



ten square_games

**CONSOLIDATED QUARTERLY REPORT
OF THE GROUP TEN SQUARE GAMES S.A.
FOR Q3 2022**

WROCLAW, 21.11.2022

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.



SELECTED FINANCIAL DATA CONVERTED TO EUR

CONSOLIDATED DATA

STATEMENT OF COMPREHENSIVE INCOME

	PLN		EUR	
	for the period 01.01.2022 – 30.09.2022	for the period 01.01.2021 – 30.09.2021	for the period 01.01.2022 – 30.09.2022	for the period 01.01.2021 – 30.09.2021
Bookings	403,488,365	481,879,127	86,068,337	105,710,020
Revenues	407,390,716	486,950,398	86,900,750	106,822,507
Cost of sales	50,676,359	37,267,741	10,809,804	8,175,440
Operating profit (loss)	68,472,059	125,807,845	14,605,815	27,598,518
Gross profit (loss)	70,124,036	126,757,259	14,958,199	27,806,791
Net profit (loss)	59,597,661	110,873,324	12,712,812	24,322,326
EBITDA	87,491,380	134,793,053	18,662,837	29,569,607
Adjusted EBITDA	105,557,493	166,819,494	22,516,530	36,595,260

CASH FLOW STATEMENT

	PLN		EUR	
	for the period 01.01.2022 – 30.09.2022	for the period 01.01.2021 – 30.09.2021	for the period 01.01.2022 – 30.09.2022	for the period 01.01.2021 – 30.09.2021
Net cash flows from operating activities	115,627,758	154,012,873	24,664,624	33,785,867
Net cash flows from investment activities	-47,137,790	-229,082,157	-10,054,989	-50,253,846
Net cash flows from financial activity	-94,095,325	-73,789,566	-20,071,528	-16,187,247

STATEMENT OF FINANCIAL POSITION

	PLN		EUR	
	for the period 01.01.2022 – 30.09.2022	for the period 01.01.2021 – 30.09.2021	for the period 01.01.2022 – 30.09.2022	for the period 01.01.2021 – 30.09.2021
Fixed assets	340,728,162	298,865,805	69,967,588	64,979,303
Current assets	184,414,954	221,414,318	37,869,102	48,139,826
Equity	354,370,842	351,051,347	72,769,075	76,325,466
Long-term liabilities	60,583,985	64,993,212	12,440,754	14,130,802
Short-term liabilities	110,188,289	104,235,564	22,626,861	22,662,861

EUR/PLN exchange rate	2022	2021
for the balance-sheet data	4.8698	4.5994
for the data from the profit and loss statement and cash flow statement	4.6880	4.5585

The average exchange rate of the National Bank of Poland dated at the balance sheet date was used to convert the balance sheet data.

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

SPECIFICATION	1Q 2022	2Q 2022	3Q 2022	1-3Q 2022
Operating profit (EBIT)	29,391,817	17,444,470	21,635,772	68,472,059
Amortization and depreciation (excluding capitalized portion)	2,742,054	3,725,224	3,413,622	9,880,900
Write-downs for impairment	0	8,467,149	671,272	9,138,421
EBITDA	32,133,872	29,636,841	25,720,667	87,491,380
Non-cash impact of incentive scheme (excluding capitalized portion)	12,303,319	-236,983	6,033,168	18,099,504
deferred result (revenue minus commissions) – consumables	-3,456,258	-636,252	-1,053,630	-5,146,140
deferred result (revenue minus commissions) – durable	-1,859,303	-316,187	4,254,570	2,079,080
costs of potential and completed acquisitions (M&A) and review of strategic options	1,760,415	0	0	1,760,415
Donations to public benefit organization (regarding the war in Ukraine)	1,000,000	0	0	1,000,000
Other one-offs	248,368	0	24,886	273,254
Adjusted EBITDA	42,130,413	28,447,420	34,979,661	105,557,493

SPECIFICATION	1Q 2021	2Q 2021	3Q 2021	1-3Q 2021
Operating profit (EBIT)	55,919,321	38,696,044	31,192,480	125,807,845
Amortization and depreciation (excluding capitalized portion)	941,410	978,452	3,304,646	5,224,508
Write-downs for impairment	0	3,760,700	0	3,760,700
EBITDA	56,860,731	43,435,196	34,497,126	134,793,053
Non-cash impact of incentive scheme (excluding capitalized portion)	10,981,139	10,970,806	7,694,579	29,646,524
deferred result (revenue minus commissions) – consumables	-2,249,545	-198,724	1,585,693	-862,576
deferred result (revenue minus commissions) – durable	-1,181,489	-6,649,270	5,331,821	-2,498,938
costs of potential and completed acquisitions (M&A) and review of strategic options	0	0	3,686,602	3,686,602
Donations to public benefit organization (regarding the war in Ukraine)	0	0	0	0
Other one-offs	0	0	2,054,828	2,054,828
Adjusted EBITDA	64,410,836	47,558,008	54,850,650	166,819,494

EBITDA is the net profit / (loss) before depreciation, write-offs (and their reversals) for impairment of property, plant and equipment and intangible assets, interest income, financial costs, foreign exchange differences and income tax.

Adjusted EBITDA additionally includes adjustments related to extraordinary and one-off events, including an adjustment to the costs of running an equity-based incentive program and an adjustment to deferment of income (and cost) over time.





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I.

GENERAL INFORMATION







COMPANY DATA

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

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

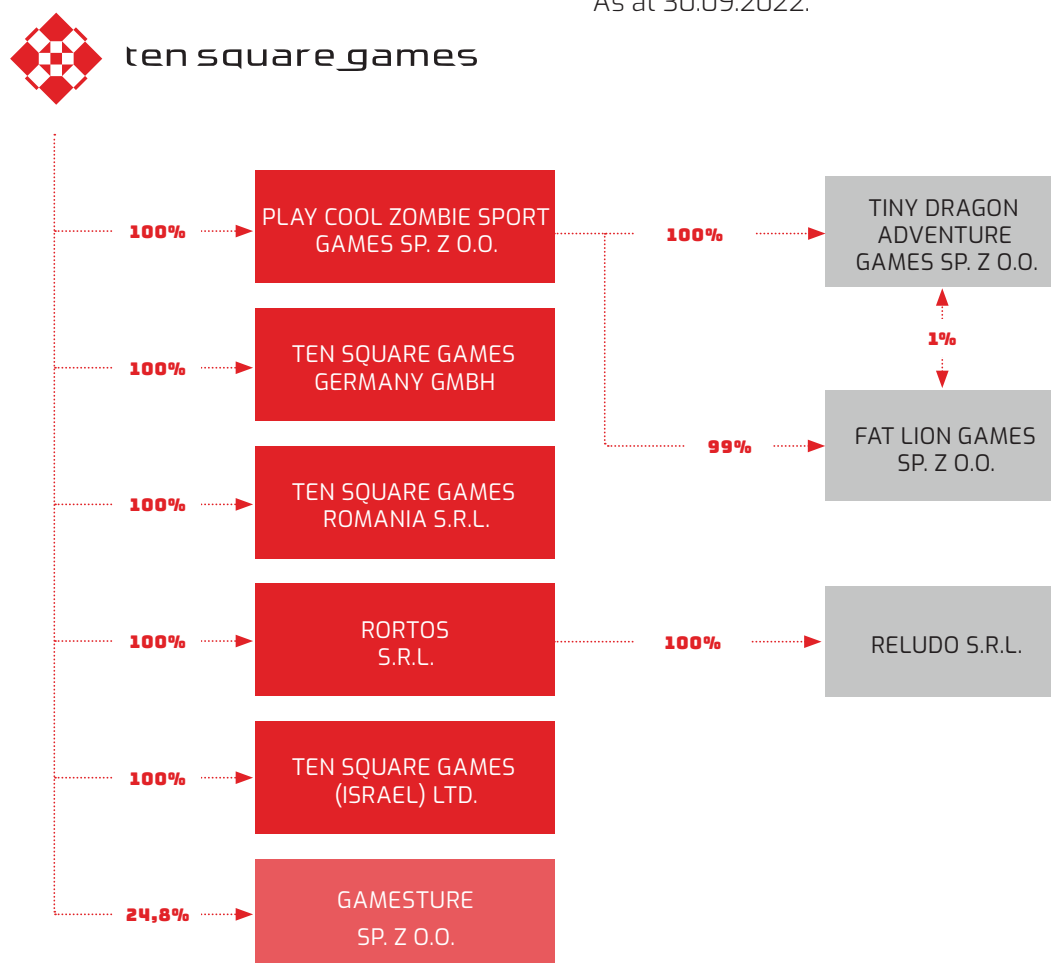
2.

CAPITAL GROUP

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

are subject to the consolidated financial statement since the date of a given company's establishment/ acquisition of control over the company until the date of loss of control over the company.

As at 30.09.2022:





3.

SHAREHOLDING STRUCTURE

3.1.

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

Shareholder	number of shares as at 30.09.2022 and 21.11.2022	% share in basic capital	number of votes at GSM	% share in the number of votes
Shareholders' Arrangement ⁽¹⁾	2,487,288	33.91%	2,487,288	33.91%
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 purchased by the Company	70,000	0.95%	70,000	0.95%
others (of which none holds more than 5% of shares)	3,764,248	51.32%	3,764,248	51.32%
TOTAL	7,334,822	100%	7,334,822	100%

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	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 purchased by the Company	70,000	0.95%	70,000	0.95%
others (of which none holds more than 5% of shares)	3,692,229	50.34%	3,692,229	50.34%
TOTAL	7,334,822	100%	7,334,822	100%

Shareholder	number of shares as at 30.06.2022	% 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 purchased by the Company	70,000	0.96%	70,000	0.96%
others (of which none holds more than 5% of shares)	3,782,195	51.80%	3,782,195	51.80%
TOTAL	7,301,783	100%	7,301,783	100%

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

[1] The arrangement of Company's shareholders 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' arrangement 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' Arrangement.





3.2.

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

Shareholder	number of shares as at 31.12.2021, 5.09.2022, 30.09.2022 and 21.11.2022	% 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%
TOTAL	1,072,987	14.63%	1,072,987	14.63%
<i>Others</i>	<i>6,261,835</i>	<i>85.37%</i>	<i>6,261,835</i>	<i>85.37%</i>
TOTAL	7,334,822	100.00%	7,334,822	100.00%

Shareholder	number of shares as at 30.06.2022	% 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%
TOTAL	1,048,987	14.37%	1,048,987	14.37%
<i>Others</i>	<i>6,252,796</i>	<i>85.63%</i>	<i>6,252,796</i>	<i>85.63%</i>
TOTAL	7,301,783	100.00%	7,301,783	100.00%

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%
TOTAL	1,195,035	16.43%	1,195,035	16.43%
Others	6,095,013	83.57%	6,095,013	83.57%
TOTAL	7,301,783	100.00%	7,301,783	100.00%

3.3. Series of shares

Series of shares	number of shares as at 5.09.2022, 30.09.2022 and 21.11.2022	nominal value of shares (per one share)	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 and 30.06.2022	nominal value of shares (per one share)	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.





3.4. Description of changes in shareholding structure

Changes in the shareholding structure between 31.12.2021 and 21.11.2022 result from the transactions described in:

1. Received on January 24, 2022, notifications regarding the change in the shareholding structure 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.
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 incentive program for 2021. The supplementary capital was registered on September 2, 2022.
6. The notification received on November 6, 2022 regarding the change in the ownership of the Company's shares, submitted by the Arrangement of Shareholders, about which the Company informed in the current report No. 44/2022.



COMPOSITION OF THE COMPANY'S BODIES AS AT 30.09.2022

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 Management Board during the reporting period and after it, until the date of preparation of the financial statements.

The Supervisory Board:

Rafał Olesiński

– President of the Supervisory Board;

Wiktor Schmidt

– Vice-President 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.

In 2022 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 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 30.09.2022 and it covers the period of 9 months, i.e. since 01.01.2022 to 30.09.2022.

For the data presented in the interim condensed consolidated statement of financial situation and off-balance sheet items, comparable financial data as at 30.09.2021 and 31.12.2021 were presented.

For the data presented in the interim condensed consolidated statement of comprehensive income and in the interim condensed statement of cash flows, comparable financial data for the period from 01.01.2021 to 30.09.2021 were presented.

For the data presented in the interim condensed consolidated statement of changes in equity comparable financial data were presented for the period from 01.01.2021 to 30.09.2021 and from 01.01.2021 to 31.12.2021.

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. 30.09.2022. 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 operations for the period of 12 months after the balance-sheet date due to an intended or forced discontinuance or material limitation of the hitherto activity.

Until the date of preparation of the interim condensed consolidated financial statement for the third quarter of 2022, there were no events which were not and which should have been included in the accounting records 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.

Auditing company

This interim condensed consolidated financial statement was 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 assets, financial standing and financial performance and results of the Company and the Capital Group.

