STANDALONE FINANCIAL STATEMENT OF TEN SQUARE GAMES S.A.

AS AT 31 DECEMBER 2022

Wroclaw, March 28th, 2023

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STANDALONE FINANCIAL STATEMENT

1. SELECTED FINANCIAL DATA

Specification	PLN		EUR	
	2022	2021	2022	2021
STATEMENT OF COMPREHENSIVE INCOME				
Bookings	501 971 407	632 970 487	107 068 960	138 278 643
Revenues	499 926 538	617 446 466	106 632 796	134 887 267
Cost of sales	50 215 977	48 766 123	10 710 914	10 653 440
Operating profit (loss)	70 593 622	160 544 114	15 057 403	35 072 444
Gross profit (loss)	64 046 188	158 457 311	13 660 855	34 616 562
Net profit (loss)	55 276 558	138 261 309	11 790 320	30 204 546
EBITDA	99 974 259	167 831 240	21 324 203	36 664 389
Adjusted EBITDA	127 795 429	224 444 961	27 258 373	49 032 214
CASH FLOW STATEMENT				
Net operating cash flow	123 937 834	206 903 219	26 435 560	45 200 048
Net cash flow from investment activities	-53 037 300	-244 248 256	-11 312 693	-53 358 439
Net cash flow from financial activity	-92 486 169	-72 802 716	-19 727 016	-15 904 471

Specification	PLN		EUR	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
BALANCE SHEET				
Fixed assets	322 104 969	304 648 853	68 680 562	66 236 651
Current assets	176 390 714	200 056 217	37 610 762	43 496 155
Equity	328 947 147	341 008 743	70 139 480	74 142 006
Long-term liabilities	65 893 032	62 355 120	14 049 987	13 557 229
Short-term liabilities	103 655 504	101 341 207	22 101 858	22 033 571

	2022	2021
EUR/PLN exchange rate		
- for the balance-sheet data	4.6899	4.5994
- for the data from the profit and loss statement and cash flow statement	4.6883	4.5775

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

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

Specification	1Q 2022	2Q 2022	3Q 2022	4Q 2022	TOTAL 2022
Profit on the operating activity (EBIT)	**28 325 298**	**17 877 895**	**18 788 029**	**5 602 399**	**70 593 622**
Amortisation (excluding capitalised part)	839 430	848 153	1 828 964	2 081 847	5 598 394
Write-downs for impairment	0	8 467 149	671 272	14 643 822	23 782 243
EBITDA	**29 164 728**	**27 193 197**	**21 288 266**	**22 328 068**	**99 974 259**
Non-cash impact of incentive scheme (excluding capitalised portion)	12 303 319	-236 983	6 033 168	5 929 836	24 029 340
deferred result (revenue minus commissions) - consumables	-3 456 258	-636 252	-1 053 630	1 679 687	-3 466 453
deferred result (revenue minus commissions) - durable	-1 859 303	-316 187	4 254 570	2 483 367	4 562 447
costs of potential and completed acquisitions (M&A) and review of strategic options	1 760 415	0	0	-370 132	1 390 283
donations to public benefit organizations - war in Ukraine	1 000 000	0	0	0	1 000 000
other one offs	248 368	0	24 886	32 299	305 553
Adjusted EBITDA	**39 161 269**	**26 003 776**	**30 547 260**	**32 083 124**	**127 795 429**

Specification	1Q 2021	2Q 2021	3Q 2021	4Q* 2021	TOTAL 2021
Profit on the operating activity (EBIT)	**55 404 569**	**38 335 769**	**29 820 661**	**36 983 114**	**160 544 113**
Amortisation (excluding capitalised part)	868 232	894 294	862 837	901 167	3 526 531
Write-downs for impairment	0	3 760 700	0	0	3 760 700
EBITDA	**56 272 801**	**42 990 763**	**30 683 498**	**37 884 281**	**167 831 344**
Non-cash impact of incentive scheme (excluding capitalised portion)	10 981 139	10 970 806	7 694 579	10 023 537	39 670 061
deferred result (revenue minus commissions) - consumables	-2 249 545	-198 724	1 585 693	5 232 970	4 370 394
deferred result (revenue minus commissions) - durable	-1 181 489	-6 649 270	5 331 821	9 330 773	6 831 835
costs of potential and completed acquisitions (M&A) and review of strategic options	0	0	3 686 602	0	3 686 602
other one offs	0	0	2 054 828	0	2 054 828
Adjusted EBITDA	**63 822 906**	**47 113 575**	**51 037 022**	**62 471 562**	**224 445 065**

* note: in the standalone financial statements for 1-3Q 2021, the entity presented the first settlement of the acquisition of the Rortos subsidiary. As at December 31, 2021, the settlement was updated, which affected the values originally recognized in the Company's books. Data for 4Q 2021 are presented as a difference between the amounts for the entire year 2021 and period of 1-3Q 2021.

2. STANDALONE COMPREHENSIVE INCOME STATEMENT

STANDALONE COMPREHENSIVE INCOME STATEMENT	note	for the period 01.01.2022 - 31.12.2022	for the period 01.01.2021 - 31.12.2021
Revenues from the sales of services	1	**499 926 538**	**617 446 466**
Costs of services sold	2	**50 215 977**	**48 766 123**
Gross profit (loss) on sales		**449 710 561**	**568 680 343**
Other operating income		610 915	437 106
Selling cost	2	290 351 766	343 986 866
General and administrative costs	2	63 253 241	60 332 230
Other operating costs	3	26 122 847	4 254 239
Operating profit (loss)		**70 593 622**	**160 544 114**
Financial income	4	10 978 261	2 355 869
Financial expense	4	14 780 088	4 442 672
Loss (profit) due to shares in associates	11	**2 745 607**	**0**
Profit (loss) before taxation		**64 046 188**	**158 457 311**
Income tax	5	8 799 060	20 196 002
Net profit (loss) on continued activity		**55 247 128**	**138 261 309**
Items that may be reclassified subsequently to profit or loss		**0**	**0**
Items that will not be reclassified to profit or loss		**0**	**0**
Total comprehensive income		**55 247 128**	**138 261 309**

Calculation of profit per share	for the period 01.01.2022 - 31.12.2022	for the period 01.01.2021 - 31.12.2021
Number of shares		
The weighted average number of shares for the purpose of calculating the value of basic profit per share (in units)	7 312 645	7 276 566
The weighted average number of shares for the purpose of calculating the value of diluted profit per share (in units)	7 312 645	7 276 566
Net profit attributable to Parent Entity	55 247 128	138 261 309
net earnings per share on continued operations in PLN		
basic for the financial period	7.56 PLN	19.00 PLN
diluted for the financial period	7.56 PLN	19.00 PLN
net earnings per share attributable to discontinued operations in PLN		
basic for the financial period	0.00 PLN	0.00 PLN
diluted for the financial period	0.00 PLN	0.00 PLN

3. STANDALONE STATEMENT OF FINANCIAL SITUATION

ASSETS	note	31.12.2022	31.12.2021
Fixed assets		**322 104 969**	**304 648 853**
Tangible fixed assets	8	19 714 843	13 336 300
Intangible fixed assets	9	23 699 753	22 278 984
Investments in subsidiaries	10	252 893 402	252 893 402
Other financial assets	11	21 765 555	9 575 534
Deferred tax assets	5	4 031 416	6 564 633
Current assets		**176 390 714**	**200 056 217**
Receivables	13	44 382 747	54 163 340
Current income tax receivable	5	6 723 368	0
Contract assets	2.3	20 186 021	19 237 145
Loans granted		4 184 876	3 983 406
Cash and cash equivalents	14	100 913 702	122 672 326
TOTAL ASSETS		**498 495 683**	**504 705 070**

LIABILITIES	note	31.12.2022	31.12.2021
Equity		**328 976 577**	**341 008 743**
Share capital	15	733 482	730 178
Share premium		496 100	496 100
Capital from the settlement of the incentive scheme	26	88 781 376	65 139 524
Retained earnings		257 601 669	274 642 941
Own shares (negative value)	16	-18 636 050	0
Long-term liabilities		**65 893 032**	**62 355 120**
Deferred income tax provisions	5	4 438 492	3 618 004
Lease liabilities	18	4 390 818	7 861 020
Provision for employee benefits	20	2 605 726	2 455 566
Other liabilities	19	54 457 996	48 420 530
Short-term liabilities		**103 655 504**	**101 341 207**
Trade liabilities	17	11 243 318	9 431 245
Provision for income tax	5	10 894 769	0
Current tax liabilities	5	0	16 842 777
Lease liabilities	18	3 676 009	3 556 967
Other liabilities	19	5 478 886	1 211 822
Provisions for employee benefits	20	5 075 787	5 056 531
Contract liabilities	2.3	67 286 735	65 241 865
TOTAL EQUITY & LIABILITIES		**498 495 683**	**504 705 070**

4. STANDALONE STATEMENT OF CHANGES IN EQUITY

Statement of changes in equity	Share capital	Share premium	Capital from the settlement of the incentive scheme	Retained earnings	Own 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	0	0	0	0	3 304
Share-based payments	0	0	23 641 852	0	0	23 641 852
Payment of dividends	0	0	0	-72 317 830	0	-72 317 830
Purchase of own shares	0	0	0	0	-18 636 050	-18 636 050
Total comprehensive income	0	0	0	55 247 128	0	55 247 128
Equity as at 31/12/2022	**733 482**	**496 100**	**88 781 376**	**257 572 239**	**-18 636 050**	**328 947 147**

Statement of changes in equity	Share capital	Share premium	Capital from the settlement of the incentive scheme	Retained earnings	Total equity
Equity as at 01/01/2021	**726 731**	**496 100**	**23 436 052**	**209 054 742**	**233 713 625**
Payment of share capital	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				**65 588 199**	**65 588 199**
Equity as at 31/12/2021	**730 178**	**496 100**	**65 139 524**	**274 642 941**	**341 008 743**

5. STANDALONE CASH FLOW STATEMENT

STANDALONE CASH FLOW STATEMENT	for the period 01.01.2022 - 31.12.2022	for the period 01.01.2021 - 31.12.2021
OPERATING ACTIVITY		
Profit/loss before taxation	**64 046 188**	**158 457 311**
Total adjustments:	**77 780 336**	**65 797 113**
Depreciation and amortization	6 538 798	3 928 888
Foreign exchange gain/loss	-147 684	939 074
Interest paid on lease	290 626	266 055
Interest on liabilities (Rortos)	5 953 645	6 634 755
Interest and share in profits (dividends)	-2 583 580	-2 261 792
Change in receivables	3 057 225	-1 489 692
Change in liabilities and accrued expenses	13 405 599	3 635 556
Change in contract liabilities	2 044 870	15 524 021
Change in contract assets	-948 876	-4 321 789
Write-offs on intangible assets	23 782 233	3 760 701
Share based payments (part not included in the acquisition of intangible assets)	23 641 852	39 670 061
Loss on associates	2 745 607	0
Other adjustments	21	-488 725
Cash from operating activity	**141 826 524**	**224 254 425**
Income tax (paid) / refunded	-17 888 690	-17 351 206
A. Net operating cash flow	**123 937 834**	**206 903 219**
INVESTMENT ACTIVITY		
Repayment of loans granted	1 580 000	893 758
Purchase of intangible and tangible fixed assets	-38 179 354	-23 056 205
Sale of intangible assets and tangible fixed assets	59 001	0
Purchase of shares	-14 320 399	-218 160 548
Loans granted	-2 200 000	-3 925 261
Interest on loans	23 452	0
B. Net cash flow from investment activities	**-53 037 300**	**-244 248 256**
FINANCIAL ACTIVITY		
Dividends from subsidiaries	2 583 580	2 261 792
Payment of loans	0	0
Net proceeds from issue of shares and other capital instruments and additional payments to capital	3 304	3 447
Dividends and other payments to owners	-72 317 830	-72 673 110
Payments of finance lease liabilities	-3 828 546	-2 128 790
Purchase of own shares	-18 636 050	0
Interest on lease	-290 627	-266 055
C. Net cash flow from financing activity	**-92 486 169**	**-72 802 716**
D. Total net cash flow	**-21 585 635**	**-110 147 753**
- change in cash due to exchange rate losses/gains	-172 989	-381 324
E. Balance-sheet change in cash, including foreign exchange	**-21 758 624**	**-110 529 077**
F. Cash at the beginning of the period	**122 672 326**	**233 201 403**
G. Cash at the end of the period	**100 913 702**	**122 672 326**

GENERAL INFORMATION

1. COMPANY'S DATA

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

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.

2. FUNCTIONAL CURRENCY AND PRESENTATION CURRENCY

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

3. PRESENTED PERIODS

The standalone financial statement includes data for the period from 1 January 2022 to 31 December 2022. Comparative data are presented as at 31 December 2021 for the standalone statement of financial situation and for the period from 1 January 2021 to 31 December 2021 for the standalone statement of comprehensive income, standalone statement of cash flows and standalone statement of changes in equity.

4. GOING CONCERN ASSUMPTION

The standalone financial statement has been prepared assuming that the Company shall continue their activities for the period of at least 12 months after the last balance-sheet date, i.e. 31/12/2022. The Management Board of the Company, as at the date of signing the statement, was not aware of any facts or circumstances which could indicate a threat to the continuation of activity for the period of at least 12 months after the balance-sheet date due to an intended or forced discontinuance or material limitation of the activity.

5. COMPOSITION OF THE COMPANY'S BODIES AS AT 31/12/2022

The Management Board:

Maciej Zuzalek – President of the Management Board;

Anna Idzikowska – Member of the Management Board;

Janusz Dziemidowicz – Member of the Management Board;

Wojciech Gattner – Member of the Management Board;

Andrzej Ilczuk – Member of the Management Board;

Magdalena Jurewicz – Member of the Management Board.

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

On January 13, 2023, the Management Board of the Company was informed about the decision of Ms. Anna Idzikowska, Member of the Management Board of the Company, to resign from her function in the Management Board of the Company, effective as of February 28, 2023.

Supervisory Board:
Rafał Olesinski - Chairman of the Supervisory Board;
Wiktor Schmidt - Vice Chairman of the Supervisory Board;
Marcin Bilos - Member of the Supervisory Board;
Maciej Marszałek - Member of the Supervisory Board;
Arkadiusz Pernal - Member of the Supervisory Board;
Kinga Stanislawska - Member of the Supervisory Board.

