



ten square_games

CONSOLIDATED QUARTERLY REPORT

Ten Square Games S.A. Group
for Q1 2023

Wroclaw, May 22nd, 2023



1Q 2023

SELECTED FINANCIAL DATA CONVERTED TO EUR

CONSOLIDATED DATA

STATEMENT OF COMPREHENSIVE INCOME

	PLN		EUR	
	for the period 01.01.2023 – 31.03.2023	for the period 01.01.2022 – 31.03.2022	for the period 01.01.2023 – 31.03.2023	for the period 01.01.2022 – 31.03.2022
Bookings	123,593,038	142,551,363	26,242,789	30,674,678
Revenues	117,449,665	150,334,662	24,938,353	32,349,514
Cost of sales	19,327,786	15,854,847	4,103,912	3,411,699
Operating profit (loss)	-14,413,939	29,391,817	-3,060,544	6,324,629
Gross profit (loss)	-16,021,545	30,975,300	-3,401,891	6,665,368
Net profit (loss)	-12,844,774	25,585,263	-2,727,360	5,505,522
EBITDA	17,136,690	32,133,872	3,638,672	6,914,674
Adjusted EBITDA	27,633,599	41,130,412	5,867,504	8,850,579

CASH FLOW STATEMENT

	PLN		EUR	
	for the period 01.01.2023 – 31.03.2023	for the period 01.01.2022 – 31.03.2022	for the period 01.01.2023 – 31.03.2023	for the period 01.01.2022 – 31.03.2022
Net cash flows from operating activities	29,877,736	53,352,825	6,344,007	11,480,639
Net cash flows from investment activities	-14,686,523	-23,728,299	-3,118,423	-5,105,935
Net cash flows from financial activity	-1,470,501	-19,552,561	-312,235	-4,207,385

STATEMENT OF FINANCIAL POSITION

	PLN		EUR	
	31.03.2023	31.12.2022	31.03.2023	31.12.2022
Fixed assets	297,612,707	314,138,189	63,653,664	66,981,852
Current assets	225,593,980	206,569,696	48,250,236	44,045,650
Equity	334,923,045	342,465,369	71,633,632	73,021,892
Long-term liabilities	47,986,385	68,220,992	10,263,370	14,546,364
Short-term liabilities	140,297,257	110,021,524	30,006,898	23,459,247

EUR/PLN exchange rate	2023	2022
for the balance-sheet data	4.6755	4.6899
for the data from the profit and loss statement and cash flow statement	4.7096	4.6472

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

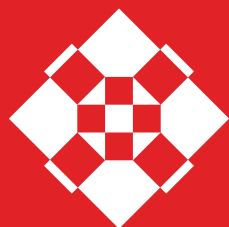
In order to convert the positions under the comprehensive income statement and the cash flow statement, the exchange rate which is the arithmetical average of the exchange rates of National Bank of Poland effective at the last day of each month of a given period was adopted.

SPECIFICATION	1Q 2022	2Q 2022	3Q 2022	4Q 2022	Total 2022	1Q 2023
Operating profit (EBIT)	29,391,817	17,444,470	21,635,772	4,219,705	72,691,764	-14,413,939
amortization and depreciation (excluding capitalized portion)	2,742,054	3,725,224	3,413,622	5,654,094	15,534,994	4,977,704
write-downs for impairment	0	8,467,149	671,272	14,643,822	23,782,243	26,572,925
EBITDA	32,133,872	29,636,841	25,720,667	24,517,621	112,009,001	17,136,690
non-cash impact of incentive scheme (excluding capitalized portion)	12,303,319	-236,983	6,033,168	5,929,836	24,029,340	6,033,168
deferred result (revenue minus commissions) – consumables	-3,456,258	-636,252	-1,053,630	2,698,604	-2,447,536	141,218
deferred result (revenue minus commissions) – durable	-1,859,303	-316,187	4,254,570	2,483,367	4,562,447	4,159,142
costs of potential and completed acquisitions (M&A) and review of strategic options	1,760,415	0	0	-370,132	1,390,283	163,381
donations to public benefit organization (regarding the war in Ukraine)	1,000,000	0	0	0	1,000,000	0
other one-offs	248,368	0	24,886	32,299	305,553	0
Adjusted EBITDA	42,130,413	28,447,420	34,979,661	35,291,595	140,849,088	27,633,599

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**GENERAL
INFORMATION**



COMPANY DATA



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

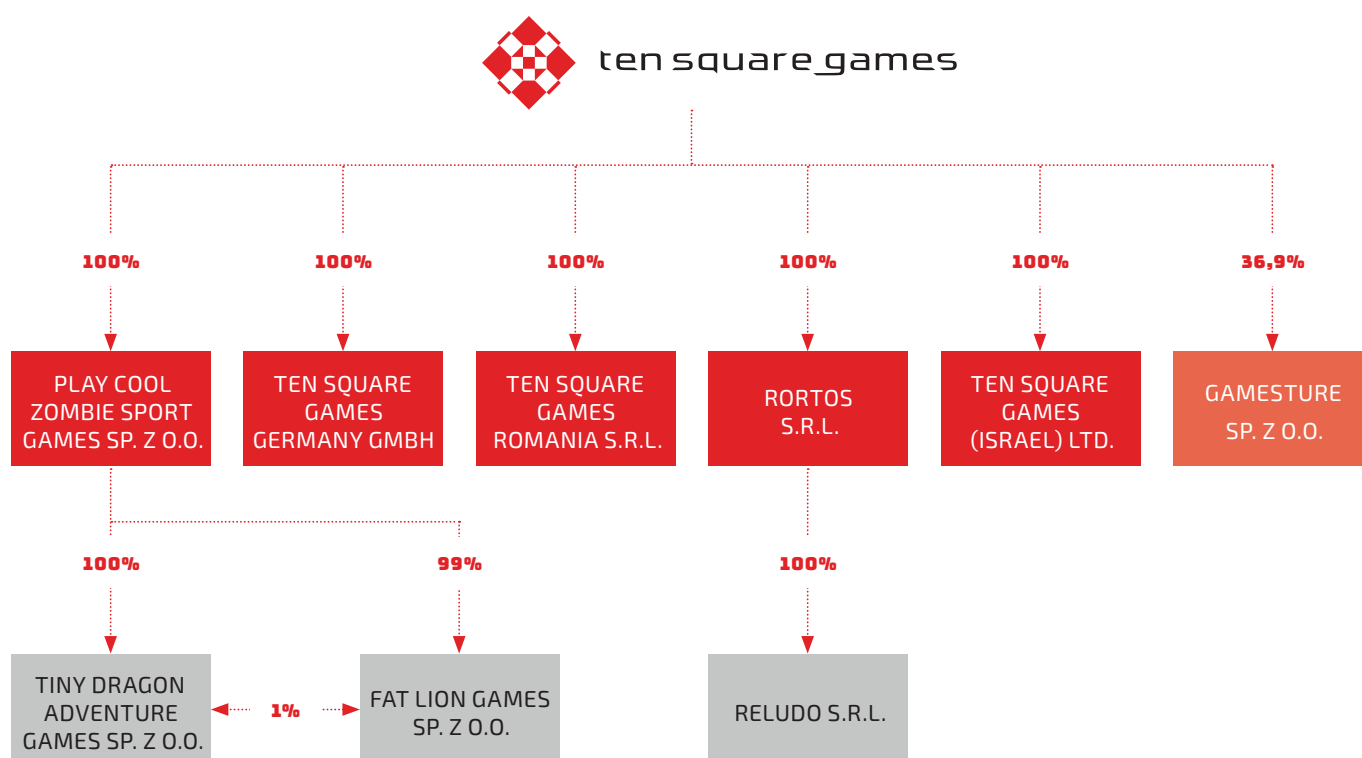
Ten Square Games Sp. z o. o. was registered on 21 October 2011, entry no. 0000399940. Ten Square Games S.A. was established through the transformation of Ten Square Games Sp. z o. o., which was registered by the District Court on 20 November 2017.



CAPITAL GROUP

Ten Square Games S.A. is the Parent Entity in the Capital Group, which prepares consolidated financial statements. The subsidiaries shown on the graph are subject to the consolidated financial statement since the date of a given company's establishment/acquisition of control over the company until the date of loss of control over the company.

As of 31.03.2023 and 22.05.2023:



3.

SHAREHOLDING STRUCTURE

3.1.

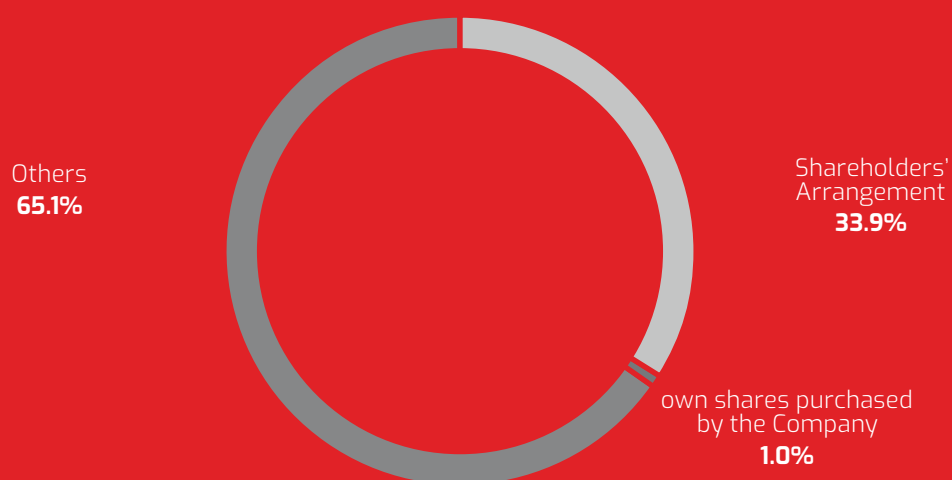
List of shareholders holding, directly or indirectly through subsidiaries, at least 5% of the total number of votes at the issuer's general meeting of shareholders

Shareholder	number of shares as at 28.03.2023, 31.03.2023, 22.05.2023	% share in basic capital	number of votes at GSM	% share in the number of votes
Shareholders' Arrangement ^[1]	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 (of which none holds more than 5% of shares)	4,777,534	65.1%	4,777,534	65.1%
TOTAL	7,334,822	100.0%	7,334,822	100.0%

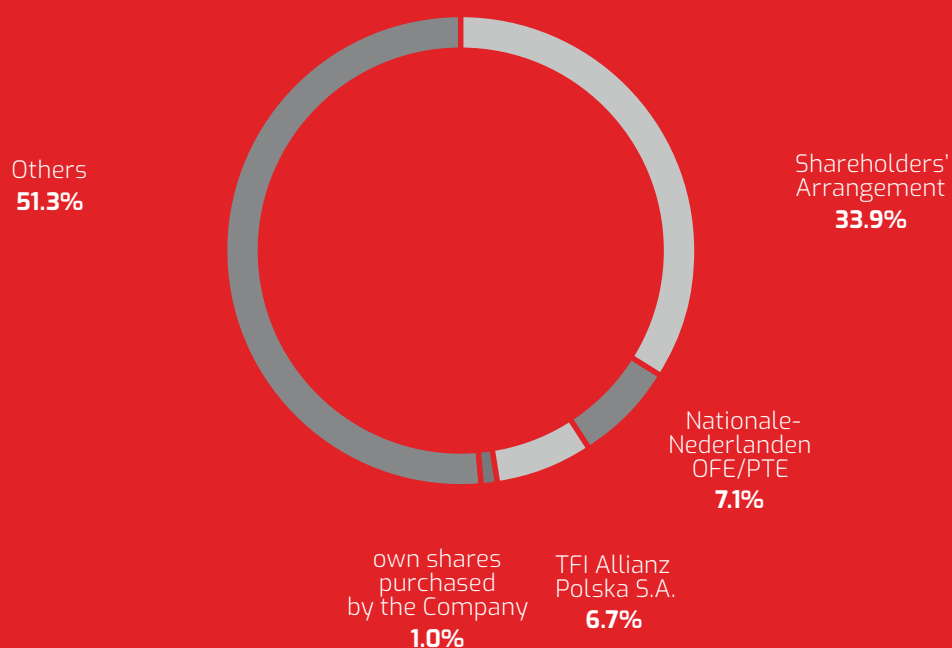
Shareholder	number of shares as at 31.12.2022	% share in basic capital	number of votes at GSM	% share in the number of votes
Shareholders' Arrangement ^[1]	2,487,288	33.9%	2,487,288	33.9%
Nationale-Nederlanden OFE/PTE	524,371	7.1%	524,371	7.1%
TFI Allianz Polska S.A	488,915	6.7%	488,915	6.7%
own shares purchased by the Company	70,000	1.0%	70,000	1.0%
others (of which none holds more than 5% of shares)	3,764,248	51.3%	3,764,248	51.3%
TOTAL	7,334,822	100%	7,334,822	100%

[1] The arrangement of Company's shareholders of 21.10.2019 concerning the conduct of a permanent policy towards the Company and the concerted exercise of voting rights on the Company's shares (current report no. 30/2019). The parties to the shareholders' arrangement include i.a. Maciej Popowicz and Arkadiusz Pernal.

as at 28.03.2023, 31.03.2023, 22.05.2023



as at 31.12.2022



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

Shareholder	number of shares as at 28.03.2023, 31.03.2023, 22.05.2023	% share in basic capital	number of votes at GSM	% share in the number of votes
President of the Management Board – Maciej Zużatek	194,826	2.7%	194,826	2.7%
Member of the Management Board – Andrzej Ilczuk	10,388	0.1%	10,388	0.1%
Member of the Management Board – Janusz Dziemidowicz	84,249	1.1%	84,249	1.1%
Member of the Management Board – Wojciech Gattner	29,000	0.4%	29,000	0.4%
Member of the Management Board – Magdalena Jurewicz	19,500	0.3%	19,500	0.3%
Member of the Supervisory Board – Arkadiusz Pernal	661,552	9.0%	661,552	9.0%
Member of the Supervisory Board – Maciej Marszałek	44,000	0.6%	44,000	0.6%
Member of the Supervisory Board – Rafał Olesiński	669	0.0%	669	0.0%
Member of the Supervisory Board – Kinga Stanisławska	105	0.0%	105	0.0%
TOTAL	1,044,289	14.2%	1,044,289	14.2%
Others	6,290,533	85.8%	6,290,533	85.8%
TOTAL	7,334,822	100.0%	7,334,822	100.0%

Shareholder	number of shares as at 31.12.2022	% share in basic capital	number of votes at GSM	% share in the number of votes
President of the Management Board – Maciej Zużatek	194,826	2.7%	194,826	2.7%
Member of the Management Board – Anna Idzikowska	25,000	0.3%	25,000	0.3%
Member of the Management Board – Andrzej Ilczuk	10,388	0.1%	10,388	0.1%
Member of the Management Board – Janusz Dziemidowicz	84,249	1.1%	84,249	1.1%
Member of the Management Board – Wojciech Gattner	29,000	0.4%	29,000	0.4%
Member of the Management Board – Magdalena Jurewicz	19,500	0.3%	19,500	0.3%
Member of the Supervisory Board – Arkadiusz Pernal	661,552	9.0%	661,552	9.0%
Member of the Supervisory Board – Maciej Marszałek	44,000	0.6%	44,000	0.6%
Member of the Supervisory Board – Rafał Olesiński	669	0.0%	669	0.0%
Member of the Supervisory Board – Kinga Stanisławska	105	0.0%	105	0.0%
TOTAL	1,069,289	14.6%	1,069,289	14.6%
Others	6,265,533	85.4%	6,265,533	85.4%
TOTAL	7,334,822	100.0%	7,334,822	100.0%

3.3. Series of shares

Series of shares	Numer of shares as at 31.12.2022, 28.03.2023, 31.03.2023, 22.05.2023	nominal value of shares (per one share)	Total nominal value of shares
A	7,225,000	0,1,PLN	722,500.00
B	109,822	0,1,PLN	10,982.20

Series B shares relate to the Company's incentive program.

