



ten square\_games

**2023**

**CONSOLIDATED  
FINANCIAL STATEMENT**

Ten Square Games S.A. Group  
for the period 01.01.2023 – 31.12.2023

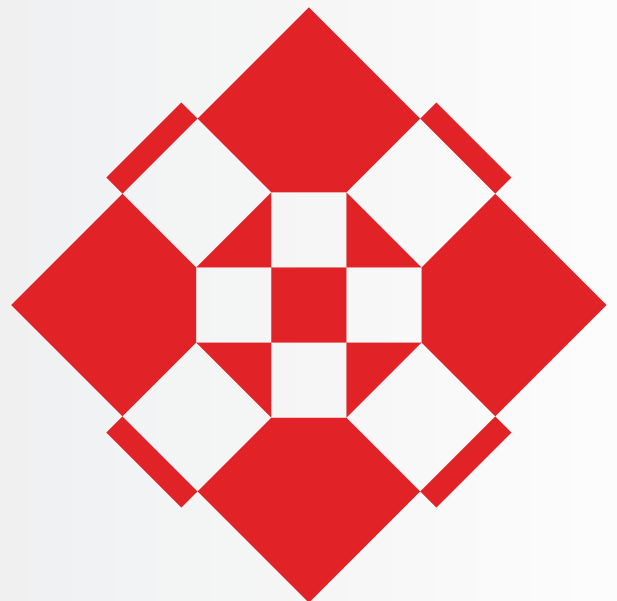
Wroclaw, March 25<sup>th</sup> 2024

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Despite all the efforts devoted to this translation discrepancies, omissions or approximations may exist.

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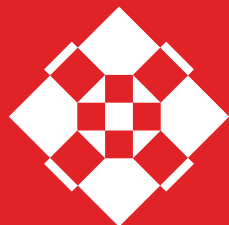
Ten Square Games S.A., its representatives and employees decline all responsibility in this regard.



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**CONSOLIDATED  
FINANCIAL  
STATEMENT**



## SELECTED FINANCIAL DATA

### STATEMENT OF COMPREHENSIVE INCOME

	PLN		EUR	
	for the period 01.01.2023 – 31.12.2023	for the period 01.01.2022 – 31.12.2022 [restated data <sup>[1]</sup> ]	for the period 01.01.2023 – 31.12.2023	for the period 01.01.2022 – 31.12.2022 [restated data <sup>[1]</sup> ]
Bookings	443,682,194	541,323,864	97,977,695	115,462,719
Revenues	436,076,377	537,823,398	96,298,113	114,716,080
Cost of sales	72,717,283	70,095,174	16,058,052	14,951,085
Operating profit (loss)	3,517,848	71,957,512	776,841	15,348,316
Gross profit (loss)	17,047,571	62,704,665	3,764,590	13,374,713
Net profit (loss)	15,207,141	51,601,126	3,358,171	11,006,362
EBITDA	101,530,925	111,274,749	22,420,927	23,734,562
Adjusted EBITDA	118,583,928	140,114,836	26,186,717	29,886,064

### CASH FLOW STATEMENT

	PLN		EUR	
	for the period 01.01.2023 – 31.12.2023	for the period 01.01.2023 – 31.12.2023 [restated data <sup>[1]</sup> ]	for the period 01.01.2023 – 31.12.2023	for the period 01.01.2023 – 31.12.2023 [restated data <sup>[1]</sup> ]
Net operating cash flow	121,505,029	137,947,374	26,831,779	29,423,751
Net cash flow from investment activities	-26,569,103	-55,504,342	-5,867,216	-11,838,906
Net cash flow from financial activity	-58,440,302	-95,218,427	-12,905,287	-20,309,798

### BALANCE SHEET

	PLN		EUR	
	31.12.2023	31.12.2022 [restated data <sup>[1]</sup> ]	31.12.2023	31.12.2022 [restated data <sup>[1]</sup> ]
Fixed assets	215,778,681	314,138,189	49,627,112	66,981,852
Current assets	242,324,613	206,569,696	55,732,432	44,045,650
Equity	291,010,934	340,075,853	66,929,838	72,512,389
Long-term liabilities	29,464,924	68,220,992	6,776,661	14,546,364
Short-term liabilities	137,627,436	112,411,040	31,653,045	23,968,749

[1] The restatement of comparative data is presented in point 6 of the „Consolidated Financial Statements“.

EUR/PLN exchange rate	2023	2022
for,the,balance-sheet,data	4.3480	4.6899
for,the,data,from,the,profit,and,loss,statement,and,cash,flow,statement	4.5284	4.6883

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

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

SPECIFICATION	1Q 2023	2Q 2023	3Q 2023	4Q 2023	Total 2023
<b>Profit on the operating activity (EBIT)</b>	<b>-14,413,939</b>	<b>9,638,991</b>	<b>25,032,085</b>	<b>-16,739,289</b>	<b>3,517,848</b>
amortisation (excluding capitalised part)	4,977,704	5,038,746	4,969,493	4,808,603	19,794,546
write-downs for impairment of value	26,572,925	5,117,065	0	46,528,541	78,218,531
<b>EBITDA</b>	<b>17,136,690</b>	<b>19,794,802</b>	<b>30,001,578</b>	<b>34,597,855</b>	<b>101,530,925</b>
non-cash impact of incentive scheme (excluding capitalised portion)	6,033,168	0	164,217	492,655	6,690,040
deferred result (revenue minus commissions) – consumables	141,218	893,739	396,007	-831,170	599,794
deferred result (revenue minus commissions) – durable	4,159,142	-3,487,857	2,983,207	1,069,780	4,724,272
costs of potential and completed acquisitions (M&A) and review of strategic options	163,381	570,120	0	0	733,501
donations to public benefit organizations – war in Ukraine	0	0	0	0	0
severance pay – group lay-offs	0	3,146,532	0	0	3,146,532
other one-offs	0	1,022,240	117,035	19,589	1,158,864
<b>Adjusted EBITDA</b>	<b>27,633,599</b>	<b>21,939,576</b>	<b>33,662,044</b>	<b>35,348,709</b>	<b>118,583,928</b>

[2022 – restated data <sup>[1]</sup>]

SPECIFICATION	1Q 2022	2Q 2022	3Q 2022	4Q 2022	Total 2022
<b>Profit on the operating activity (EBIT)</b>	<b>29,169,746</b>	<b>17,277,812</b>	<b>21,453,259</b>	<b>4,056,695</b>	<b>71,957,512</b>
amortisation (excluding capitalised part)	2,742,054	3,725,224	3,413,622	5,654,094	15,534,994
write-downs for impairment of value	0	8,467,149	671,272	14,643,822	23,782,243
<b>EBITDA</b>	<b>31,911,800</b>	<b>29,470,185</b>	<b>25,538,153</b>	<b>24,354,611</b>	<b>111,274,749</b>
non-cash impact of incentive scheme (excluding capitalised portion)	12,303,319	-236,983	6,033,168	5,542,348	23,641,852
deferred result (revenue minus commissions) – consumables	-3,456,258	-636,252	-1,053,630	2,698,604	-2,447,536
deferred result (revenue minus commissions) – durable	-1,859,303	-316,187	4,254,570	2,483,367	4,562,447
costs of potential and completed acquisitions (M&A) and review of strategic options	1,760,415	0	0	-370,132	1,390,283
donations to public benefit organizations – war in Ukraine	1,000,000	0	0	0	1,000,000
severance pay – group lay-offs	0	0	0	0	0
other one-offs	248,368	0	24,886	419,787	693,041
<b>Adjusted EBITDA</b>	<b>41,908,341</b>	<b>28,280,763</b>	<b>34,797,147</b>	<b>35,128,585</b>	<b>140,114,836</b>

[1] The restatement of comparative data is presented in point 6 of the „Consolidated Financial Statements“.



## CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT	NOTE	for the period 01.01.2022 – 31.12.2023	for the period 01.01.2022 – 31.12.2022 [restated data <sup>[1]</sup> ]
<b>Revenues from the sales of services</b>	<b>1</b>	<b>436,076,377</b>	<b>537,823,398</b>
<b>Costs of services sold</b>	<b>2.1</b>	<b>72,717,282</b>	<b>70,095,174</b>
<b>Gross profit (loss) on sales</b>		<b>363,359,095</b>	<b>467,728,224</b>
Other operating income	3	1,336,334	1,355,177
Selling cost	2.2	239,574,101	305,130,568
General and administrative costs	2.3	38,612,995	65,550,903
Other operating costs	3	82,990,485	26,444,418
<b>Operating profit (loss)</b>		<b>3,517,848</b>	<b>71,957,512</b>
Financial income	4	23,842,322	8,344,175
Financial expense	4	4,533,596	14,851,415
<b>Loss (profit) due to shares in associates</b>	<b>11</b>	<b>5,779,003</b>	<b>2,745,607</b>
<b>Profit (loss) before taxation</b>		<b>17,047,571</b>	<b>62,704,665</b>
Income tax	5	1,840,430	11,103,539
<b>Net profit (loss) on continued activity</b>		<b>15,207,141</b>	<b>51,601,126</b>
<b>Profit (loss) on discontinued activity</b>		<b>0</b>	<b>0</b>
<b>Net profit (loss)</b>		<b>15,207,141</b>	<b>51,601,126</b>
<b>Net profit (loss) attributable to Parent Entity</b>		<b>15,207,141</b>	<b>51,601,126</b>
<b>Items that may be reclassified subsequently to profit or loss</b>		<b>-8,035,808</b>	<b>9,420,677</b>
Subject to reclassification to profit or loss – foreign exchange differences on translation of foreign financial statements		-8,035,808	9,420,677
<b>Items that will not be reclassified to profit or loss</b>		<b>0</b>	<b>0</b>
Other comprehensive income		-8,035,808	9,420,677
<b>Total comprehensive income</b>		<b>7,171,333</b>	<b>61,021,803</b>
Total comprehensive income attributable to non-controlling shareholders		0	0
<b>Total comprehensive income attributable to Parent Entity</b>		<b>7,171,333</b>	<b>61,021,803</b>

[1] The restatement of comparative data is presented in point 6 of the „Consolidated Financial Statements“.

## Profit per share

CALCULATION OF PROFIT PER SHARE	for the period 01.01.2022 – 31.12.2023	for the period 01.01.2022 – 31.12.2022 [restated data <sup>[1]</sup> ]
<b>number of shares</b>		
the weighted average number of shares for the purpose of calculating the value of basic profit per share (in units)	7,334,822	7,312,645
the weighted average number of shares for the purpose of calculating the value of diluted profit per share (in units)	7,264,822	7,312,645
net profit attributable to Parent Entity	15,207,141	51,601,126
<b>net earnings per share in PLN</b>		
basic for the financial period	2.07	7.06
diluted for the financial period	2.09	7.06
<b>net earnings per share on continued operations in PLN</b>		
basic for the financial period	2.07	7.06
diluted for the financial period	2.09	7.06
<b>Net earnings per share attributable to discontinued operations in PLN</b>		
basic for the financial period	0.00	0.00
diluted for the financial period	0.00	0.00

[1] The restatement of comparative data is presented in point 6 of the „Consolidated Financial Statements“.





# 3. CONSOLIDATED STATEMENT OF FINANCIAL SITUATION

ASSETS	NOTE	31.12.2023	31.12.2022 [restated data <sup>[1]</sup> ]
<b>Fixed assets</b>		<b>215,778,681</b>	<b>314,138,189</b>
Tangible fixed assets	8	12,652,752	21,409,336
Intangible fixed assets other than goodwill	9	64,470,872	102,600,504
Goodwill	9.10	111,073,584	164,219,411
Other financial assets	11	23,117,182	21,765,555
Deferred tax assets	5	4,464,291	4,143,383
<b>Current assets</b>		<b>242,324,613</b>	<b>206,569,696</b>
Receivables	13	47,050,647	47,491,674
Current income tax receivable	5	8,638,531	9,658,592
Contract assets	1.3	22,870,296	20,622,914
Loans granted		939,421	2,201,633
Cash and cash equivalents	14	162,825,718	126,594,883
<b>TOTAL ASSETS</b>		<b>458,103,294</b>	<b>520,707,885</b>

[1] The restatement of comparative data is presented in point 6 of the „Consolidated Financial Statements“.



LIABILITIES	NOTE	31.12.2023	31.12.2022 [restated data <sup>[1]</sup> ]
<b>Equity</b>		<b>291,010,934</b>	<b>340,075,853</b>
<b>Equity attributable to owners of the Parent Entity</b>		<b>291,010,934</b>	<b>340,075,853</b>
Share capital	15	733,482	733,482
Share premium		490,305	496,100
Capital from the settlement of the incentive scheme	27	95,471,416	88,781,376
Foreign exchange differences on translation of statements of foreign operations		-8,035,808	9,420,677
Retained earnings		220,987,589	259,280,268
Own shares (negative value)	16	-18,636,050	-18,636,050
<b>Long-term liabilities</b>		<b>29,464,924</b>	<b>68,220,992</b>
Deferred income tax provisions	5	858,101	5,367,763
Provision for employee benefits	22	3,005,714	2,983,161
Lease liabilities	18	1,379,495	5,412,072
Other liabilities	19	24,221,614	54,457,996
<b>Short-term liabilities</b>		<b>137,627,436</b>	<b>112,411,040</b>
Trade liabilities	17	10,422,303	13,135,328
Provision for income tax	5	23,435,773	10,894,769
Current tax liabilities	5	0	0
Lease liabilities	18	3,638,032	3,807,223
Other liabilities	19	16,210,802	9,037,691
Provisions for employee benefits	22	7,686,213	6,792,982
Contract liabilities	1.3	76,234,313	68,743,047
<b>Total liabilities</b>		<b>167,092,360</b>	<b>180,632,032</b>
<b>TOTAL EQUITY &amp; LIABILITIES</b>		<b>458,103,294</b>	<b>520,707,885</b>

[1] The restatement of comparative data is presented in point 6 of the „Consolidated Financial Statements“.





## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

STATEMENT OF CHANGES IN EQUITY	Share capital	Share premium	Capital from the settlement of the incentive scheme	Foreign exchange differences on translation	Retained earnings	Own shares	Equity attributable to owners of the Parent Entity	Total equity
<b>Equity as at 01.01.2023</b>	<b>733,482</b>	<b>496,100</b>	<b>88,781,376</b>	<b>9,420,677</b>	<b>259,280,268</b>	<b>-18,636,050</b>	<b>340,075,853</b>	<b>340,075,853</b>
Payment of share capital	0	0	0	0	0	0	0	0
Capital adjustment resulting from a merger of companies	0	-5,795	0	0	0	0	-5,795	-5,795
Share-based payments	0	0	6,690,040	0	0	0	6,690,040	6,690,040
Foreign exchange differences	0	0	0	0	-10,613,779	0	-10,613,779	-10,613,779
Payment of dividends	0	0	0	0	-52,306,718	0	-52,306,718	-52,306,718
Net profit	0	0	0	0	15,207,141	0	15,207,141	15,207,141
Purchase of own shares	0	0	0	0	0	0	0	0
Other comprehensive income	0	0	0	-17,456,485	9,420,677	0	-8,035,808	-8,035,808
<b>Total comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-17,456,485</b>	<b>24,627,818</b>	<b>0</b>	<b>7,171,333</b>	<b>7,171,333</b>
<b>Change in equity</b>	<b>0</b>	<b>-5,795</b>	<b>6,690,040</b>	<b>-17,456,485</b>	<b>-38,292,679</b>	<b>0</b>	<b>-49,064,919</b>	<b>-49,064,919</b>
<b>Equity as at 31.12.2023</b>	<b>733,482</b>	<b>490,305</b>	<b>95,471,416</b>	<b>-8,035,808</b>	<b>220,987,589</b>	<b>-18,636,050</b>	<b>291,010,934</b>	<b>291,010,934</b>

[2022 – restated data <sup>[1]</sup>]

<b>Equity as at 01.01.2022</b>	<b>730,178</b>	<b>496,100</b>	<b>65,139,524</b>	<b>2,715,041</b>	<b>280,315,240</b>	<b>0</b>	<b>349,396,083</b>	<b>349,396,083</b>
Payment of share capital	3,304						3,304	3,304
Share-based payments			23,641,852				23,641,852	23,641,852
Foreign exchange differences					-3,033,309		-3,033,309	-3,033,309
Payment of dividends					-72,317,830		-72,317,830	-72,317,830
Net profit					51,601,126		51,601,126	51,601,126
Purchase of own shares						-18,636,050	-18,636,050	-18,636,050
Other comprehensive income				6,705,636	2,715,041		9,420,677	9,420,677
<b>Total comprehensive income</b>				<b>6,705,636</b>	<b>54,316,167</b>		<b>61,021,803</b>	<b>61,021,803</b>
<b>Change in equity</b>	<b>3,304</b>	<b>0</b>	<b>23,641,852</b>	<b>6,705,636</b>	<b>-21,034,972</b>	<b>-18,636,050</b>	<b>-9,320,230</b>	<b>-9,320,230</b>
<b>Equity as at 31.12.2022</b>	<b>733,482</b>	<b>496,100</b>	<b>88,781,376</b>	<b>9,420,677</b>	<b>259,280,268</b>	<b>-18,636,050</b>	<b>340,075,853</b>	<b>340,075,853</b>

[1] The restatement of comparative data is presented in point 6 of the „Consolidated Financial Statements“.

# 5. CONSOLIDATED CASH FLOW STATEMENT

CONSOLIDATED CASH FLOW STATEMENT	for the period 01.01.2023 – 31.12.2023	for the period 01.01.2022 – 31.12.2022 [restated data <sup>[1]</sup> ]
<b>OPERATING ACTIVITY</b>		
<b>Profit/loss before taxation</b>	<b>17,047,571</b>	<b>62,704,665</b>
<b>Total adjustments:</b>	<b>97,833,163</b>	<b>94,921,296</b>
Depreciation and amortization	20,209,617	16,475,398
Foreign exchange gain/loss	-1,388,562	-216,079
Interest paid on lease	192,402	309,278
Interest on deposit	993,864	0
Interest on liabilities (Rortos)	5,203,047	5,953,645
Change in receivables	441,027	4,890,389
Change in liabilities and accrued expenses	-24,020,851	15,223,550
Change in contract liabilities	7,491,266	3,501,182
Change in contract assets	-2,247,382	-1,385,769
Write-down of intangible assets	78,305,689	23,782,243
Share based payments (part not included in the acquisition of intangible assets)	6,690,040	23,641,852
Loss on associates	5,779,001	2,745,607
Loss/profit on sale of fixed assets	184,005	0
<b>Cash from operating activity</b>	<b>114,880,734</b>	<b>157,625,961</b>
Income tax (paid) / refunded	6,624,295	-19,678,587
<b>A. Net operating cash flow</b>	<b>121,505,029</b>	<b>137,947,374</b>

[1] The restatement of comparative data is presented in point 6 of the „Consolidated Financial Statements“.



CONSOLIDATED CASH FLOW STATEMENT	for the period 01.01.2023 – 31.12.2023	for the period 01.01.2022 – 31.12.2022 [restated data <sup>[1]</sup> ]
<b>INVESTMENT ACTIVITY</b>		
Repayment of loans granted	2,200,000	576,291
Purchase of intangible and tangible fixed assets	-10,733,300	-39,626,034
Sale of intangible assets and tangible fixed assets	192,723	59,000
Purchase of shares	-12,980,401	-14,320,399
Acquisition of shares – payment of cash of the acquired company	-4,350,094	0
Loans granted	-917,275	-2,200,000
Interest on loans	19,244	6,800
<b>B. Net cash flow from investment activities</b>	<b>-26,569,103</b>	<b>-55,504,342</b>
<b>FINANCIAL ACTIVITY</b>		
Net proceeds from issue of shares and other capital instruments and additional payments to capital	0	3,304
Dividends and other payments to owners	-52,306,718	-72,317,830
Payments of finance lease liabilities	-5,475,669	-3,958,572
Purchase of own shares	0	-18,636,050
Interest on lease	-192,402	-309,279
Other financial expenses	-465,513	0
<b>C. Net cash flow from financing activity</b>	<b>-58,440,302</b>	<b>-95,218,427</b>
<b>D. Total net cash flow</b>	<b>36,495,624</b>	<b>-12,775,395</b>
– change in cash due to exchange rate losses/gains	-264,789	-183,149
<b>E. Balance-sheet change in cash, including foreign exchange</b>	<b>36,230,835</b>	<b>-12,958,544</b>
<b>F. Cash at the beginning of the period</b>	<b>126,594,883</b>	<b>139,553,427</b>
<b>G. Cash at the end of the period</b>	<b>162,825,718</b>	<b>126,594,883</b>

[1] The restatement of comparative data is presented in point 6 of the „Consolidated Financial Statements“.