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	for the period 01.07.2022 – 30.09.2022	for the period 01.01.2022 – 30.09.2022	for the period 01.07.2021 – 30.09.2021	for the period 01.01.2021 – 30.09.2021
Revenues from the sales of services	132,913,222	407,390,716	147,951,059	486,950,398
Cost of services sold	17,200,104	50,676,359	15,248,462	37,267,741
Gross profit (loss) on sales	115,713,118	356,714,357	132,702,597	449,682,658
Other operating income	268,647	918,464	7,130	390,579
Selling costs	78,366,429	225,826,736	82,618,729	274,353,483
General and administrative costs	15,231,177	51,855,524	18,024,872	44,842,541
Other operating costs	748,387	11,478,502	873,646	5,069,368
Operating profit (loss)	21,635,772	68,472,059	31,192,480	125,807,845
Financial income	1,842,293	8,517,527	177,928	1,157,764
Financial expense	1,907,067	4,981,476	79,629	208,350
Loss (profit) on associates	711,166	1,884,074	0	0
Profit(loss) before taxation	20,859,832	70,124,036	31,290,779	126,757,259
Income tax	1,797,237	10,526,375	6,495,390	15,883,934
Net profit (loss) on continued activity	19,062,595	59,597,661	24,795,388	110,873,324
Profit (loss) on discontinued activity	0	0	0	0
Net profit (loss)	19,062,595	59,597,661	24,795,388	110,873,324
Net profit (loss) attributable to the parent company	19,062,595	59,597,661	24,795,388	110,873,324
Items that may be reclassified subsequently to profit or loss	10,334,993	19,510,055	4,508,863	4,510,803
Other comprehensive income	10,334,993	19,510,055	4,508,863	4,510,803
Subject to reclassification to profit or loss – foreign exchange differences on translation of foreign financial statements	10,334,993	19,510,055	4,508,863	4,510,803
Items that will not be reclassified to profit or loss	0	0	0	0
Total comprehensive income	29,397,589	79,107,716	29,304,251	115,384,127
Total comprehensive income attributable to non-controlling shareholders	0	0	0	0
Net profit (loss) attributable to the parent company	29,397,589	79,107,716	29,304,251	115,384,127

EARNINGS PER SHARE

CALCULATION OF EARNINGS PER SHARE	for the period 01.01.2022 – 30.09.2022	for the period 01.01.2021 – 30.09.2021
Number of shares		
The weighted average number of shares for the purpose of calculating the value of basic 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)	7,334,822	7,301,783
Net profit attributable to Parent Entity	59,597,661	110,873,324
Net earnings per share in PLN		
basic for the financial period	8.16	15.26
diluted for the financial period	8.13	15.18
Net earnings per share on continued operations in PLN		
basic for the financial period	8.16	15.26
diluted for the financial period	8.13	15.18
Net profit per share attributable to discontinued operations in PLN		
basic for the financial period	0.00	0.00
diluted for the financial period	0.00	0.00





2.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL SITUATION

ASSETS	30.09.2022	31.12.2021	30.09.2021
Fixed assets	340,728,162	298,865,805	291,171,259
Tangible fixed assets	22,314,703	15,210,185	10,044,452
Intangible fixed assets	119,396,301	106,445,245	272,492,357
Goodwill	170,518,708	161,050,504	0
Other financial assets	23,619,788	9,575,534	5,648,595
Deferred income tax assets	4,878,662	6,584,337	2,985,855
Current assets	184,414,954	221,414,318	171,878,096
Receivables	52,746,417	62,040,655	50,624,009
Contract assets	18,401,855	19,237,145	13,205,598
Loans granted	0	583,091	416,365
Cash and cash equivalents	113,266,682	139,553,427	107,632,124
TOTAL ASSETS	525,143,116	520,280,123	463,049,355

EQUITY & LIABILITIES	30.09.2022	31.12.2021	30.09.2021
Equity	354,370,842	351,051,347	321,211,367
Equity attributable to owners of the Parent Entity	354,370,842	351,051,347	321,211,367
Share capital	733,482	730,178	730,178
Reserve capital from the sale of shares above the nominal price	496,100	496,100	496,100
Capital from the settlement of the incentive scheme	83,239,028	65,139,524	54,736,131
Foreign exchange differences on translation of statements of foreign operations	19,510,055	2,715,041	4,510,803
Retained earnings	269,028,226	281,970,504	260,738,156
Own shares	-18,636,050	0	0
Long-term liabilities	60,583,985	64,993,212	54,400,368
Deferred income tax provisions	7,440,918	4,993,184	1,957,655
Provisions for employee benefits	2,355,457	2,588,247	0
Lease liabilities	6,509,227	8,991,251	7,039,560
Other liabilities	44,278,383	48,420,530	45,403,153
Short-term liabilities	110,188,289	104,235,564	87,437,620
Trade liabilities	20,209,021	6,844,591	19,362,930
Current income tax liabilities	8,659,032	18,766,559	10,653,984
Lease liabilities	4,018,408	3,684,538	1,703,972
Other liabilities	9,946,705	2,463,393	5,919,731
Provisions for employee benefits	6,015,609	7,234,618	5,150,430
Contract liabilities	61,339,514	65,241,865	44,646,573
Total liabilities	170,772,274	169,228,776	141,837,988
TOTAL EQUITY & LIABILITIES	525,143,116	520,280,123	463,049,355





3.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

9 months ending 30.09.2022	Share capital	Reserve capital from the sale of shares above the nominal price	Capital from the settlement of the incentive scheme	Foreign exchange differences on translation	Retained earnings	Own shares	Equity attributable to equity holders of the parent	Total equity
Equity as at 01.01.2022	730,178	496,100	65,139,524	2,715,041	281,970,504	0	351,051,347	351,051,347
Payment of share capital	3,304						3,304	3,304
Share-based payments			18,099,504				18,099,504	18,099,504
Foreign exchange differences				-2,937,150			-2,937,150	-2,937,150
Division of net profit							0	0
Payment of dividends					-72,317,830		-72,317,830	-72,317,830
Other changes							0	0
Net profit					59,597,661		59,597,661	59,597,661
Purchase of own shares						-18,636,050	-18,636,050	-18,636,050
Other comprehensive income				16,795,014	2,715,041		19,510,055	19,510,055
Total comprehensive income				16,795,014	62,312,702		79,107,717	79,107,717
Change in equity	3,304	0	18,099,504	16,795,014	-12,942,278	-18,636,050	3,319,495	3,319,495
Equity as at 30.09.2022	733,482	496,100	83,239,028	19,510,055	269,028,226	-18,636,050	354,370,842	354,370,842

12 months ending 31.12.2021	Share capital	Reserve capital from the sale of shares above the nominal price	Capital from the settlement of the incentive scheme	Foreign exchange differences on translation	Retained earnings	Equity attributable to equity holders of the parent	Total equity
Equity as at 01.01.2021	726,731	496,100	23,436,052	4,290	213,387,434	238,050,607	238,050,607
Payment of share capital	3,447					3,447	3,447
Share-based payments			41,703,472			41,703,472	41,703,472
Foreign exchange differences					-12,692	-12,692	-12,692
Payment of dividends					-72,673,110	-72,673,110	-72,673,110
Net profit					141,264,582	141,264,582	141,264,582
Other comprehensive income				2,710,751	4,290	2,715,041	2,715,041
Total comprehensive income				2,710,751	141,268,872	143,979,623	143,979,623
Change in equity	3,447	0	41,703,472	2,710,751	68,583,070	113,000,740	113,000,740
Equity as at 31.12.2021	730,178	496,100	65,139,524	2,715,041	281,970,504	351,051,347	351,051,347

9 months ending 30.09.2021	Share capital	Reserve capital from the sale of shares above the nominal price	Capital from the settlement of the incentive scheme	Foreign exchange differences on translation	Retained earnings	Equity attributable to equity holders of the parent	Total equity
Equity as at 01.01.2021	726,731	496,100	23,436,052	4,290	213,387,434	238,050,607	238,050,607
Payment of share capital	3,447				9,164,161	9,167,608	9,167,608
Share-based payments			31,300,079			31,300,079	31,300,079
Foreign exchange differences				-4,290	-13,655	-17,945	-17,945
Payment of dividends					-72,673,110	-72,673,110	-72,673,110
Net profit					110,873,324	110,873,324	110,873,324
Other comprehensive income				4,510,803		4,510,803	4,510,803
Total comprehensive income				4,510,803	110,873,324	115,384,127	115,384,127
Change in equity	3,447		31,300,079	4,506,513	47,350,722	83,160,759	83,160,759
Equity as at 30.09.2021	730,178	496,100	54,736,131	4,510,803	260,738,156	321,211,367	321,211,367





4.

INTERIM CONDENSED CONSOLIDATED
CASH FLOW STATEMENT

	for the period 01.07.2022 – 30.09.2022	for the period 01.01.2022 – 30.09.2022	for the period 01.07.2021 – 30.09.2021	for the period 01.01.2021 – 30.09.2021
OPERATING ACTIVITY				
Profit/loss before taxation	20,859,832	70,124,036	31,290,779	126,757,259
Total adjustments:	14,146,729	60,855,114	16,339,291	43,663,316
Depreciation and amortization	3,741,528	10,498,075	3,304,646	5,224,508
Gain/loss on foreign exchange rate conversion	725,300	383,624	-3,760,838	-4,253,169
Interest paid on lease	72,110	235,975	60,887	188,061
Interest on liabilities (Rortos)	1,787,825	4,673,770	2,652,788	2,652,788
Change in receivables	-3,191,086	9,294,238	5,066,068	4,541,257
Change in liabilities and accrued expenses	683,935	9,818,844	-5,353,228	5,569,768
Change in liabilities due to contracts with customers	4,572,773	-3,902,351	9,754,925	-5,071,271
Change in assets due to contracts with customers	-1,371,833	835,290	-2,837,410	1,709,758
Write-down of intangible assets	671,272	9,138,421	0	3,760,701
Share-based payments (part not included in the acquisition of intangible assets)	6,033,168	18,099,504	7,880,326	29,817,030
Loss on associates	711,156	1,884,074	0	0
Other corrections	-289,419	-104,350	-428,873	-476,115
Cash from operating activity	35,006,561	130,979,150	47,630,070	170,420,575
Income tax (paid) / reimbursed	-3,313,858	-15,351,392	-1,340,359	-16,407,702
A. Net operating cash flow	31,692,703,	115,627,758,	46,289,711,	154,012,873,
INVESTMENT ACTIVITY				
Repayment of loans granted	178,787	583,091	-8,758	885,000
Purchase of intangible and tangible fixed assets	-8,184,801	-33,400,482	-216,965,206	-224,751,299
Purchase of shares	0	-14,320,399	-205,320	-4,791,000
Loans granted	0	0	-424,858	-424,858
B. Net cash flow from investment activities	-8,006,014	-47,137,790	-217,604,141	-229,082,157

	for the period 01.07.2022 – 30.09.2022	for the period 01.01.2022 – 30.09.2022	for the period 01.07.2021 – 30.09.2021	for the period 01.01.2021 – 30.09.2021
FINANCIAL ACTIVITY				
Net proceeds from the issue of shares and other equity instruments and capital contributions	3,304	3,304	3,447	3,447
Dividends and other payments to shareholders	0	-72,317,830	-72,673,110	-72,673,110
Payment of finance lease liabilities	-937,852	-2,908,774	-278,437	-699,170
Purchase of own shares	0	-18,636,050	0	0
Interest on lease	-72,110	-235,975	-293,559	-420,733
C. Net cash flow from financing activity	-1,006,658	-94,095,325	-73,241,659	-73,789,566
D. Total net cash flow	22,680,031	-25,605,357	-244,556,089	-148,858,849
– change in cash due to exchange rate losses/gains	-343,945	-681,388	-587,642	-282,556
E. Increase in cash and cash equivalents (with exchange rate differences)	22,336,086	-26,286,745	-245,143,731	-149,141,406
F. Cash at the beginning of the period	90,930,596	139,553,427	352,775,854	256,773,529
G. Cash at the end of the period	113,266,682	113,266,682	107,632,124	107,632,124





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. Group are similar to each other (preserved trends for individual balance sheet and result items), the Management Board of the Parent Company performs a combined analysis for the consolidated data.

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 an 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.

5.1. STATEMENT OF COMPREHENSIVE INCOME

THE BREAKDOWN OF CONSOLIDATED REVENUE PER GAME BY QUARTERS

GAME	1Q2021	2Q2021	3Q2021	4Q2021	1Q2022	2Q2022	3Q2022
Fishing Clash	131,659,442	114,983,038	114,371,143	121,867,964	95,826,978	84,385,263	88,773,895
Hunting Clash	26,840,820	30,390,316	28,042,011	30,493,190	32,279,619	24,978,052	32,523,045
Let's Fish	4,208,029	3,710,888	3,110,282	3,445,192	3,099,293	2,394,146	2,380,160
Wild Hunt	3,666,218	3,331,467	2,761,094	3,312,206	2,790,545	2,517,568	2,666,554
Airline Commander			2,564,653	2,532,813	2,879,778	3,048,100	3,717,211
Real Flight Simulator			3,340,427	3,510,656	3,694,286	4,047,377	4,307,017
Wings of Heroes						89,199	673,688
Other	2,821,641	2,561,285	3,516,372	2,527,913	1,980,865	1,991,301	2,444,425
TOTAL BOOKINGS	169,196,150	154,976,993	157,705,984	167,689,934	142,551,364	123,451,006	137,485,995
Deferred revenues (virtual currency)	3,213,637	283,892	-2,265,275	-7,475,672	4,937,513	908,931	1,505,185
Deferred revenues (durables)	1,704,189	9,624,478	-7,489,650	-13,119,620	2,845,786	-217,105	-6,077,959
TOTAL REVENUES	174,113,976	164,885,363	147,951,059	147,094,641	150,334,663	124,142,832	132,913,221

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

MAU * FOR THE MAIN GAMES

SPECIFICATION	1Q2021	2Q2021	3Q2021	4Q2021	1Q2022	2Q2022	3Q2022
Fishing Clash – MAU (average in the reporting period)	3,849,763	2,928,300	3,165,192	2,499,913	2,227,455	1,835,612	2,540,524
Hunting Clash – MAU (average in the reporting period)	3,136,097	2,241,126	1,729,973	1,711,249	1,494,746	1,257,463	1,273,923
Evergreen – MAU (average in the reporting period)	933,367	825,133	895,264	989,561	763,829	674,729	771,631

* MONTHLY AVERAGE NUMBER OF ACTIVE PLAYERS





THE BREAKDOWN OF CONSOLIDATED SELLING COSTS BY QUARTERS

SPECIFICATION	1Q2021	2Q2021	3Q2021	4Q2021	1Q2022	2Q2022	3Q2022
Cost of sales	95,935,217	95,799,537	82,618,730	72,895,344	79,870,756	67,589,551	78,366,429
marketing:	40,137,460	42,419,871	33,944,492	23,020,677	30,070,387	24,555,603	32,087,278
– Fishing Clash	22,551,718	24,783,495	21,055,086	13,614,460	16,110,636	13,099,412	18,769,324
– Hunting Clash	17,412,032	17,438,915	12,889,406	9,334,220	13,532,653	10,257,990	12,688,594
– Airline Commander					303,480	815,706	17,986
– Wings of Heroes						76,168	429,284
– other titles	173,710	197,461	0	71,997	123,618	306,327	182,090
Provisions	50,414,040	47,816,995	41,574,686	41,874,524	41,728,991	35,672,700	38,649,821
revenue share	477,124	423,624	411,570	509,652	448,775	406,178	407,005
remuneration, subcontracting services	3,961,297	3,338,075	4,496,667	5,461,878	5,857,302	5,193,498	5,472,331
mobile games market research services	548,606	1,317,788	571,024	596,223	308,753	366,990	399,507
other	396,689	483,185	1,620,289	1,432,390	1,456,548	1,394,582	1,350,487

2022 is a difficult period for the Group due to the end of lockdowns caused by the COVID-19 pandemic, worsening 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.