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

Mr. Tomasz Drozdzynski resigned from the position of Member of the Supervisory Board on March 11, 2022.

6. SHAREHOLDERS STRUCTURE

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

Shareholder	number of shares as of 28/03/2023	% share in the share capital	number of votes at GMS	% share in the number of votes
Shareholders' Arrangement[1]	2 487 288	33.9%	2 487 288	33.9%
own shares acquired by the Company	70 000	1.0%	70 000	1.0%
others (including no entity holding more than 5% of shares)	4 777 534	65.1%	4 777 534	65.1%
TOTAL	**7 334 822**	**100.0%**	**7 334 822**	**100.0%**

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

Shareholder	number of shares as of 31/12/2022	% share in the share capital	number of votes at GMS	% share in the number of votes
Shareholders' Arrangement	2 487 288	33.9%	2 487 288	33.9%
Nationale-Nederlanden OFE/PTE	524 371	7.1%	524 371	7.1%
TFI Allianz Polska S.A	488 915	6.7%	488 915	6.7%
own shares acquired by the Company	70 000	1.0%	70 000	1.0%
others (including no entity holding more than 5% of shares)	3 764 248	51.3%	3 764 248	51.3%
TOTAL	**7 334 822**	**100.0%**	**7 334 822**	**100.0%**

Shareholder	number of shares as of 31/12/2021	% share in the share capital	number of votes at GMS	% share in the number of votes
Shareholders' Arrangement[1]	3 000 120	41.1%	3 000 120	41.1%
others (including no entity holding more than 5% of shares)	4 301 663	58.9%	4 301 663	58.9%
TOTAL	**7 301 783**	**100.0%**	**7 301 783**	**100.0%**

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

Shareholder	**number of shares as of 28/03/2023**	**% share in the share capital**	**number of votes at GMS**	**% share in the number of votes**
President of the Management Board - Maciej Zuzalek	194 826	2.7%	194 826	2.7%
Member of the Management Board - Andrzej Ilczuk	10 388	0.1%	10 388	0.1%
Member of the Management Board - Janusz Dziemidowicz	84 249	1.1%	84 249	1.1%
Member of the Management Board - Wojciech Gattner	29 000	0.4%	29 000	0.4%
Member of the Management Board - Magdalena Jurewicz	19 500	0.3%	19 500	0.3%
Member of the Supervisory Board - Arkadiusz Pernal	661 552	9.0%	661 552	9.0%
Member of the Supervisory Board - Maciej Marszałek	44 000	0.6%	44 000	0.6%
Member of the Supervisory Board - Rafał Olesinski	669	0.0%	669	0.0%
Member of the Supervisory Board - Kinga Stanislawska	105	0.0%	105	0.0%
TOTAL: MANAGEMENT BOARD AND SUPERVISORY BOARD	**1 044 289**	**14.2%**	**1 044 289**	**14.2%**
Others	6 290 533	85.8%	6 290 533	85.8%
TOTAL	**7 334 822**	**100.0%**	**7 334 822**	**100.0%**

Shareholder	**number of shares as of 31/12/2022**	**% share in the share capital**	**number of votes at GMS**	**% share in the number of votes**
President of the Management Board - Maciej Zuzalek	194 826	2.7%	194 826	2.7%
Member of the Management Board - Anna Idzikowska	25 000	0.3%	25 000	0.3%
Member of the Management Board - Andrzej Ilczuk	10 388	0.1%	10 388	0.1%
Member of the Management Board - Janusz Dziemidowicz	84 249	1.1%	84 249	1.1%
Member of the Management Board - Wojciech Gattner	29 000	0.4%	29 000	0.4%
Member of the Management Board - Magdalena Jurewicz	19 500	0.3%	19 500	0.3%
Member of the Supervisory Board - Arkadiusz Pernal	661 552	9.0%	661 552	9.0%
Member of the Supervisory Board - Maciej Marszałek	44 000	0.6%	44 000	0.6%
Member of the Supervisory Board - Rafał Olesinski	669	0.0%	669	0.0%
Member of the Supervisory Board - Kinga Stanislawska	105	0.0%	105	0.0%
TOTAL: MANAGEMENT BOARD AND SUPERVISORY BOARD	**1 069 289**	**14.6%**	**1 069 289**	**14.6%**
Others	6 265 533	85.4%	6 265 533	85.4%

TOTAL	**7 334 822**	**100.0%**	**7 334 822**	**100.0%**

Shareholder	number of shares as of 31/12/2021	% share in the share capital	number of votes at GMS	% share in the number of votes
President of the Management Board - Maciej Zuzalek	194 826	2.67%	194 826	2.67%
Member of the Management Board - Anna Idzikowska	17 000	0.23%	17 000	0.23%
Member of the Management Board - Andrzej Ilczuk	2 388	0.06%	2 388	0.06%
Member of the Management Board - Janusz Dziemidowicz	84 249	1.15%	84 249	1.15%
Member of the Management Board - Wojciech Gattner	24 698	0.34%	24 698	0.34%
Member of the Management Board - Magdalena Jurewicz	19 500	0.27%	19 500	0.27%
Member of the Supervisory Board - Arkadiusz Pernal	807 600	11.06%	807 600	11.06%
Member of the Supervisory Board - Maciej Marszałek	44 000	0.60%	44 000	0.60%
Member of the Supervisory Board - Rafał Olesinski	669	0.01%	669	0.01%
Member of the Supervisory Board - Kinga Stanislawska	105	0.00%	105	0.00%
TOTAL: MANAGEMENT BOARD AND SUPERVISORY BOARD	**1 195 035**	**16.43%**	**1 195 035**	**16.43%**
Others	6 106 748	83,57%	6 106 748	83,57%
TOTAL	**7 301 783**	**100.00%**	**7 301 783**	**100.00%**

6.3. Series of shares

Series of shares	Numer of shares as of 28/03/2023 and 31/12/2022	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	Numer of shares as of 31/12/2021	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.

6.4. Description of changes in shareholding structure

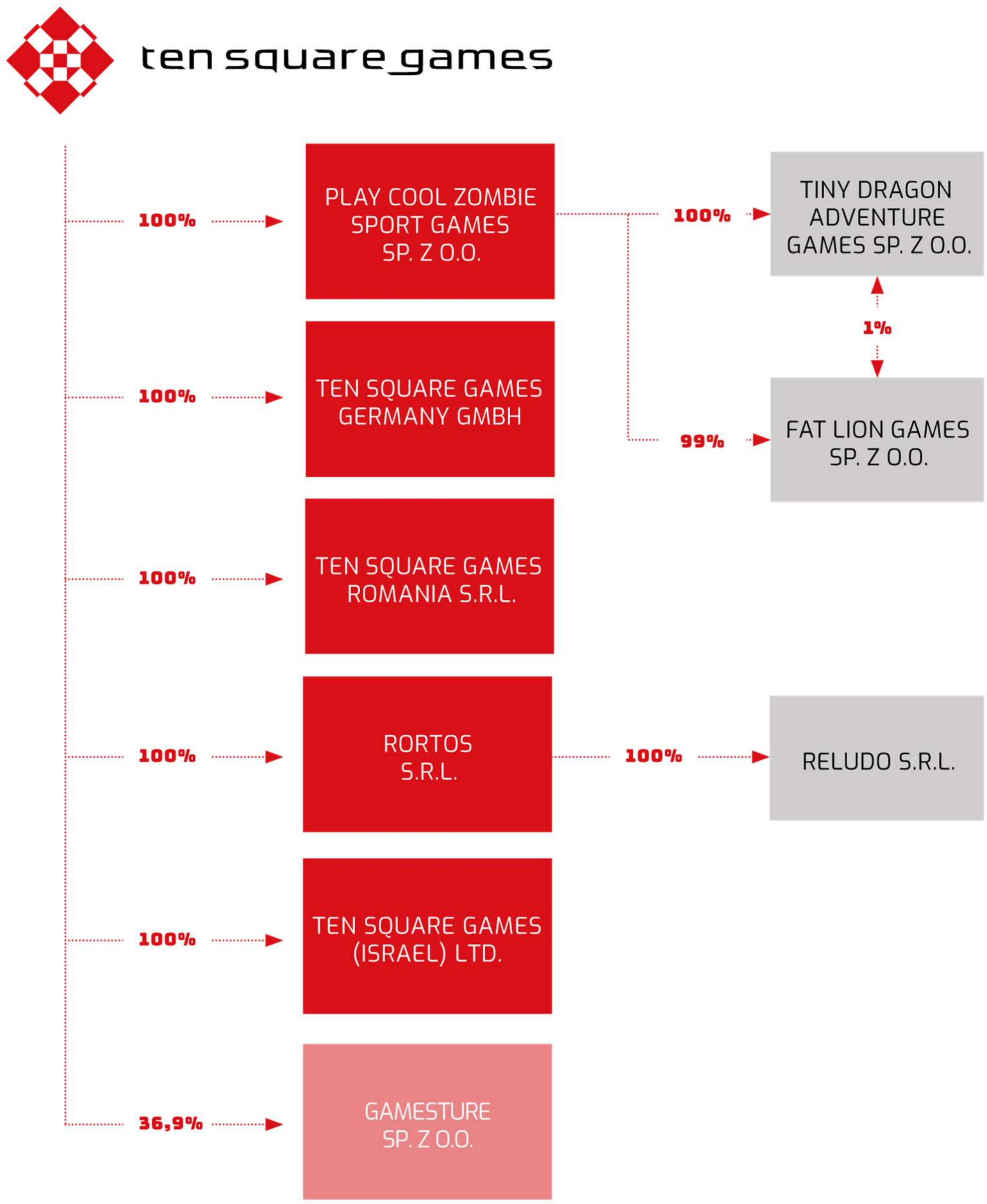
Changes in the shareholding structure between December 31, 2021 and March 28, 2023 result from the transactions described in:

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.
7) The notification received on December 23, 2022 regarding the change in the ownership of the Company's shares, submitted by Wojciech Gattner, about which the Company informed in the current report No. 47/2022.
8) The notification received on January 19, 2023 regarding the change in the ownership of the Company's shares, submitted by TFI Allianz Polska S.A, about which the Company informed in current report No. 4/2023.
9) The notification received on February 15, 2023 regarding the change in the ownership of the Company's shares, submitted by NN PTE S.A., about which the Company informed in current report No. 7/2023.

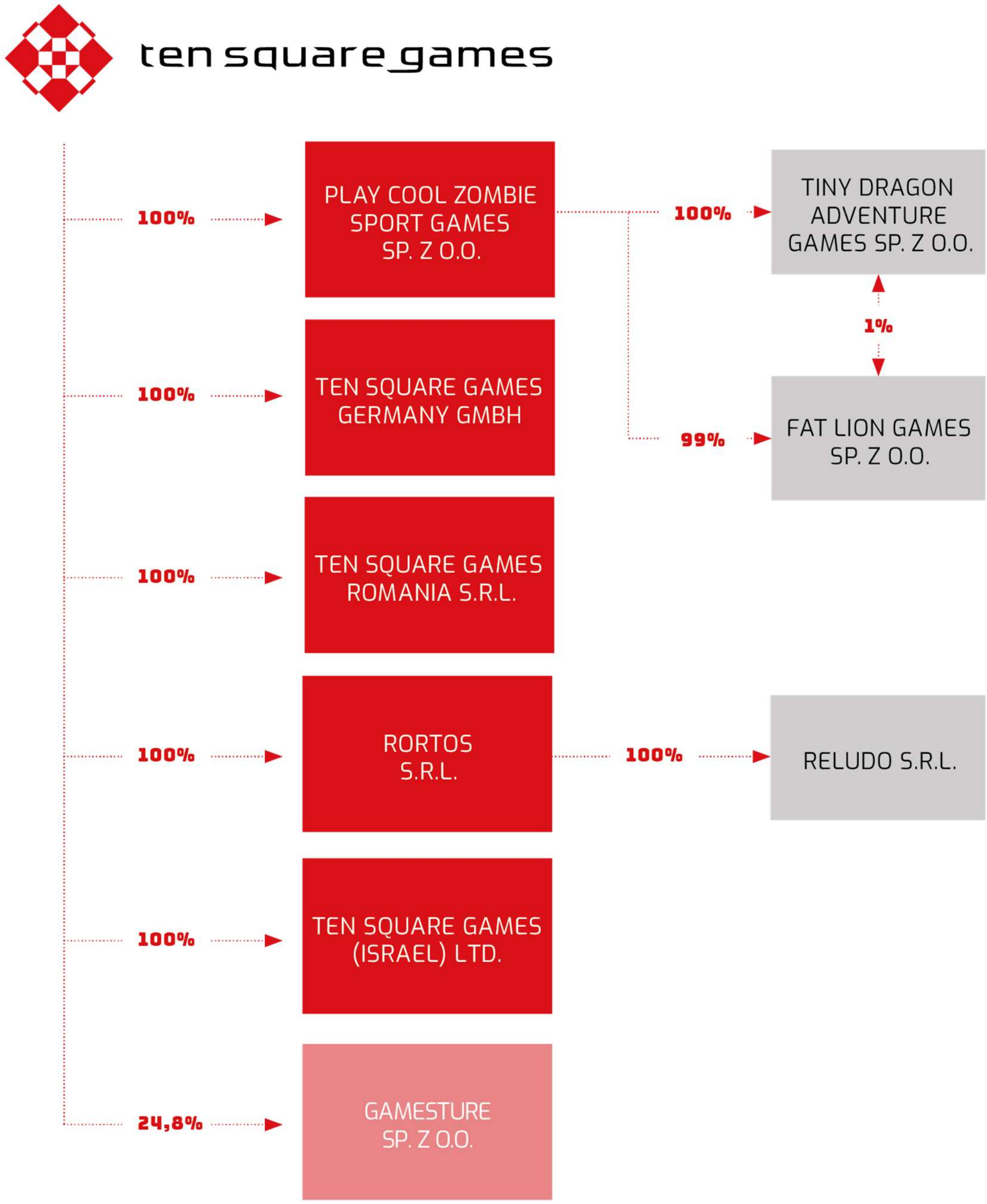
7. TEN SQUARE GAMES CAPITAL GROUP

As of 28/03/2023:

