



ten square_games

MANAGEMENT BOARD REPORT ON ACTIVITIES

of Ten Square Games S.A.
and Ten Square Games S.A. Group
for 01.01.2023 – 30.06.2023



Wrocław, September 6th, 2023

TABLE OF CONTENTS

1.	GENERAL INFORMATION	3
2.	SELECTED FINANCIAL DATA	9
3.	BUSINESS PROFILE	17
4.	KEY PRODUCTS	18
5.	BRIEF DESCRIPTION OF THE ISSUER'S SIGNIFICANT ACHIEVEMENTS AND FAILURES IN THE REPORTING PERIOD, TOGETHER WITH THE SPECIFICATION OF THE MOST IMPORTANT EVENTS RELATING TO THE ISSUER	19
6.	KPIs OF GAMES	24
7.	IDENTIFICATION OF FACTORS AND EVENTS, INCLUDING THOSE OF AN UNTYPICAL NATURE, HAVING A SIGNIFICANT IMPACT ON THE ABBREVIATED FINANCIAL STATEMENTS	25
8.	MAJOR ACHIEVEMENTS IN RESEARCH AND DEVELOPMENT	26
9.	EXPECTED DEVELOPMENT OF THE ENTITY AND THE GROUP	27
10.	SIGNIFICANT EVENTS AFTER THE END OF THE INTERIM PERIOD THAT ARE NOT REFLECTED IN THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD	28
11.	INDICATION OF FACTORS WHICH, IN THE ISSUER'S OPINION, WILL AFFECT ITS RESULTS IN THE PERSPECTIVE OF AT LEAST THE NEXT QUARTER	29
12.	CORPORATE SOCIAL RESPONSIBILITY	30
13.	AGREEMENTS WHICH MAY RESULT IN FUTURE CHANGES IN THE PROPORTIONS OF SHARES HELD BY SHAREHOLDERS	34
14.	OTHER INFORMATION RELEVANT FOR THE ASSESSMENT OF THE EMPLOYMENT SITUATION, ASSETS, FINANCIAL POSITION, FINANCIAL RESULT AND CHANGES THEREOF, AND INFORMATION RELEVANT FOR THE ASSESSMENT OF THE ISSUER'S POSSIBILITY TO FULFILL ITS OBLIGATIONS	34
15.	THE MANAGEMENT BOARD'S STANCE ON THE POSSIBILITY OF FULFILLMENT OF PREVIOUSLY PUBLISHED FORECASTS FOR A GIVEN YEAR IN THE LIGHT OF THE RESULTS PRESENTED IN THE QUARTERLY REPORT, COMPARED TO THE FORECASTED RESULTS	35
16.	SEASONALITY OR CYCLICALITY OF OPERATIONS	35
17.	CREDITS, LOANS, WARRANTIES	36
18.	ACQUISITION OF OWN SHARES	36
19.	BRANCHES (OFFICES) OWNED BY THE PARENT COMPANY	37
20.	INDICATION OF MATERIAL PROCEEDINGS PENDING BEFORE COURT, COMPETENT ARBITRATION AUTHORITY OR PUBLIC ADMINISTRATION AUTHORITY, CONCERNING LIABILITIES AND RECEIVABLES OF THE ISSUER OR ITS SUBSIDIARY	37
21.	INFORMATION ON THE CONCLUSION BY THE ISSUER OR A SUBSIDIARY OF ONE OR MULTIPLE TRANSACTIONS WITH RELATED ENTITIES, IF THEY ARE CONCLUDED ON TERMS OTHER THAN ARM'S LENGTH TERMS	38
22.	FINANCIAL INSTRUMENTS IN RISK MANAGEMENT	38
	APPROVED REPORT ON THE ACTIVITIES OF THE MANAGEMENT BOARD	39



GENERAL INFORMATION



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.

Composition of the Company's governing bodies at 30.06.2023

The Management Board:

- » **Andrzej Ilczuk** – President of the Management Board;
- » **Janusz Dziemidowicz** – 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.
2. 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.
3. 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 Bitos** – 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.

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: 22.05.2023, 30.06.2023, 6.09.2023	% 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	100.0%	7,334,822	100.0%

(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.



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

Shareholder	number of shares as at: 30.06.2023, 6.09.2023	% share in basic capital	number of votes at GSM	% share in the number of votes
President of the Management Board – Andrzej Ilczuk	10,388	0.14%	10,388	0.14%
Member of the Management Board – Janusz Dziemidowicz	84,249	1.15%	84,249	1.15%
Member of the Management Board – Magdalena Jurewicz	19,500	0.27%	19,500	0.27%
Member of the Supervisory Board – Arkadiusz Pernal	661,552	9.02%	661,552	9.02%
Member of the Supervisory Board – Maciej Marszałek	44,000	0.60%	44,000	0.60%
Member of the Supervisory Board – Rafał Olesiński	669	0.01%	669	0.01%
Member of the Supervisory Board – Kinga Stanisławska	105	0.00%	105	0.00%
TOTAL: MANAGEMENT BOARD + SUPERVISORY BOARD	820,463	11.19%	820,463	11.19%
others	6,514,359	88.81%	6,514,359	88.81%
TOTAL	7,334,822	100.00%	7,334,822	100.00%

Shareholder	number of shares as at: 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: MANAGEMENT BOARD + SUPERVISORY BOARD	1,044,289	14.2%	1,044,289	14.2%
others	6,290,533	85.8%	6,290,533	85.8%
TOTAL	7,334,822	100.0%	7,334,822	100.0%

Shareholder	number of shares as 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: MANAGEMENT BOARD + SUPERVISORY BOARD	1,069,289	14.6%	1,069,289	14.6%
others	6,265,533	85.4%	6,265,533	85.4%
TOTAL	7,334,822	100.0%	7,334,822	100.0%

Series of shares

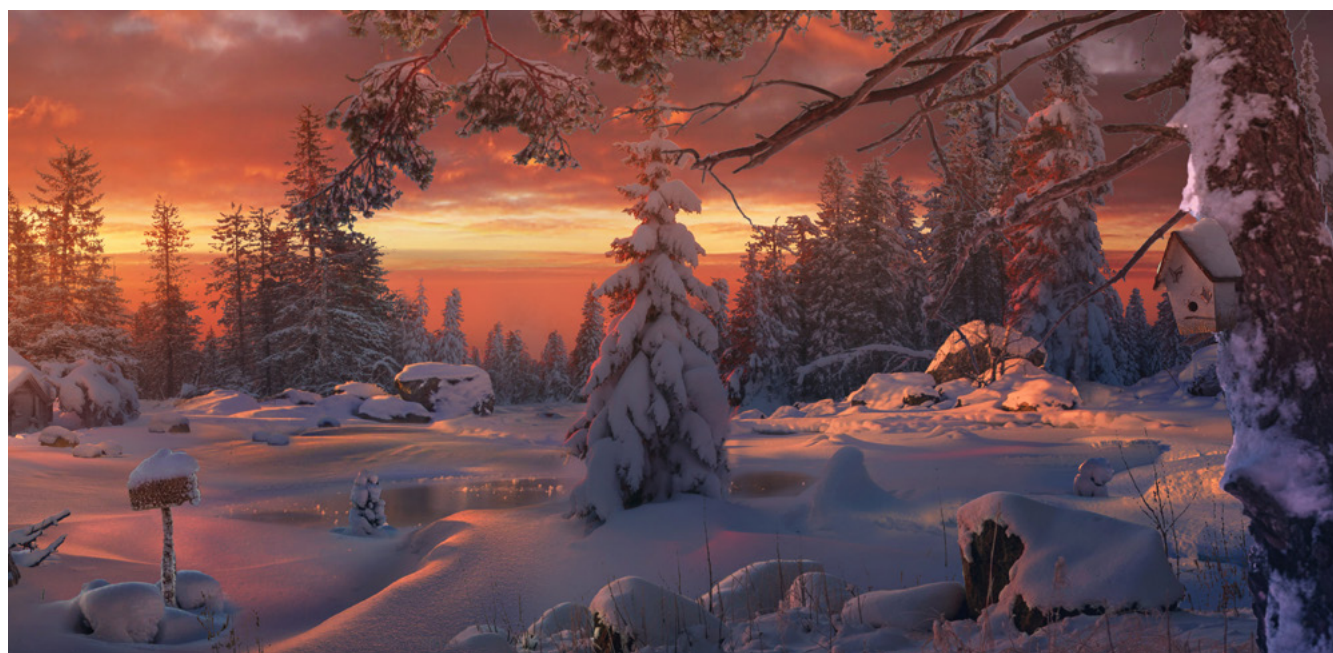
Series of shares	Number of shares as at 31.12.2022, 22.05.2023, 30.06.2023, 6.09.2023	nominal value of shares (per one share)	Total nominal value of shares
A	7,225,000	0,1,PLN	722,500.00
B	109,822	0,1,PLN	10,982.20