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 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 decrease in payments, but also an indirect effect on the activity of players 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).

The accumulation of negative events was most reflected in the Group's results in the second quarter of 2022. The Management Board of the Parent entity undertook a number of activities in that period to improve the results in subsequent periods through operational changes – the method of producing new content in games, the method of managing teams, the scope of support for product-related teams. The effect of these actions is already noticeable in the results of the third quarter of 2022, when in-game payments achieved the level similar to that recorded in the first quarter of 2022.

The main title of the Group, the game Fishing Clash, generated almost PLN 88.8 million in bookings, which constitutes a result better by 5% than in Q2 2022. The changes introduced in the game, by improving the parameters of players' behavior, also allowed for another increase in marketing budgets. In Q3 2022, they reached the level of PLN 18.8 million. The user base has also improved and has returned to the level of about 2.5 million active players per month, which is a result similar to the end of 2021.

Another game from the Group's portfolio – Hunting Clash after a weaker Q2 2022 also recorded an increase in bookings in Q3 2022 amounting to 30% q / q. In the same period, marketing expenses increased by almost 24%, reaching PLN 12.7 million.

In 2022, the Group's bookings also include games from the Rortos company acquired in July 2021, of which two main titles – Airline Commander and Real Flight Simulator generated PLN 21.7 million. The Airline Commander game is being actively rebuilt and supported by the Wrocław product team, at the turn of Q2 and Q3 2022, numerous marketing tests were carried out to check new functionalities and the direction of their development. After such tests, the team re-focused on production and improving parameters in-game. The second title – Real Flight Simulator is not actively supported by a large product team or marketing, this game is in the maintenance phase.

The latest production of the Italian studio – the game Wings of Heroes had its global premiere in October 2022 (the soft launch took place during Q2 2022), hence the full revenue potential has to be waited for.

The long-term games of the Group from the Evergreen segment – Let's Fish and Wild Hunt generate for the Group a stable, predictable level of payments of approx. PLN 5.0 million quarterly. These games are maintained by a small product team, but are no longer supported by marketing budgets.

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

The cost of producing the services sold includes mainly the salaries of the employees and associates of the Company and the amortization of games. The increase in costs in 2022 is mainly related to the cost (depreciation and current cost of the teams) of the games of the acquired Italian studio Rortos. These costs amounted to PLN 12.7 million for the three quarters of 2022 compared to PLN 3.2 million in the comparable period of the previous year. On the other hand, in 2021, the costs of the incentive program for 2021-2022 amounted to PLN 5.3 million for the item „production costs of services sold”, in 2022 there is no similar cost due to the potential failure to achieve the target relating to the financial results.

The level of selling costs is mainly affected by the level of marketing expenditures described above and the level of commissions, which are fully dependent on the level of bookings (approx. 30%) and with their decrease / increase, the amount of commission decreases / increases proportionally.





BREAKDOWN OF CONSOLIDATED GENERAL AND ADMINISTRATIVE COSTS BY QUARTERS

SPECIFICATION	1Q2021	2Q2021	3Q2021	4Q2021	1Q2022	2Q2022	3Q2022
General and administrative, including:	11,758,384	15,059,285	18,024,872	17,865,260	24,095,803	12,528,544	15,231,177
<i>recurring costs</i>	<i>4,466,911</i>	<i>7,765,229</i>	<i>5,007,974</i>	<i>8,486,510</i>	<i>11,030,484</i>	<i>11,763,761</i>	<i>9,196,909</i>
– payroll + third party services (TSG S.A.)	1,872,124	3,097,448	2,284,227	4,116,713	5,462,957	4,675,326	3,901,884
– cost of subsidiaries	51,378	20,787	1,193,151	1,196,473	1,702,087	3,362,996	1,967,808
– rent and maintenance of office (TSG S.A.)	488,500	513,199	800,012	752,324	859,752	1,012,146	1,032,308
– other	2,054,909	4,133,795	730,584	2,421,000	3,005,689	2,713,293	2,294,909
<i>One-off cost / incentive scheme</i>	<i>7,291,473</i>	<i>7,294,056</i>	<i>13,016,898</i>	<i>9,378,751</i>	<i>13,065,319</i>	<i>764,783</i>	<i>6,034,268</i>
MSOP	7,291,473	7,294,056	7,294,056	9,360,662	11,304,904	761,432	6,033,168
M&A	0	0	3,668,514	18,089	1,760,415	3,351	1,100
Integration trip	0	0	2,054,328	0	0	0	0

General and administrative costs showed an upward trend in 2021 and in the first half of 2022. At the turn of 2020 and 2021, the Group decided to strongly expand supporting divisions (providing services for the whole company). Employment in these departments grew quarter by quarter to reach its peak in Q1 2022. Therefore, comparing the three quarters of 2022 and 2021 cumulatively, payroll costs increased significantly – from PLN 7.3 million to PLN 14.0 million. In Q2 2022, the Group made organizational changes related to the reduction of the employment level, therefore, in Q3 2022 alone, the cost of payroll decreased by 16.5% compared to the previous quarter and amounted to PLN 3.9 million.

Consecutive group of costs within the general and administrative costs are the costs of subsidiaries, which for 9 months of 2022 amounted to PLN 7.0 million, compared to PLN 1.3 million in the same period of 2021. This is mainly related to the expansion of offices in Berlin and Bucharest and the acquisition of the Italian company Rortos in mid-2021.

The general and administrative costs also include the costs of the incentive program related to the granting of shares to the President of the Company Maciej Zużatek in 2020 and the costs of the classic incentive program based on the issue of new shares (only in 2021). The cost of the incentive program for the President of the Management Board is equal in time and amounts to PLN 6.0 million per quarter. This cost is recognized in the period May 2020 – May 2023, which means that both for the three quarters of 2021 and for the three quarters of 2022 the cost was PLN 18.1 million, respectively PLN.

On the other hand, the cost of the classic incentive program based on the issue of new shares, shown in the line of general and administrative expenses, amounted to PLN 3.8 million in the period 1-3Q 2021. Due to the potential failure to achieve the goal relating to the financial result set in the program for 2022, the Group does not recognize the cost of this program for this period. This cost was initially recognized in Q1 2022 and then reversed in Q2 2022 (PLN 5.3 million).

In Q2 2022, the Management Board of the Company decided to discontinue work and close the Football Elite project. The decision was made after conducting a marketing cost analysis in June in relation to the market potential and the engagement 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 game's segment. Therefore, the Group incurred an impairment loss on intangible assets in the amount of PLN 9.1 million, which is the main component of other operating expenses.

Financial income consists mainly of realized and unrealized (balance sheet valuations) exchange rate differences. In 2022, the Group keeps relatively more cash in foreign currencies, hence the valuation of the balance sheet items as at September 30, 2022 was PLN 3.8 million, with 4.3 million realized exchange differences. In 2021, the impact of foreign exchange rate differences on the Company's financial statements was significantly lower – the total of realized and unrealized foreign exchange rate differences amounted to PLN 1.1 million.

In March 2022, the Company acquired 24.8% of shares in Gamesture Sp. z o.o., which currently generates a net loss, therefore the Group reported a loss of PLN 1.9 million on associates – no similar cost in the previous year.

The adjusted EBITDA for Q3 2022 amounted to PLN 35.0 million and was higher by PLN 6.5 million (i.e. 23%) than the result achieved in Q2 2022. The improvement of the result comes from better performance of the main games of the Group (Fishing Clash and Hunting Clash) and the normalization of the cost base. Adjusted EBITDA for the three quarters of 2022 amounted to PLN 105.6 million and was lower by PLN 61.3 million (i.e. 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 financial statement for three quarters of 2022*.

* 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.





5.2. STATEMENT OF FINANCIAL POSITION

In terms of balance sheet, between December 31, 2021 and September 30, 2022 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 14.0 million net change compared to December 31, 2021, the position being also influenced by the balance sheet valuation of shares in the Sisufund);
- » outlays for new office space and replacement of workstations (PLN 7.1 million net change in the item „Property, plant and equipment“);
- » expenditure on games – intangible assets (PLN 13.0 million net change after depreciation and one-off write-off of Football Elite).

In the structure of current assets, the largest decrease was recorded in total receivables (PLN 9.3 million net change), which is related to a decrease in payments compared to Q4 2021 and in total cash (PLN 26.3 million), which is related to lower inflows from the Group's operating activities.

The structure of liabilities has not changed significantly compared to December 31, 2021. The biggest changes are:

- » an increase in trade liabilities from PLN 6.9 million to PLN 20.2 million, which is strictly related to the level of marketing expenses in the last month of the reporting period;
- » a decrease in income tax liability by PLN 10.8 million, which is directly related to the lower tax result of the Group, but also a wider application of tax reliefs in 2022 – in accordance with the update of the tax law.

5.3. CASH FLOW STATEMENT

Cash flows from operating activities in the first three quarters of 2022 were lower by 25% compared to the corresponding period of 2021. This decrease is not commensurate with the decrease in operating profit (-46%), 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).

Financial activities consist mainly of cash flows related to the payment of dividends – dividends in the amount of over PLN 72.0 million were paid both in 2021 and 2022. In addition, at the beginning of 2022, the Group acquired 70,000 own shares, which represented a cash outflow of PLN 18.6 million.

The Group's investment activities are mainly related to the production of new game titles – in 1-3Q 2022 expenditure on that amounted to PLN 22.6 million, adaptation of new office space and purchase of equipment – PLN 10.8 million, as well as the purchase of shares in Gamesture Sp. z o.o. – PLN 14.3 million.





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III.

INTERIM CONDENSED STANDALONE FINANCIAL STATEMENT







INTERIM CONDENSED STANDALONE STATEMENT OF COMPREHENSIVE INCOME

STANDALONE FINANCIAL STATEMENT OF COMPREHENSIVE INCOME	for the period 01.07.2022 – 30.09.2022	for the period 01.01.2022 – 30.09.2022	for the period 01.07.2021 – 30.09.2021	for the period 01.01.2021 – 30.09.2021
Sales revenues	122,420,656	380,534,396	140,111,485	477,776,015
Costs of services sold	12,673,201	38,094,536	12,231,778	34,270,438
Gross profit (loss)	109,747,455	342,439,860	127,879,707	443,505,577
Other operating income	143,547	433,600	6,212	389,237
Selling costs	75,475,383	217,313,078	81,132,421	272,490,043
General and administrative costs	14,896,993	49,195,650	16,894,448	43,612,301
Other operating costs	730,598	11,373,509	38,390	4,231,471
Operating profit (loss)	18,788,029	64,991,223	29,820,661	123,560,999
Financial income	4,969,293	11,363,094	363,693	3,408,976
Financial expense	1,858,360	4,902,779	75,262	209,064
Loss (profit) on associates	711,166	1,884,074	0	0
Profit (loss) before taxation	21,187,795	69,567,463	30,109,092	126,760,910
Income tax	622,189	8,658,929	5,370,189	14,575,792
Net profit (loss) on continued activity	20,565,607	60,908,535	24,738,904	112,185,118
Total comprehensive income	20,565,607	60,908,535	24,738,904	112,185,118

EARNINGS PER ONE SHARE

CALCULATION OF EARNINGS PER ONE SHARE	for the period 01.01.2022 – 30.09.2022	for the period 01.01.2021 – 30.09.2021
Number of shares		
The weighted average number of shares for the purpose of calculating the value of basic 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)	7,334,822	7,301,783
Net profit assigned to the Parent Entity	60,908,535	112,185,118
Net earnings per one share in PLN		
Basic net earnings per share	8.34	15.44
Diluted net earnings per share for the financial period	8.30	15.36
Net earnings per one share on continued operations in PLN		
Basic net earnings per share	8.34	15.44
Diluted net earnings per share for the financial period	8.30	15.36
Net profit per one share attributable to discontinued operations in PLN		
Basic net earnings per share	0.00	0.00
Diluted net earnings per share for the financial period	0.00	0.00





2.

