

Independent auditor's report on the audit of the annual separate financial statements of

Ten Square Games S.A.

with registered office in Wrocław

for the financial year from 1st January 2023 to 31st December 2023



ethics
quality
transparency
competences

This document is a free translation of the independent auditors' report issued in Polish in electronic format. Terminology current in Anglo-Saxon countries has been used where practicable for the purposes of this translation to enhance understanding. The binding Polish original should be referred to in matters of interpretation.

Independent auditor's report on the audit of annual separate financial statements for the General Meeting of Ten Square Games S.A.

Opinion on the financial statements

We have audited the accompanying annual separate financial statements of Ten Square Games S.A., with its registered office in Wrocław, 45 Traugutta Street (50-416), hereinafter referred to as the "Company", for the financial year from 1 January 2023 to 31 December 2023, which comprise the separate statement of financial position as at 31 December 2023, the separate statement of comprehensive income, the separate statement of changes in equity, the separate statement of cash flows for the year then ended, and notes comprising significant accounting policies and other explanatory information, hereinafter the „financial statements”.

The financial statements have been prepared in the form of an electronic file entitled *TSG_JSF_2023-12-31_pl.xhtml* and have been signed with the electronic signatures by the Management Board of the Company on 25 March 2024.

The financial statements have been prepared using the accounting and financial reporting principles set out in International Accounting Standards, International Financial Reporting Standards and related interpretations promulgated as regulations of the European Commission, hereinafter "IFRS EU".

In our opinion, the accompanying financial statements Ten Square Games S.A. :

- gives a true and fair view of the Company's assets and financial position as at 31 December 2023, and of its financial performance and cash flows for the year then ended in accordance with the applicable IFRS EU and the accounting policies adopted,
- complies as to the form and content with the applicable laws of the Company and with the provisions of the Company's articles of association affecting its content,
- has been prepared on the basis of properly maintained accounting records in accordance with the provisions of Chapter 2 of the Act of 29 September 1994 on Accounting applicable to the audit of financial statements prepared for periods ending 31 December 2023, hereinafter the "Accounting Act".

Our opinion on the financial statements is consistent with the supplementary report to the Audit Committee that we issued on 25 March 2024.

Basis for opinion on the financial statements

We conducted our audit of the financial statements in accordance with the National Auditing Standards, in the wording of the International Auditing Standards, adopted by the National Council of Statutory Auditors, the National Auditing Standard 220 (Z) adopted by the Polish Audit Supervision Agency, hereinafter referred to as the "National Auditing Standards", the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Supervision, hereinafter referred to as the "Act on Statutory Auditors", applicable to audits of financial statements prepared for periods ending 31 December 2023, and Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements for the statutory audit of public-interest entities, repealing Commission Decision 2005/909/EC (Official Journal of the EU L 158 of 27 May 2014, p. 77 and OJ EU L 170 of 11 June 2014, p. 66), hereinafter "Regulation 537/2014".

Our responsibilities under these standards are described in the section "*Auditor's responsibility for the audit of the financial statements*".

We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including the International Independence Standards), hereinafter referred to as the "IESBA Code", adopted by the National Council of Statutory Auditors, and with the independence requirements set out in the Act on Statutory Auditors and Regulation 537/2014. We have also fulfilled our other ethical responsibilities set out in the Act on Statutory Auditors and the IESBA Code. In conducting the audit, the key auditor and the audit firm remained independent of the Company in accordance with the independence requirements set out in the Act on Statutory Auditors and Regulation 537/2014.

We believe that the audit evidence we have obtained provides a sufficient and appropriate basis for our audit opinion.

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Key audit matter(s)

Key audit matters are those matters that, in our professional judgement, were most significant during the audit of the financial statements for the current reporting period. They include the most significant assessed risks of material misstatement, including assessed risks of material misstatement due to fraud. We have addressed these matters in the context of our audit of the financial statements as a whole and in forming our opinion and have summarised our response to these risks, and, where we considered it appropriate, we have provided key observations relating to these risks.

At the same time, Regulation 537/2014 requires us to report on all the most significant risks of material misstatement in the audit report, including those that were not a key audit matter for us. Significant risks of material misstatement are risks of material misstatement that we have identified that, in our judgement, require special consideration in the audit.

