



ten square_games

2023

**MANAGEMENT BOARD REPORT
ON ACTIVITIES**

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

Wroclaw, March 25th 2024

This English language translation has been prepared solely for the convenience of English speaking readers.

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

In case of any differences between the Polish and the English versions, the Polish version shall prevail.

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



Dear Shareholders,

2023 was a tumultuous year in the mobile gaming market, presenting significant challenges for Ten Square Games. Despite the challenges we have had to face, our organization has emerged stronger than ever, and the team that works with us is composed not only of great specialists in their professions, but also of people who perfectly understand the Group's strategic priorities and support us, as the Management Board, in the implementation of our tasks.

Facing structural changes in the mobile gaming market, intensified competition for user attention and time, and the weakening performance of our main titles, we revised our strategy to ensure financial security and prospects for future growth, including return to development of new titles. To achieve this, it was necessary, first of all, to focus on the growth and revenue potential of our flagship projects, that determine Group's financial results.

Thanks to the revised approach to game development and projects improving financial efficiency, e.g. TSG Store, we have seen improved results in major titles since the third quarter. They have been also clearly visible in Wings of Heroes – both in the level of retention and monetization of the game, as well as in increasing bookings in the last quarter of 2023.

Our swift restructuring and cost-optimization initiatives are already bearing fruit with full impact still to be observed. It enabled us to maintain regular cash flows and distribute a PLN 52 million dividend in June 2023, at a time when many development studios ceased to operate or had to significantly limit their activities. Thanks to the resilience of our business model and the commitment of the entire team in implementing strategic priorities, we are ending 2023 with a net profit of PLN 15.2 million and an adjusted EBITDA of PLN 118.6 million. The dynamic improvement in results in the third and fourth quarter of 2023 fully demonstrates the effectiveness of our strategic pivot. Thanks to this success, we were able to once again share with shareholders the funds that we systematically generate. In early 2024, we conducted a share buyback program of a record value of almost PLN 115 million, treating it as an alternative to the dividend for 2023.

However, all this would not be possible without difficult decisions and hard work done by the entire organization in 2023. By focusing on core products, cost optimization and improving the Group's operational processes, we have prepared to take a step forward. Therefore, as the gaming market struggles with a wave of restructuring and closing of subsequent titles, Ten Square Games is poised for a completely new stage of its operations in 2024.

Our focus remains on nurturing our main titles to secure financial security, create value for our shareholders and share the earned funds with them, even in such a turbulent period and burdened with one-off events as last year. We will also continue innovating like with TSG Store. Additionally, to strengthen our position on the mobile games market in 2024, we want to explore new game concepts, leveraging market changes and new technologies to grow and enhance our competitive edge. We are enriched with conclusions from previous projects and work methods developed in 2023, as well as increasingly effective use of the latest technological solutions, including those based on AI. Their application in the analysis of data and market trends, graphic design, locating events in games, or in functionalities improving the quality of user experience will allow us not only to operate more effectively, but also to respond faster and better to the needs of players.

Though specific projects are yet to be decided, we aim to verify their potential as future pillars of our business. These decisions will be based on multi-stage tests and analyses, without immediate financial or staffing increases. Thank you for your ongoing engagement and feedback, which are invaluable to us. We appreciate your continued support and are confident that 2024 will be a pivotal year for Ten Square Games!

Sincerely,

Andrzej Ilczuk

President of the Management Board of Ten Square Games S.A.

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CORPORATE INFORMATION



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

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

As at 31.12.2023 the composition of the management and supervisory bodies is as follows:

Management Board:

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

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

1. On January 13, 2023, the Management Board of the Company was informed about the decision of Ms. Anna Idzikowska, Member of the Management Board of the Company, to resign from her function in the Management Board of the Company, effective as of February 28, 2023.
2. On April 21, 2023, President of the Management Board Maciej Zużatek and Member of the Management Board Wojciech Gattner resigned from their positions in the management board 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 Olesiński** – Chairman of the Supervisory Board;
- » **Wiktor Schmidt** – Vice Chairman of the Supervisory Board;
- » **Marcin Bitos** – Member of the Supervisory Board;
- » **Maciej Marszałek** – Member of the Supervisory Board;
- » **Arkadiusz Pernal** – Member of the Supervisory Board;
- » **Kinga Stanisławska** – Member of the Supervisory Board.

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

The shareholding structure of the Parent Company as at 31 December 2023 is as follows:

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 ^[1]	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%
TOTAL	7,334,822	100.00%	7,334,822	100.00%

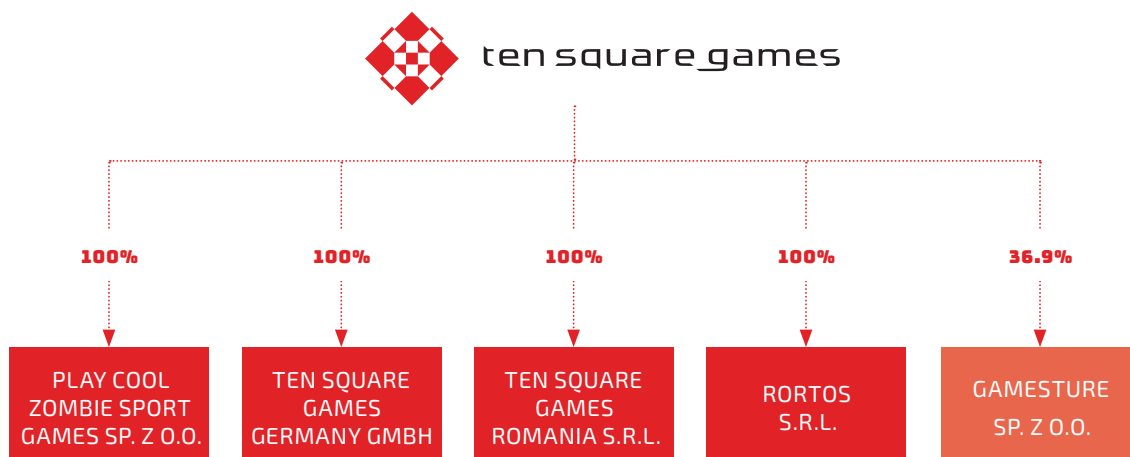
After December 31, 2023, there were changes in the number of shares held. The table below presents shareholders holding, directly or indirectly, at least 5% of the total number of votes at the General Meeting of Shareholders as of March 25, 2024:

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 ^[1]	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%
TOTAL	7,334,822	100.00%	7,334,822	100.00%

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

[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.

The diagram below presents the Issuer's relations with other entities as at 31.12.2023 and as at the date of publication of the standalone and consolidated annual report for 2023:



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

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

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

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

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

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

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

Ten Square Games S.A. acquired 24.8% of the shares of Gamesture Sp. z o. o. on March 11, 2022. On January 31, 2023, Ten Square Games S.A. acquired 12% of the shares of 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.

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

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. with Tiny Dragon Adventure Games Sp. z o.o. and 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.



2.

BUSINESS PROFILE

The activities of the Group and the Parent Company focus on the design, production, distribution and development of mobile games. The Group's products are offered through the most important mobile platforms – most of all iOS and Android – and through Internet portals. In the second half of 2023, the Group also launched its own online store, where it distributes products available in the Group's two largest products – Fishing Clash and Hunting Clash, as an alternative for players interested in purchasing products or offers in these titles.

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

REVENUES

MICROPAYMENTS

- » revenues from additional functionalities purchased by the players



ADVERTISEMENTS

- » revenues from advertisements displayed in games



LICENCES

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



3.

KEY PRODUCTS

In the Q4 and in the whole year 2023, the most important products of the Group generating revenues were:



MOBILE
GAME

FISHING CLASH

LAUNCH
DATE

soft launch: 06.2016

global launch: 10.2017

Mobile fishing game. Players have the opportunity to take part in a sports competition between anglers in excellent 3D graphics. Since its premiere in October 2017, Fishing Clash has built the position of the most important mobile fishing game in the world, generating over PLN 274 million in payments in 2023. Fishing Clash is the Group's largest game, in 2020 the title was among the top 50 highest-grossing games in the Google Play store. In 2023, the game was enriched with new major functionalities, and players gained the opportunity to purchase in-game products in an additional way – through the store launched by Ten Square Games. In 2023, Ten Square Games established cooperation with Major League Fishing, thanks to which players could experience tournament emotions in real time in the game. It was the first in-game event of this type created in cooperation with the largest fishing league in the United States.



MOBILE
GAME

HUNTING CLASH

LAUNCH
DATE

soft launch: 11.2019

global launch: 08.2020

A product aimed at a wide range of players, focusing on collecting and competition. The game is characterized by advanced 3D graphics and realistically animated animals. The player has the opportunity to become the best hunter in the world by hunting many species of animals and collecting various types of weapons. Since its premiere in the third quarter of 2020, the game has been among the 200 highest-grossing games on the Android platform in the US, generating over PLN 110 million in payments in 2022. In 2023, Hunting Clash became the first mobile game in history in which, thanks to cooperation with the Beretta brand, players could experience contact with replicas of the brand's original weapon models and get acquainted with its other products. In the second half of 2023, the Hunting Clash offer was also enriched with a new distribution channel thanks to its inclusion in the TSG Store offer.



MOBILE
GAME

WINGS OF HEROES

LAUNCH
DATE

soft launch: 08.2022

global launch: 10.2022

A plane game set during World War II in which players have the chance to take part in battles taking place in real time. Players use the most iconic planes of a given era and discover locations inspired by real places where historical battles took place. Wings of Heroes players can feel real action by competing against each other. The game is in the early stages of development and was released in October 2022. In 2023, the game was significantly rebuilt and enriched with new content and monetization tools. The effects of these activities are promising, and Wings of Heroes is being intensively developed to become the best game in its category available on the market.



SELECTED FINANCIAL DATA

CONSOLIDATED

	PLN		EUR	
	for the period 01.01.2023 – 31.12.2023	for the period 01.01.2022 – 31.12.2022 [restated data ^[1]]	for the period 01.01.2023 – 31.12.2023	for the period 01.01.2022 – 31.12.2022 [restated data ^[1]]
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME				
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

	PLN		EUR	
	for the period 01.01.2023 – 31.12.2023	for the period 01.01.2022 – 31.12.2022 [restated data ^[1]]	for the period 01.01.2023 – 31.12.2023	for the period 01.01.2022 – 31.12.2022 [restated data ^[1]]
CONSOLIDATED CASH FLOW STATEMENT				
Net cash flows from operating activities	121,505,029	137,947,374	26,831,779	29,423,751
Net cash flows from investment activities	-26,569,103	-55,504,342	-5,867,216	-11,838,906
Net cash flows from financial activity	-58,440,302	-95,218,427	-12,905,287	-20,309,798

	PLN		EUR	
	31.12.2023	31.12.2022 [restated data ^[1]]	31.12.2023	31.12.2022 [restated data ^[1]]
CONSOLIDATED BALANCE SHEET				
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 was presented in the Consolidated Financial Statements published together with this Management Report.

