A. GROUP  
FOR 01.01.2022 – 30.06.2022**

**WROCŁAW, 5.09.2022**

**Disclaimer**

This English language translation has been prepared solely for the convenience of English speaking readers. Despite all the efforts devoted to this translation discrepancies, omissions or approximations may exist. In case of any differences between the Polish and the English versions, the Polish version shall prevail.

Ten Square Games S.A., its representatives and employees decline all responsibility in this regard.



# TABLE OF CONTENTS

1.	CORPORATE INFORMATION	3
2.	SELECTED FINANCIAL DATA	12
3.	BUSINESS PROFILE	22
4.	KEY PRODUCTS	24
5.	BRIEF DESCRIPTION OF THE ISSUER'S MATERIAL ACHIEVEMENTS AND FAILURES	26
6.	GAMES' KPI'S	30
7.	IDENTIFICATION OF FACTORS AND EVENTS, INCLUDING THOSE OF UNTYPICAL NATURE, HAVING SIGNIFICANT IMPACT ON ON THE INTERIM FINANCIAL STATEMENT	31
8.	ACHIEVEMENTS IN RESEARCH AND DEVELOPMENT	32
9.	ANTICIPATED DEVELOPMENT OF THE COMPANY AND THE GROUP	33
10.	SIGNIFICANT EVENTS AFTER THE END OF THE INTERIM PERIOD THAT ARE NOT REFLECTED IN THE FINANCIAL STATEMENT FOR THE INTERIM PERIOD	35
11.	INDICATION OF FACTORS WHICH, IN THE ISSUER'S ASSESSMENT, WILL AFFECT THE RESULTS ACHIEVED BY THE ISSUER IN THE PERSPECTIVE OF AT LEAST THE NEXT QUARTER, AND DESCRIPTION OF THE BASIC RISKS AND RELATED RISKS	36
12.	SOCIAL RESPONSIBILITY IN BUSINESS	38
13.	AGREEMENTS WHICH MAY RESULT IN CHANGES OF SHAREHOLDING STRUCTURE IN THE FUTURE	43
14.	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	44
15.	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	45
16.	SEASONALITY OR CYCLICALITY OF OPERATIONS	45
17.	LOANS, CREDITS AND GUARANTEES	46
18.	ACQUISITION OF OWN SHARES	47
19.	BRANCHES OWNED BY THE UNIT	48
20.	INDICATION OF MATERIAL PROCEEDINGS PENDING BEFORE COURT, COMPETENT ARBITRATION AUTHORITY OR PUBLIC ADMINISTRATION AUTHORITY, CONCERNING LIABILITIES AND RECEIVABLES OF THE ISSUER OR ITS SUBSIDIARY	49
21.	INFORMATION ON TRANSACTIONS CONCLUDED BY THE ISSUER OR ITS SUBSIDIARY WITH RELATED PARTIES, IF THERE WERE CONCLUDED ON TERMS OTHER THAN MARKET TERMS	50
22.	FINANCIAL INSTRUMENTS FOR RISK AND RISK MANAGEMENT	51
23.	APPROVAL OF THE REPORT	52



## CORPORATE INFORMATION

The Ten Square Games S.A. Group consists of a parent company and subsidiaries. Ten Square Games S.A. ("Parent Company" or "TSG" or "Issuer") was established as a result of transformation of Ten Square Games Sp. z o.o., which was recorded by the District Court on November 20, 2017.

<b>Name</b>	Ten Square Games S.A.
<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





## The composition of the management and supervisory bodies as at 30.06.2022

### 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.

There were no changes in the composition of the body during the reporting period and during subsequent period, until the date of preparation of the financial statement.

### 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.

The following changes in the composition of the body took place during the reporting period and during subsequent period, until the date of preparation of the financial statements:

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

## List of shareholders holding, directly or indirectly through subsidiaries, at least 5% of the total number of votes at the General Meeting of Shareholders

Shareholder	Number of shares as at 5.09.2022	% share in basic capital	number of votes at GSM	% share in the number of votes
Shareholders' Arrangement <sup>[1]</sup>	2 559 307	34,89%	2 559 307	34,89%
Nationale-Nederlanden OFE/PTE	524 371	7,15%	524 371	7,15%
TFI Allianz Polska S.A.	488 915	6,67%	488 915	6,67%
own shares acquired by the Company	70 000	0,95%	70 000	0,95%
Others (none of which holds above 5% of shares)	3 692 229	50,34%	3 692 229	50,34%
<b>TOTAL</b>	<b>7 334 822</b>	<b>100%</b>	<b>7 334 822</b>	<b>100%</b>

Shareholder	Number of shares as at 30.06.2022 and 23.05.2022	% share in basic capital	number of votes at GSM	% share in the number of votes
Shareholders' Arrangement	2 559 307	35,05%	2 559 307	35,05%
Nationale-Nederlanden OFE/PTE	524 371	7,18%	524 371	7,18%
Aviva TFI S.A.	365 910	5,01%	365 910	5,01%
own shares acquired by the Company	70 000	0,96%	70 000	0,96%
Others (none of which holds above 5% of shares)	3 782 195	51,80%	3 782 195	51,80%
<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' Arrangement	3 000 120	41,09%	3 000 120	41,09%
Others (none of which holds above 5% of shares)	4 301 663	58,91%	4 301 663	58,91%
<b>TOTAL</b>	<b>7 301 783</b>	<b>100%</b>	<b>7 301 783</b>	<b>100%</b>

[1] The Company's shareholders' agreement of 21.10.2019 concerning the conduct of a permanent policy towards the Company and the concerted exercise of voting rights on the Company's shares (current report No. 30/2019). The parties to the shareholders' agreement include Maciej Popowicz (President of the Management Board until May 20, 2020) and Arkadiusz Pernal (Vice President of the Management Board until December 31, 2020). On July 9, 2020, two new members joined the Shareholders' Agreement.





## List of shares held by members of the Management Board or Supervisory Board of the Parent Company

Shareholder	Number of shares as at 5.09.2022	% share in basic capital	number of votes at GSM	% share in the number of votes
President of the Management Board – Maciej Zużatek	194 826	2,66%	194 826	2,66%
Member of the Management Board – Anna Idzikowska	25 000	0,34%	25 000	0,34%
Member of the Management Board – Andrzej Ilczuk	10 388	0,14%	10 388	0,14%
Member of the Management Board – Janusz Dziemidowicz	84 249	1,15%	84 249	1,15%
Member of the Management Board – Wojciech Gattner	32 698	0,45%	32 698	0,45%
Member of the Management Board – Magdalena Jurewicz	19 500	0,27%	19 500	0,27%
Member of the Supervisory Board – Arkadiusz Pernal	661 552	9,02%	661 552	9,02%
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>1 072 987</b>	<b>14,63%</b>	<b>1 072 987</b>	<b>14,63%</b>
<i>Others</i>	6 261 835	85,37%	6 261 835	85,37%
<b>TOTAL</b>	<b>7 334 822</b>	<b>100,00%</b>	<b>7 334 822</b>	<b>100,00%</b>

Shareholder	Number of shares as at 30.06.2022 and 23.05.2022	% 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	0,03%	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>
<i>Others</i>	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>
<i>Others</i>	<i>6 095 013</i>	<i>83,57%</i>	<i>6 095 013</i>	<i>83,57%</i>
<b>TOTAL</b>	<b>7 301 783</b>	<b>100,00%</b>	<b>7 301 783</b>	<b>100,00%</b>





## Series of shares

Series of shares	Number of shares as at 5.09.2022	Nominal value of shares	Total nominal value of shares
A	7 225 000	0,1 PLN	722 500,00
B	109 822	0,1 PLN	10 982,20

Series of shares	Number of shares as at 31.12.2021, 30.06.2022 and 5.09.2022	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 relate to the Company's incentive program.