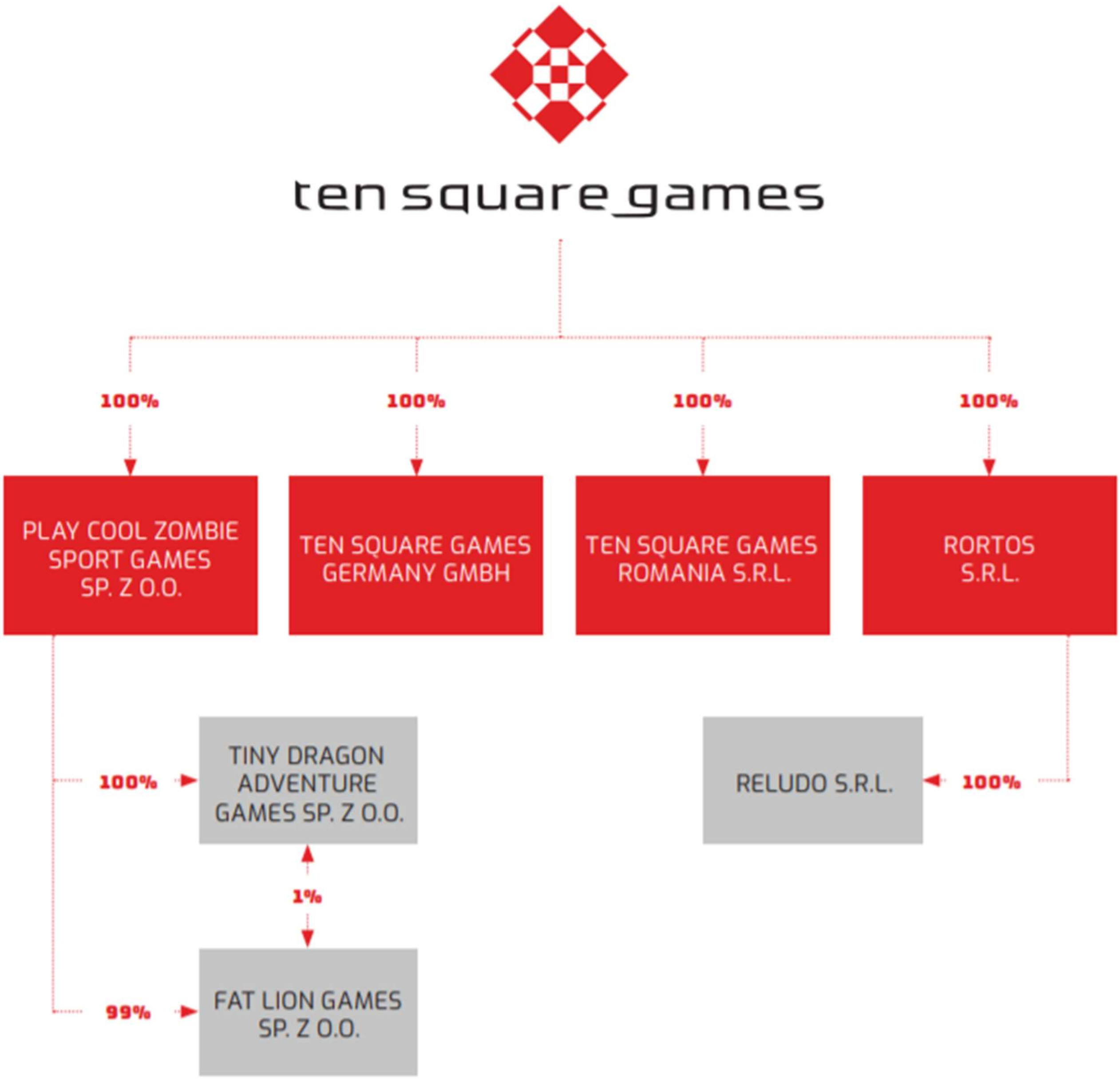


On October 14, 2015, the first subsidiary, Play Cool Zombie Sport Games Sp. z o. o. was registered.
On August 29, 2016, Tiny Dragon Adventure Games Sp. z o. o. was registered.
On November 17, 2017, Fat Lion Games Sp. z o. o. was registered.
Ten Square Games Germany GmbH was founded on December 7, 2020 (date of the articles of association) and entered into the commercial register on January 25, 2021.
Ten Square Games Romania S.r.l. was founded on May 17, 2021 (date of the articles of association) and entered into the commercial register on June 28, 2021.
Ten Square Games S.A. acquired 100% of the shares of Rortos S.r.l. on July 5, 2021, in performance of the provisions of the sales agreement concluded on June 30, 2021.
Ten Square Games (Israel) Ltd. was founded on February 15, 2022 (date of the articles of association) and entered into the commercial register on February 20, 2022.
Ten Square Games S.A. acquired 24.8% of shares in Gamesture Sp. z o. o. on March 11, 2022. On January 31, 2023 Ten Square Games S.A. acquired 12% of shares in Gamesture Sp. z o. o. (which was registered in court on March 17, 2023) and currently holds 36.9% of the shares of this company.

As of 31/12/2022:



As at 31.12.2021:



8. INFORMATION ON CONSOLIDATION

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

9. AUDITING COMPANY

PKF Consult Spółka z ograniczoną odpowiedzialnością Sp.k.
ul. Orzycka 6 lok. 1B
02 -695 Warszawa

10. IMPACT OF THE WAR IN UKRAINE ON GROUP OPERATIONS

On February 24, 2022, the Russian invasion of Ukraine began. This event had and still has a significant impact on the Company's operations. On 8 March 2022, the Company ceased providing, maintaining and blocked payments for all of its games in Russia and Belarus. This event certainly translated into the results generated in 2022 and may contribute to the results in the following years, as sales on these markets accounted for approx. 5.3% of the total payments in 2021.

The Management Board also decided to transfer PLN 1 million to non-governmental organizations supporting refugees in Ukraine and to grant funding to Ukrainian employees who came to Poland.

The war in Ukraine also has a negative impact on energy prices, however, in the case of the Company, this impact is negligible from the perspective of the financial statements.

As at the date of publication of these financial statements, the Management Board of the Company, based on the risk analysis performed so far, estimates that, despite everything, the war does not affect the assessment of the legitimacy of the assumption as to the going concern of the Company.

11. STATEMENT OF THE MANAGEMENT BOARD

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

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

12. MANAGEMENT BOARD INFORMATION

The Management Board of the Company announces that the selection of the audit firm to audit the annual standalone and consolidated financial statement for fiscal year 2022 was made by the Supervisory Board of the Company in the form of a resolution adopted on 18 May 2021 after the recommendation presented by the Audit Committee. The Supervisory Board selected the audit firm PKF Consult Sp. z o.o. sp. k. to review the semi-annual financial statements of Ten Square Games S.A. and the semi-annual consolidated financial statements of the Ten Square Games S.A. Group for the periods from 01.01.2022 to 30.06.2022, from 01.01.2023 to 30.06.2023, as well as the audit of the annual separate financial statements of Ten Square Games S.A. and the annual consolidated financial statements of the Ten Square Games S.A. Group for the years 2022 and 2023 and thus decided to extend the agreement with PKF Consult Sp. z o.o. sp.k.

The audit firm and the members of the team auditing the annual separate and consolidated financial statements for the financial year 2022 fulfilled the conditions for the preparation of an objective and independent report on the audit of the annual financial statement in accordance with the applicable regulations, professional standards and professional ethics.

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

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

BASIS OF PREPARATION AND ACCOUNTING POLICY

1. COMPLIANCE WITH THE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The standalone financial statement prepared as at 31 December 2022 has been prepared in accordance with International Accounting Standards, International Financial Reporting Standards and interpretations issued by the International Accounting Standards Board approved by the European Union, hereinafter referred to as "EU IFRS".

EU IFRSs comprise standards and interpretations accepted by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) and endorsed for use in the EU.

In preparing the standalone financial statements as at 31 December 2022, the Company adopted all new and approved standards and interpretations issued by the International Accounting Standards Board and the International Accounting Standards Interpretation Committee and approved for application in the EU, applicable to its operations.

Standards, interpretations and amendments to the published Standards approved by the EU, which were adopted as at March 28, 2023, but have not yet entered into force for annual periods beginning on January 1, 2023, include:

- IFRS 14 Regulatory prepayments and accruals (published on January 30, 2014) - in accordance with the decision of the European Commission, the process of approving the standard in the preliminary version will not be initiated before the release of the standard in the final version - not approved by the EU until the date of approval of these financial statements - applicable to annual periods beginning on or after January 1, 2016;
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (issued on 11 September 2014) - works leading to the approval of these amendments were postponed by the EU indefinitely - the effective date was postponed by IASB for an indefinite period;
- IFRS 17 Insurance Contracts (published on May 18, 2017) including Amendments to IFRS 17 (published on June 25, 2020) - applicable to annual periods beginning on or after January 1, 2023;
- Amendments to IAS 1 and Practice Statement 2: Disclosure of Accounting Principles (Policy) (issued on February 12, 2021) - applicable to annual periods beginning on or after January 1, 2023;
- Amendments to IAS 8: Definition of accounting estimates (issued on February 12, 2021) - applicable to annual periods beginning on or after January 1, 2023;
- Amendments to IAS 12: Deferred tax relating to assets and liabilities arising from a single transaction (published on May 7, 2021) - applicable to annual periods beginning on or after January 1, 2023;
- Amendments to IFRS 17 Insurance contracts: First application of IFRS 17 and IFRS 9 - Comparative information (issued on December 9, 2021) - applicable to annual periods beginning on or after January 1, 2023;
- Amendments to IAS 1: Presentation of financial statements - Classification of liabilities into short-term and long-term and Classification of liabilities into short-term and long-term - deferral of the effective date and Long-term liabilities containing contractual clauses (published on January 23, 2020 and July 15, 2020 and October 31, respectively 2022) - until the date of approval of these financial statements, not approved by the EU - applicable to annual periods beginning on or after January 1, 2024;
- Amendment to IFRS 16 Leases: Lease Liability in a Sale and Leaseback Transaction (issued on September 22, 2022) - not approved by the EU as at the date of approval of these financial statements - applicable to annual periods beginning on or after January 1, 2024.

In preparing the financial statements as at 31.12.2022, the Group has not opted for early application of any standard, interpretation or amendment that has been published but has not yet become effective under European Union legislation. According to the Company's estimates, the early application by the Company of these standards, interpretations and amendments to standards would not have a material impact on these financial statements.

2. CHANGES IN ACCOUNTING PRINCIPLES (POLICY)

There were no changes in accounting policies during 2022.

3. DESCRIPTION OF THE ADOPTED ACCOUNTING PRINCIPLES (POLICY)

3.1. Revenues and costs of operating activity

Revenues are gross inflow of economic benefits of a given period, arising in the course of (ordinary) economic activity of the Company and resulting in an increase of equity, other than an increase of equity resulting from the contributions of shareholders. Revenues include only gross inflows of economic benefits received and receivable by the Company. 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 Company. Sales of services are recognized in the accounting period in which the services were provided.

The specific nature of the Company'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 Company'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 Company distinguishes three main sources of revenues:

1) revenues from additional functionalities purchased by the players (micro-payments);

2) revenues from advertisements displayed in games (advertisements);

3) revenues from the users' activity in games which are shared with the Company's commercial partners on the basis of license agreements (licenses).

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

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.

3.2. 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.

3.3. 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.

3.4. 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.

3.5. Intangible assets

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

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

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

Intangible assets of the Group with the depreciation rates:

1) Computer software – from 2 to 5 years,

2) Development costs – from 5 to 10 years.

Software development activities

The Company'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 Company 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 Company 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.

3.6. 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.

3.7. Investments in subsidiaries and associates

In accordance with IAS 27, the Company, as a parent company preparing separate financial statements, recognises its investments in subsidiaries, jointly controlled entities and associates at cost. Where the cost of acquisition includes future contingent payments, the Company makes a reasonably reliable estimate of the future cash flows at the date of acquisition and recognises them at their present value, adjusted for 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 initially recognised at cost and the carrying amount is increased or decreased to recognise the investor's share of the investee's profits or losses after the date of acquisition. An associate is, in turn, an entity over which the investor has significant influence and that is neither a subsidiary nor a joint venture of the investor. Management of the Parent company shall consider each time the existence of significant influence and dependence of the company in which the shares are acquired.

3.8. Financial instruments

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

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

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

a) the entity's business model with regard to the management of financial assets, and

b) the characterization of cash flows for a financial asset, resulting from an agreement.

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

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

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

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

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

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

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

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

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

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

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

3.9. Transactions in foreign currencies

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

Valuation

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

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

Transactions during the year

Transactions denominated in currencies other than 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 Company 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 Company shall recognize the profit from the period which shall be allocated to other capitals, according to the resolution of shareholders.

3.12. Share-based payments

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

3.13. Payment of dividends

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

3.14. Provisions

Provisions shall be recognized if the Company 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 Company'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 Company's present obligation resulting from past events, the fulfilment of which will result in an outflow from the Company 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 Company conducting estimates and assumptions which are reflected in this statement and additional information and explanations to the statement.

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

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

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

Professional judgement:

Moment of activation of development costs

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

Depreciation period of activated intangible assets

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

Deferred income tax assets and liabilities

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

Fair value of share-based payments

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

Recognition of revenue from the 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.

<u>Uncertainty of estimates</u>

Impairment of assets

As at each balance-sheet date, the Company shall verify the assets for impairment and evaluate a necessity of preparing impairment write-downs. This takes place when the Company 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 Company'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 Company. 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 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 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 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, and as at 31 December 2021, the Company deferred revenue from durable goods over time for the first time for its second leading title - Hunting Clash.

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.

As at 31 December 2022, the Company updated the valuation of the earn-out payments liability, taking into account the actual results achieved in the period from 01 July 2021 until 31 December 2022 and updating the financial model with future cash flows.e

In order to reflect the current market assessment of the time value of money and the risk inherent in the liability, future payments have been estimated taking into account the change in the value of money over time and discounted to the present value.

In the calculation of acquisition liabilities, there is primarily uncertainty regarding the achievement of the assumed financial results of the related party. The results in subsequent years may assume a value higher or lower than assumed, resulting in a deviation of the actual liability from the estimated amount as at 31 December 2022.

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

Determination of materiality

When preparing financial statements, the Group applies the materiality principle. The materiality principle introduces the possibility to apply simplifications, if it does not have a materially negative impact on the reliable and clear presentation of the property, 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).