The key audit matters set out below include all the most significant risks of material misstatement referred to in Regulation 537/2014 and other matters that we have identified as key audit matters.

We do not express a separate opinion on these matters.

Key audit matter: Revenue from in-application purchase of virtual items	
Whether the key audit matter represented a significant risk: YES	
Description of the key audit matter	How the matter was addressed during the audit
<p>Users can purchase virtual items within downloaded free-to-play games. These include virtual currencies (like banknotes and pearls), virtual goods (durables e.g. fishing rods and baits) and consumable goods (e.g. amplifiers). These goods are made available to the user upon transfer of payment.</p> <p>The above revenue, presented as revenues from micropayments and licences, totalled PLN 393,010 thousand in 2023 and accounted for 99,8% of sales revenue.</p> <p>In accordance with the International Financial Reporting Standard 15 "Revenue from Contracts with Customers", hereinafter IFRS 15, revenue is recognized when or as performance obligation is satisfied by transferring a promised good or service. A good or service is transferred to a customer when they obtain control of the same.</p> <p>The Company's management makes an estimate of the Company's performance obligations for game users' use of virtual durable goods throughout the entire period of using the game. These liabilities are accounted for over the estimated average playing period of the paying users.</p> <p>The estimated contract liabilities as at the end of 2023 presented in position <i>Contract liabilities</i> amounted to PLN 74,698 thousand.</p> <p>Judgment is required to determine the nature of the obligation to a game user and whether this obligation is satisfied over time or at a point in time.</p> <p>We have determined revenue from in-application purchases of virtual items to be the key audit matter due to its significance to our audit and significant management judgements involved in the revenue recognition.</p> <p>The revenue recognition for in-application virtual goods is described in section Basis of preparation and accounting policies for the separate financial statements in point 3 <i>Description of adopted accounting principles (policy)</i>, in subsections 3.1 <i>Revenue</i></p>	<p>We have gained an understanding of the accounting principles applicable in the Company in the scope of recognition and method of measurement of revenues and we have confirmed the continuity of their application.</p> <p>We have evaluated whether the revenue recognition policy is compliant with IFRS 15.</p> <p>We gained an understanding of the game scenarios offering micropayments and the process of recognizing sales revenues.</p> <p>We got familiarized with the terms of cooperation with payment aggregators, mobile stores and licensees (intermediaries) resulting from the general terms and conditions or signed contracts, with a special focus on any changes introduced in the audited period.</p> <p>We have evaluated the reasonableness of the Management Board's judgments on the nature of the performance obligations arising from in-application purchases of virtual items and we have confirmed their continued use.</p> <p>We have analyzed and assessed the assumptions and methodologies adopted by the Company to estimate contractual obligations with customers. We confirmed the batch data in the model and its completeness.</p> <p>We have checked the mathematical correctness of the model for estimating contract liabilities and we have reconciled the amounts presented in the financial statements with the amounts resulting from this model.</p> <p>We have performed test of details which included reconciliation of revenue with the reports of in-application purchases received from intermediaries and checking the number of transactions to confirm the completeness, accuracy and the timing of revenues.</p> <p>We have analyzed sales trend to identify the reasons why revenue changed month-to-month.</p> <p>We have reviewed disclosures relating to revenue from in - application purchases of virtual items and we evaluated whether they are adequate in light of requirements of IFRS 15.</p>