## DESCRIPTION OF CHANGES IN SHAREHOLDERS' STRUCTURE

Changes in the shareholding structure between 31.12.2021 and 5.09.2022 result from the transactions described in:

1. Received on January 24, 2022, notifications regarding the change in the shareholding of the Company, 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 shareholding of the Company received on January 28, 2022, submitted by NN OFE, about which the Company informed in the current report No. 15/2022.
3. The notification on the change in the shareholding of the Company received on July 6, 2022, submitted by TFI Allianz Polska S.A., about which the Company informed in the current report No. 38/2022.
4. In accordance with current reports No. 32, 33, 34/2022 of July 4, 2022, Members of the Management Board: Anna Idzikowska, Andrzej Ilczuk and Wojciech Gattner acquired 8,000 shares each as part of the incentive scheme settlement. These shares were registered by the Court on September 2, 2022, hence the shares are shown in the tables above only on this date.
5. On July 28, 2022, the Company filed with the National Court Register an application for registration of an increase in supplementary capital by PLN 3,303.90 (33,039 shares) in connection with the next issue of shares related to the settlement of the program for 2021. The supplementary capital was registered on September 2, 2022.



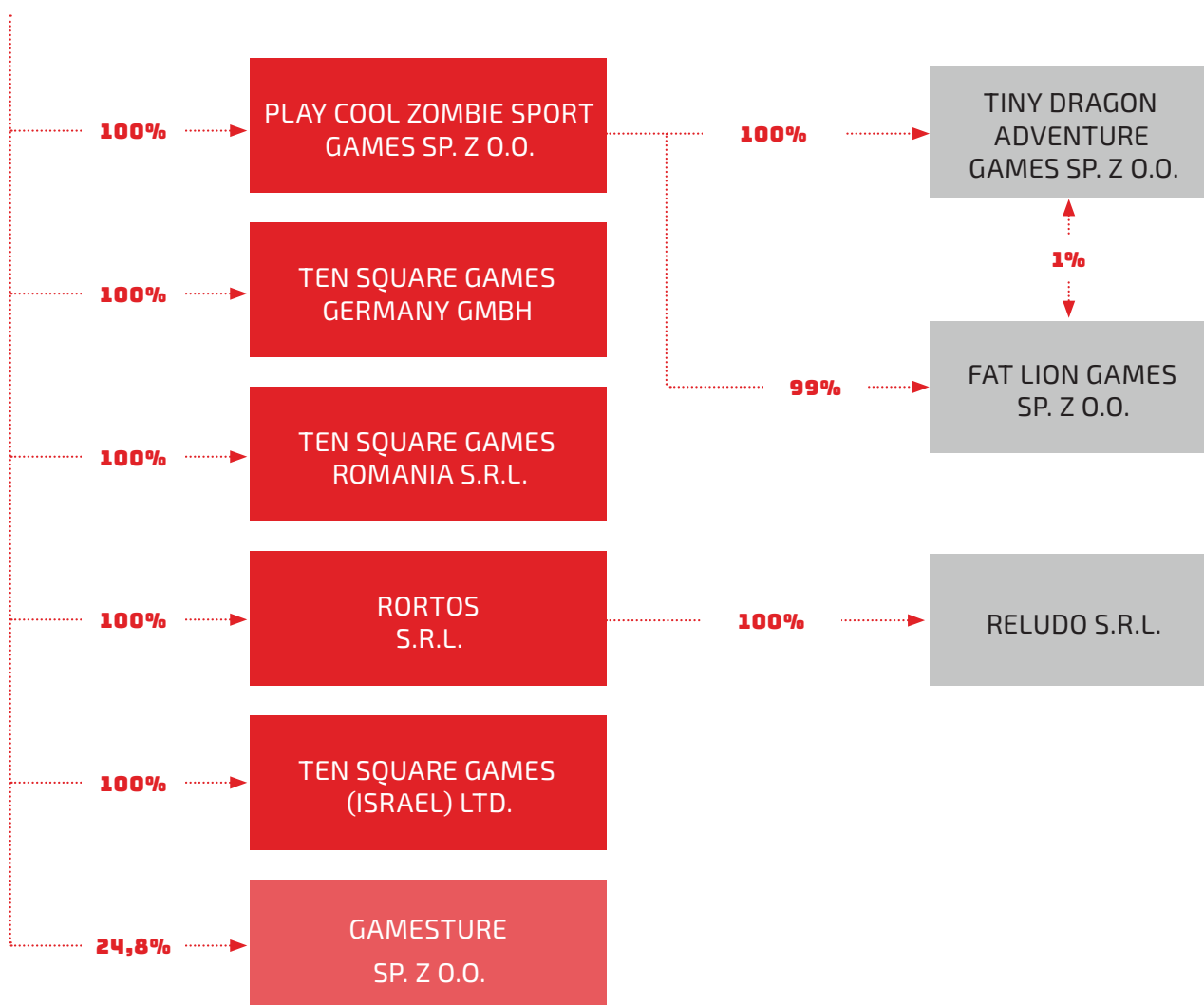




## Structure of the Ten Square Games Group as at 30.06.2022 and 5.09.2022:



ten square\_games



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

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

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

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

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

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

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

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





# 2.

## SELECTED FINANCIAL DATA

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.

In 2021, the Company acquired an Italian subsidiary – Rortos, which significantly changed the value of shares in the standalone financial statement and the value of intangible assets in the consolidated financial statement, 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, therefore the Parent Company decided to continue to describe the consolidated data.

Management currently evaluates the Group's financial performance primarily based on 2 metrics: "Bookings" and "Adjusted EBITDA".

Under "Bookings", the Group recognizes revenue, unreduced by deferred revenue (i.e. in the case of micropayments, these are payments made by players during the period indicated). The amount of deferred revenue results from an estimation of the unused virtual currency and durable goods (durable) by active players made at the balance sheet date.

The amount of such deferred revenue is reported in the financial statements under the balance sheet item "contract liabilities".

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

- » extraordinary and one-off events;
- » costs of implementing the incentive program in accordance with the financial reporting standards applicable to the Company;
- » the effect of accounting recognition during the incentive program of Maciej Zuzatek, President of the Management Board;
- » the impact of non-cash revenue adjustments (and associated distributor commission cost associated with that revenue), such as the deferral of revenue from virtual currency or durables;
- » the impact of possible impairments updating the value of investment expenditures on the development 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).