3.4. Description of changes in shareholding structure

Changes in the shareholding structure between December 31, 2022 and May 22, 2023 result from the transactions described in:

1. The notification received on January 19, 2023 regarding the change in the ownership of the Company's shares, submitted by TFI Allianz Polska S.A., about which the Company informed in current report No. 4/2023.
2. The notification received on February 15, 2023 regarding the change in the ownership of the Company's shares, submitted by NN PTE S.A., about which the Company informed in current report No. 7/2023.

4.

COMPOSITION OF THE COMPANY'S BODIES AS AT 22.05.2023

The Management Board:

- » **Maciej Zużatek** – President of the Management Board;
- » **Janusz Dziemidowicz** – Member of the Management Board;
- » **Wojciech Gattner** – Member of the Management Board;
- » **Andrzej Ilczuk** – Member of the Management Board;
- » **Magdalena Jurewicz** – Member of the Management Board.

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

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.

In addition, on April 21, 2023, the President of the Management Board, Maciej Zużatek, and the Member of the Management Board, Wojciech Gattner, resigned from their positions effective as at the end of May 22, 2023. On May 17, 2023, the Supervisory Board appointed the current Member of the Management Board, Mr. Andrzej Ilczuk, to be the President of the Management Board effective since May 23, 2023.

The Supervisory Board:

- » **Rafał Olesiński** – President of the Supervisory Board;
- » **Wiktor Schmidt** – Vice – President of the Supervisory Board;
- » **Marcin Biłos** – Member of the Supervisory Board;
- » **Maciej Marszałek** – Member of the Supervisory Board;
- » **Arkadiusz Pernal** – Member of the Supervisory Board;
- » **Kinga Stanisławska** – Member of the Supervisory Board.

During the reporting period and after it, until the date of preparation of these financial statements, there were no changes in the composition of the Supervisory Board.



FORM OF CONDENSED STATEMENT

The basis for the preparation of the financial statement

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

The interim condensed consolidated financial statement does not involve all information and disclosures required in the annual financial statement and it shall be read in conjunction with the consolidated financial statement of the Group for the year ending on 31 December 2022.

Functional currency and presentation currency

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

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

Presented periods

The interim condensed consolidated financial statement has been prepared as at 31.03.2023 and it covers the period of 3 months, i.e. since 01.01.2023 to 31.03.2023.

For the data presented in the interim condensed consolidated statement of financial situation and off-balance sheet items, comparable financial data as at 31.12.2022 and 31.03.2023 were presented.

For the data presented in the interim condensed consolidated statement of comprehensive income and in the interim condensed statement of cash flows, comparable financial data for the period from 01.01.2022 to 31.03.2022 were presented.

Continuity assumption

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

Until the date of preparation of the interim condensed consolidated financial statement for the first quarter of 2023, there were no events which were not and which should have been included in the accounting records of the reporting period. At the same time, no material events relating to previous years in these financial statements are included in the financial statement.

Auditing company

These interim condensed consolidated financial statements together with selected elements of the interim condensed the standalone financial statements have not been audited or reviewed by an independent audit firm.



6.

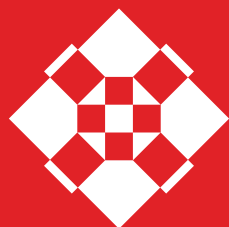
STATEMENT OF THE MANAGEMENT BOARD

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

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

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





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II

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENT



INTERIM CONDENSED **CONSOLIDATED** COMPREHENSIVE INCOME STATEMENT

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT	for the period 01.01.2023 – 31.03.2023	for the period 01.01.2022 – 31.03.2022
Revenues from the sales of services	117,449,665	150,334,662
Cost of services sold	19,327,786	15,854,847
Gross profit (loss) on sales	98,121,879	134,479,815
Other operating income	134,879	82,676
Selling costs	69,004,470	79,870,756
General and administrative costs	16,771,006	24,095,803
Other operating costs	26,895,221	1,204,115
Operating profit (loss)	-14,413,939	29,391,817
Financial income	1,040,107	3,585,368
Financial expense	1,710,733	1,509,386
Loss (profit) on associates	936,980	492,499
Profit(loss) before taxation	-16,021,545	30,975,300
Income tax	-3,176,771	5,390,036
Net profit (loss) on continued activity	-12,844,774	25,585,263
Profit (loss) on discontinued activity	0	0
Net profit (loss)	-12,844,774	25,585,263
Net profit (loss) attributable to the parent company	-12,844,774	25,585,263
Items that may be reclassified subsequently to profit or loss	9,854,290	4,932,843
Subject to reclassification to the result – exchange differences from translation of foreign statements	9,854,290	4,864,236
Items that will not be reclassified to profit or loss	0	0
Other comprehensive income	9,854,290	4,864,236
Total comprehensive income attributable to non-controlling shareholders	-2,990,484	30,449,500
Net profit (loss) attributable to the parent company	0	0
Total comprehensive income attributable to non-controlling shareholders	-2,990,484	30,449,500

EARNINGS PER SHARE

CALCULATION OF EARNINGS PER SHARE	for the period 01.01.2023 – 31.03.2023	for the period 01.01.2022 – 31.03.2022
Number of shares		
the weighted average number of shares for the purpose of calculating the value of basic earnings per share (in units)	7,334,822	7,301,783
the weighted average number of shares for the purpose of calculating the value of diluted earnings per share (in units)	7,334,822	7,301,783
net profit attributable to Parent Entity	-12,844,774	25,585,263
Net earnings per share in PLN		
basic for the financial period	-1.75	3.50
diluted for the financial period	-1.75	3.50
Net earnings per share on continued operations in PLN		
basic for the financial period	-1.75	3.50
diluted for the financial period	-1.75	3.50
Net profit per share attributable to discontinued operations in PLN		
basic for the financial period	0.00	0.00
diluted for the financial period	0.00	0.00





INTERIM CONDENSED **CONSOLIDATED** STATEMENT OF FINANCIAL SITUATION

ASSETS	31.03.2023	31.12.2022	31.03.2022
Fixed assets	297,612,707	314,138,189	320,496,580
Tangible fixed assets	19,269,657	21,409,336	15,451,154
Intangible fixed assets	77,657,238	102,600,504	112,966,167
Goodwill	163,715,187	164,219,411	162,909,830
Other financial assets	32,477,862	21,765,555	23,619,604
Deferred income tax assets	4,492,763	4,143,383	5,549,825
Current assets	225,593,980	206,569,696	224,197,205
Receivables	51,037,688	47,491,674	57,815,462
Current income tax receivable	11,842,519	9,658,592	0
Contract assets	22,464,562	20,622,914	16,769,408
Loans granted	0	2,201,633	331,559
Cash and cash equivalents	140,249,211	126,594,883	149,280,776
TOTAL ASSETS	523,206,687	520,707,885	544,693,785

EQUITY & LIABILITIES	31.03.2023	31.12.2022	31.03.2022
Equity	334,923,045	342,465,369	372,812,593
Equity attributable to owners of the Parent Entity	334,923,045	342,465,369	372,812,593
Share capital	733,482	733,482	730,178
Reserve capital from the sale of shares above the nominal price	496,100	496,100	496,100
Capital from the settlement of the incentive scheme	94,814,544	88,781,376	77,850,516
Foreign exchange differences on translation of statements of foreign operations	9,854,290	9,420,677	4,864,236
Retained earnings	247,660,679	261,669,784	307,507,612
Own shares	-18,636,050	-18,636,050	-18,636,050
Long-term liabilities	47,986,385	68,220,992	63,455,859
Deferred income tax provisions	1,122,999	5,367,763	6,999,856
Provisions for employee benefits	2,034,370	2,983,161	2,601,014
Lease liabilities	4,536,880	5,412,072	7,009,503
Other liabilities	40,292,136	54,457,996	46,845,487
Short-term liabilities	140,297,258	110,021,524	108,425,333
Trade liabilities	21,289,813	13,135,328	18,746,014
Income tax provisions	10,894,769	10,894,769	0
Current income tax liabilities	0	0	18,465,776
Lease liabilities	3,735,186	3,807,223	4,952,382
Other liabilities	22,404,244	6,648,175	2,976,043
Provisions for employee benefits	7,091,377	6,792,982	5,826,551
Contract liabilities	74,881,869	68,743,047	57,458,566
Total liabilities	188,283,643	178,242,516	171,881,192
TOTAL EQUITY & LIABILITIES	523,206,687	520,707,885	544,693,785

3.

INTERIM CONDENSED **CONSOLIDATED** STATEMENT OF CHANGES IN EQUITY

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	Share capital	Reserve capital from the sale of shares above the nominal price	Capital from the settlement of the incentive scheme	Foreign exchange differences on translation	Retained earnings	Own shares	Total equity
Equity as at 01.01.2023	733,482	496,100	88,781,376	9,420,677	261,699,213	-18,636,050	342,494,798
Share-based payments			6,033,168				6,033,168
Foreign exchange differences					-10,614,437		-10,614,437
Net profit					-12,844,774		-12,844,774
Other comprehensive income				433,613	9,420,677		9,854,290
Total comprehensive income				433,613	-3,424,097		-2,990,484
Change in equity			6,033,168	433,613	-14,038,534		-7,571,754
Equity as at 31.03.2023	733,482	496,100	94,814,544	9,854,290	247,660,679	-18,636,050	334,923,045

Equity as at 01.01.2022	730,178	496,100	65,139,524	2,715,041	281,970,504	0	351,051,347
Payment of share capital	3,304						3,304
Share-based payments			23,641,852				23,641,852
Foreign exchange differences					-3,033,309		-3,033,309
Payment of dividends					-72,317,830		-72,317,830
Net profit					52,335,378		52,335,378
Purchase of own shares						-18,636,050	-18,636,050
Other comprehensive income				6,705,636	2,715,041		9,420,677
Total comprehensive income				6,705,636	55,050,419		61,756,055
Change in equity	3,304	0	23,641,852	6,705,636	-20,300,720	-18,636,050	-8,585,978
Equity as at 31.12.2022	733,482	496,100	88,781,376	9,420,677	261,669,784	-18,636,050	342,465,369

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





INTERIM CONDENSED **CONSOLIDATED** CASH FLOW STATEMENT

	for the period 01.01.2023 – 31.03.2023	for the period 01.01.2022 – 31.03.2022
OPERATING ACTIVITY		
Profit/loss before taxation	-16,021,545	30,975,300
Total adjustments:	49,202,853	26,738,559
Depreciation and amortization	5,289,007	2,788,738
Gain/loss on foreign exchange rate conversion	1,067,782	5,078,373
Interest paid on lease	66,497	87,973
Interest on liabilities (Rortos)	1,297,786	0
Change in receivables	-3,546,014	4,225,193
Change in liabilities and accrued expenses	7,128,028	7,407,101
Change in liabilities due to contracts with customers	6,138,822	-7,783,300
Change in assets due to contracts with customers	-1,841,648	2,467,737
Write-down of intangible assets	26,572,924	0
Share-based payments (part not included in the acquisition of intangible assets)	6,033,168	12,303,319
Loss on associates	936,980	492,499
Other corrections	59,521	-329,074
Cash from operating activity	33,181,308	57,713,858
Income tax (paid) / reimbursed	-3,303,572	-4,361,033
A. Net operating cash flow	29,877,736	53,352,825

	for the period 01.01.2023 – 31.03.2023	for the period 01.01.2022 – 31.03.2022
INVESTMENT ACTIVITY		
Repayment of loans granted	2,200,000	222,582
Purchase of intangible and tangible fixed assets	-5,061,360	-9,630,481
Purchase of shares	-11,844,407	-14,320,399
Interest on loans	19,244	0
B. Net cash flow from investment activities	-14,686,523	-23,728,299
FINANCIAL ACTIVITY		
Payment of finance lease liabilities	-1,404,004	-825,800
Purchase of own shares	0	-18,636,050
Interest on lease	-66,497	90,711
C. Net cash flow from financing activity	-1,470,501	-19,552,561
D. Total net cash flow	13,720,713	10,071,967
– change in cash due to exchange rate losses/gains	-66,385	-344,617
E. Increase in cash and cash equivalents (with exchange rate differences)	13,654,328	9,727,349
F. Cash at the beginning of the period	126,594,883	139,553,427
G. Cash at the end of the period	140,249,211	149,280,776



5.

COMMENTS ON THE RESULTS

Due to the fact that the separate and consolidated data for Ten Square Games S.A. and the Ten Square Games S.A. Group are similar to each other (preserved trends for individual balance sheet and result items), the Management Board of the Parent Company performs a combined analysis for the consolidated data.

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

The Management Board of the Parent, monitoring the situation of Ten Square Games and managing the Group, does not perceive non-cash bookings (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:

- » analyze revenues through "Bookings", which are based on actual payments made in a given period by users and fully translate into generating cash flows, and do not take into account the effect of recognizing revenues from the sale of virtual currency and virtual goods over time. Analyzing revenues (i.e. bookings adjusted for the impact of their deferral and recognized over time) could lead to completely incorrect conclusions from the point of view of user behavior in the game and management of further development of the game;
- » introduction of the "adjusted EBITDA" ratio, which is a key ratio reflecting the operating results of the Company and the Group.