# 6 ■ RESTATEMENT OF DATA FOR 2022 AND THE OPENING BALANCE

Based on the audit of tax liabilities, the Parent Company decided to correct the historical settlement of sales tax outside the country in 2020–2022. The year 2023 did not require any correction (the tax payable was recorded on an ongoing basis). For this reason, the Company was obliged to show a tax payment liability in the amount of approximately PLN 2.4 million as at December 31, 2023, while the interest on this liability will be settled in 2024. The above adjustment was recognized as follows:

- » in the opening balance as of January 1, 2022 in the amount of PLN 1.65 million;
- » in sales revenues in 2022 in the amount of PLN 0.73 million.

Below, the restated data in the comparative period is presented:

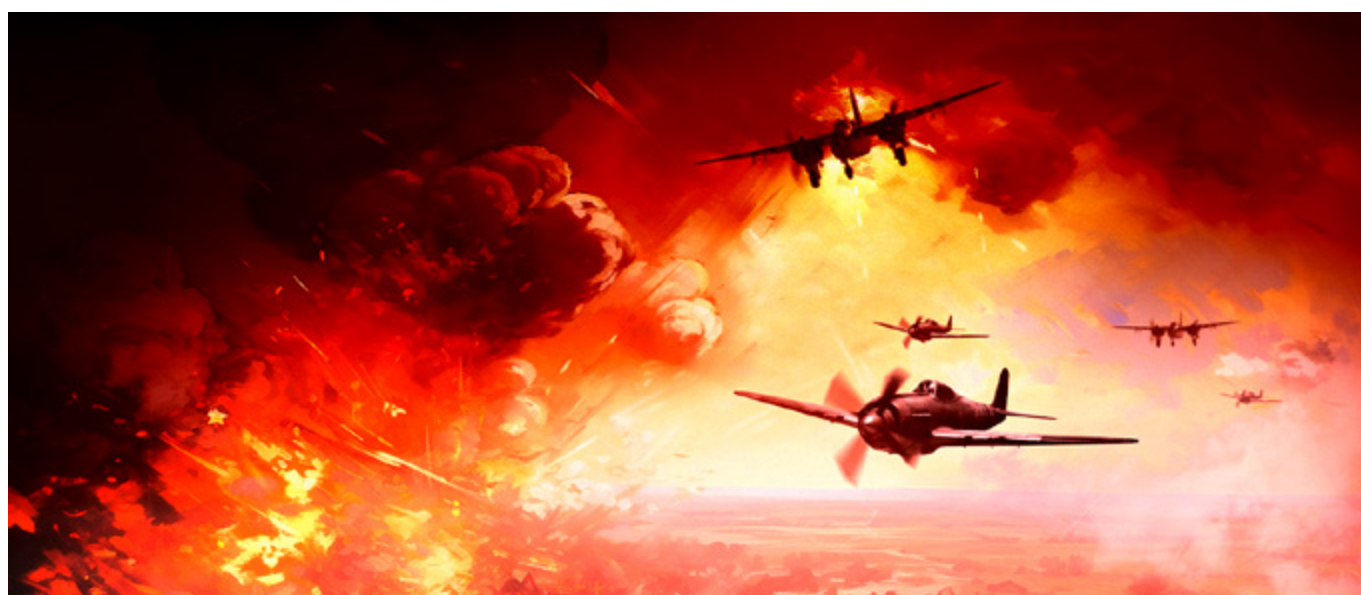
CONSOLIDATED FINANCIAL STATEMENT OF COMPREHENSIVE INCOME	for the period 01.01.2022 – 31.12.2022 [published data]	Impact of foreign taxes	01.01.2022 – 31.12.2022 [restated data]
<b>Revenues from the sales of services</b>	<b>538,557,650</b>	-734,252	<b>537,823,398</b>
<b>Cost of services sold</b>	<b>70,095,174</b>	0	<b>70,095,174</b>
<b>Gross profit (loss) on sales</b>	<b>468,462,476</b>	-734,252	<b>467,728,224</b>
<b>Operating profit (loss)</b>	<b>72,691,764</b>	-734,252	<b>71,957,512</b>
<b>Profit (loss) before taxation</b>	<b>63,438,917</b>	-734,252	<b>62,704,665</b>
<b>Net profit (loss) on continued activity</b>	<b>52,335,378</b>	-734,252	<b>51,601,126</b>
<b>Net profit (loss)</b>	<b>52,335,378</b>	-734,252	<b>51,601,126</b>
<b>Net profit (loss) attributable to Parent Entity</b>	<b>52,335,378</b>	-734,252	<b>51,601,126</b>
<b>Total comprehensive income</b>	<b>61,756,055</b>	-734,252	<b>61,021,803</b>
<b>Total comprehensive income attributable to Parent Entity</b>	<b>61,756,055</b>	-734,252	<b>61,021,803</b>

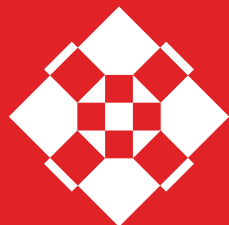


LIABILITIES	01.01.2022 [published data]	Impact of foreign taxes	01.01.2022 [restated data]
<b>Equity</b>	<b>351,051,347</b>	-1,655,264	<b>349,396,083</b>
<i>Equity attributable to owners of the Parent Entity</i>	<i>351,051,347</i>	<i>-1,655,264</i>	<i>349,396,083</i>
Retained earnings	281,970,504	-1,655,264	280,315,240
<b>Short-term liabilities</b>	<b>104,235,564</b>	1,655,264	<b>105,890,828</b>
Other liabilities	2,463,393	1,655,264	4,118,657
<b>Total liabilities</b>	<b>169,228,776</b>	1,655,264	<b>170,884,040</b>

LIABILITIES	31.12.2022 [published data]	Impact of foreign taxes	31.12.2022 [restated data]
<b>Equity</b>	<b>342,465,369</b>	-2,389,516	<b>340,075,853</b>
<i>Equity attributable to owners of the Parent Entity</i>	<i>342,465,369</i>	<i>-2,389,516</i>	<i>340,075,853</i>
Retained earnings	261,669,784	-2,389,516	259,280,268
<b>Short-term liabilities</b>	<b>110,021,524</b>	2,389,516	<b>112,411,040</b>
Other liabilities	6,648,175	2,389,516	9,037,691
<b>Total liabilities</b>	<b>178,242,516</b>	2,389,516	<b>180,632,032</b>

CONSOLIDATED CASH FLOW STATEMENT	for the period 01.01.2022 – 31.12.2022 [published data]	Impact of foreign taxes	01.01.2022 – 31.12.2022 [restated data]
<b>OPERATING ACTIVITY</b>			
<b>Profit/loss before taxation</b>	<b>63,438,917</b>	-734,252	<b>62,704,665</b>
<b>Total adjustments:</b>	<b>94,187,044</b>	734,252	<b>94,921,296</b>
Change in liabilities and accrued expenses	14,489,298	734,252	15,223,550





ten square\_games

**II**

**GENERAL  
INFORMATION**





## REPORTING ENTITY'S DATA



<b>Name</b>	Ten Square Games
<b>Name of higher level entity</b>	N/A
<b>Legal form</b>	Joint-stock company
<b>Registered seat</b>	45 Traugutta Street, 50-416 Wrocław
<b>Registration country</b>	Poland
<b>Core business activity</b>	publishing activity with regard to computer games (58.21.Z)
<b>Authority keeping the register</b>	District Court, VI Commercial Division of the National Court Register
<b>Entry no.</b>	0000704863
<b>Statistical Business Number (REGON)</b>	021744780
<b>Tax Identification Number (NIP)</b>	8982196752
<b>Company duration</b>	indefinite
<b>Name of the reporting entity</b>	Ten Square Games
<b>Name of the ultimate parent company of the group</b>	none
<b>Principal place of business</b>	Poland

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. There were no changes in the name or other identification data in later periods.

## 2. FUNCTIONAL CURRENCY AND PRESENTATION CURRENCY

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

## 3. PRESENTED PERIODS

The consolidated financial statement includes data for the period from 1 January 2023 to 31 December 2023. Comparative data are presented as at 31 December 2022 for the consolidated statement of financial situation and for the period from 1 January 2022 to 31 December 2022 for the consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity.

## 4. GOING CONCERN ASSUMPTION

The consolidated financial statement has been prepared assuming that the Group (including the Issuer) shall continue their activities for the period of at least 12 months after the last balance-sheet date, i.e. 31.12.2023. 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 activity for the period of at least 12 months after the balance-sheet date due to an intended or forced discontinuance or material limitation of the activity.



## COMPOSITION OF THE COMPANY'S BODIES AS AT 31.12.2023

### 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 change took place in the composition of the governing body:

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, President of the Management Board Maciej Zużalek and Member of the Management Board Wojciech Gattner resigned from their positions with effect 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 serve as President of the Management Board starting from May 23, 2023.

### Supervisory Board:

- » **Rafał Olesinski** – Chairman of the Supervisory Board;
- » **Wiktor Schmidt** – Vice Chairman of the Supervisory Board;
- » **Marcin Bilos** – Member of the Supervisory Board;
- » **Maciej Marszalek** – Member of the Supervisory Board;
- » **Arkadiusz Pernal** – Member of the Supervisory Board;
- » **Kinga Stanisławska** – Member of the Supervisory Board.

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

# 6. SHAREHOLDERS STRUCTURE

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

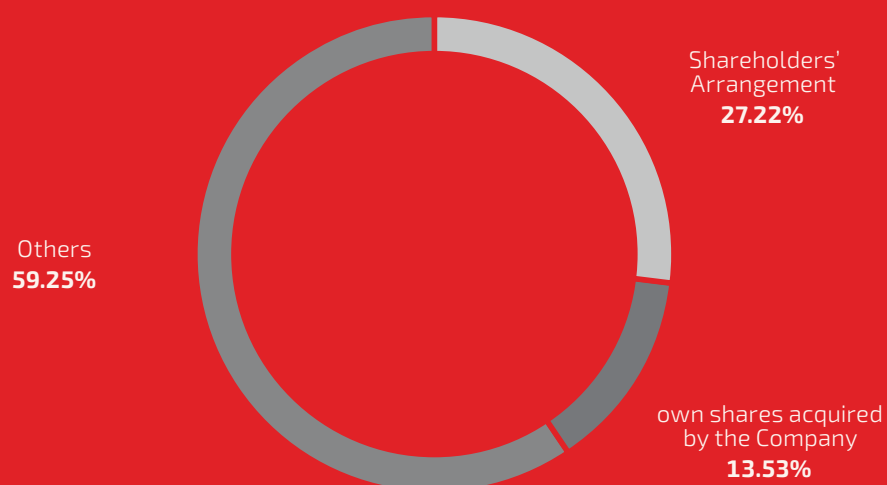
SHAREHOLDER	number of shares as of 25.03.2024	% share in the share capital	number of votes at GMS	% share in the number of votes
Shareholders' Arrangement <sup>[1]</sup>	1,996,730	27.22%	1,996,730	27.22%
own shares acquired by the Company	992,702	13.53%	992,702	13.53%
others (including no entity holding more than 5% of shares)	4,345,390	59.25%	4,345,390	59.25%
<b>TOTAL</b>	<b>7,334,822</b>	<b>100.00%</b>	<b>7,334,822</b>	<b>100.00%</b>

SHAREHOLDER	number of shares as of 31.12.2023	% share in the share capital	number of votes at GMS	% share in the number of votes
Shareholders' Arrangement <sup>[1]</sup>	2,487,288	33.90%	2,487,288	33.90%
own shares acquired by the Company	70,000	1.00%	70,000	1.00%
others (including no entity holding more than 5% of shares)	4,777,534	65.10%	4,777,534	65.10%
<b>TOTAL</b>	<b>7,334,822</b>	<b>100.00%</b>	<b>7,334,822</b>	<b>100.00%</b>

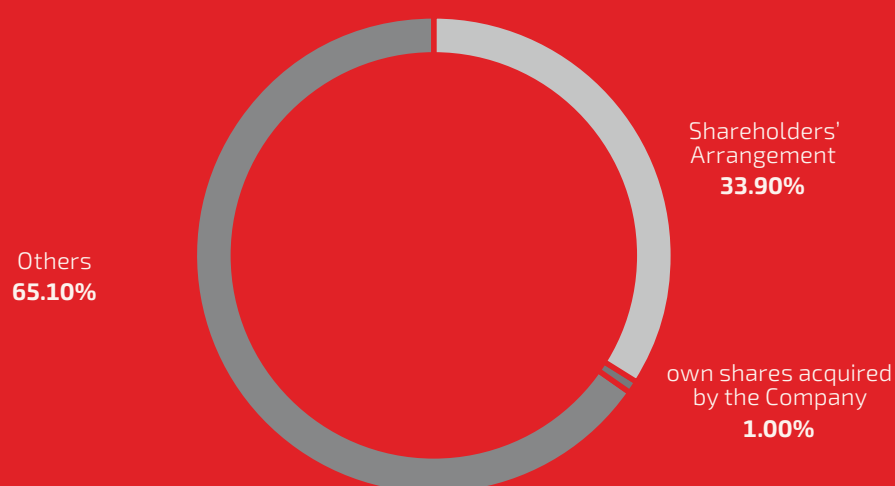
SHAREHOLDER	number of shares as of 31.12.2022	% share in the share capital	number of votes at GMS	% share in the number of votes
Shareholders' Arrangement <sup>[1]</sup>	2,487,288	33.9%	2,487,288	33.9%
Nationale-Nederlanden OFE/PTE	524,371	7.1%	524,371	7.1%
TFI Allianz Polska S.A	488,915	6.7%	488,915	6.7%
own shares acquired by the Company	70,000	1.0%	70,000	1.0%
others (including no entity holding more than 5% of shares)	3,764,248	51.3%	3,764,248	51.3%
<b>TOTAL</b>	<b>7,334,822</b>	<b>100.0%</b>	<b>7,334,822</b>	<b>100.0%</b>

[1] Agreement of the Company's shareholders of October 21, 2019 regarding the pursuit of a sustainable policy towards the Company and the consistent exercise of voting rights attached to the Company's shares (current report No. 30/2019). The parties to the shareholders' agreement include, among others: Family Foundations related to Maciej Popowicz and Arkadiusz Pernal, founders of the Company.

25.03.2024



31.12.2023



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

SHAREHOLDER	number of shares as of 25.03.2024	% share in the share capital	number of votes at GMS	% share in the number of votes
President of the Management Board – Andrzej Ilczuk	14,888	0.20%	14,888	0.20%
Member of the Management Board – Janusz Dziemidowicz	88,249	1.20%	88,249	1.20%
Member of the Management Board – Magdalena Jurewicz	19,424	0.26%	19,424	0.26%
Member of the Supervisory Board – Maciej Marszatek	44,000	0.60%	44,000	0.60%
Member of the Supervisory Board – Rafat Olesiński	669	0.01%	669	0.01%
Member of the Supervisory Board – Kinga Stanisławska	105	0.00%	105	0.00%
<b>TOTAL: MANAGEMENT BOARD AND SUPERVISORY BOARD</b>	<b>167,335</b>	<b>2.28%</b>	<b>167,335</b>	<b>2.28%</b>
others	7,167,487	97.72%	7,167,487	97.72%
<b>TOTAL</b>	<b>7,334,822</b>	<b>100.00%</b>	<b>7,334,822</b>	<b>100.00%</b>

SHAREHOLDER	number of shares as of 31.12.2023	% share in the share capital	number of votes at GMS	% 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 – Janusz Dziemidowicz	84,249	1.15%	84,249	1.15%
Member of the Management – 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 Marszatek	44,000	0.60%	44,000	0.60%
Member of the Supervisory Board – Rafat Olesiński	669	0.01%	669	0.01%
Member of the Supervisory Board – Kinga Stanisławska	105	0.00%	105	0.00%
<b>TOTAL: MANAGEMENT BOARD AND SUPERVISORY BOARD</b>	<b>820,463</b>	<b>11.19%</b>	<b>820,463</b>	<b>11.19%</b>
others	6,514,359	88.81%	6,514,359	88.81%
<b>TOTAL</b>	<b>7,334,822</b>	<b>100.00%</b>	<b>7,334,822</b>	<b>100.00%</b>

SHAREHOLDER	number of shares as of 31.12.2022	% share in the share capital	number of votes at GMS	% share in the number of votes
President of the Management Board – Maciej Zużatek	194,826	2.7%	194,826	2.7%
Member of the Management – Anna Ildzikowska	25,000	0.3%	25,000	0.3%
Member of the Management – Andrzej Ilczuk	10,388	0.1%	10,388	0.1%
Member of the Management – Janusz Dziemidowicz	84,249	1.1%	84,249	1.1%
Member of the Management – Wojciech Gattner	29,000	0.4%	29,000	0.4%
Member of the Management – 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 Marszatek	44,000	0.6%	44,000	0.6%
Member of the Supervisory Board – Rafat Olesiński	669	0.0%	669	0.0%
Member of the Supervisory Board – Kinga Stanisławska	105	0.0%	105	0.0%
<b>TOTAL: MANAGEMENT BOARD AND SUPERVISORY BOARD</b>	<b>1,069,289</b>	<b>14.6%</b>	<b>1,069,289</b>	<b>14.6%</b>
others	6,265,533	85.4%	6,265,533	85.4%
<b>TOTAL</b>	<b>7,334,822</b>	<b>100.0%</b>	<b>7,334,822</b>	<b>100.0%</b>

## 6.3. Series of shares

SERIES OF SHARES	Number of shares as of 25.03.2024, 31.12.2023 and 31.12.2022	nominal value of shares (per one share)	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.

## 6.4. Description of changes in shareholding structure

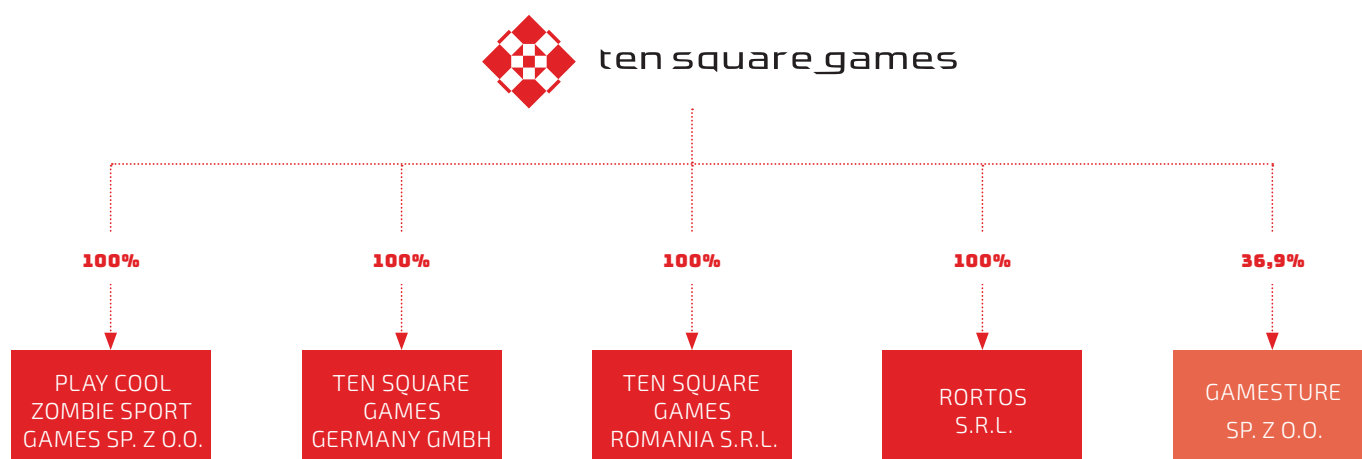
Changes in the shareholding structure between December 31, 2022 and March 25, 2024 result from the transactions described in:

1. notification received on January 19, 2023 regarding the change in 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. notification received on February 15, 2023 regarding a 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 in the composition of the Management Board, which were communicated in current reports No. 3/2023 and 13/2023.
4. notifications received on January 31, 2024 regarding changes in the ownership of the Company's shares, submitted by the Company's Management Board, i.e. Andrzej Ilczuk, Janusz Dziemidowicz, Magdalena Jurewicz, about which the Company informed in current report No. 3/2024. The notifications were related to the granting of shares under the incentive program.
5. notifications received on February 1, 2024 regarding changes in the ownership of the Company's shares, submitted by majority shareholders and/or Members of the Supervisory Board, i.e. Maciej Popowicz and Arkadiusz Pernal, about which the Company informed in current report no. 4/2024 and 5/2024. The notifications were related to the transfer of the above-mentioned shares to family foundations.
6. buyback of own shares, which took place on February 12-22, 2024, and which was settled on February 27, 2024. During the buyback, the Company purchased 954,166 own shares. The Company informed about the settlement in current report No. 9/2024.
7. notifications received by the Company on February 28, 2024 regarding changes in the ownership of the Company's shares, submitted by majority shareholders, Members of the Supervisory Board, Members of the Management Board, and family members of the above-mentioned. persons, as well as in its entirety by the members of the Shareholders' Agreement. The Company informed about those notifications in current reports No. 10/2024 and 11/2024. The notifications were related to the settlement of the Company's share buyback program.