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

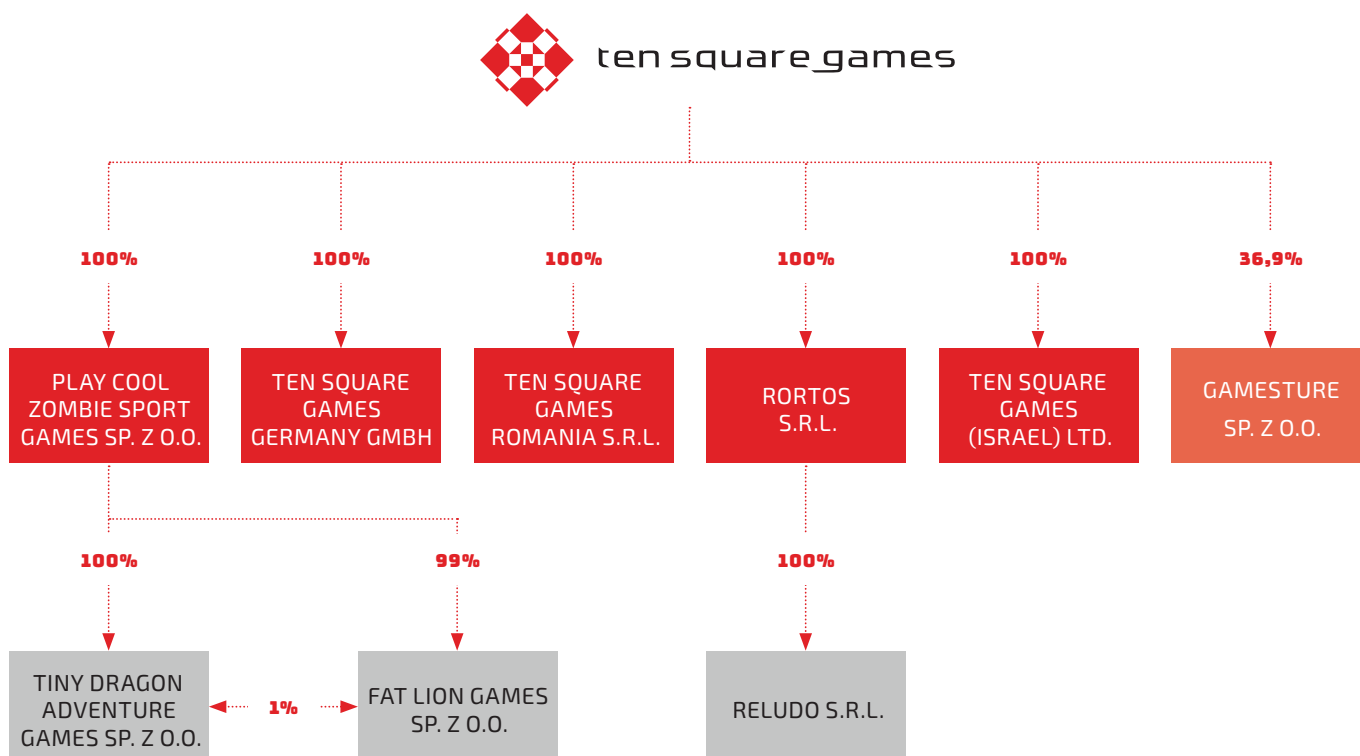
Description of the changes in the shareholding structure

Changes in the shareholding structure between December 31, 2022 and September 6, 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.
3. Changes communicated in the current reports: No. 3/2023 and 13/2023.



Capital Group as at 30.06.2023 and 06.09.2023:



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

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

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

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

Ten Square Games Romania S.r.l. was founded on May 17, 2021 (date of the articles of association) and entered into the commercial register on June 28, 2021.

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

Ten Square Games (Israel) Ltd. was founded on February 15, 2022 (date of the articles of association) and entered into the commercial register on February 20, 2022.

Ten Square Games S.A. acquired 24.8% of shares in Gamesture Sp. z o. o. on March 11, 2022. On January 31, 2023, the Parent company acquired another 12% of shares in the share capital of Gamesture Sp. z o. o. The total share of Ten Square Games S.A. in the capital of Gamesture Sp. z o. o. is currently 36.9%.

2.

SELECTED FINANCIAL DATA

The Management Board of the Parent Entity performs a joint analysis based on consolidated data, due to the fact that individual and consolidated data for Ten Square Games S.A. and for the Ten Square Games S.A. Capital Group, are similar to each other (preserved trends for individual balance sheet and result items). In 2021, the Rortos subsidiary was acquired, which significantly changed the value of shares in the separate statements and the value of intangible assets in the consolidated statements in the line with an increase in the liability for the purchase and outflow of cash. However, this transaction did not have such a significant impact on the statement of comprehensive income, hence the Parent Entity decided to further describe the consolidated data.

The Management Board 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”.

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.

CONSOLIDATED DATA

STATEMENT OF COMPREHENSIVE INCOME	PLN		EUR	
	for the period 01.01.2023 – 30.06.2023	for the period 01.01.2022 – 30.06.2022	for the period 01.01.2023 – 30.06.2023	for the period 01.01.2022 – 30.06.2022
Bookings	224,819,608	266,002,370	48,736,095	57,294,757
Revenues	222,382,118	274,477,494	48,207,700	59,120,230
Cost of sales	38,228,369	33,476,255	8,287,095	7,210,514
Operating profit (loss)	-4,774,948	46,836,287	-1,035,107	10,088,157
Gross profit (loss)	-5,972,881	49,264,204	-1,294,793	10,611,111
Net profit (loss)	-5,281,127	40,535,066	-1,144,836	8,730,925
EBITDA	36,931,492	61,770,713	8,005,960	13,304,912
Adjusted EBITDA	49,573,175	70,577,833	10,746,407	15,201,894

CASH FLOW STATEMENT	PLN		EUR	
	for the period 01.01.2023 – 30.06.2023	for the period 01.01.2022 – 30.06.2022	for the period 01.01.2023 – 30.06.2023	for the period 01.01.2022 – 30.06.2022
Net cash flows from operating activities	58,519,693	83,935,055	12,685,821	18,078,931
Net cash flows from investment activities	-24,227,780	-39,131,776	-5,252,066	-8,428,668
Net cash flows from financial activities	-55,744,195	-93,088,667	-12,084,152	-20,050,545

STATEMENT OF FINANCIAL POSITION	PLN		EUR	
	30.06.2023	31.12.2022	30.06.2023	31.12.2022
Fixed assets	279,861,069	314,138,189	62,885,888	66,981,852
Current assets	180,652,515	206,569,696	40,593,334	44,045,650
Equity	277,992,019	342,465,369	62,465,905	73,021,892
Long-term liabilities	46,659,137	68,220,992	10,484,493	14,546,364
Short-term liabilities	135,862,428	110,021,524	30,528,824	23,459,247

EUR/PLN exchange rate	2023	2022
	for the balance-sheet data	4.4503
for the data from the profit and loss statement and cash flow statement	4.6130	4.6427

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.