5.1. STATEMENT OF COMPREHENSIVE INCOME

THE BREAKDOWN OF CONSOLIDATED REVENUE PER GAME BY QUARTERS

GAME	1Q 2022	2Q 2022	3Q 2022	4Q 2022	1Q 2023
Fishing Clash	95,826,978	84,385,263	88,773,895	86,980,211	72,557,817
Hunting Clash	32,279,619	24,978,052	32,523,045	32,729,538	32,395,570
Let's Fish	3,099,293	2,394,146	2,380,160	2,490,229	2,172,122
Wild Hunt	2,790,545	2,517,568	2,666,554	2,606,582	2,352,751
Airline Commander	2,879,778	3,048,100	3,717,211	3,046,180	2,627,214
Real Flight Simulator	3,694,286	4,047,377	4,307,017	4,615,007	4,321,619
Wings of Heroes	0	89,199	673,688	4,496,408	5,769,225
Other	1,980,865	1,991,301	2,444,425	1,605,596	1,396,720
TOTAL BOOKINGS	142,551,364	123,451,006	137,485,995	138,569,751	123,593,038
Deferred revenues (virtual currency)	4,937,513	908,931	1,505,185	-3,855,149	-201,742
Deferred revenues (durables)	2,845,786	-217,105	-6,077,959	-3,547,668	-5,941,631
TOTAL REVENUES	150,334,663	124,142,832	132,913,221	131,166,934	117,449,665

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

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

PERIOD	1Q 2022	2Q 2022	3Q 2022	4Q 2022	1Q 2023
Fishing Clash – MAU* (average in the reporting period)	2,227,455	1,835,612	2,540,524	2,232,582	2,488,370
Hunting Clash – MAU (average in the reporting period)	1,494,746	1,257,463	1,273,923	1,458,084	1,374,262
Evergreen – MAU (average in the reporting period)	763,829	674,729	771,631	744,403	788,326

THE BREAKDOWN OF CONSOLIDATED SELLING COSTS BY QUARTERS

SPECIFICATION	1Q 2022	2Q 2022	3Q 2022	4Q 2022	1Q 2023
Cost of sales	79,870,756	67,589,551	78,366,429	79,303,832	69,004,470
marketing:	30,070,387	24,555,603	32,087,278	32,153,373	27,154,208
– Fishing Clash	16,110,636	13,099,412	18,769,324	15,219,141	11,180,883
– Hunting Clash	13,532,653	10,257,990	12,688,594	14,306,734	11,236,075
– Airline Commander	303,480	815,706	17,986	14,434	0
– Wings of Heroes	0	76,168	429,284	2,148,811	4,587,053
– other titles	123,618	306,327	182,090	464,253	150,197
provisions	41,728,991	35,672,700	38,649,821	38,257,580	33,624,212
revenue share	448,775	406,178	407,005	416,458	351,645
remuneration, subcontracting services	5,857,302	5,193,498	5,472,331	5,932,840	6,131,380
mobile games market research services	308,753	366,990	399,507	318,568	291,446
other	1,456,548	1,394,582	1,350,487	2,225,014	1,451,579

The beginning of 2023 brought decreases in the level of bookings of the Group's two main titles – Fishing Clash and Hunting Clash, with an increase in revenues from Wings of Heroes. As a result, the Group's total bookings amounted to PLN 123.6 million and were lower by 10.8% compared to the previous quarter and by 13.3% compared to the corresponding quarter of 2022. Among the main factors that influenced the Group's operations, the Management Board of Ten Square Games identifies three main factors:

1. The war in Ukraine and cutting off players from Russia and Belarus in March 2022;
2. Persistently high inflation, which in principle reduces spending on the consumption of goods;
3. Reducing the expenditure on marketing activities and their intensity at the turn of 2022 and 2023, which primarily affected the amount of acquired traffic. An additional negative factor was also the quality of the acquired traffic.

The cost of services sold increased in Q1 2023 compared to Q1 2022. In this line, the largest component of costs is depreciation and the current cost of gaming teams. Starting from May 2022, the Group incurs the current cost of the team + depreciation of Wings of Heroes (in Q1 2023 equal to PLN 1.8 million). In addition, the cost of salaries increases year by year, which also affects this cost position.

The level of sales costs is mainly influenced by the level of marketing expenditures (mainly marketing for the Fishing Clash game) and the level of commissions, which are fully dependent on the level of bookings (approx. 30%) and with their decrease/increase, the amount of commission decreases/increases proportionally.

BREAKDOWN OF CONSOLIDATED GENERAL AND ADMINISTRATIVE COSTS BY QUARTERS

SPECIFICATION	1Q 2022	2Q 2022	3Q 2022	4Q 2022	1Q 2023
Recurring general and administrative costs, including:	11,030,484	11,763,761	9,196,909	8,134,626	10,573,057
– payroll + third party services (TSG S.A.)	5,462,957	4,675,326	3,901,884	4,457,249	4,535,148
– cost of subsidiaries	1,702,087	3,362,996	1,967,808	43,979	1,612,988
– rent and maintenance of office (TSG S.A.)	859,752	1,012,146	1,032,308	1,157,053	1,099,129
– other	3,005,689	2,713,293	2,294,909	2,476,344	3,325,791
One-off costs, including:	13,065,319	764,783	6,034,268	5,560,753	6,197,949
MSOP	11,304,904	761,432	6,033,168	5,929,836	6,033,168
M&A	1,760,415	3,351	1,100	-369,083	164,781
TOTAL GENERAL AND ADMINISTRATIVE COSTS	24,095,803	12,528,544	15,231,177	13,695,379	16,771,005

In terms of recurring general and administrative expenses, this item showed an upward trend until the first half of 2022. During the second quarter of 2022, the Group made organizational changes that also involved reducing the employment level, which was reflected in a decrease in the cost of salaries. In Q1 2023, the Group booked a PLN 0.5 million holiday reserve, which in the short term resulted in an increase in this cost position. Additionally, each year in March the Company conducts salary review, which results in salary raises, which is also reflected in higher costs.

Another group of costs within general and administrative costs are the costs of subsidiaries. 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 Q4 2022, this cost was exceptionally lower due to retrospective reclassification of costs, which was described in the annual financial statements.

General and administrative expenses also include the costs of the incentive program related to the shares granted in 2020 to the President of the Company, Maciej Zużalek. 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 from Q2 2020 to Q1 2023.

Due to the failure to reach the targets set in the program based on the issue of new shares in 2022, the Group does not recognize the cost of this program in 2022, although this cost was initially recognized in Q1 2022 and then reversed in Q2 2022 (5.3 million PLN).

RECONCILIATION OF OPERATING RESULT TO ADJUSTED EBITDA PARAMETER BY QUARTERS

SPECIFICATION	1Q 2022	2Q 2022	3Q 2022	4Q 2022	1Q 2023
Operating profit (EBIT)	29,391,817	17,444,470	21,635,772	4,219,705	-14,413,939
amortization and depreciation (excluding capitalized portion)	2,742,054	3,725,224	3,413,622	5,654,094	4,977,704
write-downs for impairment	0	8,467,149	671,272	14,643,822	26,572,925
EBITDA	32,133,872	29,636,841	25,720,667	24,517,621	17,136,690
non-cash impact of incentive scheme (excluding capitalized portion)	12,303,319	-236,983	6,033,168	5,929,836	6,033,168
deferred result (revenue minus commissions) – consumables	-3,456,258	-636,252	-1,053,630	2,698,604	141,218
deferred result (revenue minus commissions) – durable	-1,859,303	-316,187	4,254,570	2,483,367	4,159,142
costs of potential and completed acquisitions (M&A) and review of strategic options	1,760,415	0	0	-370,132	163,381
donations to public benefit organization (regarding the war in Ukraine)	1,000,000	0	0	0	0
other one-offs	248,368	0	24,886	32,299	0
Adjusted EBITDA	42,130,413	28,447,420	34,979,661	35,291,595	27,633,599

Adjusted EBITDA amounted to PLN 27.6 million compared to PLN 35.3 million in Q4 2022 (-22%) and PLN 42.1 million (-35%) in Q1 2022. The decrease in the result is mainly due to the lower operating margin (revenue minus commissions minus marketing) for Fishing Clash.

When comparing the result on operating activities to the adjusted EBITDA, the significant impact of write-downs on games should be noted. Along with the change in the business strategy (described in more detail later in the report), the Management Board decided to close two projects and write-off their production costs in the amount of:

1. Fishing Masters – 11,664,914 PLN;
2. Undead Clash – 14,908,011 PLN.

The greatest impact on the tax in Q1 2023 has a decrease in the provision for deferred tax resulting mainly from a decrease in the temporary tax difference on capitalized game costs (tax cost at the time of payment of the remuneration, balance sheet cost at the time of amortization of the completed game). With the production costs of these games written down, this difference ceased to exist.

The Group closed the quarter with a net loss of PLN – 12.8 million compared to a net profit of PLN 25.6 million in the comparable period of 2022.

5.2. **STATEMENT OF FINANCIAL POSITION**

The biggest change in fixed assets between March 31, 2023 and December 31, 2022 is the movement in intangible assets. The decrease in value by almost PLN 25 million is closely related to the termination and write-off of two games – Undead Clash and Fishing Masters.

At the same time, there was an increase in the value of other financial assets, which is related to the increase of stake in Gamesture Sp. z o. o.

In the current assets, the Group recorded an increase in cash from PLN 126.6 million to PLN 140.2 million (+11%).

When discussing the structure of liabilities, a movement of a part of the amount of the so-called earnout payments from long-term to short-term liabilities (the total amount of long-term and short-term liabilities did not change significantly) should be noted. The value of trade payables also increased, which is closely related to the amount of marketing expenditures incurred in the last month of the quarter. Additionally, at the turn of March and April each year, the Group pays part of the annual bonuses, which also translates into an increase in liabilities shown as at 31.03.2023.

The Group (and the Parent Entity) has high financial liquidity, all liabilities are settled on time, and the Group does not have any significant problems with the collection of receivables.

5.3. **CONSOLIDATED CASH FLOW STATEMENT**

The Group has a high cash generation capacity. The level of operating cash flows generated in Q1 2023 amounted to over PLN 33 million. The Group is able to finance its operations and investments on an ongoing basis, as well as plan dividend payments in subsequent periods

On the side of investment activities, in addition to ongoing work on new productions, the Parent Company purchased additional shares in Gamesture Sp. z o.o., which has already been described above.

In the financial activity, the Group shows lease payments and exceptionally, in Q1 2022, the Parent Entity repurchased its own shares.



ten square_games

III

**INTERIM CONDENSED
STANDALONE
FINANCIAL STATEMENT**



INTERIM CONDENSED **STANDALONE** STATEMENT OF COMPREHENSIVE INCOME

STANDALONE STATEMENT OF COMPREHENSIVE INCOME	for the period 01.01.2023 – 31.03.2023	for the period 01.01.2022 – 31.03.2022
Sales revenues	103,766,037	142,492,868
Costs of services sold	13,253,422	12,045,547
Gross profit (loss)	90,512,615	130,447,321
Other operating income	134,849	75,253
Selling costs	60,554,985	77,399,034
General and administrative costs	15,785,411	23,598,789
Other operating costs	26,877,903	1,199,454
Operating profit (loss)	-12,570,835	28,325,298
Financial income	1,238,808	3,443,338
Financial expense	1,883,428	1,486,820
Loss (profit) on associates	936,980	492,499
Profit (loss) before taxation	-14,152,435	29,789,316
Income tax	-3,473,111	4,497,986
Net profit (loss) on continued activity	-10,679,324	25,291,330
Items to be reclassified to the profit and loss account in subsequent periods	0	0
Items that will not be reclassified to the profit and loss account in subsequent periods	0	0
TOTAL COMPREHENSIVE INCOME	-10,679,324	25,291,330

EARNINGS PER SHARE

CALCULATION OF EARNINGS PER ONE SHARE	for the period 01.01.2023 – 31.03.2023	for the period 01.01.2022 – 31.03.2022
Number of shares		
the weighted average number of shares for the purpose of calculating the value of basic earnings per share (in units)	7,334,822	7,301,783
the weighted average number of shares for the purpose of calculating the value of diluted earnings per share (in units)	7,334,822	7,301,783
net profit assigned to the Parent Entity	-10,679,324	25,291,330
Net earnings per one share on continued operations in PLN		
basic for the reporting period	-1.46	3.46
diluted for the reporting period	-1.46	3.46
Net profit per one share attributable to discontinued operations in PLN		
basic for the reporting period	0.00	0.00
diluted for the reporting period	0.00	0.00





INTERIM CONDENSED **STANDALONE** STATEMENT OF FINANCIAL SITUATION

ASSETS	31.03.2023	31.12.2022	31.03.2022
Fixed assets	309,014,569	322,104,969	325,276,142
Tangible fixed assets	17,654,714	19,714,843	13,502,085
Intangible fixed assets	1,607,495	23,699,753	29,782,746
Investments in affiliates	252,894,015	252,893,402	266,721,292
Other financial assets	32,477,860	21,765,555	9,791,714
Deferred tax asset	4,380,485	4,031,416	5,478,305
Current assets	193,660,891	176,390,714	200,775,528
Receivables	47,292,370	44,382,747	49,589,033
Current income tax receivables	8,539,035	6,723,368	0
Contract assets	22,025,860	20,186,021	16,769,408
Loans granted	1,142,102	4,184,876	3,776,267
Cash and cash equivalents	114,661,524	100,913,702	130,640,820
TOTAL ASSETS	502,675,460	498,495,683	526,051,670

EQUITY AND LIABILITIES	31.03.2023	31.12.2022	31.03.2022
Equity	324,300,992	328,947,147	360,375,015
Share capital	733,482	733,482	730,178
Reserve capital from the sale of shares above the nominal price	496,100	496,100	496,100
Capital from the settlement of the incentive scheme	94,814,544	88,781,376	77,850,516
Retained earnings	246,892,916	257,572,239	299,934,271
Own shares	-18,636,050	-18,636,050	-18,636,050
Long-term liabilities	45,896,407	65,893,032	60,954,621
Deferred tax liability	258,099	4,438,492	5,917,446
Lease liabilities	3,551,640	4,390,818	5,898,659
Provisions for employee benefits	1,794,532	2,605,726	2,466,599
Other liabilities	40,292,136	54,457,996	46,671,917
Short-term liabilities	132,478,061	103,655,504	104,722,034
Trade liabilities	18,422,664	11,243,318	20,546,319
Provision for income tax	10,894,769	10,894,769	0
Current tax liabilities	0	0	15,345,930
Lease liabilities	3,604,090	3,676,009	4,823,058
Other liabilities	20,939,934	5,478,886	1,467,104
Provisions for employee benefits	5,197,075	5,075,787	5,081,058
Contract liabilities	73,419,529	67,286,735	57,458,565
TOTAL EQUITY AND LIABILITIES	502,675,460	498,495,683	526,051,670

3.