NOTES TO THE FINANCIAL STATEMENT – STANDALONE DATA

1. 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 - 31.12.2022	01.01.2021 - 31.12.2021
Sales of services	499 926 538	617 446 466
TOTAL revenues from sales of services	**499 926 538**	**617 446 466**
Other operating revenues	610 915	437 106
Financial revenues	10 978 261	2 355 869
TOTAL revenues from continuing operations	**511 515 714**	**620 239 441**
TOTAL revenues	**511 515 714**	**620 239 441**

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 Company's's financial performance primarily based on 2 metrics: „Bookings" and „Adjusted EBITDA".

Under „Bookings", the Company 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".

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

- extraordinary and one-off events;

- costs of carrying out the Program in accordance with the financial reporting standards applicable to the Company;

- the effect of recognition over time the incentive program of the President of the Management Board, Maciej Zużalek (described below);

- the impact of non-cash adjustments to revenue (and the related cost of distributors' commissions), related to e.g. deferral of revenue from virtual currency or durables;

- the impact of any one-off write-downs on capital expenditures on the creation of mobile games;

- the effect of possible changes in the tax and social security systems resulting from, among others, changes in applicable regulations, including the "New Deal", which would increase the Company's costs due to the need to raise the remuneration of employees and associates (applies only to the financial result for 2022).

1.2. Revenues – source

The Company's operations are based on the production and distribution of Free to Play (F2P) games. The Company generates sales revenues related to in-game advertising, in-game micropayments and on the basis of license agreements.

Type of revenues	Bookings 2022	Share in 2022 bookings	Bookings 2021	Share in 2021 bookings
micro-payments	493 062 063	98.2%	621 863 154	98.2%
Advertisement	2 566 691	0.5%	691 805	0.1%
Licences	6 342 653	1.3%	10 415 528	1.6%
TOTAL BOOKINGS	**501 971 407**	**100.0%**	**632 970 487**	**100.0%**
Deferred income (consumable)	4 952 077	N/D	-6 243 418	N/D
Deferred income (durable)	-6 996 946	N/D	-9 280 603	N/D
TOTAL REVENUES	**499 926 538**	**N/D**	**617 446 466**	**N/D**

Revenues from micropayments and licenses are entirely generated by natural persons, while the flow of funds to the Company 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 Company. 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. Revenues related to the purchase of durable virtual goods (and the commission of digital distribution platforms such as Google Play and App Store related to these revenues) are recognized by the estimated average playing time of paying users.

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 2022	Share in 2022 bookings	Bookings 2021	Share in 2021 bookings
Fishing Clash*	355 966 346	70.9%	482 881 589	76.3%
Hunting Clash	122 510 254	24.4%	115 766 337	18.3%
Let's Fish	10 363 828	2.1%	14 474 391	2.3%
Wild Hunt	10 581 249	2.1%	13 070 985	2.1%
Other	2 549 730	0.5%	6 777 185	1.1%
TOTAL BOOKINGS	**501 971 407**	**100.0%**	**632 970 487**	**100.0%**
Deferred income (consumable)	4 952 077	N/D	-6 243 418	N/D
Deferred income (durable)	-6 996 946	N/D	-9 280 603	N/D
TOTAL REVENUES	**499 926 538**	**N/D**	**617 446 466**	**N/D**

*2022 bookings for the Fishing Clash game include PLN 3.9 million (1.1% of the total bookings for this title) related to the license revenue generated on the Chinese market, in 2021 this value was equal to PLN 3.3 million.

Quarterly breakdown of bookings for major titles:

Game	1Q2022	2Q2022	3Q2022	4Q2022
Fishing Clash	95 826 978	84 385 263	88 773 895	86 980 210
Hunting Clash	32 279 619	24 978 052	32 523 045	32 729 538
Let's Fish	3 099 293	2 394 146	2 380 160	2 490 229
Wild Hunt	2 790 545	2 517 568	2 666 554	2 606 582

Other	713 134	654 018	649 775	532 803
TOTAL BOOKINGS	**134 709 569**	**114 929 047**	**126 993 429**	**125 339 362**
Deferred income (consumable)	4 937 513	908 931	1 505 185	-2 399 552
Deferred income (durable)	2 845 786	-217 105	-6 077 958	-3 547 669
TOTAL REVENUES	**142 492 868**	**115 620 873**	**122 420 656**	**119 392 141**

Game	1Q 2021	2Q 2021	3Q2021	4Q2021
Fishing Clash	131 659 442	114 630 444	114 723 737	121 867 965
Hunting Clash	26 840 820	30 295 431	28 136 897	30 493 190
Let's Fish	4 208 029	3 709 670	3 111 500	3 445 192
Wild Hunt	3 666 218	3 326 285	2 766 276	3 312 206
Other	2 148 159	1 899 333	1 582 504	1 147 189
TOTAL BOOKINGS	**168 522 668**	**153 861 163**	**150 320 913**	**160 265 742**
Deferred income (consumable)	3 213 637	283 892	-2 265 275	-7 475 672
Deferred income (durable)	1 704 189	9 624 478	-7 489 650	-13 119 620
TOTAL REVENUES	**173 440 494**	**163 769 533**	**140 565 988**	**139 670 451**

Deferred revenue by game and quarter in 2022, and the balance sheet balance (balance sheet item “contract liabilities” for deferred revenue and balance sheet item “contract assets” for deferred commission costs):

2022

CONSUMABLE	**Balance sheet item**	**Change of deferral**	**Change of deferral**	**Change of deferral**	**Change of deferral**	**Balance sheet item**
	01.01.2022	**Q1 2022**	**Q2 2022**	**Q3 2022**	**Q4 2022**	**31.12.2022**
Fishing Clash						
deferred revenues	-9 423 145	3 305 098	696 382	1 483 290	-1 952 346	-5 890 721
deferred costs	2 826 943	-991 529	-208 915	-444 987	585 704	1 767 216
Hunting Clash						
deferred revenues	-2 871 981	1 505 052	134 265	-28 227	-285 664	-1 546 555
deferred costs	861 594	-451 516	-40 280	8 468	85 699	463 965
Let's Fish						
deferred revenues	-214 577	31 977	45 604	25 404	-74 566	-186 158
deferred costs	64 373	-9 593	-13 681	-7 621	22 370	55 848
Wild Hunt						
deferred revenues	-280 890	95 385	32 680	24 718	-86 977	-215 084
deferred costs	84 267	-28 616	-9 804	-7 415	26 093	64 525
RAZEM						
deferred revenues	-12 790 593	4 937 512	908 931	1 505 186	-2 399 552	-7 838 516
deferred costs	3 837 178	-1 481 254	-272 679	-451 556	719 866	2 351 555

DURABLE	**Balance sheet item**	**Change of deferral**	**Change of deferral**	**Change of deferral**	**Change of deferral**	**Balance sheet item**
	01.01.2022	**Q1 2022**	**Q2 2022**	**Q3 2022**	**Q4 2022**	**31.12.2022**

Fishing Clash						
deferred revenues	-46 432 130	4 497 751	-434 953	-3 101 847	-2 167 486	-47 638 665
deferred costs	13 618 212	-1 463 979	556 566	930 556	650 246	14 291 601
Hunting Clash						
deferred revenues	-6 019 144	-1 651 965	217 848	-2 976 112	-1 380 182	-11 809 555
deferred costs	1 781 756	477 496	-23 274	892 834	414 055	3 542 867
RAZEM						
deferred revenues	-52 451 274	2 845 786	-217 105	-6 077 959	-3 547 668	-59 448 220
deferred costs	15 399 968	-986 483	533 292	1 823 390	1 064 301	17 834 468

CONSUMABLE + DURABLE	**Balance sheet item**	**Change of deferral**	**Change of deferral**	**Change of deferral**	**Change of deferral**	**Balance sheet item**
	01.01.2022	**Q1 2022**	**Q2 2022**	**Q3 2022**	**Q4 2022**	**31.12.2022**
deferred revenues	-65 241 866	7 783 298	691 826	-4 572 772	-5 947 221	-67 286 735
deferred costs	19 237 146	-2 467 737	260 613	1 371 834	1 784 166	20 186 022
TOTAL	**-46 004 720**	**5 315 561**	**952 439**	**-3 200 939**	**-4 163 055**	**-47 100 714**

2021

CONSUMABLE	**Balance sheet item**	**Change of deferral**	**Change of deferral**	**Change of deferral**	**Change of deferral**	**Balance sheet item**
	01.01.2021	**Q1 2021**	**Q2 2021**	**Q3 2021**	**Q4 2021**	**31.12.2021**
Fishing Clash						
deferred revenues	-6 235 931	3 080 182	263 529	-1 285 117	-5 245 807	-9 423 145
deferred costs	1 870 779	-924 055	-79 059	385 535	1 573 742	2 826 943
Hunting Clash						
deferred revenues				-953 028	-1 918 954	-2 871 981
deferred costs				285 908	575 686	861 594
Let's Fish						
deferred revenues	-143 137	62 366	6 257	-17 775	-122 289	-214 577
deferred costs	42 941	-18 710	-1 877	5 332	36 687	64 373
Wild Hunt						
deferred revenues	-168 108	71 089	14 106	-9 355	-188 621	-280 890
deferred costs	50 433	-21 327	-4 232	2 806	56 586	84 267
RAZEM						
deferred revenues	-6 547 176	3 213 637	283 892	-2 265 274	-7 475 671	-12 790 593
deferred costs	1 964 153	-964 091	-85 168	679 582	2 242 701	3 837 178

DURABLE	Balance sheet item 01/01/2021	Change of deferral Q1 2021	Change of deferral Q2 2021	Change of deferral Q3 2021	Change of deferral Q4 2021	Balance sheet item 01/01/2022
Fishing Clash						
deferred revenues	-43 170 671	1 704 189	9 624 478	-7 489 650	-7 100 476	-46 432 130
deferred costs	12 951 201	-522 700	-2 975 208	2 157 829	2 007 091	13 618 212
Hunting Clash						
deferred revenues					-6 019 144	-6 019 144
deferred costs					1 781 756	1 781 756
TOTAL						
deferred revenues	-43 170 671	1 704 189	9 624 478	-7 489 650	-13 119 620	-52 451 274
deferred costs	12 951 201	-522 700	-2 975 208	2 157 829	3 788 846	15 399 968

CONSUMABLE + DURABLE	Balance sheet item 01.01.2021	Change of deferral Q1 2021	Change of deferral Q2 2021	Change of deferral Q3 2021	Change of deferral Q4 2021	Balance sheet item 01.01.2022
deferred revenues	-49 717 847	4 917 826	9 908 370	-9 754 924	-20 595 291	-65 241 866
deferred costs	14 915 354	-1 486 791	-3 060 376	2 837 411	6 031 547	19 237 146
TOTAL	**-34 802 493**	**3 431 035**	**6 847 994**	**-6 917 513**	**-14 563 743**	**-46 004 721**

1.4. Revenues by business partner

Business partner	Bookings 2022	Share in 2022 bookings	Bookings 2021	Share in 2021 bookings
Google Inc.	298 510 903	59.5%	379 712 521	60.0%
Apple Distribution International	177 443 956	35.3%	220 564 790	34.8%
pozostali	26 016 548	5.2%	32 693 176	5.2%
TOTAL BOOKINGS	**501 971 407**	**100.0%**	**632 970 487**	**100.0%**
Deferred income (consumable)	4 952 077	N/D	-6 243 418	N/D
Deferred income (durable)	-6 996 946	N/D	-9 280 603	N/D
TOTAL REVENUES	**499 926 538**	**N/D**	**617 446 466**	**N/D**

1.5. Revenues – distribution channel

Distribution channel	Bookings 2022	Share in 2022 bookings	Bookings 2021	Share in 2021 bookings
Mobile	485 354 699	96.7%	609 887 622	96.4%
browsers	16 616 708	3.3%	23 082 865	3.6%
TOTAL BOOKINGS	**501 971 407**	**100.0%**	**632 970 487**	**100.0%**
Deferred income (consumable)	4 952 077	N/D	-6 243 418	N/D
Deferred income (durable)	-6 996 946	N/D	-9 280 603	N/D
TOTAL REVENUES	**499 926 538**	**N/D**	**617 446 466**	**N/D**

1.6. Revenues – geographical breakdown

The Company 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 2022	share in 2022 bookings	bookings 2021	share in 2021 bookings
North America	228 035 890	45.4%	271 292 044	42.9%
Europe	193 330 788	38.5%	236 975 730	37.4%
i)including Poland	*24 410 375*	4.9%	*32 800 684*	*5.2%*
ii) including revenues from subsidiary companies (Poland)	1 631 822	0.3%	4 112 620	0.6%
Asia	53 628 527	10.7%	95 468 804	15.1%
South America	11 799 401	2.4%	13 918 607	2.2%
Australia and Oceania	10 510 665	2.1%	9 703 434	1.5%
Africa	4 666 136	0.9%	5 611 868	0.9%
TOTAL BOOKINGS	**501 971 407**	**100%**	**632 970 487**	**100%**
Deferred income (consumable)	4 952 077	N/D	-6 243 418	N/D
Deferred income (durable)	-6 996 946	N/D	-9 280 603	N/D
TOTAL REVENUES	**499 926 538**	**N/D**	**617 446 466**	**N/D**

2. OPERATING COSTS

Specification	01.01.2022-31.12.2022	01.01.2021-31.12.2021
Amortization and depreciation*	6 538 798	3 928 888
Materials and energy	1 285 293	1 130 695
Third-party services	353 113 782	390 734 191
Taxes and fees	3 048 907	3 048 565
Remuneration	54 860 800	66 448 844
Social insurance and other benefits	10 532 068	9 554 574
Other costs by type	813 311	479 064
Total costs by type, including:	**430 192 959**	**475 324 821**
Cost of products and services sold	50 215 977	48 766 123
Sellings costs	290 351 766	343 986 866
General and administrative costs	63 253 241	60 332 230
Cost of manufacturing products for the entity's own needs (capitalisation)	26 371 975	22 239 602

*Amortization and depreciation shown in the statement of comprehensive income amounts to PLN 5,598,394. The difference to the amount shown above is due to the fact that through the mark-up of indirect costs to the capitalized costs of games, part of the depreciation of equipment and licenses is re-capitalized.

