

ten square\_games

# 2022 ANNUAL REPORT

## Management Board Report on activities

Ten Square Games S.A. and  
Ten Square Games S.A. Group

### DISCLAIMER

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

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

This document is a conversion to pdf format of the official annual financial report that was issued in xhtml format.

Wroclaw, March 28<sup>th</sup>, 2023







# DEAR SHAREHOLDERS,

I present to you a report in which we present an overview of the most important events that influenced the activities of Ten Square Games in 2022, a summary of the financial results achieved in the past year and projects in the field of corporate social responsibility. I hope that reading the report will allow you to see the full picture of our undertaking and will bring you closer to the philosophy we follow when making business decisions.

2022 was another unprecedented period in which we had to conduct business. During this time, four main factors had a significant impact on our results.

First, we experienced a natural outflow of users acquired during the pandemic thanks to record-breaking marketing budgets dedicated to the promotion of Fishing Clash. An attempt to further increase the number of players, and thus the revenue from the game, turned out to be impossible for two main reasons. One of them is the size of the Fishing Clash target group – we have reached the majority of users in this market segment by acquiring over 140 million players. Another is the changes that have taken place in the user acquisition market: an increase in prices and a change in the privacy policy introduced by Apple.

Second, after record increases during the pandemic and the lifting of lockdowns, player engagement naturally decreased and as a consequence the mobile gaming market recorded a decline. However, it is worth remembering that, despite temporary turbulence, it has long-term growth prospects thanks to a new generation of gamers, for whom the phone is an integral part of life, and the mobile game is the preferred everyday form of entertainment.

Third, in February 2022, Russia invaded Ukraine and an armed conflict began just beyond our eastern border, which continues to this day. At the beginning of March 2022, we made a difficult decision to block players from Russia and Belarus from using our products, which had both a direct impact on the level of revenue as well as the dynamics and competitiveness of the games, in particular in Fishing Clash. It is worth recalling that the share of the Russian market in bookings in 2021 amounted to approx. 5.3% – including approx. 6.5% for Fishing Clash and 2.5% for Hunting Clash.

Fourth, the post-pandemic market turmoil and Russia's armed attack on Ukraine were reflected in the deteriorating macroeconomic situation and the uncertainty of the market environment. Those factors had a negative impact on consumers' sentiment and their lower willingness to spend free funds. The first months of 2023 indicate that they will also remain the greatest challenges in the Group's operations this year.

\* Source Company; bookings: March 2022 vs December 2022 for Gamesture and July 2021 vs December 2022 for Rortos.

The impact of negative market circumstances was most visible in the Group's results in the second quarter of 2022. Thanks to decisive optimization measures, we rebuilt the Group's results in the third quarter and kept them at a stable level in the last quarter of 2022, with regards to both payments from users and the Adjusted EBITDA result. As a result, we closed 2022 with lower results than in the record-breaking 2021. Payments of game users reached PLN 542 million, adjusted EBITDA PLN 140.8 million, and cash at the end of the year amounted to PLN 126.6 million, ensuring financial stability despite tougher market conditions.

Summing up 2022, I would like to encourage you to compare the Group's results to the times before the outbreak of the pandemic, which significantly disturbed the market and influenced the pace of the Group's development. Compared to 2019, payments from the games of the Ten Square Games Group more than doubled, the Adjusted EBITDA result was higher by over 60%, and we allocated the surplus of generated cash to investments, including the first acquisition in the history of Ten Square Games. In addition to the purchase of the Italian studio Rortos in 2021, we also invested in the Krakow-based Gamesture studio, in which we are a minority shareholder with a 37% stake. Both investments have accelerated their growth since joining our Group. Rortos' monthly bookings increased by over 90% and Gamesture's by nearly 71%\*. Thanks to the above investments, we have also entered the next stage of diversifying the portfolio of our titles. Our team has doubled in that time and currently consists of around 460 people. We also shared our free funds with shareholders by paying dividends for both 2020 and 2021 in the amount of PLN 10 per share (over PLN 72 million in each period).

Despite the challenges and market turbulences, including the change in Apple's privacy policy, we managed to maintain our leading position in the key segments of mobile games for us and take further steps on the way to diversify our sources of revenues. The share of Fishing Clash in the segment of fishing games was 92%, and Hunting Clash in the segment of hunting games 89%. I am particularly proud of our progress in diversifying the Ten Square Games Group's sources of influence. In 2019, more than 86% of the Group's bookings came from Fishing Clash users. In 2022, Fishing Clash accounted for 66% of bookings, and Hunting Clash is already close to 23% of total bookings. In addition, since October 2022, we have Wings of Heroes in our portfolio, which from the day of its release shows great growth potential over the next few years.

**Maciej Zuzalek**  
President of the  
Management Board



On the mobile games market, an average of one in ten projects is successful. Our effectiveness in 2022 was significantly higher and amounted to one in three projects, with two more moved to the next stage development. The success of the world premiere of Wings of Heroes brings us closer to our goal of creating a global free-to-play mobile gaming platform offering a diversified and growing portfolio of titles. Wings of Heroes' short-term metrics are the best we've seen in TSG history. Therefore, we will devote the next two years to the intensive development of this product. It has a chance to become the Group's new growth engine. However, after marketing tests, we decided to finish work on two projects – Football Elite and Magical District. We continue to work on the remaining titles under development – Undead Clash and Fishing Masters. In the first one, we are working on changes that have greater potential to engage a wider range of users. Having tested the effects of modification we will decide about the future of this project. In the case of Fishing Masters, the team is working hard on preparing the title for the so-called. soft launch in the first half of 2023.

In 2023, maintaining the leading position of Fishing Clash and Hunting Clash in their market segments and intensive development of Wings of Heroes remain our priority. In addition, we want to use the competences and knowledge in the Group more effectively after Rortos and Gamesture joined it. Therefore, we will continue to focus heavily on integration and synergies in the Ten Square Games Group.

2023 will be a difficult year, characterized by volatility and uncertainty of the market, which will affect consumer behavior. In these difficult conditions, we will fight for growth and further diversification of the game portfolio. We are working on the update of the development plans of the Ten Square Games Group in its new shape in order to prepare us better for the challenge ahead of us. We will be happy to share this information with you as soon as we are ready.

Thank you for accompanying us despite the difficult market situation. I am sure that the experience gained so far has equipped us with valuable conclusions and knowledge necessary to develop the Group together with the entire team and build value for shareholders. I hope that you will also accompany us in 2023 during the implementation of the next stage of the transformation of the Ten Square Games Group.

Best regards,  
**Maciej Zuzalek**



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## CORPORATE INFORMATION

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

Name	Ten Square Games S.A.
Legal form	Spółka Akcyjna
Registered seat	45 Traugutta Street, 50-416 Wrocław
Registration country	Poland
Core business activity	publishing activity with regard to computer games (58.21.Z)
Authority keeping the register	District Court, VI Commercial Division of the National Court Register
KRS no.	704863
Statistical REGON no.	21744780
Tax identification number	8982196752
Company duration	indefinite



As at 31.12.2022 the composition of the management and supervisory bodies is as follows:

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.

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

1. On 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:

- » Rafal Olesinski – Chairman of the Supervisory Board;
- » Wiktor Schmidt – Vice Chairman of the Supervisory Board;
- » Marcin Bilos – Member of the Management Board;
- » Maciej Marszalek – Member of the Management Board;
- » Arkadiusz Pernal – Member of the Management Board;
- » Kinga Stanislawska – Member of the Management Board.

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

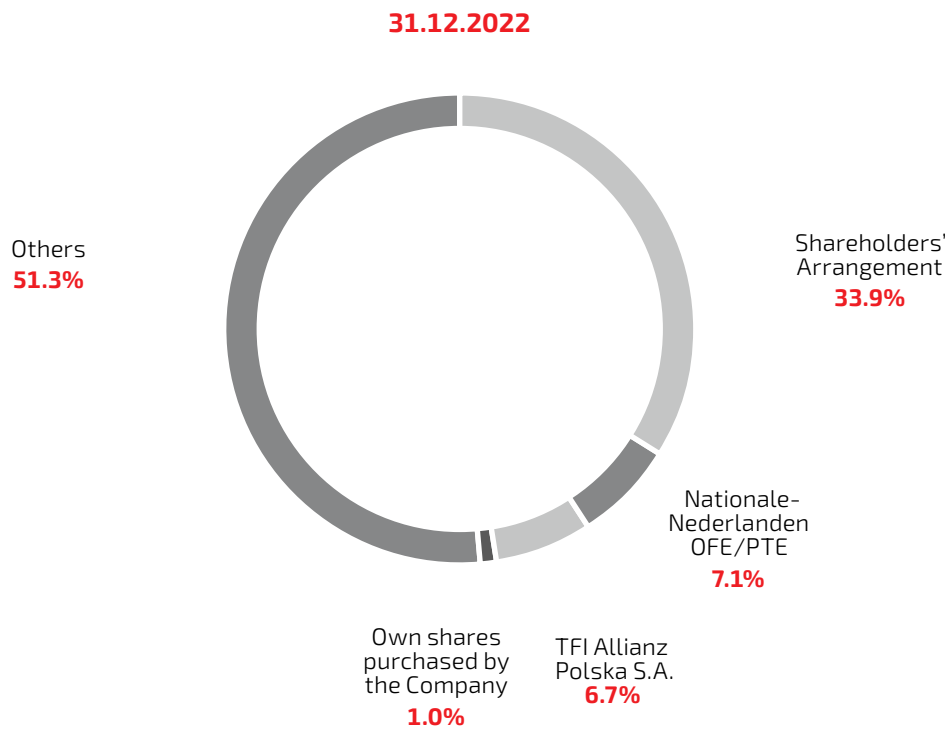
1. Mr. Tomasz Drozdzyński resigned from the position of Member of the Supervisory Board on March 11, 2022.





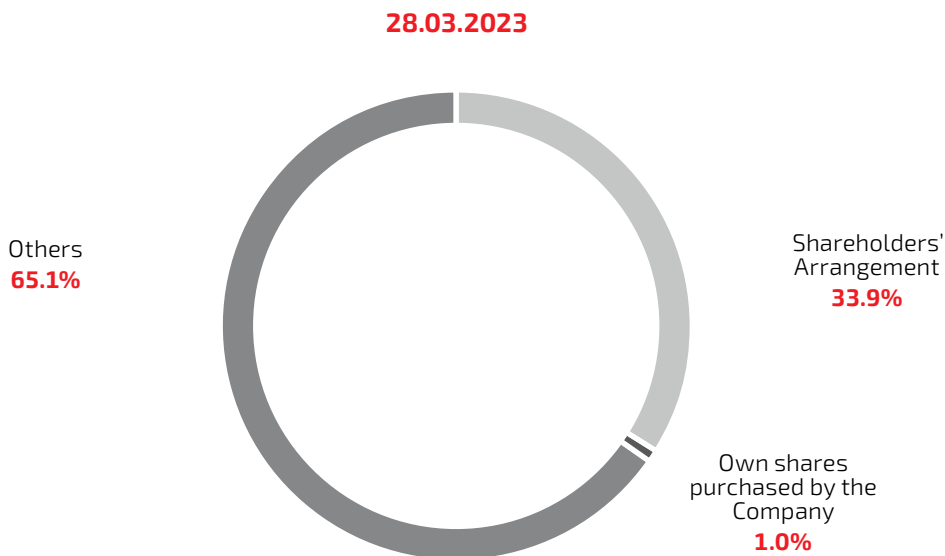
The shareholding structure of the Parent Company as at 31 December 2022 is as follows:

Shareholder	Number of shares as at 31.12.2022	Share in basic capital	Number of votes at GSM	% share in number of votes at GMS
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 purchased by the Company	70,000	1.0%	70,000	1.0%
Others (none of which holding above 5% of shares)	3,764,248	51.3%	3,764,248	51.3%
TOTAL	7,334,822	100.0%	7,334,822	100.0%



After 31.12.2022 changes in the ownership of shares took place. The table below presents the shareholders holding directly or indirectly at least 5% of the total number of votes at the General Meeting of Shareholders as at 28.03.2023:

Shareholder	Number of shares as at 28.03.2023	Share in basic capital	Number of votes at GSM	% share in number of votes at GMS
Shareholders' Arrangement*	2,487,288	33.9%	2,487,288	33.9%
Own shares purchased by the Company	70,000	1.0%	70,000	1.0%
Others (none of which holding above 5% of shares)	4,777,534	65.1%	4,777,534	65.1%
TOTAL	7,334,822	100.0%	7,334,822	100.0%



\* The Company's shareholders' agreement of 21.10.2019 concerning the conduct of a permanent policy towards the Company and the concerted exercise of voting rights on the Company's shares (current report No. 30/2019). The parties to the shareholders' agreement include Maciej Popowicz and Arkadiusz Pernal.