COMMENTARY TO THE STATEMENT OF COMPREHENSIVE INCOME

The beginning of 2023 brought decreases in the level of payments of the Group's two main titles – Fishing Clash and Hunting Clash, with an increase in revenues from Wings of Heroes. Among the main factors that influenced the Group's operations, the Management Board of Ten Square Games indicated three main factors:

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

Due to the decreasing payment level from month to month, the Management Board of Ten Square Games S.A. decided to revise the Group's strategy in April 2023. The Group decided to focus on three main products, i.e. Fishing Clash, Hunting Clash and Wings of Heroes, and to adjust the employment structure to the market situation and the Group's plans. In connection with the above, the Parent Company decided to suspend further development work on the Undead Clash and Fishing Masters projects. Closing the Undead Clash and Fishing Masters projects resulted in a total write-down of capitalized costs related to the production of both games (a total write-down of PLN 31.7 million, which was charged to the Group's results in the first half of 2023).

In April 2023, the Parent Company carried out a reduction in employment which covered 110 people (approx. 25% of the staff). For this reason, in the second quarter of 2023, a provision of PLN 6.4 million was created, of which PLN 3.3 million was for closed, capitalized projects – Fishing Masters and Undead Clash, and the remaining PLN 3.1 million was directly charged to other operating costs.

Starting from May 2023, following the introduction of a revised strategy of focusing on the Group's main products, intensive efforts are being made to bring Fishing Clash and Hunting Clash back to growth and to build the monetization depth in Wings of Heroes necessary for long-term player retention.

THE BREAKDOWN OF CONSOLIDATED REVENUE PER GAME BY QUARTERS

GAME	1Q 2022	2Q 2022	3Q 2022	4Q 2022	1Q 2023	2Q 2023
Fishing Clash	95,826,978	84,385,263	88,773,895	86,980,211	72,557,817	63,193,703
Hunting Clash	32,279,619	24,978,052	32,523,045	32,729,538	32,395,570	24,412,492
Let's Fish	3,099,293	2,394,146	2,380,160	2,490,229	2,172,122	1,852,363
Wild Hunt	2,790,545	2,517,568	2,666,554	2,606,582	2,352,751	1,998,176
Airline Commander	2,879,778	3,048,100	3,717,211	3,046,180	2,627,214	2,311,324
Real Flight Simulator	3,694,286	4,047,377	4,307,017	4,615,007	4,321,619	4,284,991
Wings of Heroes	–	89,199	673,688	4,496,408	5,769,225	2,071,904
other	1,980,865	1,991,301	2,444,425	1,605,596	1,396,720	1,101,617
TOTAL BOOKINGS	142,551,364	123,451,006	137,485,995	138,569,751	123,593,038	101,226,570
Deferred revenues (virtual currency)	4,937,513	908,931	1,505,185	-3,855,149	-201,742	-1,276,770
Deferred revenues (durables)	2,845,786	-217,105	-6,077,959	-3,547,668	-5,941,631	4,982,653
TOTAL REVENUES	150,334,663	124,142,832	132,913,221	131,166,934	117,449,665	104,932,453

THE BREAKDOWN OF CONSOLIDATED SELLING COSTS BY QUARTERS

SPECIFICATION	1Q 2022	2Q,2022	3Q,2022	4Q,2022	1Q,2023	2Q,2023
Cost of sales	79,870,756	67,589,551	78,366,429	79,303,832	69,004,470	59,814,327
marketing:	30,070,387	24,555,603	32,087,278	32,153,373	27,154,208	21,239,048
– Fishing Clash	16,110,636	13,099,412	18,769,324	15,219,141	11,180,883	11,575,445
– Hunting Clash	13,532,653	10,257,990	12,688,594	14,306,734	11,236,075	9,174,676
– Airline Commander	303,480	815,706	17,986	14,434	0	22,751
– Wings of Heroes	0	76,168	429,284	2,148,811	4,587,053	363,022
– other titles	123,618	306,327	182,090	464,253	150,197	103,154
provisions	41,728,991	35,672,700	38,649,821	38,257,580	33,624,212	30,509,186
revenue share	448,775	406,178	407,005	416,458	351,645	311,614
remuneration, subcontracting services	5,857,302	5,193,498	5,472,331	5,932,840	6,131,380	5,531,739
mobile games market research services	308,753	366,990	399,507	318,568	291,446	297,964
other	1,456,548	1,394,582	1,350,487	2,225,014	1,451,579	1,924,776

The decrease in bookings in the Group's games both in the first and second quarter of 2023 is related to the reduction of marketing expenses. The decrease in marketing expenditures in the Group's main titles is primarily due to the optimization of marketing campaigns in order to maintain the required level of profitability, and in the case of Wings of Heroes, it is related to the completion of the first major phase of acquiring traffic right after the global launch of the game, which took place in October 2022 (and thus testing the early parameters of the game on a wide market). Currently, the Wings of Heroes production team focuses primarily on expanding (building) gameplay elements in order to better monetize users, thus intensive player acquisition is currently not desirable.

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

The cost of services sold includes mainly remuneration of the Company's employees and associates and amortization of games. The number of active productions after the soft launch phase has the greatest impact on the level of these costs. The last soft launch of the Group's game took place in May 2022 (Wings of Heroes), hence, starting from the third quarter of 2022, the level of production costs has been relatively constant and fluctuates in the range of PLN 17.2-19.3 million.



SPECIFICATION	1Q 2022	2Q,2022	3Q,2022	4Q,2022	1Q,2023	2Q,2023
Recurring general and administrative costs, including:	11,030,484	11,763,761	9,196,909	8,134,626	10,573,057	6,512,871
– payroll + third party services (TSG S.A.)	5,462,957	4,675,326	3,901,884	4,457,249	4,535,148	3,682,599
– cost of subsidiaries	1,702,087	3,362,996	1,967,808	43,979	1,612,988	1,134,552
– rent and maintenance of office (TSG S.A.)	859,752	1,012,146	1,032,308	1,157,053	1,099,129	986,223
– other	3,005,689	2,713,293	2,294,909	2,476,344	3,325,791	709,497
One-off costs, including:	13,065,319	764,783	6,034,268	5,560,753	6,197,949	1,569,341
– MSOP	11,304,904	761,432	6,033,168	5,929,836	6,033,168	0
– M&A	1,760,415	3,351	1,100	-369,083	164,781	571,870
– other one-offs	0	0	0	0	0	997,471
TOTAL GENERAL AND ADMINISTRATIVE COSTS	24,095,803	12,528,544	15,231,177	13,695,379	16,771,005	8,082,212

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, and it is customary in the Company to raise the salaries in March each year, which is also reflected in higher costs.