STANDALONE

	PLN		EUR	
	for the period 01.01.2023 – 31.12.2023	for the period 01.01.2022 – 31.12.2022 [restated data ^[1]]	for the period 01.01.2023 – 31.12.2023	for the period 01.01.2022 – 31.12.2022 [restated data ^[1]]
STANDALONE COMPREHENSIVE INCOME STATEMENT				
Bookings	401,246,559	501,237,155	88,606,695	106,912,347
Net revenues	393,835,380	499,192,286	86,970,095	106,476,182
Cost of sales	50,686,716	50,215,977	11,193,074	10,710,914
Operating profit (loss)	-5,505,657	69,859,370	-1,215,806	14,900,789
Gross profit (loss)	16,221,212	63,311,936	3,582,107	13,504,242
Net profit (loss)	16,662,194	54,512,876	3,679,488	11,627,429
EBITDA	91,463,773	99,240,007	20,197,812	21,167,589
Adjusted EBITDA	108,380,534	127,061,177	23,933,516	27,101,759

	PLN		EUR	
	for the period 01.01.2023 – 31.12.2023	for the period 01.01.2022 – 31.12.2022 [restated data ^[1]]	for the period 01.01.2023 – 31.12.2023	for the period 01.01.2022 – 31.12.2022 [restated data ^[1]]
STANDALONE CASH FLOW STATEMENT				
Net operating cash flow	117,341,920	123,937,834	25,912,446	26,435,560
Net cash flow from investment activities	-25,905,896	-53,037,300	-5,720,761	-11,312,693
Net cash flow from financial activity	-50,067,787	-92,486,169	-11,056,397	-19,727,016

	PLN		EUR	
	31.12.2023	31.12.2022 [restated data ^[1]]	31.12.2023	31.12.2022 [restated data ^[1]]
STANDALONE BALANCE SHEET				
Fixed assets	242,263,113	322,104,969	55,718,287	68,680,562
Current assets	215,985,365	176,390,714	49,674,647	37,610,762
Equity	297,603,147	326,557,631	68,445,986	69,629,977
Long-term liabilities	27,952,511	65,893,032	6,428,820	14,049,987
Short-term liabilities	132,692,820	106,045,020	30,518,128	22,611,360

[1] the restatement of comparative data was presented in the Consolidated Financial Statements published together with this Management Report.

4.1.

COMMENTARY ON THE RESULTS – STATEMENT OF COMPREHENSIVE INCOME

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

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

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

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



QUARTERLY BREAKDOWN OF CONSOLIDATED BOOKINGS BY GAME

GAME	1Q2022 ^[1]	2Q2022 ^[1]	3Q2022 ^[1]	4Q2022 ^[1]	1Q2023	2Q 2023	3Q 2023	4Q 2023
Fishing Clash	95,650,325	84,252,690	88,628,710	86,850,540	72,557,817	63,193,703	69,737,485	68,742,753
Hunting Clash	32,234,201	24,943,967	32,485,717	32,696,199	32,395,570	24,412,492	27,311,328	26,377,409
Let's Fish	3,099,293	2,394,146	2,380,160	2,490,229	2,172,122	1,852,363	1,614,321	1,890,369
Wild Hunt	2,790,545	2,517,568	2,666,554	2,606,582	2,352,751	1,998,176	1,812,965	1,966,785
Airline Commander	2,879,778	3,048,100	3,717,211	3,046,180	2,627,214	2,311,324	2,502,013	2,024,181
Real Flight Simulator	3,694,286	4,047,377	4,307,017	4,615,007	4,321,619	4,284,991	4,741,534	4,831,211
Wings of Heroes		89,199	673,688	4,496,408	5,769,225	2,071,904	1,757,393	1,927,802
other	1,980,865	1,991,301	2,444,425	1,605,596	1,396,720	1,101,617	922,288	702,749
TOTAL BOOKINGS ^[2]	142,329,293	123,284,348	137,303,482	138,406,741	123,593,038	101,226,570	110,399,327	108,463,259
Deferred revenues (virtual currency)	4,937,513	908,931	1,505,185	-3,855,149	-201,742	-1,276,770	-565,728	1,187,383
Deferred revenues (durables)	2,845,786	-217,105	-6,077,959	-3,547,668	-5,941,631	4,982,653	-4,261,715	-1,528,267
TOTAL REVENUES	150,112,592	123,976,174	132,730,708	131,003,924	117,449,665	104,932,453	105,571,884	108,122,375

[1] the restatement of comparative data was presented in the Consolidated Financial Statements published together with this Management Report.

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

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

GAME	1Q2022	2Q2022	3Q2022	4Q2022	1Q2023	2Q 2023	3Q 2023	4Q 2023
Fishing Clash – MAU (average per period)	2,227,455	1,835,612	2,540,524	2,232,582	2,488,370	2,336,456	2,652,322	2,610,637
Hunting Clash – MAU (average per period)	1,494,746	1,257,463	1,273,923	1,458,084	1,374,262	1,097,983	2,045,553	2,626,980
Wings of Heroes – MAU (average per period)	n/a	n/a	n/a	561,094	647,832	326,576	286,786	275,390
Evergreen ^[3] – MAU (average per period)	763,829	674,729	771,631	744,403	788,326	808,083	926,249	1,008,430

[3] Evergreen – Let's Fish and Wild Hunt

QUARTERLY BREAKDOWN OF CONSOLIDATED SELLING COSTS

SPECIFICATION	1Q 2022	2Q 2022	3Q 2022	4Q 2022	1Q 2023	2Q 2023	3Q 2023	4Q 2023
Selling costs	79,870,756	67,589,551	78,366,429	79,303,832	69,004,470	59,814,327	56,408,680	54,346,624
Marketing:	30,070,387	24,555,603	32,087,278	32,153,373	27,154,208	21,239,048	19,844,010	18,636,326
– Fishing Clash	16,110,636	13,099,412	18,769,324	15,219,141	11,180,883	11,575,445	10,919,991	10,088,652
– Hunting Clash	13,532,653	10,257,990	12,688,594	14,306,734	11,236,075	9,174,676	8,551,009	7,858,634
– Airline Commander	303,480	815,706	17,986	14,434	0	22,751	0	0
– Wings of Heroes	0	76,168	429,284	2,148,811	4,587,053	363,022	373,010	690,002
– other titles	123,618	306,327	182,090	464,253	150,197	103,154	0	0
Provisions	41,728,991	35,672,700	38,649,821	38,257,580	33,624,212	30,509,186	29,578,780	29,923,776
Revenue share	448,775	406,178	407,005	416,458	351,645	311,614	266,734	340,298
Payroll, remuneration of subcontractors	5,857,302	5,193,498	5,472,331	5,932,840	6,131,380	5,531,739	5,379,572	3,831,549
Mobile games market research services	308,753	366,990	399,507	318,568	291,446	297,964	262,054	223,063
Other	1,456,548	1,394,582	1,350,487	2,225,014	1,451,579	1,924,776	1,077,530	1,391,612

Faced with falling bookings in the first months of 2023, Management Board of Ten Square Games decided to revise the Group's strategy in April 2023. The Group has decided to focus on the development of the Group's three main products, i.e. Fishing Clash, Hunting Clash and Wings of Heroes, and to adjust the employment structure in accordance with the market situation and the Group's plans. Accordingly, Ten Square Games' Management Board decided to halt further development work on the Undead Clash and Fishing Masters projects. The closure of these projects resulted in a total write-down of capitalized costs related to the production of both games (a total write-down of PLN 31.7 million, which was charged to the Group's results in the first half of 2023). At the same time, in April 2023, a workforce reduction (group lay-offs) was carried out at the Parent Company, affecting 110 people (about 25% of the workforce). On this account, in the second quarter of 2023, the Group booked a severance cost of PLN 6.4 million, of which PLN 3.3 million was attributable to closed, capitalized projects – Fishing Masters and Undead Clash, and the remaining PLN 3.1 million was directly charged to other operating expenses.

The intensive measures introduced with the change in strategy to return the Fishing Clash and Hunting Clash games to growth and build monetization depth in Wings of Heroes yielded positive results in the second half of 2023. In the third quarter of 2023, bookings generated by games in the Group's portfolio increased by 9.1% compared to the second quarter of 2023, while the fourth quarter managed to maintain a similar level of bookings as in the previous quarter (-1%). The booking base managed to increase in both Fishing Clash and Hunting Clash after an exceptionally low second quarter of 2023. In addition, during the fourth quarter of 2023, there was a strong strengthening of the PLN against USD, which is an unfavorable phenomenon for the Group and affects the decline in bookings expressed in PLN.

The increase/stabilization of bookings is in line with the growth of the user base (MAU indicator) for Fishing Clash and Hunting Clash games. Particular growth is seen in the Hunting Clash game, which is also the result of several presentations in the collections in the webstores of the big platforms.

Attention should also be paid to an older title of the Rortos studio, i.e. the Real Flight Simulator game, which in the fourth quarter of 2023 reached a record level of bookings since joining the TSG Group (and, as a reminder, it was a quarter with a strong strengthening of the Polish currency against the USD and EUR). This is due to ongoing operational work on the product and its further improvement.

The decline in revenue in Wings of Heroes compared to the beginning of 2023 was related to a major overhaul of the game engine and an almost complete halt in marketing spending at that time. However, in the final weeks of 2023, with the introduction of major new elements to the game, the Group is seeing a gradual increase in player engagement, which is also translating into an increase in bookings. The game continues to undergo intensive redevelopment and content additions, and its full monetization potential will be assessable in future periods.

The Group does not experience significant seasonality in sales. The level of bookings depends on the life cycle of a given game, marketing expenditures, and in recent years, on lockdowns introduced or lifted due to the COVID-19 pandemic.

The cost of services sold mainly includes salaries and wages of the Group's employees and associates, as well as amortization of games. The level of these costs is most influenced by the number of active productions after the soft launch phase. The Group's last soft launch of a game took place in May 2022 (Wings of Heroes), so starting from the third quarter of 2022, the level of production costs is relatively constant and fluctuates in the range of PLN 16.7-19.3 million. Nonetheless, after the April layoffs, here too the Group saw a decrease in the level of costs from PLN 19.3 million in the first quarter of 2023 to PLN 17.8 million in the third quarter of 2023 and PLN 16.7 million in the last quarter of 2023. This is a result of a minor reduction in the size of product teams mainly in non-core titles from the perspective of the Group's strategy, and the fourth quarter also saw a currency impact of EUR/PLN conversions for the costs of the Rortos subsidiary.

In addition to commissions paid to intermediaries/stores, which are 100% dependent on the level of bookings, selling costs are mainly game marketing expenses. Marketing expenses have been successively reduced during 2023, and the main reason for the decrease in this item is the cutting of marketing almost to zero for the Wings of Heroes game from Q2 2023, which is related to the redevelopment of this game, as well as lower expenses in the Hunting Clash game. Each time, the level of spending is adjusted according to the expected return on the campaign, so as to maximize the profit on the title in the long term. Short-term variations in spending levels are often caused by external factors, in which case the Group decides to either hold back the budget or allocate it more in subsequent periods.

QUARTERLY BREAKDOWN OF GENERAL AND ADMINISTRATIVE COSTS

SPECIFICATION	1Q 2022	2Q 2022	3Q 2022	4Q 2022	1Q 2023	2Q 2023	3Q 2023	4Q 2023
Recurring general and administrative costs, including:	11,030,484	11,763,761	9,196,909	8,134,626	10,573,057	7,510,342	6,454,144	6,860,043
- payroll + third party services (TSG S.A.)	5,462,957	4,675,326	3,901,884	4,457,249	4,535,148	3,682,599	3,206,869	3,070,118
- cost of subsidiaries	1,702,087	3,362,996	1,967,808	43,979 *	1,612,988	1,134,552	1,074,407	972,177
- rent and maintenance of office (TSG S.A.)	859,752	1,012,146	1,032,308	1,157,053	1,099,129	986,223	749,439	789,251
- other	3,005,689	2,713,293	2,294,909	2,476,344	3,325,791	1,706,968	1,423,429	2,028,497
One-off costs, including:	13,065,319	764,783	6,034,268	5,560,753	6,197,949	571,870	112,185	333,406
- MSOP	11,304,904	761,432	6,033,168	5,929,836	6,033,168	0	111,135	333,406
- M&A	1,760,415	3,351	1,100	-369,083	164,781	571,870	1,050	0
TOTAL GENERAL AND ADMINISTRATIVE COSTS	24,095,803	12,528,544	15,231,177	13,695,379	16,771,005	8,082,212	6,566,329	7,193,449

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

In terms of general and administrative expenses, during 2023 the amount of recurring expenses was reduced by 22% compared to 2022. This was influenced by the execution of the layoffs process in the second quarter of 2023, which resulted in a 13% decrease in payroll costs in the third quarter of 2023 compared to the second quarter of this year. (the effect was maintained in the fourth quarter of 2023). Due to the reorganization of work and a reduction in the number of active offices in various locations, maintenance costs for subsidiaries and offices also decreased.