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<p><i>and operating costs and 3.16 Significant values based on professional judgment and estimates.</i></p> <p>Detailed information on this revenue is presented in point 1 <i>Sale revenue</i> of Additional notes and explanations to the separate financial statements.</p>	
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Key audit matter: <i>Impaired shares in subsidiaries and associates</i>	
Whether the key audit matter represented a significant risk: YES	
Description of the key audit matter	How the matter was addressed during the audit
<p>As of December 31, 2023, the value of investments in subsidiaries presented in the statement of financial position is PLN 202,307,550, while the value of investments in affiliated entities is PLN 12,225,850 which constitutes a total of 46.8% of the Company's total assets.</p> <p>As of the balance sheet date, the Company's Management Board assesses whether there are any indications that an asset or a group of assets may have been impaired. If such indications are found, the Company's Management Board performs an asset impairment test in accordance with IAS 36 "Impairment of Assets".</p> <p>Assessing the existence of indications and estimating the recoverable value of these assets requires making numerous judgments and making numerous assumptions and performing a number of analyses.</p> <p>Due to the significant judgments of the Company's Management Board, relating to the analysis of the rationale for impairment and the method of determining the recoverable amount of shares in subsidiaries and affiliates, the valuation of these items was recognized as a key audit matter.</p> <p>The principles of valuation of investments in subsidiaries and affiliates are described in Section 3.7 of the Description of accounting principles (policies) adopted.</p> <p>Detailed figures for interests in subsidiaries and affiliates and assumptions for impairment testing are included in Notes 10 <i>Investments in Subsidiaries</i> and 11 <i>Other Financial Assets</i>, respectively</p>	<p>We familiarized ourselves with the applicable accounting principles regarding share's valuation and performing impairment tests.</p> <p>We discussed with the Company's Management Board the identification of indications of possible impairment of investments in subsidiaries and affiliated entities.</p> <p>In analyzing these indications and evaluating them, we paid particular attention to the reasonableness of the assumptions made and judgments made by the Company's Management Board.</p> <p>We assessed whether the assumptions used in the models to value the assets as of December 31, 2023 are reasonable, based on historical financial data and anticipated future market conditions.</p> <p>In particular, we assessed the financial forecast assumptions used by the Board of Management and the calculation of the weighted average cost of capital.</p> <p>We verified the mathematical correctness of the discounted cash flow model. We verified the correctness of the recognition of impairment losses based on the above tests.</p> <p>We assessed the adequacy of disclosures regarding the impairment tests performed and the sensitivity analysis of the models adopted.</p>

Responsibility of the Management Board and Supervisory Board for the financial statements

The Company's Management Board is responsible for the preparation, on the basis of properly maintained accounting records, of financial statements that give a true and fair view of the Company's assets, financial position and result in accordance with IFRS EU, the accounting principles (policies) adopted and the laws and articles of association applicable to the Company.

The Company's Management Board is also responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Management Board is responsible for assessing the Company's ability to continue as a going concern, disclosing, where applicable, matters related to going concern and adopting the going concern basis of accounting, except where the Management Board either intends to liquidate the Company or to cease operations or has no realistic alternative but to liquidate or cease operations.

The Management Board of the Company and the members of the Supervisory Board are responsible for ensuring that the financial statements meet the requirements of the Accounting Act. The members of the Supervisory Board are responsible for overseeing the Company's financial reporting process.

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Auditor's responsibility for the audit of the financial statements

Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes our opinion. Reasonable assurance is a high level of assurance, but does not guarantee that an audit performed in accordance with the standards indicated above will always detect an existing material misstatement. Distortions may arise from fraud or error and are considered material if they could reasonably be expected to influence, either individually or in the aggregate, the economic decisions of users taken on the basis of those financial statements.

The scope of the audit does not include assurance as to the future viability of the Company or the efficiency or effectiveness of the management of its affairs now or in the future.

During an audit in accordance with the National Auditing Standards, we use professional judgement and maintain professional scepticism and:

- we identify and assess the risks of material misstatement of the financial statements due to fraud or error, design and perform audit procedures appropriate to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is greater than that resulting from error because fraud may involve collusion, forgery, deliberate omissions, misrepresentation or circumvention of internal control;
- we obtain an understanding of the internal control relevant to the audit for the purpose of designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- we assess the appropriateness of the accounting policies used, the reasonableness of the accounting estimates and related disclosures made by the Company's Management Board;
- we conclude on the appropriateness of the Company's Management Board's application of the going concern basis of accounting and, based on the audit evidence obtained, whether there is a material uncertainty related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our

auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, we modify our opinion. Our conclusions are based on audit evidence obtained up to the date of our auditor's report, however, future events or conditions may cause the Company to cease to continue as a going concern;

- we assess the overall presentation, structure and content of the financial statements, including disclosures, and whether the financial statements present the underlying transactions and events in a manner that achieves a fair presentation.

We communicate information related to the audit to the Supervisory Board and the Audit Committee, in particular about the planned scope and timing of the audit and the significant findings of the audit, including any significant internal control weaknesses we identified during the audit.

We have made a statement to the Audit Committee that we comply with the relevant ethical requirements for independence and that we will inform the Committee of all relationships and other matters that could reasonably be considered to pose a threat to our independence and, where applicable, report on the safeguards in place.