INTERIM CONDENSED STANDALONE STATEMENT OF FINANCIAL SITUATION

ASSETS	30.09.2022	31.12.2021	30.09.2021
Fixed assets	335,654,661	304,648,853	289,367,034
Tangible fixed assets	20,482,549	13,336,300	8,154,130
Intangible fixed assets	33,848,919	22,278,984	14,677,516
Investments in affiliates	252,893,402	252,893,402	255,827,690
Loans granted	0	0	2,092,572
Other financial assets	23,619,789	9,575,534	5,648,595
Deferred tax asset	4,810,002	6,564,633	2,966,531
Current assets	157,143,728	200,056,217	151,802,201
Receivables	46,057,667	54,163,340	45,636,293
Contract assets	18,401,855	19,237,145	13,205,598
Loans granted	2,564,903	3,983,406	1,424,858
Cash and cash equivalents	90,119,303	122,672,326	91,535,453
TOTAL ASSETS	492,798,389	504,705,070	441,169,236

EQUITY AND LIABILITIES	30.09.2022	31.12.2021	30.09.2021
Equity	329,066,206	341,008,743	304,529,159
Share capital	733,482	730,178	730,178
Reserve capital from the sale of shares above the nominal price	496,100	496,100	496,100
Capital from the settlement of the incentive scheme	83,239,028	65,139,524	54,736,131
Retained earnings	263,233,646	274,642,941	248,566,750
Own shares	-18,636,050	0	0
Long-term liabilities	58,146,934	62,355,120	45,550,976
Deferred tax liability	6,411,527	3,618,004	1,968,972
Lease liabilities	5,414,625	7,861,020	5,868,867
Provisions for employee benefits	2,221,042	2,455,566	0
Other liabilities	44,099,740	48,420,530	37,713,138
Short-term liabilities	105,585,249	101,341,207	91,089,100
Trade liabilities	21,249,253	9,431,245	20,666,064
Current tax liabilities	6,053,744	16,842,777	10,626,044
Lease liabilities	3,882,456	3,556,967	1,575,749
Other liabilities	8,035,556	1,211,822	8,613,036
Provisions for employee benefits	5,024,726	5,056,531	4,961,633
Contract liabilities	61,339,514	65,241,865	44,646,573
TOTAL EQUITY AND LIABILITIES	492,798,389	504,705,070	441,169,236





3.

INTERIM CONDENSED STANDALONE STATEMENT
OF CHANGES IN EQUITY

9 months ending 30.09.2022	Share capital	Reserve capital from the sale of shares above the nominal price	Capital from the settlement of the incentive scheme	Retained earnings	Owna shares	Total equity
Equity as at 01.01.2022	730,178	496,100	65,139,524	274,642,941	0	341,008,743
Payment of share capital	3,304					3,304
Share-based payments			18,099,504			18,099,504
Payment of dividends				-72,317,830		-72,317,830
Purchase of own shares					-18,636,050	-18,636,050
Net profit				60,908,535		60,908,535
Total comprehensive income				60,908,535		60,908,535
Equity as at 30.09.2022	733,482	496,100	83,239,028	263,233,646	-18,636,050	329,066,206

12 months ending 31.12.2021	Share capital	Reserve capital from the sale of shares above the nominal price	Capital from the settlement of the incentive scheme	Retained earnings	Total equity
Equity as at 01.01.2021	726,731	496,100	23,436,052	209,054,742	233,713,625
Payment of share capital	3,447				3,447
Share-based payments			41,703,472		41,703,472
Payment of dividends				-72,673,110	-72,673,110
Net profit				138,261,309	138,261,309
Total comprehensive income				138,261,309	138,261,309
Equity as at 31.12.2021	730,178	496,100	65,139,524	274,642,941	341,008,743

9 months ending 30.09.2021	Share capital	Reserve capital from the sale of shares above the nominal price	Capital from the settlement of the incentive scheme	Retained earnings	Total equity
Equity as at 01.01.2021	726,731	496,100	23,436,052	209,054,742	233,713,625
Payment of share capital	3,447				3,447
Share-based payments			31,300,079		31,300,079
Payment of dividends				-72,673,110	-72,673,110
Net profit				112,185,118	112,185,118
Total comprehensive income				112,185,118	112,185,118
Equity as at 30.09.2021	730,178	496,100	54,736,131	248,566,750	304,529,159





4.

INTERIM CONDENSED STANDALONE
CASH FLOW STATEMENT

STANDALONE FINANCIAL STATEMENT OF COMPREHENSIVE INCOME	for the period 01.07.2022 – 30.09.2022	for the period 01.01.2022 – 30.09.2022	for the period 01.07.2021 – 30.09.2021	for the period 01.01.2021 – 30.09.2021
OPERATING ACTIVITY				
Profit/loss before taxation	19,452,883	69,567,463	30,109,092	126,760,910
Total adjustments:	9,542,117	49,539,275	26,556,740	52,078,353
Depreciation and amortization	2,156,870	4,133,722	969,214	2,900,139
Foreign exchange rate gain/loss	71,235	-267,499	737,454	241,702
Interest paid on lease	69,461	227,935	60,887	188,061
Interest on liabilities (Rortos)	1,787,825	4,673,770	2,652,788	2,652,788
Interest and share in profit (dividends)	-2,583,580	-2,583,580	0	-2,261,792
Change in receivables	-3,385,418	8,105,673	9,045,379	8,447,295
Change in liabilities and accrued expenses	-840,353	9,173,986	-2,052,623	9,378,322
Change in contract liabilities	7,051,222	-3,902,351	9,754,925	-5,071,271
Change in contract assets	-2,115,370	835,290	-2,837,410	1,709,758
Write-off of intangible assets	671,272	9,138,421	0	3,760,701
Share-based payments (part not included in capitalization of intangible assets)	6,033,168	18,099,504	7,880,326	29,817,030
Loss on associates	711,156	1,884,074	0	0
Other adjustments	-85,371	20,330	345,800	315,620
Cash on operating activity	28,995,000	119,106,738	56,665,833	178,839,263
Income tax (paid) / refunded	-3,195,750	-14,692,940	-1,239,939	-16,110,961
A. Net operating cash flow	25,799,250	104,413,798	55,425,894	162,728,302

STANDALONE FINANCIAL STATEMENT OF COMPREHENSIVE INCOME	for the period 01.07.2022 – 30.09.2022	for the period 01.01.2022 – 30.09.2022	for the period 01.07.2021 – 30.09.2021	for the period 01.01.2021 – 30.09.2021
INVESTMENT ACTIVITY				
Repayment of loans granted	66,892	1,418,503	-8,758	885,000
Purchase of intangible and tangible fixed assets	-8,137,876	-32,008,657	-7,134,118	-14,875,957
Purchase of shares	0	-14,320,399	-210,488,902	-215,095,166
Loans granted	0	0	-1,591,702	-3,495,862
B. Net cash flow from investment activities	-8,070,984	-44,910,553	-219,223,479	-232,581,985
FINANCIAL ACTIVITY				
Dividends from subsidiaries	2,583,580	2,583,580	0	2,261,792
Net proceeds from the issue of shares and other equity instruments and capital contributions	3,304,	3,304,	3,447	3,447
Dividends and other payments to shareholders	0	-72,317,830	-72,673,110	-72,673,110
Payment of finance lease liabilities	-883,286	-2,811,643	-278,437	-699,170
Purchase of own shares	0	-18,636,050	0	0
Interest on lease	-69,461	-227,935	-293,559	-420,733
C. Net cash flow from financing activity	1,634,137	-91,406,574	-73,241,659	-71,527,774
D. Total net cash flow	19,362,403	-31,903,329	-237,039,244	-141,381,457
– change in cash due to exchange rate losses/gains	-309,310	-649,694	-593,002	-284,494
E. Balance sheet change in cash, including foreign exchange	19,053,093	-32,553,023	-237,632,245	-141,665,950
F. Cash at the beginning of the period	71,066,210	122,672,326	329,167,698	233,201,403
G. Cash at the end of the period	90,119,303	90,119,303	91,535,453	91,535,453





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IV.

ACCOUNTING PRINCIPLES







1.

COMPLIANCE WITH THE INTERNATIONAL ACCOUNTING STANDARDS

This interim condensed consolidated financial statement has been prepared in accordance with International Financial Reporting Standards and interpretations issued by the International Accounting Standards Board as approved by the European Union, under the IFRS Regulation (European Commission 1606/2002), hereinafter referred to as „EU IFRS“ as applicable at 30.09.2022.



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. Consolidation – subsidiaries

Consolidated financial statement

Subsidiaries are all business entities over which the Group exercises control. The Group controls 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 fully consolidated from the date control is transferred to the group. The consolidation ceases at the date the control ceases. 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 inflows 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 or due inflows of economic benefits that accrue to 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:

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

Revenues from additional functionalities purchased by the players (micropayments)

As part of the games, premium packages are available to users, which include banknotes and pearls (the virtual currency of the game). Players can convert the virtual currency of the game into durable virtual goods such as fishing rods or lures or other accessories to improve the parameters of the equipment and thus the results achieved in the game, or into consumables – e.g. amplifiers (+ x% fish weight) or another possibility 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 recognized 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 premiere, 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 consists mainly of interest on free funds in bank accounts, commissions and interest on granted loans, interest on delay in settling receivables, the amount of released provisions concerning financial activity, revenues from sales of securities, positive exchange rate differences, restoration of lost value of investments, the value of redeemed credits and loans as well as profits from settlement of derivative instruments.

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

3.4. Income tax

Income tax includes: current tax payable and deferred tax.

Current tax

Current tax is calculated on the basis of tax result (tax base) of a given trading year.

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

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

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

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

Deferred tax

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

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

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

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

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

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

Uncertainty related to the recognition of income tax

With the introduction in 2019 of „IFRIC 23: Uncertainty Related to the Recognition of Income Tax“, which clarifies the recognition of income tax when it is uncertain whether the tax treatment applied by an entity will be accepted by the tax authorities, the Company assesses each time the possible approach of the authorities to the tax return prepared by the Company. If it is probable that the tax authorities will accept the applied tax approach, the Company recognizes 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 recognized by the Company in an amount which better reflects the resolution of the uncertainty, using the method of one most probable result or the expected value method (the sums weighted by probabilities of possible solutions). When assessing the probability of acceptance, the Company assumes that the tax authorities will verify the uncertain tax treatment and have full knowledge of this issue.





3.5. Tangible fixed assets

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

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

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

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

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

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

3.6. Intangible assets

Intangible assets are valued at acquisition or construction cost less amortization and impairment write-downs. Depreciation is made with a straight-line method.

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

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

Intangible assets of the Group with the depreciation rates:

1. Computer software – from 2 to 5 years,
2. Development costs – from 5 to 10 years.





Software development activities

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

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

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

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

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

3.7. Lease

In accordance with IFRS 16 on recognition, measurement, presentation and disclosure of leases, the Company presents assets and liabilities arising from the agreements described in IFRS 16.

At the beginning of an agreement, an entity assesses whether the agreement is or contains a lease. An agreement is a lease or contains a lease if it gives the right to control the use of an identified asset for a given period in exchange for remuneration.

At the date of commencement of the agreement, the Company recognizes an asset under the right of use and a liability under the lease. An asset under the right of use is measured at cost, while a liability under the lease is recognized at the present value of the lease payments outstanding at that date.

The cost of the debt is the average market interest rate of PLN loans to enterprises published by the NBP.

After the commencement date, the Company measures an asset by virtue of the right of use, using the cost model, while the liability is measured through:

- a. increasing the balance sheet value to reflect interest on the lease liability,
- b. a reduction in the balance sheet value to reflect the lease payments made; and
- c. revaluing the balance sheet value to reflect any reassessment or change in the lease, or to reflect revalued substantially fixed lease payments.

Interest on the lease obligation at any time during the lease term is the amount by which a fixed periodic rate of interest is obtained on the outstanding balance of the lease obligation. The interest element of the finance charge is charged to the profit or loss for the current period.





3.8. Financial instruments

The Group shall recognize a financial asset or financial liability in the statement of financial situation only when it becomes bound by the provisions of the instrument agreement. Unconditional receivables and liabilities shall be recognized as assets or liabilities when the Group becomes a party to the agreement, and, as a consequence, has a legal right to receive or a legal obligation to pay cash.

With the exception of trade receivables, which shall be valued on the basis of the amortized costs, on initial recognition, the Group shall value a financial asset or financial liability at its fair value, which in the case of financial assets or financial liabilities not valued at fair value by financial result shall be increased or decreased by transaction costs that are directly attributable to the acquisition or issue of such financial assets or financial liabilities.

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

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

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

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

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

3.10. **Prepayments and accruals**

The Group shall recognize prepaid expenses if they concern future reporting periods. Accrued expenses shall be recognized in the amount of probable liabilities for a given reporting period.

3.11. **Equity**

Share capital is recognized in the amount specified in the Company's Articles of Association and entered into the court register. If shares are recognized at a price higher than their nominal value, such excess amount shall be recognized in supplementary capital. In the item "Other capitals", the Group shall recognize the profit from the period which shall be allocated to other capitals, according to the resolution of shareholders.

3.12. **Share-based payments**

In the case of share-based payments in transactions with employees and other people providing similar services, the unit shall value the fair value of received services by reference to the fair value of the equity instruments. It is a consequence of the fact that it is usually not possible to reliably estimate the fair value of the received services. The fair value of equity instruments shall be determined at the date of granting such instruments.

3.13. **Payment of dividends**

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





3.14. **Provisions**

Provisions shall be recognized if the Group is under an existing liability (legal or customary), resulting from past events and if it is probable or highly probable that fulfilment of this liability will require expending of funds that form economic benefits and if it is possible to reliably estimate the value of such liability. The amount of the created provisions shall be verified and updated at the end of the reporting period in order to adjust the estimates to the values prepared in accordance with the Group's best knowledge as at that date. In the financial statement, provisions shall be recognized as long-term and short-term provisions.

3.15. **Liabilities**

Liabilities are the Group's present obligation resulting from past events, the fulfilment of which will result in an outflow from the Group of funds embodying economic benefits.

Long-term liabilities include liabilities whose maturity date, counting from the end of the reporting period, falls in the period longer than 12 months. Long-term liabilities include liabilities whose maturity date, counting from the end of the reporting period, falls in the period shorter than 12 months. Trade liabilities are recognized at nominal value. Any interest is recognized at the moment of receiving notes from suppliers.