The first quarter of 2023 was the last quarter in which the Group recognized the non-cash cost of the 2020 incentive program. This cost was equal over time and amounted to PLN 6 million per quarter from the second quarter of 2020 to the first quarter of 2023. In the third and fourth quarters of 2023, the Company recognized the cost of the retention incentive plan for key employees carried out based on the Company's own shares acquired through share repurchases on the WSE, however, this is significantly lower compared to previous programs and amounts to a total of PLN 657 thousand, most of which, i.e. PLN 444 thousand, is attributable to general and administrative expenses.

RECONCILIATION OF OPERATING RESULT TO ADJUSTED EBITDA RESULT BY QUARTERS

SPECIFICATION	1Q 2022	2Q 2022	3Q 2022	4Q 2022	1Q 2023	2Q 2023	3Q 2023	4Q 2023
Profit from operating activities (EBIT)	29,169,746	17,277,812	21,453,259	4,056,695	-14,413,939	9,638,991	25,032,085	-16,739,289
Amortization (excluding capitalized part)	2,742,054	3,725,224	3,413,622	5,654,094	4,977,704	5,038,746	4,969,493	4,808,603
Impairment write-offs	0	8,467,149	671,272	14,643,822	26,572,925	5,117,065	0	46,528,541
EBITDA	31,911,800	29,470,185	25,538,153	24,354,611	17,136,690	19,794,802	30,001,578	34,597,855
non-cash impact of incentive scheme (excluding capitalized portion)	12,303,319	-236,983	6,033,168	5,542,348	6,033,168	0	164,217	492,655
deferred result (revenue minus commissions) – consumables	-3,456,258	-636,252	-1,053,630	2,698,604	141,218	893,739	396,007	-831,170
deferred result (revenue minus commissions) – durable	-1,859,303	-316,187	4,254,570	2,483,367	4,159,142	-3,487,857	2,983,207	1,069,780
costs of potential and completed acquisitions (M&A) and review of strategic options	1,760,415	0	0	-370,132	163,381	570,120	0	0
donations to public benefit organizations – war in Ukraine	1,000,000	0	0	0	0	0	0	0
severance pay – group lay-offs	0	0	0	0	0	3,146,532	0	0
other one-offs	248,368	0	24,886	419,787	0	1,022,240	117,035	19,589
Adjusted EBITDA	41,908,341	28,280,763	34,797,147	35,128,585	27,633,599	21,939,576	33,662,044	35,348,709

In the fourth quarter of 2023, in preparation for the year-end closing, the Group conducted asset impairment tests. The largest asset that was tested is undoubtedly the goodwill resulting from the acquisition of a stake in the Italian company Rortos.

Rortos S.r.l has 3 major games in its portfolio that generate ongoing cash flow 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 constant over the past few years and is the studio's main source of income. The latest production, i.e., the Wings of Heroes game, is undergoing intensive rebuilding, with a team of outstanding specialists from both Poland and Italy working on it, and a significant improvement in the game's performance seems to be the prospect of time. The original models for recognizing the acquisition of the company were based on stable flows for the Real Flight Simulator and Airline Commander games, which is indeed the case, and a significant impact on the results of the new title as early as 2023 and 2024. Given the nature of the industry, this model is clearly subject to enormous uncertainty. As of the balance sheet date, the Parent Company's Board of Directors believes that further implementation of Rortos' plans and growth in the value of Wings of Heroes are possible, but their pace is slower and is due to the specifics of F2P product development. In accordance with IAS 36, the Company's Management Board decided to create a write-down of goodwill. As a result of the test, a loss (impairment loss) on goodwill of Rortos SRL was recognized in the total amount of EUR 9.4 million (PLN 40.8 million). At the same time, the estimated amount to be paid in earnout payments changed. The decrease in the liability amounted to EUR 4.5 million (PLN 20.1 million). The amount of the write-down, due to its non-cash, one-time nature, is excluded from the EBITDA calculation.

Another test performed was an impairment test of Gamesture Sp. z o.o. shares. The Parent company holds a 36.9% stake in Gamesture. This company also underwent restructuring during 2023, reduced its workforce and closed down a project (Hero Legacy) that was consuming significant funds. Despite all these measures, the company continues to make losses, hence the rationale for the test, which resulted in an additional write-down in the amount of PLN 5.4 million. The posting of the above write-down is strictly non-cash in nature and, in the opinion of the Management Board, does not affect the conduct of business from the Group's perspective and does not in any way imply a change in strategy. The Parent Company's Management Board believes in Gamesture's growth potential, particularly in the newly chosen direction of development i.e. social wars games, and the positive impact of the change in Gamesture's strategy should be visible in the associate's results over the next few quarters.

Adjusted EBITDA for the whole of 2023 amounted to PLN 118.6 million, compared to PLN 140.1 million a year earlier, however, following the change in strategy, the Group is seeing an increase in this ratio and the fourth quarter of 2023 alone (PLN 35.4 million) is even at a slightly better level compared to the fourth quarter of 2022 (PLN 35.1 million). All the time, the Group is working hard to optimize its operations so as to generate high cash flows on an ongoing basis. The Adjusted EBITDA result is largely in line with the Group's ongoing operating cash flow.

The Group's financial income in 2023 includes recurring items such as interest on deposits (PLN 4.7 million), but also the posting of an update of the value of the earnout payments liability related to the reestimation of the financial model for Rortos (the total impact of bookings related to this liability amounted to PLN 19.1 million).

In March 2022, Ten Square Games S.A. became a minority shareholder in Gamesture Ltd. (24.8% stake). In January 2023, the Company increased its stake to 36.9%. Gamesture Sp. z o.o. currently generates a net loss, and as a result, the Group reported a loss of PLN 5.8 million in 2023 from its interest in affiliates.

The Group closes 2023 with a net profit of PLN 15.2 million, compared to PLN 51.6 million a year earlier, but the 2023 result is heavily burdened by the one-off events described above (project closures, lay-offs, goodwill write-down and investment write-down).

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

On a year-on-year basis, there was a decrease in fixed assets with an increase in current assets. Within the non-current assets group, the largest impact came from the write-down of goodwill and the balance sheet valuation of items (PLN – 53.1 million). At the same time, current assets increased by PLN 35.8 million, which is almost 100% due to an increase in cash. Cash accounts for as much as 35% of the balance sheet total as of December 31, 2023.

On the liabilities side, compared to 31 December 2022, the Group recorded a decrease in equity, which is related to the payment of profit in the form of dividends (PLN – 52.3 million) and the generation of a lower-than-usual net profit for the current period (PLN 15.2 million). In addition, the Group reported a movement on foreign exchange differences from translation in the amount of PLN – 17.5 million, which also contributed to the decrease in equity items.

Within the group of long-term liabilities, there was a significant change on the item of other obligations (PLN – 30.2 million), which is mainly related to the reestimation of earnout payments (reduction of the expected payment amount) and the unwinding of interest on the liability. At the end of 2023, the Group also reported a significantly lower (PLN – 4.5 million) deferred tax liability, which is related to the elimination of the temporary tax difference associated with the capitalization of the cost of new games.

Current liabilities increased by PLN 25.2 million during the year, which is mainly related to the prudent approach to tax settlements and the reporting of an increase in the tax provision in the amount of the CIT refund received due to the Parent Company's ongoing tax audit, as well as an increase in other liabilities (earnout) and deferred income (liabilities from contracts with customers).

The Group closes 2023 with a balance sheet total of PLN 458.2 million, down 12% y/y.

4.3. COMMENTARY TO THE RESULTS – CONSOLIDATED CASH FLOW STATEMENT

The Group generates cash from operating activities on a regular quarterly basis. As an unusual event, in the second quarter of 2023, the Group received a CIT refund related to 2019 and 2020 in the amount of PLN 12.5 million, which significantly improved the level of operating cash flow. The remaining quarters did not include unusual events, hence the level of cash generated is close to the level of Adjusted EBITDA.

The Group's investment activities in 2023 mainly include an increase in exposure to affiliate Gamesture Sp. z o.o. (Q1 – PLN 11.8 million); an increase in exposure to the Sisu investment fund by USD 274 thousand in the third quarter of 2023, and the granting of a loan to Gamesture Sp. z o.o. in the amount of PLN 900 thousand. Previously, this item was mainly related to the production of new titles, however, with the change in strategy, the Group is currently not working on any new game.

Financing activities are mostly cash flows related to dividend payments – in the second quarter of 2023, the Group paid a dividend of PLN 52.3 million. In the third and fourth quarters, financing activities were almost exclusively limited to interest payments on leased office space.

The Group closes 2023 with an increase in cash levels of PLN 36.2 million.

5.

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

The Group focuses on the distribution of games in the F2P (Free-2-Play) model and revenues from games are generated mainly by micro-payments in the game (almost 99% of total revenues). Therefore, the Group does not report the number of products sold, but only the value of sales. In the opinion of the Management Board, the major indicator allowing to determine the popularity of the product is the level of bookings generated by active players and MAU, which is the average number of monthly active users. Both of these measures are presented and discussed in point 4.1 „Commentary to the results – consolidated statement of comprehensive income”.



6.

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

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

CONSOLIDATED DATA

REGION	bookings 2023	% share in bookings in 2023	bookings 2022 [restated data ^[1]]	% share in bookings in 2022
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>	23,175,641	5.2%	23,219,034	4.3%
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%
TOTAL BOOKINGS	443,682,194	100.0%	541,323,864	100.0%
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
TOTAL REVENUES	436,076,377	N/A	537,823,398	N/A

[1] the restatement of comparative data was presented in the Consolidated Financial Statements published together with this Management Report.

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

CONSOLIDATED DATA

BUSINESS PARTNER	bookings 2023	% share in bookings in 2023	bookings 2022 [restated data ^[1]]	% share in bookings in 2022
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%
others	19,332,321	4.3%	32,253,049	5.9%
TOTAL BOOKINGS	443,682,194	100.0%	541,323,864	100.0%
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
TOTAL REVENUES	436,076,377	N/A	537,823,398	N/A

[1] the restatement of comparative data was presented in the Consolidated Financial Statements published together with this Management Report.

The costs incurred by the Group include the costs of production, maintenance, distribution and marketing of games. The costs of production and maintenance of titles are mostly salaries for employees and associates. Distribution costs are commissions for intermediaries (mobile stores, payment aggregators). Marketing costs refer to the costs of marketing campaigns carried out by intermediaries. In none of these cases, the Group is not obliged to cooperate with a given entity (no long-term contracts signed, cooperation is always based on orders) and therefore the Group does not identify any significant dependence on suppliers.