## CONSOLIDATED DATA

## STATEMENT OF COMPREHENSIVE INCOME

	PLN		EUR	
	for the period 01.01.2022 – 30.06.2022	for the period 01.01.2021 – 30.06.2021	for the period 01.01.2022 – 30.06.2022	for the period 01.01.2021 – 30.06.2021
Bookings	266 002 370	324 173 144	57 294 757	71 290 716
Revenues	274 477 494	338 999 340	59 120 231	74 551 227
Costs of sales	33 476 255	22 019 279	7 210 514	4 842 382
Operating profit	46 836 287	94 615 365	10 088 157	20 807 390
Gross profit	49 264 204	95 466 480	10 611 111	20 994 564
Net profit	40 535 066	86 077 936	8 730 925	18 929 877
EBITDA	61 770 713	100 295 927	13 304 912	22 056 634
Adjusted EBITDA	70 577 833	111 968 844	15 201 894	24 623 690

## CASH FLOW STATEMENT

	PLN		EUR	
	for the period 01.01.2022 – 30.06.2022	for the period 01.01.2021 – 30.06.2021	for the period 01.01.2022 – 30.06.2022	for the period 01.01.2021 – 30.06.2021
Net cash flow from operating activities	83 935 055	107 723 162	18 078 931	23 689 999
Net cash flow from investment activities	-39 131 776	-11 478 016	-8 428 668	-2 524 194
Net cash flow from financial activities	-93 088 667	-547 907	-20 050 545	-120 493

## STATEMENT OF FINANCIAL SITUATION

	PLN		EUR	
	for the period 01.01.2022 – 30.06.2022	for the period 01.01.2021 – 30.06.2021	for the period 01.01.2022 – 30.06.2022	for the period 01.01.2021 – 30.06.2021
Fixed assets	326 192 131	298 865 805	69 690 239	64 979 303
Current assets	157 694 736	221 414 318	33 691 137	48 139 826
Equity	318 796 029	351 051 347	68 110 078	76 325 466
Long-term liabilities	58 244 747	64 993 212	12 443 863	14 130 802
Short-term liabilities	106 846 091	104 235 564	22 827 435	22 662 861



EUR/PLN exchange rate	2022	2021
for the balance sheet data	4,6806	4,5994
for the data from the profit and loss statement and cash flow statement	4,6427	4,5472

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.





## BREAKDOWN OF CONSOLIDATED BOOKINGS SPLIT BY GAMES AND QUARTERS

GAME	1Q2021	2Q2021	3Q2021	4Q2021	1Q2022	2Q2022
Fishing Clash	131 659 442	114 983 038	114 371 143	121 867 964	95 826 978	84 385 263
Hunting Clash	26 840 820	30 390 316	28 042 011	30 493 190	32 279 619	24 978 052
Let's Fish	4 208 029	3 710 888	3 110 282	3 445 192	3 099 293	2 394 146
Wild Hunt	3 666 218	3 331 467	2 761 094	3 312 206	2 790 545	2 517 568
Gry Rortos	—	—	7 183 811	6 954 796	7 547 941	8 277 091
Other	2 821 641	2 561 285	2 237 641	1 616 584	1 006 988	898 886
<b>TOTAL BOOKINGS</b>	<b>169 196 150</b>	<b>154 976 993</b>	<b>157 705 984</b>	<b>167 689 934</b>	<b>142 551 364</b>	<b>123 451 006</b>
Deferred income (consumable)	3 213 637	283 892	-2 265 275	-7 475 672	4 937 513	908 931
Deferred income (durable)	1 704 189	9 624 478	-7 489 650	-13 119 620	2 845 786	-217 105
<b>TOTAL REVENUES</b>	<b>174 113 976</b>	<b>164 885 363</b>	<b>147 951 059</b>	<b>147 094 641</b>	<b>150 334 663</b>	<b>124 142 831</b>

## BREAKDOWN OF SELLING COSTS BY QUARTERS

SPECIFICATION	1Q 2021	2Q 2021	3Q 2021	4Q 2021	1Q 2022	2Q 2022
<b>Selling costs</b>	95 935 217	95 799 537	82 618 730	72 895 344	79 870 756	67 589 551
marketing:	40 137 460	42 419 871	33 944 492	23 020 677	30 070 387	24 555 603
– Fishing Clash	22 551 718	24 783 495	21 055 086	13 614 460	16 110 636	13 099 412
– Hunting Clash	17 412 032	17 438 915	12 889 406	9 334 220	13 532 653	10 257 990
– Airline Commander	—	—	—	—	303 480	815 706
– other titles	173 710	197 461	0	71 997	123 618	382 495
Commissions	50 414 040	47 816 995	41 574 686	41 874 524	41 728 991	35 369 221
Revenue share	477 124	423 624	411 570	509 652	448 775	406 178
Remuneration, external services	3 961 297	3 338 075	4 496 667	5 461 878	5 857 302	5 193 498
Services of mobile gaming market research	548 606	1 317 788	571 024	596 223	308 753	366 990
Other	396 689	483 185	1 620 289	1 432 390	1 456 548	1 394 582



## RECONCILIATION OF EBIT WITH ADJUSTED EBITDA

SPECIFICATION	1Q2021	2Q2021	3Q2021	4Q2021	1Q2022	2Q2022
<b>Operating profit (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>	<b>17 444 470</b>
Amortization and depreciation (excluding capitalized part)	941 410	978 452	3 304 646	2 359 808	2 742 054	3 725 224
Write-offs	0	3 760 700	0	0	0	8 467 149
<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>	<b>29 636 841</b>
The non-cash impact of the incentive program (excluding capitalized part)	10 981 139	10 970 806	7 694 579	10 023 537	12 303 319	-236 983
Deferred net revenue (gross revenue minus commissions) – unused virtual currency	-2 249 545	-198 724	1 585 693	5 232 970	-3 456 258	-636 252
Deferred net revenue (gross revenue minus commissions) – durable	-1 181 489	-6 649 270	5 331 821	9 330 773	-1 859 303	-316 187
Costs of potential and completed acquisitions (M&A) and review of strategic options	0	0	3 686 602	0	1 760 415	0
Donations to public benefit organization (regarding war in Ukraine)	0	0	0	0	1 000 000	0
Other one-off events	0	0	2 054 828	0	248 368	0
<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>42 130 413</b>	<b>28 447 420</b>





## COMMENTS ON THE STATEMENT OF COMPREHENSIVE INCOME

The first half of 2022 was a difficult period for the Group due to the end of lockdowns caused by the COVID-19 pandemic, deteriorating sentiment on the consumer market, a difficult marketing market and the outbreak of the war in Ukraine. All these factors had a negative impact on the Group's operations – the Group's payments decreased from PLN 324.2 million in the first half of 2021 to PLN 266 million in the first half of this year (a decrease by 18%). The adjusted EBITDA amounted to PLN 70.6 million in compared to PLN 112 million in the comparable period of the previous year.

Due to the war in Ukraine, in early March 2022, the Group blocked distribution, marketing and the possibility of paying in all of the Group's key games in Russia and Belarus. The share of the Russian market (the Belarusian market is negligible from the Group's perspective) in bookings in 2021 amounted to 5.3% – including 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 di'ruption 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).

The biggest drop in payments (-27% y / y) was recorded in the Group's main title – the game Fishing Clash. The years 2020 and 2021 were the so-called "Covid years", when, as a result of intensified marketing activities, the user base changed its level by leaps and bounds. At the very beginning of the pandemic, in the second quarter of 2020, the average costs of paid user acquisition temporarily dropped sharply, and then the Group incurred exceptionally high marketing expenditure. Thus, the user base increased to almost 7 million players, where previously it amounted to around 1-3 million (Q4 2019 – PLN 1.9 million). Of course, the higher user base contributed to the higher payments achieved in subsequent periods, while in 2022 this effect is less and less noticeable. In the first half of 2022, the Group also incurred significantly lower marketing expenditure – PLN 29.2 million compared to PLN 47.4 million in the comparable period of the previous year. The user base was normalized and in the first half of 2022 it amounted to approx. 2 million players.