As indicated above, during the second quarter, the Group carried out a process of group lay-offs, which resulted in a significant decrease in the cost of salaries and general administrative expenses by 19% quarter on quarter. Due to the reorganization of work and the reduction in the number of active offices in various locations, the costs of maintaining subsidiaries are also reduced.

The Group closes the second quarter of 2023 with recurring general and administrative expenses lower by as much as 38% quarter on quarter and by 45% compared to the second quarter of 2022.

In the second quarter of 2023, the Group incurred one-off costs (M&A + other) related to the termination of acquisition processes, which were an important pillar of the Group's previous development strategy, and legal actions related to maintaining the leading position of the Group's main titles in hobby niches. The first quarter of 2023 was the last quarter in which the Group recognized the non-cash cost of the incentive scheme. This cost was equal over time and amounted to PLN 6 million per quarter, starting from the second quarter of 2020 to the first quarter of 2023.

RECONCILIATION OF OPERATING RESULT TO ADJUSTED EBITDA PARAMETER BY QUARTERS

SPECIFICATION	1Q 2022	2Q,2022	3Q,2022	4Q,2022	1Q,2023	2Q,2023
Operating profit (EBIT)	29,391,817	17,444,470	21,635,772	4,219,705	-14,413,939	9,638,991
amortization and depreciation (excluding capitalized portion)	2,742,054	3,725,224	3,413,622	5,654,094	4,977,704	5,038,746
write-downs for impairment	0	8,467,149	671,272	14,643,822	26,572,925	5,117,065
EBITDA	32,133,872	29,636,841	25,720,667	24,517,621	17,136,690	19,794,802
non-cash impact of incentive scheme (excluding capitalized portion)	12,303,319	-236,983	6,033,168	5,929,836	6,033,168	0
deferred result (revenue minus commissions) – consumables	-3,456,258	-636,252	-1,053,630	2,698,604	141,218	893,739
deferred result (revenue minus commissions) – durable	-1,859,303	-316,187	4,254,570	2,483,367	4,159,142	-3,487,857
costs of potential and completed acquisitions (M&A) and review of strategic options	1,760,415	0	0	-370,132	163,381	570,120
donations to public benefit organization (regarding the war in Ukraine)	1,000,000	0	0	0	0	0
severance pay – group lay-offs	0	0	0	0	0	3,146,532
other one-off events	248,368	0	24,886	32,299	0	1,022,240
Adjusted EBITDA	42,130,413	28,447,420	34,979,661	35,291,595	27,633,599	21,939,576

Adjusted EBITDA amounted to PLN 49.6 million and was lower by PLN 21 million (i.e. 30%) than in the corresponding period of the previous year. The decrease in EBITDA was mainly due to the lower operating margin (i.e. revenues minus commission costs and marketing costs) of the Group's main title, i.e. Fishing Clash.

The Group's financial income in the first half of 2023 includes interest on deposits in the amount of PLN 2.3 million (PLN 0.2 million in the comparable period of 2022) and surplus of foreign exchange gains in the amount of PLN 1.3 million (PLN 6.5 million PLN a year earlier). Finance costs are mainly related to the unwinding of the discount related to the earn-out payment liability.

In March 2022, Ten Square Games S.A. acquired 24.8% of shares in Gamesture Sp. z o.o., and in January 2023 it increased its involvement to 36.9%. Gamesture Sp. z o. o. currently generates a net loss, therefore the Group reported a loss of PLN 1.8 million due to participation in associates compared to PLN 1.2 million in the previous year.

The Group closes the first half of 2023 with a net loss of PLN – 5.3 million compared to PLN 40.5 million in net profit in the comparable period of the previous year. The greatest impact on the net result had the booking of write-offs on Fishing Masters and Undead Clash in the amount of PLN 31.7 million.

COMMENTARY TO THE CONSOLIDATED CASH FLOW STATEMENT

Cash flows from operating activities in the first half of 2023 decreased by 30% compared to the corresponding period of 2022, which is mainly due to a decrease in Adjusted EBITDA. In the first half of 2023 the Group received a CIT refund for 2019 and 2020 in the amount of 12.5 million, which significantly improved the level of operating cash flows. Considering the level of cash from operating activities (excluding the effect of tax payments/refunds), the change in the compared periods is – 45% and is greater than the decrease in EBITDA, which can be explained by cash payments not included in EBITDA, e.g. PLN 6.5 million of severance pay, of which 92% was paid in the second quarter of 2023.

The Group's investment activities are mainly related to the production of new titles (PLN 10.2 million) and the acquisition of shares in the associate Gamesture Sp. z o. o. (PLN 11.8 million).

Financing activities are mainly cash flows related to the payment of dividend in the amount of PLN 52.3 million in 2023 and PLN 72.3 million in 2022. Additionally, in the first half of 2022, the Group purchased 70,000 own shares, which constituted a cash outflow of PLN 18.6 million.

COMMENTARY TO THE CONSOLIDATED STATEMENT OF FINANCIAL SITUATION

In balance sheet terms, there was a decrease in both fixed assets and current assets. On the fixed assets side, the largest changes are due to write-off of work in progress – net change in the item „intangible assets other than goodwill” by PLN 31.4 million compared to December 31, 2022. And the change in current assets is mainly due to the decrease in cash by PLN 21.2 million. In total, the balance sheet sum decreased by PLN 60.2 million, i.e. by 12%.

On the liabilities side, the Group recorded a decrease in equity related to the lower financial result for the period and unfavorable exchange rate differences. The movement between long-term and short-term liabilities results mainly from the reclassification of part of the liability related to the acquisition of Rortos, the so-called earn-out payment (PLN – 15.2 million). Due to write-downs on the costs of games in progress, the balance of the deferred tax provision also decreased significantly (PLN – 3.9 million). On the side of short-term liabilities, in addition to the above-mentioned reclassification of the short-term part of the earn-out payment liability, there was a significant change in the balance of the provision for income tax (PLN +12.5 million). The increase in the amount of the liability is related to the tax control carried out in the Parent Entity, however, it is worth emphasizing that this is not reflected in the result – earlier the Parent Entity showed this amount as a receivable covered by a write-down. In May 2023, the Parent Entity received a refund from the office, hence the write-down was reversed and the provision was booked until the inspection report was received.

3.

BUSINESS PROFILE

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

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

REVENUE

MICROPAYMENTS

- » 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



4.

KEY PRODUCTS



MOBILE
GAME

FISHING CLASH

LAUNCH
DATE

soft launch: 06.2016
global launch: 10.2017

A mobile fishing game. Players have the opportunity to take part in a sports competition between anglers in excellent 3D graphics. Since its premiere in October 2017, Fishing Clash has built the position of the most important mobile fishing game in the world, generating PLN 135.88 million in payments in the first half of 2023. Fishing Clash is the Group's biggest game, and during 2020 the title hit the top 50 highest-grossing games in the Google Play store.



MOBILE
GAME

HUNTING CLASH

LAUNCH
DATE

soft launch: 11.2019
global launch: 08.2020

A product aimed at a wide range of players, focusing on collecting and competing. The game is characterized by advanced 3D graphics and realistically animated animals. The Hunting Clash player has the opportunity to become the best hunter in the world by hunting many famous species of animals and collecting various types of weapons, while exploring the beautiful scenery of hunting grounds inspired by real places. Since its premiere in the third quarter of 2020, the game has been among the 200 highest-grossing games on the Android platform in the US, generating nearly PLN 57 million in payments in the first half of 2023.