## TEN SQUARE GAMES CAPITAL GROUP

As of 31.12.2023 and as of 25.03.2024:



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

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

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

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

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

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

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



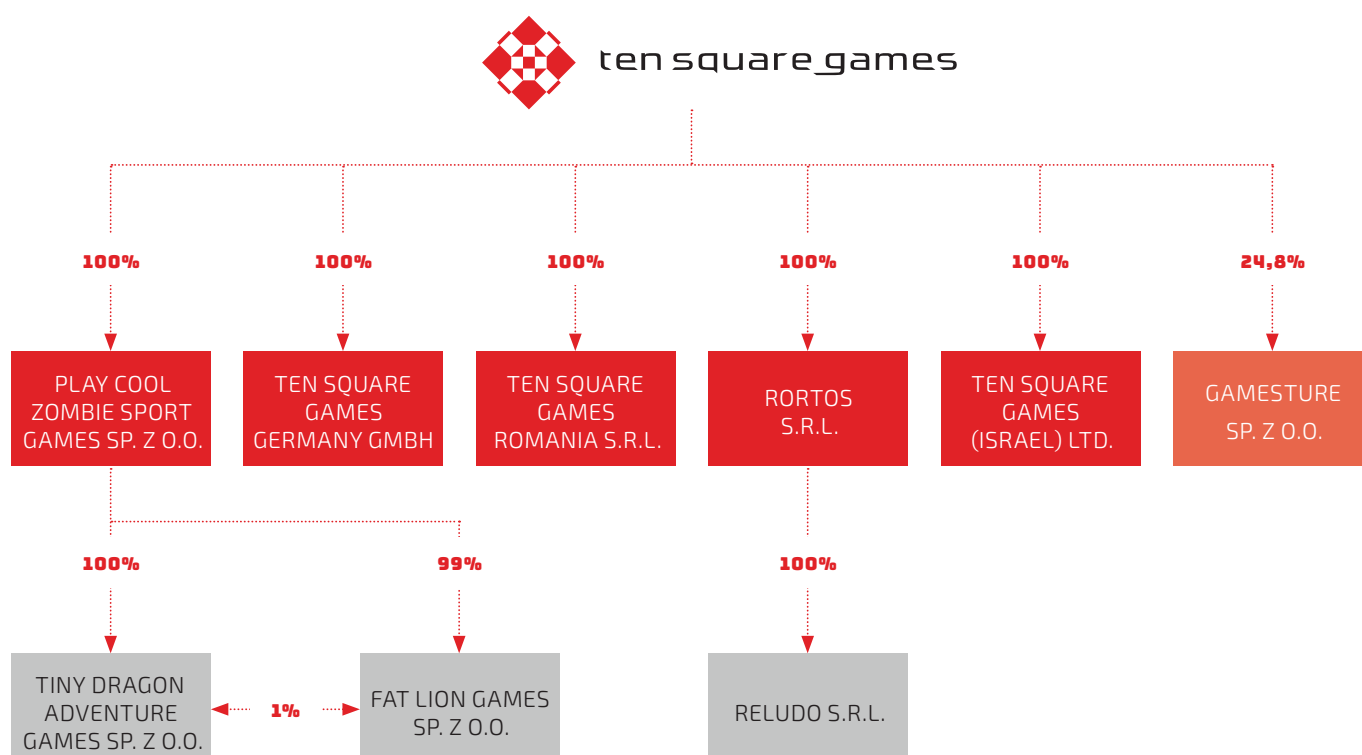
Ten Square Games S.A. acquired 24.8% of shares in Gamesture Sp. z o. o. on March 11, 2022. On January 31, 2023 Ten Square Games S.A. acquired 12% of shares in Gamesture Sp. z o. o. (which was registered in court on March 17, 2023) and currently holds 36.9% of the shares of this company.

The Italian company Reludo S.r.l was merged with Rortos S.r.l on June 22, 2023. This was a technical step to facilitate administration within the Group. This change did not affect the Group's operations in any way.

On October 20, 2023, the Company received confirmation from the relevant commercial register about the liquidation of Ten Square Games (Israel) Ltd. The liquidation was carried out voluntarily, i.e. at the Company's request and in an accelerated manner, in accordance with locally applicable regulations. The Group has not conducted any operational activities in Israel for almost a year, hence the closure of the company had no impact on the Group's operations.

On December 14, 2023, the merger of Fat Lion Games Sp. z o. o. and Tiny Dragon Adventure Games Sp. z o. o. with Play Cool Zombie Sport Games Sp. z o. o. was registered. The merger of the companies is a technical step that facilitates the reporting of subsidiaries and does not affect the Group's business activities.

As of 31.12.2022:



# 8

## INFORMATION ON CONSOLIDATION

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

Information on subsidiaries as at 25.03.2024:

### POLAND

NAME	PLAY COOL ZOMBIE SPORT GAMES SP. Z O.O.	GAMESTURE SP. Z O.O.
Legal form	Limited liability company	Limited liability company
Registered seat	ul. Traugutta 45, 50-416 Wrocław, Poland	ul. Grodziska 8, 60-363 Poznań, Poland
Registration country	Poland	Poland
Core business activity	publishing activity with regard to computer games (58.21.Z)	Computer consultancy activities (62.02.Z)
Authority keeping the register	District Court, VI Commercial Division of the National Court Register	District Court, VIII Commercial Division of the National Court Register in Poznań
Registry no.	KRS 0000580667	KRS 0000531228
Statistical REGON no	362748821	360207363
Tax identification number	8982214450	7811902941
Company duration	indefinite	indefinite
% of capital held by the Parent Company	100%	36.9%



## ABROAD

NAME	TEN SQUARE GAMES GERMANY GMBH	TEN SQUARE GAMES ROMANIA SRL	RORTOS S.R.L.
Legal form	Limited liability company	Limited liability company	Limited liability company
Registered seat	c/o AMI Steuerberatungsgesellschaft mbH, Kurfürstendamm 193, 10707 Berlin	82-98 Calea Grivitei, 1st floor, The Podium building, The Mark complex, District 1, Bucharest, Romania	Via del Pontiere 11, 37122 Verona, Italy
Registration country	Germany	Romania	Italy
Core business activity	development, production, distribution, licensing and support of computer software, computer games, console games, online or mobile games, and the provision of online platforms for computer games	publication of software, including in particular computer games	design, development, installation, maintenance and management of software
Authority keeping the register	Amtsgericht Charlottenburg, Berlin, Niemcy	Bucharest Trade Registry Office	Companies' Register of Verona
Registry no.	HRB 225333	J40/11061/2021	4132300239
Statistical REGON no	N/A	N/A	Economic and Administrative Index No. VR 394801
Tax identification number	DE341097971	RO44499736	4132300239 (same as register number)
Company duration	indefinite	indefinite	indefinite
% of capital held by the Parent Company	100%	100%	100%



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

# 10.

## STATEMENT OF THE MANAGEMENT BOARD

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

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

# 11.

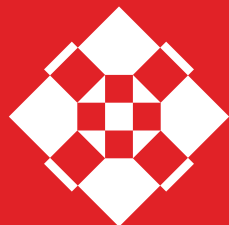
## MANAGEMENT BOARD INFORMATION

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

The audit firm and the members of the team auditing the annual separate and consolidated financial statements for the financial year 2023 fulfilled the conditions for the preparation of an objective and independent report on the audit of the annual financial statement in accordance with the applicable regulations, professional standards and professional ethics.

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

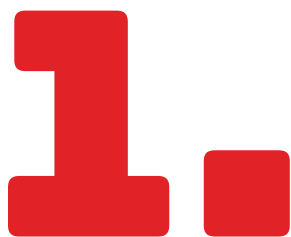
Ten Square Games S.A. (parent entity) has a policy for selecting an audit firm and a policy for the provision to the issuer by the audit firm, an entity affiliated with the audit firm or a member of its network of additional non-audit services, including services conditionally exempt from the prohibition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



ten square\_games

**III**

**BASIS OF  
PREPARATION  
AND ACCOUNTING  
POLICY**



## COMPLIANCE WITH THE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The consolidated financial statement prepared as at 31 December 2023 has been prepared in accordance with International Accounting Standards, International Financial Reporting Standards and interpretations issued by the International Accounting Standards Board approved by the European Union, hereinafter referred to as "EU IFRS".

In preparing the consolidated financial statements as at 31 December 2023, the Company adopted all new and approved standards and interpretations issued by the International Accounting Standards Board and the International Accounting Standards Interpretation Committee and approved for application in the EU, applicable to its operations.

Standards, interpretations and amendments to published EU-endorsed Standards that were adopted on March 25, 2024, but have not yet entered into force for annual periods beginning on January 1, 2023, include:

- » IFRS 14 Regulatory Accruals (published on January 30, 2014) – in accordance with the decision of the European Commission, the process of approving the standard in the preliminary version will not be initiated before the standard is published in the final version – not approved by the EU until the date of approval of these financial statements – applicable to annual periods beginning on January 1, 2016 or later;
- » Amendments to IFRS 10 and IAS 28: Transactions for the sale or transfer of assets between an investor and its associate or joint venture (published on September 11, 2014) – work leading to the approval of these amendments has been postponed by the EU indefinitely – the entry into force date has been postponed by IASB for an indefinite period;
- » Amendments to IAS 1: Presentation of financial statements – Division of liabilities into short-term and long-term and Division of liabilities into short-term and long-term – deferment of the entry into force date and Long-term liabilities containing contractual clauses (published on January 23, 2020 and July 15, 2020 and October 31, 2022) – not approved by the EU until the date of approval of these financial statements – applicable to annual periods beginning on January 1, 2024 or later;
- » IFRS 17 Insurance Contracts (published on May 18, 2017) including Amendments to IFRS 17 (published on June 25, 2020) – applicable to annual periods beginning on January 1, 2023 or later;
- » Amendment to IFRS 16 Leasing: Lease liability in sale and leaseback transactions (published on September 22, 2022) – not approved by the EU until the date of approval of these financial statements – applicable to annual periods beginning on January 1, 2024 or later;

- » Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures Disclosure of information on financial agreements with suppliers (supplier finance arrangement) (published on May 25, 2023) – not approved by the EU until the date of approval of these financial statements for publication applicable for annual periods beginning on or after January 1, 2024;
- » Amendments to IAS 21 Effects of changes in foreign exchange rates: non-convertibility (published on August 15, 2023) – not approved by the EU until the date of approval of these interim condensed consolidated financial statements for publication – applicable to annual periods beginning on January 1, 2025 or later.

In preparing the financial statements as at 31.12.2023, the Group has not opted for early application of any standard, interpretation or amendment that has been published but has not yet become effective under European Union legislation. According to the Company's estimates, the early application by the Company of these standards, interpretations and amendments to standards would not have a material impact on these financial statements.

## **2** ■ CHANGES IN ACCOUNTING PRINCIPLES (POLICY)

There were no changes in accounting policies during 2023.

# 3. DESCRIPTION OF THE ADOPTED ACCOUNTING PRINCIPLES (POLICY)

## 3.1. Consolidation – subsidiaries, associates

Subsidiaries are all economic entities over which the Group has control. The Group has control over 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 subject to full consolidation from the date of transferring control to the group. The consolidation is discontinued at the date of discontinuation of exercising control. 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.

In accordance with IAS 28, the Group measures investments in associates using the equity method. An investment in an associate is initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of the investee's profits or losses 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 each time considers the existence of a significant influence and dependence of the company in which the shares are purchased.





## 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 and receivable by 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 activity of Group's companies is based mainly on retail sales 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)**

With regard to the games, premium packages, including, for instance, notes and pearls (virtual currency), are available to users. Players can convert their virtual game currency into virtual durables, such as rods, lures or other accessories, to improve the performance of the equipment and thus the results achieved in the game, or into consumables – e.g. amplifiers (+x% of fish weight) or another chance to draw a card. The Group 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 recognised as an accrued income settlement (balance sheet item).

In the course of 2020, the Group has made changes to its IT systems, whereby it has started to collect data to analyse the usage of durable goods over time. Accordingly, the Group estimates the amount of the liability (customer contract liability) for the provision of the durable goods in the game – the revenue relating to the purchase of durable virtual goods (and the commission of digital distribution platforms such as Google Play and App Store relating to this revenue) is recognized by the estimated average playing 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 games made available via Facebook and on digital distribution platforms such as Google Play and the App Store, payments received from users for additional functionalities are reduced by the distributors by their commissions. 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 Group in the costs of sales.

### **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 goods and 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 launch, 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 include mainly interest on free resources on bank accounts, commissions and interest on granted loans, interest due to delay in settling receivables, the amount of released provisions concerning financial activity, revenues on sales of securities, exchange gains, restoration of lost value of investments, the value of cancelled credits and loans as well as profits from settlement of derivative instruments.

Financial costs include mainly interest on credits and loans, interest for 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 Company and balance sheet valuation of settlements as well as the time allocation of revenues from users. 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 connected with 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 will recognise 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 recognised by the Company in an amount that better reflects the resolution of the uncertainty, using the single most probable result or the expected value method (the probability-weighted amounts of possible solutions). In the assessment of 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 IAC 16 Tangible fixed assets, if the purchase price (manufacturing cost) amounts to at least PLN 3.500. Fixed assets with the value below PLN 3.500 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 – up to 5 years.



## DEVELOPMENT WORKS

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.

## GOODWILL

Goodwill on acquisition of an entity is initially recognized at cost, which is the excess of the sum of:

1. the consideration transferred,
2. the amount of any non-controlling interest in the acquiree, and
3. in the case of a business combination achieved in stages, the fair value at the acquisition date of the interest in capital of the acquiree, previously owned by the acquirer, over the net amount determined as at the acquisition date of the value of the identifiable assets acquired and liabilities assumed.

As at the acquisition date, the acquired goodwill is allocated to each of the cash-generating units that may benefit from the synergies arising from the merger. After initial recognition, goodwill is carried at cost less any accumulated impairment losses. The impairment test is carried out as at 31 December or more frequently if there are indications for it. Goodwill is not amortized. An impairment loss is determined by estimating the recoverable amount of the cash-generating unit to which the goodwill has been allocated. If the recoverable value of the cash-generating unit is lower than the carrying amount, an impairment loss is recognized. Goodwill is derecognised in the event of loss of control over the center to which it was allocated.

## 3.7. Lease

In accordance with IFRS 16 on recognition, valuation, 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 recognises an asset under the right of use and a liability under the lease. An asset under the right of use is valued based on the 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 values an asset by virtue of the right of use, using the cost model, while the liability is valued through:

- a. increasing the balance sheet value to reflect interest on the lease liability,
- b. reducing in the carrying amount to reflect the lease payments made; and
- c. revaluing the carrying amount 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.

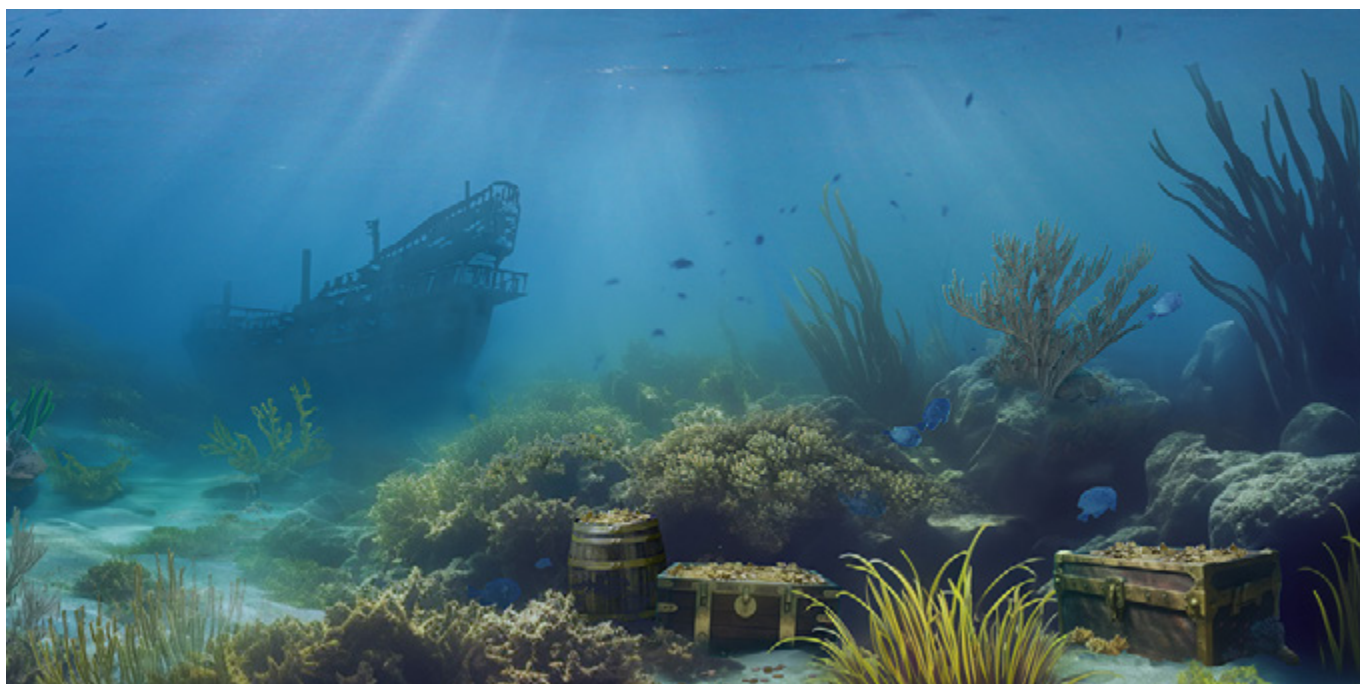
A financial asset shall be valued at fair value by other comprehensive income if it meets both of the following conditions:

- 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 valued, after initial recognition, at amortized cost, excluding: financial liabilities valued 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 value 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

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](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. When tests are carried out on another group of assets (e.g. investment value, value of shares), the estimate is based on the ability of the cash generating unit (CGU) to generate cash, and the value of the generated cash is discounted in accordance with mathematical models. The final test result is largely influenced by the discount rate used and the long-term growth rate, and both of these parameters are characterized by high market volatility. As for the estimated revenues, they are also subject to uncertainty due to the forecasting of gaming revenues, and as indicated above, the gaming market is changing rapidly and dynamically

### 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<sup>[1]</sup>. 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.

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.

[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.

In the course of 2020, the Company made changes to its IT systems, which enabled it to start collecting data to analyse 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 2023, 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 2023 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.