Another title of the Group – Hunting Clash – achieved almost the same level of payments in both periods (PLN 57.2 million). However, marketing expenses in the first half of 2021 were higher and amounted to PLN 34.6 million, and in 2022 they amounted to PLN 23.8 million. The game was launched in 2020, since then the product team has been adding new functionalities, features and events with each subsequent quarter, which has a significant impact on the involvement of players in the game.

In 2022, the Group's payments are also supported by the games of the subsidiary – Rortos – which in the first half of 2022 amounted to PLN 15.8 million. In total, PLN 7.6 million relates to Real Flight Simulator, which were not supported by additional marketing budgets, and PLN 6 million to Airline Commander, for which marketing expenditure amounted to PLN 1.1 million.

The long-living games from the Evergreen segment – Let's Fish and Wild Hunt segment reached a level of total bookings in amount of PLN 10.8 million in the first half of 2022, compared to PLN 14.9 million in the corresponding period of 2021. These games have not been supported by marketing for many quarters, and still generate a stable level of payments.

The Group does not record any significant seasonality of sales. The level of revenues depends on the life cycle of a given game, marketing expenses, and in recent years, on the lockdowns caused by the COVID-19 pandemic.

The cost of services sold includes mainly the salaries of the employees and associates of the Company and the amortization of games. The increase in costs in the first half of 2022 is mainly related to the recognition of the costs of the Rortos company acquired in the second half of 2021 – these costs amounted to PLN 8.2 million.

The decrease in selling costs (-23%) is caused mainly due by the decrease in marketing expenditures described above (-34%) and the decrease in the cost of commission, which are fully dependent on the level of payments and with their decrease, the amount of commission decreases proportionally.

General and administrative expenses increased by 37% in the comparison to the previous period, which was caused by two factors. During 2021, the Group significantly expanded its supporting teams. Employment in these departments grew quarter by quarter to reach its peak in the first quarter of 2022. Therefore, comparing the first half of 2022 and 2021, payroll costs increased significantly – from PLN 5 million to PLN 10.1 million (at a cost lower in Q2 than in Q1). Another group of costs is the costs of subsidiaries, which in 2022 amounted to PLN 5 million compared to PLN 70 thousand in the previous period. During 2022, the Group also incurred one-off M&A costs in the amount of PLN 1.8 million. The general and administrative expenses also include the costs of the incentive program related to the granting of shares to the President of the Company Maciej Zużalek in 2020 and the costs of the regular incentive program based on the issue of new shares (only in 2021) – the costs of both programs amounted to PLN 12.1 million in the first half of 2022 and PLN 14.6 million in the same period of the previous year.

During the second quarter of 2022, the Management Board of the Company decided to discontinue work on the game and close the Football Elite project. The decision to close the project was made after conducting a marketing cost analysis in June, regarding the market potential and the involvement of players who could test the new game. In the opinion of the Management Board, the optimization of the project would take many months, and the incurred costs would be disproportionate to the potential revenues and the size of the segment of this type of game. Therefore, the group made an impairment loss on intangible assets in the amount of PLN 8.5 million, which is the main reason for the increase in other operating expenses.





Financial income is related mainly to realized and unrealized (balance sheet valuations) exchange differences. In 2022, the Group keeps relatively more cash in foreign currencies, hence the valuation of the balance sheet items as at June 30, 2022 amounted to PLN 5.1 million, with 1.5 million realized exchange differences. In 2021, the impact of foreign exchange differences on the company's financial statements was significantly lower – the total of realized and unrealized foreign exchange differences amounted to PLN 0.9 million.

In March 2022, the company acquired 24.8% of shares in Gamesture Sp. z o.o. The company currently generates a net loss, therefore the Group reported a loss of PLN 1.2 million on participation in associates – there was no similar cost in the previous year.

Adjusted EBITDA amounted to PLN 70.6 million and was lower by PLN 41.4 million (ie 37%) than in the corresponding period of the previous year.

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. Due to the potential failure to achieve the assumed goal, the Parent Entity decided not to recognize the cost of the program in the first half of 2022\*. If the year-end threshold is reached, the cost of the program will be recognized in the annual report.

\* the cost of the program in the amount of PLN 6.7 million (excluding the capitalized portion) was disclosed in the statements for the first quarter of 2022, in the second quarter of 2022 this cost was reversed.

## COMMENT ON THE CASH FLOW STATEMENT

Cash flows from operating activities in the first half of the year decreased by 27% compared to the corresponding period of 2021. This decrease is not commensurate with the decrease in operating profit (-50%), which can be explained by a higher level of non-cash adjustments, i.e. changes in receivables, share-based payments and amortization (mainly including amortization of acquired Rortos games).

The Group's investment activities are related to the production of new titles (PLN 16.8 million) and the acquisition of property, plant and equipment (PLN 8.6 million related to the adaptation of another office space in Wrocław and the purchase of equipment – desks, chairs) and the acquisition of shares in an associate Gamesture Sp. z o.o. (PLN 14.3 million).

Financial activities are mainly cash flows related to the payment of dividends – dividend for 2020 was paid on July 19, 2021, hence no such cash flows in 2021, while a dividend of PLN 72.3 million for 2021 was paid in June 2022. In the first half of 2022, the Group acquired 70,000 treasury shares, which represented a cash outflow of PLN 18.6 million.

## COMMENT ON THE STATEMENT OF FINANCIAL POSITION

In balance sheet, there was an increase in non-current assets with a simultaneous decrease in current assets. On the fixed assets side, the biggest changes are due to:

- » acquisition of shares in Gamesture Sp. z o.o. (PLN 13.9 million net change);
- » outlays for new office space and replacement of workstations (6.8 million net change);
- » expenditure on games – intangible assets (PLN 6.2m net change after depreciation and one-off write-off of Football Elite).

In the structure of current assets, the greatest decrease occurred in total receivables (PLN 12.5 million net change), which is related to a decrease in

payments and in total cash (PLN 48.6 million), which is related both to lower revenues to the Group from operating activities and also a dividend payment a few days before the balance sheet date in the amount of PLN 72.3m.

On the equity and liabilities side, the Group recorded a decrease in equity related to the lower financial result of the period, as well as the purchase of own shares. The movement between long-term and short-term liabilities results mainly from the reclassification of a part of the liability related to the acquisition of Rortos (PLN 7.3 million). The level of trade payables is closely related to the level of marketing expenses in the last month of the reporting period – in December 2021, these expenses were much lower than in June 2022.



# 3.

## BUSINESS PROFILE

The activities of the Group and the Parent Company focus on the design, production, distribution and development of mobile games. The Group's products are offered through the most important mobile platforms – most of all iOS and Android – and through Internet portals.