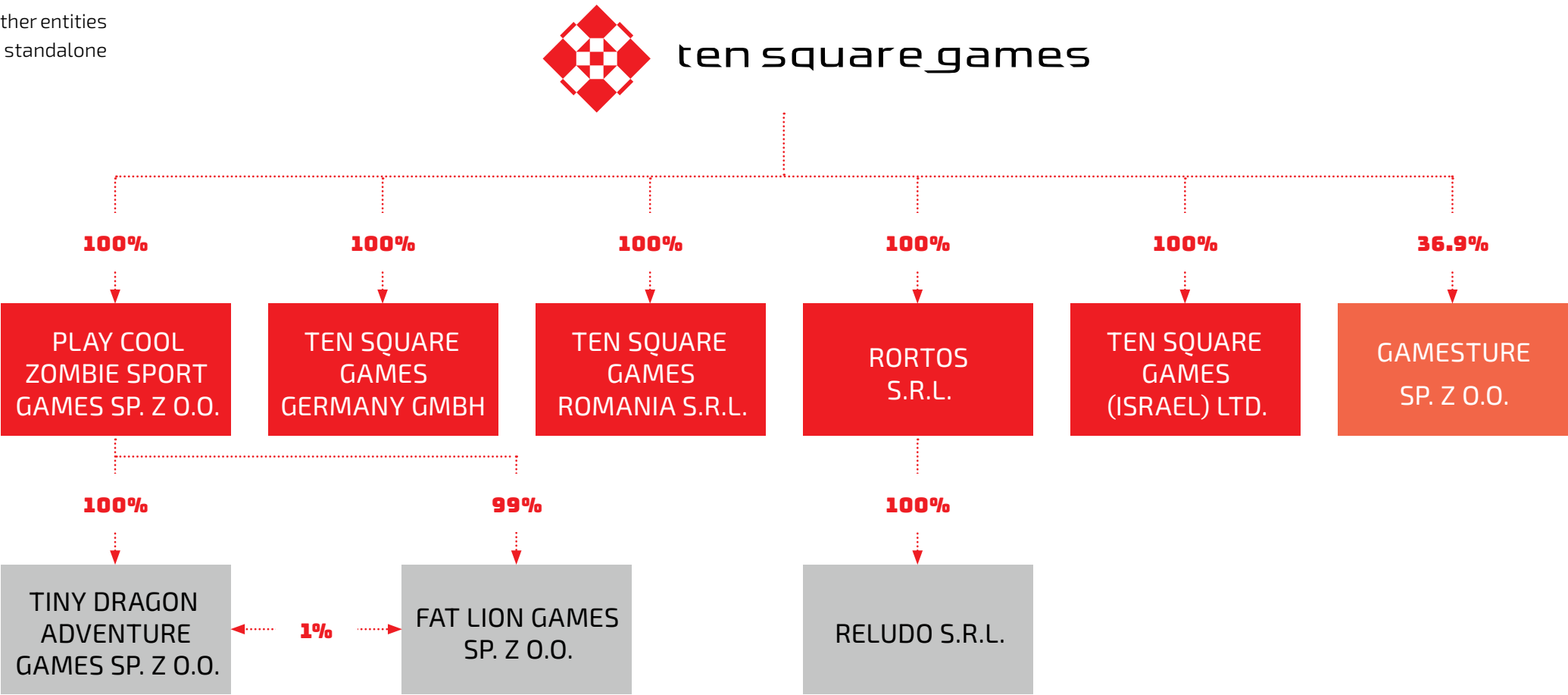




Information on the organizational or capital relations of the issuer with other entities and specification of the main domestic and foreign investments, in particular securities, financial instruments, intangible assets and real estate, including capital investments made outside its group of related entities, and description of financing methods.

The diagram below presents the Issuer's relations with other entities as at 31.12.2021 and as at the date of publication of the standalone and consolidated annual report for 2022:

28 MARCH 2023:



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

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

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

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

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

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

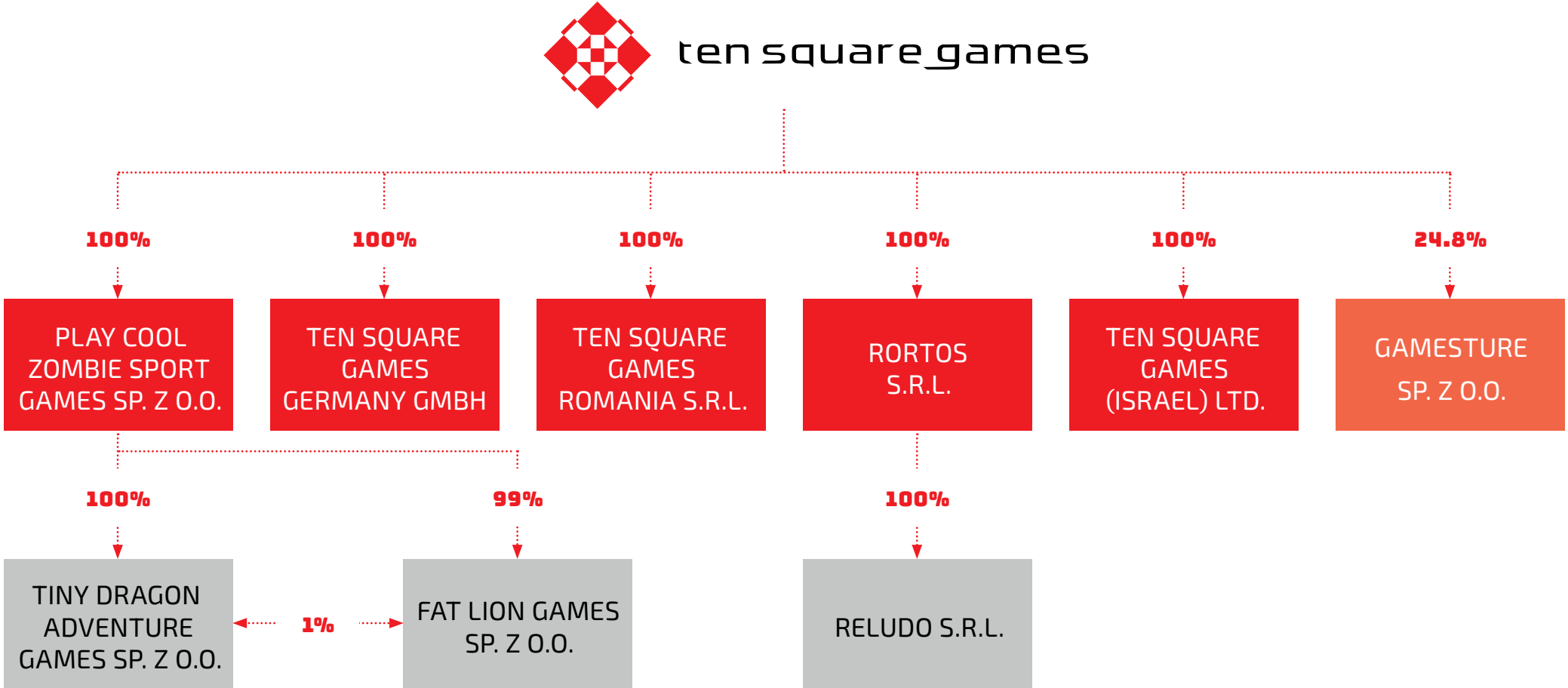
Ten Square Games (Israel) Ltd. was incorporated on 15 February 2022 (the date of the memorandum of association) and entered in the commercial register on 20 February 2022.

Ten Square Games S.A. acquired 24.8% of the shares of Gamesture Sp. z o.o. on 11 March 2022. On 31 January 2023 Ten Square Games acquired 12% of shares in Gamesture Sp. z o.o. (it was registered by Court on March 17, 2023) and holds currently 36.9% of the company's shares.





31 DECEMBER 2022:







# 2.

## BUSINESS PROFILE

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

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

### REVENUE

#### MICROPAYMENTS

revenues from additional functionalities purchased by the players

#### SUBSCRIPTIONS

Rortos games

#### ADVERTISEMENTS

revenues from advertisements displayed in games

#### LICENCES

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





# 3.

## KEY PRODUCTS

In the Q4 and in the whole year 2022, the most important products of the Group generating revenues were:



### FISHING CLASH

**a mobile fishing game  
in the F2P model**

Launch date:  
soft launch: 06.2016  
global launch: 10.2017

Mobile fishing game. Players have the opportunity to take part in a sports competition between anglers in excellent 3D graphics. Since its launch in October 2017, Fishing Clash has established its position as the most important mobile angling game in the world, generating almost PLN 356 million in bookings in 2022. Fishing Clash is the biggest game of the Group, and in 2020 the game broke into top 50 grossing games globally in Google Play store.



### HUNTING CLASH

**a mobile hunting game  
in the F2P model**

Launch date:  
soft launch: 11.2019  
global launch: 08.2020

Product targeted at a wide range of players, focusing on collecting and competition. The game features advanced 3D graphics and realistically animated animals. The player has the opportunity to become the best hunter in the world by hunting many animal species and collecting different types of weapons. Since its release in the third quarter of 2020, the game has been among the 200 highest-grossing games on the Android platform in the U.S., generating in 2022 over PLN 122 million in bookings.





KEY FINANCIAL DATA

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

	PLN		EUR	
	2022	2021	2022	2021
Bookings	542,058,116	649,569,060	115,619,332	141,904,765
Net revenues	538,557,650	634,045,040	114,872,694	138,513,389
Cost of sales	70,095,174	53,930,727	14,951,085	11,781,699
Operating profit (loss)	72,691,764	166,220,593	15,504,930	36,312,527
Gross profit (loss)	63,438,917	161,981,769	13,531,326	35,386,514
Net profit (loss)	52,335,378	141,264,582	11,162,975	30,860,641
EBITDA	112,009,001	177,565,609	23,891,176	38,790,958
Adjusted EBITDA	140,849,088	234,179,331	30,042,678	51,158,783

CONSOLIDATED CASH FLOW STATEMENT

	PLN		EUR	
	2022	2021	2022	2021
Net operating cash flow	137,947,374	200,403,819	29,423,751	43,780,190
Net cash flow from investment activities	-55,504,342	-222,004,602	-11,838,906	-48,499,094
Net cash flow from financial activity	-95,218,427	-75,070,128	-20,309,798	-16,399,810

CONSOLIDATED BALANCE SHEET

	PLN		EUR	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Fixed assets	314,138,189	298,865,805	66,981,852	64,979,303
Current assets	206,569,696	221,414,318	44,045,650	48,139,826
Equity	342,465,369	351,051,347	73,021,892	76,325,466
Long-term liabilities	68,220,992	64,993,212	14,546,364	14,130,802
Short-term liabilities	110,021,524	104,235,564	23,459,247	22,662,861

STANDALONE COMPREHENSIVE INCOME STATEMENT

	PLN		EUR	
	2022	2021	2022	2021
Bookings	501,971,407	632,970,487	107,068,960	138,278,643
Net 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)	55,247,128	138,261,309	11,784,043	30,204,546
EBITDA	99,974,259	167,831,240	21,324,203	36,664,389
Adjusted EBITDA	127,407,941	224,444,961	27,175,723	49,032,214

STANDALONE CASH FLOW STATEMENT

	PLN		EUR	
	2022	2021	2022	2021
Net operating cash flow	77,780,336	206,903,219	16,590,307	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

STANDALONE BALANCE SHEET

	PLN		EUR	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
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





## 4.1. COMMENTARY ON THE RESULTS – STATEMENT OF COMPREHENSIVE INCOME

The Management Board of the Parent Entity performs a joint analysis based on consolidated data, due to the fact that individual and consolidated data for Ten Square Games S.A. and for the Ten Square Games S.A. Capital Group. are similar to each other (preserved trends for individual result items).

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

The Management Board of the Parent, monitoring the situation of Ten Square Games and managing the Group, does not perceive non-cash transactions (incentive plan and income deferral) as having any impact on operating activities, therefore it analyzes financial results and plans operational and strategic activities without taking them into account. Therefore, the Management Board of the Company decided to:

- » analyse sales revenues through „Bookings", which are based on actual payments made by users in a given period and are entirely translated into cash flow generation, and do not take into account the effect of recognizing deferred revenues from the sale of virtual currency and virtual durable goods over time. Analysing revenues (i.e. bookings adjusted for the impact of deferring and recognizing them over time) could lead to completely wrong conclusions from the point of view of user behaviour in the game and management of future game development;
- » introduce the indicator „Adjusted EBITDA", which is a key indicator reflecting the operating performance of the Company and the Group.

### BREAKDOWN OF CONSOLIDATED PAYMENTS BY GAME BY QUARTER

GAME	1Q 2021	2Q 2021	3Q2021	4Q2021	1Q 2022	2Q 2022	3Q 2022	4Q 2022
Fishing Clash	131,659,442	114,983,038	114,371,143	121,867,964	95,826,978	84,385,263	88,773,895	86,980,211
Hunting Clash	26,840,820	30,390,316	28,042,011	30,493,190	32,279,619	24,978,052	32,523,045	32,729,538
Let's Fish	4,208,029	3,710,888	3,110,282	3,445,192	3,099,293	2,394,146	2,380,160	2,490,229
Wild Hunt	3,666,218	3,331,467	2,761,094	3,312,206	2,790,545	2,517,568	2,666,554	2,606,582
Airline Commander			2,564,653	2,532,813	2,879,778	3,048,100	3,717,211	3,046,180
Real Flight Simulator			3,340,427	3,510,656	3,694,286	4,047,377	4,307,017	4,615,007
Wings of Heroes						89,199	673,688	4,496,408
Other	2,821,641	2,561,285	3,516,372	2,527,913	1,980,865	1,991,301	2,444,425	1,605,596
<b>TOTAL BOOKINGS</b>	<b>169,196,150</b>	<b>154,976,993</b>	<b>157,705,984</b>	<b>167,689,934</b>	<b>142,551,364</b>	<b>123,451,006</b>	<b>137,485,995</b>	<b>138,569,751</b>
Deferred revenues (consumable)	3,213,637	283,892	-2,265,275	-7,475,672	4,937,513	908,931	1,505,185	-3,855,149
Deferred revenues (durables)	1,704,189	9,624,478	-7,489,650	-13,119,620	2,845,786	-217,105	-6,077,959	-3,547,668
<b>TOTAL REVENUES</b>	<b>174,113,976</b>	<b>164,885,363</b>	<b>147,951,059</b>	<b>147,094,641</b>	<b>150,334,663</b>	<b>124,142,832</b>	<b>132,913,221</b>	<b>131,166,934</b>

\* under the term of bookings, the Group recognizes revenue not reduced by deferred revenue (i.e. in the case of micropayments these are payments made by users during the indicated period). The amount of deferred revenue is based on the estimation of the unused virtual currency as well as virtual durables by active players at the balance sheet date. The amount of such deferred revenue is recognized in the financial statements under the balance sheet item "deferred income".