Cost analysis:

Components of the cost of producing services for the entity's own needs	01.01.2022 - 31.12.2022	01.01.2021 - 31.12.2021
Basic salary	5 973 198	4 168 693
Third party services	18 336 053	13 055 305
Social insurance and other benefits	1 108 388	653 073
Share based payments (part of remuneration)	-387 488	2 054 142
Overhead cost	1 341 824	2 308 389
Total	**26 371 975**	**22 239 602**

Breakdown of remuneration costs and other employee benefits (excluding amounts shown in the production cost component)	**01/01/2022 – 31/12/2022**	**01/01/2021 – 31/12/2021**
Basic salary	31 218 948	24 745 372
Share based payments (part of remuneration)	23 641 852	41 703 472
Social insurance and other benefits	10 532 068	9 554 574
Total cost of employee benefits, including:	**65 392 868**	**76 003 418**
Items included in the cost of goods sold	23 893 114	27 233 878
Items included in the selling costs	7 212 287	7 198 652
Items included in general and administrative costs	34 287 467	41 570 888

Breakdown of selling costs: annual and by quarter:

Specification	**01/01/2022-31/12/2022**	**01/01/2021-31/12/2021**
Selling costs	**290 351 766**	**343 986 866**
marketing:	115 060 771	139 472 692
- Fishing Clash	*63 198 513*	*82 004 759*
- Hunting Clash	*50 785 971*	*57 074 573*
- other titles	*1 076 287*	*393 360*
provisions	145 404 918	178 502 401
revenue share	1 678 416	1 821 970
salaries, subcontractor services	21 418 811	17 014 262
mobile games market research services	1 393 818	3 033 641
other	5 395 032	4 141 900

Specification	**1Q 2022**	**2Q 2022**	**3Q 2022**	**4Q 2022**
Selling costs	**77 399 034**	**65 182 198**	**74 731 846**	**73 038 688**
marketing:	29 766 907	23 739 896	31 552 679	30 001 289
- Fishing Clash	*16 110 636*	*13 099 412*	*18 769 324*	*15 219 141*
- Hunting Clash	*13 532 653*	*10 257 989*	*12 688 595*	*14 306 734*
- other titles	*123 618*	*382 495*	*94 760*	*475 414*
provisions	40 333 655	34 265 608	35 451 965	35 353 690
revenue share	448 775	406 178	407 005	416 458
salaries, subcontractor services	5 189 933	5 150 049	5 615 688	5 463 141
mobile games market research services	308 753	366 990	399 507	318 568
other	1 351 011	1 253 477	1 305 002	1 485 542

Specification	**1Q 2021**	**2Q 2021**	**3Q 2021**	**4Q 2021**
Selling costs	**95 832 122**	**95 525 500**	**81 132 421**	**71 496 823**
marketing:	40 087 652	42 419 871	33 944 492	23 020 677
- Fishing Clash	*22 551 718*	*24 783 495*	*21 055 086*	*13 614 460*
- Hunting Clash	*17 412 032*	*17 438 915*	*12 889 406*	*9 334 220*
- other titles	*123 903*	*197 461*	*0*	*71 997*
provisions	50 407 481	47 813 942	39 952 894	40 328 084
revenue share	477 124	423 624	411 570	509 652
salaries, subcontractor services	3 724 485	3 262 805	4 511 194	5 515 779
mobile games market research services	548 606	1 317 788	571 024	596 222
other	586 773	287 471	1 741 246	1 526 408

3. OTHER OPERATING COSTS

Other operating costs	01/01/2022 – 31/12/2022	01/01/2021 – 31/12/2021
Intangible assets impairment charge	23 782 243	3 760 701
Donations	2 042 840	404 430
Write-down of uncollectible receivables	10 731	7 118
Other	287 033	81 990
TOTAL	**26 122 847**	**4 254 239**

During the second quarter of 2022, the Management Board of the Company decided to cease the development and close the Football Elite project. The decision to close the project was made after an analysis of marketing costs in June, compared with the market potential and 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 costs incurred would be disproportionate to the potential revenues and size of this type of game segment. The write-down on expenditure on Football Elite amounted to PLN 9.1 million.

During the second quarter of 2022, the Company's Management Board also suspended development of the Magical District game so that the Warsaw studio could fully focus on its second production, i.e. Fishing Masters. As the game (Fishing Maters) continued to progress, the Management Board decided to definitively cease further work on Magical District and write off the entire cost of this game in the amount of PLN 9.2 million.

The company is also working on a new title - Undead Clash. At the end of 2022, numerous marketing tests were carried out for this title, and their results prompted the team to partially change the game's gameplay. Due to the change in the production, the Company made a partial write-off of the cost related to past works in the amount of PLN 5.3 million.

The 2021 write-off applies to Golf Royale.

4. FINANCIAL INCOME AND EXPENSE

Financial income	01/01/2022 – 31/12/2022	01/01/2021 – 31/12/2021
Dividends received	2 583 580	2 261 792
Interest income	1 419 677	94 077
Surplus of positive exchange differences	6 975 004	0
Total	**10 978 261**	**2 355 869**

Financial costs	01/01/2022 – 31/12/2022	01/01/2021 – 31/12/2021
Interest –unwinding of the discount on the liability related to the purchase of Rortos	5 953 645	2 652 789
Revaluation of liability related to the purchase of Rortos	8 534 740	0
Other interest cost	291 703	289 377
Excess of negative exchange rate differences	0	1 500 506
Total	**14 780 088**	**4 442 672**

5. INCOME TAX AND DEFERRED TAX

Starting from 2019, with the introduction of the so-called IP Box relief, the Company benefits from preferential taxation of part of its income. This relief consists of taxing income from qualified property rights at a rate of 5% instead of the standard 19%. The Company considers its games as qualified property rights and therefore uses the IP Box relief for profitable titles. Due to the fact that the relief is relatively new in Polish law, for the years 2019 and 2020 the Company settled and paid the tax using only part of the preferences. As the practice developed, in 2022 the Company decided to apply the relief more widely and submitted an annual CIT declaration for 2021 with full application of the relief - reporting amounts resulting from the corrections in net balance sheet in the amount 0 PLN as at 31.12.2022. In addition, at the beginning of 2023, the Company submitted a CIT adjustment for 2019 and 2020, also taking into account the wider application of the relief. As at the date of this report, the Company received information about the initiation of a customs and tax inspection for 2020, which is related to the submitted correction of the tax return

Due to the fact that the tax risk in Poland is higher than that usually existing in countries with a developed tax system, the Company decided to show tax settlements prudently - i.e. it showed the amounts resulting from the CIT calculation with the application of tax reliefs to a lesser extent.

Therefore, there were the following differences between the submitted declarations (or corrections of declarations) and the tax shown in the report:

- The Company expects a total tax refund for 2019-2020 in the amount of PLN 12.5 million (PLN 3.6 million for 2019 and PLN 8.9 million for 2020), however, due to the uncertainty as to the date of receipt of the refund, the Company did not show this receivables in the financial statements (i.e. booked the receivable and immediately included it in a write-down).
- The Company believes that the tax for 2021 has been settled in the correct amount and there is no need to pay additional tax, but due to the need to consistently recognize the tax liability/amount due for previous years, it recognizes a tax provision (PLN 10.9 million) in the financial statements.
- In the financial statement of comprehensive income for 2022, the Company shows tax in the amount of PLN 5.4 million, in accordance with the amount to be disclosed in the tax return. Calculation of CIT for 2022, with the application of tax reliefs related to the IP BOX to a narrower extent, would result in a reduction of the tax amount by PLN 1.1 million. The company decided to prudently disclose the tax settlement in a larger amount.

Tax disclosed in the Consolidated Financial Statements

Income tax disclosed in the statement of comprehensive income	01.01.2022 - 31.12.2022	01.01.2021 - 31.12.2021
Current income tax	**5 445 355**	**21 612 152**
Concerning 2022 financial year	5 445 355	0
Concerning 2021 financial year	0	10 717 383
Increase of income tax concenring 2021	0	10 894 769
Concerning 2020 financial year	-8 941 882	0
Write-off relating to financial year 2020	8 941 882	0
Concerning 2019 financial year	-3 599 122	0
Write-off relating to financial year 2019	3 599 122	0
Deferred income tax	**3 353 705**	**-1 416 150**
Related to the origination and reverse of temporary differences	3 353 705	-1 416 150
Tax disclosed in the statement of comprehensive income	**8 799 060**	**20 196 002**

CIT tax settlements as at 31/12/2022

CIT settlements as at 31/12/2022	
Current CIT settlements	**4 171 401**
Receivable related to the financial year 2022	-6 723 368
Provision related to the financial year 2021	10 894 769
Receivable related to the financial year 2020	-8 941 882
Write down of receivable relating to the financial year 2020	8 941 882
Receivable related to the financial year 2019	-3 599 122
Write down of receivable relating to the financial year 2019	3 599 122

The reconciliation of gross profit to the tax base is presented below:

Specification	**01/01/2022 – 31/12/2022**	**01/01/2021 – 31/12/2021**
Gross profit (loss)	**64 046 188**	**158 457 311**
Exchange rate differences	-4 231 400	4 205 352
Dividends received	-2 583 580	-2 261 792
Write-down of receivables (non-deductible)	10 731	7 118
Dissolution and creation of a holiday reserve	367 086	362 142
Creation of reserve for other costs	-69 277	5 657 269
Social security – costs of mandate contracts excluded at the turn of periods	0	0
Donations	2 042 840	404 430
Other non-tax-deductible costs	1 171 865	3 474 947
Depreciation – lease	2 891 198	1 925 258
Amortization of intangible assets	1 061 764	1 250 698
Amortization of fixed assets	743 417	
Capitalisation of game costs	-26 371 975	-22 239 602
Intangible assets impairment charge	23 782 243	3 760 701
Loss (profit) due to shares in associates	2 745 607	0
Unwinding of the discount	14 488 387	0
Share-based payments	23 641 852	41 703 472
Revenue (and related cost) deferred in the balance sheet	1 095 994	11 202 237
Other tax-deductible expenses	-4 869 173	-2 230 722
Taxable income	**99 963 767**	**205 678 819**
including income taxed at 5% (IP Box)	*108 907 109*	*119 694 631*
including income (loss) taxed at 19%	*-8 943 342*	*85 984 188*

Structure of a deferred income tax asset:

Specification	as at 31/12/2022	as at 31/12/2021
accounting for virtual currency over time	274 348	447 671
accounting for durables over time	2 160 820	4 343 041
holiday provision	239 436	169 690
Provision fo audit cost	18 810	9 797
lease – IFRS 16 valuation	91 020	184 923
revaluation of settlements	0	149 957
provision for renumerations	1 220 052	1 257 609
other provisions	26 930	1 946
Total	**4 031 416**	**6 564 633**

Structure of deferred income tax provision:

Specification	as at 31/12/2022	as at 31/12/2021
depreciation of games	4 388 783	3 618 004
revaluation of settlements	49 709	0
Total	**4 438 492**	**3 618 004**

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

6. DISCONTINUED ACTIVITY

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

7. DISTRIBUTION OF PROFIT FOR 2021

The Company's General Meeting of Shareholders on 26.05.2022 adopted a resolution on the distribution of the Company's net profit for 2021 in the amount of PLN 138,261,309 as follows:
1) the amount of PLN 72,317,830.00 was earmarked for distribution to shareholders in the form of a dividend payment of PLN 10.00 per share;
2) the amount of PLN 65,943,479.00 was allocated to the reserve capital.
The dividend date was set at 2 June 2022 and the dividend payment date at 16 June 2022.

8. TANGIBLE FIXED ASSETS

Changes in fixed assets (by type group) – for the period of 01/01/2022 – 31/12/2022.

Specification	Machinery and equipment	Buildings and premises	Other fixed assets	Fixed assets under construction	TOTAL
Gross carrying amount at 01.01.2022	**4 342 911**	**8 693 695**	**233 893**	**5 079 800**	**18 350 299**
Increases due to:	1 056 085	10 871 587	4 817 197	0	16 744 869
- acquisition	1 056 085	5 791 787	4 817 197	0	11 665 069
- reclassification	0	5 079 800	0	0	5 079 800
Decreases, due to:	342 208	0	48 149	5 079 800	5 470 157
- sales	112 032	0	0	0	112 032
- liquidation	230 176	0	48 149	0	278 325
- reclassification	0	0	0	5 079 800	5 079 800

Specification	Machinery and equipment	Buildings and premises	Other fixed assets	Fixed assets under construction	TOTAL
Gross carrying amount at 31.12.2022	**5 056 787**	**19 565 282**	**5 002 940**	**0**	**29 625 010**
Depreciation at 01.01.2022	**1 752 998**	**3 111 966**	**149 034**	**0**	**5 013 998**
Increases due to depreciation	1 169 073	3 615 156	443 297	0	5 227 525
Decrease, due to:	299 081	0	32 276	0	331 357
- sales	98 410	0	0	0	98 410
- liquidation	200 671	0	32 276	0	232 947
Depreciation at 31.12.2022	**2 622 990**	**6 727 122**	**560 054**	**0**	**9 910 166**
Write-downs as at 01.01.2022	**0**	**0**	**0**	**0**	**0**
Increase	0	0	0	0	0
Decrease	0	0	0	0	0
Write-downs as at 31.12.2022	**0**	**0**	**0**	**0**	**0**
Net carrying amount as at 31.12.2022	**2 433 797**	**12 838 160**	**4 442 886**	**0**	**19 714 843**

On November 3, 2021, the Company signed a lease agreement for the first floor in the City One office building, where from 2020 it also leases the third and part of the fourth floor. The lease agreement was concluded until January 2, 2025, however, it is subject to settlements in accordance with IFRS 16 Lease from the date of acceptance of the space for use after renovation and adaptation works, which took place in June 2022 (movement between "fixed assets under construction" and "buildings and premises ").

Changes in fixed assets (by type group) – for the period of 01/01/2021 – 31/12/2021.