3.16. **Significant values based on professional judgement and estimates**

The preparation of a consolidated financial statement requires from the Management Board of the Parent Entity conducting estimates and assumptions which are reflected in this statement and additional information and explanations to the statement.

Accounting judgements and estimates are derived from previous events and other factors, including but not limited to the forecasts on the future events that are likely to occur.

Although the adopted assumptions and estimates are based on the best knowledge of the Management Board concerning current activities and events, actual results might differ from the expected outcome. Estimates and assumptions connected with them are subject to verification. The change of accounting judgements shall be recognized in the period during which it occurred or in the current or future periods, if a conducted change of estimates concerns both the current period and future periods.

Basic judgements conducted by the Management Board of the Parent Entity in the process of applying the accounting principles of the entity and having the most significant impact on the values recognized in the financial statement are provided below.

PROFESSIONAL JUDGEMENT:

Moment of activation of development costs

The Group commences the activation of expenditures on development works when it is possible to prove that the specified works shall generate future economic profits and under the condition that the Group possesses sufficient resources necessary to complete, use and achieve profits from an intangible asset. Meeting both of the criteria, i.e. a possibility of achieving future economic benefits and possessing sufficient resources is based on the Management Board's estimates, resulting from the analysis of market and financials situation of the Group.

Depreciation period of activated intangible assets

The Management Board specifies the estimated periods of use and depreciation rates for the amounts of incurred development costs of activated intangible assets. This estimate is based on the expected period of economic utility of such assets. In the case of the occurrence of circumstances which change the expected period of economic utility (e.g. technological changes, withdrawal from use, etc.), the depreciation rates may change. As a consequence, the value of write-offs and net book value of activated costs of development works may also change.

Deferred income tax assets and liabilities

Deferred income tax assets and liabilities are valued in accordance with tax rates, which are expected to apply at the moment when the assets are realized or the liabilities are released, adopting as a basis the tax regulations which were legally or actually effective at the end of the reporting period. The probability of realizing deferred income tax assets with future tax income is based on the Group's plans.

Fair value of share-based payments

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

Recognition of revenue from the provision of durable virtual goods

The Company estimates the amount of the liability (customer contract liability) for the provision of durable in-game goods – revenue related to the purchase of durable virtual goods (and the commission of digital distribution platforms such as Google Play and the App Store related to such revenue) is recognized over the estimated average play period of the paying users.

Nature of sales of services in the Google Play store in the European Economic Area

Under the distribution agreement with Google (full text of the agreement: https://play.google.com/intl/ALL_pl/about/developer-distribution-agreement.html), the Company is required to provide virtual goods in exchange for cash received by Google Play. The above implies recognition of 100% of the net payment amount in sales revenue and 30% of the commission amount in cost of sales.





UNCERTAINTY OF ESTIMATES

Impairment of assets

As at each balance-sheet date, the Group shall verify the assets for impairment and evaluate a necessity of preparing impairment write-downs. This takes place when the Group is sufficiently assured that a given asset shall not generate the expected economic benefits or the achieved benefits shall be significantly lower. In the case of completed development works (the Group's games), the estimate shall be based on the verification of several quality parameters of a game, which, in the Management Board's opinion, can influence the ability to generate future economic benefits for the Group. However, taking into account the changes on the market, the Management Board's estimates are subject to uncertainty.

The use of consumables over time

As at the reporting date, the Company shall estimate a number of unused premium packages (notes and pearls) for active players*. The basis for determining a number of unused packages shall be their turnover rate (average period of using a package by active users) and average revenues from sales of premium packages. The average period of using a package amounts to up to 7 days, according to the analysis.

If the estimated amounts of commitments to provide services in return for the realization of premium packages are significant, the Company shall recognize the amount of liabilities in the statement of financial situation.

When the estimated amount of the obligation to provide services is deemed significant (material), the Company also recognises in the assets commission expenses related to deferred income. Under agreements concluded with major intermediaries (e.g. mobile shops), commissions usually amount to 30% of the payment amount.

The use of durables over time

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

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

* The Company defines an active user as one who has ever made a minimum of one payment up to the balance sheet date and has been active in the game (i.e. logged in at least 1 time) in the 30 days
– before the balance sheet date and/or
– after the balance sheet date.

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

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

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 the acquisition date.

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 2.0 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).



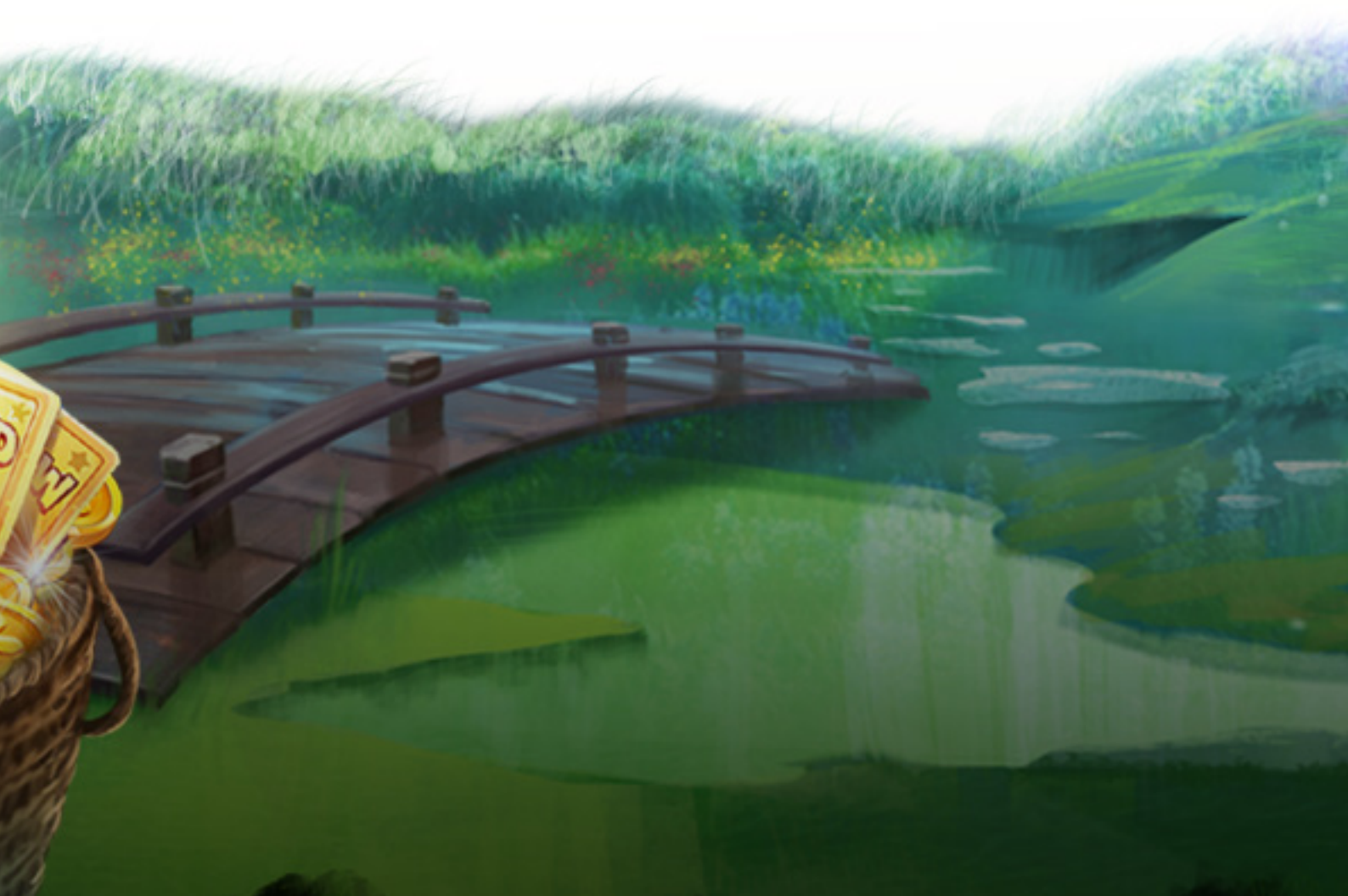


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NOTES TO THE FINANCIAL STATEMENT – CONSOLIDATED DATA







REVENUES

In accordance with IFRS 15, revenue from the sale of services, after deducting value added tax, discounts and rebates are recognized when the obligation to provide the service through the transfer of the service to the contractor is fulfilled.

SPECIFICATION	01.01.2022 – 30.09.2022	01.01.2021 – 30.09.2021
Sales of services	407,390,716	486,950,398
TOTAL revenues from sales of services	407,390,716	486,950,398
Other operating revenues	918,464	390,579
Financial revenues	8,517,527	1,157,764
TOTAL revenues from continuing operations	416,826,707	488,498,741
TOTAL revenues	416,826,707	488,498,741

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.

The Management Board 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".

EBITDA is net income/(loss) before depreciation and amortization, impairment losses (and their reversals) on property, plant and equipment and intangible assets, interest income, finance costs, foreign exchange differences and income taxes. Adjusted EBITDA excludes the effect of deferred income from micropayments and the non-cash cost of the share-based incentive programs.

A reconciliation of revenue and bookings is provided in section 1.2 below. The calculation of EBITDA is presented in the section „Selected financial data".





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 license agreements.

TYPE OF REVENUES	bookings 1-9 2022	% share in bookings 2022	bookings 1-9 2021	% share in bookings 2021
micro-payments	390,122,259	96.7%	471,533,477	98.0%
advertisements	9,314,901	2.3%	6,215,823	1.1%
licences	4,051,205	1.0%	4,129,827	0.9%
BOOKINGS TOTAL	403,488,365	100%	481,879,127	100%
Deferred income (consumable)	7,351,629	N/D	1,232,254	N/D
Deferred income (durable)	-3,449,278	N/D	3,839,017	N/D
REVENUES TOTAL	407,390,716	N/D	486,950,398	N/D

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), upgraded fishing 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, but the 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. Therefore, as of 31 December 2020, the Group recognized over time revenue from durable goods only for the Fishing Clash game. The recognized adjustment resulted in a decrease of the 2020 revenue by PLN 43.2 million. Subsequent adjustments for the Fishing Clash title, made on a quarterly basis beginning January 1, 2021, no longer have a material impact on the financial statements.

For the second leading title, i.e. Hunting Clash, the Company did not recognize the timing of revenue from durable goods until 31 December 2021. Due to the first recognition of the adjustment, the impact on the financial statement was also higher at that time, i.e. a reduction in revenue by PLN 6.0 million. In subsequent reporting periods, the amounts of the adjustments should be (and are in Q1 – Q3 2022) smaller due to regular recognition and recalculation of goods every quarter.

In games advertisements are displayed to users (natural persons). The display of an advertisement is also the moment when the revenue is recognized. The advertiser pays for the display of the advertisement, while the due part of this revenue goes to the Group through advertising intermediaries on the basis of advertising reports.

Settlement with intermediaries takes place on the basis of monthly sales reports, and the payment is made in accordance with the deadline specified in the contract, usually between 1 and 60 days from the end of the calendar month.





1.3. Revenues – games

GAME	bookings 1-9 2022	% share in bookings 2022	bookings 1-9 2021	% share in bookings 2021
Fishing Clash ⁽¹⁾	268,986,136	66.7%	361,013,624	74.9%
Hunting Clash	89,780,716	22.3%	85,273,148	17.7%
Let's Fish	7,873,599	2.0%	11,029,198	2.3%
Wild Hunt	7,974,667	2.0%	9,758,779	2.0%
Airline Commander	9,645,089	2.4%	2,564,653	0.5%
Real Flight Simulator	12,048,679	3.0%	3,340,427	0.7%
Wings of Heroes	762,887	0.2%	0	0.0%
Other	6,416,591	1.4%	8,899,298	1.8%
BOOKINGS TOTAL	403,488,365	100.0%	481,879,127	100.0%
Deferred income (consumable)	7,351,629	N/D	1,232,254	N/D
Deferred income (durable)	-3,449,278	N/D	3,839,017	N/D
REVENUES TOTAL	407,390,716	N/D	486,950,398	N/D

[1] The amount of bookings for the Fishing Clash game includes PLN 3.36 million (1.2% of the total bookings for this title) related to the license income generated on the Chinese market. The license revenue in 1-3Q 2021 amounted to PLN 1.7 million, respectively, and the game began to be distributed on Chinese market in July 2021.