Of the matters reported to the Supervisory Board, we have identified those matters that were most significant in the audit of the financial statements for the current reporting period and therefore considered them to be key audit matters. We describe these matters in our audit report in the section "Key audit matter(s) and significant risks of material misstatement presented in accordance with Regulation 537/2014", except for matters for which disclosure to the public is prohibited by law or regulation or where, in exceptional circumstances, we determine that the matter should not be presented in our report because the adverse consequences could reasonably be expected to outweigh the benefit of such information to the public interest.

Pursuant to the Act on Statutory Auditors, we are also required to include in the audit report an opinion as to whether the financial statements comply in form and content with the applicable laws and the articles of association of the Company and an opinion as to whether they have been prepared on the basis of properly maintained accounting records. We formulated our opinion in this respect based on the work performed in the course of the audit.

Other information, including a Management report

Other information is the financial and non-financial information included in the annual report, other than the financial statements and the audit report. Other information includes the Management report on the Company's activities for the year ended 31 December 2023,

together with the statement on the application of corporate governance referred to in Article 49(2a) of the Accounting Act.

Responsibility of the Management Board and Supervisory Board

The Board Management is responsible for the preparation of Other Information in accordance with the laws.

The Management Board and the Supervisory Board are required to ensure that the Management report, together with its separated parts meet the requirements provided for in the Accounting Act and the Regulation of the Minister of Finance of 29 March 2018 on current information and

periodic information provided by issuers of securities and conditions for recognising as equivalent information required by the laws of a non-member state, hereinafter the "Regulation on current and periodic information".

Auditor's Responsibility

Our audit opinion on the financial statements does not include Other Information. In connection with our audit of the financial statements, our responsibility is to review the Other Information and in doing so, to consider whether the Other Information is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated. If, on the basis of the work performed, we conclude that the Other Information is materially misstated, we are required to disclose this in our audit report.

Our responsibility under the requirements of the Act of Statutory Auditors is also to give an opinion as to whether the report of on the

Company's activities has been prepared in accordance with the regulations and whether it is consistent with the information contained in the financial statements.

We obtained the Management report prior to the date of this audit report and the Annual Report will be available after that date. In the event that we identify a material misstatement in the Annual Report, we are required to inform the Supervisory Board.

Management report

The Management Report has been prepared together with the consolidated Management report for the Ten Square Games S.A. Group as a single document in the form of an electronic file entitled

TSG_SDZ_2023-12-31_pl.xhtml and has been signed with the electronic signatures by the Management Board on 25 March 2024.

Opinion on the Management report

In our opinion, based on the work performed in connection with the audit of the financial statements, the accompanying Management Report of Ten Square Games S.A for the financial year ended 31 December 2023:

- has been prepared in accordance with Article 49 of the Act Accounting Act and section 70 of the Regulation on current and periodic information,
- the information presented in this report is consistent with the information contained in the audited financial statements.

In light of the knowledge of the Company and its environment obtained during the audit, we declare, that we have found no material misstatements in the Management report.

Opinion on the corporate governance statement

In our opinion, based on the work performed in connection with the audit of the financial statements:

- The corporate governance statement contains the information set out in section 70(6)(5) of the Regulation on current and periodic information,
- the information indicated in paragraph 70(6)(5)(c) to (f), (h) and (i) of this Regulation contained in this statement is consistent with the applicable regulations and with the information contained in the audited financial statements.

Other Information and statements required by Regulation 537/2014

Appointment of the audit firm and period of total uninterrupted the engagement

We were appointed to audit the Company's financial statements by resolution 1 of the Supervisory Board dated 18 May 2022. We have

audited the financial statements of the Company as a public interest entity continuously, for a period of 5 subsequent years.

Non-statutory services

To the best of our knowledge and belief, we declare that non-audit services that we have provided to the Company and its subsidiaries comply with the laws and regulations applicable in Poland and we have not provided non-audit services that are prohibited by article 5(1) of Regulation 537/2014 and by article 136 of the Act on statutory auditors during the periods indicated therein.

Digitally signed on the Polish original

Jolanta Sękowska
Auditor No. 12749

key auditor conducting the audit
on behalf of PKF Consult Spółka z ograniczoną odpowiedzialnością Sp. k.
of the auditing firm No. 477

6 Orzycka Street 1B
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Wrocław Branch

Wrocław, 25 March 2024

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