The Group's game portfolio is developed in the F2P model – downloading a game is free of charge and revenue comes from the following sources:

## REVENUES

### MICROPAYMENTS

- » additional functionalities purchased by the players



### ADVERTISEMENTS

- » displayed in games (ad monetisation)



### LICENCES

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









# 4.

## KEY PRODUCTS

In the first half of 2022, the most important products of the Group generating revenues were::

### » **Fishing Clash**

– a mobile fishing game  
in the F2P model



### » **Hunting Clash**

– a mobile hunting game  
in the F2P model



### » **Let's Fish**

– a browser and mobile fishing game  
in the F2P model



### » **Wild Hunt**

– a mobile hunting game  
in the F2P model







## FISHING CLASH

### Mobile game

Launch date:

soft launch: 06.2016

hard launch: 10.2017

Mobile fishing game. Players have the opportunity to take part in a sports competition between anglers in excellent 3D graphics. Since its launch in October 2017, Fishing Clash has established its position as the most important mobile angling game in the world, generating over PLN 482 million in bookings in 2021. Fishing Clash is the biggest game of the Group, and in 2020 the game broke into top 50 grossing games globally in Google Play store.



## HUNTING CLASH

### Mobile game

Launch date:

soft launch: 11.2019

hard launch: 08.2020

Product targeted at a wide range of players, focusing on collecting and competition. The game features advanced 3D graphics and realistically animated animals. The player has the opportunity to become the best hunter in the world by hunting many animal species and collecting different types of weapons. Since its release in the third quarter of 2020, the game has been among the 200 highest-grossing games on the Android platform in the U.S., generating in the first half of 2022 over PLN 57 million in bookings.





# 5.

## BRIEF DESCRIPTION OF THE ISSUER'S MATERIAL ACHIEVEMENTS AND FAILURES

### IN THE PERIOD COVERED BY THE REPORT, WITH A LIST OF THE MOST IMPORTANT EVENTS CONCERNING THE ISSUER

In the first half of 2022, the Group consistently implemented its strategy, despite unfavorable market conditions. The end of lockdowns, the beginning of the war in Ukraine, a change in consumer behavior – all of those factors had an impact on the Group's operations.

At the operational level, the Group focused mainly on improving the effectiveness of teams and increasing the production capacity related to new content creation. At the same time, work was carried on several new titles, and some of them had their first launches in recent months.

The main title of the Group – Fishing Clash, recorded a significant decrease in bookings in the analysed period, which was caused by both external and internal factors, which culminated in May this year. In addition to the global factors mentioned at the beginning, the product team struggled with the problem of too long production time for new content. The product road map contained large elements, requiring several or more weeks of work, which at the time of the rapidly changing environment (and player's behavior) was not beneficial for the game. Hence, the Group decided to divide new functionalities into smaller packages and focus on their faster iteration. From the perspective of user acquisition, the end of 2021 and the beginning of 2022 was the time when the acquired traffic had relatively worse parameters, which directly translated into a lower traffic and its worse quality. What is important, from the end of May 2022, the Group sees the first positive effects – both on the production, content and marketing side, which translates into gradually increasing bookings.

**Monthly analysis of payments and costs of user acquisition**

Data in mPLN



\* Data for July and August 2022 were estimated by the Group

\*\* The chart above does not include revenues from the Chinese market due to a different settlement model. The Capital Group records the license payment from the Netease partner as revenue from this market. Netease is the recipient of aggregate payments from users and also incurs marketing expenses. The license income is distributed after aggregator's commissions and after marketing costs, in accordance with the agreement concluded between the parties. In the classic sales model – i.e. directly through the GooglePlay store and AppStore, the Capital Group is the recipient of aggregate user payments and also bears the full commission and marketing costs.



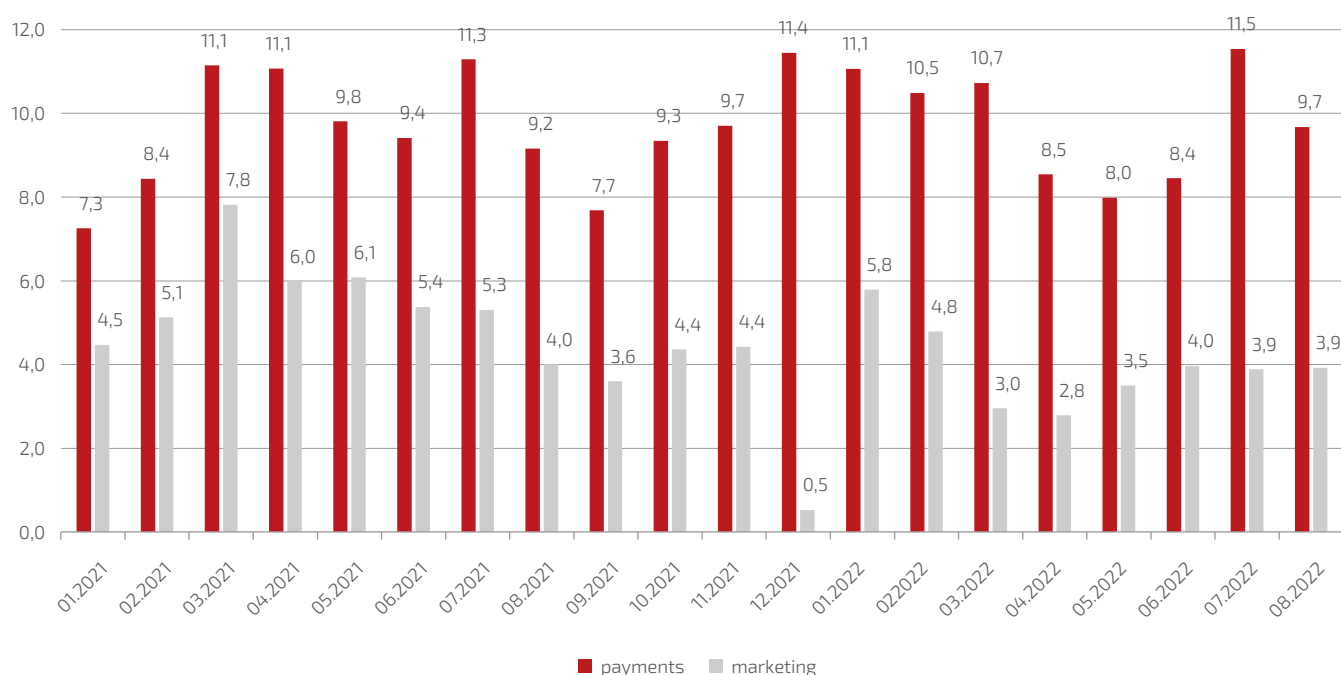


The game Hunting Clash started well in 2022 – with the highest payments in history, which were recorded in Q1 2022 at the level of PLN 32.3 million. However, also in this case external and internal factors influenced the performance of the game in the following months. The declining quality and quantity of the obtained traffic, as well as the fact that players from Russia constituted for a significant part of organic traffic in case of this title, had an impact on the in-app payments.

Just like in Fishing Clash, the product team very quickly had to change the production style, so that the offered content would engage players. Hunting Clash is a relatively young game, the Group's expectations for this title were and are great, hence both the production and marketing team focus on finding new ways to reach to the player.