INTERIM CONDENSED **STANDALONE** STATEMENT OF CHANGES IN EQUITY

STANDALONE STATEMENT OF CHANGES IN EQUITY	Share capital	Reserve capital from the sale of shares above the nominal price	Capital from the settlement of the incentive scheme	Retained earnings	Own shares	Total equity
Equity as at 01.01.2023	733,482	496,100	88,781,376	257,572,239	-18,636,050	328,947,147
Share-based payments	0	0	6,033,168	0	0	6,033,168
Total comprehensive income	0	0	0	-10,679,324	0	-10,679,324
Equity as at 31.03.2023	733,482	496,100	94,814,544	246,892,916	-18,636,050	324,300,992

Equity as at 01.01.2022	730,178	496,100	65,139,524	274,642,941	0	341,008,743
Payment of share capital	3,304	0	0	0	0	3,304
Share-based payments	0	0	23,641,852	0	0	23,641,852
Payment of dividends	0	0	0	-72,317,830	0	-72,317,830
Purchase of own shares	0	0	0	0	-18,636,050	-18,636,050
Total comprehensive income	0	0	0	55,247,128	0	55,247,128
Equity as at 31.12.2022	733,482	496,100	88,781,376	257,572,239	-18,636,050	328,947,147

Equity as at 01.01.2022	730,178	496,100	65,139,524	274,642,941	0	341,008,743
Share-based payments			12,710,992			12,710,992
Purchase of own shares					-18,636,050	-18,636,050
Total comprehensive income				25,291,330		25,291,330
Equity as at 31.03.2022	730,178	496,100	77,850,516	299,934,270	-18,636,050	360,375,015



INTERIM CONDENSED **STANDALONE** CASH FLOW STATEMENT

	for the period 01.01.2023 – 31.03.2023	for the period 01.01.2022 – 31.03.2022
OPERATING ACTIVITY		
Profit/loss before taxation	-14,152,435	29,789,316
Total adjustments:	46,858,115	22,960,135
Depreciation and amortization	2,563,899	886,113
Foreign exchange rate gain/loss	200,757	641,451
Interest paid on lease	55,969	82,353
Interest on liabilities (Rortos)	1,297,786	1,404,467
Change in receivables	-2,909,623	4,574,307
Change in liabilities and accrued expenses	7,813,912	8,171,489
Change in contract liabilities	6,132,794	-7,783,300
Change in contract assets	-1,839,839	2,467,737
Write-off of intangible assets	26,572,924	0
Share-based payments (part not included in capitalization of intangible assets)	6,033,168	12,303,319
Loss on associates	936,980	492,499
Other adjustments	-612	-280,300
Cash from operating activity	32,705,680	52,749,451
Income tax (paid) / refunded	-2,851,480	-2,543,813
A. Net operating cash flow	29,854,200	50,205,638

	for the period 01.01.2023 – 31.03.2023	for the period 01.01.2022 – 31.03.2022
INVESTMENT ACTIVITY		
Repayment of loans granted	2,200,000	252,000
Purchase of intangible and tangible fixed assets	-4,985,326	-8,300,354
Sale of intangible assets and tangible fixed assets	892	0
Share purchase	-11,844,407	-14,320,399
Interest on granted loans	19,244	0
B. Net cash flow from investment activities	-14,609,597	-22,368,753
FINANCIAL ACTIVITY		
Payment of finance lease liabilities	-1,374,751	-809,602
Purchase of own shares	0	-18,636,050
Interest on lease	-55,969	-82,353
C. Net cash flow from financing activity	-1,430,720	-19,528,005
D. Total net cash flow	13,813,883	8,308,880
– change in cash due to exchange rate losses/gains	-66,061	-340,385
E. Increase in cash, including foreign exchange	13,747,822	7,968,495
F. Cash at the beginning of the period	100,913,702	122,672,326
G. Cash at the end of the period	114,661,524	130,640,821





ten square_games

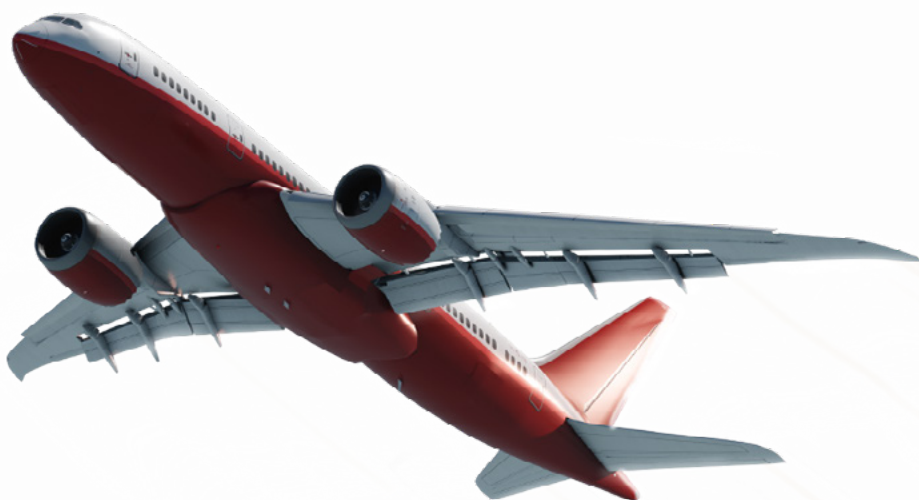
IV

**ACCOUNTING
PRINCIPLES**

1.

COMPLIANCE WITH THE INTERNATIONAL ACCOUNTING STANDARDS

This interim condensed consolidated financial statement has been prepared in accordance with International Financial Reporting Standards and interpretations issued by the International Accounting Standards Board as approved by the European Union, under the IFRS Regulation (European Commission 1606/2002), hereinafter referred to as "EU IFRS" as applicable at 31.03.2023.



2.

CHANGES IN ACCOUNTING PRINCIPLES (POLICY)

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

3.

DESCRIPTION OF THE ADOPTED ACCOUNTING PRINCIPLES (POLICY)

3.1. **Subsidiaries**

Consolidated financial statement

Subsidiaries are all business entities over which the Group exercises control. The Group controls an entity if it is subject to or if it has a right to variable return on its contribution into an entity and if it can influence these returns through exercising control over such an entity. Subsidiaries are fully consolidated from the date control is transferred to the group. The consolidation ceases at the date the control ceases. The costs related to the acquisition of a business entity are recognized as costs of the period.

Intra-group transactions, settlements and unrealized gains on transactions between the group's entities are eliminated. Unrealized losses are also eliminated. If it is necessary, the amounts reported by subsidiaries are adjusted so that they comply with the accounting principles of the group.

Standalone financial statement

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

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

3.2. Revenues and costs of operating activity

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

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

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

THE GROUP DISTINGUISHES THREE MAIN SOURCES OF REVENUES:

REVENUES

MICRO-PAYMENTS

- » revenues from additional functionalities purchased by the players



ADVERTISEMENTS

- » revenues from advertisements displayed in games



LICENSES

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



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

As part of the games, premium packages are available to users, which include banknotes and pearls (the virtual currency of the game). Players can convert the virtual currency of the game into durable virtual goods such as fishing rods or lures or other accessories to improve the parameters of the equipment and thus the results achieved in the game, or into consumables – e.g. amplifiers (+ x% fish weight) or another possibility to draw a card. The Company verifies an average estimated conversion period of virtual currency into goods in a game for a group of paying users and subsequently estimates the amount of potential liability due to the realization of premium packages. The amount of such a liability reduces the revenue of a given period and is recognized as an accrued income settlement (balance sheet item).

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

In the case of the games shared through Facebook and shared on digital distribution platforms, such as Google Play and App Store, the payments for additional functionalities received from users are decreased by commissions due for distributors. In the case of games shared through own website, the payments for additional functionalities received from users are decreased by commissions due for payment aggregators. Both the commissions of distributors and aggregators shall be recognized by the Company in the selling costs.

Revenues from advertisements displayed in games (advertisements)

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

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

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

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

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

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

3.3. Revenues and costs of financial activity

Financial revenues consists mainly of interest on free funds in bank accounts, commissions and interest on granted loans, interest on delay in settling receivables, the amount of released provisions concerning financial activity, revenues from sales of securities, positive exchange rate differences, restoration of lost value of investments, the value of redeemed credits and loans as well as profits from settlement of derivative instruments.

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

3.4. Income tax

Income tax includes: current tax payable and deferred tax.

Current tax

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

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

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

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

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

Deferred tax

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

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

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

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

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

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

Uncertainty related to the recognition of income tax

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

3.5. **Tangible fixed assets**

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

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

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

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

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

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

3.6. Intangible assets

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

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

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

Intangible assets of the Group with the depreciation rates:

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



Software development activities

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

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

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

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

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

3.7. **Lease**

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

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

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

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

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

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

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

3.8. **Financial instruments**

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

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

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

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

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

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

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

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

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

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

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

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

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



3.9. Transactions in foreign currencies

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

Valuation

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

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

Transactions during the year

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

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



3.10. **Pre-payments and accruals**

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

3.11. **Equity**

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

3.12. **Share-based payments**

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

3.13. **Payment of dividends**

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

3.14. **Provisions**

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

3.15. **Liabilities**

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

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

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

The preparation of the consolidated financial statements requires the Management Board of the Parent Company to make certain estimates and assumptions, which are reflected in these statements and in additional information and explanations to these statements.

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

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

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

PROFESSIONAL JUDGEMENT

Moment of activation of development costs

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

Depreciation period of activated intangible assets

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

Deferred income tax assets and liabilities

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

Fair value of share-based payments

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

Recognition of revenue from the provision of durable virtual goods

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

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

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

UNCERTAINTY OF ESTIMATES

Impairment of assets

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

The use of consumables over time

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

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

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

The use of durables over time

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

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

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

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

In the course of 2020, the Company made changes to its IT systems, which enabled it to start collecting data to analyze the use of durable goods over time. As a result, the Group has estimated the amount of the liability (customer contract liability) for the provision of durable goods in the game as of 31 December 2020 – revenue relating to the purchase of durable virtual goods is recognized by the estimated average playing period of paying users. Estimating the average period of time a paying user remains in the game requires a sufficiently long history of player behavior. Accordingly, as at 31 December 2020, the Company deferred revenue from durable goods over time only for Fishing Clash, and as at 31 December 2021, the Company deferred revenue from durable goods over time for the first time for its second leading title – Hunting Clash.

Contingent earn-out payments

In connection with the acquisition of Rortos in July 2021, the parent company has made an initial accounting for the acquisition of the shares and the calculation of the liability to pay. The payment for the acquisition of the shares consists of a cash portion, payable immediately after the acquisition of the shares, and future payments contingent on meeting Rortos' financial targets as set out in the agreement. The acquisition liability has therefore been calculated based on the projected performance of Rortos and the amount of earn-out to be paid for the years 2022-2025 predicted on that basis. The projections of future performance have been determined based on the entity's estimates of revenue, direct costs – including user acquisition expenses, and indirect costs. The calculation includes projected financial results by Rortos' main game titles – including primarily Warplanes, RFS and Airline Commander.

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

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

In the calculation of acquisition liabilities, there is primarily uncertainty regarding the achievement of the assumed financial results of the related party. The results in subsequent years may assume a value higher or lower than assumed, resulting in a deviation of the actual liability from the estimated amount as at 31 March 2023.

Determination of materiality

When preparing financial statements, the Group applies the materiality principle. The materiality principle introduces the possibility to apply simplifications, if it does not have a materially negative impact on the reliable and clear presentation of the property, financial situation and financial result. The Group has adopted the amount of PLN 0.5 million as the materiality level in the preparation of the financial statement (in accordance with the accounting policy, not more than 5% of the gross result after taking into account a one-off event, i.e. write-offs of the value of games).



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**NOTES TO THE FINANCIAL
STATEMENT –
CONSOLIDATED DATA**



REVENUES

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

SPECIFICATION	for the period 01.01.2023 – 31.03.2023	for the period 01.01.2022 – 31.03.2022
Sales of services	117,449,665	150,334,662
TOTAL revenues from sales of services	117,449,665	150,334,662
Other operating revenues	134,879	82,676
Financial revenues	1,040,107	3,585,368
TOTAL revenues from continuing operations	118,624,651	154,002,705
TOTAL REVENUES	118,624,651	154,002,705

Revenues from discontinued operations did not occur.

1.1. Information on operating segments and result performance indicators

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

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

Under „Bookings", the Group recognizes revenue not reduced by deferred revenue (i.e. in the case of micropayments, these are payments made by users during the period indicated). The amount of deferred revenue results from an estimate of the unused virtual currency and durable goods (durable) by active players made at the balance sheet date. The amount of such deferred revenue is reported in the financial statements under the balance sheet item „customer contract liabilities".

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

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

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

- » extraordinary and one-off events;
- » costs of conducting the Incentive Scheme in accordance with the financial reporting standards applicable to the Company;
- » the effect of accounting recognition during the incentive program of the President of the Management Board, Maciej Zużalek (described below);
- » the impact of non-cash adjustments to revenue (and the related cost of distributors' commissions), related to e.g. deferral of revenue from virtual currency or durables;
- » the impact of any one-off write-downs on capital expenditures on the development of mobile games.

1.2. Revenues – source

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

TYPE OF REVENUES	Bookings 1Q 2023	Share in bookings 1Q 2023	Bookings 1Q 2022	Share in bookings 1Q 2022
micro-payments	120,811,960	97.7%	136,474,477	95.7%
advertisements	2,431,356	2.0%	4,416,918	3.1%
licences	349,722	0.3%	1,659,968	1.2%
TOTAL BOOKINGS	123,593,038	100.0%	142,551,363	100.0%
Deferred income (consumable)	-201,742	N/A	4,937,513	N/A
Deferred income (durable)	-5,941,631	N/A	2,845,786	N/A
TOTAL REVENUES	117,449,665	N/A	150,334,662	N/A

Revenues from micropayments and licenses are entirely generated by natural persons, while the flow of funds to the Group takes place through payment aggregators, mobile marketplaces or licensees. Users purchase certain packages in the game, e.g. a package of pearls, a package of lures (in fishing games), upgraded fishing rods. The price of the package is fixed and determined by the Group. The goods are handed over to the user at the moment of registration of payment by the indicated entities. Although in the case of purchase of premium packages, i.e. packages containing e.g. virtual currency, the transfer of currency to the user's account takes place immediately after the payment is made, but the use of the virtual currency in the game may be postponed in time – this depends on the decision of the player, who may individually, within the framework of an agreement between the parties, choose the moment of exchange of the virtual currency for other virtual goods. Revenues related to the purchase of durable virtual goods (and the commission of digital distribution platforms such as Google Play and App Store related to these revenues) are recognized by the estimated average playing time of paying users.