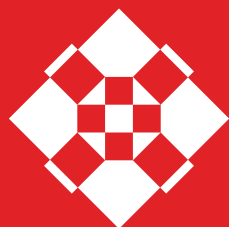
In the calculation of acquisition liabilities, there is primarily uncertainty regarding the achievement of the assumed financial results of the related party. The results in subsequent years may assume a value higher or lower than assumed, resulting in a deviation of the actual liability from the estimated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

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

## **DETERMINATION OF MATERIALITY**

When preparing financial statements, the Group applies the materiality principle. The materiality principle introduces the possibility to apply simplifications, if it does not have a materially negative impact on the reliable and clear presentation of the property, financial situation and financial result. The Group has adopted the amount of PLN 2.0 million as the materiality level in the preparation of the financial statement (according to the accounting policy, not more than 5% of the gross result).





ten square\_games

**IV**

**NOTES TO  
THE CONSOLIDATED  
FINANCIAL  
STATEMENT**



## 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 – 31.12.2023	for the period 01.01.2022 – 31.12.2022 [restated data <sup>[1]</sup> ]
Sales of services	436,076,377	537,823,398
<b>TOTAL revenues from sales of services</b>	<b>436,076,377</b>	<b>537,823,398</b>
Other operating revenues	1,336,334	1,355,177
Financial revenues	23,842,322	8,344,175
<b>TOTAL revenues from continuing operations</b>	<b>461,255,033</b>	<b>547,522,750</b>
<b>TOTAL revenues</b>	<b>461,255,033</b>	<b>547,522,750</b>

[1] The restatement of comparative data is presented in point 6 of the „Consolidated Financial Statements“.

Revenues from discontinued operations did not occur.



## 1.1. Information on operating segments and result performance indicators

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

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

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

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 carrying out the Program in accordance with the financial reporting standards applicable to the Company;
- » the effect of recognition over time the incentive program of the President of the Management Board, Maciej Zużalek (described below);
- » the impact of non-cash adjustments to revenue (and the related cost of distributors' commissions), related to e.g. deferral of revenue from virtual currency or durables;
- » the impact of any one-off write-downs on capital expenditures related to the creation of mobile games;

The reconciliation of revenues and bookings is provided in section 1.2 below. The calculation of the EBITDA value is presented in the „Selected financial data” section.

## 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 2023	share in 2023 bookings	bookings 2022 [restated data <sup>[1]</sup> ]	share in 2022 bookings
micro-payments	436,872,965	98.5%	524,695,637	96.9%
advertisement	6,109,855	1.3%	11,917,396	2.2%
licenses	699,373	0.2%	4,710,831	0.9%
<b>TOTAL BOOKINGS</b>	<b>443,682,194</b>	<b>100.0%</b>	<b>541,323,864</b>	<b>100.0%</b>
deferred income (consumable)	-856,857	N/A	3,496,480	N/A
deferred income (durable)	-6,748,960	N/A	-6,996,946	N/A
<b>TOTAL REVENUES</b>	<b>436,076,377</b>	<b>N/A</b>	<b>537,823,398</b>	<b>N/A</b>

[1] The restatement of comparative data is presented in point 6 of the „Consolidated Financial Statements“.

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 2023	share in 2023 bookings	bookings 2022 [restated data <sup>[1]</sup> ]	share in 2022 bookings
Fishing Clash	274,231,758	61.8%	355,382,264	65.7%
Hunting Clash	110,496,799	24.9%	122,360,084	22.6%
Let's Fish	7,529,175	1.7%	10,363,828	1.9%
Wild Hunt	8,130,677	1.8%	10,581,249	2.0%
Airline Commander	9,464,732	2.1%	12,691,269	2.3%
Real Flight Simulator	18,179,355	4.1%	16,663,687	3.1%
Wings of Heroes	11,526,324	2.7%	5,259,295	1.0%
other	4,123,374	0.9%	8,022,188	1.5%
<b>TOTAL BOOKINGS</b>	<b>443,682,194</b>	<b>100.0%</b>	<b>541,323,864</b>	<b>100.0%</b>
Deferred income (consumable)	-856,857	N/A	3,496,480	N/A
Deferred income (durable)	-6,748,960	N/A	-6,996,946	N/A
<b>TOTAL REVENUES</b>	<b>436,076,377</b>	<b>N/A</b>	<b>537,823,398</b>	<b>N/A</b>

[1] The restatement of comparative data is presented in point 6 of the „Consolidated Financial Statements“.



## QUARTERLY BREAKDOWN OF BOOKINGS FOR MAJOR TITLES:

GAME	1Q 2023	2Q 2023	3Q 2023	4Q 2023
Fishing Clash	72,557,817	63,193,703	69,737,485	68,742,753
Hunting Clash	32,395,570	24,412,492	27,311,328	26,377,409
Let's Fish	2,172,122	1,852,363	1,614,321	1,890,369
Wild Hunt	2,352,751	1,998,176	1,812,965	1,966,785
Airline Commander	2,627,214	2,311,324	2,502,013	2,024,181
Real Flight Simulator	4,321,619	4,284,991	4,741,534	4,831,211
Wings of Heroes	5,769,225	2,071,904	1,757,393	1,927,802
other	1,396,720	1,101,617	922,288	702,749
<b>TOTAL BOOKINGS</b>	<b>123,593,038</b>	<b>101,226,570</b>	<b>110,399,327</b>	<b>108,463,259</b>
Deferred income (consumable)	-201,742	-1,276,770	-565,728	1,187,383
Deferred income (durable)	-5,941,631	4,982,653	-4,261,715	-1,528,267
<b>TOTAL REVENUES</b>	<b>117,449,665</b>	<b>104,932,453</b>	<b>105,571,884</b>	<b>108,122,375</b>

[2022 – restated data <sup>[1]</sup>]

GAME	1Q 2022	2Q 2022	3Q 2022	4Q 2022
Fishing Clash	95,650,325	84,252,690	88,628,710	86,850,540
Hunting Clash	32,234,201	24,943,967	32,485,717	32,696,199
Let's Fish	3,099,293	2,394,146	2,380,160	2,490,229
Wild Hunt	2,790,545	2,517,568	2,666,554	2,606,582
Airline Commander	2,879,778	3,048,100	3,717,211	3,046,180
Real Flight Simulator	3,694,286	4,047,377	4,307,017	4,615,007
Wings of Heroes		89,199	673,688	4,496,408
other	1,980,865	1,991,301	2,444,425	1,605,596
<b>TOTAL BOOKINGS</b>	<b>142,329,293</b>	<b>123,284,348</b>	<b>137,303,482</b>	<b>138,406,741</b>
Deferred income (consumable)	4,937,513	908,931	1,505,185	-3,855,149
Deferred income (durable)	2,845,786	-217,105	-6,077,959	-3,547,668
<b>TOTAL REVENUES</b>	<b>150,112,592</b>	<b>123,976,174</b>	<b>132,730,708</b>	<b>131,003,924</b>

Deferred revenue by game and quarter and the balance sheet balance (balance sheet item "contract liabilities" for deferred revenue and balance sheet item "contract assets" for deferred commission costs):

## 2023

CONSUMABLE	Balance sheet	Change of deferral	Balance sheet valuation	Change of deferral	Balance sheet valuation	Change of deferral	Balance sheet valuation	Change of deferral	Balance sheet valuation	Balance sheet
	31.12.2022	1Q 2023	1Q 2023	2Q 2023	2Q 2023	3Q 2023	3Q 2023	4Q 2023	4Q 2023	31.12.2023
<b>Fishing Clash</b>										
deferred revenues	-5,890,721	-62,638		-955,926		-451,137		1,295,732		-6,064,690
deferred costs	1,767,216	18,792		286,778		135,341		-388,720		1,819,407
<b>Hunting Clash</b>										
deferred revenues	-1,546,555	-144,784		-261,936		-143,065		32,286		-2,064,054
deferred costs	463,965	43,436		78,580		42,921		-9,686		619,216
<b>Let's Fish</b>										
deferred revenues	-186,158	18,849		-29,035		46,730		-16,725		-166,339
deferred costs	55,848	-5,655		8,711		-14,020		5,016		49,900
<b>Wild Hunt</b>										
deferred revenues	-215,084	-2,589		-12,762		54,110		-29,326		-205,651
deferred costs	64,525	777		3,828		-16,232		8,797		61,695
<b>Real Flight Simulator</b>										
deferred revenues	-1,456,311	-10,578	4,549	-17,109	70,916	-72,370	-59,720	-94,582	98,805	-1,536,400
deferred costs	436,893	3,175	-1,366	5,132	-21,274	21,705	17,922	28,383	-29,649	460,921
<b>TOTAL</b>										
deferred revenues	-9,294,829	-201,740	4,549	-1,276,768	70,916	-565,732	-59,720	1,187,385	98,805	-10,037,134
deferred costs	2,788,447	60,525	-1,366	383,029	-21,274	169,715	17,922	-356,210	-29,649	3,011,139
<b>DURABLE</b>										
<b>Fishing Clash</b>										
deferred revenues	-47,638,665	-3,002,670		3,518,833		-2,621,447		284,445		-49,459,504
deferred costs	14,291,601	900,801		-1,055,650		786,435		-85,333		14,837,854
<b>Hunting Clash</b>										
deferred revenues	-11,809,555	-2,938,964		1,463,821		-1,640,266		-1,812,711		-16,737,675
deferred costs	3,542,867	881,688		-439,147		492,081		543,814		5,021,303
<b>TOTAL</b>										
deferred revenues	-59,448,220	-5,941,634	0	4,982,654	0	-4,261,713	0	-1,528,266	0	-66,197,179
deferred costs	17,834,468	1,782,489	0	-1,494,797	0	1,278,516	0	458,481	0	19,859,157
<b>CONSUMABLE +DURABLE</b>										
deferred revenues	-68,743,049	-6,143,374	4,549	3,705,886	70,916	-4,827,445	-59,720	-340,881	98,805	-76,234,313
deferred costs	20,622,915	1,843,014	-1,366	-1,111,768	-21,274	1,448,231	17,922	102,271	-29,649	22,870,296
<b>impact on result</b>	<b>-48,120,134</b>	<b>-4,300,360</b>	<b>3,184</b>	<b>2,594,118</b>	<b>49,642</b>	<b>-3,379,214</b>	<b>-41,799</b>	<b>-238,610</b>	<b>69,156</b>	<b>-53,364,017</b>

## 2022

CONSUMABLE	Balance sheet item	Change of deferral	Change of deferral	Change of deferral	Change of deferral	Balance sheet valuation	Balance sheet item
	1.01.2022	1Q 2023	2Q 2023	3Q 2023	4Q 2023	4Q 2023	31.12.2022
<b>Fishing Clash</b>							
deferred revenues	-9,423,145	3,305,098	696,382	1,483,290	-1,952,346		-5,890,721
deferred costs	2,826,943	-991,529	-208,915	-444,987	585,704		1,767,216
<b>Hunting Clash</b>							
deferred revenues	-2,871,981	1,505,052	134,265	-28,227	-285,664		-1,546,555
deferred costs	861,594	-451,516	-40,280	8,468	85,699		463,965
<b>Let's Fish</b>							
deferred revenues	-214,577	31,977	45,604	25,404	-74,566		-186,158
deferred costs	64,373	-9,593	-13,681	-7,621	22,370		55,848
<b>Wild Hunt</b>							
deferred revenues	-280,890	95,385	32,680	24,718	-86,977		-215,084
deferred costs	84,267	-28,616	-9,804	-7,415	26,093		64,525
<b>Real Flight Simulator</b>							
deferred revenues					-1,455,597	-714	-1,456,311
deferred costs					436,679	214	436,893
<b>TOTAL</b>							
deferred revenues	-12,790,593	4,937,512	908,931	1,505,186	-3,855,149	-714	-9,294,827
deferred costs	3,837,178	-1,481,254	-272,679	-451,556	1,156,545	214	2,788,448
<b>DURABLE</b>							
<b>Fishing Clash</b>							
deferred revenues	-46,432,130	4,497,751	-434,953	-3,101,847	-2,167,486		-47,638,665
deferred costs	13,618,212	-1,463,979	556,566	930,556	650,246		14,291,601
<b>Hunting Clash</b>							
deferred revenues	-6,019,144	-1,651,965	217,848	-2,976,112	-1,380,182		-11,809,555
deferred costs	1,781,756	477,496	-23,274	892,834	414,055		3,542,867
<b>TOTAL</b>							
deferred revenues	-52,451,274	2,845,786	-217,105	-6,077,959	-3,547,668		-59,448,220
deferred costs	15,399,968	-986,483	533,292	1,823,390	1,064,301		17,834,468
<b>CONSUMABLE +DURABLE</b>							
deferred revenues	-65,241,866	7,783,298	691,826	-4,572,772	-7,402,817	-714	-68,743,047
deferred costs	19,237,146	-2,467,737	260,613	1,371,834	2,220,845	214	20,622,915
<b>impact on result</b>	<b>-46,004,720</b>	<b>5,315,561</b>	<b>952,439</b>	<b>-3,200,938</b>	<b>-5,181,972</b>	<b>-500</b>	<b>-48,120,132</b>



## 1.4. Revenues by business partner

BUSINESS PARTNER	bookings 2023	share in 2023 bookings	bookings 2022 [restated data <sup>[1]</sup> ]	share in 2022 bookings
Google Inc.	243,360,341	54.9%	314,839,763	58.2%
Apple Distribution International	161,347,931	36.4%	194,231,052	35.9%
Xsolla Inc.	19,641,601	4.4%	0	0.0%
Other	19,332,321	4.3%	32,253,049	5.9%
<b>TOTAL BOOKINGS</b>	<b>443,682,194</b>	<b>100.0%</b>	<b>541,323,864</b>	<b>100.0%</b>
deferred revenues (consumable)	-856,857	N/A	3,496,480	N/A
deferred revenues (durable)	-6,748,960	N/A	-6,996,946	N/A
<b>TOTAL REVENUES</b>	<b>436,076,377</b>	<b>N/A</b>	<b>537,823,398</b>	<b>N/A</b>

[1] The restatement of comparative data is presented in point 6 of the „Consolidated Financial Statements“.

## 1.5. Revenues – distribution channel

DISTRIBUTION CHANNEL	bookings 2023	share in 2023 bookings	bookings 2022 [restated data <sup>[1]</sup> ]	share in 2022 bookings
Mobile	431,361,265	97.2%	524,316,495	96.9%
Browsers	12,320,929	2.8%	17,007,369	3.1%
<b>TOTAL BOOKINGS</b>	<b>443,682,194</b>	<b>100.0%</b>	<b>541,323,864</b>	<b>100.0%</b>
Deferred income (consumable)	-856,857	N/A	3,496,480	N/A
Deferred income (durable)	-6,748,960	N/A	-6,996,946	N/A
<b>TOTAL REVENUES</b>	<b>436,076,377</b>	<b>N/A</b>	<b>537,823,398</b>	<b>N/A</b>

[1] The restatement of comparative data is presented in point 6 of the „Consolidated Financial Statements“.

## 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 2023	share in 2023 bookings	bookings 2022 [restated data <sup>[1]</sup> ]	share in 2022 bookings
North America	195,649,736	44.1%	243,626,679	45.0%
Europe	178,022,246	40.1%	204,322,368	37.7%
<i>including Poland</i>	<i>23,175,641</i>	<i>5.2%</i>	<i>23,219,034</i>	<i>4.3%</i>
Asia	44,115,765	9.9%	62,429,087	11.5%
South America	12,845,136	2.9%	14,319,633	2.7%
Australia and Oceania	9,171,990	2.1%	11,474,584	2.1%
Africa	3,877,321	0.9%	5,151,513	1.0%
<b>TOTAL BOOKINGS</b>	<b>443,682,194</b>	<b>100.0%</b>	<b>541,323,864</b>	<b>100.0%</b>
Deferred income (consumable)	-856,857	N/A	3,496,480	N/A
Deferred income (durable)	-6,748,960	N/A	-6,996,946	N/A
<b>TOTAL REVENUES</b>	<b>436,076,377</b>	<b>N/A</b>	<b>537,823,398</b>	<b>N/A</b>

[1] The restatement of comparative data is presented in point 6 of the „Consolidated Financial Statements“.



# 2.

## OPERATING COSTS

SPECIFICATION	for the period 01.01.2023 – 31.12.2023	for the period 01.01.2022 – 31.12.2022
Amortization and depreciation <sup>[1]</sup>	20,209,617	16,475,398
Materials and Energy	738,967	1,459,291
Third-party services	281,277,953	364,092,705
Taxes and fees	2,438,834	3,049,179
Remuneration	43,513,573	71,657,308
Social insurance and other benefits	9,209,183	10,620,439
Other costs by type	775,335	996,833
<b>Total costs by type, including:</b>	<b>358,163,462</b>	<b>468,351,153</b>
Cost of products and services sold	72,717,282	70,095,174
Selling costs	239,574,101	305,130,568
General and administrative costs	38,612,995	65,550,903
Cost of manufacturing products for the entity's own needs (capitalisation)	7,259,084	27,574,508

[1] Amortization and depreciation shown in the statement of comprehensive income amounts to PLN 19,794,546. The difference to the amount shown above is due to the fact that through the mark-up of indirect costs to the capitalized costs of games, part of the depreciation of equipment and licenses is re-capitalized.



## 2.1. Production costs

COMPONENTS OF THE COST OF PRODUCING SERVICES FOR THE GROUP'S OWN NEEDS	for the period 01.01.2023 – 31.12.2023	for the period 01.01.2022 – 31.12.2022
Basic salary	1,462,396	6,936,563
Third party services	4,932,999	18,575,221
Social insurance and other benefits	347,224	1,108,388
Share based payments (part of remuneration)	0	-387,488
Overhead cost	516,465	1,341,824
<b>Total</b>	<b>7,259,084</b>	<b>27,574,508</b>

BREAKDOWN OF REMUNERATION COSTS AND OTHER EMPLOYEE BENEFITS (EXCLUDING AMOUNTS SHOWN IN THE PRODUCTION COST COMPONENT)	for the period 01.01.2023 – 31.12.2023	for the period 01.01.2022 – 31.12.2022
Basic salary	36,738,277	48,015,456
Share based payments (part of remuneration)	6,775,296	23,641,852
Social insurance and other benefits	9,209,183	10,620,439
<b>Total cost of employee benefits, including:</b>	<b>52,722,756</b>	<b>82,277,747</b>
Items included in the cost of goods sold	27,795,103	31,496,041
Items included in the selling costs	8,627,579	9,798,208
Items included in general and administrative costs	16,000,074	40,983,498



## 2.2. Selling costs

SPECIFICATION	for the period 01.01.2023 – 31.12.2023	for the period 01.01.2022 – 31.12.2022
<b>Selling costs</b>	<b>239,574,101</b>	<b>305,130,568</b>
marketing:	86,873,592	118,866,641
– <i>Fishing Clash</i>	43,764,971	63,198,513
– <i>Hunting Clash</i>	36,820,394	50,785,971
– <i>Airline Commander</i>	22,751	1,151,606
– <i>Wings of Heroes</i>	6,012,125	2,654,263
– other titles	253,351	1,076,288
provisions	123,635,954	154,309,092
revenue share	1,270,291	1,678,416
salaries, subcontractor services	20,874,240	22,435,971
mobile games market research services	1,074,527	1,393,818
other	5,845,497	6,446,631

SPECIFICATION	1Q 2023	2Q 2023	3Q 2023	4Q 2023
<b>Selling costs</b>	<b>69,004,470</b>	<b>59,814,327</b>	<b>56,408,680</b>	<b>54,346,624</b>
marketing:	27,154,208	21,239,048	19,844,010	18,636,326
– <i>Fishing Clash</i>	11,180,883	11,575,445	10,919,991	10,088,652
– <i>Hunting Clash</i>	11,236,075	9,174,676	8,551,009	7,858,634
– <i>Airline Commander</i>	0	22,751	0	0
– <i>Wings of Heroes</i>	4,587,053	363,022	373,010	689,040
– other titles	150,197	103,154	0	0
provisions	33,624,212	30,509,186	29,578,780	29,923,776
revenue share	351,645	311,614	266,734	340,298
salaries, subcontractor services	6,131,380	5,531,739	5,379,572	3,831,549
mobile games market research services	291,446	297,964	262,054	223,063
other	1,451,579	1,924,776	1,077,530	1,391,612

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

## 2.3. General and administrative costs

SPECIFICATION	for the period 01.01.2023 – 31.12.2023	for the period 01.01.2022 – 31.12.2022
<b>recurring costs, including:</b>	<b>31,397,586</b>	<b>40,125,780</b>
salaries, subcontractor services of Parent Company	14,494,734	18,497,416
maintenance costs of subsidiaries	4,794,124	7,076,870
rental and maintenance of office – Parent Company	3,624,042	4,061,259
other	8,484,685	10,490,235
<b>non-recurring costs, including:</b>	<b>7,215,410</b>	<b>25,425,123</b>
motivation scheme cost	6,477,709	24,029,340
M&A cost	737,701	1,395,783
<b>TOTAL GENERAL AND ADMINISTRATIVE COST</b>	<b>38,612,995</b>	<b>65,550,903</b>

SPECIFICATION	1Q 2023	2Q 2023	3Q 2023	4Q 2023
<b>recurring costs, including:</b>	<b>10,573,057</b>	<b>7,510,342</b>	<b>6,454,144</b>	<b>6,860,043</b>
salaries, subcontractor services of Parent Company	4,535,148	3,682,599	3,206,869	3,070,118
maintenance costs of subsidiaries	1,612,988	1,134,552	1,074,407	972,177
rental and maintenance of office – Parent Company	1,099,129	986,223	749,439	789,251
other	3,325,791	1,706,968	1,423,429	2,028,497
<b>non-recurring costs, including:</b>	<b>6,197,949</b>	<b>571,870</b>	<b>112,185</b>	<b>333,406</b>
motivation scheme cost	6,033,168	0	111,135	333,406
M&A cost	164,781	571,870	1,050	0
<b>TOTAL GENERAL AND ADMINISTRATIVE COST</b>	<b>16,771,005</b>	<b>8,082,212</b>	<b>6,566,329</b>	<b>7,193,449</b>

SPECIFICATION	1Q 2022	2Q 2022	3Q 2022	4Q 2022
<b>recurring costs, including:</b>	<b>11,030,484</b>	<b>11,763,761</b>	<b>9,196,909</b>	<b>8,034,626</b>
salaries, subcontractor services of Parent Company	5,462,957	4,675,326	3,901,884	4,457,249
maintenance costs of subsidiaries	1,702,087	3,362,996	1,967,808	43,979 <sup>[1]</sup>
rental and maintenance of office – Parent Company	859,752	1,012,146	1,032,308	1,157,053
other	3,005,689	2,713,293	2,294,909	2,476,344
<b>non-recurring costs, including:</b>	<b>13,065,319</b>	<b>764,783</b>	<b>6,034,268</b>	<b>5,560,753</b>
motivation scheme cost	11,304,904	761,432	6,033,168	5,929,836
M&A cost	1,760,415	3,351	1,100	-369,083
<b>TOTAL GENERAL AND ADMINISTRATIVE COST</b>	<b>24,095,803</b>	<b>12,528,544</b>	<b>15,231,177</b>	<b>13,695,379</b>

[1] In Q4 2022, the Group reclassified rent costs in one of its subsidiaries for the period Q1–3Q 2022, which resulted in a reduction of general and administrative expenses for the entire year 2022 by PLN 1 million. This correction was presented in Q4 2022.