### MAU (MONTHLY AVERAGE NUMBER OF ACTIVE PLAYERS) FOR MAIN GAMES

PERIOD	1Q 2021	2Q 2021	3Q2021	4Q2021	1Q 2022	2Q 2022	3Q 2022	4Q 2022
Fishing Clash – MAU (average per period)	3,849,763	2,928,300	2,499,913	2,499,913	2,227,455	1,835,612	2,540,524	2,232,582
Hunting Clash – MAU (average per period)	3,136,097	2,241,126	1,729,973	1,711,249	1,494,746	1,257,463	1,273,923	1,458,084
Evergreen* – MAU (average per period)	933,367	825,133	895,264	989,560	763,829	674,729	771,631	744,403

\*Evergreen – Let's Fish and Wild Hunt.



## BREAKDOWN OF CONSOLIDATED SELLING COSTS BY QUARTERS

SPECIFICATION	1Q 2021	2Q 2021	3Q 2021	4Q 2021	1Q 2022	2Q 2022	3Q 2022	4Q 2022
<b>Selling costs</b>	<b>95,935,217</b>	<b>95,799,537</b>	<b>82,618,730</b>	<b>72,895,344</b>	<b>79,870,756</b>	<b>67,589,551</b>	<b>78,366,429</b>	<b>79,303,832</b>
marketing:	40,137,460	42,419,871	33,944,492	23,020,677	30,070,387	24,555,603	32,087,278	32,153,373
– Fishing Clash	22,551,718	24,783,495	21,055,086	13,614,460	16,110,636	13,099,412	18,769,324	15,219,141
– Hunting Clash	17,412,032	17,438,915	12,889,406	9,334,220	13,532,653	10,257,990	12,688,594	14,306,734
– Airline Commander	0	0	0	0	303,480	815,706	17,986	14,434
–Wings of Heroes	0	0	0	0	0	76,168	429,284	2,148,811
– other titles	173,710	197,461	0	71,997	123,618	306,327	182,090	464,253
Provisions	50,414,040	47,816,995	41,574,686	41,874,524	41,728,991	35,672,700	38,649,821	38,257,580
Revenue share	477,124	423,624	411,570	509,652	448,775	406,178	407,005	416,458
payroll, remuneration of subcontractors	3,961,297	3,338,075	4,496,667	5,461,878	5,857,302	5,193,498	5,472,331	5,932,840
mobile games market research services	548,606	1,317,788	571,024	596,223	308,753	366,990	399,507	318,568
Other	396,690	483,184	1,620,291	1,432,390	1,456,548	1,394,582	1,350,487	2,225,014

2022 was a difficult period for the Group, which began with the lifting of lockdowns caused by the COVID-19 pandemic, deterioration of sentiment on the consumer market, a difficult marketing market and the outbreak of war in Ukraine in February 2022. All these factors had a negative impact on the Group's operations, which is why the Management Board of the Parent Company in the following months of 2022 focused primarily on mitigating this impact on operating results.

Due to the war in Ukraine, at the beginning of March 2022, the Group blocked distribution, marketing and payment in all key games of the Group in Russia and Belarus. The share of the Russian market (the Belarusian market is negligible from the Group's perspective) in payments in 2021 amounted to approx. 5.3% – including approx. 6.5% for Fishing Clash and 2.5% for Hunting Clash. The Group's closure to the Russian market had a direct impact on the decrease in payments, but also indirectly affected the activity of players within the so-called „clans”.

The exclusion of Russian users resulted in rotations of players within the clans and a temporary disruption of their involvement in the game (e.g. good clans with a large share of Russian players automatically weakened in the rankings, demotivating other players to play).

The accumulation of negative events had its greatest reflection in the Group's results in the second quarter of 2022. The Management Board of the Parent Entity undertook a number of actions in that period in order to increase the improvement of results in subsequent periods through operational changes – the method of producing new content in games, the method of team management, the scope of support for product-related teams. The effect of these actions was already noticeable in the results of the third quarter of 2022, when payments in games approached the level of payments from the first quarter of 2022. The fourth quarter means maintaining a similar payment level to the previous quarter for the Group's main games, as well as the global launch of Wings of Heroes. The Group closes the year with payments of PLN 542 million compared to PLN 649.6 million in 2021, which was still a „covid” year.

The Group's main game, Fishing Clash, generated almost PLN 356 million in payments in 2022, which accounts for 65.7% of the Group's total payments. As mentioned above, after a difficult start to the year, the Company managed to stabilize the level of quarterly payments at the level of PLN 86–88 million. The changes in the game introduced in May last year, by improving the parameters of player behavior, also allowed for another increase in marketing budgets, which in the third quarter of 2022 reached PLN 18.8 million, and in the fourth quarter – PLN 15.2 million. The fourth quarter is usually a lower level of marketing expenses due to a short-term, significant increase in user acquisition costs related to the holiday season, which usually normalizes at the beginning of the next year. At the end of 2022, the game had about 2.2 million monthly active users, which is a result similar to the beginning of 2022.

Another title of the Group – Hunting Clash – after a weaker second quarter of 2022, also recorded an increase in payments in the third and fourth quarter of 2022 to the level of PLN 32.5–32.7 million, which is over 30% increase compared to the second quarter of 2022. In the same period, marketing expenses were further scaled and in the fourth quarter of 2022 amounted to PLN 14.3 million.

Evergreen's portfolio (Let's Fish and Wild Hunt), with no marketing expenses and with the support of a team of several people, was able to generate almost PLN 21 million in payments (3.9% of all payments). Despite a gradual, slight decrease year on year, it is still a very satisfactory result.

In 2022, the Group's total payments will also include games from Rortos, acquired in July 2021, of which two older titles – Airline Commander and Real Flight Simulator generated PLN 29.4 million. The Airline Commander game is constantly being rebuilt and supported by the Wroclaw product team, at the turn of the second and third quarter of 2022, numerous marketing tests were carried out to check new functionalities and the direction of their development. After such tests, the team focused again on production and improving the parameters inside the game. The second title – Real Flight Simulator is not actively supported by a large product team or marketing.

The latest production of the Italian studio – Wings of Heroes – had its global premiere in October 2022 (the soft launch took place during the second quarter of 2022). Already the first months of this title show a dynamic increase in payments, which is a good omen for further development of the product.

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

The cost of services sold includes mainly the remuneration of the Group's employees and associates (which systematically increases individually over time) and amortization of games. The increase in costs in 2022 is mainly related to the recognition of costs (depreciation in fair value and current cost of teams) of games from the Italian studio Rortos. These costs amounted to PLN 19.3 million for four quarters of 2022 compared to PLN 3.2 million recognized in 2021 (the acquisition of the company took place at the beginning of July 2021). On the other hand, in 2021 the costs of the incentive program scheduled for 2021–2022 amounted to PLN 7.6 million for the item „costs of services sold”, in 2022 there is no corresponding cost due to the failure to meet the result target.

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





BREAKDOWN OF GENERAL AND ADMINISTRATIVE COSTS BY QUARTERS

SPECIFICATION	1Q 2021	2Q 2021	3Q 2021	4Q 2021	1Q 2022	2Q 2022	3Q 2022	4Q 2022
recurring costs, including:	4,466,911	7,765,229	5,007,974	8,486,510	11,030,484	11,763,761	9,196,909	8,134,626
salaries, subcontractor services of Parent Company	1,872,124	3,097,448	2,284,227	4,116,713	5,462,957	4,675,326	3,901,884	4,457,249
maintenance costs of subsidiaries	51,378	20,787	1,193,151	1,196,473	1,702,087	3,362,996	1,967,808	43,979
Rental and maintenance of office – Parent Company	488,500	513,199	800,012	752,324	859,752	1,012,146	1,032,308	1,157,053
Other	2,054,909	4,133,795	730,584	2,421,000	3,005,689	2,713,293	2,294,909	2,476,344
Non-recurring costs, including:	7,291,473	7,294,056	13,016,898	9,378,751	13,065,319	764,783	6,034,268	5,560,753
Motivation scheme cost	7,291,473	7,294,056	7,294,056	9,360,662	11,304,904	761,432	6,033,168	5,929,836
M&A cost	0	0	3,668,514	18,089	1,760,415	3,351	1,100	-369,083
cost of integration trip	0	0	2,054,328	0	0	0	0	0
TOTAL GENERAL AND ADMINISTRATIVE COSTS	11,758,384	15,059,285	18,024,872	17,865,260	24,095,803	12,528,544	15,231,177	13,695,379

\* During Q4 2022, the Group reclassified the costs of rent in one of its subsidiaries for the period Q1-Q3 2022, which resulted in a reduction of general and administrative expenses for the entire 2022 by PLN 1 million. This adjustment was presented in Q4 2022.

In terms of recurring general and administrative expenses, this item showed an upward trend in 2021 and in the first half of 2022. At the turn of 2020 and 2021, the Group decided to strongly expand its support teams (company-wide). Employment in these departments grew from quarter to quarter to reach its peak in the first quarter of 2022. Therefore, comparing 2022 and 2021, remuneration costs increased significantly – from PLN 11.4 million to PLN 18.4 million. During the second quarter of 2022, the Group made organizational changes that also involved reducing the level of employment, hence in the third quarter of 2022 alone the cost of salaries decreased by 16.5% compared to the previous quarter and amounted to PLN 3.9 million. The cost reported in the fourth quarter of 2022 is usually slightly higher due to the settlement of annual bonuses, however, the level of PLN 4.4 million is still much lower than the salary costs at the beginning of this year.

Another group of costs within general and administrative expenses are the costs of subsidiaries, which in 2022 amounted to PLN 7.1 million compared to PLN 2.5 million in the previous period. This is mainly related to the maintenance of offices in Berlin and Bucharest and the acquisition of the Italian company Rortos in mid-2021.

In June 2022, the Parent Entity commissioned additional office space located in an office building in Wrocław, which translated into increased office maintenance costs starting from Q3 2022.

General administrative expenses also include the costs of the incentive program related to the award of shares to the President of the Company, Maciej Zuzalek, in 2020, and the costs of the classic incentive program based on the issue of new shares (2021 only). The cost of the incentive program for the President of the Management Board is equal over time and amounts to PLN 6 million per quarter, this cost is recognized in the period May 2020 – May 2023, which means that both in 2021 and in 2022 this cost amounted to PLN 24.1 million, respectively . On the other hand, the cost of the classic incentive scheme based on the issue of new shares, shown in the general and administrative expenses line, amounted to PLN 7.1 million in 2021. Due to the failure to achieve the result target of the program in 2022, the Group does not recognize the cost of this program for this period, while this cost was initially recognized in Q1 2022 and then reversed in Q2 2022 (PLN 5.3 million).





RECONCILIATION OF OPERATING RESULT TO ADJUSTED EBITDA RESULT BY QUARTERS

SPECIFICATION	1Q 2021	2Q 2021	3Q 2021	4Q 2021	1Q 2022	2Q 2022	3Q 2022	4Q 2022
Profit from operating activities (EBIT)	55,919,321	38,696,044	31,192,480	40,412,748	29,391,817	17,444,470	21,635,772	4,219,705
Amortisation (excluding capitalised part)	941,410	978,452	3,304,646	2,359,808	2,742,054	3,725,224	3,413,622	5,654,094
Write-downs for impairment	0	3,760,700	0	0	0	8,467,149	671,272	14,643,822
EBITDA	56,860,731	43,435,196	34,497,126	42,772,556	32,133,872	29,636,841	25,720,667	24,517,621
non-cash impact of incentive scheme (excluding capitalised portion)	10,981,139	10,970,806	7,694,579	10,023,537	12,303,319	-236,983	6,033,168	5,929,836
deferred result (revenue minus commissions) – consumables	-2,249,545	-198,724	1,585,693	5,232,970	-3,456,258	-636,252	-1,053,630	2,698,604
deferred result (revenue minus commissions) – durable	-1,181,489	-6,649,270	5,331,821	9,330,773	-1,859,303	-316,187	4,254,570	2,483,367
costs of potential and completed acquisitions (M&A) and review of strategic options	0	0	3,686,602	0	1,760,415	0	0	-370,132
donations to public benefit organizations – war in Ukraine	0	0	0	0	1,000,000	0	0	0
other one-offs	0	0	2,054,828	0	248,368	0	24,886	32,299
Adjusted EBITDA	64,410,836	47,558,008	54,850,650	67,359,837	42,130,413	28,447,420	34,979,661	35,291,595

During the second quarter of 2022, the Management Board of the Company decided to cease work 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 the segment of this type of game. The write-down of expenditure incurred on the development of this game amounted to PLN 9.1 million and was charged to other operating costs (Q2 and Q3 2022).