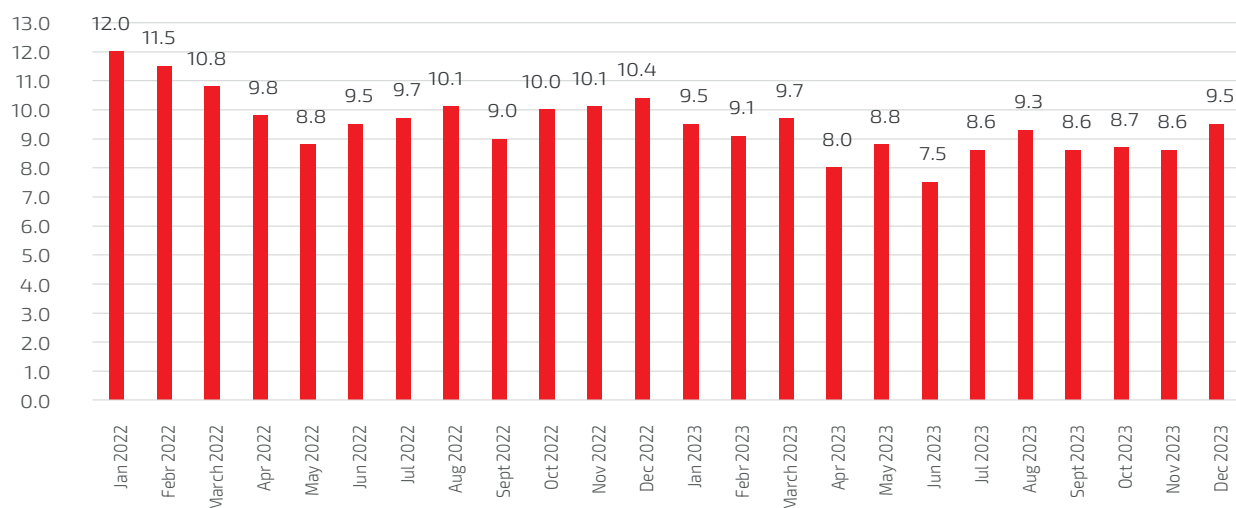


BRIEF DESCRIPTION OF THE ISSUER'S SIGNIFICANT ACHIEVEMENTS AND FAILURES IN THE REPORTING PERIOD, TOGETHER WITH THE SPECIFICATION OF THE MOST IMPORTANT EVENTS RELATING TO THE ISSUER

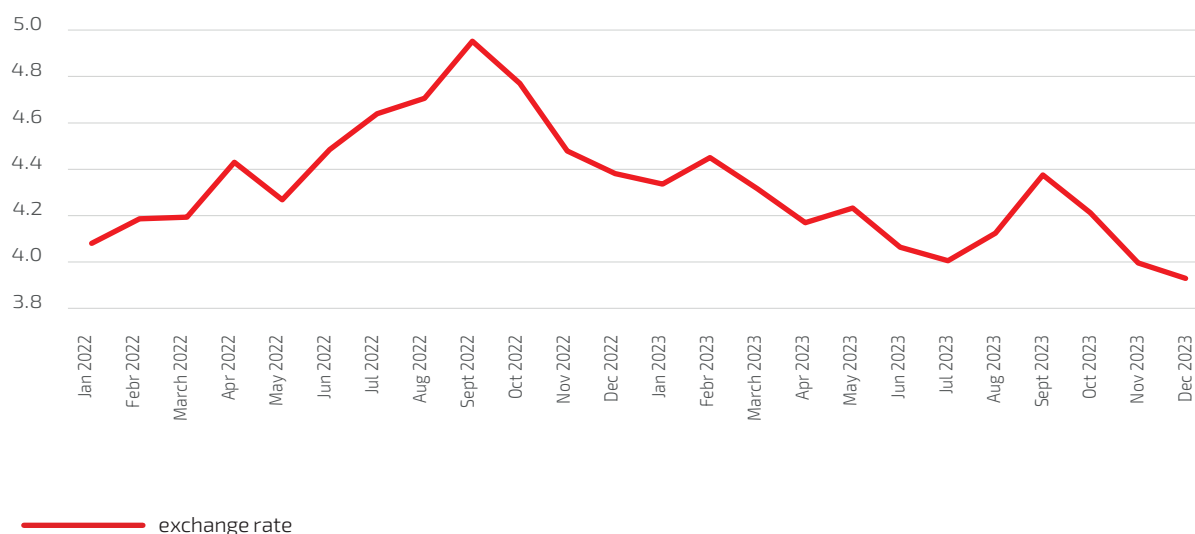
In 2023, the Group's total bookings amounted to PLN 443.7 million, down 18% compared to 2022. This is mainly the result of negative trends in the mobile game market, which Ten Square Games Group faced in the first half of 2023, and the falling USD/PLN exchange rate during 2023. In order to illustrate the impact of the USD/PLN exchange rate on the Group's payments, the conversion of payments for 2022 and 2023 using the closing rates of the respective months for USD/PLN is presented below. For the Group, the largest sales market is the United States, hence with the strengthening of the zloty against the dollar, the Group, as an exporter, receives lower sales revenue.

BOOKINGS (M)	PLN	USD
2022	541.3	121.7
2023	443.7	106.0
y/y change	-18%	-13%

Bookings [in M USD]



USD/PLN exchange rate



Faced with unfavorable market conditions resulting in a decline in payments from games in the Group's portfolio, Ten Square Games' Board of Directors decided on April 17, 2023 to change its strategic priorities. The Group focused on improving financial performance and development of its main products – Fishing Clash, Hunting Clash, and on building monetization depth in its latest production, Wings of Heroes. At the same time, the Company's Management Board decided to cease further work on two projects and adjust the employment structure to the current market situation, market prospects and plans for the near future. For a detailed description of the consequences of the closure of these projects, see Note 9. „Indication of factors and events, including those of an unusual nature, having a significant impact on the financial statements.”

As a result of the reduction in the Company's workforce, payroll costs within general and administrative expenses in 2023 decreased by 26.2% compared to 2022. Due to the reorganization of work and a reduction in the number of active offices in various locations, maintenance costs of subsidiaries decreased by 32.3% y/y.

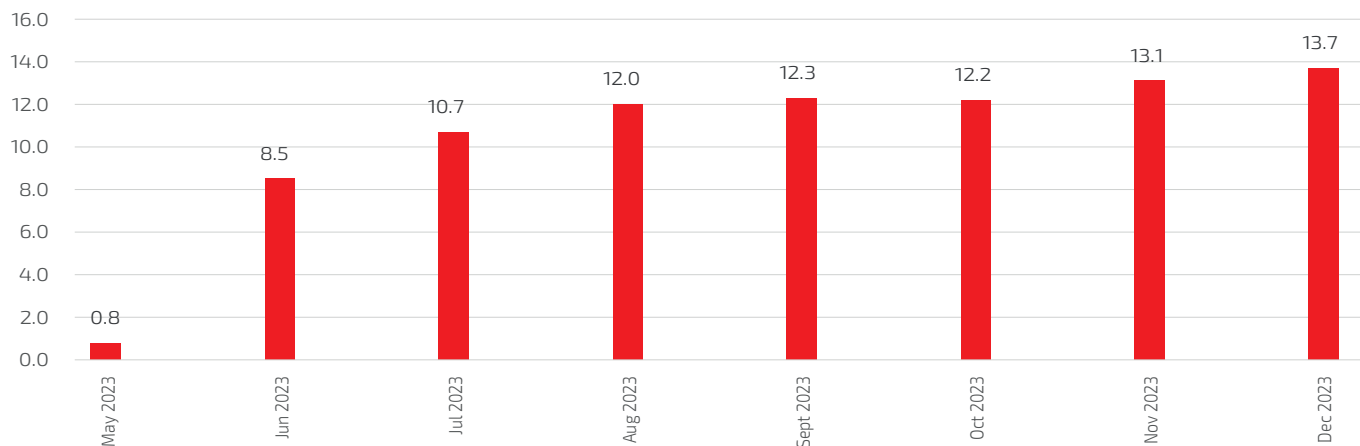
As a result of the cost-saving measures taken, the amount of recurring expenses within general and administrative expenses decreased by 22% y/y.

In 2023, the Company also decided to reduce advertising expenses. They were lower across the Group by nearly 27% and decreased from PLN 118.9 million to PLN 86.9 million in 2023. Their most significant decrease was recorded in the second half of 2023.

Also important to improving business efficiency and reducing the Group's sales costs was the launch of the TSG Store, an in-house store where players can purchase products without going through the major platforms. Sales generated by the TSG Store carry a lower commission than that charged to the Group when players purchase through Google or Apple platforms.

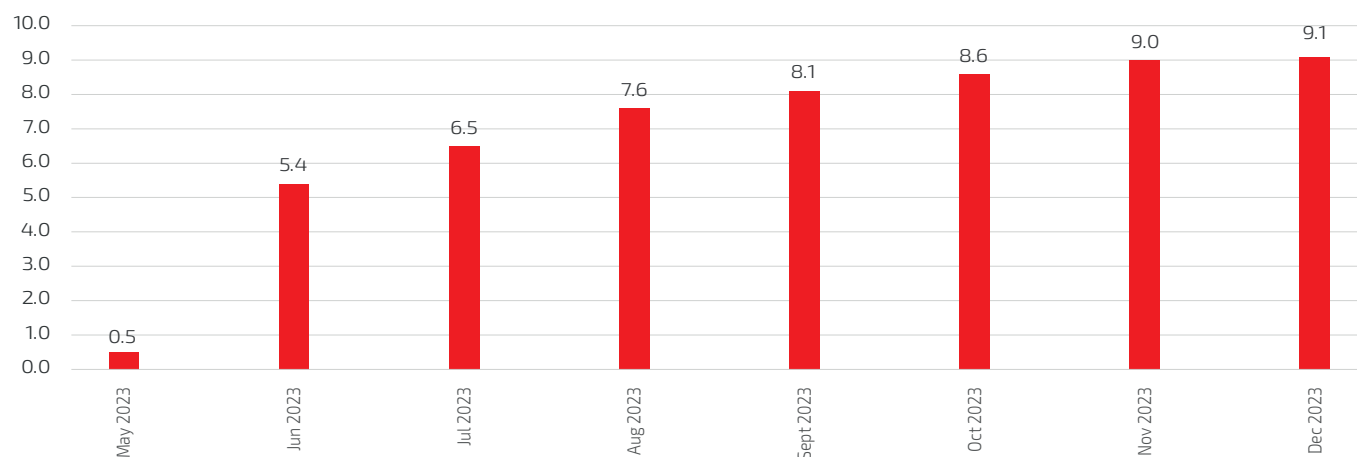
Fishing Clash was the first title with offer in the TSG Store. Since the launch of this functionality, the share of payments generated by the TSG Store has steadily increased annually, currently reaching nearly 14%. The chart below shows the share of payments generated for Fishing Clash in the total amount of payments in 2023.

% Share of TSG Store in Fishing Clash bookings



Only two of the Group's titles, Fishing Clash and Hunting Clash, are currently included in the TSG Store offering. The inclusion of the Hunting Clash offering came later and work is still underway to integrate the offerings and marketing strategy. Currently there are no plans to include other titles in the TSG Store offering. Below, the Group shows TSG's share of total Group bookings in 2023.

% Share of TSG Store in Group's bookings



Normalized (Adjusted) EBITDA amounted to PLN 118.6 million in 2023, down 15.4% compared to 2022. It is noteworthy that as a result of restructuring, cost discipline, streamlining operational processes and working to improve the indicators of the Group's main products, Adjusted EBITDA in the fourth quarter of 2023 alone amounted to PLN 35.4 million, the highest quarterly reading of this indicator in 2023. It was also a higher result than that recorded in the fourth quarter of 2022. Reducing the number of concurrently developed projects and focusing the Group's resources around its largest products resulted in an improvement in the Group's financial performance in the second half of the year. This action also demonstrated the advantages of the Group's business model, which allows it to generate regular cash flow by streamlining the Group's main titles. In the case of the youngest title in the Group's portfolio, Wings of Heroes, the investment in improved monetization, the addition of new content and the development of social features resulted in an improvement in the game's main metrics in the end of 2023. The game's payment rate was also higher. Rortos' other game, Real Flight Simulator, also recorded record results in the fourth quarter of 2023 since joining the TSG Group.

In the first half of 2023, the General Meeting of Ten Square Games supported the Company's Management Board's proposal to pay a dividend of PLN 52.3 million. In December 2023, the Extraordinary General Meeting of Ten Square Games authorized the Company's Management Board to carry out a buyback of the Company's own shares worth up to PLN 115 million. The Company's Management Board decided to carry out the share buyback as an alternative to dividend due to the accounting burden of non-cash one-off events on the Group's net result.

In 2023, the Group recorded a net profit of PLN 15.2 million despite the fact that the result was heavily burdened by the cost of one-off events detailed in Note 9. „Indication of factors and events, including those of an unusual nature, having a significant impact on the financial statements.”