MOBILE
GAME

WINGS OF HEROES

LAUNCH
DATE

soft launch: 05.2022
global launch: 10.2022

An airplane game set in World War II where players get the chance to engage in 5v5 real-time battles. Players use the most iconic aircraft of the era and discover locations inspired by real places where historical battles took place. Wings of Heroes players can feel the real action as they compete against each other. The game is in the early stages of development and was released in October 2022. The initial results of the game are promising and Wings of Heroes is being intensively developed to become the best game in its category available on the market.

5.

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

The first half of 2023 brought decreases in the level of payments of the Group's two main titles – Fishing Clash and Hunting Clash. At the same time, payments from Wings of Heroes, which premiered in October 2022, had a positive impact on this position. As a result, the Group's total payments amounted to PLN 224,819.6 million and were 15.5% lower than in the corresponding period 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 outbreak of 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 payments 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 payments throughout the first quarter of 2023.
2. Persistently high inflation, which, in principle, reduces spending on the consumption of goods.
3. Reducing expenditures 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.

Due to the decrease in bookings in the main titles of the Group, on April 17, 2023, the Management Board of Ten Square Games decided to change the strategic priorities. The group is currently focused on improving the results and development of the main products – Fishing Clash, Hunting Clash and on building the monetization depth of the latest production – Wings of Heroes. The Management Board of the Company also decided to adjust the employment structure of the Company to the market situation and plans for the near future.

Therefore, the Company decided to suspend further development works in the Undead Clash and Fishing Masters projects. The Fishing Masters project was implemented in the idle RPG segment, 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 closure of the above projects, it was decided to fully write off the capitalized costs related to the production of both games. The cost of write-downs recognized in the first half of 2023 amounted to PLN 31.7 million (including PLN 26.6 million in the first quarter of 2023 and PLN 5.1 million in the second quarter of 2023) and had a significant impact on both the level of operating loss, which amounted to PLN 4.8 million and net losses of PLN 5.3 million. In the second quarter of 2023 alone, the Company recorded an operating profit of PLN 9.6 million.

Due to the closure of projects and the decision to adjust the structure to the needs and plans of the Company, Ten Square Games reduced employment in April 2023 by 110 people (approx. 25% of the staff). A provision of PLN 6.4 million was created on this account, of which PLN 3.3 million was for closed, capitalized projects – Fishing Masters and Undead Clash, and the remaining PLN 3.1 million was charged directly to other operating costs.

In the first half of 2023, the Adjusted EBITDA amounted to PLN 49.6 million, which means a decrease by 29.8% compared to the corresponding period of 2022. This result was mainly affected by the decrease in EBITDA to PLN 27.6 million in the first quarter of 2023. In the second quarter of 2023, thanks to the actions taken by the Management Board, the rate of decline was lower. The greatest impact on the level of recurring EBITDA both in the first and in the second quarter of 2023 had a lower operating margin (revenues minus commissions minus marketing) in 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 June 31, 2023, the Group recognized a loss of PLN 1.8 million resulting from the current results of this company. 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. Gamesture Sp. z o. o. at the turn of August and September, completed the soft launch of the previously announced Hero Legacy game, which will now be organically developed by the product team. In addition, Gamesture is currently in the soft launch of the latest game – Stick Together.

In the first half of 2023, the General Meeting of Ten Square Games supported the motion of the Company's Management Board regarding the payment of dividend in the amount of PLN 52.3 million.