# 3.

## OTHER OPERATING REVENUES AND COSTS

OTHER OPERATING REVENUES	for the period 01.01.2023 – 31.12.2023	for the period 01.01.2022 – 31.12.2022
Sponsorship co-operation (barter)	634,735	0
Other	701,599	1,355,177
<b>Total</b>	<b>1,336,334</b>	<b>1,355,177</b>

OTHER OPERATING COSTS	for the period 01.01.2023 – 31.12.2023	for the period 01.01.2022 – 31.12.2022
Write-down of goodwill (Rortos)	41,201,364	0
Intangible assets impairment charge	31,689,990	23,782,243
Write-down of the investment value	5,414,334	0
Donations	445,211	2,042,840
Write-down of uncollectible receivables	54,303	34,585
Severance pay	3,161,266	0
Sponsorship co-operation (barter)	634,735	0
Other	389,282	584,750
<b>Total</b>	<b>82,990,485</b>	<b>26,444,418</b>

The impairment of goodwill is described in more detail in the note „Goodwill”.

The impairment loss on the shares held in Gamesture is described in more detail in the note „Other financial assets”.

Write-downs on capitalized gaming costs and severance costs recognized in 2023 are related to a change in the Group's strategy, which resulted in, among others, group layoffs, which is described in more detail in the note „Closing of projects and group layoffs”.

Game impairment charge in 2022 concerned Football Elite, Magical District and partially Undead Clash. The largest donation reported in 2022 (PLN 1 million) concerned support for charitable institutions providing assistance related to the war in Ukraine.

# 4.

## FINANCIAL INCOME AND EXPENSE

FINANCIAL INCOME	for the period 01.01.2023 – 31.12.2023	for the period 01.01.2022 – 31.12.2022
Interest income	4,693,365	1,243,932
Surplus of positive exchange rate differences	0	7,100,243
Revaluation of liability related to the purchase of Rortos	24,286,569	0
Interest –unwinding of the discount on the liability related to the purchase of Rortos	-5,203,047	0
Other	65,435	0
<b>Total</b>	<b>23,842,322</b>	<b>8,344,175</b>

Revaluation of the liability due to purchase of Rortos was described in more detail in the note "Goodwill". Unwinding of the discount related to the liability related to purchase of the Rortos company is a classic, repetitive accounting related to the mathematical recognition of the value of future cash flows. The value of this unwinding depends on both the amount of future payments and the interest rate used to discount the flows.

FINANCIAL COSTS	for the period 01.01.2023 – 31.12.2023	for the period 01.01.2022 – 31.12.2022
Interest –unwinding of the discount on the liability related to the purchase of Rortos	0	5,953,645
Revaluation of the acquisition liability due to purchase of Rortos	0	8,534,740
Other interest cost	964,903	363,030
Excess of negative exchange rate differences	3,568,693	0
<b>Total</b>	<b>4,533,596</b>	<b>14,851,415</b>



# 5.

## INCOME TAX AND DEFERRED TAX

Starting from 2019, with the introduction of the so-called IP Box relief, the Company benefits from preferential taxation of part of its income. This relief consists of taxing income from qualified property rights at a rate of 5% instead of the standard 19%. The Company considers its games as qualified property rights and therefore uses the IP Box relief for profitable titles.

Due to the fact that the relief is relatively new in Polish law, for 2019 and 2020 the Company settled and paid tax using only part of the preferences. The partial application of the preferences consisted in calculating the Nexus index in a way that limited the possibility of taxing the Company's income at a tax rate of 5%. As the market practice emerged, in 2022 the Company decided to apply the relief more broadly and submitted an annual CIT return for 2021 (and in 2023 for 2022) with full application of the relief. Additionally, at the beginning of 2023, the Company submitted a CIT correction for 2019 and 2020, also taking into account the broader application of the relief, enabling the Company to tax a larger part of its income at a tax rate of 5%. No further adjustments are planned.

The submission of corrections to the tax declaration resulted in the initiation of a customs and tax audit for 2020. Simultaneously with the customs and tax audit, the Company was subject to tax proceedings regarding the finding of an overpayment of corporate income tax for 2019 and 2020. After the positive completion of the tax proceedings (audit activities), in May 2023, the Company received a tax refund for 2019-2020 in the total amount of PLN 12.5 million (PLN 3.6 million for 2019 and PLN 8.9 million for 2020). Therefore, write-offs for tax receivables relating to the financial years 2019 and 2020 were reversed. However, due to the fact that the customs and tax audit for 2020 has not been completed (the audit as at the date of issuing this report was extended until May 2024), the Company showed a tax provision in the amount of the refunds received. This solution is a continuation of the Company's approach to the prudential reporting of tax settlements – i.e. showing the amounts resulting from adjustments to declarations in the net carrying amount of PLN 0 as at December 31, 2023.

The Company believes that the tax for 2021 was settled in the correct amount and there is no need to pay additional tax, but due to the need to consistently recognize tax liabilities/receivables for previous years, the Company recognizes a tax provision in the financial statements (PLN 10.9 million). CIT calculation for 2022, using a narrower scope of tax reliefs related to IP BOX, would result in a reduction of the tax amount by PLN 1.1 million, and for 2023 a reduction by approx. PLN 126,000. PLN. The company decided to prudently show the tax settlement in a larger amount.

Subsidiary of Rortos S.r.l. also benefits from relief for research and development work (the so-called patent box), which allows for a reduction of the tax base and settlement of up to 110% (and in subsequent years up to 190%) of the costs related to research and development work.

Tax disclosed in the Consolidated Financial Statements:

INCOME TAX DISCLOSED IN THE STATEMENT OF COMPREHENSIVE INCOME	for the period 01.01.2023 – 31.12.2023	for the period 01.01.2022 – 31.12.2022
<b>Current income tax</b>	<b>6,614,769</b>	<b>8,008,749</b>
Concerning 2023 financial year	6,614,769	0
Concerning 2022 financial year	0	8,008,749
Concerning 2020 financial year	-8,941,882	-8,941,882
Write-off relating to financial year 2020 – correction related to tax refund	8,941,882	8,941,882
Concerning 2019 financial year	-3,599,122	-3,599,122
Write-off relating to financial year 2019 – correction related to tax refund	3,599,122	3,599,122
<b>Deferred income tax</b>	<b>-4,774,339</b>	<b>3,094,790</b>
Related to the origination and reverse of temporary differences	-4,774,339	3,094,790
<b>Tax disclosed in the statement of comprehensive income</b>	<b>1,840,430</b>	<b>11,103,539</b>
CIT TAX SETTLEMENTS	for the period 01.01.2023 – 31.12.2023	for the period 01.01.2022 – 31.12.2022
<b>Current CIT tax settlements</b>	<b>-14,797,242</b>	<b>-1,236,177</b>
Receivable related to the financial year 2023	8,638,531	0
Receivable related to the financial year 2022	0	9,658,592
Provision related to the financial year 2021	-10,894,769	-10,894,769
Provision related to the financial year 2020	-8,941,882	0
Provision related to the financial year 2019	-3,599,122	0
Receivable related to the financial year 2020	0	8,941,882
Write down of receivable relating to the financial year 2020	0	-8,941,882
Receivable related to the financial year 2019	0	3,599,122
Write down of receivable relating to the financial year 2019	0	-3,599,122

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

SPECIFICATION	for the period 01.01.2023 – 31.12.2023	for the period 01.01.2022 – 31.12.2022 [restated data <sup>[1]</sup> ]
<b>Gross profit (loss)</b>	<b>17,047,571</b>	<b>62,704,665</b>
Exchange rate differences – balance sheet, NPO, NKUP	1,635,672	-3,998,667
Write-down of receivables (non-deductible) NKUP	54,303	10,731
Creation and dissolution of the holiday reserve	114,550	367,086
Provision for other costs	1,527,817	-69,277
Donations	445,211	2,042,840
Amortization of intangible assets	1,305,304	1,098,697
Depreciation – lease	4,402,985	2,891,198
Amortization of tangible assets	2,002,604	743,417
Capitalisation of game production costs	-10,527,033	-26,371,975
Other non-tax-deductible costs	227,200	10,539,509
Write-off capitalised game costs	31,689,990	23,782,243
Profit (loss) on investment in associates	5,779,003	2,745,607
Unwinding of the discount, revaluation of investment	36,916,665	14,488,387
Share-based payments	6,690,040	23,641,852
Revenue (and related cost) deferred in time in balance sheet	5,187,824	1,095,994
R&D relief	-13,664,433	0
Other tax deductible costs not constituting costs in the balance sheet	-3,918,200	-4,134,921
<b>Taxable income</b>	<b>86,917,073</b>	<b>111,577,386</b>

[1] The restatement of comparative data is presented in point 6 of the „Consolidated Financial Statements“.



#### Structure of a deferred income tax asset:

SPECIFICATION	31.12.2023	31.12.2022
accounting for consumables over time	297,519	274,348
accounting for durables over time	2,506,266	2,160,820
provision for holiday leave	261,200	239,436
accrual for audit costs	18,810	18,810
lease – IFRS 16 valuation	63,193	134,903
revaluation of settlements	179,829	0
remuneration provision	981,813	1,288,136
other provisions	155,661	26,930
<b>Total</b>	<b>4,464,291</b>	<b>4,143,383</b>

#### Structure of deferred income tax provision

SPECIFICATION	31.12.2023	31.12.2022
Depreciation of games	1,394,267	5,329,371
Revaluation of settlements	0	38,392
<b>Total</b>	<b>1,394,267</b>	<b>5,367,763</b>

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

# 6.

## DISCONTINUED ACTIVITY

The Group did not discontinue any activities during the financial year.



## DISTRIBUTION OF PROFIT FOR 2022

On June 14, 2023, the General Meeting of Shareholders of the Company adopted a resolution on the distribution of the Company's net profit for 2022 in the amount of PLN 55,247,128 (net profit before data correction) as follows:

1. allocated the amount of PLN 52,306,718.40 to be distributed among shareholders in the form of a dividend payment of PLN 7.20 per share (excluding treasury shares);
2. transferred the amount of PLN 2,940,409.60 to the Company's supplementary capital.

The dividend date was set for June 21, 2023 and the dividend payment date was June 28, 2023.





## TANGIBLE FIXED ASSETS

CHANGES IN FIXED ASSETS (BY TYPE GROUP) for the period of 01.01.2023 – 31.12.2023	Machinery and equipment	Buildings and premises	Other fixed assets	TOTAL
<b>Gross carrying amount as at 01.01.2023</b>	<b>6,295,185</b>	<b>20,920,952</b>	<b>5,389,701</b>	<b>32,605,838</b>
Increases due to:	142,904	0	60,446	203,350
– purchase of fixed assets	142,904	0	33,743	176,647
– balance sheet valuation	0	0	26,703	26,703
Decreases due to:	789,404	54,618	187,204	1,031,226
– sales of fixed assets	789,404	0	118,800	908,204
– liquidation	0	0	68,404	68,404
– balance sheet valuation		54,618	0	54,618
<b>Gross carrying amount as at 31.12.2023</b>	<b>5,648,685</b>	<b>20,866,334</b>	<b>5,262,943</b>	<b>31,777,962</b>
<b>Depreciation as at 01.01.2023</b>	<b>3,513,545</b>	<b>6,933,072</b>	<b>749,885</b>	<b>11,196,502</b>
Increases due to depreciation	1,039,316	6,334,711	1,154,561	8,528,588
Decreases due to sales	568,200	0	31,680	599,880
<b>Depreciation at 31.12.2023</b>	<b>3,984,661</b>	<b>13,267,783</b>	<b>1,872,766</b>	<b>19,125,210</b>
<b>Write-downs as at 01.01.2023</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Increases	0	0	0	0
Decreases	0	0	0	0
<b>Write-downs as at 31.12.2023</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net carrying amount as at 31.12.2023</b>	<b>1,664,024</b>	<b>7,598,551</b>	<b>3,390,177</b>	<b>12,652,752</b>

CHANGES IN FIXED ASSETS (BY TYPE GROUP) for the period of 01.01.2022 – 31.12.2022	Machinery and equipment	Buildings and premises	Other fixed assets	Fixed assets under construction	TOTAL
<b>Gross carrying amount as at 01.01.2022</b>	<b>5,560,158</b>	<b>10,049,365</b>	<b>419,726</b>	<b>5,079,800</b>	<b>21,109,049</b>
Increases due to:	1,077,235	10,871,587	5,018,124	0	16,966,946
– acquisition	1,077,235	5,791,787	5,018,124	0	11,887,146
– reclassification	0	5,079,800	0	0	5,079,800
Decreases due to:	342,208	0	48,149	5,079,800	5,470,157
– sales of fixed assets	112,032	0	0	0	112,032
– liquidation	230,176	0	48,149	0	278,325
– reclassification	0	0	0	5,079,800	5,079,800
<b>Gross carrying amount as at 31.12.2022</b>	<b>6,295,185</b>	<b>20,920,952</b>	<b>5,389,701</b>	<b>0</b>	<b>32,605,838</b>
<b>Depreciation as at 01.01.2022</b>	<b>2,522,928</b>	<b>3,179,749</b>	<b>196,187</b>	<b>0</b>	<b>5,898,864</b>
Increases due to depreciation	1,289,698	3,753,323	585,974	0	5,628,995
Decreases due to:	299,081	0	32,276	0	331,357
– sales	98,410	0	0	0	98,410
– liquidation	200,671	0	32,276	0	232,947
<b>Depreciation as at 31.12.2022</b>	<b>3,513,545</b>	<b>6,933,072</b>	<b>749,885</b>	<b>0</b>	<b>11,196,502</b>
<b>Write-downs as at 01.01.2022</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Increases	0	0	0	0	0
Decreases	0	0	0	0	0
<b>Write-downs as at 31.12.2022</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net carrying amount as at 31.12.2022</b>	<b>2,781,640</b>	<b>13,987,880</b>	<b>4,639,816</b>	<b>0</b>	<b>21,409,336</b>

TANGIBLE FIXED ASSETS – OWNERSHIP STRUCTURE	31.12.2023	31.12.2022
Own	5,054,201	7,396,183
Used under a lease, tenancy or other agreement, including a lease agreement	7,598,551	14,013,153
<b>Total</b>	<b>12,652,752</b>	<b>21,409,336</b>

The Group does not own land in perpetual usufruct.

The Group does not have any liabilities towards the state budget or local government authorities arising from the acquisition of ownership rights to buildings.

SPECIFICATION	31.12.2023	31.12.2022
Depreciation of own fixed assets	4,852,724	2,890,256
Amortisation of the right of use (lease)	3,675,864	2,738,739
<b>Total</b>	<b>8,528,588</b>	<b>5,628,995</b>



## INTANGIBLE ASSETS

CHANGES IN INTANGIBLE ASSETS (BY TYPE GROUP) for the period 01.01.2023 – 31.12.2023	Development costs	Computer software	Intangible assets under construction	Goodwill	TOTAL
<b>Gross carrying amount as at 01.01.2023</b>	<b>99,142,644</b>	<b>1,442,441</b>	<b>49,249,723</b>	<b>164,219,411</b>	<b>314,054,219</b>
Increases due to:	729,438	15,619	10,541,034	0	11,286,091
– acquisition	0	15,619	10,541,034	0	10,556,653
– reclassification	729,438	0	0	0	729,438
Decreases due to:	5,311,249	4,017	729,438	11,944,463	17,989,167
– liquidation	0	0	729,438	0	729,438
– balance sheet valuation	5,311,249	4,017		11,944,463	17,259,729
<b>Gross carrying amount as at 31.12.2023</b>	<b>94,560,833</b>	<b>1,454,043</b>	<b>59,061,319</b>	<b>152,274,948</b>	<b>307,351,143</b>
<b>Depreciation as at 01.01.2023</b>	<b>18,804,918</b>	<b>1,058,057</b>	<b>0</b>	<b>0</b>	<b>19,862,975</b>
Increases due to amortization	11,438,194	242,835	0	0	11,681,029
Decreases	0	0	0	0	0
<b>Depreciation as at 31.12.2023</b>	<b>30,243,112</b>	<b>1,300,892</b>	<b>0</b>	<b>0</b>	<b>31,544,004</b>
<b>Write-downs as at 31.12.2023</b>	<b>0</b>	<b>0</b>	<b>27,371,329</b>	<b>0</b>	<b>27,371,329</b>
Increases	0	0	31,689,990	41,201,364	72,891,354
Decreases	0	0	0	0	0
<b>Write-downs as at 31.12.2023</b>	<b>0</b>	<b>0</b>	<b>59,061,319</b>	<b>41,201,364</b>	<b>100,262,683</b>
<b>Net carrying amount as at 31.12.2023</b>	<b>64,317,721</b>	<b>153,151</b>	<b>0</b>	<b>111,073,584</b>	<b>175,544,456</b>



The net value as at December 31, 2023 shown in the item „cost of finalized development works" consists of games:

1. Games of the acquired company Rortos S.r.l – games valued at fair value using the DCF method during the settlement of the acquisition and valued on an ongoing basis as at the balance sheet date in accordance with the EUR/PLN exchange rate:
  - Airline Commander – net value: PLN 23,166,262, remaining amortization period: 90 months;
  - Real Flight Simulator – net value: PLN 22,017,161, remaining amortization period: 90 months;
  - Wings of Heroes – net value: PLN 17,368,359, remaining amortization period: 101 months;
  - Other games – net value: PLN 844,877, remaining amortization period: 6 months.
2. Tools – total PLN 921,062.