Specification	Machinery and equipment	Buildings, premises and civil engineering works	Other fixed assets	Fixed assets under construction	TOTAL
Gross carrying amount at 01.01.2021	**2 278 219**	**8 693 695**	**198 898**	**0**	**11 170 812**
Increase due to the acquisition of fixed assets trwałych	2 176 532	0	34 995	5 079 800	7 291 327
Deccrease due the sales of fixed assets	111 840	0	0	0	111 840
Gross carrying amount at 31.12.2021	**4 342 911**	**8 693 695**	**233 893**	**5 079 800**	**18 350 299**
Depreciation at 01.01.2021	**1 110 157**	**1 373 227**	**131 089**	**0**	**2 614 473**
Increase due to depreciation	744 395	1 738 739	17 945	0	2 501 080
Decrease due to sales	101 554	0	0	0	101 554
Depreciation at 31.12.2021	**1 752 998**	**3 111 966**	**149 034**	**0**	**5 013 998**
Write-downs as at 01.01.2021	**0**	**0**	**0**	**0**	0
Write-downs as at 31.12.2021	**0**	**0**	**0**	**0**	0
Net carrying amount as at 31.12.2021	**2 589 913**	**5 581 729**	**84 859**	**5 079 800**	**13 336 300**

Tangible fixed assets – ownership structure

Specification	31/12/2022	31/12/2021
Own	6 876 684	3 047 730
Used under a lease, tenancy or other agreement, including a lease agreement	12 838 160	10 288 570
Total	**19 714 844**	**13 336 300**

The Company does not own land in perpetual usufruct. The Company does not have any liabilities towards the state budget or local government authorities arising from the acquisition of ownership rights to buildings.

Specification	31/12/2022	31/12/2021
Depreciation of own fixed assets	2 626 953	841 877
Amortisation of the right of use (lease)	2 600 572	1 659 203
Total	**5 227 525**	**2 501 080**

9. INTANGIBLE ASSETS

Changes in intangible assets (by type group) - for the period 01.01.2022-31.12.2022.

Specification	Development costs	Computer software	Intangible assets under construction	TOTAL
Gross carrying amount at 01.01.2022	**7 995 077**	**1 195 472**	**24 794 066**	**33 984 615**
Increases due to:	1 916 318	142 309	26 371 975	28 430 602
- acquisition	0	142 309	26 371 975	26 514 284
- reclassification	1 916 318	0	0	1 916 318
Decreases due to:	3 330 037	0	1 916 318	5 246 355
-liquidation	3 330 037	0	0	3 330 037
- reclassification	0	0	1 916 318	1 916 318
Gross carrying amount at 31.12.2022	**6 581 358**	**1 337 781**	**49 249 723**	**57 168 862**
Depreciation at 01.01.2022	**4 932 131**	**763 841**	**0**	5 695 972
Increases due to amortization	1 061 764	249 509	0	1 311 273
Decreases due to liquidation	909 465	0	0	909 465
Depreciation at 31.12.2022	**5 084 430**	**1 013 350**	**0**	**6 097 780**
Write-downs as at 01.01.2022	**2 420 573**	**0**	**3 589 086**	**6 009 659**
Increases	0	0	23 782 243	23 782 243
Decreases due to liquidation	2 420 573	0	0	2 420 573
Write-downs as at 31.12.2022	**0**	**0**	**27 371 329**	**27 371 329**
Net carrying amount as at 31.12.2022	**1 496 928**	**324 431**	**21 878 394**	**23 699 753**

The net value as at December 31, 2022 shown in the item "development costs" consists of games and tools:

1) Hunting Clash – net value: PLN 291,988, remaining time of amortization: 10 months;
2) Virality – net value: PLN 67,455, remaining time of amortization: 26 months;
3) Soda – net value: PLN 518,410, remaining time of amortization: 7 months;
4) Cognac – net value: PLN 180,515, remaining time of amortization: 22 months;
5) Push Notifications – net value: PLN 438,560, remaining time of amortization: 22 months.

As at December 31, 2022, the item "intangible assets under construction" comprises the capitalized costs of two titles at various stages of development:

1) Undead Clash – PLN 12,448,997;
2) Fishing Master – PLN 9,157,105;

and capitalized costs of internally produced tools used on a company-wide/product-wide basis. The value of these tools under construction as at December 31, 2022 amounted to PLN 272,292.

During the second quarter of 2022, the Management Board of the Company decided to cease the development and close the Football Elite project. The decision to close the project was made after an analysis of marketing costs in June, compared with the market potential and 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 costs incurred would be disproportionate to the potential revenues and size of this type of game segment. The write-down on expenditure on Football Elite amounted to PLN 9.1 million.

During the second quarter of 2022, the Company's Management Board also suspended development of the Magical District game so that the Warsaw studio could fully focus on its second production, i.e. Fishing Masters. As the game (Fishing Maters) continued to progress, the Management Board decided to definitively cease further work on Magical District and write off the entire cost of this game in the amount of PLN 9.2 million.

The company is also working on a new title - Undead Clash. At the end of 2022, numerous marketing tests were carried out for this title, and their results prompted the team to partially change the game's gameplay. Due to the change in the production, the Company made a partial write-off of the cost related to past works in the amount of PLN 5.3 million.

IMPAIRMENT TESTS

In the case of development works and intangible assets under construction, the impairment test is carried out once a year and additionally if there are premises of impairment.

The recoverable amount is determined as the higher of two values: fair value less costs to sell or value in use. The latter corresponds to the present value of estimated future cash flows discounted using a discount rate that takes into account the current market value of money in time and the risk specific to a given asset. If the recoverable amount is lower than the net book value of the asset (or group of assets), the book value is reduced to the recoverable amount.

The company tested two games in development - Undead Clash and Fishing Master, identifying them as two separate cash-generating units. The recoverable amount was determined on the basis of value in use calculated on the basis of a cash flow forecast based on financial models covering a seven-year period. The discount rate was assumed at the level of 10.90% and the growth dynamics in subsequent years was based on similar games already existing on the market.

The key assumptions of the annual impairment test are presented in the table below:

Type of assumption	**Applied assumption**
Basis for recoverable amount	Value in use
Source of data	Internal forecast based on comparable games
Methodology	Discounted cash flow
Discount rate (WACC)	10.90%

The above-mentioned tests showed a surplus of the recoverable value, however, it should be remembered that it cannot be ruled out that the risk of a write-off of these works will arise after the balance sheet date, which is related to the specificity of the industry in which the Company operates.

This results, among others, from due to the fact that in the case of projects that have not yet had their market launch, the Company makes estimates of future cash flows based on a set of data generated by comparable games on the market. When a game enters the market and it is possible to assess its real parameters, the Company verifies whether the game has achieved the assumed parameters. If the game data after entering the market differs from the Company's previous estimates, the Company is obliged to make an impairment charge.
Therefore, the Company will re-test these projects for impairment in 2023 based on the first realistic parameters of each game. If any of the games fails to achieve the expected results in the market test, it may be necessary to write down its value.

Changes in intangible assets (by group types) – for the period 01/01/2021 – 31/12/2021

Specification	**Development costs**	**Computer software**	**Intangible assets under construction**	**TOTAL**
Gross carrying amount at 01.01.2021	**7 995 077**	**669 286**	**2 554 464**	**11 218 826**
Increases due to acquisition	0	526 186	22 239 602	22 765 788
Gross carrying amount at 31.12.2021	**7 995 077**	**1 195 472**	**24 794 066**	**33 984 614**
Depreciation at 01.01.2021	**3 681 433**	**586 731**	**0**	**4 268 164**

Increases due to amortization	1 250 698	177 110	0	1 427 808
Depreciation at 31.12.2021	**3 681 433**	**586 731**	**0**	**5 695 972**
Write-downs as at 01.01.2021	**2 248 958**	**0**	**0**	**2 248 958**
Increases	171 615	0	3 589 086	3 760 701
Write-downs as at 31.12.2021	**2 248 958**	**0**	**0**	**2 248 958**
Net carrying amount at 31.12.2021	**642 374**	**431 631**	**21 204 980**	**22 278 984**

As at December 31, 2022 and 2021, all intangible assets are owned by the Company.

The Company does not have intangible assets with limited right of use or bank loans that would be secured with intangible assets.

10. INVESTMENTS IN SUBSIDARIES

Specification	31/12/2022	31/12/2021
Rortos S.r.l.	252 754 322	252 754 322
Ten Square Games Germany GmbH	111 080	111 080
Ten Square Games Romania S.r.l.	23 000	23 000
Play Cool Zombie Sport Games Sp. z o.o.	5 000	5 000
Ten Square Games (Israel) Ltd.	0*	0
TOTAL	**252 893 402**	**252 893 402**

** the law in Israel does not require the payment of share capital*

RORTOS S.r.l.

On July 5, 2021, the Company as the buyer, with the existing partners Antonio Farina and Roberto Simonetti as the sellers, concluded an agreement for the sale of all shares to Rortos S.r.l with its registered office in Verona.
The price for the entire share in Rortos acquired was set at EUR 45 million without taking into account the level of cash and debt free (cash free and debt free basis) based on the EBITDA profit multiplier for 2020, normalized by the capitalization of personnel costs, at the level of 9.8. Adjusted for cash and debt, the payment amounted to EUR 46.7 million at the settlement date. In addition, under the conditions set out in the Agreement, the Sellers will be entitled to additional remuneration (earn-out payment) depending on the results of Rortos in the period from July 1, 2021 to December 31, 2025, calculated in accordance with the formula agreed in the Agreement - in the maximum amount not higher than the EBITDA result achieved by Rortos in an adequate period.

In 2021, the Company settled the acquisition of shares and calculated the liability to pay for earn-out payments. In 2022, the liability due to of the acquisition was updated based on Rortos's projected results in the coming years and the predicted earn-out amount.

Specification – standalone statement	Data in EUR	Data in PLN according to the exchange rate as at the date of purchase
Cash payment	46 695 734	211 330 883
Discounted estimated future cash payments	9 152 935	41 423 439
Value of acquired shares	**55 848 669**	**252 754 322**

Acquisition liability	Data in PLN as at 31/12/2022
Value at acquisition date (discounted)	252 754 322
Cash payment - July 2021 (FIFO valuation)	-211 102 628
Unfolding of the discount 2021 (finance cost)	2 652 789
Unfolding of the discount 2022 (finance cost)	5 953 645
Revaluation of acquisition liability (finance cost)	8 534 740

Balance sheet value – other liabilities including:	**58 792 868**
- short term	4 334 872
- long term	54 457 996

Ten Square Games Germany GmbH, Ten Square Games Romania S.r.l. and Ten Square Games (Israel) Ltd

In 2020, 2021 and 2022, the Company established subsidiaries in Berlin, Bucharest and Tel Aviv. The purpose of establishing companies in these places was to attract local talent in the gaming industry. The employees of the subsidiaries support the production of the Company's main titles.

11. OTHER FINANCIAL ASSETS

Specification	31/12/2022	31/12/2021
Other financial assets:	**21 765 555**	**9 575 534**
- investment in Gamesture	11 574 781	0
- participation units of the Sisu Game Ventures investment fund	7 923 240	7 308 000
- deposit on the office lease	2 267 534	2 267 534

On March 11, 2022, the Parent Company acquired 24.8% of shares in the share capital of Gamesture Sp. z o. o. The payment amounted to approximately USD 3.5 million. As at the acquisition date, the shares were valued at the acquisition price of PLN 14,320,389. The value as at the balance sheet date was adjusted by Gamesture's loss attributable to shares held by Ten Square Games in the amount of PLN 2,745,608. Despite a loss reported by Gamesture Sp. z o. o. the Management Board does not identify implications for impairment of this financial asset. When making the decision to invest in this company, the Management Board was aware that the company was generating and will be generating a loss in the near future, however, according to business assumptions, in the long run the company should start to generate a profit.

12. INFORMATION ON FINANCIAL INSTRUMENTS

FINANCIAL ASSETS	31/12/2022	31/12/2021	Category of financial instruments
Other financial assets (long-term), including:	21 765 555	9 575 534	
deposit	*2 267 534*	*2 267 534*	*financial assets evaluated at amortized costs*
units in the investment fund Sisu Game Ventures	*7 923 240*	*7 308 000*	*financial assets evaluated at amortized costs*
Trade receivables and other receivables, including:	44 382 747	54 163 340	
unrealised exchange rate differences on valuation	*38 893*	*56 794*	*financial assets measured at fair value*
Cash and cash equivalents, including:	100 913 702	122 672 326	
unrealised exchange rate differences on valuation	*-172 989*	*-381 324*	*financial assets measured at fair value*

FINANCIAL LIABILITIES	31/12/2022	31/12/2021	*Category of financial instruments*
Trade liabilities, including:	11 243 318	9 431 245	
unrealised exchange rate differences on valuation	31 859	-20 205	*Financial liabilities evaluated at amortized costs*

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

13. RECEIVABLES

The structure of receivables is presented in table below:

Specification	31/12/2022	31/12/2021
Trade receivables	33 035 459	44 469 146
Other receivables	6 402 073	5 399 079
Accruals	4 945 215	4 295 115
Receivables	**44 382 747**	**54 163 340**

13.1 Trade receivables

Payments from users are aggregated by intermediaries (mobile application stores, payment aggregators, licensees). Payments from displayed ads, on the other hand, are accumulated by advertising intermediaries. In the structure of receivables, the largest balances come from:

- Google Inc. – 52% as of 31 December 2022 compared to 55% as of 31 December 2021;
- Apple Distribution International – 34% at 31 December 2022 compared to 34% at 31 December 2021;

No other entity exceeded a 10% share of total receivables on 31 December 2022.

Currency structure:

	31/12/2022			31/12/2021		
currency	amount in currency	valuation	% share	amount in currency	valuation	% share
PLN	17 822 105	17 822 105	53,94%	25 148 721	25 148 721	56,55%
USD	2 944 770	12 962 291	39,24%	4 521 552	18 357 502	41,28%
EUR	359 192	1 684 574	5,10%	148 699	683 927	1,54%
RUB	8 741 150	540 203	1,64%	4 871 221	264 020	0,59%
other	------	26 286	0,08%	------	14 976	0,03%
TOTAL		**33 035 459**	**100%**		**44 469 146**	**100%**

Age structure:

	31/12/2022	31/12/2021
age structure – overdue	value of receivables	value of receivables
From associates	**2 041 220**	**774 705**
not overdue	1 971 863	774 705
up to 1 month	0	0
1-3 months	0	0
3-6 months	69 357	0
6-12 months	0	0
over a year	0	0
From others	**30 994 239**	**43 694 441**
not overdue	30 387 012	43 622 107
up to 1 month	6 861	12 348
1-3 months	34 510	59 529
3-6 months	9 942	397

6-12 months	554 402	60
over a year	1 512	0
Total receivables	**33 035 459**	**44 469 146**

Receivables from other entities that are 6-12 months overdue mainly relate to receivables from Russian companies, where international payments are significantly limited due to the ongoing war in Ukraine. The Company expects to recover the receivables at the end of the armed conflict.