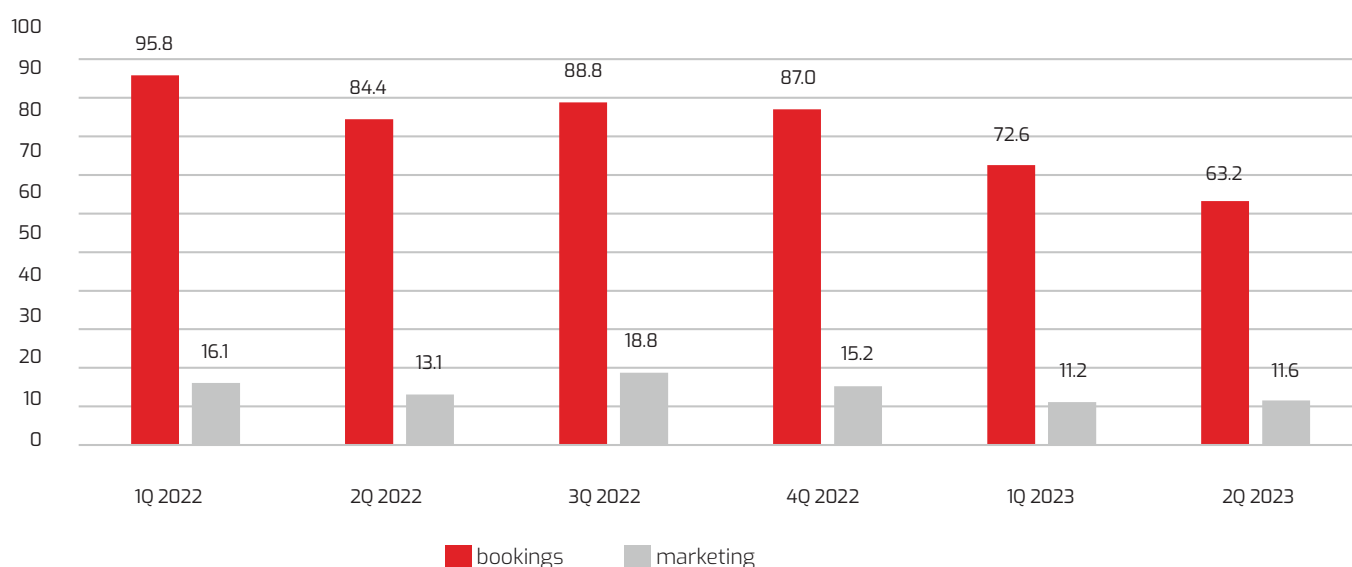


QUARTERLY ANALYSIS OF BOOKINGS AND MARKETING COSTS OF KEY GAMES

FISHING CLASH



in PLN million

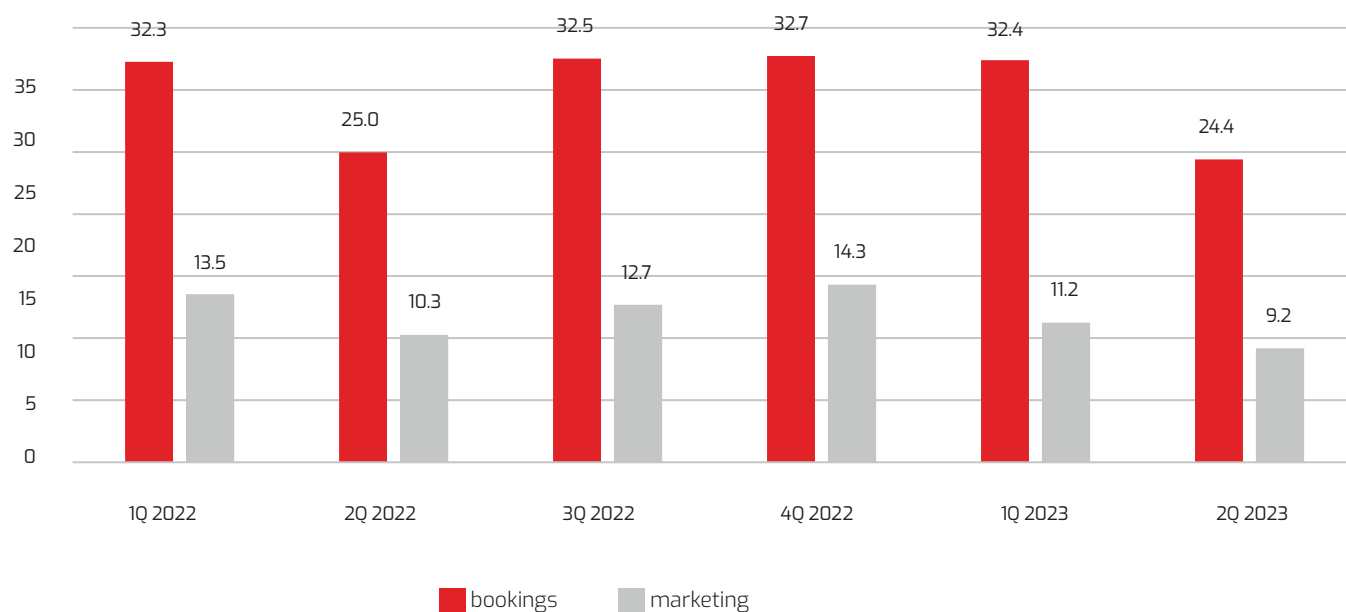


In the second quarter of 2023, Fishing Clash recorded a decrease in payments both compared to the previous quarter and the same period in 2022. One of the main reasons for these declines was the reduction in marketing spending from the fourth quarter of 2022, which reduced the influx of new players to the game. Less marketing activity also affected the quality of traffic provided by the algorithms of the largest platforms. Along with the change in strategy, the Company took steps to improve the performance of its largest products. The first effects of these actions are visible in the increasing level of Fishing Clash payments both in July 2023 and in August 2023. An important element of improving the results in July was the introduction of a new fishery for players and the effective combination of new functionalities with in-game events (LiveOps), which improved monetization. In July this year the company launched an online store where Fishing Clash players can purchase virtual in-game items directly from the company. This action is intended to reduce the rake costs in the game. Thanks to cooperation with Major League Fishing, on August 1-6, 2023, Fishing Clash players had a chance to face the challenges that professional anglers took part in the seventh stage of the fishing tournament in Bay City, Michigan, in the waters of Saginaw Bay. In addition to the marketing aspects, this cooperation has resulted in both an increase in the number of registered players and higher revenues. Additionally, this partnership inspired the team to test new in-game event formats. The development activities undertaken resulted in an increase in the level of payments both in July 2023 by 8.0% m/m, and in August by 14.5% m/m.

HUNTING CLASH



in PLN million

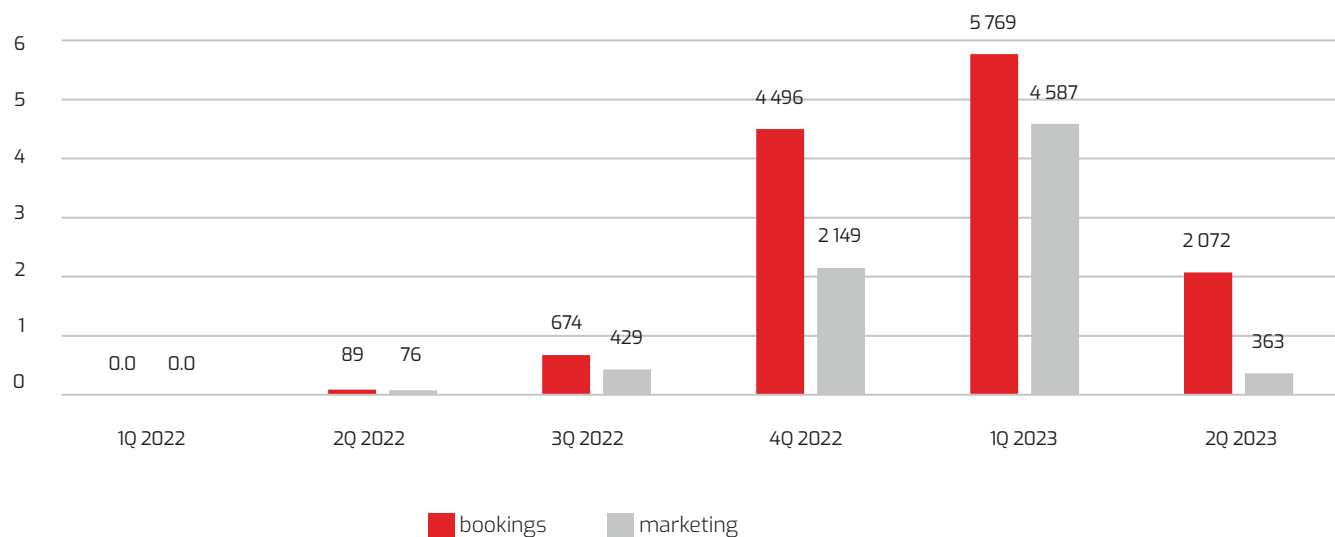


In the second quarter of 2023, Hunting Clash recorded payments in the amount of PLN 24.4 million. The lower level of payments is due, among others, to from fewer new locations (one) in the game compared to the first quarter of 2023 (three locations). The reduction of marketing expenses also had a significant impact on these results. As in the case of Fishing Clash, the product team focused at that time primarily on the development of systems and solutions supporting more effective monetization of the game and on new functionalities increasing player involvement. Thanks to this, it was possible to increase the number of paying players in the game. The effects of these activities are visible in the increasing level of payments both in July (an increase of 25.3% compared to June 2023) and in August 2023 – an increase of 10.1% compared to July 2023. Among the new functionalities that appeared there are two worth mentioning in the game: Hunt multiplier and Hunt box. The first one is addressed to advanced players, while the second one is aimed at players who start shopping in the game. Both functionalities increase player engagement, improve retention and help players achieve better results. Creating each of these solutions and testing its subsequent versions before introducing the final solution to the game took about two months. The marketing team for both games focuses primarily on the profitability of advertising campaigns.



WINGS OF HEROES

in PLN thousand



For Wings of Heroes, the second quarter of 2023 was a period of evaluation and verification of the basic game mechanics, as well as the moment of determining the further direction of product development. This involved a thorough reconstruction of selected game mechanics. In the second quarter of 2023, marketing expenses in Wings of Heroes were significantly reduced, which translated into the level of payments achieved by the game and engagement indicators. The decision to limit marketing expenditures results from the impossibility of extending the duration of the game at the current stage of development of the game. Therefore, the team's priority in the second quarter of 2023 was to rebuild the system to prepare the game for further changes, adding new functionalities, as well as introducing events for players that will increase their involvement in the game and allow for more effective monetization. The game has also been significantly improved in technical terms, which translated into greater comfort for players during the games. The second quarter is also the introduction of changes to the game that improve the economy of the title, e.g. a new offer system that is still being tested. At that time, another, more advanced version of the system for organizing events in the game was introduced to the game. Thanks to this, in the second quarter of 2023, we managed to introduce six such events in the game. Conclusions from the implementation of the next version of the system will be used to implement the final system for the organization of LiveOps, similar to the one functioning in Fishing Clash and Hunting Clash. This is another step towards better monetization of the game and building a better progression system in the game. Additionally, the Wings of Heroes team has streamlined the in-game purchase process so players can now find and purchase all the necessary items to progress through the game's levels in one place within the game.