Write-downs on capitalized gaming costs are related to the change in strategy, which is described in more detail in the note „Closing of projects and group layoffs".

The impairment of goodwill is described in more detail in the note below, i.e. „Goodwill".



CHANGES IN INTANGIBLE ASSETS (BY GROUP TYPES) for the period 01.01.2022 – 31.12.2022	Development costs	Computer software	Intangible assets under construction	Goodwill	TOTAL
<b>Gross carrying amount as at 01.01.2022</b>	<b>75,987,957</b>	<b>1,264,868</b>	<b>45,128,114</b>	<b>161,050,504</b>	<b>283,431,443</b>
Increases due to:	26,484,724	177,573	27,561,315	3,168,907	57,392,519
– acquisition	0	177,573	27,561,315	0	27,738,888
– reclassification	23,439,706	0	0	0	23,439,706
– balance sheet valuation	3,045,018	0	0	3,168,907	6,213,925
Decreases due to:	3,330,037	0	23,439,706	0	26,769,743
– liquidation	3,330,037	0	0	0	3,330,037
– reclassification	0	0	23,439,706	0	23,439,706
<b>Gross carrying amount as at 31.12.2022</b>	<b>99,142,644</b>	<b>1,442,441</b>	<b>49,249,723</b>	<b>164,219,411</b>	<b>314,054,219</b>
<b>Depreciation as at 01.01.2022</b>	<b>9,125,712</b>	<b>800,325</b>	<b>0</b>	<b>0</b>	<b>9,926,037</b>
Increases due to:	10,588,671	257,732	0	0	10,846,403
– amortization	10,588,671	257,732	0	0	10,846,403
Decreases due to:	909,465	0	0	0	909,465
– liquidation	909,465	0	0	0	909,465
<b>Depreciation as at 31.12.2022</b>	<b>18,804,918</b>	<b>1,058,057</b>	<b>0</b>	<b>0</b>	<b>19,862,975</b>
<b>Write-downs as at 01.01.2022</b>	<b>2,420,573</b>	<b>0</b>	<b>3,589,086</b>	<b>0</b>	<b>6,009,659</b>
Increases	0	0	23,782,243	0	23,782,243
Decreases	2,420,573	0	0	0	2,420,573
<b>Write-downs as at 31.12.2022</b>	<b>0</b>	<b>0</b>	<b>27,371,329</b>	<b>0</b>	<b>27,371,329</b>
<b>Net carrying amount as at 31.12.2022</b>	<b>80,337,726</b>	<b>384,384</b>	<b>21,878,394</b>	<b>164,219,411</b>	<b>266,819,915</b>

As at December 31, 2023 and 2022, all intangible assets are the property of the Group.

The Group does not have any intangible assets with limited right of use.

The Group does not have bank loans secured by intangible assets.

# 10.

## GOODWILL

On July 5, 2021, the Parent Company as the buyer, with the existing partners Antonio Farina and Roberto Simonetti as the sellers, concluded an agreement for the sale of all shares to Rortos S.r.l with its registered office in Verona.

The price for the entire share in Rortos acquired was set at EUR 45 million without taking into account the level of cash and debt free (cash free and debt free basis) based on the EBITDA profit multiplier for 2020, normalized by the capitalization of personnel costs, at the level of 9.8. Adjusted for cash and debt, the payment amounted to EUR 46.7 million at the settlement date. In addition, under the conditions set out in the Agreement, the Sellers will be entitled to additional remuneration (earn-out payment) depending on the results of Rortos in the period from July 1, 2021 to December 31, 2025, calculated in accordance with the formula agreed in the Agreement – in the maximum amount not higher than the EBITDA result achieved by Rortos in an adequate period.

In 2021, the Company settled the acquisition of shares and calculated the liability to pay for earn-out payments.

In 2022 and 2023, the liability due to of the acquisition was updated based on Rortos's projected results in the coming years and the predicted earn-out amount.

Settlement at the acquisition date:

SPECIFICATION	in EUR	in PLN
<b>Paid amount</b>	<b>55,848,669</b>	<b>252,754,322</b>
Airline Commander	7,104,036	32,150,736
Real Flight Simulator	6,751,659	30,555,985
Wings of Heroes	4,272,266	19,334,994
Other games	1,168,030	5,286,159
Equity, net	1,617,130	7,318,646
<b>Goodwill (surplus of value paid over recognized assets)</b>	<b>34,935,546</b>	<b>158,107,803</b>

LIABILITY RELATED TO RORTOS ACQUISITION	Data in PLN as at 31.12.2023	Data in PLN as at 31.12.2022
Value at acquisition date (discounted)	252,754,322	252,754,322
Cash payment – July 2021 (FIFO valuation)	-211,102,628	-211,102,628
Earnout cash payment – April 2023 (FIFO valuation)	-4,350,094	0
Unwinding of the discount 2021 (finance cost)	2,652,789	2,652,789
Unwinding of the discount 2022 (finance cost)	5,953,645	5,953,645
Unwinding of the discount 2023 (finance cost)	5,203,049	0
Revaluation of the liability as at 31.12.2022 (cash flow model + balance sheet valuation)	8,534,740	8,534,740
Revaluation of the liability as at 31.12.2023 (cash flow model + balance sheet valuation) <sup>[1]</sup>	-24,286,569	0
<b>Value at the balance sheet date – other liabilities, including:</b>	<b>35,359,254</b>	<b>58,792,868</b>
– short-term	11,137,640	4,334,872
– long-term	24,221,614	54,457,996

[1] the balance sheet valuation as at December 31, 2023 amounted to PLN – 4.2 million (reduction of liabilities, i.e. revenue).



## ANNUAL IMPAIRMENT TEST

In accordance with the provisions of IAS 36 Impairment of assets, the Company assesses for each reporting period whether there are any indications (internal and external) that any of the assets may have been impaired. If at least one of the conditions occurs, a formal estimate of the recoverable amount should be made.

Rortos S.r.l has in its portfolio 3 large games that generate current cash flows and several smaller projects. The main games are Real Flight Simulator, Airline Commander and Wings of Heroes. The level of cash flow in the first two titles has been relatively stable over recent years and is the main source of income for the studio. The latest production, i.e. Wings of Heroes, is in the phase of intensive reconstruction, a team of outstanding specialists from both Poland and Italy is working on it, and a significant improvement in the game's parameters seems to be in the future. The initial models used to recognize the Company's acquisition were based on stable cash flows for the Real Flight Simulator and Airline Commander games, which is actually the case, and a significant impact on the results of the new title already in 2023 and 2024. Taking into account the specificity of the industry, this model is obviously subject to enormous uncertainty. As at the balance sheet date, the Management Board of the Parent Entity believes that further implementation of Rortos' plans and an increase in the value of Wings of Heroes are possible, but their pace is slower and results from the specificity of F2P product development. In accordance with IAS 36, the Company's Management Board decided to create a write-off of Rortos goodwill.

Taking into account the result of the test carried out as of December 31, 2023 in relation to the value of the company acquired as a result of the merger of enterprises, i.e. the acquisition of Rortos SRL included in the consolidated financial statements, and the need to recognize a loss (impairment write-off) due to the impairment of the asset to which goodwill was assigned, it was necessary to conduct an impairment test for the shares of Rortos SRL. This test was based on a comparison of the book value of the shares of Rortos SRL with its recoverable value, determined using the income method, based on estimated discounted future cash flows, taking into account (following the prudence principle) the updated future value of expected gaming revenues and their profitability taking into account the potential impact of identifiable risks. Adopted assumptions:

- » the determination of the recoverable value was carried out at the level of the cash-generating unit CGU, i.e. Rortos SRL,
- » the recoverable amount was determined based on the CGU's discounted future cash flows resulting from the CGU's financial projections for 2024-2026 (detailed forecast period). The adoption of a three-year detailed forecast period is justified due to the fact that in the current economic situation there is no sufficiently reliable data for subsequent reporting periods due to the high volatility of various factors,
- » due to the fact that the assumed economic useful life of the CGU extends beyond 2026, the marginal value of the CGU was also determined and included in the calculation of the recoverable value,
- » a weighted average after-tax cost of capital ("WACC") was used over the projection period of 9.50%,
- » cash allocated to CGU was included to determine the carrying value of the tested assets.

As a result of the calculations, the recoverable amount was determined at EUR 40.1 million (PLN 174.4 million using the exchange rate for the balance sheet valuation). As a result of the test, a loss (write-down) was recognized due to the impairment of Rortos SRL shares in the total amount of EUR 9.4 million (PLN 40.8 million). At the same time, the estimated amount to be paid in the form of earnout payments has changed. The decrease in liabilities amounted to EUR 4.5 million (PLN 20.1 million).

### Key assumptions of the impairment test:

TYPE OF THE ASSUMPTION	APPLIED ASSUMPTIONS
Basis of recoverable amount	Value in use
Source	Internal estimates
Methodology	Discounted cash flows
Discount rate (WACC)	9.50%
Perpetual Growth Rate (PGR)	2.50%

The sensitivity analysis for the probable values of changes in the discount rate and changes in the value of the perpetual growth rate as at December 31, 2023 are presented in the tables below:

#### Change in the value of the discount rate (WACC) for the residual period (change given in percentage points)

	-1.0 p.p	-0.5 p.p	-0.25 p.p	0.0 p.p	+0.25 p.p	+0.5 p.p	+1.0 p.p
Current value FCFF (EUR)	50,982,728	43,192,156	41,603,002	40,126,551	38,751,160	37,466,738	33,078,479
Surplus / Deficiency over the book value of the CGU (EUR)	1,466,533	-6,324,039	-7,913,193	-9,389,644	-10,765,035	-12,049,457	-16,437,716

#### Change in the value of the perpetual growth rate (PGR) for residual period (change given in percentage points)

	-1.0 p.p	-0.5 p.p	-0.25 p.p	0.0 p.p	+0.25 p.p	+0.5 p.p	+1.0 p.p
Current value FCFF (EUR)	35,800,765	37,819,465	38,933,230	40,126,551	41,408,265	42,788,573	45,894,265
Surplus / Deficiency over the book value of the CGU (EUR)	-13,715,430	-11,696,730	-10,582,965	-9,389,644	-8,107,930	-6,727,622	-3,621,930



## OTHER FINANCIAL ASSETS

SPECIFICATION	as at 31.12.2023	as at 31.12.2022
<b>Other financial assets:</b>	<b>23,117,182</b>	<b>21,765,555</b>
– investment in Gamesture	12,225,850	11,574,781
– <i>gross value</i>	26,164,795	14,320,389
– <i>share in Gamesture's loss</i>	-8,524,610	-2,745,608
– <i>write-down of value of investment in Gamesture</i>	-5,414,334	0
– participation units of the Sisu Game Ventures investment fund	8,164,078	7,923,240
– deposit on the office lease	2,727,254	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 amount was 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 amount was approximately USD 2.7 million. The value as at the balance sheet date was adjusted for the loss of Gamesture attributable to the shares held by Ten Square Games S.A. and the write-down resulting from the impairment tests, which is described in detail below.

The change in the value of participation units over time results from the balance sheet valuation, and the value of the deposit is a multiple of the rent paid along with operating fees. Each year these payments are adjusted for inflation/real purchase prices of services.

## Annual impairment test – Gamesture

In accordance with the provisions of IAS 36 Impairment of assets, the Company assesses for each reporting period whether there are any indications (internal and external) that any of the assets may have been impaired. If at least one of the conditions occurs, a formal estimate of the recoverable amount should be made. Gamesture Sp. z o. o. has historically generated and will also generate an operating loss in 2023, hence this was the premise for performing the test.

Gamesture Sp. z o. o. constantly looking for a niche for itself decided to focus on social wars games genre in 2022. The first such titles were created in 2022 and during 2023, however, due to the implementation of other, less profitable projects, it was not possible to achieve economies of scale and thus break even. During 2023, the Company underwent restructuring, reduced employment and closed the project (Hero Legacy), which consumed significant financial resources. From that moment on, the only games developed were those from the social wars genre. The parameters of these games are very promising, which, combined with reduced operating costs, should allow the company to achieve a break even in the next few quarters. Nevertheless, as at the date of the tests, in accordance with the requirements contained in IAS 36, the company had to estimate future cash flows using all prudential principles.

The test was based on a comparison of the goodwill of Gamesture Sp. z o. o. with its recoverable value, determined using the income method, based on estimated discounted future cash flows, taking into account (following the prudence principle) the updated future value of expected gaming revenues, their profitability, taking into account the potential impact of identifiable risks – in the part attributable to Ten Square Games, i.e. in 36.9%. Assumptions made:

- » determining the recoverable value was carried out at the level of the CGU cash-generating unit, i.e. Gamesture Sp. z o. o.,
- » the recoverable amount was determined based on the CGU's discounted future cash flows resulting from the CGU's financial projections for 2024-2026 (detailed forecast period). The adoption of a three-year detailed forecast period is justified due to the fact that in the current economic situation there is no sufficiently reliable data for subsequent reporting periods due to the high variability of various factors,
- » due to the fact that the assumed economic useful life of the CGU extends beyond 2026, the marginal value of the CGU was also determined and included in the calculation of the recoverable value,
- » the weighted average after-tax cost of capital ("WACC") was used in the projection period at the level of 11.98%.

As a result of the calculations, the recoverable value was determined at PLN 33.1 million, which means PLN 12.2 million attributable to Ten Square Games (36.9% share in profits). As a result of the test, a loss (impairment write-down) was recognized on account of the impairment in the value of shares in the total amount of PLN 5.4 million.



### Key assumptions of the impairment test:

TYPE OF THE ASSUMPTION	APPLIED ASSUMPTIONS
Basis of recoverable amount	Value in use
Source	Internal estimates
Methodology	Discounted cash flows
Discount rate (WACC)	11.98%
Perpetual Growth Rate (PGR)	2.50%

The sensitivity analysis for the probable values of changes in the discount rate and changes in the value of the perpetual growth rate as at December 31, 2023 are presented in the tables below:

#### Change in the value of the discount rate (WACC) for the residual period (change given in percentage points)

	-1.0 p.p	-0.5 p.p	-0.25 p.p	0.0 p.p	+0.25 p.p	+0.5 p.p	+1.0 p.p
Current value FCFE (EUR)	13,719,711	12,931,221	12,568,990	12,225,850	11,900,330	11,591,107	11,016,885
Surplus / Deficiency over the book value of the CGU (EUR)	-3,920,474	-4,708,964	-5,071,195	-5,414,335	-5,739,855	-6,049,078	-6,623,300

#### Change in the value of the perpetual growth rate (PGR) for residual period (change given in percentage points)

	-1.0 p.p	-0.5 p.p	-0.25 p.p	0.0 p.p	+0.25 p.p	+0.5 p.p	+1.0 p.p
Current value FCFE (EUR)	11,214,742	11,694,959	11,953,582	12,225,850	12,512,872	12,815,881	13,475,519
Surplus / Deficiency over the book value of the CGU (EUR)	-6,425,443	-5,945,226	-5,686,603	-5,414,335	-5,127,313	-4,824,304	-4,164,666

# 12.

## INFORMATION ON FINANCIAL INSTRUMENTS

FINANCIAL ASSETS	31.12.2023	31.12.2022	Category of financial instruments
Other financial assets (long-term), including:	23,117,182	21,765,555	
<i>deposit</i>	<i>2,727,253</i>	<i>2,267,534</i>	<i>financial assets evaluated at amortized costs</i>
<i>Participation units in the investment fund Sisu Game Ventures</i>	<i>8,164,078</i>	<i>7,923,240</i>	<i>financial assets evaluated at amortized costs</i>
<i>shares in Gamesture sp. z o.o.</i>	<i>12,225,851</i>	<i>11,574,781</i>	<i>financial assets evaluated at amortized costs</i>
Trade receivables and other receivables, including	40,320,982	47,491,674	
<i>unrealized exchange rate differences on valuation</i>	<i>38,369</i>	<i>45,798</i>	<i>financial assets evaluated at amortized costs</i>
Cash and cash equivalents, including:	142,005,482	126,594,883	
<i>unrealized exchange rate differences on valuation</i>	<i>-276,456</i>	<i>-183,150</i>	<i>financial assets evaluated at amortized costs</i>
<b>FINANCIAL LIABILITIES</b>	<b>31.12.2023</b>	<b>31.12.2022</b>	<b>Category of financial instruments</b>
Trade liabilities, including:	10,422,303	13,135,328	
<i>unrealized exchange rate differences on valuation</i>	<i>-1,496</i>	<i>32,091</i>	<i>financial liabilities evaluated at amortized costs</i>

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

# 13.

## RECEIVABLES

The structure of receivables is presented in table below:

SPECIFICATION	as at 31.12.2023	as at 31.12.2022
Trade receivables	38,936,754	35,280,551
Other receivables	4,184,007	7,013,685
Accruals	3,929,886	5,197,438
<b>Receivables</b>	<b>47,050,647</b>	<b>47,491,674</b>

### 13.1. Trade receivables

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

1. Google Inc. – 36.54% as of 31 December 2023 compared to 52.6% as of 31 December 2022;
2. Apple Distribution International – 41.36% at 31 December 2023 compared to 36% at 31 December 2022;
3. Xsolla Inc. 15.08%, no balance for 31.12.2023.

No other entity exceeded a 10% share of total receivables on 31 December 2023.

### Currency structure:

CURRENCY	31.12.2023			31.12.2022		
	amount in currency	valuation	% share	amount in currency	valuation	% share
USD	5,388,512	21,203,796	54.46%	2,865,026	12,611,272	35.70%
PLN	13,306,660	13,306,660	34.18%	17,919,819	17,919,819	50.80%
EUR	968,698	4,211,901	10.82%	843,436	3,955,633	11.20%
RUB	336,159	14,354	0.04%	8,741,150	540,203	1.50%
Other currencies	—	200,043	0.50%	—	253,624	0.80%
<b>TOTAL</b>	<b>—</b>	<b>38,936,754</b>	<b>100%</b>	<b>—</b>	<b>35,280,551</b>	<b>100%</b>

### Age structure:

OVERDUE	31.12.2023 value of receivables	31.12.2022 value of receivables
not overdue	36,105,921	34,635,419
up to 1 month	2,828,531	32,813
1-3 months	1,052	46,168
3-6 months	1,250	10,237
6-12 months	0	554,402
over a year	0	1,512
<b>Total receivables</b>	<b>38,936,754</b>	<b>35,280,551</b>

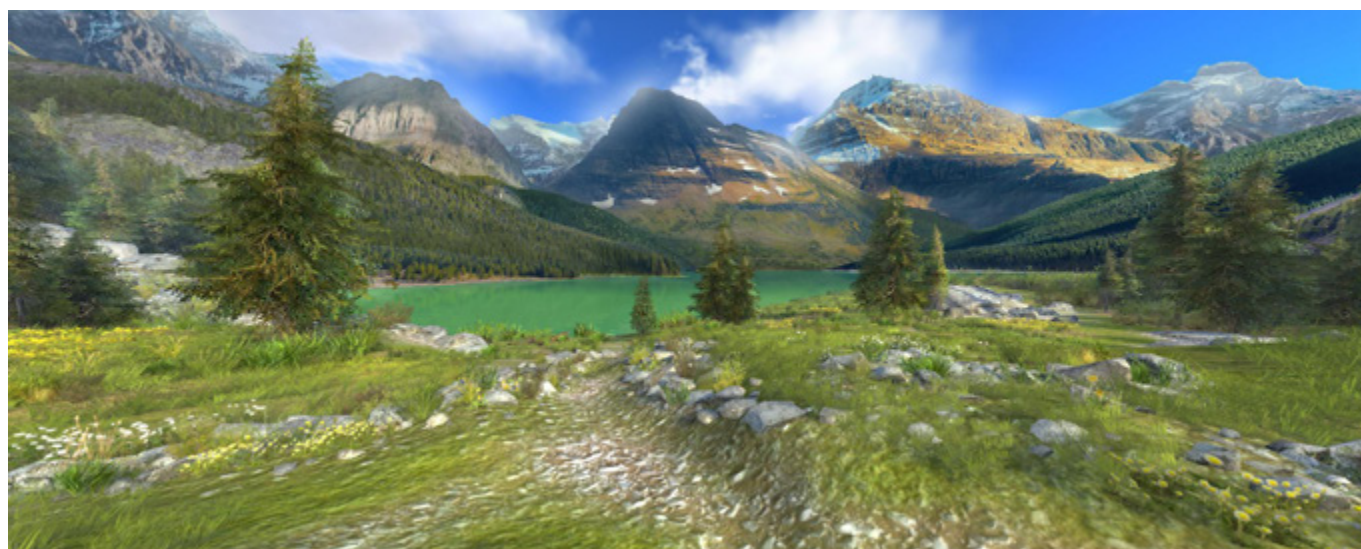
Receivables from other entities overdue by up to one month in the full amount of PLN 2,828,531 were repaid at the beginning of 2024.