#### Monthly analysis of payments and costs of user acquisition

Data in mPLN



\* Data for July and August 2022 were estimated by the Group

Another game – Airline Commander, produced by the Italian studio Rortos, and since the acquisition in July 2021 developed by the Wrocław studio, in the second quarter of 2022 underwent numerous tests of new functionalities on selected markets (hence the marketing expenses of PLN 800k in Q2). The goal of the product team was to check whether the players are fond of the direction of changes and, based on the analysis of the results, to continue working on the monetization in the game. The introduced changes (including flight pass, free flights, welcome packs, new advertising blocks) have been positively received by players and have been available to the entire population of game users since the beginning of August. New content and improvements in the game resulted in an approx. 30% increase in daily earnings in the game. Visible increases in revenues are related to both micropayments and advertising revenues. In addition, investment in paid traffic allows to test the performance of marketing campaigns, compare the results of the game on paid and organic traffic, collect data to build the LTV model and prepare the title for the introduction of permanent marketing expenses in the future. Such marketing tests will be repeated cyclically, until the marketing for this title will reach the constant level. The Group also confirmed the potential of organic traffic for the game (over 1 million new players per month) – this number arises from the platform support, numerous so-called featurings (including awarding AC with the title of 'game of the day' on many markets) and effective searches in mobile store. Those factors show that aviation simulators are very popular among users of mobile games.

The next title of Rortos – Wings of Heroes had its soft launch on the Android platform at the turn of April and May 2022. The Group is currently preparing for a global launch, which is scheduled for the end of 2022. In August, the iOS version was also launched along with subsequent marketing campaigns. The Group, despite the small range of markets that the game had their launch on, is satisfied with the achieved parameters.

At the strategic level, in the first half of 2022, the Group decided to invest in Gamesture Sp. z o.o., which is a company that currently has 2 payment-achieving titles in its portfolio, and another two that are currently being released to the market. From the Group's perspective, it is an opportunity to diversify revenues due to a different market segment, and the effects of the decision made will be visible in the coming years.

At the end of May 2022, the Management Board of the Company decided to suspend work on the Magical District game. 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.

At the end of the second quarter of 2022, the Management Board of the Company decided to discontinue work and close the Football Elite project. The decision to close the project was made after conducting a marketing cost analysis in June, considering the market potential and the involvement of players who could test the new game. In the opinion of the Management Board, the optimization of the project would take many months, and the incurred costs would be disproportionate to the potential revenues and the size of the segment of this type of game. The impairment loss for the first half of 2022 amounted to PLN 8.5 million.





# 6.

## GAMES' KPI'S

PERIOD	1Q2021	2Q2021	3Q2021	4Q2021	1Q2022	2Q2022
Fishing Clash – MAU* (average)	3 849 763	2 928 300	2 499 913	2 499 913	2 227 455	1 835 612
Hunting Clash – MAU (average)	3 136 097	2 241 126	1 729 973	1 711 249	1 494 746	1 257 463
Evergreen – MAU (average)	933 367	825 133	895 264	989 560	700 115	674 729

\*MAU – monthly active users





## IDENTIFICATION OF FACTORS AND EVENTS, INCLUDING THOSE OF UNTYPICAL NATURE, HAVING SIGNIFICANT IMPACT ON ON THE INTERIM FINANCIAL STATEMENT

From January 20, 2022 to January 28, 2022, the Parent Company acquired its own shares, as described in Note 18 to the financial statement.

On February 24, 2022, the Russian invasion of Ukraine began. This event had and has a significant impact on the Company's operations – among other things, it rapidly disrupted the financial markets (strong weakening of the zloty, potentially a positive impact on the results in subsequent periods). The company employs 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 was dealt with 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 decided to host them in their own homes.

On March 8, 2022, the Group stopped sharing, maintaining and allowing payments in games in Russia and Belarus, which may translate into the results generated in 2022 and in the following years. 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.

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

At the end of the first half of 2022, the Management Board of the Company decided to suspend work on the Magical District game and to close work on Football Elite, as described in the note above.

In the period from January 1, 2022 to June 30, 2022, there were no other unusual events.





## ACHIEVEMENTS IN RESEARCH AND DEVELOPMENT

The group is constantly carrying out development works related to new games. An inherent element of this process is the risk that some titles may not meet the market expectations and TSG's ambitions. One of such games is Football Elite, which market potential turned out to be lower than assumed. The write-off of development work related to this title amounted to PLN 8.5 million and was expensed in first half of 2022.

On the other hand, Wings of Heroes, which had its local premiere in Q2 2022, achieves good first KPI's and over time this game may contribute to a significant diversification of the Group's game portfolio.

During the first months of 2022, work was also carried out on the titles such as:

- 1.** Fishing Master. The team was strengthened in May by the people working on the Magical District game so far. The technical launch of this game is planned for 4Q 2022.
- 2.** Undead Clash. Design works enter the final phase before the premiere in a few selected markets. The whole concept of the game is ready, and now the work is focused on graphics and gameplay. The planned launch should take place during 4Q2022.

As in previous years, work is constantly underway to improve the Group's business operations, with particular emphasis on the Business Intelligence and Research & Development department – constantly improved predictive and analytical models are key to plan and verify the further development of the product portfolio and undertake activities in the field of marketing.

In the opinion of the Management Board, the currently conducted development projects are focused on the consistent implementation of the strategy and bring with them opportunities to expand the Group's product offer with new profitable, timeless titles.

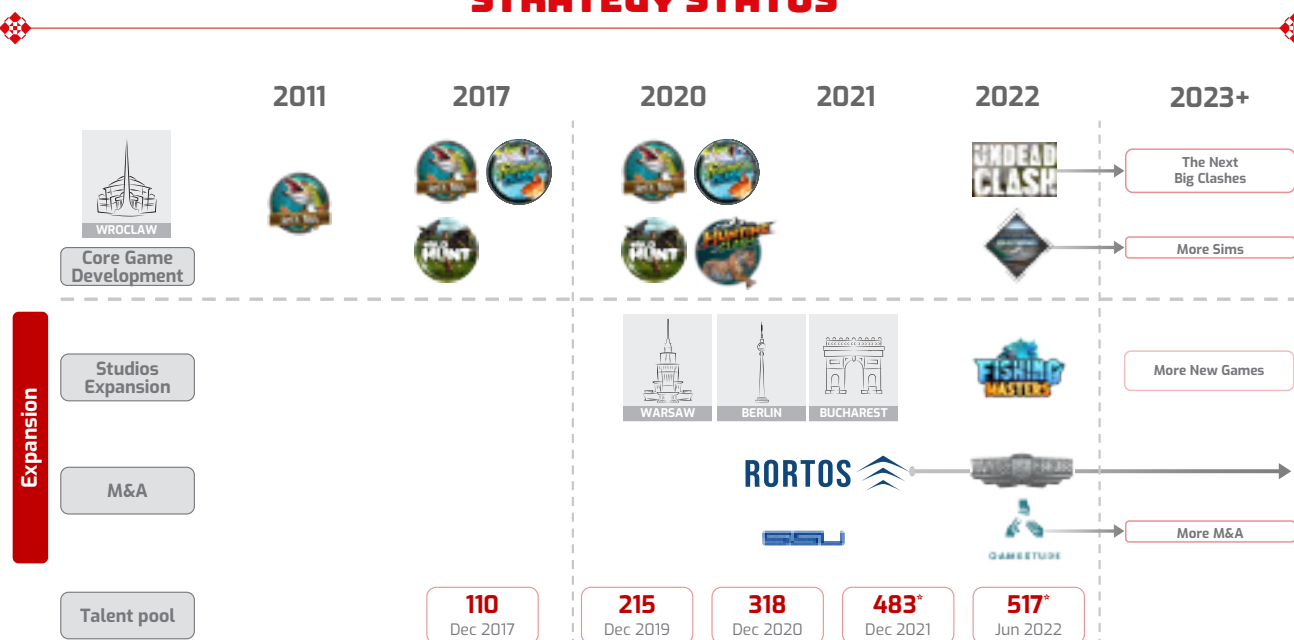


# 9.

## ANTICIPATED DEVELOPMENT OF THE COMPANY AND THE GROUP

The Group's strategy is based on the search and innovative combination of the most effective models of games from the Free2Play segment with interesting thematic areas. The main goal of the Group is building a portfolio of timeless products with a long life span and deep layer of monetization.