In the course of work on the standalone and consolidated financial statements of the Company and the Group for the financial year ended December 31, 2022, the Management Board of the Company decided to write off part of the development costs incurred for the development of two games in the total amount of PLN 14.5 million:

- » the amount of PLN 9.2 million relates to the Magical District game and results from the decision to definitively close this project and focus solely on the further development of the second title of the Warsaw studio – Fishing Masters.
- » the amount of PLN 5.3 million concerns the game Undead Clash and includes the costs of work, the effects of which will not be used in subsequent stages of the title's development, due to the decision to change the gameplay and introduce a new element to it.

At the end of 2022, the game was subjected to numerous marketing tests. Based on the conclusions from their analysis, a modification was introduced in the Undead Clash game, which, in the Company's opinion, has the potential to increase player involvement, but requires additional work and expenditure.

Financial income is mainly realized and unrealized (balance sheet valuations) exchange rate differences. The Group keeps part of its cash in currencies, hence the valuation of balance sheet items as at 31.12.2022 amounted to PLN +4.7 million, with PLN +2.3 million of realized exchange differences (a total of PLN 7.1 million shown in financial income). In 2021, the impact of exchange differences on the company's financial statements was significantly lower – the total of realized and unrealized exchange differences recognized as financial costs amounted to PLN 1.6 million.

Finance costs in 2022 relate mainly to the unwinding of the discount and revaluation of the liability due to earn-out payments (purchase of Rortos), which in total amounted to PLN 14.5 million.

In March 2022, the company acquired 24.8% of shares in Gamesture Sp. z o. o. This company currently generates a net loss, therefore the Group showed a loss of PLN 2.7 million due to participation in associates – no corresponding cost in the previous year.

The Group closes the year with a net result of PLN 52.4 million compared to PLN 141.3 million a year earlier (down by 63%).

Adjusted EBITDA in 2022 amounted to PLN 140.8 million compared to PLN 234.2 million a year earlier (down by 40%).





## 4.2. COMMENTARY TO THE RESULTS – CONSOLIDATED STATEMENT OF FINANCIAL SITUATION

In balance sheet terms, between December 31, 2021 and December 31, 2022, with a relatively constant balance sheet total, there was an increase in fixed assets (+5%), and thus a decrease in the value of current assets (-7%). On the fixed assets side, the biggest changes are due to:

- » purchase of shares in Gamesture Sp. z o. o. (PLN 12.2 million net change in the item „other financial assets” compared to December 31, 2021, the position is also affected by the balance sheet valuation of shares in the Sisu fund);
- » expenditure on new office space and replacement of workstations (PLN 6.2 million net change in the item „Tangible fixed assets”);

In the structure of current assets, the largest decrease occurred in total receivables (PLN 14.6 million net change), which is associated with a decrease in payments compared to Q4 2021, and in total cash (PLN 13 million), which is associated with lower inflows to the Group from operating activities. In addition, as at 31.12.2022, the Company has a CIT receivable in the amount of PLN 9.7 million, where there was no such item a year earlier.

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

- » an increase in trade payables from PLN 6.9 million to PLN 13.1 million, which is strictly related to the level of marketing expenses in the last month of the reporting period;
- » a decrease in CIT settlements by PLN 7.9 million (total liability and provision);
- » an increase in other long – and short-term liabilities related to earn-out payments from PLN 50.9 million to PLN 61.1 million

## 4.3. COMMENTARY TO THE RESULTS – CONSOLIDATED CASH FLOW STATEMENT

Cash flows from operating activities in 2022 were lower by 31% compared to 2021. This decrease is not commensurate with the decrease in gross profit (-61%), which can be explained by a higher level of non-cash adjustments, i.e. change in receivables, share-based payments, write-offs of intangible assets and amortization (mainly including amortization of acquired Rortos games).

The Group's investment activity is mainly related to the production of new titles – in 2022 expenditure for that purpose amounted to PLN 27.7 million, adaptation of new office space and purchase of equipment – PLN 11.9 million, as well as the purchase of shares in Gamesture Sp. z o. o. – PLN 14.3 million.

Financial activities are mainly cash flows related to the payment of dividends – a dividend of over PLN 72 million was paid both in 2021 and 2022. In addition, at the beginning of 2022, the Group purchased 70,000 of its own shares, which represented a cash outflow of PLN 18.6 million.







# 5.

## INFORMATION ON MAJOR PRODUCTS/ SERVICES WITH AN INDICATION OF THE VALUE AND QUANTITY AND THE SHARE OF EACH PRODUCT/ SERVICE AND EXPLANATION OF CHANGES IN THIS RESPECT DURING THE FINANCIAL YEAR

The Group focuses on the distribution of games in the F2P (Free-2-Play) model and revenues from games are generated mainly by micro-payments in the game (almost 100% of total revenues). Therefore, the Group does not report the number of products sold, but only the value of sales. In the opinion of the Management Board, the major indicator allowing to determine the popularity of the product is the level of bookings generated by active players and MAU, which is the average number of monthly active users. Both of these measures are presented and discussed in point 4.1 „Commentary to the results – consolidated statement of comprehensive income“.





# 6.

## INFORMATION ON KEY MARKETS DIVIDED INTO DOMESTIC AND FOREIGN MARKETS, AS WELL AS INFORMATION ON SOURCES OF SUPPLY OF MATERIALS FOR PRODUCTION (GOODS AND SERVICES), SPECIFYING DEPENDENCE ON ONE OR MORE CUSTOMERS AND SUPPLIERS

The group assigns payments from the user to the country (and then the continent) based on available sales reports on selected distribution platforms.

REGION	Bookings 2022	Share in 2022 bookings	Bookings 2021	Share in 2021 bookings
North America	243,626,679	44.9%	278,406,215	41.3%
Europe	204,322,368	37.7%	242,676,411	39.3%
<i>including Poland</i>	23,219,034	4.3%	33,660,826	5.1%
Asia	63,163,339	11.7%	98,485,916	14.1%
South America	14,319,633	2.6%	14,283,599	2.9%
Australia and Oceania	11,474,584	2.1%	9,957,890	1.6%
Africa	5,151,513	1.0%	5,759,029	0.8%
<b>TOTAL BOOKINGS</b>	<b>542,058,116</b>	<b>100%</b>	<b>649,569,060</b>	<b>100%</b>
Deferred income (consumable)	3,496,480	N/A	-6,243,418	N/A
Deferred income (durable)	-6,996,946	N/A	-9,280,603	N/A
<b>TOTAL REVENUES</b>	<b>538,557,650</b>	<b>N/A</b>	<b>634,045,040</b>	<b>N/A</b>

The Group's products are sold globally through stores with mobile applications (mainly Google Play, AppStore) and, to an increasingly lesser extent, with the use of browser channels. Bookings are made by individuals and the Group receives an aggregated amount from its intermediaries (e.g. Google Play). The Group signed (at arm's

length) framework agreements with intermediaries. The share of aggregators in bookings is presented in the table below.

BUSINESS PARTNER	bookings 2022	Share in 2022 bookings	bookings 2021	Share in 2021 bookings
Google Inc.	315,249,524	58.2%	390,427,975	60.1%
Apple Distribution International	194,555,543	35.9%	226,519,219	34.9%
Others	32,253,049	6.0%	32,621,866	5.0%
<b>TOTAL BOOKINGS</b>	<b>542,058,116</b>	<b>100.0%</b>	<b>649,569,060</b>	<b>100.0%</b>
Deferred income (consumable)	3,496,480	N/A	-6,243,418	N/A
Deferred income (durable)	-6,996,946	N/A	-9,280,603	N/A
<b>TOTAL REVENUES</b>	<b>538,557,650</b>	<b>N/A</b>	<b>634,045,040</b>	<b>N/A</b>

The costs incurred by the Group include the costs of production, maintenance, distribution and marketing of games. The costs of production and maintenance of titles are mostly salaries for employees and associates. Distribution costs are commissions for intermediaries (mobile stores, payment aggregators). Marketing costs refer to the costs of marketing campaigns carried out by intermediaries.

In none of these cases, the Group is obliged to cooperate with a given entity (no long-term contracts signed, cooperation is always based on orders) and therefore the Group does not identify any significant dependence on suppliers.



## BRIEF DESCRIPTION OF THE ISSUER'S SIGNIFICANT ACHIEVEMENTS AND FAILURES IN THE REPORTING PERIOD, TOGETHER WITH THE SPECIFICATION OF THE MOST IMPORTANT EVENTS RELATING TO THE ISSUER

The Group closes 2022 with the level of bookings equal to PLN 542 million compared to PLN 649.6 million in 2021. When comparing these data, it is worth bearing in mind that 2021 was still under the influence of „covid” restrictions. At the same time, 2022 is a period of deteriorating macroeconomic indicators and consumer sentiment, high marketing costs and Russia's armed attack on Ukraine. In protest against Russia's actions, the Group decided to block the distribution and the ability to pay in all its games in Russia and Belarus.

This had a direct impact on the Group's level of bookings. The share of the Russian market (the Belarusian market is negligible from the Group's perspective) in bookings in 2021 amounted to approx. 5.3% – including approx. 6.5% for Fishing Clash and 2.5% for Hunting Clash. In addition to the direct impact of this decision on the lower level of bookings, it also had an indirect impact on the activity of players within the so-called „clans”. The exclusion of Russian users resulted in rotations of players within the clans and a temporary disruption of their involvement in the game.

In 2022, the Group's level of bookings was positively influenced by Rortos – the company acquired in July 2021. Its two older titles – Airline Commander and Real Flight Simulator generated PLN 29.4 million. An important event for the entire Group was the global launch in October 2022 of the latest production of the Italian studio – Wings of Heroes. The game was well received by the players, and the Group is actively acquiring new users by building the base necessary to conduct in-game tests and study the behavior of various audiences. The scope of the tests includes game economy and user engagement. To this end, new functionalities and purchase options are made available in the game with great frequency. The priority for the coming months is to improve the social and competitive element of the game and increase the user base and monetization of the product.

In March 2022, Ten Square Games purchased 25% stake in the Krakow-based Gamesture studio for PLN 14.3 million. This company currently generates a net loss, therefore the Group showed a loss of PLN 2.7 million due to participation in associates. At the beginning of 2023, the Company increased its involvement in Gamesture to nearly 37%.

In the second quarter of 2022, the Company's Management Board made organizational changes, including: reducing the level of employment, changing the way of creating content or organizing work. This had an impact on the level of remuneration costs in the Group.

In 2022, the Management Board of Ten Square Games also decided to close two projects implemented by the Company. The first was Football Elite and the second was Magical District. Details regarding these decisions and their financial consequences are described in detail in section 4.1 of the Statements – Commentary on the results – consolidated statement of comprehensive income.

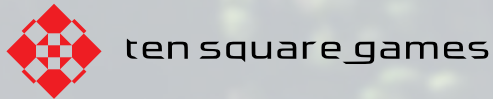
The company also decided to introduce a partial change to the gameplay of the Undead Clash game under development, which required a partial write-off of PLN 5.3 million in the costs of work, the effects of which will not be used in further development of the game.

Both in the analyzed period and in the coming months, the Management Board of the Company focuses its efforts on strengthening the competencies of teams (mainly product and product-related – e.g. Marketing and Business Intelligence). The aim of these activities is to create faster and further develop high-quality mobile games that engage users and generate satisfactory financial results. The marketing team, in turn, is constantly focused on scaling and optimizing marketing expenses devoted to the promotion of Fishing Clash, Hunting Clash and Wings of Heroes. The company monitors the development of the advertising market and changes in the behavior of the acquired user groups on an ongoing basis.

After the acquisition of Rortos in 2021, in 2022 the Management Board of the Parent Company devoted a lot of attention to the issue of integrating Rortos into the Group in order to provide the new company with access to accumulated competences and resources in order to scale its operations faster.