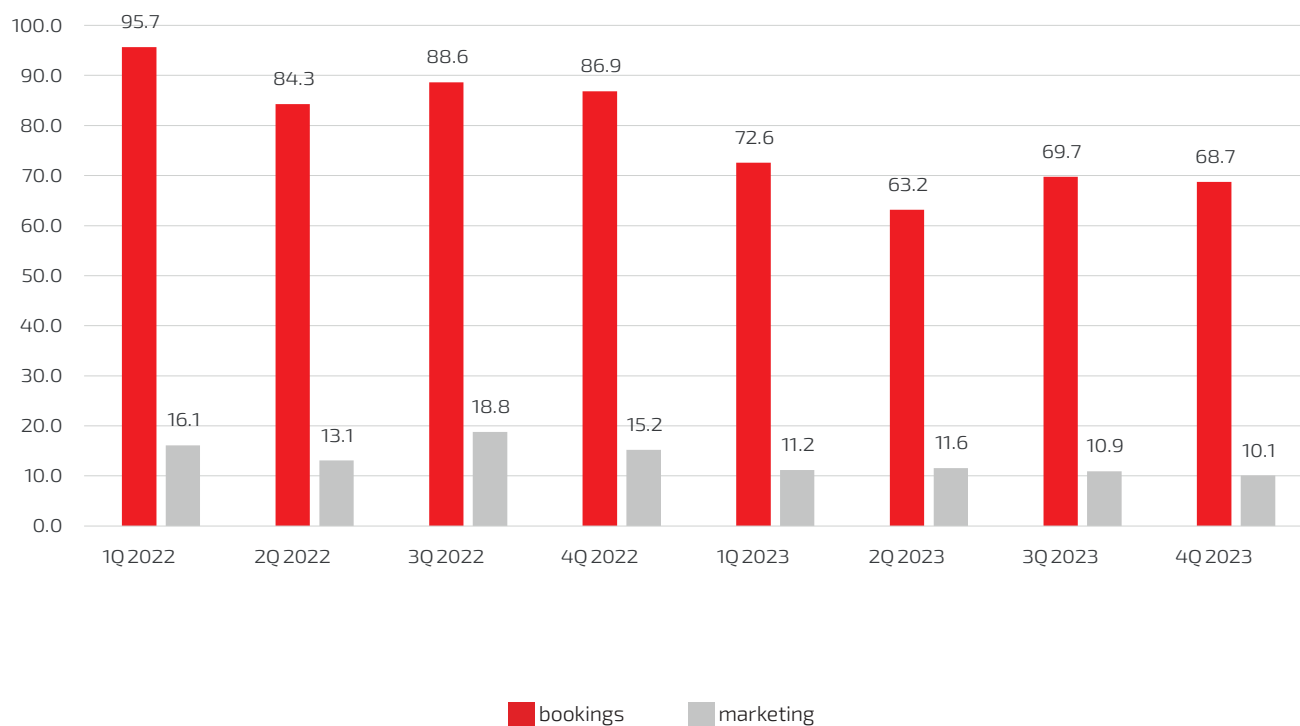


QUARTERLY ANALYSIS OF BOOKINGS AND MARKETING COSTS OF KEY GAMES

FISHING CLASH



in PLN M



2023 was full of challenges for the Company's main product Fishing Clash game. The first half of 2023 closed with a decline in the game's bookings, and the second half of the year saw intensive work to rebuild results.

In 2023, expenditures on marketing activities related to Fishing Clash were 30.75% lower than in 2022, with the largest y/y decrease occurring in the third quarter of 2023. At the same time, Ten Square Games launched partnerships with large recognizable brands matching the games' themes. In the case of Fishing Clash, it was a partnership with Major League Fishing – the largest organizer of fishing games in the United States. Such a partnership gave the team the opportunity to try out innovative ideas in the game and created a chance to reach the best-profiled audience with information about the game. The team responsible for acquiring new users also opted for social media campaigns with influencers, which yielded positive results and will be continued in the future.

Despite the reduction in expenditures on acquiring new users, the improvement in the efficiency of ongoing activities translated into a steady increase in the average monthly number of users in the game. This value in each quarter of 2023 was higher than in the corresponding periods of 2022.

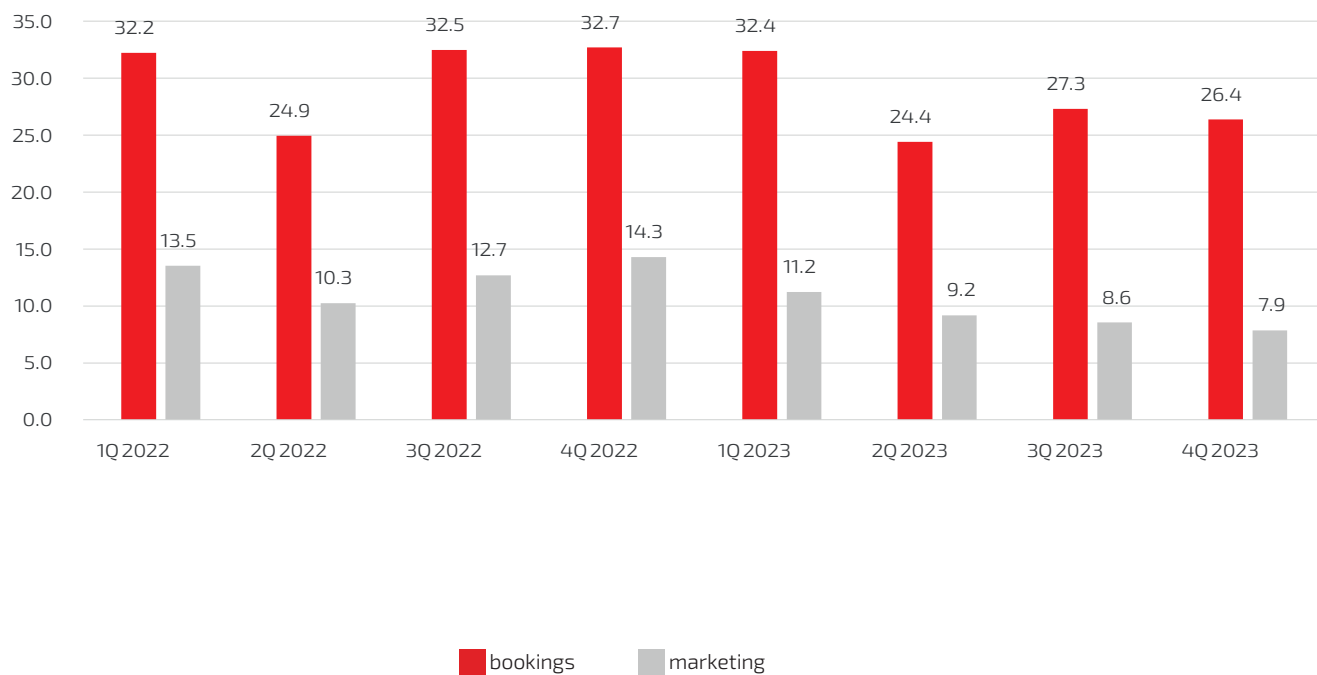
Following a change in the Group's strategy in April 2023, great emphasis was placed on developing the Group's core product. The improved results were influenced by improvements in the technological layer of the game's operation and a strategic change in the approach to introducing new elements into the game. The team responsible for the development of the game focused on introducing significant changes to the game that are easily noticeable to users, preceded by in-depth testing. Thus, the game was enriched with elements specific to mid-core products. The effective combination of new functionalities with in-game events (LiveOps) improved the monetization of the product. Among those worth mentioning, according to the Company, are Power Score and Bingo, which have not only improved monetization in the game, but also received a positive response from players. In addition, in July 2023, the Company launched an online store, the TSG Store, where Fishing Clash players can purchase virtual in-game items directly from the Company. The effect of this project is to reduce commission costs associated with the sale of in-game products. In the last quarter of 2023, the Fishing Clash team focused on improving the game's event offerings, elements to improve the user experience and tools to enable players to communicate more effectively in the game. A browser-based version of the game was also made available in November, bringing the best of the mobile game to the big screen. The goal of this move is to try to reach new customers, further optimize marketing efforts, more effectively redirect players to the TSG Store, and create new opportunities for business partnerships with external parties. In addition, a strong emphasis was placed on improving the visual quality throughout 2023. The positive effects of the implemented changes were evident in the second half of the year – the level of payments in the third quarter increased by 10.4%, and in the fourth quarter they remained at a similar level.

The first months of 2024 brought less player activity in Fishing Clash after intense months in the last quarter of 2023. In January, the bookings amounted to PLN 19.0 million, and in February it rose to PLN 19.3 million.

HUNTING CLASH



in PLN M



For Hunting Clash, the Group's second largest product, the second quarter of 2023 also saw a significant decrease in bookings compared to the first quarter. In the second half of the year, the team focused on ensuring a regular calendar of in-game events, systematic delivery of new content and activities to support monetization of the game. As a result, revenue levels were partially rebuilt and kept stable. This can be seen especially in the level of bookings in the third quarter, which increased by 11.9% from the record low second quarter of 2023. In the fourth quarter of 2023, they managed to maintain them at a level similar to that of the third quarter of 2023. For all of 2023, bookings amounted to PLN 110.5 million, down 9.7% y/y.

The most important project carried out by the Hunting Clash team in the fourth quarter of 2023 was a change in the systems responsible for the efficiency of competition in the game. It was introduced to the game already in the first quarter of 2024. The aim of the change is to improve player engagement and monetization. Its full effects will be visible in the long term, as it requires the formation of new habits on the part of players and the adaptation of the game's event structure by the Hunting Clash team. The first effects should be visible starting in the second quarter of 2024.

In 2023, spending on marketing and new player acquisition was 27.5% lower than in 2022. Their reduction occurred steadily every quarter, with the lowest level of spending on these activities in the fourth quarter of 2023. At the same time, it was the third and fourth quarters that brought significant increases in the average monthly number of active users in the game. The highest value was recorded in the fourth quarter of 2023, when the ratio was even higher than in Fishing Clash.

Hunting Clash, like Fishing Clash, decided to partner with a recognizable global brand that relates to the game's theme. The partnership with the Beretta brand ensured that the title would reach a wider group of users with its advertising message. Thanks to this cooperation, Hunting Clash is the only hunting game using the manufacturer's signature weapon in gameplay. From the perspective of the title's development, this is an important element of user acquisition. In addition, thanks to the cooperation between the brands, the recognition of the Hunting Clash title has increased and an opportunity for further business partnerships with other entities has been created.

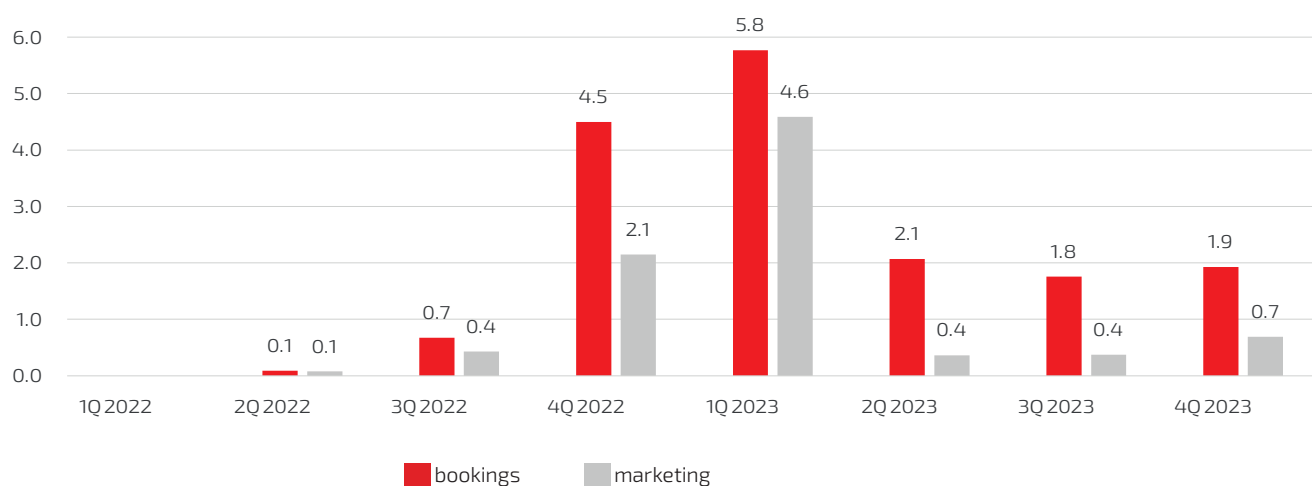
In January and February 2024, player activity was lower than in the last months of 2023. The level of bookings was PLN 7.9 million and PLN 7.2 million, respectively. The team used this time to work intensively on changes to the game's competitive system and new functionalities.