Quarterly breakdown of bookings for major titles:

GAME	1Q2021	2Q2021	3Q2021	4Q2021	1Q2022	2Q2022	3Q2022
Fishing Clash	131,659,442	114,983,038	114,371,143	121,867,964	95,826,978	84,385,263	88,773,895
Hunting Clash	26,840,820	30,390,316	28,042,011	30,493,190	32,279,619	24,978,052	32,523,045
Let's Fish	4,208,029	3,710,888	3,110,282	3,445,192	3,099,293	2,394,146	2,380,160
Wild Hunt	3,666,218	3,331,467	2,761,094	3,312,206	2,790,545	2,517,568	2,666,554
Airline Commander			2,564,653	2,532,813	2,879,778	3,048,100	3,717,211
Real Flight Simulator			3,340,427	3,510,656	3,694,286	4,047,377	4,307,017
Wings of Heroes						89,199	673,688
other	2,821,641	2,561,285	3,516,372	2,527,913	1,980,865	1,991,301	2,444,425
TOTAL BOOKINGS	169,196,150	154,976,993	157,705,984	167,689,934	142,551,364	123,451,006	137,485,995
deferred income (unused virtual currency)	3,213,637	283,892	-2,265,275	-7,475,672	4,937,513	908,931	1,505,185
deferred income (unused durables)	1,704,189	9,624,478	-7,489,650	-13,119,620	2,845,786	-217,105	-6,077,959
TOTAL REVENUES	174,113,976	164,885,363	147,951,059	147,094,641	150,334,663	124,142,832	132,913,221

Deferred revenue by game and quarter in 2022, and the balance sheet balance at 1.01.2021, 31.12.2021 and 30.09.2022 (balance sheet item "contract liabilities" for deferred revenue and balance sheet item "contract assets" for deferred commission costs):

CONSUMABLE	Balance sheet item		Change of deferral			Balance sheet item		Change of deferral			Balance sheet item
	01.01.2021	Q1 2021	Q2 2021	Q3 2021	Q4 2021	31.12.2021	Q1 2022	Q2 2022	Q3 2022	30.09.2022	
Fishing Clash											
deferred revenues	-6,235,931	3,080,182	263,529	-1,285,117	-5,245,807	-9,423,145	3,305,098	696,382	1,483,290	-3,938,374	
deferred costs	1,870,779	-924,055	-79,059	385,535	1,573,742	2,826,943	-991,529	-208,915	-444,986	1,181,513	
Hunting Clash											
deferred revenues				-953,028	-1,918,954	-2,871,981	1,505,052	134,265	-28,227	-1,260,891	
deferred costs				285,908	575,686	861,594	-451,516	-40,280	8,467	378,267	
Let's Fish											
deferred revenues	-143,137	62,366	6,257	-17,775	-122,289	-214,577	31,977	45,604	25,404	-111,592	
deferred costs	42,941	-18,710	-1,877	5,332	36,687	64,373	-9,593	-13,681	-7,621	33,478	
Wild Hunt											
deferred revenues	-168,108	71,089	14,106	-9,355	-188,621	-280,890	95,385	32,680	24,718	-128,107	
deferred costs	50,433	-21,327	-4,232	2,806	56,586	84,267	-28,616	-9,804	-7,415	38,432	
TOTAL											
deferred revenues	-6,547,176	3,213,637	283,892	-2,265,274	-7,475,671	-12,790,593	4,937,512	908,931	1,505,186	-5,438,964	
deferred costs	1,964,153	-964,091	-85,168	679,582	2,242,701	3,837,178	-1,481,254	-272,679	-451,556	1,631,689	





DURABLE	Balance sheet item	Change of deferral				Balance sheet item	Change of deferral			Balance sheet item
	01.01.2021	Q1 2021	Q2 2021	Q3 2021	Q4 2021	31.12.2021	Q1 2022	Q2 2022	Q3 2022	30.09.2022
Fishing Clash										
deferred revenues	-43,170,671	1,704,189	9,624,478	-7,489,650	-7,100,476	-46,432,130	4,497,751	-434,953	-3,101,847	-45,471,179
deferred costs	12,951,201	-522,700	-2,975,208	2,157,829	2,007,091	13,618,212	-1,463,979	556,566	930,556	13,641,355
Hunting Clash										
deferred revenues					-6,019,144	-6,019,144	-1,651,965	217,848	-2,976,112	-10,429,373
deferred costs					1,781,756	1,781,756	477,496	-23,274	892,834	3,128,811
TOTAL										
deferred revenues	-43,170,671	1,704,189	9,624,478	-7,489,650	-13,119,620	-52,451,274	2,845,786	-217,105	-6,077,959	-55,900,551
deferred costs	12,951,201	-522,700	-2,975,208	2,157,829	3,788,846	15,399,968	-986,483	533,292	1,823,390	16,770,167

CONSUMABLE + DURABLE	Balance sheet item	Change of deferral				Balance sheet item	Change of deferral			Balance sheet item
	01.01.2021	Q1 2021	Q2 2021	Q3 2021	Q4 2021	31.12.2021	Q1 2022	Q2 2022	Q3 2022	30.09.2022
deferred revenues	-49,717,847	4,917,826	9,908,370	-9,754,924	-20,595,291	-65,241,866	7,783,298	691,826	-4,572,772	-61,339,514
deferred costs	14,915,354	-1,486,791	-3,060,376	2,837,411	6,031,547	19,237,146	-2,467,737	260,613	1,371,834	18,401,855
TOTAL	-34,802,493	3,431,035	6,847,994	-6,917,513	-14,563,743	-46,004,721	5,315,561	952,439	-3,200,939	-42,937,659

1.4. Revenues by business partner

BUSINESS PARTNER	bookings 1-9 2022	% share in bookings 2022	bookings 1-9 2021	% share in bookings 2021
Google Inc.	231,818,024	57.5%	285,567,692	59.6%
Apple Distribution International	144,999,434	35.9%	169,048,318	35.0%
others (none exceeding 10%)	26,670,907	6.6%	27,263,117	5.5%
BOOKINGS TOTAL	403,488,365	100%	481,879,127	100%
Deferred income (consumable)	7,351,629	N/D	1,232,254	N/D
Deferred income (durable)	-3,449,278	N/D	3,839,017	N/D
REVENUES TOTAL	407,390,716	N/D	486,950,398	N/D

1.5. Revenues – distribution channel

DISTRIBUTION CHANNEL	bookings 1-9 2022	% share in bookings 2022	bookings 1-9 2021	% share in bookings 2021
mobile	390,548,057	96.8%	464,311,270	96.3%
browsers	12,940,308	3.2%	17,567,857	3.7%
BOOKINGS TOTAL	403,488,365	100%	481,879,127	100%
Deferred income (consumable)	7,351,629	N/D	1,232,254	N/D
Deferred income (durable)	-3,449,278	N/D	3,839,017	N/D
REVENUES TOTAL	407,390,716	N/D	486,950,398	N/D

1.6. Revenues – geographical breakdown

The Group assigns bookings from users on the basis of their IP number, using external databases and sales reports in countries available on selected distribution platforms.

REGION	bookings 1-9 2022	% share in bookings 2022	bookings 1-9 2021	% share in bookings 2021
North America	179,707,139	44.6%	208,099,128	43.4%
Europe	151,804,359	37.6%	177,007,583	36.7%
<i>including Poland</i>	<i>17,727,968</i>	<i>4.4%</i>	<i>6,765,179</i>	<i>1.4%</i>
Asia	48,644,691	12.1%	72,951,324	15.0%
South America	11,059,033	2.7%	12,425,157	2.5%
Australia and Oceania	8,440,049	2.1%	7,162,915	1.5%
Africa	3,833,094	0.9%	4,233,022	0.9%
BOOKINGS TOTAL	403,488,365	100%	481,879,127	100%
Deferred income (consumable)	7,351,629	N/D	1,232,254	N/D
Deferred income (durable)	-3,449,278	N/D	3,839,017	N/D
REVENUES TOTAL	407,390,716	N/D	486,950,398	N/D





2.

OPERATING COSTS

SPECIFICATION	01.01.2022 – 30.09.2022	01.01.2021 – 30.09.2021
Amortization and depreciation	10,498,075	5,224,508
Amortization and depreciation	961,514	852,029
Third-party services	274,745,222	302,111,364
Taxes and fees	2,378,018	2,963,358
Remuneration	53,645,519	52,206,921
Social insurance and other benefits	8,097,148	7,031,043
Total costs by type, including:	613,726	675,896
Total costs by nature	350,939,222	371,065,120
Costs of rendering services for internal purposes (negative value)	-22,580,603	-14,601,355
Selling costs	-225,826,736	-274,353,483
General and administrative costs	-51,855,524	-44,842,541
Cost of services sold	50,676,359	37,267,741

Breakdown of selling costs

SPECIFICATION	01.01.2022 – 30.09.2022	01.01.2021 – 30.09.2021
Selling costs	225,826,736	274,353,483
marketing:	86,713,268	116,501,822
– <i>Fishing Clash</i>	47,979,372	68,390,299
– <i>Hunting Clash</i>	36,479,237	47,740,353
– <i>Airline Commander</i>	1,137,172	0
– <i>Wings of Heroes</i>	505,452	0
– <i>other titles</i>	612,035	371,171
commissions	116,051,512	139,805,722
revenue share	1,261,958	1,312,318
remuneration, cost of third party services	16,523,131	11,796,039
mobile gaming market research	1,075,250	2,437,419
other	4,201,617	2,500,163

SPECIFICATION	1Q 2021	2Q 2021	3Q 2021	4Q 2021	1Q 2022	2Q 2022	3Q 2022
Selling costs	95,935,217	95,799,537	82,618,730	72,895,344	79,870,756	67,589,551	78,366,429
marketing:	40,137,460	42,419,871	33,944,492	23,020,677	30,070,387	24,555,603	32,087,278
– <i>Fishing Clash</i>	22,551,718	24,783,495	21,055,086	13,614,460	16,110,636	13,099,412	18,769,324
– <i>Hunting Clash</i>	17,412,032	17,438,915	12,889,406	9,334,220	13,532,653	10,257,990	12,688,594
– <i>Airline Commander</i>					303,480	815,706	17,986
– <i>Wings of Heroes</i>						76,168	429,284
– <i>other titles</i>	173,710	197,461	0	71,997	123,618	306,327	182,090
commissions	50,414,040	47,816,995	41,574,686	41,874,524	41,728,991	35,672,700	38,649,821
revenue share	477,124	423,624	411,570	509,652	448,775	406,178	407,005
remuneration, cost of third party services	3,961,297	3,338,075	4,496,667	5,461,878	5,857,302	5,193,498	5,472,331
mobile gaming market research	548,606	1,317,788	571,024	596,223	308,753	366,990	399,507
other	396,689	483,185	1,620,289	1,432,390	1,456,548	1,394,582	1,350,487





3.

OTHER OPERATING COSTS

OTHER OPERATING COSTS	01.01.2022 – 30.09.2022	01.01.2021 – 30.09.2021
Creating revaluation write-offs for intangible assets	9,138,421	3,760,701
Donations	2,036,412	391,930
Write-down of uncollectible receivables	6,152	8,125
Other	297,518	908,612
Total	11,478,502	5,069,368



4.

OTHER FINANCIAL INCOME AND EXPENSE

FINANCIAL INCOME	01.01.2022 – 30.09.2022	01.01.2021 – 30.09.2021
Interest income	415,146	53,322
Surplus of positive exchange differences	8,102,381	1,104,442
<i>including exchange rate differences due to balance sheet valuation</i>	3,779,214	-820,329
Total	8,517,527	1,157,764
FINANCIAL COST	01.01.2022 – 30.09.2022	01.01.2021 – 30.09.2021
Interest on lease	227,935	188,061
Interest – discount unwinding on the liability related to purchase of Rortos	4,673,770	0
Other	79,771	20,289
Total	4,981,476	208,350





5.

CHANGES IN FIXED ASSETS

SPECIFICATION	Machinery and equipment	Buildings and premises	Other fixed assets	Fixed assets under construction	TOTAL
Gross balance sheet value as at 01.01.2022	5,560,158	10,049,365	419,726	5,079,800	21,109,049
Increase, due to:	962,233	10,752,106	4,130,170	0	15,844,509
– Purchase of fixed assets	962,233	5,672,306	4,130,170	0	10,764,709
– reclassification	0	5,079,800	0	0	5,079,800
Decrease, due to:	112,032	0	32,436	5,079,800	5,224,268
– sale of tangible assets	112,032	0	32,436	0	144,468
– reclassification	0	0	0	5,079,800	5,079,800
Gross balance sheet value as at 30.09.2022	6,410,359	20,801,471	4,517,460	0	31,729,290
Cummulated depreciation at 01.01.2022	2,522,928	3,179,749	196,187	0	5,898,864
Increase, due to:	1,108,753	2,310,127	220,982	0	3,639,862
– amortization	1,108,753	2,310,127	220,982	0	3,639,862
Decrease	98,410	0	25,729	0	124,139
Cummulated depreciation at 30.09.2022	3,533,271	5,489,876	391,440	0	9,414,587
Write-downs as at 01.01.2022	0	0	0	0	0
Increases	0	0	0	0	0
Decreases	0	0	0	0	0
Write-downs as at 30.09.2022	0	0	0	0	0
Net balance sheet value as at 30.09.2022	2,877,088	15,311,595	4,126,020	0	22,314,703

Ownership structure – carrying amount:

SPECIFICATION	30.09.2022	30.09.2021
Owned	7,003,108	3,633,728
Used under a lease, tenancy or other agreement, including a lease agreement	15,311,595	11,576,457
TOTAL	22,314,703	15,210,185





6.

CHANGES IN TANGIBLE ASSETS
AND GOODWILL

SPECIFICATION	Development costs	Computer software	Intangible assets under development	Goodwill	TOTAL
Gross balance sheet value as at 01.01.2022	75,987,957	1,264,868	45,128,114	161,050,504	283,431,443
Increase, due to:	28,914,901	179,848	22,580,603	9,468,204	61,143,556
– Purchase of assets	0	179,848	22,580,603	0	22,760,451
– Reclassification	22,727,663	0	0	0	22,727,663
– valuation at balance sheet date	6,187,238	0	0	9,468,204	15,655,442
Decrease, due to:	0	0	22,727,663	0	22,727,663
– reclassification	0	0	22,727,663	0	22,727,663
Gross balance sheet value as at 30.09.2022	104,902,858	1,444,716	44,981,054	170,518,708	321,847,336
Accumulated depreciation as at 01.01.2022	9,125,712	800,325	0	0	9,926,037
Increase due to amortization	6,676,043	182,170	0	0	6,858,213
Decrease	0	0	0	0	0
Accumulated depreciation as at 30.09.2022	15,801,755	982,495	0	0	16,784,250
Write-downs as at 01.01.2022	2,420,573	0	3,589,086	0	6,009,659
Increase	0	0	9,138,421	0	9,138,421
Decrease	0	0	0	0	0
Write-downs as at 30.09.2022	2,420,573	0	12,727,507	0	15,148,080
Net balance sheet value as at 30.09.2022	86,680,531	462,221	32,253,547	170,518,708	289,915,007

The net value as at 30.09. 2022 disclosed under „completed development works” includes the Group's games and tools:

- » Hunting Clash – net values: 379.585 PLN, remaining amortization period: 13 months;
- » Games belonging to acquired company – Rortos S.r.l – games valued at fair value using the DCF method in the course of settlement of the acquisition and valued on an ongoing basis as at the balance sheet date in accordance with the EUR / PLN exchange rate:
 - Airline Commander – net value: 30.559.124 PLN, remaining amortization period: 105 months;
 - RFS – net value: 29.043.321 PLN, remaining amortization period: 105 months;
 - Warplanes – net value: 22.534.341 PLN, remaining amortization period: 116 months;
 - Other games – net value: 3.348.340 PLN, remaining amortization period: 21 months.
- » Internally developed tools – total 815.821 PLN.