Other receivables

Specification	31/12/2022	31/12/2021
Other receivables, including:	**6 402 073**	**5 399 079**
- tax related	6 184 486	5 258 780
- deposit for office rental	217 587	140 299

Accruals

Specification	31/12/2022	31/12/2021
Maintenance of software technical service /program subscriptions	3 245 961	3 202 110
Annual fee – marketing campaign tracking tool	552 773	139 933
Registration fees for filing trademarks	310 780	299 730
Training for leaders	274 840	0
Insurance	81 494	70 919
Other accruals	479 367	582 423
Active cost accruals	**4 945 215**	**4 295 115**

14. CASH AND CASH EQUIVALENTS

Specification	31/12/2022	31/12/2021
Cash at hand and in bank accounts:	**100 913 702**	**122 672 326**
cash on hand	1 493	2 629
cash in bank accounts	100 912 209	122 669 697
including deposits up to 3 months	*67 228 898*	*0*
Total	**100 913 702**	**122 672 326**

As at 31 December 2021, the Group held cash in banks: ING Bank Śląski S.A. and Bank Gospodarstwa Krajowego S.A. The maximum value of credit risk associated with cash equals its carrying amount. Current accounts do not bear interest. The fair value of cash and cash equivalents as at 31 December 2022 is not materially different from their carrying amount.

15. SHARE CAPITAL

The share capital of Ten Square Games S.A. as at 31/12/2022 amounts to PLN 733,482.20 and is divided into 7,334,822 bearer shares with a nominal value of PLN 0.10 each.

16. OWN SHARES

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

The total number of shares purchased as part of the first tranche of the share buyback amounted to 70,000 shares and corresponds to 70,000 votes at the General Meeting of the Company; which constitutes 0.96% of the share capital of the Company and 0.96% of the total number of votes at the General Meeting of the Company. The average unit purchase price of own shares amounted to PLN 266.04. The shares were acquired for the total amount of PLN 18.636.049,68.

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

17. TRADE LIABILITIES

Specification	31/12/2022	31/12/2021
Trade liabilities	**11 243 318**	**9 431 245**
towards related parties	320 627	2 969 245
towards third parties	10 922 691	6 462 000

Specification	*Total*	*due date*		
		overdue:		*not overdue, payable to:*
		0-30 days	31-90 days	0 - 30 days
31/12/2022	**11 243 318**	**280**	**10 129**	**11 232 908**
towards related parties	320 627	0	0	320 627
towards third parties	10 922 691	280	10 129	10 912 282
31/12/2021	**9 431 245**	**38 537**	**0**	**9 392 708**
towards related parties	2 969 245	0	0	2 969 245
towards third parties	6 462 000	38 537	0	6 423 463

18. LEASE LIABILITIES

Specification	31/12/2022	31/12/2021
Short – term lease liabilities	3 676 009	3 556 967
Long – term lease liabilities	4 390 818	7 861 020
- due within 1 to 2 years	3 791 746	3 605 074
- due within 2 to 3 years	599 072	3 718 577
- due within 3 to 4 year	0	537 368
- due within 4 to 5 years	0	0
TOTAL LEASE LIABILITIES	**8 066 827**	**11 417 987**

Leasing liabilities result from concluded lease agreements described in detail in Note 26.

The costs recognized in the result resulting from concluded lease agreements are presented below.

Specification	31/12/2022	31/12/2021
Amortization	2 600 572	1 659 203
Interest	290 626	266 055
Realised and unrealised exchange rate differences	881 885	520 517
Total	**3 773 083**	**2 445 775**

19. OTHER LIABILITIES

Specification	31/12/2022	31/12/2021
Liabilities due to the acquisition of Rortos (earn-out payments)	**58 792 868**	**48 420 530**
- long - term	*54 457 996*	*48 420 530*
- short - term	*4 334 872*	*0*
Other liabilities	**1 144 014**	**1 211 822**
- long - term	*0*	*0*
- short – term, including:	*1 144 014*	*1 211 822*
Tax at source	*56 628*	*62 493*
Personal Income Tax	*257 348*	*206 389*
Social insurance contributions (ZUS)	*797 272*	*872 492*
State Fund for Rehabilitation of Disabled People (pol. PFRON)	*32 766*	*32 233*
Other	*0*	*38 215*
TOTAL OTHER LIABILITIES	**59 936 882**	**49 632 352**
- long - term	***54 457 996***	***48 420 530***
- short - term	***5 478 886***	***1 211 822***

The Company did not have any significantly overdue other liabilities as at the balance sheet date of December 31, 2022 and December 31, 2021.

The maturity date of public law liabilities is up to 25 days.

20. PROVISIONS FOR EMPLOYEE BENEFITS

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

Specification	As at 01/01/2022	Changes during the year			As at 31/12/2022
		Assumption	Recalssification from long – term to short – term	Use	
Holiday provision	893 103	1 260 189	0	-893 103	1 260 189
Provisions for bonuses (short - term)	4 260 228	2 596 183	1 219 415	-4 260 228	3 815 598
Provisions for bonuses (lon - term)	2 358 766	1 546 439	-1 219 415	-80 064	2 605 726
TOTAL PROVISIONS	**7 512 097**	**5 402 811**	**0**	**-5 233 395**	**7 681 513**

The provision for bonuses results mainly (in total PLN 5.1 million) from the bonus system implemented in the Capital Group in 2021. The main purpose of the bonus system is to strengthen the relation between the company's key employees and the TSG group. These bonuses depend on the financial results, and are payable only at the time of further employment in the Capital Group at the time of payment - in various proportions, it is a period from several months to 2.5 years after the end of the period for which they are due.

The remaining amount of provisions for bonuses (PLN 1.3 million) are mainly short-term provisions, payable in the first half of 2023, in most cases these are amounts due for Q4 2022.

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

Specification	As at 01/01/2021	Changes during the year			As at 31/12/2021
		Assumption	Recalssification from long – term to short – term	Use	
Holiday provision	530 961	893 103	0	530 961	893 103
Provisions for bonuses (short - term)	961 724	4 260 228	0	961 724	4 260 228
Provisions for bonuses (lon - term)	0	2 358 766	0	0	2 358 766
TOTAL PROVISIONS	**1 492 685**	**7 512 097**	**0**	**1 492 685**	**7 512 097**

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

The Company did not have any company social benefits fund as at the balance sheet date 31/12/2022 and 31/12/2021.

22. CONTINGENT LIABILITIES

As at 31 December 2022 and 2021, the Company did not have any significant contingent liabilities, including guarantees and sureties granted, including bills of exchange.

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND PRINCIPLES

The Company’s operations are exposed to the following financial risks:
(a) credit risk,
(b) liquidity risk,
(c) market risk.

Credit risk – this is a risk that arises when one of the parties to a financial instrument causes the Company to incur financial losses, if it fails to meet its obligations towards the Company. Credit risk arises in the case of receivables, cash and cash equivalents, deposits, purchased bonds and deposits. The Company's core business – generating revenues from games – due to its specific nature, is to a negligible extent exposed to this type of risk. The Company cooperates with a narrow group of customers (including aggregators of payments from individual users) and through long-established relationships and historical absence of problems with the repayment of receivables, exposure to a single credit risk is not high. The vast majority of receivables are repaid within 3 months after the receivables arise. The Company consistently monitors the inflow of receivables and keeps in touch with customers in case of payment delays. The Company invests its cash in reliable financial institutions (banks). Credit risk concerns the Company to an insignificant extent.

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

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

Currency risk – is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Due to the global nature of Ten Square Games operations, where the majority of revenues are generated in USD and partly in EUR, the Company is exposed to the risk of rapid changes in foreign exchange rates, including in particular the strengthening of the Polish zloty against foreign currencies, mainly USD. The majority of revenue contracts are settled in foreign currencies, mainly in USD and PLN. As a result, the strengthening of the Polish zloty against the USD is an undesirable phenomenon for the Company, which results in a decrease in the Company's sales revenues. In order to reduce foreign exchange risk, the Company partially mitigates the currency risk in its operations by adjusting the currency cost structure, however, it is not possible to eliminate the Company's foreign exchange risk completely. The Company does not use (and has not used) any instruments to hedge against currency risk.

Interest rate risk – the risk that arises when the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company invests surplus funds in interest-bearing assets (interest-bearing bank accounts) to an insignificant extent, hence it is not significantly exposed to interest rate risk. The main interest rate risk is related to debt instruments, however, in 2022 and 2021 the Company did not use external debt instruments with variable interest rates (loans and bonds), therefore it was not exposed to changes in cash flows as a result of interest rate changes.

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

ANALYSIS OF EXPOSURE TO CURRENCY RISK

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

	31/12/2022				
currency risk – exposure to currency risk	**USD**	**EUR**	**RUB**	**GBP**	**other currencies (excluding PLN)**
trade receivables in currency	2 944 770	359 192	8 741 150	0	--------
trade receivables valued at PLN	12 962 291	1 684 574	540 203	0	26 286
cash in foreign currency	3 626 808	749 969	0	72 986	--------
cash and cash equivalents valued at PLN	15 964 485	3 517 279	0	386 511	--------
trade liabilities in currency	1 524 211	219 445	0	10 500	--------
trade liabilities valued at PLN	6 709 271	1 029 173	0	55 605	320 628
net exposure in currency	**5 047 367**	**889 716**	**8 741 150**	**62 486**	--------
net exposure in PLN	**22 217 505**	**4 172 680**	**540 203**	**330 906**	**-294 342**

Data for the previous reporting period:

	31/12/2021				
currency risk – exposure to currency risk	**USD**	**EUR**	**RUB**	**GBP**	**other currencies (excluding PLN)**
trade receivables in currency	4 521 552	148 699	4 871 221	0	--------
trade receivables valued at PLN	18 357 502	683 927	264 020	0	14 976
cash in foreign currency	3 509 731	319 888	13 482 844	205 252	--------
cash and cash equivalents valued at PLN	14 249 509	1 471 293	730 770	1 125 724	--------
trade liabilities in currency	444 075	814 205	0	0	--------
trade liabilities valued at PLN	1 802 944	3 744 852	0	0	402 460
net exposure in currency	**7 587 208**	**-345 618**	**18 354 065**	**205 252**	--------
net exposure in PLN	**30 804 067**	**-1 589 632**	**994 790**	**1 125 724**	**-387484**

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

currency risk – sensitivity analysis	31/12/2022	31/12/2021
change by +10% / -10%	+ 2 696 695 / - 2 696 695	+ 3 094 747 / - 3 094 747

24. CAPITAL MANAGEMENT

The main objective of the Company's capital management is to maintain solid credit rating and safe capital ratios that would support the Company's operations and increase the value for its shareholders. At present, the COmpany finances its operations with operating profits and does not use debt financing. The Company manages its capital structure and may change it as a result of changes in the economic situation. In order to maintain or adjust the capital structure, the Company may change the payment of dividends to shareholders, return capital to shareholders or issue new shares. In the years ended 31 December 2021 and 31 December 2021, no changes were introduced to the objectives, principles and processes applicable in this area.

Specification	31/12/2022	31/12/2021
Interest-bearing loans and borrowings	0	0
Trade liabilities and other liabilities	71 180 200	59 063 597
Cash and cash equivalents	100 913 702	122 672 326
Net debt	**-29 733 502**	**-63 608 729**
Equity	328 947 147	341 008 743
Total capital	328 947 147	**341 008 743**
Net equity and debt	**358 680 649**	**404 617 472**

25. EMPLOYEE BENEFIT PLANS

In connection with the introduction of the Employee Capital Plan program in Poland, the Company entered into an agreement with Aviva Specialized Open Investment Fund PPK to operate the Employee Capital Plan, and the Parent Company's employees became participants in the Plan from November 2020. Due to the merger of the companies, from July 2, 2022 in Poland, the Aviva brand changed into Allianz. Investment company Aviva Investors Poland Towarzystwo Funduszy Inwestycyjnych S.A. changed its name to Towarzystwo Funduszy Inwestycyjnych Allianz Polska S.A. The total costs of the PPK program incurred by the Company in in 2022 amounted to PLN 222 thousand, compared to PLN 166 thousand in 2021.

26. INCENTIVE PROGRAMS

Incentive program for 2021-2021

In May 2020, the Shareholders of the Company adopted an incentive program for key employees and associates of TSG for the years 2021-2022. The Program was established in order to ensure that the persons key to the development of the Company participate in the expected increase in the value of the Company and to bind the persons covered by the Program with the Company in a lasting way.
The aim of the Programme is to create mechanisms which will encourage and motivate qualified individuals, key to the implementation of the Company's strategy, to act in the interest of the Group and its shareholders by enabling them to acquire shares in the Company.
Program participants had the right to take up a total of no more than 100,000 Shares issued by way of increasing the share capital within the authorized capital established on the basis of the Program Resolution.

The incentive program covered the years 2021-2022, and the shares could be acquired in two tranches - for the financial year 2021 (tranche I) and 2022 (tranche II). The condition for offering the shares was the achievement by the Capital Group of a certain level of financial result, i.e. Adjusted EBITDA*, which was set by the Supervisory Board for each of the years 2021 and 2022.
If the required level was not achieved in the first year of the program, shares for a given year could be awarded in the subsequent period, if the cumulative value of Adjusted EBITDA would reach the level required for both years.

The Supervisory Board set the following levels of Adjusted EBITDA* based on a resolution in April 2021:
- PLN 248,804,235 for the financial year 2021;
- PLN 251,330,811 for the financial year 2022.

In terms of Adjusted EBITDA in 2021, the Supervisory Board adopted a resolution in October 2021 allowing for the reduction of the target by 8%, i.e. to PLN 228,899,896.

**Adjusted EBITDA* means the operating profit shown in the consolidated financial statements achieved by the Group for a given financial year, increased by depreciation of fixed assets and intangible assets, adjusted by:
- extraordinary and one-off events;

- costs of carrying out the Program in accordance with the financial reporting standards applicable to the Company;
- the effect of accounting recognition during the incentive program of the President of the Management Board, Maciej Zuzalek (described below)
- the impact of non-cash adjustments to revenue (and the related cost of distributors' commissions), related to e.g. deferral of revenue from virtual currency or durables;
- the impact of any one-off write-downs on capital expenditures on the creation of mobile games;
- the effect of possible changes in the tax and social security systems resulting from, among others, from changes in applicable regulations, including the "New Deal", which would increase the Company's costs due to the need to increase the remuneration of employees and associates (applies only to the financial result for 2022).