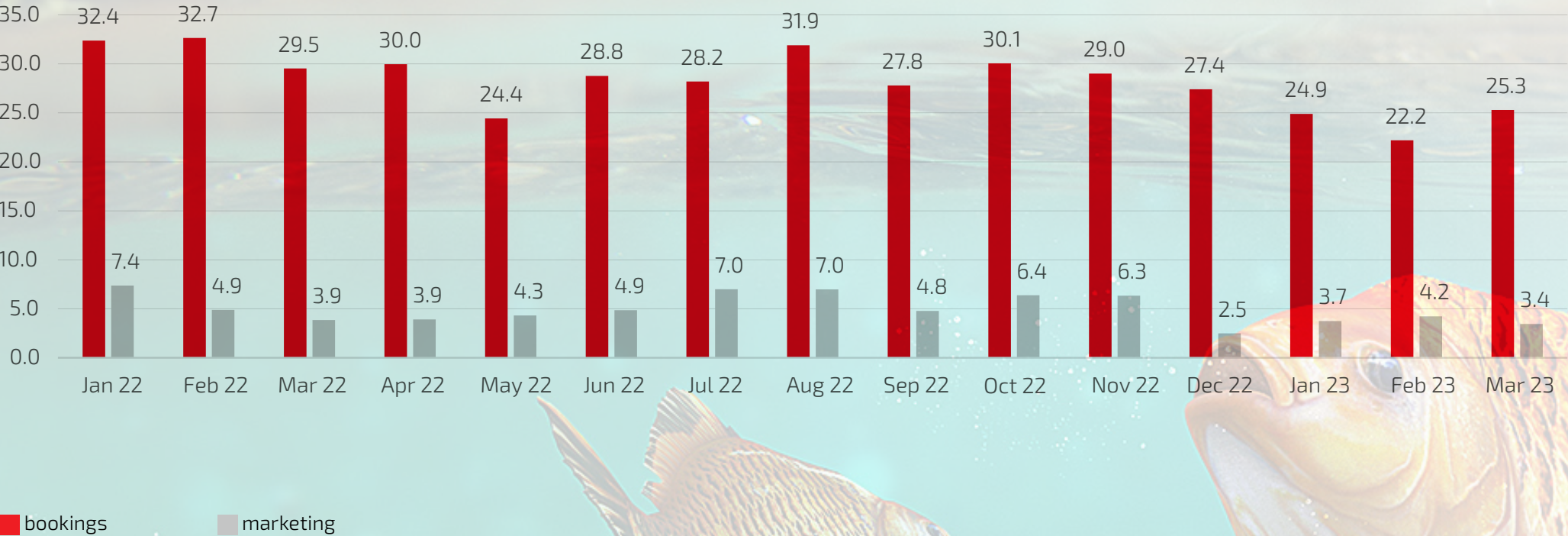




MONTHLY ANALYSIS OF BOOKINGS AND MARKETING COSTS OF KEY GAMES

Fishing Clash

(excl. FC China)\*\*  
in PLN million



\* Figures for January, February and March 2023 are Group's estimates

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



The year 2022 was full of challenges for the company's main product Fishing Clash. The first half of 2022 ended with a decrease in bookings by 27% y/y. This was influenced, among others, by Russia's invasion of Ukraine and the effect of record-high spending on user acquisition in 2020-2021. Due to the war in Ukraine, at the beginning of March 2022, the Group blocked distribution, marketing and payment in all key games of the Group in Russia and Belarus. The share of the Russian market (the Belarusian market is negligible from the Group's perspective) in bookings in 2021 amounted to approx. 6.5% for Fishing Clash. The closure of the market had a direct impact on the decrease in bookings, but also an indirect effect on the activity of players inside the so-called clans. It is also worth recalling that the Management Board of the Company, taking advantage of the drop in prices on the marketing market during the pandemic, decided to intensify marketing activities and allocate record-high expenditures to acquire users for the Fishing Clash game. This contributed to a sharp increase in the user base (from 1.9 million in the fourth quarter of 2019 to nearly 7.0 million) and bookings. In 2022, expenditure on marketing activities were significantly lower than during the pandemic, and the user base gradually returned to its pre-pandemic size. In 2022, marketing expenditure in Fishing Clash were lower by nearly 23.0% compared to 2021. The Fishing Clash team worked on improving the quality of the product and enriching it with new functionalities.

New event formats have also appeared in the game, better suited to the offer and the needs of users. Changes have also been made to the way teams work to increase the efficiency of their activities. The positive effects of the introduced changes were visible in the third quarter of 2022. The end of the year, in particular December, is a period of limiting advertising budgets, which also translates into the number of users and the level of payments. From the beginning of 2023, the Company began to gradually increase marketing expenditures, which over time should have a positive impact on the user base and the level of payments. At the same time, projects are being carried out to further improve the LTV ratio in the game.

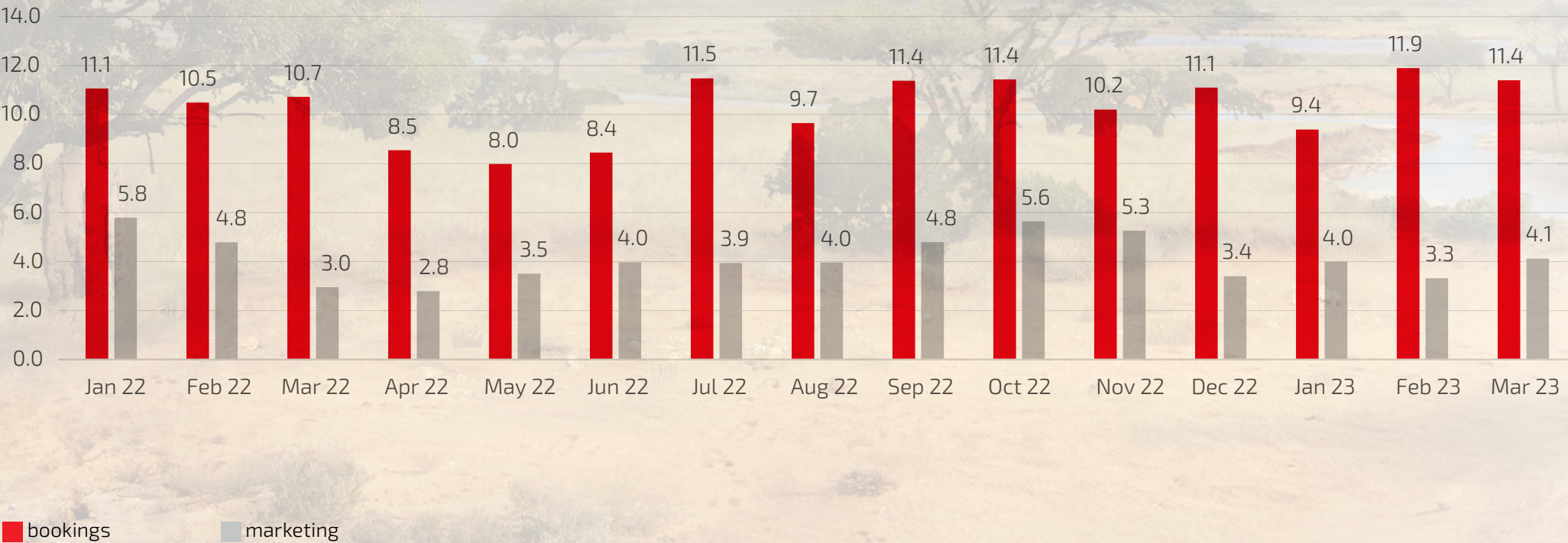




## MONTHLY ANALYSIS OF BOOKINGS AND MARKETING COSTS OF KEY GAMES

### Hunting Clash

in PLN million



\* Figures for January, February and March 2023 are Group's estimates



The first half of 2022, and in particular its second quarter, was difficult for the Group's second largest product, Hunting Clash, mainly due to the situation on the marketing market, as well as blocking the distribution of the product on the Russian market from March 2022. In the first half of 2022, the value of marketing expenditures was lower by nearly 32.0% than in the corresponding period of 2021, which also affected the number of players and activity in the game. In the second part of the year, the team focused on improving the quality of the product and activities supporting its profitability, which allowed to return to a stable level of payments. Scaling of marketing expenses was also started, which in the second half of 2022 were nearly 21.5% higher than in the first half of 2022. The increase in expenditure on acquiring users and the improvement of monetization and the expansion of the product with new functionalities meant that Hunting Clash returned to the path of growth. The game recorded an increase in bookings to approximately PLN 32.5 – 32.7 million in the third and fourth quarters, which means an increase of 30.0% compared to the result from the second quarter of 2022. Throughout 2022, bookings increased by 5.8% compared to 2021.

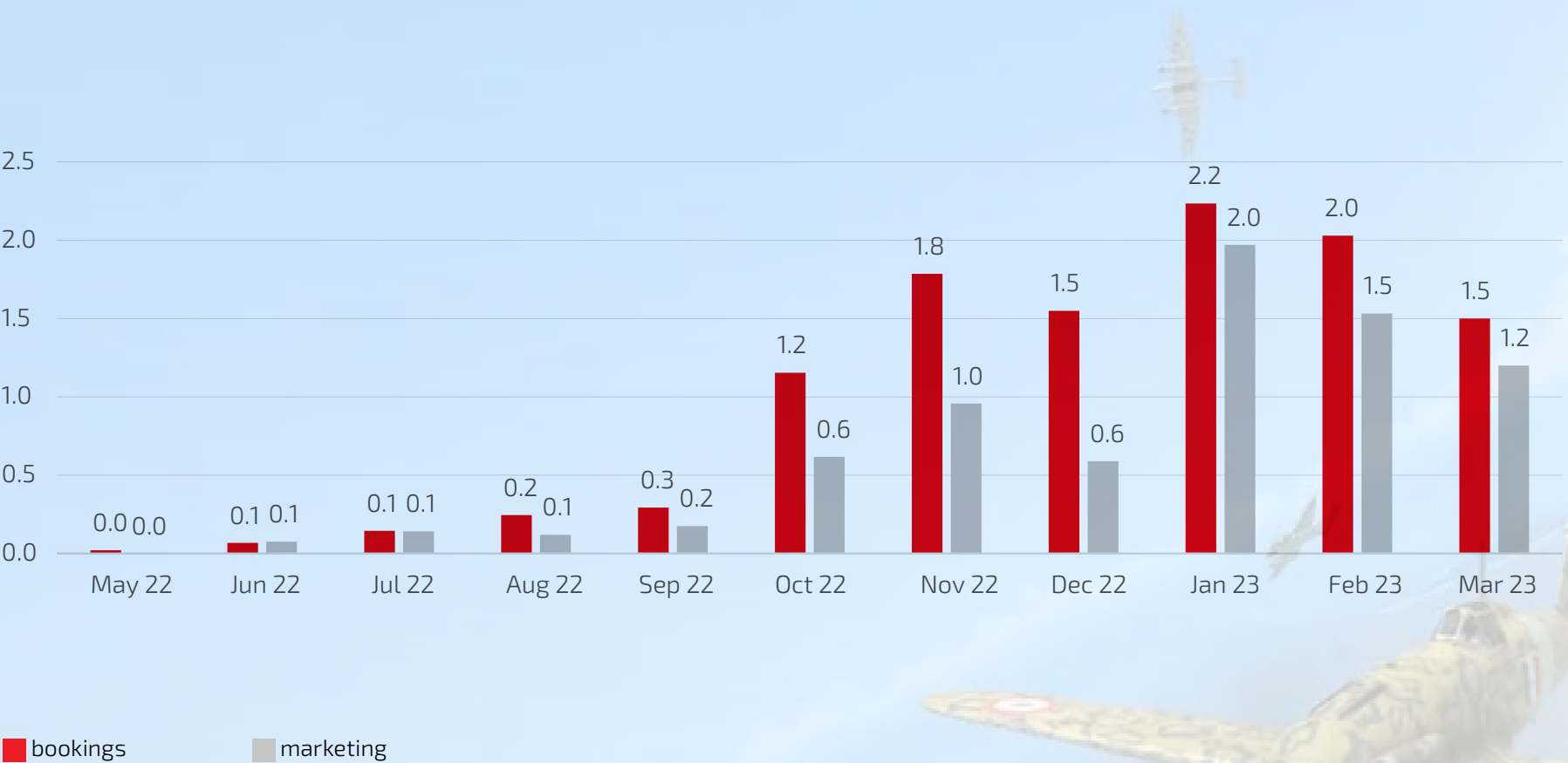




## MONTHLY ANALYSIS OF BOOKINGS AND MARKETING COSTS OF KEY GAMES

### Wings of Heroes

in PLN million



\* Figures for January, February and March 2023 are Group's estimates



Wings of Heroes had its global launch in October 2022 (the soft launch took place during the second quarter of 2022). Already the first months of this title show a dynamic increase in payments. The game was well received by the players, and the Group is actively acquiring new users by building the base necessary to conduct in-game tests and study the behavior of various audiences. The scope of the tests includes game economy and user engagement. To this end, new functionalities and purchase options are made available in the game with great frequency. The priority for the coming months is to improve the social element and competition in the game and increase the user base and monetization of the product.



## CURRENT AND PROJECTED FINANCIAL SITUATION

The Capital Group and the Parent Company are in a very good financial condition, which allows them to continue working on new games using their own funds. The goal of the Management Board is to maintain a stable financial situation of the Company and the entire Group by expanding the portfolio of games offered by the Group and promoting the current titles.

The table below presents the key performance indicators of the Group and the Parent Company.

### PROFITABILITY INDICATORS

SELECTED FINANCIAL DATA	2022	2021
EBIT – Capital Group	72,691,764	166,220,593
EBIT – Parent Company	70,593,622	160,544,114
EBITDA – Capital Group	112,009,001	177,565,609
EBITDA – Parent Company	99,974,259	167,831,240
Adjusted EBITDA – Capital Group	140,849,088	234,179,331
Adjusted EBITDA – Parent Company	127,795,429	224,444,961

PROFITABILITY RATIOS– CAPITAL GROUP	2022	2021
EBITDA* profitability	20.80%	28.01%
Adjusted EBITDA* profitability	26.15%	36.93%
EBIT* profitability	13.50%	26.22%
Gross profitability	11.78%	25.55%
Net profitability	9.72%	22.28%
ROA	10.05%	27.15%
ROE	15.28%	40.24%

PROFITABILITY RATIOS – PARENT COMPANY	2022	2021
EBITDA* profitability	20.00%	27.18%
Adjusted EBITDA* profitability	25.56%	36.35%
EBIT* profitability	14.12%	26.00%
Gross profitability	12.81%	25.66%
Net profitability	11.05%	22.39%
ROA	11.08%	27.39%
ROE	16.80%	40.54%

Source: Management Board

\* Principles for the calculation of indicators:

Profitability at the level of operating profit plus depreciation (EBITDA) – (operating profit for the period + depreciation) / revenues from operations;

Profitability at the level of Adjusted EBITDA (as defined in Section 4) / bookings;

Profitability at the level of operating profit (EBIT) – operating profit for the period / revenues from operations; Gross profitability – profit before tax for the period / revenues from operations; Net profitability – net profit for the period / revenues from operations;

Return on assets (ROA) – net profit for the period / total assets;

Return on equity (ROE) – net profit for the period / total equity.

Profitability ratios, despite a decrease in 2022, remained at a very high level in the analyzed periods.

### DEBT RATIOS

Due to the fact that the Group (including the Parent Entity) did not use external financing in 2021-2022, debt ratios will not be presented.