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

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

1.3. Revenues – games

GAME	Bookings 1Q 2023	Share in bookings 1Q 2023	Bookings 1Q 2022	Share in bookings 1Q 2022
Fishing Clash ⁽¹⁾	72,557,817	58.7%	95,826,978	67.2%
Hunting Clash	32,395,570	26.2%	32,279,619	22.6%
Let's Fish	2,172,122	1.8%	3,099,293	2.2%
Wild Hunt	2,352,751	1.9%	2,790,545	2.0%
Airline Commander	2,627,214	2.1%	3,143,732	2.2%
Real Flight Simulator	4,321,619	3.5%	3,578,332	2.5%
Wings of Heroes	5,769,225	4.7%	0	0.0%
Other	1,396,720	1.1%	1,832,865	1.3%
TOTAL BOOKINGS	123,593,038	100.0%	142,551,363	100.0%
Deferred income (consumable)	-201,742	N/A	4,937,513	N/A
Deferred income (durable)	-5,941,631	N/A	2,845,786	N/A
TOTAL REVENUES	117,449,665	N/A	150,334,662	N/A

[1] 1Q 2023 bookings for the Fishing Clash game include PLN 0.2 million (0.3% of the total bookings for this title) related to the license revenue generated on the Chinese market, in 1Q 2021 this value was equal to PLN 1.27 million.

QUARTERLY BREAKDOWN OF BOOKINGS FOR MAJOR TITLES

GAME	1Q 2022	2Q 2022	3Q 2022	4Q 2022	1Q 2023
Fishing Clash	95,826,978	84,385,263	88,773,895	86,980,211	72,557,817
Hunting Clash	32,279,619	24,978,052	32,523,045	32,729,538	32,395,570
Let's Fish	3,099,293	2,394,146	2,380,160	2,490,229	2,172,122
Wild Hunt	2,790,545	2,517,568	2,666,554	2,606,582	2,352,751
Airline Commander	2,879,778	3,048,100	3,717,211	3,046,180	2,627,214
Real Flight Simulator	3,694,286	4,047,377	4,307,017	4,615,007	4,321,619
Wings of Heroes	0	89,199	673,688	4,496,408	5,769,225
Other	1,980,865	1,991,301	2,444,425	1,605,596	1,396,720
TOTAL BOOKINGS	142,551,364	123,451,006	137,485,995	138,569,751	123,593,038
Deferred income (consumable)	4,937,513	908,931	1,505,185	-3,855,149	-201,742
Deferred income (durable)	2,845,786	-217,105	-6,077,959	-3,547,668	-5,941,631
TOTAL REVENUES	150,334,663	124,142,832	132,913,221	131,166,934	117,449,665

Deferred revenue by game and quarter in 2022 and 2023, and the balance sheet balance as at 01.01.2023, 31.12.2022 and 31.03.2023 (balance sheet item "contract liabilities" for deferred revenue and balance sheet item "contract assets" for deferred commission costs):

CONSUMABLE	Balance sheet item		Change of deferral			Valuation	Balance sheet item	Change of deferral	Valuation	Balance sheet item
	31.12.2021	1Q 2022	2Q 2022	3Q 2022	4Q 2022	4Q 2022	31.12.2022	1Q 2023	1Q 2023	31.03.2023
Fishing Clash										
deferred revenues	-9,423,145	3,305,098	696,382	1,483,290	-1,952,346		-5,890,721	-62,638		-5,953,358
deferred costs	2,826,943	-991,529	-208,915	-444,987	585,704		1,767,216	18,792		1,786,008
Hunting Clash										
deferred revenues	-2,871,981	1,505,052	134,265	-28,227	-285,664		-1,546,555	-144,784		-1,691,339
deferred costs	861,594	-451,516	-40,280	8,468	85,699		463,965	43,436		507,401
Let's Fish										
deferred revenues	-214,577	31,977	45,604	25,404	-74,566		-186,158	18,849		-167,309
deferred costs	64,373	-9,593	-13,681	-7,621	22,370		55,848	-5,655		50,192
Wild Hunt										
deferred revenues	-280,890	95,385	32,680	24,718	-86,977		-215,084	-2,589		-217,673
deferred costs	84,267	-28,616	-9,804	-7,415	26,093		64,525	777		65,302
Real Flight Simulator										
deferred revenues					-1,455,597	-714	-1,456,311	-10,578	4,549	-1,462,340
deferred costs					436,679	214	436,893	3,175	-1,366	438,702
TOTAL										
deferred revenues	-12,790,593	4,937,512	908,931	1,505,186	-3,855,149	-714	-9,294,829	-201,740	4,549	-9,492,019
deferred costs	3,837,178	-1,481,254	-272,679	-451,556	1,156,545	214	2,788,447	60,525	-1,366	2,847,605
DURABLE										
Fishing Clash										
deferred revenues	-46,432,130	4,497,751	-434,953	-3,101,847	-2,167,486		-47,638,665	-3,002,670		-50,641,334
deferred costs	13,618,212	-1,463,979	556,566	930,556	650,246		14,291,601	900,801		15,192,402
Hunting Clash										
deferred revenues	-6,019,144	-1,651,965	217,848	-2,976,112	-1,380,182		-11,809,555	-2,938,964		-14,748,516
deferred costs	1,781,756	477,496	-23,274	892,834	414,055		3,542,867	881,688		4,424,555
TOTAL										
deferred revenues	-52,451,274	2,845,786	-217,105	-6,077,959	-3,547,668	0	-59,448,220	-5,941,634	0	-65,389,850
deferred costs	15,399,968	-986,483	533,292	1,823,390	1,064,301	0	17,834,468	1,782,489	0	19,616,957
CONSUMABLE +DURABLE										
deferred revenues	-65,241,866	7,783,298	691,826	-4,572,772	-7,402,817	-714	-68,743,049	-6,143,374	4,549	-74,881,869
deferred costs	19,237,146	-2,467,737	260,613	1,371,834	2,220,845	214	20,622,915	1,843,014	-1,366	22,464,562
IMPACT ON RESULT	-46,004,721	5,315,561	952,439	-3,200,939	-5,181,972	-500	-48,120,134	-4,300,360	3,184	-52,417,307

1.4. Revenues by business partner

BUSINESS PARTNER	Bookings 1Q 2023	Share in bookings 1Q 2023	Bookings 1Q 2022	Share in bookings 1Q 2022
Google Inc.	71,407,509	57.8%	81,152,010	56.9%
Apple Distribution International	45,881,911	37.1%	50,412,939	35.4%
Other	6,303,618	5.1%	10,986,414	7.7%
TOTAL BOOKINGS	123,593,038	100.0%	142,551,363	100.0%
Deferred income (consumable)	-201,742	N/A	4,937,513	N/A
Deferred income (durable)	-5,941,631	N/A	2,845,786	N/A
TOTAL REVENUES	117,449,665	N/A	150,334,662	N/A

1.5. Revenues – distribution channel

DISTRIBUTION CHANNEL	Bookings 1Q 2023	Share in bookings 1Q 2023	Bookings 1Q 2022	Share in bookings 1Q 2022
Mobile	120,081,387	97.2%	137,418,537	96.4%
Browsers	3,511,651	2.8%	5,132,826	3.6%
TOTAL BOOKINGS	123,593,038	100.0%	142,551,363	100.0%
Deferred income (consumable)	-201,742	N/A	4,937,513	N/A
Deferred income (durable)	-5,941,631	N/A	2,845,786	N/A
TOTAL REVENUES	117,449,665	N/A	150,334,662	N/A

1.6. Revenues – geographical breakdown

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

REGION	Bookings 1Q 2023	Share in bookings 1Q 2023	Bookings 1Q 2022	Share in bookings 1Q 2022
North America	57,021,635	46.1%	59,924,705	42.0%
Europe	46,640,462	37.7%	53,773,523	37.7%
<i>including Poland</i>	<i>5,120,587</i>	<i>4.1%</i>	<i>6,570,712</i>	<i>4.6%</i>
Asia	13,174,324	10.7%	21,033,819	14.8%
South America	3,153,314	2.6%	3,602,665	2.5%
Australia and Oceania	2,743,304	2.2%	2,880,383	2.0%
Africa	859,999	0.7%	1,336,268	0.9%
TOTAL BOOKINGS	123,593,038	100.0%	142,551,363	100.0%
Deferred income (consumable)	-201,742	N/A	4,937,513	N/A
Deferred income (durable)	-5,941,631	N/A	2,845,786	N/A
TOTAL REVENUES	117,449,665	N/A	150,334,662	N/A





OPERATING COSTS

SPECIFICATION	for the period 01.01.2023 – 31.03.2023	for the period 01.01.2022 – 31.03.2022
Amortization and depreciation	5,289,007	2,788,738
Materials and Energy	266,113	353,749
Third-party services	82,815,988	96,722,396
Taxes and fees	605,721	729,135
Remuneration	17,444,187	24,739,384
Social insurance and other benefits	3,401,312	2,635,378
Other	249,452	209,909
TOTAL COSTS BY TYPE, INCLUDING:	110,071,780	128,178,689
cost of products and services sold	19,170,911	15,854,846
selling costs	69,004,470	79,870,756
general and administrative costs	16,771,005	24,095,803
cost of manufacturing products for the entity's own needs (capitalisation)	5,125,394	8,357,284

BREAKDOWN OF SELLING COSTS BY QUARTERS

SPECIFICATION	1Q 2022	2Q 2022	3Q 2022	4Q 2022	1Q 2023
Selling costs	79,870,756	67,589,551	78,366,429	79,303,832	69,004,470
marketing:	30,070,387	24,555,603	32,087,278	32,153,373	27,154,208
– Fishing Clash	16,110,636	13,099,412	18,769,324	15,219,141	11,180,883
– Hunting Clash	13,532,653	10,257,990	12,688,594	14,306,734	11,236,075
– Airline Commander	303,480	815,706	17,986	14,434	0
– Wings of Heroes	0	76,168	429,284	2,148,811	4,587,053
– other titles	123,618	306,327	182,090	464,253	150,197
provisions	41,728,991	35,672,700	38,649,821	38,257,580	33,624,212
revenue share	448,775	406,178	407,005	416,458	351,645
salaries, subcontractor services	5,857,302	5,193,498	5,472,331	5,932,840	6,131,380
mobile games market research services	308,753	366,990	399,507	318,568	291,446
other	1,456,548	1,394,582	1,350,487	2,225,014	1,451,579

BREAKDOWN OF GENERAL AND ADMINISTRATIVE COSTS BY QUARTERS

SPECIFICATION	1Q 2022	2Q 2022	3Q 2022	4Q 2022	1Q 2023
Recurring costs, including:	11,030,484	11,763,761	9,196,909	8,134,626	10,573,057
salaries, subcontractor services of Parent Company	5,462,957	4,675,326	3,901,884	4,457,249	4,535,148
maintenance costs of subsidiaries	1,702,087	3,362,996	1,967,808	43,979	1,612,988
rental and maintenance of office – Parent Company	859,752	1,012,146	1,032,308	1,157,053	1,099,129
other	3,005,689	2,713,293	2,294,909	2,476,344	3,325,791
Non-recurring costs, including:	13,065,319	764,783	6,034,268	5,560,753	6,197,949
motivation scheme cost	11,304,904	761,432	6,033,168	5,929,836	6,033,168
M&A cost	1,760,415	3,351	1,100	-369,083	164,781
TOTAL GENERAL AND ADMINISTRATIVE COST	24,095,803	12,528,544	15,231,177	13,695,379	16,771,005



3.

OTHER OPERATING COSTS

SPECIFICATION	for the period 01.01.2023 – 31.03.2023	for the period 01.01.2022 – 31.03.2022
write-downs on intangible assets	26,572,924	0
donations	109,204	1,098,428
writing off uncollectible receivables	34,001	4,434
other	179,092	101,253
TOTAL	26,895,221	1,204,115

Impairment losses on intangible assets recognized in Q1 2023 relate to two games:

- » Fishing Masters – PLN 11,664,914;
- » Undead Clash – PLN 14,908,011.

Donations reported in Q1 2022 relate to support for charitable institutions providing aid related to the war in Ukraine (PLN 1 million).



4.

FINANCIAL INCOME AND EXPENSE

FINANCIAL INCOME	for the period 01.01.2023 – 31.03.2023	for the period 01.01.2022 – 31.03.2022
Interest income	1,040,107	250,524
Surplus of positive exchange rate differences	0	3,334,844
TOTAL	1,040,107	3,585,368

FINANCIAL COSTS	for the period 01.01.2023 – 31.03.2023	for the period 01.01.2022 – 31.03.2022
Interest on lease	55,969	82,353
Interest – unwinding of the discount on the liability for the purchase of Rortos	1,297,786	1,404,467
Other	47,953	22,566
Excess of negative exchange rate differences	309,025	0
TOTAL	1,710,733	1,509,386





CHANGES IN TANGIBLE FIXED ASSETS

SPECIFICATION	Machinery and equipment	Buildings and premises	Other fixed assets	TOTAL
Gross carrying amount as at 01.01.2023	6,295,185	20,920,952	5,389,701	32,605,838
Increases due to:	9,409	21,920	54,116	85,445
– acquisition	9,409	0	54,114	63,523
– balance sheet valuation	0	21,920	0	21,920
Decreases, due to:	80,320	0	0	80,320
– sales	21,859	0	0	21,859
– balance sheet valuation	58,461	0	0	58,461
Gross carrying amount as at 31.03.2023	6,224,274	20,942,872	5,443,817	32,610,963
Depreciation as at 01.01.2023	3,513,545	6,933,072	749,885	11,196,502
Increase due to amortization	274,723	1,584,903	306,144	2,165,770
Decrease due to:	20,966	0	0	20,966
– sales	20,966	0	0	20,966
Depreciation as at 31.03.2023	3,767,302	8,517,975	1,056,029	13,341,306
Write-downs as at 01.01.2023	0	0	0	0
Increase	0	0	0	0
Decrease	0	0	0	0
Write-downs as at 31.03.2023	0	0	0	0
Net carrying amount as at 31.03.2023	2,456,972	12,424,897	4,387,788	19,269,657

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

TANGIBLE FIXED ASSETS – OWNERSHIP STRUCTURE

SPECIFICATION	31.03.2023	31.03.2022
Own	7,981,694	7,396,183
Used under a lease, tenancy or other agreement, including a lease agreement	11,287,963	14,013,153
TOTAL	19,269,657	21,409,336

6.