As at June 30, 2022, the item “intangible assets under construction” includes the capitalized costs of three titles at various stages of advancement:

- » Undead Clash – 15.697.046 PLN;
- » Magical District – 9.209.516 PLN (further development suspended as of 30.09.2022);
- » Fishing Master – 6.464.634 PLN.

Additionally, this balance sheet item consists of capitalized costs of internally developed tools used widely in a company. The value of these tools under construction as at September 30, 2022 amounted to PLN 882.351.

Goodwill consists of the value arising from the settlement of the acquisition of Rortos in the amount of PLN 170.129.124 and the value of Reludo, acquired by Rortos in the previous years, in the amount of PLN 389.584.

In Q2 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 in relation to 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 game segment. The write-down was PLN 9.2 million.





OTHER FINANCIAL ASSETS

SPECIFICATION	30.09.2022	31.12.2021
Other financial assets	23,619,788	9,575,534
– long-term deposits	2,267,534	2,267,534
– participation units of the Sisu Game Ventures investment fund	8,915,940	7,308,000
– shares in Gamesture Sp. z o.o	12,436,314	0



8.

RECEIVABLES

SPECIFICATION	30.09.2022	31.12.2021	30.09.2021
Trade receivables	35,504,377	46,140,422	37,996,081
Other receivables	11,632,722	11,602,972	8,981,888
Accruals and deferred income	5,609,318	4,297,261	3,646,040
TOTAL RECEIVABLES	52,746,417	62,040,655	50,624,009





Currency structure of trade receivables

CURRENCY	30.09.2022			31.12.2021		
	amount in currency	valuation	% share	amount in currency	valuation	% share
PLN	18,104,002	18,104,002	50.99%	25,313,416	25,313,416	54.86%
USD	2,691,355	13,331,086	37.55%	4,527,014	18,379,677	39.83%
EUR	630,990	3,072,796	8.65%	469,254	2,158,288	4.68%
RUB	8,741,150	743,872	2.10%	4,871,221	264,020	0.57%
other currencies	—	252,621	0.71%	—	25,021	0.05%
TOTAL	30,167,497	35,504,377	100%	35,180,905	46,140,422	100%

AGING STRUCTURE OF RECEIVABLES – RECEIVABLES PAST DUE DATE

AGING STRUCTURE – RECEIVABLES PAST DUE DATE	30.09.2022 value of receivable	31.12.2021 value of receivable
not overdue	34,924,788	46,056,781
up to one month	15,215	23,655
1-3 months	20,173	59,529
3-6 months	160,823	397
6-12 months	383,378	60
over 1 year	0	0
TOTAL RECEIVABLES	35,504,377	46,140,422

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 amounts come from:

- » Google Inc. – 48,6% at 30.09.2022 compared to 55,3% at 31.12.2021.
- » Apple Distribution International – 32,37% at 30.09.2022 compared to 34,3% at 31.12.2021.

No other entity exceeded a 10% share of total receivables at 30.09.2022.

As at the balance sheet date, September 30, 2022 and as at December 31, 2021, the Group did not have any significant amounts of receivables for which credit losses would be expected.

OTHER RECEIVABLES

SPECIFICATION	30.09.2022	31.12.2021
Other short-term receivables, including:	11,632,722	11,602,972
– tax-related receivables	11,340,691	11,437,914
– deposit for the rental of office	292,031	165,058

PREPAYMENTS

SPECIFICATION	30.09.2022	31.12.2021
Maintenance of software technical service/software subscriptions	3,708,347	3,202,110
Annual fee for marketing campaigns tracking tool	657,056	139,933
Registration fees for trademark applications	313,632	301,876
Insurance	127,059	70,919
Trainings	384,775	0
Other prepayments	418,449	582,423
TOTAL PREPAYMENTS	5,609,318	4,297,261





9.

OTHER LIABILITIES

SPECIFICATION	30.09.2022	31.12.2021	30.09.2021
Liabilities related with acquisition of Rortos (earn-out payments)	51,930,154	48,420,530	45,403,153
– long-term	44,099,741	48,420,530	45,403,153
– short-term	7,830,413	0	0
Other liabilities	2,294,934	2,463,393	5,919,731
– long-term	178,642	0	0
– short-term	2,116,292	2,463,393	5,919,731
OTHER LIABILITIES IN TOTAL	54,225,088	50,883,923	51,322,884
– long-term	44,278,383	48,420,530	45,403,153
– short-term	9,946,705	2,463,393	5,919,731



10.

PROVISIONS FOR EMPLOYEE BENEFITS

SPECIFICATION	As at 1.01.2022	Changes during the year		As at 30.09.2022
		Assumption	Use	
provision for annual leave (short-term)	1,353,213	1,988,553	1,353,213	1,988,553
Provision for bonuses (short-term)	5,881,405	4,027,055	5,881,405	4,027,055
Provision for bonuses (long-term)	2,588,247	2,355,457	2,588,247	2,355,457
PROVISIONS IN TOTAL	9,822,865	8,371,065	9,822,865	8,371,065





11.

CURRENT INCOME TAX

INCOME TAX DISCLOSED IN THE STATEMENT OF COMPREHENSIVE INCOME	01.01.2022 – 30.09.2022	01.01.2021 – 30.09.2021
Current income tax	6,157,652	15,350,481
Relating to the fiscal year	6,157,652	15,350,481
Deferred income tax	4,368,723	533,453
Relating to the origination and reversal of temporary differences	4,368,723	533,453
Tax expense reported in the consolidated statement of comprehensive income	10,526,375	15,883,934



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

NAME	01.01.2022 – 30.09.2022	01.01.2021 – 30.09.2021
Gross financial result (profit, loss)	70,124,036	126,757,259
Foreign exchange differences – balance sheet differences, differences not constituting the tax base, not constituting the tax deductible costs	-3,089,289	-5,386,456
Write-off of receivables which do not constitute tax deductible costs	5,166	5,285
Release and establishment of a holiday provision	329,058	329,704
Establishment of provision for other costs	-2,999,830	3,440,488
Donations (subsequently deducted from income)	2,036,412	391,930
Other costs not constituting tax deductible costs	6,708,258	479,659
Amortization of intangible assets	633,083	994,470
Amortization – leasing	2,031,133	1,432,464
Capitalization of games costs	-21,399,987	-14,601,355
Creation of a write-down for capitalized games	9,138,421	3,760,701
Share-based payments	18,099,504	34,237,243
Income (and related expense) deferred in time – finally, as per account balance	-3,067,061	-2,007,963
Other tax-deductible expenses, not being balance sheet costs	-3,789,580	-12,199,298
Taxable income	74,759,324	137,634,129

Corporate income tax regulations are subject to frequent changes, as a result often there is no reference to established regulations or legal precedents. The current tax regulations also contain ambiguities, which result in differences in opinion as to their legal interpretation both between state authorities and between state authorities and enterprises. Tax and other settlements (e.g. customs or foreign exchange settlements) may be the subject of inspections by the authorities, which are entitled to impose high penalties, and the additional amounts of liabilities determined as a result of the inspection must be paid together with high interest.

These facts create tax risks in Poland that are higher than those typically found in countries with developed tax systems. Tax settlements may be audited for a period of five years. As a result, the amounts disclosed in the financial statements may change at a later date, after they are finally determined by the tax authorities.





12.

DEFERRED INCOME TAX

Structure of a deferred tax asset

SPECIFICATION	30.09.2022	31.12.2021
deferred revenue and costs related to consumables (net result)	190,364	447,671
deferred revenue and costs related to durables (net result)	2,978,598	4,343,041
holiday provision	232,211	169,690
provision for audit costs	0	9,797
leasing – IFRS 16 valuation	0	204,628
accounts receivable and payable valuation	123,933	149,957
provision for remuneration	1,208,548	1,257,609
other provisions	145,008	1,944
TOTAL	4,878,662	6,584,337

Structure of deferred income tax provision:

SPECIFICATION	30.09.2022	31.12.2021
amortization of games	7,396,010	4,993,184
leasing – valuation MSSF16	44,908	0
TOTAL	7,440,918	4,993,184

WINGS HEROES





13.

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

The tables below present total amounts of transactions conducted with affiliates for the current and previous reporting periods:

13.1. Management

RELATED PERSON	PERIOD	Remuneration		Net dividend	
		01.01.2022 – 30.09.2022	01.01.2021 – 30.09.2021	01.01.2022 – 30.09.2022	01.01.2021 – 30.09.2021
Management Board (sum of due remuneration)		21,842,364	31,041,038	2,775,554	2,591,385
Maciej Zużalek (sum of due remuneration)		18,717,804	18,718,854	1,578,091	1,578,091
– Ten Square Games S.A. – cash fixed remuneration		618,300	619,350	0	0
– Ten Square Games S.A. – cash variable remuneration (paid)		0	290,479	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		0	0	0	0
– Ten Square Games S.A. – share-based incentive program recognized over time		18,099,504	18,099,504	1,578,091	1,578,091

RELATED PERSON	PERIOD	Remuneration		Net dividend	
		01.01.2022 – 30.09.2022	01.01.2021 – 30.09.2021	01.01.2022 – 30.09.2022	01.01.2021 – 30.09.2021
Marcin Chruszczyński (since 01.08.2020 to 21.10.2021)		0	561,922	0	0
– Ten Square Games S.A. – paid cash remuneration		0	290,680	0	0
– Ten Square Games S.A. – share-based incentive program for 2021-2022		0	271,242	0	0
Andrzej Ilczuk (since 21.01.2021)		477,000	3,485,099	19,343	0
– Ten Square Games S.A. – cash fixed remuneration		477,000	385,190	19,343	0
– Ten Square Games S.A. – share-based incentive program for 2021-2022		0	3,099,909	0	0
Anna Idzikowska (since 21.01.2021)		603,177	3,492,776	137,700	162,000
– Ten Square Games S.A. cash fixed remuneration		477,000	385,190	137,700	162,000
– Ten Square Games S.A. – cash variable remuneration (paid)		126,177	7,677	0	0
– Ten Square Games S.A. – share-based incentive program for 2021-2022		0	3,099,909	0	0
Janusz Dziemidowicz (since 21.01.2021)		477,000	280,225	682,417	682,417
– Ten Square Games S.A. – cash fixed remuneration		477,000	280,225	682,417	682,417
Wojciech Gattner (since 21.01.2021)		1,090,383	4,502,162	200,054	168,877
– Ten Square Games S.A. – . cash fixed remuneration		477,000	385,190	200,054	168,877
– Ten Square Games S.A. – cash variable remuneration (paid)		866,645	1,082,498	0	0
– Ten Square Games S.A. – cash variable remuneration (outstanding)		613,383	1,017,063	0	0
– Ten Square Games S.A. – – share-based incentive program for 2021-2022		0	3,099,909	0	0
Magdalena Jurewicz (since 21.10.2021)		477,000	0	157,950	n/d
– Ten Square Games S.A. – paid cash remuneration		477,000	0	157,950	n/d
Supervisory Board (Ten Square Games S.A.)		288,290	315,017	5,721,241	6,904,230
Rafał Olesiński		76,500	76,500	5,419	5,419
Tomasz Drożdżyński (till 11.03.2022)		9,290	39,565	0	0
Maciej Marszałek		45,000	45,000	356,400	356,400
Wiktor Schmidt		36,000	36,000	0	0
Marcin Bitos		40,500	40,500	0	0
Kinga Stanisławska		40,500	40,500	851	851
Arkadiusz Pernal		40,500	36,952	5,358,571	6,541,560
Related persons (Ten Square Games S.A.)		0	108,000	10,715,822	13,081,500
Maciej Popowicz (since 20.05.2020 to 31.12.2021)		0	108,000	10,715,822	13,081,500
Key personnel (Ten Square Games S.A.)		0	0	b/d	b/d
Family members of key personnel / Management Board (Ten Square Games S.A.)		303,400	0	b/d	b/d

In the case of the members of the Management Board, the fixed cash remuneration includes the amounts resulting from two legal relationships:

» appointment

» employment contract / cooperation agreement/ management contract.





SHARE-BASED INCENTIVE PROGRAM

In April 2021 and January 2022, the allocation of shares for 2022 for program participants in accordance with the resolution of the Supervisory Board took place. The actual award of shares depends on the fulfillment of the program conditions (including being in a legal relationship with the Company, meeting financial goals) and is verified after the end of the financial year for which the shares were pre-allocated, i.e. after approval of the financial statements. The cost of preallocated shares, on the other hand, is recognized at the time the services are rendered.

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.

EBITDA calculated in accordance with the definition of the program for the period 1-9.2022 amounts to PLN 105.6 million and 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.

INCENTIVE PROGRAM BASED ON CASH PAYMENT

In April 2022, the Supervisory Board adopted a resolution regarding a one-off variable remuneration component for 4 members of the Management Board (Anna Idzikowska, Magdalena Jurewicz, Andrzej Ilczuk, Wojciech Gattner). If the target of adjusted EBITDA, in 2022 in the range of PLN 172.714.508 – PLN 251.330.811, is achieved, members of the Management Board will be entitled to receive a cash payment.