The Group's equity in 2022 accounted for 67.0% of the balance sheet total, while at the end of 2021 it was: 67.9%.

The structure of liabilities in the case of standalone data was analogous to the consolidated data.

### LIQUIDITY RATIOS

LIQUIDITY RATIOS	2022	2021
Current liquidity ratio – the Group	1.88	2.12
Current liquidity ratio – the Parent Company	1.70	1.97

Source: The Group

Principles for the calculation of indicators:

Current liquidity ratio = total current assets / total short-term liabilities

Both in 2022 and in 2021, the liquidity ratios remained at a very high level, which results from the generation of positive cash flows during the year.



## 9. DESCRIPTION OF FACTORS AND EVENTS INCLUDING THE UNUSUAL ONES, HAVING A SIGNIFICANT IMPACT ON THE FINANCIAL STATEMENTS

During the second quarter of 2022, the Management Board of the Company decided to cease work and close the Football Elite project. The decision to close the project was made after conducting an analysis of marketing costs in June 2022 in comparison with the market potential and involvement of players who could test the new game. In the opinion of the Management Board of the Company, the optimization of the project would take many months, and the costs incurred would be disproportionate to the potential revenues and the size of the segment of this type of game. The write-down of expenditure incurred on the development of this game amounted to PLN 9.1 million.

In the course of work on the standalone and consolidated financial statements of the Company and the Group for the financial year ended December 31, 2022, the Management Board of the Company decided to write off part of the development costs incurred for the development of two games in the total amount of PLN 14.5 million:

- » the amount of PLN 9.2 million relates to the Magical District game and results from the decision to definitively close this project and focus solely on the further development of the second title of the Warsaw studio – Fishing Masters.
- » the amount of PLN 5.3 million concerns the game Undead Clash and includes the costs of work, the effects of which will not be used in subsequent stages of the title's development, due to the decision to change the gameplay and introduce a new element to it.

At the end of 2022, the game was subjected to numerous marketing tests. Based on the conclusions from their analysis, a modification was introduced in the Undead Clash game, which, in the Company's opinion, has the potential to increase player involvement, but requires additional work and expenditure.



## 10. MAJOR ACHIEVEMENTS IN RESEARCH AND DEVELOPMENT

In 2022, the Group continued to work on new games. One of them is Undead Clash, a game about fighting zombies with elements of mechanics proven in the most popular titles of the Group. After entering the advanced stage of production, the game underwent numerous market tests. On their basis, decisions were made to introduce changes to the game mechanics, which, in the Company's opinion, have a greater potential for player involvement.

Due to the decision to introduce changes to the game, the Management Board of the Company decided to write off part of the costs incurred for the development of Undead Clash in the amount of PLN 5.3 million, the effects of which will not be used in further development of the game.

The Company's Warsaw studio is working on Fishing Masters, an idle RPG game. In the opinion of the Company, due to its adventure character, this title will allow reaching new categories of players. The game is at a very advanced stage of development, and its premiere is scheduled for 2023.

In October 2022, Wings of Heroes from the portfolio of Rortos, acquired in 2021, had its global premiere. The game has been very well received by users and its parameters are very promising. The Rortosa team, with the support of Ten Square Games, is working on subsequent layers of content in the game and building the depth of its monetization. In addition, work is continued on a thorough reconstruction of one of the titles from the Rortos portfolio – Airline Commander.

Similarly to previous years, work is constantly underway to improve the Group's business functions, with particular emphasis on the Business Intelligence department – constantly improved predictive and analytical models are crucial for planning and verifying further development of the product portfolio and marketing activities. The development of artificial intelligence – language models (GPT) and image generation models (MidJourney, Stable Diffusion) is actively monitored. The team creates prototypes of tools that use new technological solutions in the Group's products to the extent possible at the current stage of development and regulation of artificial intelligence.

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



# 11.

## EXPECTED DEVELOPMENT OF THE ENTITY AND THE GROUP

The Group's strategy is based on the search for and innovative combination of the most effective game models from the Free 2 Play segment with interesting thematic areas. Its implementation is the creation of a portfolio of timeless products with a long lifespan and deep monetization. In the opinion of the Management Board, many years of experience in maintaining and developing F2P games as well as a well-thought-out publishing plan allow the Group to consistently implement its strategy.

In the last two years, the actions taken by the Management Board of the Parent Entity enabled the achievement of the main strategic goal, i.e. diversification of the product portfolio. This was achieved in a market environment whose functioning was disrupted by the outbreak of the COVID-19 epidemic, Russia's invasion of Ukraine, and a change in Apple's privacy policy.

The basic pillar of the Group's development is the team of the TSG office in Wroclaw, supported by people working remotely from various parts of Poland and the world. New titles are created here and current ones are developed. Wroclaw is also home to all the central functions of Ten Square Games and a platform supporting the development and scaling of all the Group's products, which consists of specialized business departments (including Growth, Business Intelligence and Technology). TSG employees are a team with high competences, developing a diversified portfolio of mobile games and ready to support the development of the company or studios that are part of the Group. Thanks to the platform, the Group provides new entities with access to resources and competences that they did not have before. Such support for their activities gives an opportunity to significantly accelerate development.

The Group also assumes development through selective acquisitions of entities that match the vision of its further development. In July 2021, the Parent's Management Board made the first acquisition in its history and acquired 100% of shares in Rortos – a leading manufacturer of flight simulators for mobile devices. In 2022, the Group made another acquisition by purchasing, in two transactions in total, nearly 37% of shares in the share capital of Gamesture Sp. z o.o. specialized in the RPG genre.

After two years of implementing the strategy adopted in 2020 and a significant change in the structure of the Group, the Management Board of the Parent Entity is currently working on updating it in order to better adjust the directions of activities to the new shape of the Group, its potential and market situation.







# 12.

## CORPORATE SOCIAL RESPONSIBILITY

Ten Square Games is part of a global ecosystem. The Management Board of the Parent Company takes into account social interests and environmental protection, as well as relations with various groups of stakeholders at the stage of building the business development strategy. The Parent Company systematically allocates part of its revenues to help solve significant global problems, in line with the "Be Part of the Change" value. The ambition of the Management Board of the Parent Entity is that its business activities have a positive impact on the environment and build long-term value for all stakeholders. This Square Games implements international Environmental, Social, and Governance (ESG) standards both at the strategy stage and in its daily operations. The Parent Entity cooperates with global organizations such as Fair Play Alliance and Tech To The Rescue to use more sustainable solutions in its products and to share resources with non-governmental organizations based on the shape of the Group, its potential and market situation.

## 2021-2024 pillars of sustainable development



### ENVIRONMENTAL

The environmental goal of Ten Square Games is to reduce its carbon footprint according to Greenhouse Gas Protocol (GHGP) in four areas of company's operations:

1. reducing CO<sub>2</sub> emission of processes and solutions in all TSG offices;
2. reducing CO<sub>2</sub> emission of business travels;
3. offsetting the ecological impact made by employees and contractors while performing their professional duties;
4. offsetting the ecological impact made by players while using TSG products.

Ten Square Games is finalizing work on estimating CO<sub>2</sub> emissions in three ranges in accordance with the GHG protocol in order to systematically reduce them and fully offset the impact on the environment.



### SOCIAL

Ten Square Games recognizes its impact on local communities where the most important stakeholders of the Company operate: employees and contractors with their families, players, suppliers and shareholders. Through its activities, the Company has a real impact on shaping the ecosystem in which it operates. Therefore, Ten Square Games rules, procedures and business policies focus on the following social factors:

1. equal pay – the effect of which is to eliminate or maintain the pay gap between employees of different sexes employed at Ten Square Games at a level lower than in the entire Polish economy. This effect is achieved through various activities undertaken in 2022, e.g. salary benchmarks verified twice a year, promoting and employing women in managerial and senior technical positions. It is worth noting that many of the top positions in the Ten Square Games Group are held by women. In total, 30% of TSG leaders are women, which is an average figure in the tech industry, but this number may increase in the near future in line with the aforementioned trend of increasing team diversity.
2. mental health – recognizing the importance of this issue, which was catalyzed by the COVID-19 pandemic, Ten Square Games is committed to supporting the mental health of employees. In addition to providing private medical care, the company has introduced a psychological care package that includes sponsorship of education and therapeutic services.
3. support for local communities in order to eliminate social inequalities, especially among the youngest generation.



### GOVERNANCE

Ten Square Games uses accurate and transparent accounting methods, avoids conflicts of interest when selecting members of the Management Board, does not use any financial advantages to obtain preferential treatment and does not engage in any illegal practices, but ensures transparency of its activities. As a company listed on the Warsaw Stock Exchange, Ten Square Games applies the Good Practices of Companies Listed on the Warsaw Stock Exchange in its operations. Currently, the Company implements the principles indicated in the document in 81%. Its ambition is greater compliance with the indicated principles, and the plan is to at least maintain this result in the future.





## Implementation of the Sustainable Development Goals

As an international company operating in the fast-growing digital industry, Ten Square Games is well aware of the challenges facing the world today. The climate crisis, inequality, poverty and hunger are just some of the global problems to which the Company wants to contribute by allocating part of its resources to this activity.

To address the most critical global issues in the most comprehensive and systematic way, we have joined the United Nations Global Compact initiative and are committed to the Sustainable Development Goals adopted by that organization:



### ZERO HUNGER

We donated money to a local charity, the Pociecha Foundation, which provides hot meals to children from economically disadvantaged families.



### GOOD HEALTH AND WELL-BEING

We provided our employees and associates with:

- a. private medical care subscription, which provides quick access to specialist doctors
- b. free oncological examinations and regular education in the field of cancer prevention
- c. reimbursement of psychological services and mental health education
- d. free on-site physiotherapy services
- e. free access to sports and recreation facilities in Poland.



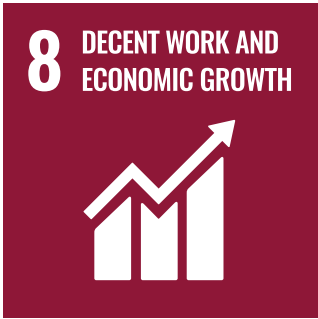
### QUALITY EDUCATION

We have created numerous development projects (e.g. The Boost Week), training programs (e.g. Skill UP) and international knowledge exchange events to improve the qualifications of our employees and associates. We also supported technical education in local communities and sponsored programs that allowed people without technological experience to gain new competences and become IT specialists.



### GENDER EQUALITY

The rules, procedures and policies of our day-to-day operations are non-discriminatory and equal rights oriented. We support employment, development and diversification of the workforce, where every employee is treated with dignity and respect, regardless of age, gender, professional experience, religious and ethnic origin, level of (dis)ability or nationality.



### DECENT WORK AND ECONOMIC GROWTH

We have adapted our benefits program to the needs of all employees, for example, offering medical insurance to same-sex partners or the possibility of working fewer hours in the first month after returning from maternity leave while retaining the right to full pay.



### REDUCED INEQUALITIES

Ten Square Games employs women in management and technical positions. As these are the highest paid positions, this policy helps to neutralize the gender pay gap that exists in all countries where the company operates. In 2022, on the initiative of employees, a project on diversity and integration in the workplace was created. Its goal is to implement five thematic activities covering the issues of cultural integration, LGBTQ+ communities, mental health, workplace communication and support for employees with caring responsibilities.

Every year, the Company's employees engage in a special crowdfunding campaign, putting their skills up for auction. In 2022, the funds collected by the employees were doubled by the Company and donated to the Mam Marzenie Foundation. In total it PLN 50,000 to finance the dreams of 10 terminally ill children.

We enable and support employee volunteering, including competence and practical programs.



### CLIMATE ACTION

We have taken the first steps towards carbon neutrality and are aiming to achieve the goal of net zero emissions – in line with the Science-Based Targets initiative. In 2022, the company carried out many ecological campaigns, which resulted in planting over 60,000 trees. trees, as well as increasing the level of knowledge of our employees, contractors and players. 67% of TSG employees were involved in ESG initiatives organized by the Company.



### LIFE BELOW WATER

One of the Company's most important projects, which was an expression of care and responsibility for its immediate surroundings, was a special event in the Fishing Clash game entitled – Save the Odra. The company was actively involved in counteracting the effects of the environmental disaster in September 2022. It involved thousands of players around the world in its activities and donated PLN 100,000 for counteracting the effects of devastation of the natural environment. In April 2022, as part of the celebration of International Earth Day, Fishing Clash players cleared the virtual Amazon of garbage, while collecting points, the total income of which was allocated to planting trees in cooperation with the Ecosia foundation. Hunting Clash players, on the other hand, got involved in cleaning up virtual Tanzania. In turn, on the occasion of International Water Day 2021, players from around the world caught extinct species in virtual Fishing Clash fishing grounds, contributing to the cleaning of the oceans.



### PARTNERSHIPS FOR THE GOALS

Ten Square Games has joined the United Nations Global Compact Initiative, a program that brings together companies from around the world in a commitment to promoting human rights and sustainable development in their organizations. Every year, the Company prepares a mandatory report on its activities, which it submits to the organization. The Company has joined the Fair Play Alliance, a global coalition of companies from the video game industry, committed to creating healthier gaming communities, within which it can develop and share best practices in order to prevent any signs of harassment, discrimination or abuse. We want mobile games to be a safe space that gives users many constructive challenges and the opportunity to interact with each other.