The Wings of Heroes game had its global launch in October 2022 (soft launch took place during Q2 2022). The first months of this title showed dynamic growth in bookings. The game was well received by players, and the Group decided to make high marketing and user acquisition expenditures to test the game and study the behavior of different audiences. In the second quarter of 2023, after the tests were completed, the Group decided to drastically reduce marketing expenditures due to the fact that at that stage of the game's development, a return on marketing investment could not yet be achieved, and the extent of the data collected during the tests made further development of the game possible. The team spent the next few months evaluating and revising the basic mechanics of the game, as well as determining the further direction of the product. As a result, a decision was made to overhaul selected game mechanics, which prepared the game for further changes. Among them were the addition of new features, as well as the introduction of events for players to increase their involvement in the game and monetize it more effectively.

WINGS OF HEROES



in PLN M



The game has also been significantly improved from a technical standpoint, which has translated into greater comfort for players during gameplay. During the year, it was possible to significantly revamp the LiveOps system along the lines of the one operating in Fishing Clash and Hunting Clash. This is a key step towards better monetization of the game and building an effective in-game progression system. The game has also been enriched with new content and social features have been added. The Wings of Heroes team also worked intensively on the first time user experience. This translated into a better understanding of the game by players, increased engagement (more battles played) and monetization (aircraft upgrades). It also improved retention rates. The technical side of the game's operation and its rating on the most popular platforms also improved.

Thanks to the intensive work of the team and the changes made to the game, it was possible to improve the main indicators of the game despite a drastic reduction in advertising spending. The positive effects of the work can be seen in the increasing bookings from the game in the fourth quarter of 2023.

In January and February 2024, the level of bookings was higher than in the last months of 2023 and amounted to more than PLN 940 thousand and more than PLN 930 thousand, respectively, despite the lack of significant expenditures on marketing activities.



CURRENT AND PROJECTED FINANCIAL SITUATION

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

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

PROFITABILITY INDICATORS	2023	2022*
Selected financial data		
EBIT – Capital Group	3,517,848	71,957,512
EBIT – Parent Company	-5,505,657	69,859,370
EBITDA – Capital Group	101,530,925	111,274,749
EBITDA – Parent Company	91,463,773	99,240,007
Adjusted EBITDA – Capital Group	118,583,928	140,114,836
Adjusted EBITDA – Parent Company	108,380,534	127,061,177
Profitability ratios – Capital Group		
EBITDA** profitability	23.28%	20.69%
Adjusted EBITDA** profitability	27.19%	26.05%
EBIT** profitability	0.81%	13.38%
Gross profitability	3.91%	11.66%
Net profitability	3.49%	9.59%
ROA	3.32%	9.91%
ROE	5.23%	15.17%

PROFITABILITY INDICATORS	2023	2022*
Profitability ratios – Parent Company		
EBITDA* profitability	23.22%	19.88%
Adjusted EBITDA* profitability	27.52%	25.45%
EBIT* profitability	-1.40%	13.99%
Gross profitability	4.12%	12.68%
Net profitability	4.23%	10.92%
ROA	3.64%	10.94%
ROE	5.60%	16.69%

* the restatement of comparative data was presented in the Consolidated Financial Statements published together with this Management Report.

Source: Management Board

Principles for the calculation of indicators**:

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

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

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

revenues from operations; Net profitability – net profit for the period / revenues from operations;

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

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

Profitability ratios, despite a decline in 2023, remained at very high levels during the periods analyzed.

Debt ratios

Due to the fact that the Group (including the Parent Entity) did not use external financing in 2022-2023, debt ratios will not be presented.

The Group's equity in 2023 accounted for 64.0% of the balance sheet total, while at the end of 2022 it was: 65.3%.

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

LIQUIDITY RATIOS	2023	2022*
Liquidity ratios – Group	1.76	1.88
Liquidity ratios – Parent Company	1.63	1.66

* the restatement of comparative data was presented in the Consolidated Financial Statements published together with this Management Report.

Source: The Group

Principles for the calculation of indicators:

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

Both in 2022 and in 2023, the liquidity ratios remained at a very high level, which results from the generation of positive cash flows during the year.



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

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 as at 1.01.2023	cost of development work – 1Q 2023	write down of value – 1Q 2023	balance sheet value as at – 31.03.2023	cost of development work – 2Q 2023	group lay-offs – 2Q 2023	write down of value – 2Q 2023	balance sheet value as at – 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 as at 1.01.2023	cost of development work – 1Q 2023	write down of value – 1Q 2023	balance sheet value as at – 31.03.2023	cost of development work – 2Q 2023	group lay-offs – 2Q 2023	write down of value – 2Q 2023	balance sheet value as at – 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

GOODWILL IMPAIRMENT

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.

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).

WRITE-DOWN OF SHARES IN GAMESTURE SP. Z O.O.

In accordance with the provisions of IAS 36 Impairment of Assets, the Company assesses at each reporting period whether there are any indications (internal and external) that any of the assets may have been impaired. If even one of the indications exists, a formal estimate of the recoverable amount must be made. Gamesture Sp. z o.o. historically generated and in 2023 also generated an operating loss, hence this was the premise for the test. The results of the test indicated that the recoverable amount was lower than the carrying amount, hence an impairment charge of PLN 5.4 million was made.

10.

MAJOR ACHIEVEMENTS IN RESEARCH AND DEVELOPMENT

In 2023, Ten Square Games focused on the development of core products, resigning from investments in new titles due to the deterioration of mobile gaming market. Similarly to previous years, work is constantly ongoing to improve the Group's business base, with particular emphasis on the Business Intelligence department – constantly improved predictive and analytical models are key to planning and verifying further development of the product portfolio and marketing activities. The development of tools based on artificial intelligence is actively monitored – language models (GPT) and image generation models (MidJourney, Stable Diffusion). The team creates prototypes of tools that use new technological solutions in the Group's products to the extent possible at the current stage of development and regulation of artificial intelligence. Some of the tested solutions have been used in the work of selected teams and are mainly related to streamlining and improving the speed of performed tasks. At this stage, none of the processes implemented in the Group is based solely on the use of artificial intelligence tools. However, the Company's Management Board sees the growing potential for a broader use of these tools in the processes of game creation (e.g. graphics), marketing (graphics, texts), and analytics, and plans to integrate them more into the mobile game creation process in 2024. This will speed up work and increase its efficiency, as well as respond more effectively to the changing needs of players.

In the opinion of the Management Board, the current development projects are aimed at consistent implementation of the Group's strategy and provide opportunities to expand the Group's product offer with further profitable and timeless titles.





EXEPECTED DEVELOPMENT OF THE ENTITY AND THE GROUP

In the face of the deteriorating situation on the mobile gaming market, in April 2023, the Management Board of Ten Square Games revised the strategy of the Ten Square Games Group. With a view to the long-term financial security of the Group and ensuring its further development, Ten Square Games focused on the development of the largest projects responsible for the Group's financial results. Strengthening the position of the Group's main products in the fishing and hunting games segment guarantees the Group's financial stability. The Group's business model based on the constant development of games in the Group's portfolio provides it with the opportunity to regularly generate cash and improve financial results without the need to spend large capex on the development of new games. At a time when the mobile games market is struggling with many challenges, including a wave of layoffs and closures of projects and development studios, as well as a lack of predictability, this approach provides the Group with a high level of financial security and the ability to share free funds with shareholders. In 2023, the Parent Company once again paid the dividend and at the beginning of 2024 executed a share buyback program.

The main goal of the new strategy of Ten Square Games is to return the Company's key products – Fishing Clash and Hunting Clash – to the growth path and to accelerate the development of Wings of Heroes. In the opinion of the Management Board, these are the greatest engines of growth in the Group's value in the near future.

In 2023, the Ten Square Games Group, thanks to the implemented restructuring initiatives, not only prepared the organization for the challenges related to structural changes in the mobile gaming market and ensured its financial security, but also significantly developed its main products. Their KPIs improved significantly, and the Wings of Heroes game was prepared for the next stage of development. Therefore, the Management Board of Ten Square Games intends to focus primarily on the further development of main products and projects supporting their business effectiveness. At the same time, the changes introduced in the functioning of product teams last year, together with the improvement of the KPIs of the Group's main titles, allow us to consider starting work on new titles in the future. To this end, the Management Board of Ten Square Games is considering testing several game prototypes in 2023 to check their development potential. This step does not mean that Ten Square Games Group intends to start development work on a new product. Such a decision will be preceded by market tests and an in-depth analysis of the market and competitive environment. The Company's activities are aimed at ensuring its strong and established position on the mobile games market.

12.

SIGNIFICANT EVENTS OCCURRING AFTER THE END OF THE REPORTING PERIOD WHICH WERE NOT REFLECTED IN THE FINANCIAL STATEMENTS FOR A GIVEN PERIOD

There were no significant events after the balance sheet date that could affect the financial data included in the statements for the period ended December 31, 2023. However, significant events that will affect the financial statements 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
Gross carrying amount as at 31.12.2023	19,565,282
Increases, due to:	6,218,362
– changes resulting from modifications to contracts (extension of the rental period)	6,218,362
Decreases	561,829
– changes resulting from modifications to contracts (shortening the period)	561,829
Gross carrying amount as at 01.01.2024	25,221,815
Depreciation as at 31.12.2023	12,927,908
Depreciation as at 01.01.2024	12,927,908
Gross carrying amount as at 01.01.2024	12,293,907

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
TOTAL LEASE LIABILITIES	9,278,350	4,070,722

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 buybacks (i.e. executed in 2022 and 2024) the Company purchased in total 1,024,166 own shares, which in 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.

13.

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

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

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

- » PLN/EUR and PLN/USD exchange rate. A significant portion of the Group's revenue is generated in foreign currencies, and the Group is therefore exposed to the risk of sudden changes in foreign exchange rates. At present, a significant portion of the costs associated with the purchase of advertising is incurred in U.S. dollars, partly offsetting the risk of exposure to foreign exchange rate fluctuations. A change in this proportion may happen in the future.
- » The introduction of competitive products to the Group's games on the market. Due to low entry barriers for new entrants and easy access to global distribution of new products, the mobile gaming market is competitive. Consumers are offered numerous products, often with similar themes. A competitive market requires the Group to work on continuous improvement of the quality of its products and search for new areas of interest to a wide range of customers.
- » Parameters of the advertising market, such as prices and supply of advertisements purchased by the Group, as well as various distribution channels. The Group's economic model is based on the possibility of acquiring players at prices lower than the expected value generated by the players. However it cannot be ruled out that the cost of acquiring a user will exceed the above mentioned profitability threshold.
- » Change in the policy of key distribution platforms such as Google Play, Apple and Facebook, affecting the scope and distribution capabilities of the Group's products. The games produced by the Group reach users through entities independent of the Group, any change on their part as regards the Group's application promotion policy, application selection and distribution rules may have an impact on the Group's results.
- » Change in the policies of key platforms – marketing channels. An example of such changes is the change in Apple's privacy policy introduced in 2021, which strongly disrupted the online advertising market. As a result of these changes, it has become much more difficult to accurately target marketing campaigns and to verify the predicted future value of acquired user groups. This is a problem that all advertisers using this type of marketing are currently facing. Similar new regulations have also been announced by the Google platform, but the details and scope of the changes are not yet known.