CHANGES IN INTANGIBLE ASSETS

SPECIFICATION	Development costs	Computer software	Intangible assets under construction	Goodwill	TOTAL
Gross carrying amount as at 01.01.2023	99,142,644	1,442,441	49,249,723	164,219,411	314,054,219
Increases due to:	126,340	7,399	4,968,518	0	5,102,257
– acquisition	0	7,399	4,968,518	0	4,975,917
– reclassification	126,340	0	0	0	126,340
Decreases due to:	222,854	169	126,339	504,224	853,586
– reclassification	0	0	126,339	0	126,339
– balance sheet valuation	222,854	169	0	504,224	727,247
Gross carrying amount as at 31.03.2023	99,046,130	1,449,671	54,091,902	163,715,187	318,302,890
Depreciation as at 01.01.2023	18,804,918	1,058,057	0	0	19,862,975
Increases due to amortization	3,038,448	84,789	0	0	3,123,237
Decreases	0	0	0	0	0
Depreciation as at 31.03.2023	21,843,366	1,142,846	0	0	22,986,212
Write-downs as at 01.01.2023	0	0	27,371,329	0	27,371,329
Increases	0	0	26,572,924	0	26,572,924
Decreases	0	0	0	0	0
Write-downs as at 31.03.2023	0	0	53,944,253	0	53,944,253
Gross carrying amount as at 31.03.2023	77,202,764	306,825	147,649	163,715,187	241,372,425

The net value as at March 31, 2023 shown in the item "completed development work" consists of the Group's games:

- 1.** Hunting Clash – net value: PLN 204,392, remaining amortization period: 7 months;
- 2.** Games of the acquired company Rortos S.r.l – games valued at fair value using the DCF method in the course of the acquisition settlement and valued on an ongoing basis as at the balance sheet date according to the EUR/PLN exchange rate:
 - » Airline Commander – net value: PLN 28,319,636, remaining amortization period: 99 months;
 - » Real Flight Simulator – net value: PLN 26,914,916, remaining amortization period: 99 months;
 - » Wings of Heroes – net value: PLN 20,959,933, remaining amortization period: 110 months;
 - » Other games – net value: PLN 2,646,311, remaining amortization period: 15 months;

And tools:

- 1.** Virality – net value: PLN 59,673, remaining amortization period: 23 months;
- 2.** Soda – net value: PLN 296,235, remaining amortization period: 4 months;
- 3.** Cognac – net value: PLN 155,900, remaining amortization period: 19 months;
- 4.** Push Notifications – net value: PLN 378,756, remaining amortization period: 19 months;
- 5.** Localization Service – net value: PLN 115,811, remaining amortization period: 22 months;

The value of intangible assets under construction consists of new tools.

Impairment losses on intangible assets recognized in Q1 2023 relate to two games:

- 1.** Fishing Masters – PLN 11,664,914;
- 2.** Undead Clash – PLN 14,908,011.

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





RECEIVABLES

SPECIFICATION	31.03.2023	31.12.2022
Trade receivables	41,095,568	35,280,551
Other receivables	5,859,300	7,013,685
Accruals	4,082,820	5,197,438
TOTAL	51,037,688	47,491,674

TRADE RECEIVABLES

CURRENCY	31.03.2023			31.12.2022		
	amount in currency	valuation	% share	amount in currency	valuation	% share
PLN	16,337,323	16,337,324	39.8%	17,919,819	17,919,819	50.8%
USD	4,355,982	18,701,973	45.5%	2,865,026	12,611,272	35.7%
EUR	1,112,114	5,199,688	12.7%	843,436	3,955,633	11.2%
RUB	8,292,895	465,231	1.1%	8,741,150	540,203	1.5%
Other currencies	—	391,352	1.0%	—	253,624	0.8%
TOTAL		41,095,568	100.0%		35,280,551	100.0%

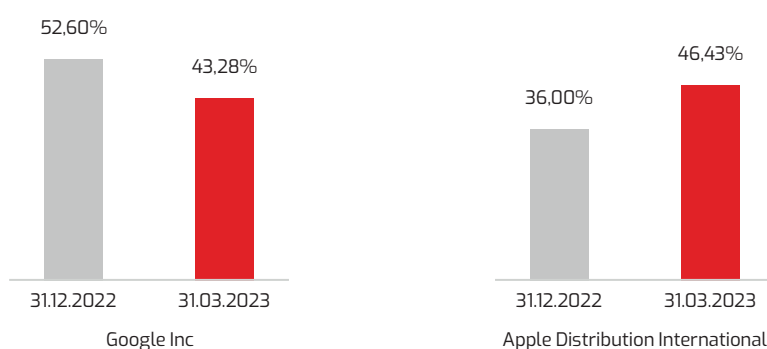
AGE STRUCTURE – OVERDUE	31.03.2023 value of receivables	31.12.2022 value of receivables
not overdue	40,561,800	34,635,419
up to 1 month	34,280	32,813
1-3 months	18,204	46,168
3-6 months	0	10,237
6-12 months	97,760	554,402
over a year	383,524	1,512
TOTAL RECEIVABLES	41,095,568	35,280,551

Payments from users are aggregated by intermediaries (mobile stores, payment aggregators, licensees).

Payments for displayed advertisements are accumulated by advertising intermediaries. In the structure of receivables, the largest balances come from:

» Google Inc – 43.28% as of March 31, 2023 compared to 52.6% as of December 31, 2022;

» Apple Distribution International – 46.43% as of March 31, 2023 compared to 36.0% as of December 31, 2022.



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

OTHER RECEIVABLES

SPECIFICATION	31.03.2023	31.12.2022
Other short-term receivables, including:	5,859,300	7,013,685
– tax related	5,641,713	6,730,833
– deposit for office rental	217,587	282,852

ACCRUALS

SPECIFICATION	31.03.2023	31.12.2022
Registration fees for filing trademarks	312,200	312,518
Maintenance of software technical service /program subscriptions	2,737,468	3,245,961
Insurance	35,929	81,494
Training for leaders	109,936	274,840
Annual fee – marketing campaign tracking tool	438,389	552,773
Other accruals	448,898	729,852
Active cost accruals	4,082,820	5,197,438

8.

OTHER FINANCIAL ASSETS

SPECIFICATION	31.03.2023	31.12.2022
Other financial assets:	32,477,862	21,765,555
– Gamesture investment	22,482,208	11,574,781
– participation units in the investment fund Sisu Game Ventures	7,728,120	7,923,240
– office rental deposit	2,267,534	2,267,534

On March 11, 2022, the Parent Company acquired 24.8% of shares in the share capital of Gamesture Sp. z o. o. The payment amounted to approximately USD 3.5 million. On January 31, 2023, the Parent Company purchased another 12% of shares in the share capital of Gamesture Sp. z o. o. The payment amounted to approximately USD 2.7 million. The value as at the balance sheet date was adjusted by Gamesture's loss attributable to shares held by Ten Square Games S.A.



9.

OTHER LIABILITIES

SPECIFICATION	31.03.2023	31.12.2022
Liabilities due to the acquisition of Rortos (earn-out payments)	59,908,859	58,792,868
– long – term	40,292,136	54,457,996
– short – term	19,616,723	4,334,872
Other short-term liabilities	2,787,521	2,313,303
– long – term	0	0
– short – term, including:	2,787,521	2,313,303
Tax at source	13,425	56,628
Personal Income Tax	359,436	321,970
Social insurance contributions (ZUS)	1,545,080	1,379,382
State Fund for Rehabilitation of Disabled People (pol. PFRON)	34,637	32,766
Other	834,943	522,557
TOTAL OTHER LIABILITIES	62,696,380	61,106,171
– long – term	40,292,136	54,457,996
– short – term	22,404,244	6,648,175



10.

DISTRIBUTION OF PROFIT FOR 2022

On April 27, 2023, the Management Board submitted to the General Meeting of Shareholders a proposal to distribute the profit for 2022 in the amount of PLN 55,247,128 as follows:

1. the amount of PLN 52,306,718.40 to be distributed among the shareholders in the form of a dividend payment of PLN 7.20 per share (excluding own shares purchased by the Company);
2. transfer the amount of PLN 2,940,409.60 to the reserve capital of the Company.

On May 18, 2023, the Management Board published draft resolutions for the General Meeting of Shareholders convened for June 14, 2023. The proposed dividend date is June 21, 2023, and the proposed dividend payment date is June 28, 2023. The final decision on the distribution of profit for the financial year ended on December 31, 2022 will be taken by the Ordinary General Meeting of the Company.



11.

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

Salaries broken down into paid and payable are presented below. In the absence of annotation, the amount paid equals the amount due for the given reporting period. The totals for a given person present the amounts due (accrual basis), without the amounts paid (cash basis).

11.1. Management

AFFILIATED PERSON	Salaries		
	PERIOD	01.01.2023-31.03.2023	01.01.2022-31.03.2022
Management Board (total due remuneration)		7,149,936	12,295,425
Maciej Zużatek (total due remuneration)		6,239,268	7,272,571
– Ten Square Games S.A. – cash fixed remuneration		206,100	206,100
– Ten Square Games S.A. – share-based incentive program for 2021-2022*		0	1,033,303
– Ten Square Games S.A. – share-based incentive program from 2020 recognized over time		6,033,168	6,033,168
Andrzej Ilczuk (since 21.01.2021)		159,000	1,192,303
– Ten Square Games S.A. – cash fixed remuneration		159,000	159,000
– Ten Square Games S.A. – share-based incentive program for 2021-2022*		0	1,033,303
Anna Idzikowska (from 21.01.2021 to 28.02.2023)		111,139	1,225,883
– Ten Square Games S.A. – cash fixed remuneration		106,000	159,000
– Ten Square Games S.A. – cash variable remuneration due, paid		5,139	33,580
– Ten Square Games S.A. – share-based incentive program for 2021-2022*		0	1,033,303
Janusz Dziemidowicz (since 21.01.2021)		159,000	159,000
– Ten Square Games S.A. – cash fixed remuneration		159,000	159,000

AFFILIATED PERSON	Salaries	
	PERIOD	
	01.01.2023-31.03.2023	01.01.2022-31.03.2022
Wojciech Gattner (since 21.01.2021)	322,529	1,430,334
– Ten Square Games S.A. – cash fixed remuneration paid	159,000	129,000
– Ten Square Games S.A. – cash fixed remuneration due	0	159,000
– Ten Square Games S.A. – cash variable remuneration paid	197,316	348,216
– Ten Square Games S.A. – cash variable remuneration due	163,529	238,031
– Ten Square Games S.A. share-based incentive program for 2021-2022*	0	1,033,303
Magdalena Jurewicz (from 31.07.2020 and since 21.10.2021)	159,000	1,015,334
– Ten Square Games S.A. – cash remuneration paid	159,000	129,000
– Ten Square Games S.A. – cash remuneration due	0	159,000
– Ten Square Games S.A. share-based incentive program for 2021-2022*	0	856,334
Supervisory Board	93,000	102,290
Rafał Olesiński	25,500	25,500
Tomasz Drożdżyński (till 11.03.2022)	0	9,290
Maciej Marszałek	15,000	15,000
Wiktor Schmidt	12,000	12,000
Marcin Bitos	13,500	13,500
Kinga Stanisławska	13,500	13,500
Arkadiusz Pernal	13,500	13,500
Affiliates (Ten Square Games S.A.)	0	0
Key personnel (Ten Square Games S.A.)	0	0
Family members of key personnel / Management Board (Ten Square Games)	0	295,900

[1] The company shows the cost of pre-allocated shares in accordance with the financial statements for Q1 2022. Ultimately, these shares were not issued and acquired, and the cost of the program was reversed in the subsequent quarters of 2022.

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.

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

At the discussed periods of time there was no dividend payment.

11.2. Other affiliated parties

AFFILIATED PARTY	Net sales		Net purchase		Divide	
	PERIOD	1.01.2023 – 31.03.2023	1.01.2022 – 31.03.2022	1.01.2023 – 31.03.2023	1.01.2022 – 31.03.2022	1.01.2023 – 31.03.2023
Subsidiaries:		2,583,544	1,323,304	1,524,521	2,536,309	0
Play Cool Zombie Sport Games Sp. z o.o.		11,090	14,486	0	0	0
Tiny Dragon Adventure Games Sp. z o.o.		166,228	331,082	0	0	0
Fat Lion Games Sp. z o.o.		78,557	112,980	0	0	0
Ten Square Games Germany GmbH		0	0	1,007,756	2,116,168	0
Ten Square Games S.R.L.		0	0	516,765	420,141	0
Ten Square Games (Israel) LTD.		0	0	0	0	0
RORTOS S.R.L.		2,327,669	864,756	0	0	0
Personally affiliated entities:		0	0	12,800	61,069	0
Olesiński i Wspólnicy Spółka komandytowa		0	0	12,800	61,069	0
Roberto Simonetto		0	0	0	0	0
Antonio Farina		0	0	0	0	0
Associates:		0	0	0	0	0
Gamesture Sp. z o.o.		0	0	0	0	0



AFFILIATED PARTY	Gross receivables		Gross payables		Loans	
AS AT	31.03.2023	31.12.2022	31.03.2023	31.12.2022	31.03.2023	31.12.2022
Subsidiaries:	2,533,311	2,034,940	266,146	320,627	1,142,102	1,983,243
Play Cool Zombie Sport Games Sp. z o.o.	4,349	5,387	0	0	0	0
Tiny Dragon Adventure Games Sp. z o.o.	68,963	94,995	0	0	0	0
Fat Lion Games Sp. z o.o.	32,689	43,969	0	0	0	0
Ten Square Games Germany GmbH	85,726	70,620	96,368	0	417,565	1,272,656
Ten Square Games S.R.L	13,915	11,487	169,778	320,627	724,537	710,587
Ten Square Games (Israel) LTD.	0	390,578	0	0	0	0
RORTOS S.R.L.	2,327,669	1,417,904	0	0	0	0
Personally affiliated entities:	0	0	59,924,603	58,792,868	0	0
Olesiński i Wspólnicy Spółka komandytowa	0	0	15,744	0	0	0
Roberto Simonetto	0	0	35,939,325	35,269,842	0	0
Antonio Farina	0	0	23,969,534	23,523,026	0	0
Associates:	0	0	0	0	0	2,201,633
Gamesture Sp. z o.o.	0	0	0	0	0	2,201,633

The Parent Company sells internally produced games to its Polish subsidiaries and receives remuneration in return. On the other hand, Ten Square Games Germany GmbH and Ten Square Games S.R.L. were established in order to acquire human capital (gaming industry talent) in the local markets. Employees of these companies work for games produced by the Parent Company and their cost is then invoiced to the Parent Company. Transactions between the Parent and Rortos S.r.l. consist of production/maintenance support for Rortos' games, for which the Parent receives remuneration.

The Parent Company uses legal/tax services offered by the law firm Olesiński i Wspólnicy Sp.k. as needed, each time basing on the valuation of works for a given project.

Transactions between related parties took place on terms equivalent to those applicable to transactions concluded on market terms.