Ten Square Games is also a member of Tech To The Rescue, a voluntary movement of tech companies that help NGOs around the world implement digital solutions to increase their social impact. The company also joined the Playing for the Planet initiative organized under the United Nations Environment Programme. Its members have committed to introducing ecological events in their games, reducing CO2 emissions and supporting climate protection initiatives. In 2022, two games from the Company's portfolio – Fishing Clash and Hunting Clash participated in the Green Game Jam event organized as part of this initiative. The company is also a member of Leaders for Climate Action.





Expenses related to supporting culture, sports, charity institutions, media, social organizations and trade unions incurred in 2022 and described above are presented in the tables below:

TYPE OF EXPENDITURE	AMOUNT
Supporting charity initiatives	1,093,139
<i>incl. support for Ukraine</i>	<i>1,000,000</i>
Supporting environmental initiatives	932,267
Supporting sports initiatives	10,430
Supporting educational initiatives	124,980
Sponsoring initiatives	70,886
<b>TOTAL</b>	<b>2,231,704</b>

SUMMARY

Although Ten Square Games has been making efforts to develop its activities in a sustainable manner for a long time, in recent years the number and scale of initiatives in this area has significantly increased. In 2021, the total amount donated by the Company to charity exceeded PLN 500,000, not counting campaigns coordinated by the employer, in which private money was donated by employees for these purposes, and many man-hours devoted by team members.

ORGANIZATION	AMOUNT
Polish Center for International Aid	500 000
Polish Medical Mission	500 000
Planetly Gmbh	494 159
Ecosia Gmbh	295 002
Polish Angling Association	100 000
Tech To The Rescue Foundation	67 751
Other	274 792
<b>TOTAL</b>	<b>2 231 704</b>

In 2022, the Company supported charities with the amount of over PLN 1.0 million. Guided by one of the company's values, Grow Together, and the growing expectations of stakeholders in the post-pandemic reality, the Company decided to start preparations for reporting ESG activities as early as 2023, i.e. earlier than required by law, to ensure even greater transparency of activities and real commitment to change, also at the governance level.





# 13.

## SIGNIFICANT EVENTS OCCURRING AFTER THE END OF THE REPORTING PERIOD

There were no significant events after the balance sheet date that could affect the financial data included in the statements for the period ended 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, as a result of the loss of an important contractor, 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, 2022, the ability to make payments in the game was suspended.

In 2022, the total revenue of Ten Square Games from the distribution of Fishing Clash in China amounted to PLN 3.9 million. According to the Company's estimates, in 2023 this amount would be even lower, not exceeding PLN 1.0 million. Thus, the scale of lost revenues generated by Ten Square Games due to its presence on the Chinese market is not significant from the Company's perspective.





# 14.

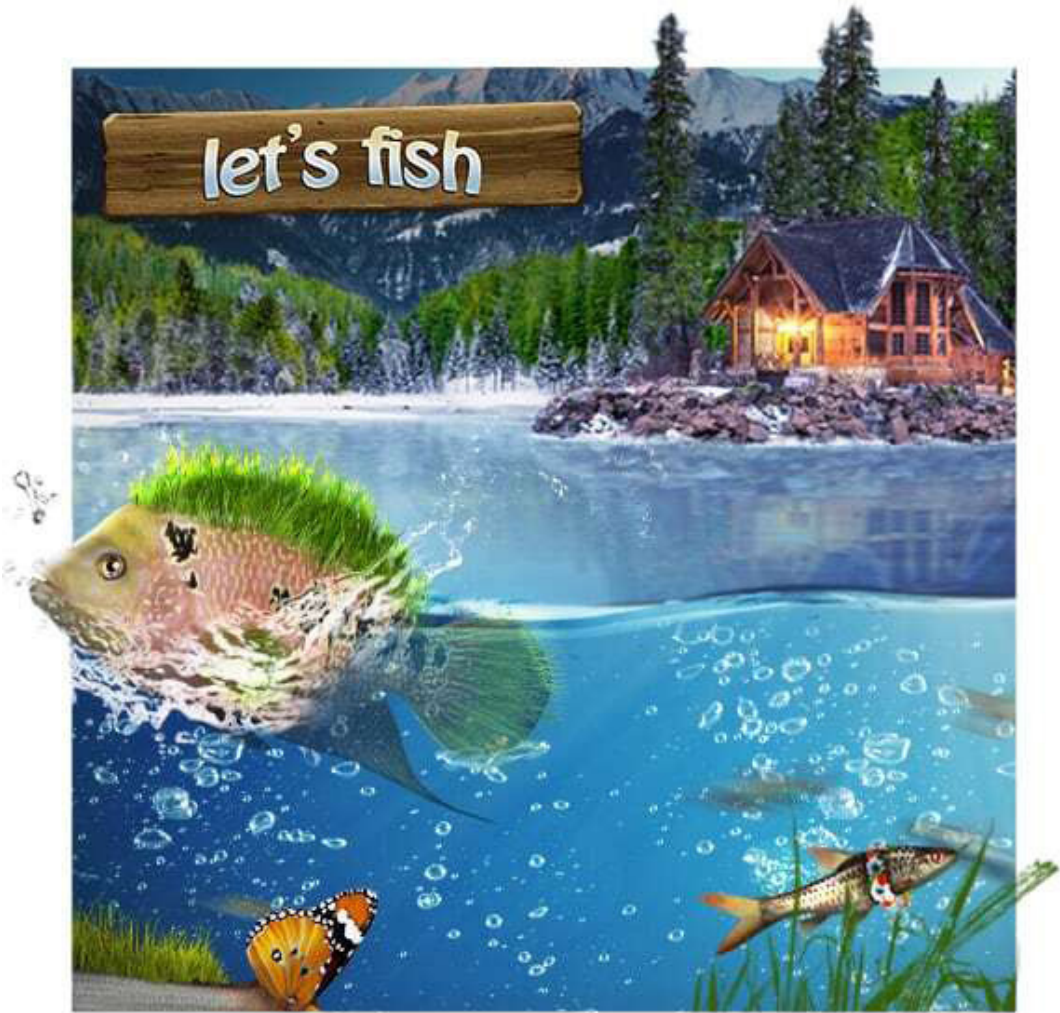
## DESCRIPTION OF SIGNIFICANT RISK FACTORS AND THREATS SPECIFYING TO WHAT EXTENT THE ISSUER IS EXPOSED TO THEM

The activities of the Ten Square Games Group are subject to the influence of external and internal factors such as exchange rates, competition, changes in the macroeconomic situation, tax and other regulations. The following are descriptions of the Group's defined, material and company-specific external and internal factors that may adversely affect the Ten Square Games Group's business.

**Risk factors that may affect the Group's performance are as follows:**

- » **PLN/EUR and PLN/USD exchange rate.**  
A significant portion of the Group's revenue is generated in foreign currencies, and the Group is therefore exposed to the risk of sudden changes in foreign exchange rates. At present, a significant portion of the costs associated with the purchase of advertising is incurred in U.S. dollars, partly offsetting the risk of exposure to foreign exchange rate fluctuations. A change in this proportion may happen in the future.
- » **The appearance of competitive products to the Group's games on the market.**  
Due to low entry barriers for new entrants and easy access to global distribution of new products, the mobile gaming market is competitive. Consumers are offered numerous products, often with similar themes. A competitive market requires the Group to work on continuous improvement of the quality of its products and search for new areas of interest to a wide range of customers.
- » **Parameters of the advertising market, such as prices of advertisements purchased by the Group, as well as various distribution channels.**  
The Group's economic model is based on the possibility of acquiring players at prices lower than the expected value generated by the players. However it cannot be ruled out that the cost of acquiring a user will exceed the above mentioned profitability threshold.

- » **Change in the policy of key distribution platforms such as Google Play, Apple and Facebook, affecting the scope and distribution capabilities of the Group's products.**  
The games produced by the Group reach users through entities independent of the Group, any change on their part as regards the Group's application promotion policy, application selection and distribution rules may have an impact on the Group's results.
- » **Change in the policies of key platforms – marketing channels.**  
An example of such changes is the change in Apple's privacy policy introduced in 2021, which strongly disrupted the online advertising market. As a result of these changes, it has become much more difficult to accurately target marketing campaigns and to verify the predicted future value of acquired user groups. This is a problem that all advertisers using this type of marketing are currently facing. Similar new regulations have also been announced by the Google platform, but the details and scope of the changes are not yet known.
- » **Duration of game development.**  
F2P productions are relatively short and low-budget, but here, too, delays in production may occur as a result of difficult access to talent or changes in the market and the resulting changes in the product. Game production is a complex process based to a large extent on creative and artistic work, which often makes it difficult to set a precise production schedule.
- » **The ability to maintain and develop a team of developers and other professionals in the field of development of F2P games, as well as attracting talent from Poland and abroad.**  
The market of F2P specialists in Poland is young and shallow. Access to such specialists is of key importance for the Group. In addition, the Group notes strong wage pressure from both existing and new potential employees.





» **The Group's products are consumed by players.**

The demand for these products may be subject to changing fashions, market trends or sudden changes in the perception of specific customer groups. A change in the macroeconomic situation may also result in a shift in the purchasing behaviour of some customers.

» **In the case of activities undertaken by the Group to acquire external entities or projects, the Group is exposed to business risk related to their correct valuation and subsequent integration.**

This may affect the Group's financial results in the future.

» **The Group's operations depend on the proper functioning of IT systems and technical infrastructure, networks and servers.**

As a result of failure of the technical infrastructure, the Group's products may be interrupted, which makes it impossible for the Group to conduct its daily operations. Any system failure or access to data by unauthorized persons may result in loss or disclosure of data, reduction of sales revenues, necessity to incur unforeseen costs or penalties.

» **The terms of personal data processing are regulated by general provisions on personal data protection.**

Including Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of individuals with regard to the processing of personal data and on the free movement of such data and repealing Directive 95/46/EC (GDPR), whose absolute applicability within the national legal order is mandatory as of 25 May 2018. The Group has put in place legal, organizational and technical solutions to ensure the security of the processed data and full compliance with the regulation. Should the current data protection measures prove ineffective, data may be disclosed, modified or lost, whether as a result of system failure, human error or unauthorized actions by third parties. Violations of data protection rules can lead to financial penalties by the supervisory authority, as well as loss of reputation and customer trust.

» **Innovation in new technologies in the segment of electronic entertainment.**

Technological changes that may affect the way games are delivered to consumers and the way they are consumed cannot be ruled out. This may necessitate rapid adaptation of the Group's products to new realities.

» **Changes in legal and tax regulations and the risk of providing services to users in various jurisdictions.**

» **A new risk for the Group's operations is the situation in Ukraine in the light of the Russian invasion of this country (February 2022).**

Ukraine is directly bordering Poland, where the head office of the company is located, and to Romania, where one of the studios producing games is located. On March 8, 2022, the Company blocked possibility to play all its games in Russia and Belarus, which also translated into the results generated in 2022 (sales on these markets accounted for approx. 5.3% of total bookings in 2021). If the armed conflict in Ukraine continues, it will affect the Group's results in the coming years.

» **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, as a result of the loss of an important contractor, decided to close a subsidiary cooperating with, among others, Ten Square Games. This also means that the license to distribute Fishing Clash China will expire. On March 22, 2022, the ability to make payments in the game was suspended.

In 2022, the total revenue of Ten Square Games from the distribution of Fishing Clash in China amounted to PLN 3.9 million. According to the Company's estimates, in 2023 this amount would be even lower, not exceeding PLN 1.0 million. Thus, the scale of lost revenues generated by Ten Square Games due to its presence on the Chinese market is not significant from the Company's perspective.







# 15.

## CHARACTERISTICS OF EXTERNAL AND INTERNAL FACTORS SIGNIFICANT FOR THE DEVELOPMENT OF THE ISSUER'S BUSINESS

In 2023, the Group intends to continue the development of its activities in the existing areas, i.e. develop the current product portfolio and create new projects in the Free 2 Play mobile games segment. At the same time, the Parent Company's Management Board is actively looking for opportunities to diversify the product portfolio through selective acquisitions of entities suitable for the development of the Ten Square Games Group.

Further development of the Fishing Clash, Hunting Clash and Wings of Heroes games will have a key impact on the Group's results. Improvement of results in both the product and marketing spheres may have a significant impact on the results of subsequent periods. In order to use this potential, the Group conducts constantly activities to optimize live-ops in games, continues to develop product functionalities and incurs marketing expenditures to acquire new players.

External factors that may affect the Group's results include the exchange rate of the US dollar and the euro, the appearance of competing products for the Group's games on the market, parameters of the advertising market, such as prices and supply of advertisements displayed in the Group's games and the prices of advertisements purchased by the Group, or a change in the policy of key platforms (Google Play, Facebook and Apple) affecting the scope and possibility of distributing the Group's products.

External factors coincide with the basic risks for the Group, while internal factors also include the outflow of employees and associates, delays in the production of games or the risk of inaccurate estimates and trends, on the basis of which the Management Board makes decisions regarding the development of the Group's products.

# 16.

## AGREEMENTS WHICH MAY RESULT IN FUTURE CHANGES IN THE PROPORTIONS OF SHARES HELD BY SHAREHOLDERS

Historically, the agreements that may have an impact on changes in the proportion of shares held by shareholders in the future were agreements regarding the incentive program. Due to the failure to meet the target in 2022, no shares will be issued in 2023 under the incentive program adopted for 2021-2022. Details of the program are described in note 27 in the consolidated financial statements.

# 17.

## THE MANAGEMENT BOARD'S STANCE ON THE POSSIBILITY OF FULFILMENT OF PREVIOUSLY PUBLISHED FORECASTS FOR A GIVEN YEAR IN THE LIGHT OF THE RESULTS PRESENTED IN THE QUARTERLY REPORT, COMPARED TO THE FORECASTED RESULTS

The Management Board of Ten Square Games S.A. did not publish forecasts of 2022 financial results.