### STRATEGY STATUS





The main pillar of future growth is the team of the Wrocław office of TSG – this is where new titles will be created and the current ones will be developed. It is the office, where business supporting departments (eg Growth, Business development, Business Intelligence, Market Insight) have their place. An extremely important aspect of building strong team of specialists in Wrocław is the ability to provide product support services for the needs of the second and third elements of the strategy described below.

The second basic element of the strategy is the creation of design studios in new locations. The office in Warsaw, created in the first quarter of 2020, continues to work on creating new titles. During 2021 and 2022, studies in Berlin, Bucharest and Israel were set up. People from these studies are currently working on the needs of projects carried out by the Wrocław studio.

The third element of the strategy is constant analysis of the free to play games market and conducting activities aimed at entering into close cooperation (eg through an acquisition transaction) with another entities operating on this market. The result of these activities was the acquisition in July 2021 of Rortos, a leading Italian manufacturer of flight simulators for mobile devices in the world. In March 2022, the Group made another acquisition, purchasing 24.8% of shares in the share capital of Gamestrure Sp. z o.o.



# 10.

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

In the period from July 1, 2022 to September 5, 2022, there were no significant events not reflected in the Group's financial statement.





# 11.

## INDICATION OF FACTORS WHICH, IN THE ISSUER'S ASSESSMENT, WILL AFFECT THE RESULTS ACHIEVED BY THE ISSUER IN THE PERSPECTIVE OF AT LEAST THE NEXT QUARTER, AND DESCRIPTION OF THE BASIC RISKS AND RELATED RISKS

In the coming quarters of 2022, the Group intends to continue the development of its operations.

The further development of Fishing Clash and Hunting Clash as well as the situation on the advertising market will have significant influence on the results in the following quarters. Any improvement in results, both in the product and marketing, may significantly affect the results of the next quarter.

In the period of May-July 2022, the Group analysed its personal resources and reported recruitment needs for subsequent periods, taking into account the closure of the Football Elite project. As a result of this analysis, the TSG team was reduced by about 50 employees, with the largest reduction taking place in May 2022 (37 people), and new recruitments currently not exceeding 20 open positions. The normalization of employment costs will affect the Group's results from September 2022 (i.e. after the period of last terminations and severance pay). The Group does not expect further, intensive employment growth in the coming quarters.

The factors that may affect the Group's results in the future will be the results of new games – Wings of Heroes, the updated Airline Commander as well as launches of Fishing Master and Undead Clash. In the short term, products just after a soft launch often generate a loss (marketing expenses are higher than the first payments), while in the long term, a good product should contribute to the growth of the Group's results.

The Group considers further acquisitions, investments or making agreements with publishers – concluded with other entities producing games in a similar gameplay model.

External factors that may affect the Group's results include the duration of the COVID-19 pandemic, the war in Ukraine, potentially high inflation and economic slowdown, the US dollar exchange rate, the appearance of products competing with the Group's games on the market, advertising market parameters such as prices and the supply of advertisements displayed in the Group's games and the prices of advertisements purchased by the Group or a change in the policy of key distribution platforms of Google Play, Facebook and Apple affecting the scope and ability to distribute the Group's products.





# 12.

## SOCIAL RESPONSIBILITY IN BUSINESS

Realizing ESG (Environmental, Social, and Governance) goals is part of Ten Square Games' long-term social responsibility strategy. We are taking action in service of the environment and society; we are also constantly implementing good internal practices in order to systematically realize our Sustainable Development Goals.





## PILLAR ONE – ENVIRONMENT

### 1. Compensating 2020 Carbon Footprint

In cooperation with Planetly, we analyzed and calculated the company's carbon footprint for 2020. In accordance with the GHG Protocol Corporate Standards and the GHG Protocol Value Chain Standard, our carbon footprint in 2020 amounted to 9 598.74 tCO<sub>2</sub>e, with marketing, advertising, R&D, training, HR, and financial services having the biggest impact. We also calculated the carbon footprint generated by our players and undertook to offset it by investing in high-quality CO<sub>2</sub> compensation projects, including four wind-energy projects in India, Costa Rica, Turkey, and Mongolia, and the Borneo Rainforest REDD+ project in Indonesia.

We are currently analyzing our 2021 carbon footprint and reducing our emissions in 2022. Our goal is to reach a permanent net-zero carbon footprint.

### 2. Monitoring carbon footprint in the office

At the year's halfway mark, a new office space was opened for use in the City One building in Wrocław. Throughout setting up the workspace, a pioneering project of monitoring the built-in carbon footprint was performed in cooperation with Greensite. Thanks to a detailed analysis and using unconventional solutions, we managed to save 38.8 tCO<sub>2</sub>e while creating our 1700 square meter office space. This effect was achieved by, e.g., reusing existing parts of the existing space, including walls, flooring, modular ceilings, and installations.

### 3. Green Game Jam — Flagship Game Eco-Awareness Events

In 2022, Ten Square Games was invited to join the Green Game Jam, a part of the UN's Playing for the Planet initiative, in which the world's game developers are invited to a common undertaking for the planet. Two product teams, Fishing Clash and Hunting Clash, prepared in-game events for World Earth Day and World Environment Protection Day.

Thanks to the engagement of players in our games, the Company has transferred a total of PLN 300,000 to Ecosia and its environmental activities all around the world.

Fishing Clash — a special event during which players were tasked with cleaning the Amazon fishery. We wanted to use the event to bring attention to the pollution of the Amazon River and the dangers associated with it. Fishing Clash players caught a total of 162 million fish during the event, and Ten Square Games donated an amount allowing Ecosia to plant 30 thousand trees in the Amazon Rainforest.

Hunting Clash — the Tanzania hunting ground was filled with trash, similar to the Amazon. Hunting Clash players were tasked with cleaning the location by collecting trash. Hunting Clash players collected 4.5 million trash cards, which resulted in another 30 thousand trees being planted in the Amazon by Ecosia.

### 4. Eco League – employee engagement project

We have held the second edition of the gamified eco-challenge for employees, this time adding offline events to the mix in Wrocław, Warsaw, and Berlin. As a part of the initiative, the employees earned eco points which were then turned into 630 trees planted by the company.



## PILLAR TWO – SOCIAL

### 1. Aid for Ukraine

The Company decided to donate PLN 1 million to humanitarian organizations actively participating in the relief efforts in Ukraine: The Polish Medical Mission and the Polish Center for International Aid. They provide local hospitals with medical equipment and medicines while also helping evacuate and offering children psychological support.

Support group – from the first day of the war in Ukraine, Ten Square Games created a special team consisting of our legal, administrative, financial, and HR experts. The team made efforts to ensure all TSG employees from Ukraine and their families help in relocation, ensure financial stability and offer psychological support.