Thanks to the intensive work of the team and the changes introduced to the game, we managed to stabilize the monthly revenue from the game despite the radical reduction in advertising expenditure. The positive effects of the work are visible in the growing bookings from the game in July 2023 (increase by 25.3% compared to June 2023) and maintaining them at a similar level in August 2023.

As a result of the undertaken actions, the level of bookings in the Ten Square Games Group increased by 12.5% in July 2023 m/m and by 11.0% in August 2023 compared to July 2023. The profitability of operations improved significantly. Adjusted EBITDA increased in July 2023 by 42.2% m/m, and in August 2023 it amounted to PLN 12.0 million (up by 23.6% m/m) and it was the highest reading of this indicator for the current year.

6.

KPIs OF GAMES

	1Q 2022	2Q 2022	3Q 2022	4Q 2022	1Q 2023	2Q 2023
Fishing Clash – MAU ⁽¹⁾ (average in the period)	2,227,455	1,835,612	2,540,524	2,232,582	2,488,370	2,336,456
Hunting Clash – MAU (average in the period)	1,494,746	1,257,463	1,273,923	1,458,084	1,374,262	1,097,983
Evergreen ⁽²⁾ – MAU (average in the period)	763,829	674,729	771,631	744,403	788,326	808,083

(1) MAU – monthly average active users

(2) Evergreen – Let's Fish and Wild Hunt





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

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 lay-offs were carried out at the Parent Entity. 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 were terminated at the end of May, June or July, however, as of April 21, 2023, all persons covered by the group redundancies process were released from the obligation to provide work/services.

In April 2023, the Parent Entity created a provision related to group lay-offs in the amount of PLN 6.4 million, of which PLN 3.3 million is related to closed, capitalized projects – Fishing Masters and Undead Clash.

In the period from January 1, 2023 to June 30, 2023, no other unusual events occurred.



8.

MAJOR ACHIEVEMENTS IN RESEARCH AND DEVELOPMENT

The Group is constantly conducting development work related to improving the functioning of its games. One of the projects implemented in this area in the first half of 2023 was work on our own platform for selling products in games from the Group's portfolio. At the end of July 2023, such a platform was made available to the players of Ten Square Games' flagship title – Fishing Clash. In the third quarter of 2023, it is also planned to be made available to Hunting Clash players. The introduction of its own platform for the sale of products in games published by the Ten Square Games Group will allow the Company to reduce commission costs and increase player loyalty and commitment by creating attractively priced dedicated offers. In addition, its own sales platform will enable Ten Square Games to cross-promotion between games, as well as offer a wider range of payment methods to players.

Similarly to previous years, work is constantly underway to improve the Group's business facilities, with particular emphasis on the Business Intelligence and Research & Development departments – constantly improved predictive and analytical models are crucial for planning and verifying the effects of actions taken, including in the field of marketing.

In the opinion of the Management Board, the ongoing development projects are focused on consistent implementation of the strategy and bring opportunities to improve the parameters of the Group's main titles, and ultimately increase the level of bookings and improve financial results.



9.

EXPECTED DEVELOPMENT OF THE ENTITY AND THE GROUP

In April 2023, the Management Board of Ten Square Games decided to review the strategy of the Ten Square Games Group. In the face of changes on the mobile games market, the Management Board of the Company decided that the best solution for the Group would be to focus on its strongest projects, which are leaders in their categories, and to further strengthen the Group's position in these categories.

As a consequence, work on projects that did not support the most important products of the Group, contributing to its financial success, were terminated. 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.

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 focuses primarily on improving the technical operation of the games and the quality of their reception by players. The Ten Square Games team focuses on developing functionalities that improve the first user experience and building 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.

In the case of the latest production – Wings of Heroes, the main emphasis was placed on building monetization depth and extending the duration of the game for the player. 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 about 40%) to the levels occupied by Fishing Clash and Hunting Clash in their respective categories (about 90%).

Until the parameters of the most important products of the Group are improved, the Company will not start work on new projects.

10.

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

In the period from July 1, 2023 to September 6, 2023, there were no significant events not reflected in the Group's financial statements.





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

In the perspective of the following quarters of 2023, the Group intends to continue the development of its activities in the existing areas.

The results in the following quarters will be influenced by the improvement of key parameters in Fishing Clash and Hunting Clash as well as the situation on the advertising market. A possible improvement in results, both in the product and marketing sphere, may significantly affect the results of the next quarter. The increasing share of sales through its own online store (TSG Store) may contribute to the improvement of the result through lower commission costs of intermediaries.

In the short term, a game right after a soft launch/global launch often generates a loss (marketing expenses are higher than the first payments), while in the long term a good title should contribute to the growth of the Group's results.

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

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

12.

CORPORATE SOCIAL RESPONSIBILITY

Ten Square Games is currently working on developing a comprehensive ESG strategy in line with the latest regulatory requirements. In its business activities, the company takes into account social interests and environmental protection, as well as relations with various stakeholder groups. The company systematically allocates part of its revenues to help solve significant global problems, in accordance with the value of "Be Part of the Change". The ambition of the Management Board of the company and its team is that its business activities have a positive impact on the environment and build long-term value for all stakeholders. The Company works with global organizations such as the Fair Play Alliance and Tech To The Rescue to use more sustainable solutions in its products and share resources with non-governmental organizations.

FIRST PILLAR – ENVIRONMENT

1. Carbon footprint offset

In cooperation with Planetyly, we analyzed and calculated the company's carbon footprint for 2021 and 2022. Business travel and services had the greatest impact on our carbon footprint, e.g. marketing, advertising, research and development, training, HR and financial services. Despite this, in 2022 we managed to reduce our carbon footprint by 13% compared to 2021. Carbon footprint of Ten Square Games S.A. amounted to 8,600 T CO₂E in 2022.

The environmental goal of Ten Square Games is to reduce the carbon footprint in four areas of the company's operations:

1. reduction of CO₂ emissions in processes and solutions in all Ten Square Games offices;
2. reduction of CO₂ emissions during business trips;
3. offsetting the environmental impact of employees and contractors while performing their professional duties;
4. compensating for the environmental impact of players when using Ten Square Games products.

2. World Water Day

Ten Square Games supported the production of the film „To the last drop” by award-winning journalist and documentary filmmaker Ewa Ewart. The document aims to raise awareness of the upcoming drinking water crisis and thus put pressure on policy makers to take action to avoid it. The production, supported by the Open Eyes Economy Summit, had its premiere on World Water Day (March 22, 2023) on one of the largest Polish TV stations and was a project opening later events in Company's games on the occasion of Earth Day.

3. Gren Game Jam

In 2023, Ten Square Games was invited for the second time to take part in the Green Game Jam – an initiative of the United Nations Playing For The Planet, in which the world's game producers are invited to a joint venture for the planet on the occasion of World Earth Day and World Environment Day. The Fishing Clash team prepared a week of in-game challenges for the occasion, during which players rescued endangered species in three different ecosystems – the Amazon, the Himalayas and the Indian Ocean. The currency collected by the players during these events was converted into real funds, with which Ten Square Games credited selected projects of the Milkywire organization working for environmental protection.