EBITDA calculated in accordance with the definition of the program for the period 1-9.2022 amounts to PLN 105.6 million and 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 total sums of payments for 5 members of the Management Board are:

- » PLN 6,100,000 for the EBITDA range of 172,714,508 – PLN 198,919,942;
- » PLN 6,900,000 for the EBITDA range of 198,919,942 – PLN 225,125,377;
- » PLN 7,700,000 for the EBITDA range of 225,125,377 – PLN 251,330,811.

DEPENDENT VARIABLE REMUNERATION DEDICATED TO INDIVIDUAL MEMBERS OF THE MANAGEMENT BOARD

The variable remuneration due to the President of the Management Board, Mr. Maciej Zużatek, depends on the fulfillment of management goals, which is confirmed by a resolution of the Supervisory Board after approval of the report. The remuneration for 2021 was set at PLN 128,400, however, in accordance with the intention of the President of the Management Board, this remuneration was donated to charity (an organization supporting Ukraine during war). As at 30.09.2022, the Parent entity disclosed this amount as a liability to non-related third-party entity – foundation. Therefore, the Parent entity does not treat the amount of this remuneration as paid to the President of the Management Board in 2022.

The variable remuneration of a member of the Management Board, 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 the sake of data transparency, the amount of remuneration paid includes all payments made between January 21, 2021 – March 31, 2021, despite the fact that the amount of PLN 413,776 was paid for the fourth quarter of 2020.

Transactions between related entities took place on terms equivalent to those that apply to transactions concluded market conditions. Members of the management staff did not conclude any transactions with subsidiaries of Ten Square Games S.A.





13.2. Other related entities

AFFILIATED ENTITY	Net sales		Net purchase		Dividends	
PERIOD:	01.01.2022 – 30.09.2022	01.01.2021 – 30.09.2021	01.01.2022 – 30.09.2022	01.01.2021 – 30.09.2021	01.01.2022 – 30.09.2022	01.01.2021 – 30.09.2021
Subsidiaries:	4,441,039	3,447,081	9,964,680	3,127,025	2,583,580	2,261,792
Play Cool Zombie Sport Games Sp. z o.o.	41,944	63,224	0	0	0	2,261,792
Tiny Dragon Adventure Games Sp. z o.o.	879,684	2,092,147	0	0	0	0
Fat Lion Games Sp. z o.o.	344,336	1,291,709	0	0	0	0
Ten Square Games Germany GmbH	0	0	6,923,294	2,912,196	0	0
Ten Square Games S.R.L.	0	0	2,044,158	214,829	0	0
RORTOS S.R.L.	3,175,075	0	0	0	2,583,580	0
Ten Square Games (Israel) LTD.	0	0	997,228	0	0	0
Personally affiliated entities:	0	0	116,457	79,846	0	0
Olesiński i Wspólnicy Spółka komandytowa	0	0	116,457	79,846	0	0
Associates:	0	0	0	0	0	0
Gamesture Sp. z o.o.	0	0	0	0	0	0

AFFILIATED ENTITY	Gross receivables		Gross payables		Loans	
AS OF:	30.09.2022	30.09.2021	30.09.2022	30.09.2021	30.09.2022	30.09.2021
Subsidiaries:	2,312,351	762,982	1,955,861	2,953,716	2,591,042	3,400,315
Play Cool Zombie Sport Games Sp. z o.o.	5,550	7,359	0	0	0	0
Tiny Dragon Adventure Games Sp. z o.o.	110,064	185,190	0	0	0	506,767
Fat Lion Games Sp. z o.o.	49,291	63,388	0	0	0	506,767
Ten Square Games Germany GmbH	0	0	1,235,342	2,618,125	1,875,780	1,724,775
Ten Square Games S.R.L.	0	0	278,504	335,591	715,262	662,006
RORTOS S.R.L.	1,379,684	502,045	0	0	0	0
Ten Square Games (Israel) LTD.	767,762	0	442,015	0	0	0
Personally affiliated entities:	0	0	51,950,052	48,436,059	0	0
Olesiński i Wspólnicy Spółka komandytowa	0	0	19,898	15,529		0
Roberto Simonetto	0	0	31,152,900	29,047,476	0	0
Antonio Farina	0	0	20,777,254	19,373,054	0	0
Associates:	0	0	0	0	0	0
Gamesture Sp. z o.o.	0	0	0	0	0	0

The Parent entity sells internally produced games to its Polish subsidiaries and receives remuneration in return. On the other hand, Ten Square Games Germany GmbH, Ten Square Games S.R.L. and Ten Square Games (Israel) Ltd. 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 entity and Rortos S.r.l. consist of production/maintenance support for Rortos' games, for which the Parent entity receives remuneration.

The Parent entity 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 and the remaining part to be paid in the form of earn-out payments. The change in the liability results from its balance sheet valuation and unwinding of the discount.





ten square games

VI.

**OTHER ADDITIONAL
INFORMATION**







1.

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

In Q3 2022 the Group continued its strategy to build a wide product portfolio and maintain the existing ones despite unfavorable market conditions. After a very difficult Q2 2022, the trend was reversed and the Group recorded an increase in bookings by 11.4% compared to Q2 2022. Such a result was possible thanks to the product changes introduced in Q2 2022 – mainly in Fishing Clash and Hunting Clash, and relatively better situation on the marketing market than in the first months of the year.

The main title of the Group – the Fishing Clash game rebuilt its user base (viewed from the MAU perspective) to the level from Q4 2021, i.e. approx. 2.5 million users. Speeding up the production of content and dividing it into smaller packages, so that the players' can still see something new in the game, turned out to be a good tactic, which automatically translated into an increase in player involvement and thus in the level of bookings. From the end of May 2022, the acquired traffic has relatively better parameters, which allowed for an increase in the marketing budget in the following months, which in the summer months amounted to PLN 7.0 million, which is a result comparable to the 2021 average.

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

Fishing Clash (excl. FC China)**

in PLN million



* Data for October 2022 are Group's estimates.

** The above chart 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 revenues from this market. Netease is the recipient of aggregate payments from users and also incurs marketing expenses. The license income is the distribution of profit after deduction of aggregators' commissions and marketing costs, in accordance with the contract 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 full commission and marketing costs.





The game Hunting Clash had a very good Q3 2022 with a 30% increase in q/q payments. The title recorded significantly higher ABPU (average bookings per user) ratio than in the previous quarters – it proves the increasing involvement of players. Such results are due to positive product changes and effective acquisition of high-quality players. The number of monthly active users (MAU) has stabilized at the level of approximately 1.3 million, however, due to the above-mentioned facts, the Group decided to further increase its marketing budgets since the end of September. Such a decision was dictated by both the internal parameters of the game (ABPU) and the relatively good moment in the marketing market – until the date of this report it was possible to attract good quality players at a favorable price.

Additionally, in September 2022, the game recorded its record level of daily revenues, which shows that there is still further growth potential for this title.

Fishing Clash and Hunting Clash teams have ambitious and interesting roadmaps for the next 6 months and are working on further development of the titles.

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

Hunting Clash
in PLN million



* Data for October 2022 are Group's estimate.

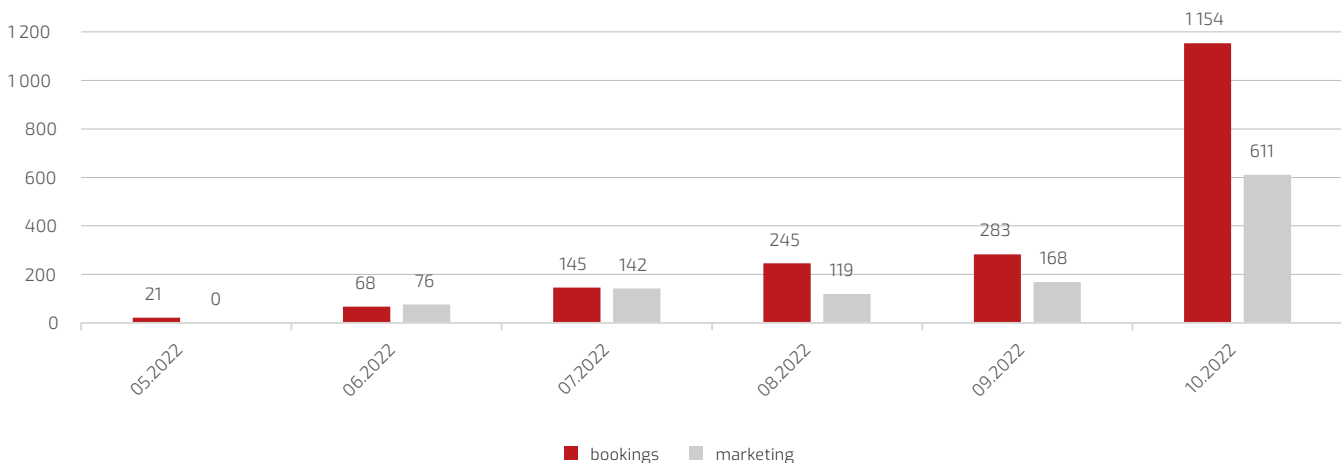
Another game – Airline Commander, produced by the Italian studio Rortos, and developed by the Wrocław studio since the acquisition in July 2021, achieved in Q3 2022 the best since the acquisition, level of payments of PLN 3.7 million compared to PLN 3.0 million in the previous quarter. The changes introduced in Q2 2022 (including flash streaks, free flights, welcome packs, new advertising blocks) were positively received by players and after the marketing testing phase, the team again focused on the production of elements necessary to build full monetization in the game. One of the main layers of monetization is the live-ops system, so far absent in the game. After introduction of the system to the game, the Group will again conduct marketing tests. In the transitional period, between major changes in the game, the Group stopped marketing campaigns – no marketing expenses in Q3 2022.

Also, this team, apart from introduction of the live-ops system, has an interesting and ambitious roadmap planned till the end of Q1 2023.

Another title of Rortos – Wings of Heroes – had its global launch at the beginning of October 2022. The first traffic parameters are very good and the Group expects that in the near future it will be TSG's third flagship title. The Italian team is working on the product layer of the game and it is supported by specialists from Wrocław studio depending on the current needs. This is the beginning for this title, the next few weeks will be dedicated to attracting more players while maintaining very good payment metrics.

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

Wings of Heroes
in PLN thou.



* Data for October 2022 are Group's estimate.



In March 2022, the Group decided to invest in Gamesture Sp. z o.o. It is a company that currently has 2 payment-achieving titles in its portfolio and another two that are currently being released to the market. Despite the fact that currently TSG records the loss on the the investment in that company, from the Group's perspective, it is an opportunity to diversify revenues due to a different market segment, and the effects of this investment decision will be visible in the coming years.

At the end of May 2022, the Company's Management Board decided to suspend development 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 Q2 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 in relation to 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 game's segment. The impairment loss on the title was PLN 9.1 million.



2.

GAMES' KPI'S

GAME	1Q2021	2Q2021	3Q2021	4Q2021	1Q2022	2Q2022	3Q2022
Fishing Clash – MAU* (average)	3,849,763	2,928,300	3,165,192	2,499,913	2,227,455	1,835,612	2,540,524
Hunting Clash – MAU (average)	3,136,097	2,241,126	1,729,973	1,711,249	1,494,746	1,257,463	1,273,923
Evergreen – MAU (average)	933,367	825,133	895,264	989,561	763,829	674,729	771,631

* MAU – monthly average 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 Parent entity acquired own shares – description is available in note 18 this financial statement.

On February 24, 2022, the Russian invasion in 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 1.0 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. 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 entity purchased 24.8% of shares in the share capital of Gamesture Sp. z o.o. The amount paid was 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 September 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

In the period from October 1, 2022 to November 21, 2022, there were no significant events that were not reflected in the Group's financial statements.





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 and in 2023, the Group intends to continue the development of its activities in the hitherto areas.

The further development of Fishing Clash, Hunting Clash and Wings of Heroes as well as the situation on the advertising market will have a key influence on the Group's results in the following quarters. Any improvement in results, both on the product side as well as in marketing sphere, may significantly affect the results of the next quarter.

In the period May-July 2022, the Group analyzed its personal resources and reported recruitment needs for subsequent periods, taking into account the closure of the Football Elite project. As a result of these analyzes, the TSG team was reduced by approx. 50 people, with the largest reduction taking place in May 2022 (37 people), and new recruitments do not currently exceed about 20 positions.

The normalization of employment costs took place from September 2022 (i.e. after the period of last terminations and severance pay), hence the full effect of cost optimization will be visible only in the fourth quarter of 2022. The Group does not expect further, intensive growth in number of employees in the coming quarters.

The factor that may affect the Group's future results will be performance of new games – updated Airline Commander, Fishing Master and Undead Clash. In the short term perspective, a game just after a soft launch often generates a loss (marketing expenses higher than the first payments), while in the long term, a good title should contribute to the growth of the Group's results.

The Group does not exclude further acquisitions, investments or publishing agreements concluded with other entities producing games in a similar gameplay model.

External factors that may affect the Group's results include the current and growing economic and geopolitical uncertainty as well as high inflation – these factors may affect the behavior of players and thus the Group's gaming payments.

The constant risk for the Group is the US dollar exchange rate, entrance of new products competing with the Group's games on the market, parameters of the advertising market such as prices and supply of ads 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 Google Play, Facebook and Apple influencing the scope and possibility of distribution of the Group's products.





6.

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

There is no other material information of the above nature in the Ten Square Games S.A. Group as at 30.09.2022.





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.



SEASONALITY OR CYCLICALITY OF ACTIVITIES

There is no seasonality in the Group's operations.





9.

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

Neither Ten Square Games S.A. nor any of its subsidiaries were, as at 30 September 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. nor any of its subsidiaries were, as at September 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 entity and its subsidiaries did not grant any sureties or guarantees in the reporting period.





APPROVAL OF THE FINANCIAL STATEMENT

This report for the period from January 1 to 30 September 2022 was signed and approved for publication by the Management Board of Ten Square Games S.A. on 21 November 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

Wroclaw, 21.11.2022