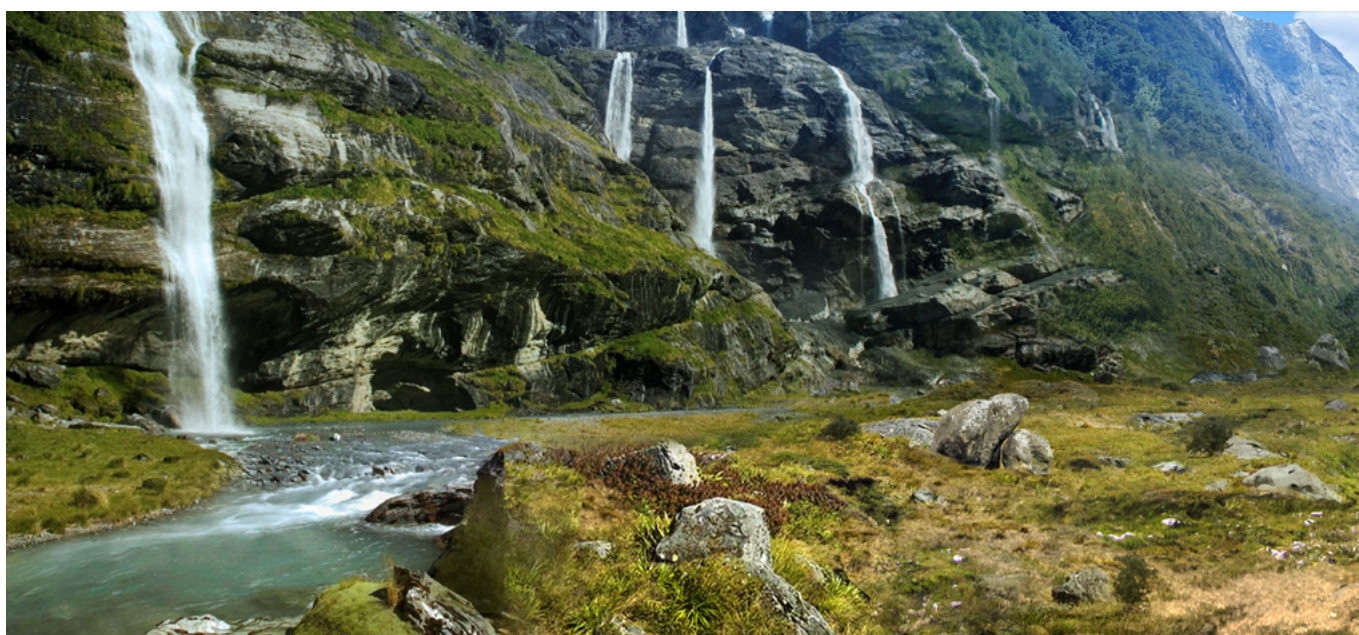
The liability to Mr. Roberto Simonetto and Mr. Antonio Farina arises from the purchase of 100% of the shares in Rortos, as further described in Note 10.

12.

CURRENT AND DEFERRED TAX

SPECIFICATION	01.01.2023 – 31.03.2023	01.01.2022 – 31.03.2022
Taxable income	16,603,240	30,431,868
Current income tax	1,415,074	2,082,522
Deferred income tax	-4,591,846	3,307,514
Income tax disclosed in the statement of comprehensive income	-3,176,771	5,390,036

The greatest impact on the tax in Q1 2023 has a decrease in the provision for deferred tax, resulting mainly from a decrease in the temporary tax difference on capitalized game costs (tax cost at the time of payment of remuneration, balance sheet cost at the time of amortization of a completed game).



STRUCTURE OF A DEFERRED INCOME TAX ASSET:

SPECIFICATION	As at 31.03.2023	As at 31.12.2022
Accounting for consumables over time	281,039	274,348
Accounting for durables over time	2,484,635	2,160,820
Provision for holiday leave	318,424	239,436
Accrual for audit costs	1,786	18,810
Lease – IFRS 16 valuation	89,555	134,903
Revaluation of settlements	180,819	0
Remuneration provision	1,009,981	1,288,136
Other provisions	126,524	26,930
TOTAL	4,492,763	4,143,383

STRUCTURE OF DEFERRED INCOME TAX PROVISION:

SPECIFICATION	As at 31.03.2023	As at 31.12.2022
Depreciation of games	1,122,999	5,329,371
Revaluation of settlements	0	38,392
TOTAL	1,122,999	5,367,763

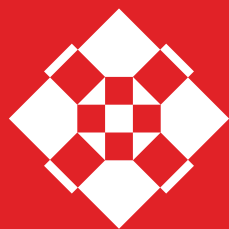


13.

PROVISIONS

SPECIFICATION	As at 1.01.2023	Changes during the year			As at 31.03.2023
		Assumption	Reclassification from long-term to short-term	Use	
Holiday provision	1,692,431	2,315,418	0	1,692,431	2,315,418
TFR provision	818,387	36,890	0	0	855,277
Provisions for bonuses (short term)	4,282,164	2,971,891	2,712,496	4,282,164	5,684,387
Provisions for bonuses (long term)	2,983,161		2,712,496	0	270,665
TOTAL PROVISIONS	9,776,143	5,324,199	5,424,992	5,974,595	9,125,747





ten square_games

VI

**OTHER ADDITIONAL
INFORMATION**



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

The beginning of 2023 brought decreases in the level of bookings of the Group's two main titles – Fishing Clash and Hunting Clash, with an increase in revenues from Wings of Heroes. As a result, the Group's total bookings amounted to PLN 123.6 million and was lower by 10.8% compared to the previous quarter and by 13.3% compared to the corresponding quarter of 2022. Among the main factors that influenced the Group's operations, the Management Board of Ten Square Games identifies the following factors:

1. The war in Ukraine, the effects of which began to be visible in the Group's results at the end of the first quarter of 2022. At the beginning of March 2022, the Group blocked distribution, marketing and payment in all key games of the Group in Russia and Belarus. This had both a direct and indirect impact on the Group's level of payments. 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. The closure of the market had a direct impact on the decrease in payments, but also an indirect effect on the activity of players inside 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). In 2022, the impact of blocking access to the Group's games to players from Russia and Belarus was visible from March 2022 and did not cover the full first quarter. In 2023, the effects of this decision affected the level of bookings throughout the first quarter of 2023.
2. Persistently high inflation, which in principle reduces spending on the consumption of goods.
3. Reducing the expenditure on marketing activities and their intensity at the turn of 2022 and 2023, which primarily affected the amount of acquired traffic. An additional negative factor was also the quality of the acquired traffic.

On April 17, 2023, the Management Board of the Company decided to change the strategic priorities and focus on the development of the Group's main products – Fishing Clash, Hunting Clash and Wings of Heroes, as well as to adjust the Company's employment structure to the current market situation and the Company's plans. In connection with this decision, the Company decided to suspend further development works in the Undead Clash and Fishing Masters projects. The Fishing Masters project was developed in the idle RPG segment, which is outside the main area of the Company's operations, hence the decision to end it. The Undead Clash project was an attempt to go beyond the hobby and simulation niche in which the Company specializes.

Due to the termination of the Undead Clash and Fishing Masters projects, the Management Board decided to fully write off the capitalized costs related to the production of both games. The cost of write-downs recognized in Q1 2023 amounted to PLN 26.6 million and had a significant impact on the level of operating profit, which amounted to PLN – 14.4 million.

Adjusted EBITDA amounted to PLN 27.6 million compared to PLN 35.3 million in Q4 2022 (-22%) and PLN 42.1 million (-35%) in Q1 2022. The decrease in the result is mainly due to the lower operating margin (revenue minus commissions minus marketing) for Fishing Clash.

On January 31, 2023, the Group finalized the purchase of another 12% of shares in Gamesture Sp. z o. o. The value of this transaction amounted to approximately USD 2.7 million. Following this transaction, Ten Square Games' stake in Gamesture Sp. z o. o. increased to 36.9%. As at March 31, 2023, the Group recognized a loss of PLN 0.9 million resulting from the current results of this company. The Group is satisfied with the results and progress in the development work on the company's games. Gamesture Sp. z o. o. has increased its marketing expenses and is achieving good initial parameters for its games. The level of bookings in Gamesture Sp. z o. o. increased compared to the fourth quarter of 2022 by 32.4%, and compared to the first quarter of 2022 by 106%. From the Group's perspective, this is a long-term investment that provides the Ten Square Games Group with further prospects for growth and diversification of the product portfolio.

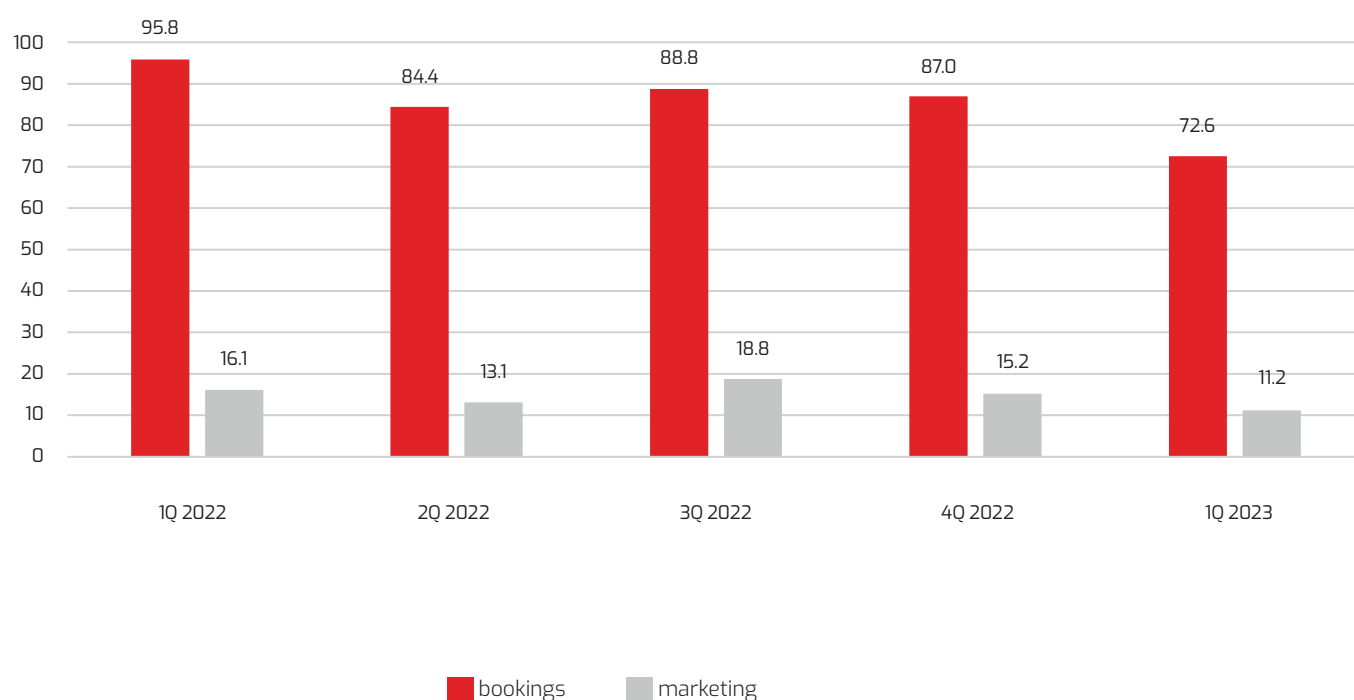


QUARTERLY BOOKINGS AND MARKETING COST ANALYSIS FOR KEY GAMES

FISHING CLASH



in PLN million

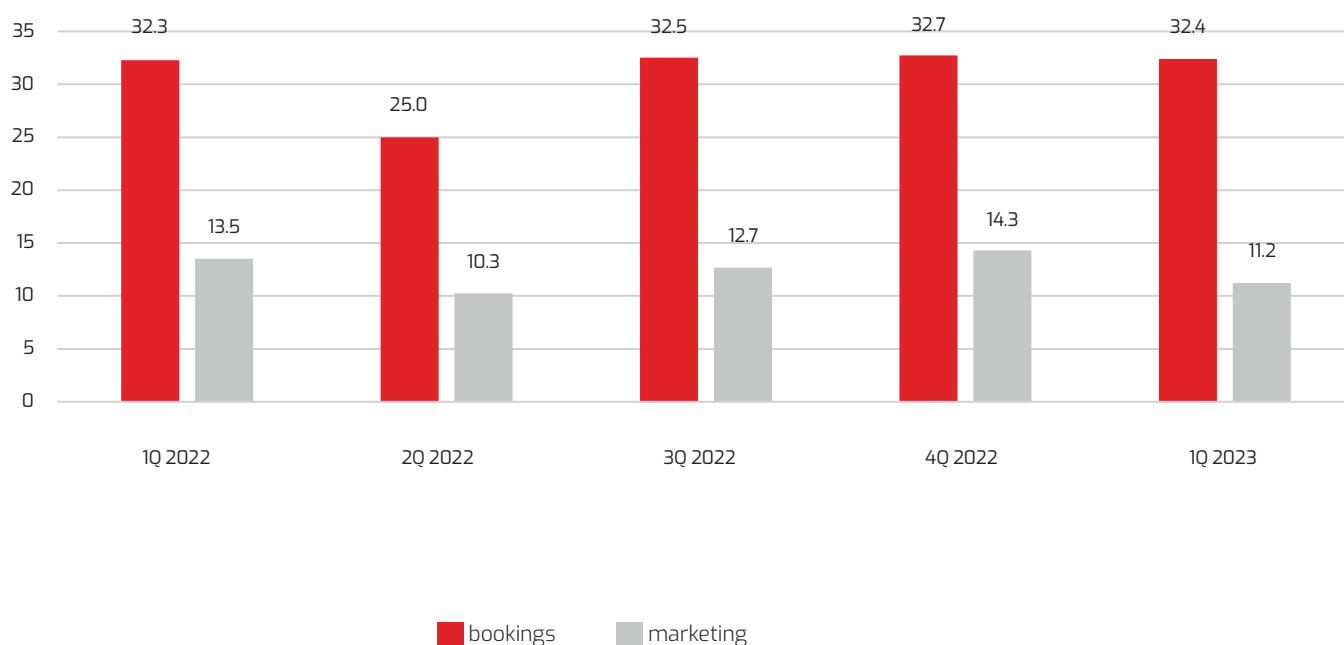


In the first quarter of 2023, Fishing Clash recorded a significant decrease in booking both compared to the last quarter of 2022 and the corresponding period of 2022. One of the main reasons for these declines was the reduction in marketing spending from the fourth quarter of 2022, which reduced the influx of new players to the game. Less marketing activity also affected the quality of traffic provided by the algorithms of the largest platforms. These factors affected in April 2023 a lower level of bookings recorded in Fishing Clash equal to PLN 20.4 million. The marketing team focuses primarily on improving marketing indicators and the profitability of advertising campaigns. In the next step, it is planned to increase advertising budgets in order to acquire users and search for new channels for marketing activities.