4. Earth Day in Fishing Clash

As part of its responsible business activities, Ten Square Games has established cooperation with PlanetPlay, a non-profit platform working for climate protection, and the New Zealand NGO WAI Wanaka. As part of this collaboration, the Fishing Clash team has created an in-game event dedicated to cleaning up New Zealand's virtual waterways. The goal of this in-game event was to raise players' awareness of global water issues. During the event, the players had to fish out the garbage from the New Zealand fishery, gradually restoring it to its original appearance. Thanks to their commitment, Ten Square Games donated USD 30,000 to the development of the Teeny Tiny Truth project, which monitors the amount of microplastics in New Zealand's waterways.

5. Earth Day in Hunting Clash

Traditionally, on the occasion of World Earth Day, Hunting Clash players were invited to participate in a dedicated ecological event in the game, the aim of which was to raise ecological awareness. Ten Square Games has partnered with PlanetPlay to raise funds for Hongera's PlanetPlay project in Kenya, which benefits both the health of the local community and the reduction of carbon emissions. Players started the game in a contaminated location (Tanzania), which they cleaned up during the game and restored to a beautiful, original state. Thanks to the players' involvement, Ten Square Games donated USD 15,000 to Honger's project. The event united Hunting Clash players for a good cause while playing their favorite game.

SECOND PILLAR – SOCIAL

1. Supporting local organizations

Ten Square Games constantly supports local initiatives and organizations that help to equalize opportunities for children and youth, including through educational activities, providing meals or organizing free time for children at risk of exclusion.

2. Equal pay

We continue the process through semi-annual remuneration benchmarks (mainly Mercer and KornFerry reports) and the process of employee calibration (as part of the existing development paths – junior, mid, senior, expert). Then we conduct a review of remuneration at the same job levels. Currently, 26% of people in leadership positions are women. The Company's goal is to reduce or maintain the pay gap between employees of different genders employed at Ten Square Games at a lower level than in the entire Polish economy.

3. Diversity and inclusivity

Out of concern for building an equal opportunity working environment, a group of Diversity & Inclusion volunteers has been established, which is working on creating a company action plan in this area. The group's activities covered 5 areas: gender equality, LGBTQ, mental health, cultural diversification and people with caring responsibilities. The Group conducted a survey among employees and analyzed current needs, creates paths for achieving individual goals and determines the time of actions. At the same time, work is underway to create a company policy in the field of diversity & inclusion.

4. Mental health of employees

From 2020, we provide monthly funding for therapy available to all team members. The psychological care package includes sponsorship of education and therapeutic services.

THIRD PILLAR – GOVERNANCE

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

In addition, the team has completed work on the Code of Conduct – a document for players to help them protect themselves from the negative effects of too much online activity. The document is internally validated before it is distributed to users.

The team, using the support of external experts, began work on a comprehensive ESG strategy, including a long-term plan to reduce CO2 and an analysis of threats and opportunities for the company related to climate change.

The company is a member of organizations working for climate protection: United Nations Global Compact, Leaders for Climate Action, Fair Play Alliance and Playing for the Planet.

For the third time in a row, the company has completed an environmental report for CDP – an organization that maintains a global disclosure system for investors, companies, cities, states and regions.

Expenses related to supporting culture, sports, charity institutions, media, social organizations and trade unions incurred in the first half of 2023 and described above are presented in the tables below:

TYPE OF EXPENDITURE	for the period 01.01.2023 – 30.06.2023	for the period 01.01.2022 – 30.06.2022
Supporting environmental initiatives	359,135	789,162
Sponsoring initiatives	172,137	19,680
Supporting charity initiatives	39,230	1,116,828
<i>incl. support for Ukraine</i>	0	1,000,000
Supporting sports initiatives	11,944	8,774
Supporting educational initiatives	5,691	7,500
TOTAL	588,137	1,941,944

ORGANIZATION	for the period 01.01.2023 – 30.06.2023	for the period 01.01.2022 – 30.06.2022
Sphaira Innovation AG	152,510	0
Milkywire AB	118,836	0
Tech to the Rescue Foundation	71,204	67,751
DevGAMM LLC	57,972	0
The Foundation for Economy and Public Administration	30,000	0
Polish Center for International Aid	0	500,000
Polish Medical Mission	0	500,000
Planetly GmbH	0	494,159
Ecosia GmbH	0	295,033
Other	157,615	85,001
TOTAL	588,137	1,941,944

13.

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

In the Ten Square Games S.A. Capital Group as at June 30, 2023 and as at September 6, 2023, there are no agreements that may result in changes in the proportions of shares held by shareholders in the future.

14.

OTHER INFORMATION RELEVANT FOR THE ASSESSMENT OF THE EMPLOYMENT SITUATION, ASSETS, FINANCIAL POSITION, FINANCIAL RESULT AND CHANGES THEREOF, AND INFORMATION RELEVANT FOR THE ASSESSMENT OF THE ISSUER'S POSSIBILITY TO FULFILL ITS OBLIGATIONS

In the Ten Square Games S.A. Capital Group as at June 30, 2023 and as at September 6, 2023, there are no other material information of the above nature.

15.

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

The Management Board of Ten Square Games S.A. did not publish forecasts of 2023 financial results.

16.

SEASONALITY OR CYCLICALITY OF OPERATIONS

There is no significant seasonality in the Group's operations.

17.

CREDITS, LOANS, WARRANTIES

Ten Square Games S.A. nor any of its subsidiaries was, as at June 30, 2023 and as at the date of publication of the financial statements, a party to credit or loan agreements (except for agreements concluded between members of the capital group). The Parent Company and its subsidiaries did not grant any sureties or guarantees in the period covered by the report.

18.

ACQUISITION OF OWN SHARES

In January 2022, the Parent Company carried out a buy-back. The total number of shares purchased amounted to 70,000 shares and corresponds to 70,000 votes at the General Meeting of the Company; which constitutes 0.96% of the share capital of the Company and 0.96% of the total number of votes at the General Meeting of the Company. The average unit purchase price of own shares amounted to PLN 266.04. The shares were acquired for the total amount of PLN 18,623,013.60.

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

As at the date of publication of this report, the Parent Company decided to allocate 8,500 of its own shares to an incentive program for key employees and associates of the Capital Group. For the remaining shares, i.e. 61,500 shares, no further allocation was decided.

19.

BRANCHES (OFFICES) OWNED BY THE PARENT COMPANY

The Parent Company and its subsidiaries do not have branches (offices).

20.

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

Neither Ten Square Games S.A. nor any of its subsidiaries were, as at June 30, 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.

21.

INFORMATION ON THE CONCLUSION BY THE ISSUER OR A SUBSIDIARY OF ONE OR MULTIPLE TRANSACTIONS WITH RELATED ENTITIES, IF THEY ARE CONCLUDED ON TERMS OTHER THAN ARM'S LENGTH TERMS

All transactions with subsidiaries made by the Issuer or its subsidiary are made at arm's length. The list of transactions between related entities was presented in the semi-annual report in the note to the consolidated financial statements

22.

FINANCIAL INSTRUMENTS IN RISK MANAGEMENT

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

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

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

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

APPROVED REPORT ON THE ACTIVITIES OF THE MANAGEMENT BOARD

was approved for publication by the Board of Directors of the Company on 6.09.2023
and signed by:

**PRESIDENT
OF THE MANAGEMENT BOARD**

Andrzej Ilczuk

**MEMBER
OF THE MANAGEMENT BOARD**

Janusz Dziemidowicz

**MEMBER
OF THE MANAGEMENT BOARD**

Magdalena Jurewicz

Wrocław, September 6th, 2023