Due to failure to meet the objective of the incentive program in 2022. i.e. failure to achieve Adjusted EBITDA at the level of over PLN 251 million, the Company did not recognize the cost of the incentive program for this year in these statements. Pre-allocated shares for 2022 are forfeited.

In 2021, the objective of the program was achieved, the cost of the incentive program amounted to PLN 17.1 million and during 2022, 33,059 shares were issued to the Company's employees and associates. Participants of the program will have the right to sell the shares acquired under Tranche I no earlier than January 2, 2024.

Incentive program for the President of the Management Board from 2020

In the reported period the Company recognized a portion of the cost of the dedicated incentive program for the President of the Management Board, Mr. Maciej Zuzalek. The said incentive scheme entailed a transfer of 144,825 shares at a par value of PLN 0.1 per share by the Company's existing shareholders to the President of the Management Board. In accordance with IFRS 2 "Share-based Payment", any transfer of equity instruments of an enterprise from its shareholders to parties providing goods or services is a share-based payment and is measured in accordance with that standard. The market value of the scheme was PLN 72.4 million and the cost (not related to cash outflow) will be borne by the Group proportionally over 3 years (12 consecutive quarters) starting from 20 May 2020 and ending in the first quarter of 2023.

RECONCILIATION OF COSTS

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

Specification	01/01/2022-31/12/2022	01/01/2021-31/12/2021
Share-based payments - cost by nature:	**23 641 852**	**41 703 472**
Costs of motivatiom program for 2021 (Koszty programu motywacyjnego na rok 2021 (in 2022 reversal of the cost of unissued, pre-allocated shares)	-490 820	17 570 794
Cost of motivation program for the President of the Management Board – Maciej Zuzalek	24 132 672	24 132 678
Share-based payments - costs by function:	**24 029 346**	**39 670 061**
Cost of goods and services sold	0	5 611 739
Selling costs	0	2 818 075
General administrative costs	24 029 340	31 240 247
Capitalisation of share-based payment costs (game production)	**-387 488**	**2 033 411**

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

Specification	As at 31/12/2022	As at 31/12/2021
TOTAL Capital from the settlement of the incentive scheme	**88 781 376**	**65 139 524**
Including costs of the motivation program for the CEO of the Company – Maciej Zuzalek	66 364 854	42 232 182
Including costs of the incentive scheme for 2021	17 079 974	17 570 794
Including costs of the incentive scheme for 2020	3 572 514	3 572 514
Including costs of the incentive scheme for 2019	1 187 441	1 187 441
Including costs of the incentive scheme for 2018	236 328	236 328
Including costs of the incentive scheme for 2017	340 265	340 265

27. 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:

1. Management Board

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

Affiliated person	Remuneration		Net dividend	
Period	**01/01/2022-31/12/2022**	**01/01/2021-31/12/2021**	**01/01/2022-31/12/2022**	**01/01/2021-31/12/2021**
Management Board (total due remuneration)	**29 030 296**	**41 590 063**	**2 775 554**	**2 591 385**
Maciej Zuzalek (total due remuneration)	**24 957 072**	**25 162 632**	**1 578 091**	**1 578 091**
– Ten Square Games S.A. - cash fixed renumeration	*824 400*	*824 520*	*1 578 091*	*1 578 091*
– Ten Square Games S.A. - cash variable renumeration paid	*0*	*290 479*	*0*	*0*
– Ten Square Games S.A. - cash variable renumeration outstanding	*0*	*205 440*	*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 from 2020 recognized over time	*24 132 672*	*24 132 672*	*0*	*0*
Marcin Chruszczyński (from 01/08/2020 to 21/10/2021)	**0**	**602 093**	**0**	**0**
– Ten Square Games S.A. - cash fixed renumeration	*0*	*310 759*	*0*	*0*
*– Ten Square Games S.A. – share-based incentive program for 2021-20222**	*0*	*291 334*	*0*	*0*
Andrzej Ilczuk (since 21/01/2021)	**636 000**	**4 647 402**	**19 343**	**0**
– Ten Square Games S.A. - cash fixed renumeration	*636 000*	*514 190*	*19 343*	*0*
– Ten Square Games S.A. – share-based incentive program for 2021-20222	*0*	*4 133 212*	*0*	*0*
Anna Idzikowska (od 21.01.2021)	**719 300**	**4 712 024**	**137 700**	**162 000**
– Ten Square Games S.A. - cash fixed renumeration	*636 000*	*514 065*	*137 700*	*162 000*
– Ten Square Games S.A. - cash variable renumeration outstanding, paid	*83 300*	*64 747*	*0*	*0*
– Ten Square Games S.A. – share-based incentive program for 2021-20222	*0*	*4 133 212*	*0*	*0*
Janusz Dziemidowicz (since 21/01/2021)	**636 000**	**409 225**	**682 417**	**682 417**
– Ten Square Games S.A. - cash fixed renumeration	*636 000*	*409 225*	*682 417*	*682 417*
Wojciech Gattner (od 21.01.2021)	**1 445 924**	**5 956 154**	**200 054**	**168 877**
– Ten Square Games S.A. - cash fixed renumeration	*636 000*	*514 066*	*200 054*	*168 877*
– Ten Square Games S.A. - cash variable renumeration paid	*960 824*	*1 374 436*	*0*	*0*
– Ten Square Games S.A. - - cash variable renumeration outstanding	*809 924*	*1 308 876*	*0*	*0*
– Ten Square Games S.A. – share-based incentive program for 2021-20222	*0*	*4 133 212*	*0*	*0*
Magdalena Jurewicz (to 31/07/2020 and since 21/10/2021)	**636 000**	**100 533**	**157 950**	**0**

- Ten Square Games S.A. – cash remuneration	*636 000*	*100 533*	*157 950*	*0*
Supervisory Board	**381 290**	**420 016**	**5 721 241**	**6 904 230**
Rafał Olesinski	102 000	102 000	5 419	5 419
Tomasz Drozdzynski (to 11/03/2022)	9 290	51 565	0	0
Maciej Marszałek	60 000	60 000	356 400	356 400
Wiktor Schmidt	48 000	48 000	0	0
Marcin Bilos	54 000	54 000	0	0
Kinga Stanislawska	54 000	54 000	851	851
Arkadiusz Pernal	54 000	50 452	5 358 571	6 541 560
Affiliates (Ten Square Games S.A.)	**0**	**162 000**	**N/A**	**13 081 500**
Maciej Popowicz (since 20/05/2020 to 31/12/2021)	0	162 000	**N/A**	13 081 500
Key personnel (Ten Square Games)	**0**	**0**	**N/A**	**N/A**
Family members of key personnel / Management Board (Ten Square Games)	**303 400**	**55 395**	**N/A**	**N/A**

Affiliated person	**Liabilities/provisions**		Receivables	
Period	**01/01/2022-31/12/2022**	**01/01/2021-31/12/2021**	**01/01/2022-31/12/2022**	**01/01/2021-31/12/2021**
Management Board	**197 454**	**639 981**	**0**	**0**
Maciej Zuzalek	0	205 440	0	0
Marcin Chruszczyński	0	0	0	0
Andrzej Ilczuk	0	0	0	0
Anna Idzikowska	0	0	0	0
Janusz Dziemidowicz	0	0	0	0
Wojciech Gattner	197 454	434 541	0	0
Magdalena Jurewicz	0	0	0	0
Supervisory Board	**0**	**0**	**0**	**0**
Related persons (Ten Square Games S.A.)	**0**	**0**	**0**	**0**
Key personnel (Ten Square Games S.A.)	**0**	**0**	**0**	**0**
Family members of key personnel/Management Board (Ten Square Games S.A.)	**0**	**0**	**0**	**0**

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

- appointment
- employment contract / cooperation agreement / management contract.

The variable remuneration due to the President of the Management Board, Mr. Maciej Zuzalek, depends on the fulfillment of management objectives, which is confirmed by a resolution of the Supervisory Board after the 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 (OPP organization supporting activities in Ukraine). Therefore, the Parent Entity does not treat the amount of this remuneration as paid to the President in 2022.

The variable remuneration of the Management Board member Mr Wojciech Gattner is calculated for a given quarter and paid in the following quarter, hence there are differences in the amounts paid and due for this Member of the Management Board.

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

2. Other affiliated parties

Affiliated party	Net sales		Net purchase		Dividend	
Period:	**01/01/2022-31/12/2022**	**01/01/2021-31/12/2021**	**01/01/2022-31/12/2022**	**01/01/2021-31/12/2021**	**01/01/2022-31/12/2022**	**01/01/2021-31/12/2021**
Subsidiaries:	**6 224 801**	**4 663 840**	**11 314 721**	**7 226 393**	**2 583 580**	**2 261 792**
Play Cool Zombie Sport Games Sp. z o.o.	55 451	80 687	0	0	0	2 261 792
Tiny Dragon Adventure Games Sp. z o.o.	1 121 756	2 566 393	0	0	0	0
Fat Lion Games Sp. z o.o.	454 616	1 514 715	0	0	0	0
Ten Square Games Germany GmbH	0	0	7 502 920	6 584 079	0	0
Ten Square Games S.R.L	0	0	2 696 993	642 314	0	0
Ten Square Games (Israel) LTD.	0	0	1 114 808	0	0	0
RORTOS S.R.L.	4 592 978	502 045	0	0	2 583 580	0
Personally affiliated entities:	**0**	**0**	**143 467**	**106 646**	**0**	**0**
Olesinski i Wspólnicy Spółka komandytowa	0	0	143 467	106 646	0	0
Roberto Simonetto	0	0	0	0	0	0
Antonio Farina	0	0	0	0	0	0
Associates:	**0**	**0**	**0**	**0**	**0**	**0**
Gamesture Sp. z o.o.	0	0	0	0	0	0
Affiliated party	**Gross receivables**		**Gross payables**		**Loans**	
As at:	**31/12/2022**	**31/12/2021**	**31/12/2022**	**31/12/2021**	**31/12/2022**	**31/12/2021**
Subsidaries:	**2 034 940**	**762 982**	**320 627**	**2 953 716**	**1 983 243**	**3 400 315**
Play Cool Zombie Sport Games Sp. z o.o.	5 387	7 359	0	0	0	0
Tiny Dragon Adventure Games Sp. z o.o.	94 995	185 190	0	0	0	506 767
Fat Lion Games Sp. z o.o.	43 969	68 388	0	0	0	506 767
Ten Square Games Germany GmbH	70 620	0	0	2 618 125	1 272 656	1 724 775
Ten Square Games S.R.L	11 487	0	320 627	335 591	710 587	662 006
Ten Square Games (Israel) LTD.	390 578	0	0	0	0	0
RORTOS S.R.L.	1 417 904	502 045	0	0	0	0
Personally affiliated entities:	**0**	**0**	**58 792 868**	**48 436 059**	**0**	**0**
Olesinski i Wspólnicy Spółka komandytowa	0	0	0	15 529	0	0
Roberto Simonetto	0	0	35 269 842	29 047 476	0	0
Antonio Farina	0	0	23 523 026	19 373 054	0	0
Associates:	**0**	**0**	**0**	**0**	**2 201 633**	**0**
Gamesture Sp. z o.o.	0	0	0	0	2 201 633	0

The Parent Company sells internally produced games to its Polish subsidiaries and receives remuneration in return. On the other hand, Ten Square Games Germany GmbH and Ten Square Games S.R.L. were established in order to acquire human capital (gaming industry talent) in the local markets. Employees of these companies work for games produced by the Parent Company and their cost is then invoiced to the Parent Company. Transactions between the Parent and Rortos S.r.l. consist of production/maintenance support for Rortos' games, for which the Parent receives remuneration. The Parent uses legal/tax services offered by the law firm Olesinski i Wspólnicy Sp.k. as needed, each time basing on the valuation of works for a given project. Transactions between related parties took place on terms equivalent to those applicable to transactions concluded on market terms. The liability to Mr Roberto Simonetto and Mr Antonio Farina arises from the purchase of 100% of the shares in Rortos, as further described in Note 10.

25. EMPLOYMENT

The average of employees in the financial year was 239 persons (202 in 2021). The main group of employees are specialists in information and communication technologies.

26. LEASE AGREEMENTS

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

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

On 3.11.2021 the third lease agreement was concluded for office space in the City One office building in Wroclaw. The agreement was concluded for a definite period, i.e. until 2 January 2025. All the above agreements are recognised in the financial statements in accordance with IFRS 16, i.e. the initial value of the acquired right to use is recognised in fixed assets and subsequently depreciated over the office lease term. The discounted payments under the leases are shown in liabilities in the long- and short-term parts, respectively.

27. LITIGATIONS

The Company had no pending court cases in 2022 or 2021.

28. EVENTS AFTER THE BALANCE SHEET DATE

There were no significant events after the balance sheet date that could affect the financial data included in the statements for the period ended on December 31, 2022. However, significant events that will affect the financial statements in the next period are presented below.

On January 31, 2023, the Parent purchased another 12% of shares in the share capital of Gamesture Sp. z o. o. The payment amounted to approximately USD 2.7 million.

According to the information received on March 17, 2023 from NetEase - a business partner of Ten Square Games in China - on May 22, 2023, Fishing Clash will cease to be available to players on the Chinese market. NetEase decided to close a subsidiary cooperating with, among others, from Ten Square Games. This also means that the license to distribute Fishing Clash China will expire. On March 22, 2023, the in-app payments were suspended.

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

specification	Costs in 2022	Costs in 2021
audit of the consolidated and separate financial statements for 2022 (2021)	89 600	42 761
review of the consolidated and separate financial statements for the first half of 2022 (2021)	41 400	25 202
assessment of the remuneration report for 2022 (2021)	9 400	8 800
TOTAL	**140 400**	**76 763**

function	Name and last name	date	signature
President of the Management Board	Maciej Zuzalek	28.03.2023	
Member of the Management Board	Andrzej Ilczuk	28.03.2023	
Member of the Management Board	Janusz Dziemidowicz	28.03.2023	
Member of the Management Board	Wojciech Gattner	28.03.2023	
Member of the Management Board	Magdalena Jurewicz	28.03.2023	
Person entrusted with keeping the books of accounts	Karolina Hoszowska-Dubaniowska	28.03.2023	