HUNTING CLASH



in PLN million



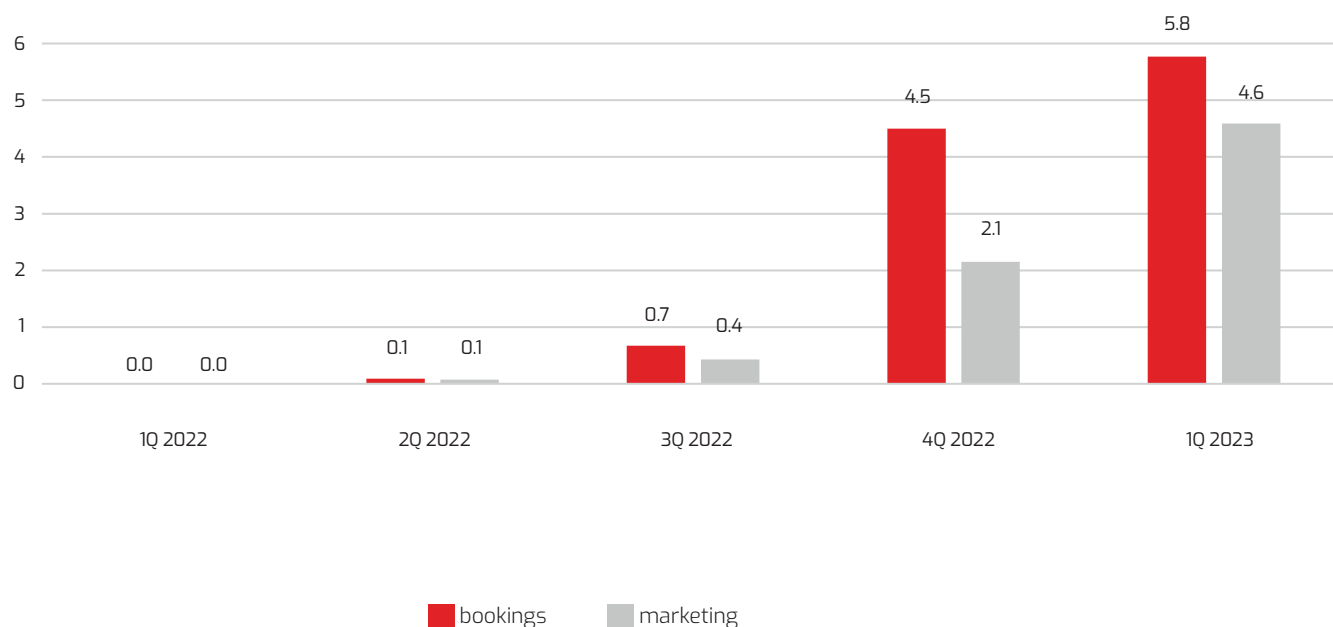
In the first quarter of 2023, Hunting Clash recorded bookings in the amount of PLN 32 million. This is the same value as in the first quarter of 2022 and slightly lower than that recorded in the fourth quarter of 2022. This is mainly due to the new approach to the organization of events in the game. In the first quarter of 2023, marketing expenditures in the game were lower both compared to those incurred in the first and last quarter of 2022. This translated into a decrease in the level of bookings in the game in April 2023, which amounted to PLN 7.9 million. The product team focuses primarily on the development of systems and solutions supporting more effective monetization of the game and on new functionalities that increase player engagement. Their introduction to the game will take place in the following quarters of 2023.

Both the Fishing Clash and Hunting Clash teams have been reinforced with selected key people from closed project development teams. Thanks to this, it will be possible to implement changes in both of these projects even faster and more efficiently.

WINGS OF HEROES



in PLN million



In the first quarter of 2023, both bookings and marketing expenses in Wings of Heroes increased. The game has very good early monetization rates, but the lack of a large amount of new content does not yet allow for a significant extension of the gameplay conducted by players and effective monetization. In the last quarter, the product team focused both on adding new functionalities (e.g. new planes) and introducing events for players (Live Ops) to the game. In addition, in order to accelerate the development of the game, the Wings of Heroes team has been strengthened by specialists from Ten Square Games.

2.

KPIS OF GAMES

	1Q 2022	2Q 2022	3Q 2022	4Q 2022	1Q 2023
Fishing Clash – MAU ⁽¹⁾ (average in the period)	2,227,455	1,835,612	2,540,524	2,232,582	2,488,370
Hunting Clash – MAU (average in the period)	1,494,746	1,257,463	1,273,923	1,458,084	1,374,262
Evergreen – MAU (average in the period)	763,829	674,729	771,631	744,403	788,326

[1] MAU – monthly average active users.



3.

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

INVESTMENT IN GAMESTURE

On January 31, 2023, the Group finalized the purchase of 12% of shares in Gamesture Sp. z o. o. The value of this transaction amounted to approximately USD 2.7 million. Following this transaction, Ten Square Games' stake in Gamesture Sp. z o. o. increased to 36.9%. Ten Square Games invested in Gamesture Sp. z o. o. on March 11, 2022, acquiring 24.8% of shares in the share capital of this company for approximately USD 3.5 million.

TERMINATION OF PROJECTS AND GROUP LAY OFFS

On April 17, 2023, the Management Board of the Parent Company decided to focus on the development of the Group's main products – Fishing Clash, Hunting Clash and Wings of Heroes, and to adjust the employment structure to the current market situation and the Company's plans. In connection with the above, the Company decided to suspend further development works in the Undead Clash and Fishing Masters projects. The closure of the Undead Clash and Fishing Masters Management projects resulted in a complete write-off of the capitalized costs related to the production of both games.

On April 20, 2023, group redundancies were carried out at the Parent Company. The Parent Entity terminated contracts with 105 persons, including 43 employed under employment contracts, and decided not to extend selected contracts with another 5 persons. Depending on the duration of the employment relationship, these contracts will be terminated at the end of May, June or July, however, as of April 21, 2023, all persons covered by the group redundancies process have been released from the obligation to provide work/services.

In April 2023, the Parent Entity created a provision related to collective redundancies in the amount of PLN 6.5 million, of which PLN 3.3 million is related to closed, capitalized projects – Fishing Masters and Undead Clash.

The tables below present the total production cost of both games, taking into account the estimated ^[1] costs incurred in Q2 2023:

UNDEAD CLASH	Balance sheet value – 1.01.2023	Cost of development work – 1Q2023	Write down of value – 1Q 2023	Balance sheet value – 31.03.2023	Cost of development work – 04.2023 ^[1]	Group lay-offs – 04.2023 ^[1]	Write down of value – 2Q 2023 ^[1]	Balance sheet value – 30.04.2023 ^[1]
gross carrying amount	17,883,303	2,459,014		20,342,317	792,776	1,225,119		22,360,212
write-off of games	-5,434,306		-14,908,011	-20,342,317			-2,017,895	-22,360,212
net carrying amount	12,448,997	—	—	0	—	—	—	0

FISHING MASTERS	Balance sheet value – 1.01.2023	Cost of development work – 1Q2023	Write down of value – 1Q 2023	Balance sheet value – 31.03.2023	Cost of development work – 04.2023 ^[1]	Group lay-offs – 04.2023 ^[1]	Write down of value – 2Q 2023 ^[1]	Balance sheet value – 30.04.2023 ^[1]
gross carrying amount	9,157,105	2,507,809		11,664,914	809,074	2,072,037		14,546,025
write-off of games	0		-11,664,914	-11,664,914			-2,881,111	-14,546,025
net carrying amount	9,157,105	—	—	0	—	—	—	0

[1] The final amounts for Q2 2023 will be published by the Company in its semi-annual report.

According to the best estimates of the Management Board, the cash cost effect of reducing employment should amount to approx. PLN 1.8 million per month and should be visible starting from May 2023.

WAR IN UKRAINE

In addition, it should not be forgotten that on March 8, 2022, the Group stopped providing, maintaining and accepting payments for all its games in Russia and Belarus, which translated into the results generated in 2022. In the first quarter of 2023, the effects of this decision are even more visible than in the first quarter of 2022, as they affected all months of this reporting period.

In the period from January 1, 2023 to March 31, 2023, no other unusual events occurred.

4.

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

An important event after the end of the reporting period was the closure of two projects and group redundancies, as described in the note above, i.e. "Indication of factors and events, including unusual ones, having a significant impact on the condensed financial statements".



5.

UPDATE OF THE GROUP'S BUSINESS STRATEGY

The COVID-19 pandemic, and in particular the lockdowns introduced to counteract it, had a significant impact on the behavior of people around the world and brought a sharp increase in the value of the entire mobile games market (from USD 88 billion in 2020, through a record value of USD 98 billion in 2021, to USD 92 billion in 2022*). Ten Square Games, like other entities from this market, benefited from good conditions for further growth. The Management Board of the Company decided to additionally take advantage of the exceptional drop in the prices of advertising campaigns to attract new players for its biggest product – the Fishing Clash game. In the first quarter of 2020, marketing expenses at Fishing Clash amounted to over PLN 18 million, and in April 2020 alone – over PLN 19 million. This brought a leap and record increase in payments in this game – PLN 84.6 million in the first quarter of 2020 and PLN 44.3 million only in April 2020. The company focused on further development and diversification of the product portfolio, including for the acquisition of the Italian studio Rortos and the investment in the Kraków-based Gamesture studio. However, the end of the pandemic and the lifting of lockdowns have once again changed the balance of power on the market. Firstly, players acquired in 2020 and 2021 again started to divide their time between various forms of spending time and their involvement in mobile games and the time devoted to them naturally decreased. Secondly, after achieving record increases during the lockdowns, the mobile gaming market had to redefine its place among the preferred forms of spending time. This sudden correction in the value of the mobile gaming market has created uncertainty about the further development of the market and triggered a wave of consolidation among the largest players. Global entities consolidated their activities around the strongest assets, often resigning from the development of new projects whose future was uncertain and development costs were high. However, observing the latest forecasts for the mobile games market, it can be seen that the correction of the value of the mobile games market is temporary, and the market, after the rapid growth caused by the global pandemic, returns to its pre-pandemic growth trajectory – its value in 2023 is to reach USD 96 billion, exceeding in subsequent years level of USD 100 billion ^[1].

Observing the consolidation of the global mobile games market and the effects of implementing an ambitious expansion strategy, the Management Board of Ten Square Games decided that the best solution for the Group would be to focus on its strongest projects, which are leaders in their categories, and to strengthen the Group's position in these niches. For this reason, the Management Board decided to terminate the implementation of projects that were not related to supporting the most important products of the Group that contributed to its financial success. The group gave up experimenting with opening new development studios or projects that went beyond its specialization and unique competences, so as not to distract the attention of the organization, its teams and resources from the development of Fishing Clash, Hunting Clash and Wings of Heroes.

[1] Newzoo global games market report premium January 2023

The ambition of Ten Square Games is to return its key products – Fishing Clash and Hunting Clash to the path of growth and to accelerate the scaling process of Wings of Heroes. In the opinion of the Management Board, these are the biggest engines of value growth in the near future. In the case of the first two games, the Group will focus primarily on improving the technical operation of the games and the quality of their reception by players. To increase the level of bookings, the team will focus on functionalities that improve the first user experience and build additional monetization options for regular players. In the case of products with such a strong market position and impact on the Group's results, even a minimal improvement translates into a material increase in the Group's results. Thanks to the acquisition of the Italian studio Rortos, Ten Square Games has become one of the leading players in the flight simulator market. In the opinion of the Management Board, the latest game from this studio may become a significant growth driver for the Group. To accelerate the development of Wings of Heroes, the main focus has been on building monetization depth and extending the duration of the game for the player. This process should significantly accelerate after strengthening the Rortosa team with specialists from Ten Square Games. The ambition of the management board of Ten Square Games is to effectively use the Group's knowledge and resources to increase the share of Rortos in the flight simulators niche (currently around 40%) to the levels occupied by Fishing Clash and Hunting Clash in their respective categories (about 90%).

By focusing on the most important products and adjusting the Group's organizational structure to the current market potential and plans of the Group, Ten Square Games wants to improve profitability and share funds with shareholders in accordance with its dividend policy, which provides for the payment of up to 75% of the consolidated net profit of Ten Square Games.



6.

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

In coming quarters of 2023, the Group intends to continue the development of its activities in the hitherto areas and concentrate on the profitability improvement of its main products, as it is stated in the Group's strategy above.

The Management Board of the Parent Company, carefully observes the situation on the market, as well as the financial results achieved by the Group, and will adjust the scope of its activities to the revenues (bookings) achieved in subsequent periods. The goal of Ten Square Games is to quickly adapt to changes when they are required. The level of employment, the number of ongoing projects, involvement in external initiatives are and will be subject to verification so as to maximize the added value of these initiatives.

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

The Group is still exposed to the risk of exchange rate fluctuations – mainly in relation to USD/PLN (marketing expenses) and EUR/PLN (cost of doing business in Germany and Italy). Any changes in these exchange rates also affect the Group's financial results.

Also a change in the policy of key distribution platforms Google Play, Facebook and Apple influencing the scope and possibility of distribution of the Group's products may affect the Group attracts new players and new competition on the market may pose a risk for the Company.



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

Significant information for the assessment of the situation was the closure of two projects and group redundancies, as described in the note above, i.e. "Indication of factors and events, including unusual ones, having a significant impact on the condensed financial statements".



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

The Management Board of Ten Square Games S.A. has not published financial forecasts for 2023.

9.

SEASONALITY OR CYCLICALITY OF ACTIVITIES

There is no seasonality in the Group's operations.

10.

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

Neither Ten Square Games S.A. nor any of its subsidiaries were, as at 31 March 2023 and as at the date of issuing the financial statements, parties to any court proceedings, arbitration proceedings or proceedings before a public administration body.

11.

LOANS, CREDITS, GUARANTEES

The parent company grants loans to subsidiaries and associates. Loans are granted on market terms. In February 2023, the affiliate repaid the 2022 loan in full, plus accrued interest.

In the first quarter of 2023, the parent company did not grant any new loans to related or associated entities. The balance of loans to related companies granted in previous years is PLN 1.1 million as at March 31, 2023. According to the agreements, the loans should be repaid by September 30, 2023.

In the first quarter of 2023, the Company did not grant any loans to unrelated parties. Loans granted in previous years were repaid with interest due in 2022.

Neither Ten Square Games S.A. nor any of its subsidiaries were, as at March 31, 2023 and as at the date of issuing 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.



APPROVAL OF THE FINANCIAL STATEMENT

This report for the period from 1 January to 31 March 2023 was signed and approved for publication by the Management Board of Ten Square Games S.A. on 22 May 2023.

PRESIDENT OF THE MANAGEMENT BOARD

Maciej Zużatek

MEMBER OF THE MANAGEMENT BOARD

Andrzej Ilczuk

MEMBER OF THE MANAGEMENT BOARD

Janusz Dziemidowicz

MEMBER OF THE MANAGEMENT BOARD

Wojciech Gattner

MEMBER OF THE MANAGEMENT BOARD

Magdalena Jurewicz

Wrocław, May 22nd, 2023