## 13.2. Other receivables

SPECIFICATION	as at 31.12.2023	as at 31.12.2022
<b>Other short-term receivables, including:</b>	<b>4,184,007</b>	<b>7,013,685</b>
– tax related	4,116,395	6,730,833
– deposit for office rental	67,612	282,852

## 13.3. Accruals

SPECIFICATION	as at 31.12.2023	as at 31.12.2022
Maintenance of software technical service/program subscriptions	3,209,401	3,245,961
Annual fee – marketing campaign tracking tool	355,385	552,773
Registration fees for filing trademarks	94,950	312,518
Insurance	87,472	81,494
Training for leaders	0	274,840
Other accruals	182,678	729,852
<b>Active cost accruals</b>	<b>3,929,886</b>	<b>5,197,438</b>



# 14.

## CASH AND CASH EQUIVALENTS

SPECIFICATION	as at 31.12.2023	as at 31.12.2022
Cash at hand and in bank accounts:	162,825,718	126,594,883
cash on hand	17,096	19,038
cash in bank accounts	162,808,622	126,575,845
including deposits up to 3 months	114,322,762	67,228,898
<b>Total</b>	<b>162,825,718</b>	<b>126,594,883</b>

As at December 31, 2023, the company had cash in the following banks: ING Bank Śląski S.A. and Bank Gospodarstwa Krajowego S.A. The maximum value of credit risk associated with cash equals its carrying value. Cash in current accounts does not bear interest. The fair value of cash and cash equivalents as at December 31, 2023 does not differ significantly from their carrying value.

# 15.

## SHARE CAPITAL

The share capital of Ten Square Games S.A. as at 31.12.2023 amounts to PLN 733,482.20 and is divided into 7,334,822 bearer shares with a nominal value of PLN 0.10 each.

# 16.

## OWN SHARES

### BUYBACK 2022

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

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

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

### DISTRIBUTION OF SHARES FROM THE BUYBACK IN 2023 AND IN 2024

In September 2023 and December 2023, the Company's Management Board created incentive programs for key employees (contract of employment and B2B) of the Group. After meeting certain criteria the program participants were granted shares.

Additionally, on December 19, 2023, the General Meeting of Shareholders adopted an incentive program for the Company's Management Board, under which shares could also be distributed to Management Board members after meeting certain criteria.

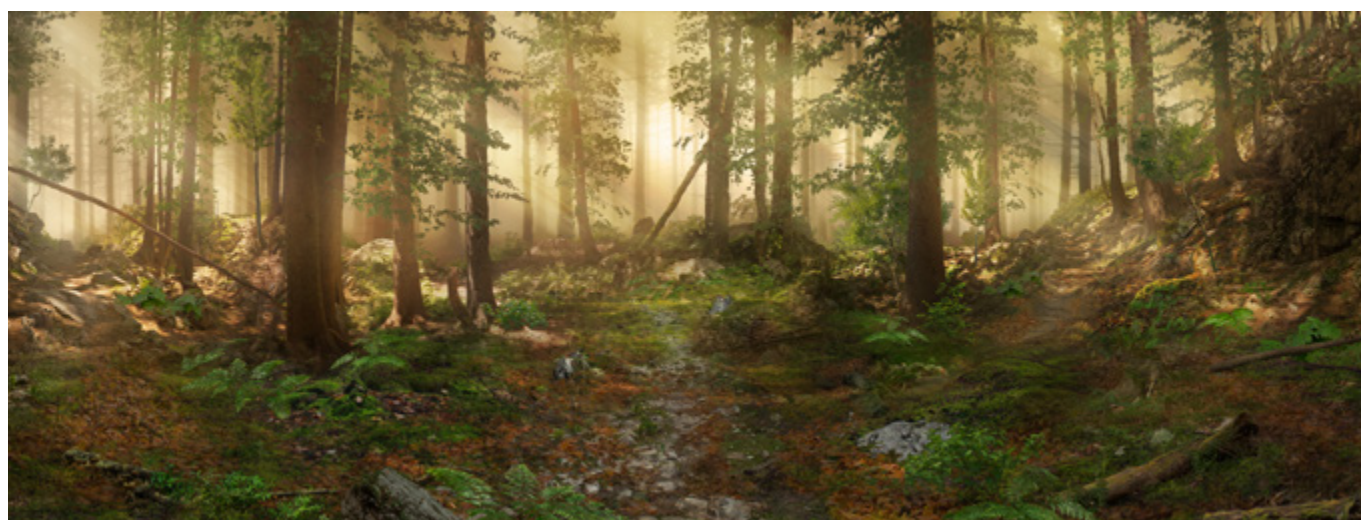
As at the date of issuing this report, the Company distributed 31,464 shares under the above-mentioned programs. Participants purchased them by paying the nominal amount of shares to the Company, i.e. PLN 0.1 per share. There are still 38,536 shares to be distributed.

# 17.

## TRADE LIABILITIES

SPECIFICATION	as at 31.12.2023	as at 31.12.2022
<b>Trade liabilities</b>	<b>10,422,303</b>	<b>13,135,328</b>
towards related parties	174,531	0
towards third parties	10,247,772	13,135,328

SPECIFICATION	Total	due date		
		overdue:		not overdue, payable to:
		0 – 30 days	30 – 90 days	0 – 30 days
<b>31.12.2023</b>	<b>10,422,303</b>	<b>713</b>	<b>19,463</b>	<b>10,402,127</b>
towards related parties	174,531	0	0	174,531
towards third parties	10,247,772	713	19,463	10,227,596
<b>31.12.2022</b>	<b>13,135,328</b>	<b>280</b>	<b>10,129</b>	<b>13,124,919</b>
towards related parties	0	0	0	0
towards third parties	13,135,328	280	10,129	13,124,919





# 18.

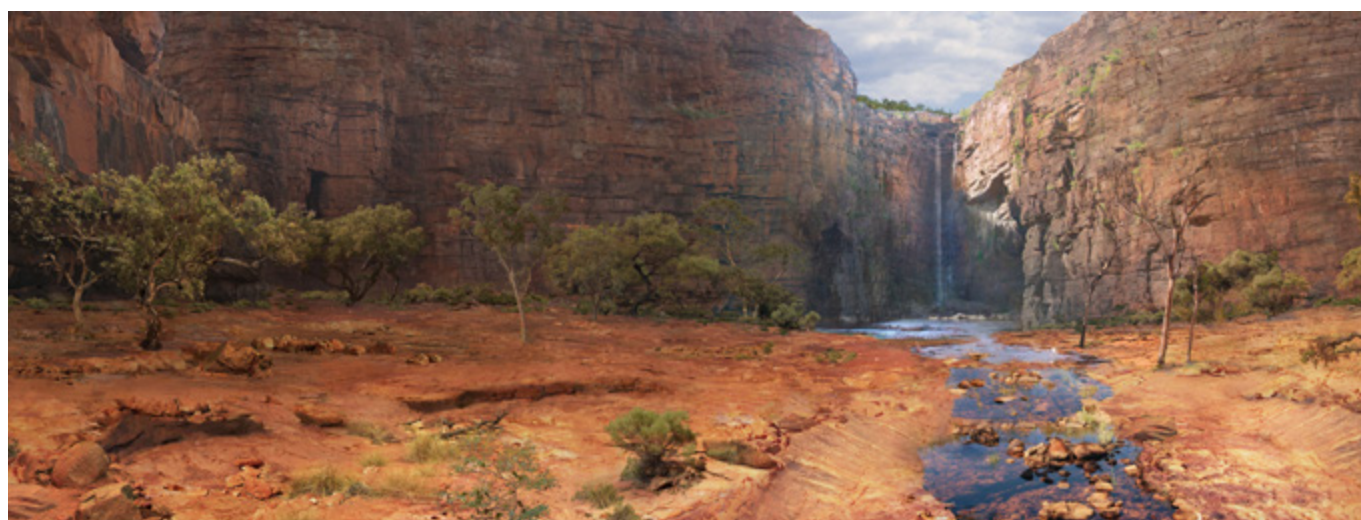
## LEASE LIABILITIES

SPECIFICATION	as at 31.12.2023	as at 31.12.2022
Short-term lease liabilities	3,638,032	3,807,223
Long-term lease liabilities	1,379,495	5,412,072
– due within 1 to 2 years	679,178	3,924,104
– due within 2 to 3 years	124,857	732,584
– due within 3 to 4 year	125,945	134,675
– due within 4 to 5 years	449,515	620,709
<b>TOTAL LEASE LIABILITIES</b>	<b>5,017,527</b>	<b>9,219,295</b>

Leasing liabilities result from concluded leasing agreements described in detail in note no. 30.

The costs included in the result resulting from concluded leasing agreements are presented below.

SPECIFICATION	as at 31.12.2023	as at 31.12.2022
Amortization	3,675,864	2,738,739
Interest	192,402	301,239
Realised and unrealised exchange rate differences	797,509	881,885



# 19.

## OTHER LIABILITIES

SPECIFICATION	as at 31.12.2023	as at 31.12.2022 [restated data <sup>[1]</sup> ]
<b>Liabilities due to the acquisition of Rortos (earn-out payments)</b>	<b>35,359,254</b>	<b>58,792,868</b>
– long-term	24,221,614	54,457,996
– short-term	11,137,640	4,334,872
<b>Other liabilities</b>	<b>5,073,162</b>	<b>4,702,819</b>
– long-term	0	0
– short-term, including:	5,073,162	4,702,819
Foreign VAT tax	2,924,921	2,389,516
Withholding Tax	27,429	56,628
Personal Income Tax	214,101	321,970
Social insurance contributions (ZUS)	1,271,574	1,379,382
State Fund for Rehabilitation of Disabled People (PFRON)	27,632	32,766
Other liabilities	607,505	522,557
<b>TOTAL OTHER LIABILITIES</b>	<b>40,432,416</b>	<b>63,495,687</b>
– long-term	24,221,614	54,457,996
– short-term	16,210,802	9,037,691

Liability due to earn-out payments are described in more detail in the note „Goodwill“.

As at December 31, 2023, the Parent Company had an overdue foreign VAT liability in the amount of PLN 2.4 million (the tax for 2023 is payable by the end of February 2024). At the beginning of 2024, the Parent Company paid the required amount of tax. Until the date of publication of the report, the Parent Company had not received information from a foreign tax office about the interest due for late payment. The arrears will be settled immediately after receiving information about the interest rate.

The company had no other significantly overdue liabilities as at the balance sheet date of December 31, 2023 and December 31, 2022.

[1] The restatement of comparative data is presented in point 6 of the „Consolidated Financial Statements“

# 20.

## SOCIAL ASSETS AND LIABILITIES OF THE COMPANY'S SOCIAL BENEFITS FUND

The Group did not have any company social benefits fund as at the balance sheet date 31.12.2023 and 31.12.2022.

# 21.

## CONTINGENT LIABILITIES

As at December 31, 2023 and as at December 31, 2022, the Group did not have any significant contingent liabilities, including guarantees and sureties, including bills of exchange.



# 22.

## PROVISIONS FOR EMPLOYEES BENEFITS

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

SPECIFICATION	As at 01.01.2023	Changes during the year			As at 31.12.2023
		Assumption	Reclassification from long-term to short-term	Use	
Holiday provision	1,692,431	1,884,874	0	-1,692,431	1,884,874
TFR provision <sup>[1]</sup>	818,387	109,639	0	0	928,026
Provisions for bonuses (short term)	4,282,164	3,604,624	1,268,689	-4,282,164	4,873,313
Provisions for bonuses (long term)	2,983,161	1,663,459	-1,268,689	-372,217	3,005,714
<b>TOTAL PROVISIONS</b>	<b>9,776,143</b>	<b>7,262,596</b>	<b>0</b>	<b>-2,961,950</b>	<b>10,691,927</b>

The provision for bonuses results mainly (in total PLN 6.8 million) from the bonus system in force in the Capital Group from 2021. The main purpose of the incentive program is tight closely key employees with the TSG Group. These bonuses depend on financial results and are payable only upon continued employment in the Capital Group at the time of payment – in various proportions, this is the period from several months to 2.5 years after the end of the period for which they are due.

The remaining amount of bonus provisions (PLN 1.1 million) are mainly short-term provisions, payable in the first half of 2024, in most cases these are amounts due for Q4 2023.

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

SPECIFICATION	As at 01.01.2022	Changes during the year			As at 31.12.2022
		Assumption	Reclassification from long-term to short-term	Use	
Holiday provision	1,353,213	1,692,431	0	-1,353,213	1,692,431
TFR provision <sup>[1]</sup>	0	818,387	0	0	818,387
Provisions for bonuses (short term)	5,881,405	3,062,749	1,219,415	-5,881,405	4,282,164
Provisions for bonuses (long term)	2,588,248	1,694,392	-1,219,415	-80,064	2,983,161
<b>TOTAL PROVISIONS</b>	<b>9,822,866</b>	<b>7,267,959</b>	<b>0</b>	<b>-7,314,682</b>	<b>9,776,143</b>

[1] TFR provision applies to Rortos – it is the remuneration paid to the employee at the time of leaving the company.

# 23.

## FINANCIAL RISK MANAGEMENT OBJECTIVES AND PRINCIPLES

The Group's operations are exposed to the following financial risks:

- a. credit risk,
- b. liquidity risk,
- c. market risk.

**Credit risk** – this is a risk that arises when one of the parties to a financial instrument causes the Group to incur financial losses, if it fails to meet its obligations towards the Group. Credit risk arises in the case of receivables, cash and cash equivalents, deposits, purchased bonds and deposits.

The Group's core business – generating revenues from games – due to its specific nature, is to a negligible extent exposed to this type of risk. The Group cooperates with a narrow group of customers (including aggregators of payments from individual users) and through long-established relationships and historical absence of problems with the repayment of receivables, exposure to a single credit risk is not high. The vast majority of receivables are repaid within 3 months after the receivables arise. The Group consistently monitors the inflow of receivables and keeps in touch with customers in case of payment delays. The Group invests its cash in reliable financial institutions (banks). Credit risk concerns the Group to an insignificant extent.

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

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

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

**Interest rate risk** – is the risk that arises when the fair value of a financial instrument or future cash flows associated with it will fluctuate due to changes in market interest rates.

The Group invests the surplus of funds in interest-bearing assets (interest-bearing deposits), but this is not a significant risk related to changes in interest rates.

The main risk of interest rate changes is related to debt instruments, however, in both 2022 and 2021, the Group did not use external debt instruments with variable interest rates (loans and bonds), therefore it was not exposed to changes in cash flows as a result of changes in interest rates.

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



# 24.

## ANALYSIS OF EXPOSURE TO CURRENCY RISK

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

<b>31.12.2023</b> CURRENCY RISK EXPOSURE TO CURRENCY RISK	USD	EUR	RUB	GBP	other currencies (excluding PLN)
trade receivables in currency in currency	5,388,512	968,698	336,159	0	—
trade receivables valued at PLN	21,203,796	4,211,901	14,354	0	200,043
cash in foreign currency	5,790,889	326,399	0	0	—
cash and cash equivalents valued at PLN	22,787,147	1,419,182	0	0	0
trade liabilities in currency	1,824,663	254,454	0	0	—
trade liabilities valued at PLN	7,180,049	1,106,367	0	0	2,898
<b>net exposure in currency</b>	<b>9,354,738</b>	<b>1,040,643</b>	<b>336,159</b>	<b>0</b>	<b>—</b>
<b>net exposure in PLN</b>	<b>36,810,894</b>	<b>4,524,716</b>	<b>14,354</b>	<b>0</b>	<b>136,073</b>

Data for the previous reporting period:

<b>31.12.2022</b> CURRENCY RISK EXPOSURE TO CURRENCY RISK	USD	EUR	RUB	GBP	other currencies (excluding PLN)
trade receivables in currency in currency	2,865,026	843,436	8,741,150	0	—
trade receivables valued at PLN	12,611,272	3,955,633	540,203	0	253,624
cash in foreign currency	3,626,808	5,531,201	0	72,986	—
cash and cash equivalents valued at PLN	15,964,484	25,940,794	0	386,512	175,923
trade liabilities in currency	1,524,211	685,698	0	10,500	—
trade liabilities valued at PLN	6,709,271	3,215,857	0	55,605	327,755
<b>net exposure in currency</b>	<b>4,967,623</b>	<b>5,688,939</b>	<b>8,741,150</b>	<b>62,486</b>	<b>—</b>
<b>net exposure in PLN</b>	<b>21,866,485</b>	<b>26,680,570</b>	<b>540,203</b>	<b>330,907</b>	<b>101,792</b>

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

CURRENCY RISK – SENSITIVITY ANALYSIS	as at 31.12.2023	as at 31.12.2022
Change by +10% / -10%	+4,148,604 / -4,148,604	+4,951,996 / -4,951,996





# 25.

## CAPITAL MANAGEMENT

The main objective of the Group's capital management is to maintain solid credit rating and safe capital ratios that would support the Group's operations and increase the value for its shareholders.

At present, the Group finances its operations with operating profits and does not use debt financing. The Group manages its capital structure and may change it as a result of changes in the economic situation. In order to maintain or adjust the capital structure, the Group may change the payment of dividends to shareholders, return capital to shareholders or issue new shares. In the years ended 31 December 2023 and 31 December 2022, no changes were introduced to the objectives, principles and processes applicable in this area.

SPECIFICATION	as at 31.12.2023	as at 31.12.2022 [restated data <sup>[1]</sup> ]
Interest-bearing loans and borrowings	0	0
Trade liabilities and other liabilities	50,854,719	76,631,015
Cash and cash equivalents	162,825,718	126,594,883
<b>Net debt</b>	<b>-111,970,999</b>	<b>-49,963,868</b>
Equity	291,010,934	340,075,853
<b>Total capital</b>	<b>291,010,934</b>	<b>340,075,853</b>
<b>Net equity and debt</b>	<b>402,981,933</b>	<b>390,039,721</b>

[1] The restatement of comparative data is presented in point 6 of the „Consolidated Financial Statements“.

# 26.

## EMPLOYEE BENEFIT PLANS

In connection with the introduction of the Employee Capital Plan program in Poland, the Company entered into an agreement with Aviva Specialized Open Investment Fund PPK to operate the Employee Capital Plan, and the Parent Company's employees became participants in the Plan from November 2020. Due to the merger of the companies, from July 2, 2022 in Poland, the Aviva brand changed into Allianz. Investment company Aviva Investors Poland Towarzystwo Funduszy Inwestycyjnych S.A. changed its name to Towarzystwo Funduszy Inwestycyjnych Allianz Polska S.A. The total costs of the PPK program incurred by the Company in 2023 amounted to PLN 217 thousand, compared to PLN 222 thousand in 2022.



# 27.

## INCENTIVE PROGRAMS

### INCENTIVE PROGRAM FOR THE PRESIDENT OF THE MANAGEMENT BOARD – MAY 2020

In the reporting period, the Company recognized the last part of the cost of a dedicated incentive program for the President of the Management Board, Mr. Maciej Zużalek. The incentive program in question includes the transfer of 144,825 shares by the Company's existing shareholders at a nominal price of PLN 0.1 per share. In accordance with IFRS 2 „Share-based payments”, each transfer of capital instruments of an economic entity made by its shareholders to contractors providing goods or services is a share-based payment and is subject to valuation in accordance with the indicated standard. The market value of the program amounted to PLN 72.4 million, and the cost (not related to cash outflow) was borne by the Group proportionally over a period of 3 years (12 started quarters), starting from the second quarter of 2020 and ending in the first quarter of 2023.