# 18.

## SEASONALITY OR CYCLICALITY OF OPERATIONS

The Group's activity is not seasonal.







# 19.

## CREDITS, LOANS, WARRANTIES

The Parent Entity grants loans to subsidiaries. The loans are granted on market terms and the repayment period is set no later than December 31, 2023. The balance of these loans as at December 31, 2022 is PLN 1.8 million.

At the end of 2022, the Parent Entity also granted a loan in the amount of PLN 2.2 million to an associate – Gamesture Sp. z o. o. This loan was repaid with interest in January 2023.

Neither Ten Square Games S.A. nor any of its subsidiaries were, as at December 31, 2022 and as at the date of issue of the financial statements, a party to any other credit or loan agreements. The Issuer and its subsidiaries did not grant any sureties or guarantees in the period covered by the report.

# 20.

## ACQUISITION OF OWN SHARES

On January 20-28, 2022, the first tranche of the share buyback launched by the Parent Company was carried out in accordance with the resolution of the Company's Management Board of January 20, 2022 on the commencement of the buyback of own shares and the detailed conditions and procedure for carrying out the first tranche of the Company's own share buyback. It was adopted in the implementation of 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 defining the rules for purchasing 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 18,623,013.60.

The shares acquired as part of the transaction may be (i) redeemed (voluntary redemption), (ii) exchanged for shares in the course of 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.





# 21.

## BRANCHES (PLANTS) OWNED BY THE PARENT COMPANY

Neither the Parent Company nor its subsidiaries have branches (plants).



# 22.

## FINANCIAL INSTRUMENTS

**22.1**  
**Financial instruments with respect to the following risks: changes in prices, credit risk, material disruption of cash flows and liquidity to which an entity is exposed:**

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

**22.2**  
**Financial instruments within the scope of the entity's objectives and methods of financial risk management, including methods of hedging material types of planned transactions for which hedge accounting is applied**

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



# 23.

## INFORMATION ON CONCLUDED AGREEMENTS SIGNIFICANT FOR THE ISSUER'S OPERATIONS INCLUDING CONCLUDED AGREEMENTS OR COOPERATION AGREEMENTS

On 11 February 2019 the Parent Company and Archicom Nieruchomości 5 Spółka z ograniczona odpowiedzialnością with its registered seat in Wrocław entered into a lease agreement concerning office space located in the City One office and service building developed within the City Forum project located in Wrocław at ul. Traugutta 45. The agreement was concluded for a definite period of 5 years. The lease period began on 02.01.2020, i.e. on the date of taking over the leased object and will end on 02.01.2025. The office space covered by the lease agreement is used by the Issuing Party in order to conduct business activity. Terms and conditions of the lease agreement do not differ from market standards used in agreements of this type.

On 21 January 2020 the Parent Company concluded another agreement with Archicom Nieruchomości 5 Spółka z ograniczona odpowiedzialnością with its registered office in Wrocław for the lease of office space in the same building as the agreement indicated above. The need to lease additional space is related to the increase in the number of employees and collaborators. The new office space was made available to the Issuer on 15 September 2020 and the lease period is 5 years from the date of taking over the object of lease. The office space covered by the lease agreement is used by the Company for business activity. The terms and conditions of the lease agreement do not deviate from market standards applied in agreements of this type.

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

On 21 October 2019 the Shareholders' Arrangement was concluded, as a result of which, as at the date of conclusion of the Agreement, the Members of the Agreement held a total of 4,603,750 shares in the Company, constituting 63.58% of the share capital, entitled to 4,603,750 votes at the General Meeting of Shareholders of the Company, constituting 63.58% of the total number of votes at the General Meeting of Shareholders of the Company, which the Company informed about in current report no. 30/2019. Among the Members of the Agreement are Maciej Popowicz and Arkadiusz Pernal. As at the date of this Report, the Shareholders' Agreement holds 2,487,288 shares, which constitutes 33.9% of the share capital.

As of 20 May 2020, Mr. Maciej Zuzalek, also the Company's shareholder, who was employed in the Parent Company on the basis of a managerial contract, became the President of the Management Board.

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 stake acquired in Rortos was set at EUR 45,000,000 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 a maximum amount not higher than the result EBITDA achieved by Rortos in the relevant period.

The Management Board of Ten Square Games is not aware of the existence of other significant agreements apart from the above-mentioned agreements.



# 24.

## ASSESSMENT OF FINANCIAL RESOURCES MANAGEMENT INCLUDING THE ABILITY TO MEET THE ISSUER'S OBLIGATIONS, AND IDENTIFICATION OF ANY THREATS AND ACTIONS THAT THE ISSUER HAS UNDERTAKEN OR INTENDS TO UNDERTAKE IN ORDER TO COUNTERACT SUCH THREATS

The Parent Entity and its subsidiaries had a high level of cash as at December 31, 2022 and December 31, 2021. The Group's companies settle their liabilities on time. The Group's companies also have no problems with the collection of receivables – the vast majority of amounts related to a given month are settled within the next 4-5 weeks. In the opinion of the Management Board, the current financial situation of the Issuer does not require taking additional steps to counteract the above-mentioned problems or threats.



# 25.

## ASSESSMENT OF THE POSSIBILITY OF REALIZATION OF INVESTMENT PLANS INCLUDING CAPITAL INVESTMENTS, IN COMPARISON TO THE AMOUNT OF FUNDS HELD, TAKING INTO ACCOUNT POSSIBLE CHANGES IN THE STRUCTURE OF FINANCING OF THIS ACTIVITY

Cash and cash equivalents as at 31 December 2022 amounted to PLN 126.6 million, therefore the Group has full possibilities to develop the existing product portfolio and create new games. The Group is also interested in acquisitions of other entities operating on the market of games published in the F2P model – if the Management Board of the Parent Entity considers it beneficial to take over a large entity, then it is possible to obtain external financing. Such steps will be taken when a favorable investment opportunity arises.



# 26.

## INFORMATION ON THE CONTROL SYSTEM OVER EMPLOYEE SHARE PROGRAMS

The Company's share-based incentive scheme covering the activities of the Company and its Capital Group in 2021 to 2022 was approved by the General Meeting on 20 May 2020. The detailed by-laws of the program was also approved by the General Meeting of Shareholders. Implementation of the programmes is overseen directly by the Supervisory Board and the Management Board of the Issuer.

# 27.

## DESCRIPTION OF SIGNIFICANT OFF-BALANCE SHEET ITEMS IN TERMS OF SUBJECT MATTER, OBJECT MATTER AND VALUE

As at 31 December 2022 and as at 31 December 2021, the Group did not have any significant off-balance sheet items.





28.

VALUE OF REMUNERATION, AWARDS OR BENEFITS INCLUDING THOSE RESULTING FROM INCENTIVE OR BONUS SCHEMES BASED ON THE ISSUER'S CAPITAL FOR MEMBERS OF THE ISSUER'S MANAGEMENT, SUPERVISORY OR ADMINISTRATIVE BODIES

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, according to the rule applied in preparation of these financial statements.

AFFILIATED PERSON	Remuneration		Net dividend	
	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 remuneration	824,400	824,520	1,578,091	1,578,091
– Ten Square Games S.A. – cash variable remuneration paid	0	290,479	0	0
– Ten Square Games S.A. – cash variable remuneration 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 Chruszczynski (from 01.08.2020 to 21.10.2021)	0	602,093	0	0
– Ten Square Games S.A. – cash fixed remuneration	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 remuneration	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

AFFILIATED PERSON	Remuneration		Net dividend	
	01.01.2022-31.12.2022	01.01.2021-31.12.2021	01.01.2022-31.12.2022	01.01.2021-31.12.2021
Anna Idzikowska (since 21.01.2021)	719,300	4,712,024	137,700	162,000
– Ten Square Games S.A. – cash fixed remuneration	636,000	514,065	137,700	162,000
– Ten Square Games S.A. – cash variable remuneration 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 remuneration	636,000	409,225	682,417	682,417
Wojciech Gattner (since 21.01.2021)	1,445,924	5,956,154	200,054	168,877
– Ten Square Games S.A. – cash fixed remuneration	636,000	514,066	200,054	168,877
– Ten Square Games S.A. – cash variable remuneration paid	960,824	1,374,436	0	0
– Ten Square Games S.A. – – cash variable remuneration 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

AFFILIATED PERSON	Remuneration		Net dividend	
	01.01.2022-31.12.2022	01.01.2021-31.12.2021	01.01.2022-31.12.2022	01.01.2021-31.12.2021
Supervisory Board	381,290	420,016	5,721,241	6,904,230
Rafał Olesinski	102,000	102,000	5,419	5,419
Tomasz Drozdzyński (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 Stanisławska	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	b/d	b/d
Family members of key personnel / Management Board (Ten Square Games)	303,400	55,395	b/d	b/d





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 Mr. Wojciech Gattner, Member of the Management Board, is accrued for a given quarter and paid in the next quarter, hence there are differences in the amounts paid and due for this Member of the Management Board.

Transactions between related entities took place on terms equivalent to those applicable to transactions concluded on arm's length terms. Members of the management staff did not enter into transactions with subsidiaries of Ten Square Games S.A.

# 29.

## CONTRACT WITH THE AUDITOR

The selection of the audit firm conducting the audit of the annual standalone and consolidated financial statements for the financial year 2022 was made by the Supervisory Board of the Company in the form of a resolution adopted on May 18, 2021 after the recommendation of 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 semi-annual consolidated financial statements of the Ten Square Games S.A. Capital Group. for the periods from 01/01/2022 to 30/06/2022 and from 01/01/2023 to 30/06/2023, as well as the audit of the annual standalone financial statements of Ten Square Games S.A. and the annual consolidated financial statements of the Ten Square Games S.A. Capital Group. for the years 2022 and 2023 and thus decided to extend the contract with PKF Consult Sp. z o. o. sp.k. The above contract also includes the service of assessing the annual remuneration report.

SPECIFICATION	Costs in 2022	Costs in 2021
audit of the consolidated and standalone 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
<b>TOTAL</b>	<b>140,400</b>	<b>76,763</b>

# 30.

## INFORMATION ON TRANSACTIONS CONCLUDED BY THE ISSUER OR ITS SUBSIDIARY WITH RELATED PARTIES ON TERMS OTHER THAN MARKET TERMS, TOGETHER WITH THEIR AMOUNTS AND INFORMATION SPECIFYING THE NATURE OF SUCH TRANSACTIONS

In 2022, as well as from January 1, 2023 to the date of publication of the standalone and consolidated annual report for 2022, the Issuer and its subsidiaries did not conclude any significant transactions with related parties on terms other than market conditions.

# 31.

## ISSUE OF SECURITIES – USE OF PROCEEDS FROM THE ISSUE OF SECURITIES IN THE PERIOD COVERED BY THE REPORT

In 2022, as well as from 1 January 2023 until the date of publication of the standalone and consolidated annual report for 2022, no issue of the Issuer's securities took place.







# 32.

## CHANGES IN THE BASIC PRINCIPLES OF MANAGEMENT OF THE ISSUER AND ITS CAPITAL GROUP

In 2022, as well as from 1 January 2023 until the date of publication of the standalone and consolidated annual report for 2022, the Issuer did not make any changes to the basic principles of management of the Issuer's enterprise and its Capital Group.

# 33.

## AGREEMENTS CONCLUDED BETWEEN THE ISSUER AND MANAGEMENT BOARD MEMBERS PROVIDING FOR COMPENSATION IN CASE OF RESIGNATION OR DISMISSAL FROM THEIR FUNCTION WITHOUT AN IMPORTANT REASON OR IF THEIR DISMISSAL RESULTS FROM THE ISSUER'S MERGER VIA ACQUISITION

In 2022, as well as from 1 January 2023 until the date of publication of the standalone and consolidated annual report for 2022, the Issuer did not conclude any agreements with members of the Management Board providing for compensation in the event of resignation or dismissal from the position held without an important reason or if the dismissal is due to the Issuer's merger by acquisition.





# 34.

## INFORMATION ON ALL LIABILITIES ARISING FROM PENSIONS AND BENEFITS OF A SIMILAR NATURE FOR FORMER MANAGING, SUPERVISING OR FORMER MEMBERS OF ADMINISTRATIVE BODIES AND ON LIABILITIES INCURRED IN CONNECTION WITH THOSE PENSIONS

In 2022, as well as from 1 January 2023 until the date of publication of the standalone and consolidated annual report for 2022, there were no liabilities arising from pensions and benefits of a similar nature. The Issuer is subject to corporate governance rules contained in the document 'Code of Best Practice for WSE Listed Companies'. The statement of compliance with corporate governance rules for former managing, supervising or former members of administrative bodies and no liabilities were incurred in connection with those pensions.

# 35.

## PRINCIPLES OF CORPORATE GOVERNANCE

The Issuer is subject to corporate governance rules contained in the document 'Code of Best Practice for WSE Listed Companies'. The statement of compliance with corporate governance rules in Ten Square Games S.A. in 2022 is a separate part of the Management Board's report on the activities of the Ten Square Games S.A. Capital Group, and Ten Square Games S.A.







**REPORT ON THE ACTIVITIES OF THE MANAGEMENT BOARD**  
**was approved for publication by the Board of Directors of the Company**  
**on 28.03.2023 and signed by:**

**PRESIDENT  
OF THE MANAGEMENT BOARD**  
Maciej Zuzalek

**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

Wroclaw, March 28<sup>th</sup>, 2023