The Company also decided to give an additional paid day off for volunteer work connected with the Ukrainian community and 3 months of 1000 PLN or 2000 PLN financial support for persons housing refugees in their homes.

Employee initiatives – the EB team, organized a swag sale which managed to raise PLN 5500 in 3 days, which was then donated to SOS Children's Villages. For Women's Day, TSG collected basic hygienic products and children's accessories.

On March 7th, 2022, the Ten Square Games S.A. Management Board decided to deactivate servers for players from Russia and Belarus, while on March 8th, 2022, blocked them from the ability to download, install, use and pay in the game.





## 2. Help for local NGOs

Ten Square Games constantly support local initiatives and organizations which help provide equal opportunities to children and youth through, among others, educational activities, providing meals, or helping organize free time for children in danger of social exclusion. In this area, TSG helps the Wrocław-based Fundacja Pocięcha, which received funding for meals and summer vacation activities for children.

## 3. Equal pay

We're continuing the process through semi-annual salary benchmarks (mostly Mercer and KornFerry reports) and the process of employee salary calibration (through existing development paths – junior, mid, senior, expert.) Next, we perform a review of salaries on the same levels. Currently, 28% of our leadership staff are women.

## 4. Diversity and inclusion

In order to ensure an equal opportunity workplace, we have also created a volunteer Diversity & Inclusion group working on creating a plan for the Company in this regard. The group focuses on 5 areas: gender equality, LGBTQ issues, mental health, cultural diversity, and people with caring responsibilities. The group surveyed employees and analyzed current needs, creating paths to realize given goals and a timeframe. Simultaneously, the group is working on creating a company-wide D&I policy.

## 5. Employees' mental health

Ever since 2020, we ensure monthly co-financing for therapy for all our team members. Additionally, this year we cooperated with Fundacja Opieka and Troska to introduce a pilot program called Mind Gym, a series of lectures and workshops designed to support our team in mental health challenges. A major element of the Mind Gym was art therapy workshops.





## PILLAR THREE – CORPORATE GOVERNANCE

Code of Conduct – the team is currently finalizing a document intended for players and the Support team. We want to set standards that will help us care for players, including preventing addiction and personal tragedies that can be brought on by excessive internet activity.

The team has started working on long-term CO2 reduction strategies and risk and opportunity assessments in relation to climate change.

The company's ESG activities conducted in 2021 were published in the CSR Activities in Wrocław Agglomeration report (<https://invest-in-wroclaw.pl/premiere-of-the-guidebook-csr-activities-in-wroclaw-agglomeration>) and the Yearly Responsible Business 2021 Report (<https://odpowiedzialnybiznes.pl/aktualno%C5%9Bci/raport-odpowiedzialnego-biznesu-2021-z-rekordowa-liczba-firm/>) created by the Forum of Responsible Business.

For the second year in a row, the Company completed an environmental report for CDP—an organization running a global system publishing information for investors, companies, cities, states, and regions.

Expenses on culture, sports, and charity institutions, media, NGOs, and trade unions in H1 2022 are presented in the following tables:

EXPENSE TYPE	amount (PLN)
charity work	1 116 828
including support for Ukraine	1 000 000
environmental activities	789 162
sports activities	8 774
educational activities	7 500
sponsoring activities	19 680
<b>SUM</b>	<b>1 941 944</b>

ORGANIZATION	amount (PLN)
Polish Center for International Aid	500 000
Polish Medical Mission	500 000
Planetly GmbH	494 159
Ecosia GmbH	295 033
Tech To The Rescue Foundation	67 751
others	85 001
<b>SUM</b>	<b>1 941 944</b>

# 13.

## AGREEMENTS WHICH MAY RESULT IN CHANGES OF SHAREHOLDING STRUCTURE IN THE FUTURE

On May 20, 2020, by a resolution of the Ordinary General Meeting, an incentive program was established in the Company for the years 2021-2022. The program is based on the Group's financial results achieved in individual financial years. Participants of the Progra – key employees and associates of the Company – will have the right to acquire a total of no more than 100,000 shares, issued by increasing the share capital. The condition for offering the shares is the achievement by the Capital Group of a certain level of the consolidated EBITDA, adjusted for extraordinary events and costs of the program itself. The Supervisory Board determined the following EBITDA levels:

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

EBITDA will be adjusted in accordance with the program regulations by the costs of share-based incentive programs as well as extraordinary and one-off events, including, in particular, the impact of non-cash revenue adjustments (and the associated cost of distributors' commission), the impact of

potential impairments and write-offs updating the value of investment expenditures on the creation of mobile games and the effect of possible changes to the tax and social security systems.

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

Program participants have the right to sell the shares acquired:

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

\* In relation with the amount of recurring EBITDA in 2021, the Supervisory Board adopted a resolution in October 2021 allowing a reduction of the target by 8%, – to PLN 228 899 896.

The programme's goal for 2021 was met, and program participants received shares in line with the allocation from 2021. As at the date of this report, the related capital increase has not yet been registered.





# 14.

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

There is no other material information of the above nature in the Ten Square Games S.A. Group as at 30.06.2022 and 5.09.2022.



# 15.

## 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.

# 16.

## SEASONALITY OR CYCLICALITY OF OPERATIONS

There is no seasonality in the Group's operations.





# 17.

## LOANS, CREDITS AND GUARANTEES

Ten Square Games S.A. nor any of its subsidiaries were, as at June 30, 2022 and as at the date of publication of the financial statements, a party to credit or loan agreements (except for agreements concluded between members of the capital group). The Parent Company and its subsidiaries did not grant any sureties or guarantees in the reporting period.

# 18.

## ACQUISITION OF OWN SHARES

From January 20, 2022 to January 28, 2022, the first tranche of share buyback was carried out by the Parent Company 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 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 purchased under the first tranche of share buyback was 70,000 shares and corresponded to 70,000 votes at the General Meeting of the Company; which constituted 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 .







# 19.

## BRANCHES OWNED BY THE UNIT

The parent company and its subsidiaries do not have branches.





# 20.

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

It did not occur in the reporting period.





# 20.

## INFORMATION ON TRANSACTIONS CONCLUDED BY THE ISSUER OR ITS SUBSIDIARY WITH RELATED PARTIES, IF THERE WERE CONCLUDED ON TERMS OTHER THAN MARKET TERMS

All transactions made by the Issuer or its subsidiary with its subsidiaries are made on an arm's length basis. The list of transactions between related entities was presented in the interim report in the note to the consolidated financial statement.



# 21.

## FINANCIAL INSTRUMENTS FOR RISK AND RISK MANAGEMENT

### 21.1.

**Financial instruments with respect to the following risks: changes in prices, credit risk, material disruption of cash flows and liquidity to which an entity is exposed**

The Group and the Parent Company do not use such financial instruments due to the fact that the expected costs of their use could be higher than the probable benefits.

### 21.2.

**Financial instruments within the scope of the entity's objectives and methods of financial risk management, including methods of hedging material types of planned transactions for which hedge accounting is applied**

The Group and the Parent Company do not use such financial instruments due to the fact that the expected costs of their use could be higher than the probable benefits.





## APPROVAL OF THE REPORT

This report for the period from 1.01.2022 to 30.06.2022 was signed and approved for publication by the Management Board of Ten Square Games S.A. on 5.09.2022.

**PRESIDENT  
OF THE MANAGEMENT BOARD**

Maciej Zużalek

**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, 5.09.2022