### INCENTIVE PROGRAM FOR KEY PERSONNEL – SEPTEMBER 2023

On September 5, 2023, the Management Board of the Parent Entity adopted a short-term incentive program for key employees and associates of the Capital Group. The condition for receiving the shares was to remain in the Group's structures until the end of 2023, and the total pool of the program was 8,164 shares. After meeting the program conditions, participants purchased shares in January 2024 for a nominal share price of PLN 0.10 per share. The shares used in this program come from the buyback of shares that took place in the first quarter of 2022. The shares transferred to program participants are subject to a time limit for their sale until the end of 2024.

### INCENTIVE PROGRAM FOR KEY PERSONNEL – DECEMBER 2023

On December 21, 2023, the Management Board of the Parent Entity adopted an incentive program for 2024-2025 for key personnel (i.a. employment contract, B2B) of the Capital Group. The condition for receiving shares is meeting individual quality criteria for participants; financial criteria (Group results); criterion of remaining employed within the Group. In total, participants will be able to purchase up to 32,400 shares in three tranches. After meeting the program conditions, participants will be able to purchase shares for a nominal share price of PLN 0.10 per share. The shares used in this program come from share buybacks that took place in the first quarter of 2022 and 2024. The shares transferred to program participants will be subject to a time lock-up before they will be able to sell them. As at the date of issuing this report, 10,800 shares were distributed to participants as part of the settlement of the program in the first quarter of 2024.

## INCENTIVE PROGRAM FOR THE MANAGEMENT BOARD – DECEMBER 2023

On December 19, 2023, the General Meeting of Shareholders of the Company adopted an incentive program for 2024-2025 addressed to members of the Company's Management Board. The condition for receiving shares is to present an action plan for 2024 (1st tranche); meeting financial criteria (Group's results) for 2024-2025 (2nd and 3rd tranches); remaining on the Company's Management Board. In total, participants will be able to purchase up to 37,500 shares in three tranches. After meeting the program's conditions, participants will be able to purchase shares for a nominal share price of PLN 0.10 per share. The shares used in this program come from the share buyback that took place in the first quarter of 2022. The shares transferred to program participants will be subject to a sale time lock up. As at the date of issuing this report, 12,500 shares were distributed to participants as part of the settlement of the program in the first quarter of 2024.

## RECONCILIATION OF COSTS

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

SPECIFICATION	for the period 01.01.2023 – 31.12.2023	for the period 01.01.2022 – 31.12.2022
Share-based payments – cost by nature:	6,690,040	23,641,852
Cost of incentive program for the President of the Management Board – Maciej Zuzalek	6,033,168	24,132,672
Cost of incentive program in 2023 [September 2023 program]	656,872	0
Cost of incentive program in 2021 (in 2022 reversal of the cost of unissued, pre-allocated shares)	0	-490,820
Share-based payments – costs by function:	6,690,040	24,029,346
Cost of goods and services sold	145,873	0
Selling costs	66,458	0
General administrative costs	6,477,709	24,029,340
Capitalisation of share-based payment costs (game production)	0	-387,488

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

SPECIFICATION	as at 31.12.2023	as at 31.12.2022
<b>TOTAL Capital from the settlement of the incentive scheme</b>	<b>95,471,416</b>	<b>88,781,376</b>
Including costs of the incentive program for the CEO of the Company – Maciej Zuzalek	72,398,022	66,364,854
Including costs of incentive program in 2023 [September 2023 program]	656,872	0
Including costs of incentive program in 2021	17,079,974	17,079,974
Including costs of incentive program in 2020	3,572,514	3,572,514
Including costs of incentive program in 2019	1,187,441	1,187,441
Including costs of incentive program in 2018	236,328	236,328
Including costs related to contracts executed in 2017	340,265	340,265

# 28.

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

The tables below present total amounts of transactions conducted with affiliates for the current and previous reporting periods:

### 28.1. Management Board

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

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.

AFFILIATED PERSON	PERIOD	Remuneration		Net dividend	
		01.01.2023 – 31.12.2023	01.01.2022 – 31.12.2022	01.01.2023 – 31.12.2023	01.01.2022 – 31.12.2022
<b>Management Board (total due remuneration)</b>		<b>9,427,589</b>	<b>29,030,296</b>	<b>834,775</b>	<b>2,775,554</b>
<b>Maciej Zuzalek (till 22.05.2023)</b>		<b>6,375,362</b>	<b>24,957,072</b>	n/a	<b>1,578,091</b>
– Ten Square Games S.A. – cash fixed remuneration		342,194	824,400	n/a	1,578,091
– Ten Square Games S.A. – incentive program for the period 2Q2020 – 1Q 02023		6,033,168	24,132,672	–	–
<b>Andrzej Ilczuk</b>		<b>1,165,902</b>	<b>636,000</b>	<b>60,583</b>	<b>19,343</b>
– Ten Square Games S.A. – cash fixed remuneration		751,935	636,000	60,583	19,343
– Ten Square Games S.A. – due cash variable remuneration		413,967	0	–	–
– Ten Square Games S.A. – paid cash variable remuneration		223,283	0	–	–
<b>Anna Idzikowska (till 28.02.2023)</b>		<b>111,139</b>	<b>719,300</b>	<b>n/a</b>	<b>137,700</b>
– Ten Square Games S.A. – cash fixed remuneration		106,000	636,000	n/a	137,700
– Ten Square Games S.A. – cash variable remuneration, due and paid		5,139	83,300	–	–
<b>Janusz Dziemidowicz</b>		<b>636,000</b>	<b>636,000</b>	<b>491,340</b>	<b>682,417</b>
– Ten Square Games S.A. – cash fixed remuneration		636,000	636,000	491,340	682,417
<b>Wojciech Gattner (till 22.05.2023)</b>		<b>503,186</b>	<b>1,445,924</b>	<b>169,128</b>	<b>200,054</b>
– Ten Square Games S.A. – cash fixed remuneration paid		264,129	636,000	169,128	200,054
– Ten Square Games S.A. – paid cash variable remuneration		306,334	960,824	–	–
– Ten Square Games S.A. – due cash variable remuneration		239,057	809,924	–	–
<b>Magdalena Jurewicz</b>		<b>636,000</b>	<b>636,000</b>	<b>113,724</b>	<b>157,950</b>
– Ten Square Games S.A. – paid cash remuneration		636,000	636,000	113,724	157,950
<b>Supervisory Board</b>		<b>372,000</b>	<b>381,290</b>	<b>4,119,293</b>	<b>5,721,241</b>
Rafał Olesiński		102,000	102,000	3,902	5,419
Tomasz Drożdżyński (till 11.03.2022)		0	9,290	n/a	0
Maciej Marszałek		60,000	60,000	256,608	356,400
Wiktor Schmidt		48,000	48,000	0	0
Marcin Bitos		54,000	54,000	0	0
Kinga Stanisławska		54,000	54,000	612	851
Arkadiusz Pernal		54,000	54,000	3,858,171	5,358,571
<b>Affiliated persons ( Ten Square Games S.A.)</b>					
Maciej Popowicz (from 1.04.2023)		43,500	0	n/a	n/a
<b>Key personnel (Ten Square Games S.A.)</b>		<b>0</b>	<b>0</b>	<b>n/a</b>	<b>n/a</b>
<b>Family members of key personnel / Management Board (Ten Square Games S.A.)</b>		<b>0</b>	<b>303,400</b>	<b>n/a</b>	<b>n/a</b>

AFFILIATED PERSON	PERIOD	Liabilities/provisions		Receivables	
		01.01.2023 – 31.12.2023	01.01.2022 – 31.12.2022	01.01.2023 – 31.12.2023	01.01.2022 – 31.12.2022
<b>Management Board</b>		<b>332,134</b>	<b>197,454</b>	<b>2,142</b>	<b>0</b>
Maciej Zuzalek		n/d	0	n/d	0
Andrzej Ilczuk		270,634	0	1,511	0
Anna Idzikowska		n/d	0	n/d	0
Janusz Dziemidowicz		61,500	0	0	0
Wojciech Gattner		n/d	197,454	n/d	0
Magdalena Jurewicz		0	0	0	0
<b>Supervisory Board</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Affiliated persons (Ten Square Games S.A.)</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Key personnel (Ten Square Games S.A.)</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Family members of key personnel / Management Board (Ten Square Games S.A.)</b>		<b>5,535</b>	<b>0</b>	<b>0</b>	<b>0</b>
Maciej Popowicz		5,535	0	0	0

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.



## 28.2. Other affiliated entities

AFFILIATED ENTITY	Net sales		Net purchase		Dividend		Earn-out payment		
	PERIOD	01.01.2023 – 31.12.2023	01.01.2022 – 31.12.2022	01.01.2023 – 31.12.2023	01.01.2022 – 31.12.2022	01.01.2023 – 31.12.2023	01.01.2022 – 31.12.2022	01.01.2023 – 31.12.2023	01.01.2022 – 31.12.2022
<b>Subsidiaries:</b>		<b>7,148,052</b>	<b>6,224,801</b>	<b>3,692,316</b>	<b>11,314,721</b>	<b>8,161,057</b>	<b>2,583,580</b>	<b>0</b>	<b>0</b>
Play Cool Zombie Sport Games Sp. z o.o.		28,029	55,451	0	0	0	0	0	0
Tiny Dragon Adventure Games Sp.z o.o.		253,550	1,121,756	0	0	0	0	0	0
Fat Lion Games Sp. z o.o.		125,452	454,616	0	0	0	0	0	0
Ten Square Games Germany GmbH		0	0	2,542,349	7,502,920	0	0	0	0
Ten Square Games S.R.L		0	0	1,149,967	2,696,993	0	0	0	0
Ten Square Games (Israel) LTD.		0	0	0	1,114,808	0	0	0	0
RORTOS S.R.L.		6,741,021	4,592,978	0	0	8,161,057	2,583,580	0	0
<b>Personally affiliated entities:</b>		<b>0</b>	<b>0</b>	<b>71,390</b>	<b>143,467</b>	<b>0</b>	<b>0</b>	<b>4,176,915</b>	<b>0</b>
Olesiński i Wspólnicy Spółka komandytowa		0	0	71,390	143,467	0	0	0	0
Roberto Simonetto		0	0	0	0	0	0	2,513,984	0
Antonio Farina		0	0	0	0	0	0	1,662,931	0
<b>Associates:</b>		<b>0</b>	<b>0</b>	<b>36,383</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Gamesture Sp. z o.o.		0	0	36,383	0	0	0	0	0

AFFILIATED ENTITY	Gross receivables		Gross liabilities		Loans		
	AS AT	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022
<b>Subsidiaries:</b>		<b>1,370,021</b>	<b>2,034,940</b>	<b>31,427</b>	<b>320,627</b>	<b>187,838</b>	<b>1,983,243</b>
Play Cool Zombie Sport Games Sp. z o.o.		5,228	5,387	0	0	0	0
Tiny Dragon Adventure Games Sp. z o.o.		0	94,995	0	0	0	0
Fat Lion Games Sp. z o.o.		0	43,969	0	0	0	0
Ten Square Games Germany GmbH		269,338	70,620	0	0	0	1,272,656
Ten Square Games S.R.L		0	11,487	31,427	320,627	187,838	710,587
Ten Square Games (Israel) LTD.		0	390,578	0	0	0	0
RORTOS S.R.L.		1,095,455	1,417,904	0	0	0	0
<b>Personally affiliated entities:</b>		<b>0</b>	<b>0</b>	<b>35,366,265</b>	<b>58,792,868</b>	<b>0</b>	<b>0</b>
Olesiński i Wspólnicy Spółka komandytowa		0	0	7,011	0	0	0
Roberto Simonetto		0	0	21,212,017	35,269,842	0	0
Antonio Farina		0	0	14,147,237	23,523,026	0	0
<b>Associates:</b>		<b>0</b>	<b>0</b>	<b>20,535</b>	<b>0</b>	<b>939,421</b>	<b>2,201,633</b>
Gamesture Sp. z o.o.		0	0	20,535	0	939,421	2,201,633



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

The Parent uses legal/tax services offered by the law firm Olesinski i Wspólnicy Sp.k. as needed, each time basing on the valuation of works for a given project. Transactions between related parties took place on terms equivalent to those applicable to transactions concluded on market terms.

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

# 29.

## EMPLOYMENT

The average of employees in the financial year was 222 persons (281 in 2022). The main group of employees are specialists in information and communication technologies.

# 30.

## LEASE CONTRACTS

### PARENT COMPANY

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

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

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

All the above agreements are recognised in the financial statements in accordance with IFRS 16, i.e. the initial value of the acquired right to use is recognised in fixed assets and subsequently depreciated over the office lease term. The discounted payments under the leases are shown in liabilities in the long – and short-term parts, respectively.

In January 2024, all of the above contracts were renegotiated and some of them extended until the end of 2027, and one of the contracts will end sooner, in 2024. A broader description of changes in contracts and their impact on the financial statements in subsequent periods is presented in the note „Events after the balance sheet date”.

### RORTOS S.R.L

In 2021, the right to use the office space of Rortos was recognized. Office lease agreement at ul. Del Pontiere in Verona was concluded on July 1, 2019 for a period of 6 years from the date of acceptance of the premises, with the possibility of extension for another 6 years – until 2031.

# 31.

## LITIGATIONS

The Group had no pending court cases in 2023 or 2022.



# 32.

## 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. Due to the above, the Company decided to suspend further development work on 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 capitalized costs related to the production of both games.

Due to the closure of the above projects, on April 20, 2023, group layoffs were carried out in the Parent Company. The Parent Entity terminated contracts with 105 people, including 43 employed under employment contracts, and decided not to extend selected contracts with another 5 people. 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 collective redundancy process were released from the obligation to provide work/services.

Severance pay costs related to group layoffs amounted to PLN 6.4 million, of which PLN 3.3 million was attributable to closed, capitalized projects – Fishing Masters and Undead Clash.

The tables below present the total quarterly production cost of both games in 2023:

UNDEAD CLASH	balance sheet value 01.01.2023	cost of development work 1Q 2023	write down of value 1Q 2023	balance sheet value 31.03.2023	cost of development work 2Q 2023	group lay-offs 2Q 2023	write down of value 2Q 2023	balance sheet value 31.12.2023
gross carrying amount	17,883,303	2,459,014		20,342,317	706,648	1,190,954		22,239,919
write-off of games	-5,434,306		-14,908,011	-20,342,317			-1,897,602	-22,239,919
net carrying amount	12,448,997	–	–	0	–	–	–	0

FISHING MASTERS	balance sheet value 01.01.2023	cost of development work 1Q 2023	write down of value 1Q 2023	balance sheet value 31.03.2023	cost of development work 2Q 2023	group lay-offs 2Q 2023	write down of value 2Q 2023	balance sheet value 31.12.2023
gross carrying amount	9,157,105	2,507,809		11,664,914	1,128,467	2,090,996		14,884,377
write-off of games	0		-11,664,914	-11,664,914			-3,219,463	-14,884,377
net carrying amount	9,157,105	–	–	0	–	–	–	0

# 33.

## EVENTS AFTER THE BALANCE SHEET DATE

There were no significant events after the balance sheet date that could affect the financial data included in the report for the period ended December 31, 2023. However, significant events that will affect the report in the next period are presented below.

### Annexing leasing agreements – renting office space by a Parent Company

Based on the annexes of January 29, 2024, the Company decided to extend the lease period of the office space located on the first and third floor of the City One office building in Wrocław until the end of 2027. As part of the signed annexes, new financial terms related to the payment of rent and deposit were also agreed. Moreover, pursuant to one of the annexes, the Company conditionally terminated the lease agreement for office space located on the fourth floor of the office building, which was originally supposed to be valid until September 2025.

The impact of contract modifications on the value of fixed assets in accordance with IFRS 16 is presented below.

Carrying values as at January 1, 2024 – only leased spaces with equipment, Parent Company:

SPECIFICATION	Buildings and premises
<b>Gross carrying amount as at 31.12.2023</b>	<b>19,565,282</b>
<b>Increases, due to:</b>	<b>6,218,362</b>
– changes resulting from modifications to contracts (extension of the rental period)	6,218,362
<b>Decreases</b>	<b>561,829</b>
– changes resulting from modifications to contracts (shortening the period)	561,829
<b>Gross carrying amount as at 01.01.2024</b>	<b>25,221,815</b>
<b>Depreciation as at 31.12.2023</b>	<b>12,927,908</b>
<b>Depreciation as at 01.01.2024</b>	<b>12,927,908</b>
<b>Gross carrying amount as at 01.01.2024</b>	<b>12,293,907</b>

SPECIFICATION	01.01.2024	31.12.2023
Short-term lease liability	2,327,531	3,515,323
Long-term lease liability	6,950,819	555,399
– due within 1 to 2 years	1,942,826	555,399
– due within 2 to 3 years	2,092,442	0
– due within 3 to 4 years	2,915,551	0
– due within 4 to 5 years	0	0
<b>TOTAL LEASE LIABILITIES</b>	<b>9,278,350</b>	<b>4,070,722</b>

## DISTRIBUTION OF OWN SHARES

In 2024, until the date of publication of these financial statements, as part of the settlement of incentive programs, the Company distributed 31,464 own shares purchased under the share buyback program in the beginning of 2022. The average price of the shares purchased by the Company was PLN 266.04. The shares were distributed to the participants of the incentive programs at a nominal price of PLN 0.1 per share. The settlement of the distribution of shares (accounting) is a change in the Company's equity, i.e. it does not affect the period's result.

## BUYBACK OF OWN SHARES – FEBRUARY 2024

On February 12–22, 2024, the Company accepted offers for the sale of the Company's shares as part of the buyback program launched by the Parent Company in accordance with Resolution No. 3 of the Extraordinary Meeting of Shareholders that took place on December 19, 2023 on authorizing the Management Board to purchase on behalf and for the benefit of the Company its own shares and determining the rules for purchasing own shares by the Company and establishing reserve capital.

On February 27, 2024, the transactions were settled over the counter. As a result of this settlement, the Company purchased 954,166 own shares at a price of PLN 120/share. The total cost of purchasing shares (including fees, intermediary's remuneration, etc.) was PLN 114,589,920, which gives an average of PLN 120.09/share.

The purchased shares constitute 13.01% of the share capital of the Company and of the total number of votes at the general meeting of the Company. Pursuant to art. 364 § 2 of the Commercial Companies Code, the Company will not exercise share rights from its own shares, except for the right to sell them or perform activities aimed at preserving these rights.

Pursuant to the Resolution on the buyback program:

1. at least 90% of the shares purchased as part of the buyback will be canceled – voluntary redemption;
2. the remaining part of the shares purchased as part of the buyback may be distributed by the Management Board in another manner permitted by law, taking into account the needs arising from the business activity.

The company also purchased its own shares in 2022, in both purchases (i.e. in 2022 and 2024). The company purchased 1,024,166 own shares, which in total constitute 13.96% of the share in the capital. As at the date of issuing this report, the Company distributed 31,464 shares as part of the settlement of incentive programs, which means that on that day the Company holds 992,702 own shares constituting 13.53% of the Company's capital and the same share in the Company's votes.

# 34.

## SHARE OF SUBSIDIARIES NOT INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENT

Not applicable – all subsidiaries have been included in the consolidated financial statement.

# 35.

## INFORMATION ON TRANSACTIONS WITH THE ENTITY AUDITING THE FINANCIAL STATEMENTS

SPECIFICATION	costs in 2023	costs in 2022
audit of the consolidated and standalone financial statements for 2023 (2022)	89,600	89,600
review of the consolidated and standalone financial statements for the first half of 2023 (2022)	41,400	41,400
assessment of the remuneration report for 2023 (2022)	9,400	9,400
<b>TOTAL</b>	<b>140,400</b>	<b>140,400</b>

## APPROVAL OF THE FINANCIAL STATEMENT

This report for the period from January 1 to December 31, 2023 was signed and approved for publication by the Management Board of Ten Square Games S.A. on March 25, 2024.

**PRESIDENT OF THE MANAGEMENT  
BOARD**

Andrzej Ilczuk

**MEMBER OF THE MANAGEMENT  
BOARD**

Janusz Dziemidowicz

**MEMBER OF THE MANAGEMENT  
BOARD**

Magdalena Jurewicz

**Person entrusted with keeping the books of accounts**

Karolina Hoszowska-Dubaniowska

Wroclaw, March 25<sup>th</sup>, 2024