- » Duration of game development. F2P productions are relatively short and low-budget, but here, too, delays in production may occur as a result of difficult access to talent or changes in the market and the resulting changes in the product. Game production is a complex process based to a large extent on creative and artistic work, which often makes it difficult to set a precise production schedule.
- » The ability to maintain and develop a team of developers and other professionals in the field of development of F2P games, as well as attracting talent from Poland and abroad. The market of F2P specialists in Poland is young and shallow. Access to such specialists is of key importance for the Group. In addition, the Group notes strong wage pressure from both existing and new potential employees.
- » The Group's products are consumed by players. The demand for these products may be subject to changing fashions, market trends or sudden changes in the perception of specific customer groups. A change in the macroeconomic situation may also result in a shift in the purchasing behavior of some customers.
- » In the case of activities undertaken by the Group to acquire external entities or projects, the Group is exposed to business risk related to their correct valuation and subsequent integration. This may affect the Group's financial results in the future.
- » The Group's operations depend on the proper functioning of IT systems and technical infrastructure, networks and servers. As a result of failure of the technical infrastructure, the Group's products may be interrupted, which makes it impossible for the Group to conduct its daily operations. Any system failure or access to data by unauthorized persons may result in loss or disclosure of data, reduction of sales revenues, necessity to incur unforeseen costs or penalties.
- » The terms of personal data processing are regulated by general provisions on personal data protection, including Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of individuals with regard to the processing of personal data and on the free movement of such data and repealing Directive 95/46/EC (GDPR), whose absolute applicability within the national legal order is mandatory as of 25 May 2018. The Group has put in place legal, organizational and technical solutions to ensure the security of the processed data and full compliance with the regulation. Should the current data protection measures prove ineffective, data may be disclosed, modified or lost, whether as a result of system failure, human error or unauthorized actions by third parties. Violations of data protection rules can lead to financial penalties by the supervisory authority, as well as loss of reputation and customer trust.
- » Innovation in new technologies in the segment of electronic entertainment. Technological changes that may affect the way games are delivered to consumers and the way they are consumed cannot be ruled out. This may necessitate rapid adaptation of the Group's products to new realities.
- » Changes in legal and tax regulations and the risk of providing services to users in various jurisdictions.
- » A new risk for the Group's operations is the situation in Ukraine in the light of the Russian invasion of this country (February 2022). Ukraine is directly bordering Poland, where the head office of the company is located, and to Romania, where one of the studios producing games is located. On March 8, 2022, the Company blocked possibility to play all its games in Russia and Belarus, which also translated into the results generated in 2022 (sales on these markets accounted for approx. 5.3% of total bookings in 2021). If the armed conflict in Ukraine continues, it will affect the Group's results in the coming years.

14.

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

In 2024, the Group intends to continue developing its operations in the current areas, focusing primarily on the development of the current product portfolio. As the parameters of the main titles improve, the Company's Management Board is considering testing several game prototypes to verify their possible development potential. If the results of such tests are positive, the Company's Management Board does not rule out starting development work on a new title.

The further development of Fishing Clash, Hunting Clash and Wings of Heroes will have a key impact on the results of the Ten Square Games Group. Improving results both in the product and marketing spheres may significantly affect the results of subsequent periods. In order to use this potential, the Group conducts constantly optimized Live-Ops activities, continues to develop product functionalities, improves the visual quality of products, works on technological aspects and incurs marketing expenses to acquire new players. The effects of these activities are visible in the reversal of negative trends in the Group's two main products and a significant acceleration of the development of Wings of Heroes.

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

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

15.

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

Historically, agreements that may have an impact on future changes in the proportions of shares held by shareholders were agreements regarding the incentive program for 2018-2022 based on the issue of new shares.

The incentive programs existing in the Company in 2023 and 2024 are based on the distribution of own shares purchased from the market, therefore they do not directly affect the proportions of shares held by shareholders.

However, some of the shares purchased in February 2024 (purchase described in more detail in the note „Purchase of own shares“) are intended for redemption. With the redemption of these shares, the proportions of shares held by shareholders will change in such a way that the percentage of shares held by the Company will decrease and the percentage of shares held by individual shareholders will increase.

16.

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

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

17.

SEASONALITY OR CYCLICALITY OF OPERATIONS

The Group's activity is not seasonal.

18.

CREDITS, LOANS, WARRANTIES

The Parent Company grants loans to subsidiaries and associates. The loans are granted on market terms and the repayment period is set to no longer than March 31, 2027. The balance of these loans as at December 31, 2023 is PLN 1.1 million.

Ten Square Games S.A., nor any of its subsidiaries, was not a party to any other credit or loan agreements as at December 31, 2023 and as at the date of issuance of the financial statements. The Issuer and its subsidiaries did not provide any sureties or guarantees in the period covered by the report.



19.

PURCHASE OF OWN SHARES (BUYBACK)

On February 12-22, 2024, the Company accepted offers for the sale of the Company's shares as part of the purchase of own shares launched by the Parent Company in accordance with resolution No. 3 of Extraordinary Meeting of Shareholders dated December 19, 2023 on authorizing the Company's 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 purchase:

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

The company also purchased its own shares in 2022; in both buybacks (i.e. executed in 2022 and 2024) the company purchased in total 1,024,166 own shares, which in 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.

20.

BRANCHES (OFFICES) OWNED BY THE PARENT COMPANY

Neither the Parent Company nor its subsidiaries have branches.

21.

FINANCIAL INSTRUMENTS

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

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

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

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

22.

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

LEASE CONTRACTS – SPACE OFFICE, 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”.

SHAREHOLDERS' ARRANGEMENT

On October 21, 2019, a Shareholders' Arrangement was concluded. The Members of the Arrangement held a total of 4,603,750 shares of the Company, constituting 63.58% of the share capital, entitled to 4,603,750 votes at the general meeting of shareholders of the Company, constituting 63.58% of the total number of votes at the general meeting of shareholders of the Company. The Company informed about above fact in current report No. 30/2019. The parties to the Arrangement were a small group of founders and key people for the company, including Maciej Popowicz and Arkadiusz Pernal (members of the management board from the beginning of the Company's existence in 2011 to 2020).

Pursuant to Annex No. 2, on February 1, 2024, the following fundacje rodzinne (family foundations) joined the Shareholders' Arrangement: AMP Fundacja Rodzinna and MJP Fundacja Rodzinna. In connection with the concluded annex, the number of parties to the Shareholders' Agreement was expanded, but the total share of the parties to the Shareholders' Arrangement did not change in the total number of votes in the Company. Shares previously held by Maciej Popowicz and Arkadiusz Pernal were transferred to family foundations. As a result of these transactions, Arkadiusz Pernal and Maciej Popowicz currently do not directly hold any shares of the Company.

Since the establishment of the Arrangement in 2019, there have been several sales transactions of the Company's shares by the Members of the Arrangement. As at the date of issue of this Report, the Shareholders' Arrangement holds 1,996,730 shares, which constitute 27.2% of the share capital.

ACQUISITION OF RORTOS S.RL. COMPANY

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

The price for the entire stake acquired in Rortos was set at EUR 45,000,000 without taking into account the level of cash and debt free (cash free and debt free basis) based on the EBITDA profit multiplier for 2020, normalized by the capitalization of personnel costs, at the level of 9.8. Adjusted for cash and debt, the payment amounted to EUR 46.7 million at the settlement date. In addition, under the conditions set out in the Agreement, the Sellers will be entitled to additional remuneration (earn-out payment) depending on the results of Rortos in the period from July 1, 2021 to December 31, 2025, calculated in accordance with the formula agreed in the Agreement – in a maximum amount not higher than the result EBITDA achieved by Rortos in the relevant period.

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

23.

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

The Parent Entity and its subsidiaries had a high level of cash as at December 31, 2023 and December 31, 2022. The Group's companies settle their liabilities on time. The Group's companies also have no problems with the collection of receivables – the vast majority of amounts related to a given month are settled within the next 4-5 weeks. In the opinion of the Management Board, the current financial situation of the Issuer does not require taking additional steps to counteract the above-mentioned problems or threats.



24.

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

Cash and cash equivalents as of December 31, 2023 amounted to PLN 162.8 million, so the Group has full opportunities to develop the existing product portfolio and create new ones. The Group is also interested in acquisitions of other entities operating on the F2P games market – if the Management Board of the Parent Company considers it beneficial to take over a large entity, obtaining external financing is not excluded. Such steps will be taken when a favorable investment opportunity arises.



25.

INFORMATION ON THE CONTROL SYSTEM OVER EMPLOYEE SHARE PROGRAMS

As at December 31, 2023, the Parent company had three active incentive programs, which were described in the financial statements in the note „Incentive programs“.

One of the incentive programs is addressed to the Company's Management Board, this program was adopted on December 19, 2023 by the General Meeting of Shareholders of the Company. The detailed regulations of the program were also approved by the shareholders in the form of a resolution. The implementation of the program is supervised directly by the Supervisory Board.

The remaining two incentive programs were adopted by the Company's Management Board and are addressed to key employees and associates of the Company. Control over the implementation of the program is exercised directly by the Management Board.

26.

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

As at 31 December 2023 and as at 31 December 2022, the Group did not have any significant off-balance sheet items.

27.

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

Remuneration is presented below, broken down into paid and payable. In the absence of annotations, the amount paid is equal to the amount due for the reporting period. The totals for a given person present instead the amounts paid, without the amounts due, according to the rule applied in preparation of these financial statements.

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	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
Management Board (total due remuneration)	9,427,589	29,030,296	834,775	2,775,554
Maciej Zużatek (till 22.05.2023)	6,375,362	24,957,072	n/a	1,578,091
– Ten Square Games S.A. – cash fixed remuneration	342,194	824,400	n/a	1,578,091
– Ten Square Games S.A. – motivation program for years 2Q2020 – 1Q 02023	6,033,168	24,132,672	–	–
Andrzej Ilczuk	1,165,902	636,000	60,583	19,343
– 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, variable cash remuneration	223,283	0	–	–

AFFILIATED PERSON	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
Anna Idzikowska (till 28.02.2023)	111,139	719,300	n/a	137,700
– Ten Square Games S.A. – cash fixed remuneration	106,000	636,000	n/a	137,700
– Ten Square Games S.A. – due, paid, cash, variable remuneration	5,139	83,300	–	–
Janusz Dziemidowicz	636,000	636,000	491,340	682,417
– Ten Square Games S.A. – cash fixed remuneration	636,000	636,000	491,340	682,417
Wojciech Gattner (till 22.05.2023)	503,186	1,445,924	169,128	200,054
– Ten Square Games S.A. paid cash fixed remuneration	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	–	–
Magdalena Jurewicz	636,000	636,000	113,724	157,950
– Ten Square Games S.A. – paid cash fixed remuneration	636,000	636,000	113,724	157,950
Supervisory Board	372,000	381,290	4,119,293	5,721,241
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
Affiliates (Ten Square Games S.A.)				
Maciej Popowicz (since 1.04.2023)	43,500	0	N/A	N/A
Key personnel (Ten Square Games S.A.)	0	0	N/A	N/A
Family members of key personnel / Management Board (Ten Square Games S.A.)	0	303,400	N/A	N/A

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

28.

CONTRACT WITH THE AUDITOR

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

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



29.

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

In 2023, as well as from January 1, 2024 to the date of publication of the standalone and consolidated annual report for 2023, the Issuer and its subsidiaries did not conclude any significant transactions with related parties on terms other than market conditions.

30.

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

In 2023, as well as from 1 January 2024 until the date of publication of the standalone and consolidated annual report for 2023, no issue of the Issuer's securities took place.

31.

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

In 2023, as well as from 1 January 2024 until the date of publication of the standalone and consolidated annual report for 2023, the Issuer did not make any changes to the basic principles of management of the Issuer's enterprise and its Capital Group.

32.

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

In 2023, as well as from 1 January 2024 until the date of publication of the standalone and consolidated annual report for 2023, the Issuer did not conclude any agreements with members of the Management Board providing for compensation in the event of resignation or dismissal from the position held without an important reason or if the dismissal is due to the Issuer's merger by acquisition.

33.

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

In 2023, as well as from 1 January 2024 until the date of publication of the standalone and consolidated annual report for 2023, there were no liabilities arising from pensions and benefits of a similar nature for former managing, supervising or former members of administrative bodies.

The Issuer is subject to corporate governance rules contained in the document 'Code of Best Practice for WSE Listed Companies'. The statement of compliance nature for former managing, supervising or former members of administrative bodies and no liabilities were incurred in connection with those pensions.



34.

SOCIAL RESPONSIBILITY (ESG)

34.1. Introduction

Although the Ten Square Games Group is not subject to the reporting obligation introduced under Article 49b of the Accounting Act of September 29, 1994 and Article 55 paragraphs 2b-2c., the Parent Company's Management Board takes into account the interests of various social groups, environmental protection, as well as relations with various stakeholder groups at the stage of building its business development strategy.

In 2023, the Ten Square Games S.A. Group began preparations for reporting under the EU Corporate Sustainability Reporting Directive (CSRD), which requires it to prepare a non-financial report starting with the 2025 report. The report will be created in accordance with the requirements of the ESRS (European Sustainability Reporting Standards) and will present information and figures about the Group's Parent Company and its subsidiaries. To prepare for this process, Ten Square Games Group has carried out a number of activities in 2023, such as:

- » a materiality study,
- » analysis of climate risks, and
- » taxonomy compliance study.

A description of these is provided in the following section. This work, as well as a number of workshops and training sessions, served Ten Square Games Group to revise its data collection processes and identify the groups of data that will be necessary for Ten Square Games Group's future sustainability report to be fully compliant with regulatory requirements in this regard.

In 2024, Ten Square Games Group is planning further steps to bring the Group closer to regulatory compliance. One of the most important of these will be, among other things, the development of Ten Square Games Group's ESG Strategy.

In carrying out sustainability activities, the Parent Company's Board of Directors annually establishes an ESG action plan and allocates a budget for these activities, in order to realistically help address relevant global issues in line with the company's value of „Be Part of the Change.“ It is the ambition of the Parent Company's Board of Directors to ensure that the Group's business activities do not have a negative impact on the environment and build long-term value for all stakeholders including: players, business partners, people providing work and services to the Group.

Ten Square Games' management, both at the strategy development stage and in daily business operations, strives to implement international Environmental, Social, and Governance (ESG) standards. The Parent Company works with global organizations such as the Fair Play Alliance and Tech To The Rescue to apply more sustainable solutions in the products it offers and to share resources with NGOs.

34.2. **Business model of Ten Square Games**

TSG Group is a market leader in innovative hobby-themed mobile games that accompany players for many years. The value of the mobile game market reached \$90.5 billion (Newzoo) in 2023 and is projected to grow in the long term.

TSG Group's business model is based on providing free-to-download games with monetization realized through in-app payments made by players. A key element of the monetization strategy are so-called Live Ops – regularly scheduled in-game events that engage players through new tasks and objectives.

The Group's main products are described in Section 3 of the Management Report on the Operations of Ten Square Games Group and Ten Square Games S.A. for 2023. In section 11 of the above document, the Parent Company's Board of Directors outlined the strategy of its operations and expected development.

In April 2023, The Parent Company's Management Board revised its existing business strategy. This was in response to rapid structural changes in the mobile game market. Ten Square Games Group focused on the development of major projects, abandoned the further development of two projects, and adjusted the employment structure to the market condition and development plans. Thanks to rapid adaptation to changing market conditions, the Group is starting 2024 with a stable financial position, ready for the next stage of development.

The 2023 materiality survey confirmed that TSG Group's employees and consumers (end users) are the most important for its development. The Group operates in an industry where the creativity and innovation of the people employed are the most important in the struggle for market position. Therefore, since its inception, the Group has attached great importance to creating an attractive workplace that attracts talent from around the world. At the end of 2023, 76% of all the Group's employees were of Polish nationality, and 24% of the Group's employees represented other nationalities.

Ten Square Games also cares about relations with its users by creating a top-notch customer service team whose main task is to maintain good relations with players. The games developed by the Group are aimed at adult users over the age of 18.

In order to better understand the needs of players and respond to them more effectively, the Parent Company's Management Board of commissioned a study of the characteristics of players of the main products. Its results confirmed that Fishing Clash and Hunting Clash players are dominated by men, who account for 84% and 83% of players, respectively. In both games, the largest age group is those aged 35-54, who account for a total of about 68% of players. The 18-34 age group accounts for about 10-11%, and the 55+ group accounts for about 21% of players.

Most Fishing Clash and Hunting Clash players are established family members and working professionals. Their main motivation for participating in the game is to overcome more challenges, earn the most points, and spend time with and compete against people with similar interests. The majority of players list fishing and hunting as their hobbies in the real world, indicating a strong link between their life interests and their choice of games.

Based on a voluntary survey of Wings of Heroes players, it was found that fans of the title are mature people – the average age of a player is about 49. It is dominated by men, who make up about 98% of players. They share common interests, among which are history, aviation and outdoor activities. Wings of Heroes players are interested in expanding their knowledge of airplane flying and history. They are eager to play realistic flight simulators.

34.3. Corporate culture

The corporate culture at TSG is centered around 5 core values. They are regularly discussed and promoted by the Parent Company's Management Board. Meetings with employees throughout the Group are held at least twice a year. They provide a platform for discussion of the Company's values, their understanding and application to daily work. These values include the courage to explore, responsibility, cooperation, quick adaptation to change and mutual trust. The regularity of the meetings ensures continuous reflection on corporate culture and its integration into TSG's operations.

The main values promoted by Ten Square Games are:

- » **Dare to Explore:** Encouraging creativity, innovation and learning from mistakes.
- » **Own It (Be Responsible):** promoting responsibility, creativity and self-reliance.
- » **Grow Together:** fostering cooperation, personal and professional development within a team.
- » **Change Fast:** adapt to a rapidly changing market environment.
- » **Trust:** transparency, openness and honesty.

These themes are not only promoted in meetings, but are also evaluation criteria in recruitment processes and during employee evaluations, highlighting their importance to TSG's organizational culture.

The Parent Company's Management Board also supports grassroots employee initiatives, which demonstrates the practical dimension of a commitment to shaping corporate culture. In addition, Ten Square Games' Board of Directors recognizes project responsibility and the courage to explore as crucial to the company's success, which is communicated to employees as important elements of corporate culture that build TSG's competitive advantage in the mobile game market.

The Parent Company's Management Board has tools in place to support the corporate culture, including:

- » **Funding for employee initiatives** – shows the Board's support for innovation and employee engagement.
- » **Assessment of fit with corporate culture during recruitment** – ensures that new employees will act in accordance with company values.
- » **Regular employee evaluations** – includes an assessment of how well employees' behavior aligns with the organizational culture.
- » **Team-building events** – organizing large team-building events for the entire Group and smaller meetings within teams promotes cooperation and relationship building.

Organizational culture at TSG is dynamic and evolves with the company, which is reflected in the way the Parent Company's Management Board engages in its development and promotion. By focusing on its core values and integrating them into its daily operations, TSG creates a work environment that fosters innovation, responsibility and shared growth.

34.4. 2021-2024 pillars of sustainable growth

34.4.1. Environmental

The Parent Company's environmental goal is to reduce its carbon footprint in accordance with the Greenhouse Gas Protocol (GHGP) in four areas of the company's operations:

1. reducing CO2 emissions in processes and solutions at all Ten Square Games offices;
2. reducing CO2 emissions from business travel;
3. offsetting the environmental impact of employees and contractors in the performance of their professional duties;
4. offsetting the environmental impact of players when using Ten Square Games products

GREENHOUSE GAS EMISSIONS

The Company has not yet estimated greenhouse gas emissions for 2023. This is due to a change in the entity assisting Ten Square Games in the calculations in order to provide more accurate data to properly analyze the largest sources of emissions. Below, the Company reports the calculations made for 2022.

Emissions for 2022 were counted in three scopes (Scope):

Scope 1: direct emissions (Greenhouse gas emissions generated directly by the organization and its activities. Examples: fossil fuel combustion, refrigerant leaks.)

Scope 2: indirect energy-related emissions (Emissions associated with the organization's consumption of electricity, heat or steam. Example: electricity consumption.)

Scope 3: other indirect emissions (All other indirect emissions occurring upstream or downstream of the organization's value chain. Examples: purchase of raw materials, purchase of services, business travel, transportation of goods, waste, use and end of life of products sold, extractive energy).

Calculation methodology used:

- » Official and approved GHG Protocol methodology: ISO 14064-1;
- » GWP 100.

Scope 1&2 emissions were 230 tCO₂e, and scope 3 emissions were 8.4 ktCO₂e. Total emissions were 8.6 ktCO₂e. This represents a 16% year-on-year reduction in the total of all three scopes. Most of the emissions generated by the Parent Company are digital – they are related to the operation and maintenance of products – mobile games.

Most of the calculations performed were based on the expenditure method, this applies primarily to Scope 3 emissions. Indicators from ADEME's Base Carbone were used for the calculations.

The Group engaged in the projects described later to build environmental awareness among its players. These activities were conducted with recognized partners. As a result of its activities, Ten Square Games S.A. receives certified carbon credits (VERRA – Verified Carbon Credits), which can offset some of the Group's greenhouse gas emissions.

Energy consumption

In 2023, energy consumption at Ten Square Games S.A.'s headquarters in Wroclaw amounted to 177.02 MWh. Energy consumption at the office of Verona-based subsidiary Rortos amounted to 37,490 kWh. The Group also had offices in Warsaw, Berlin and Bucharest during 2023; however, these were mostly shared, small spaces. For these spaces, it was not possible to obtain actual energy consumption data from the building administrators.

Green activations in games

The Group actively undertakes pro-climate initiatives. Game activations are an important part of the company's strategy to create interesting and engaging content for players, conveying knowledge about ecology and environmental issues in an entertaining way, as well as inspiring action to combat climate change.

Ten Square Games has participated in the annual Green Game Jam event organized by the Playing for the Planet Alliance (created by the UN Environment Program) since 2022. For last year's event (2023), Fishing Clash created a week-long event centered around three ecosystems (the Amazon, the Himalayas and the Indian Ocean) and three endangered animals. By collecting event currency and completing tasks, players reached the goal, allowing the company to donate funds to selected projects of Milkywire, a technology platform that enables support for various environmental projects. TSG's goal was to draw attention to the current problems of nature in the aforementioned regions and educate players.

Each activation is planned to maintain a consistent narrative between the in-game activities at the event and the company's or players' involvement in a real-world environmental project. An example is the Fishing Clash's Earth Day event at one of its locations, New Zealand. Players received an invitation to participate by actively earning points for fishing trash out of a New Zealand fishery, gradually restoring it to its original appearance. The parent company donated \$30,000 to the project to the New Zealand NGO WAI Wanaka through cooperation with partner PlanetPlay. The premise of the project is to monitor and research the state of microplastics in New Zealand waters. This approach to creating activations maximizes the effectiveness of reaching a large audience.

Activations also appeared in the Hunting Clash game during World Environment Day. Players were invited to join an in-game environmental event aimed at raising environmental awareness. Players started at a contaminated location (Tanzania), which was cleaned up over the course of the game to eventually be restored to its beautiful, original state. Again, the company partnered with the NGO PlanetPlay to raise funds for the Hongera project in Kenya. It contributed to reducing carbon emissions and supported the local community. The event united Hunting Clash players in a mission to help the world while playing their favorite game.

Together, the Group's commitment to in-game eco-activities and financial support has helped support 3 environmental projects – WAI Wanaka, Milkywire and Honger's PlanetPlay project, which generated 2,000 carbon offset units (carbon credits).

34.4.2 Social

Ten Square Games recognizes its impact on the local communities in which the Group's key stakeholders operate: those who work for the Group under a contract of employment or other legal relationship, contractors, subcontractors, players, suppliers and shareholders. The Group, through its activities, has a real impact on shaping the ecosystem in which it operates. Therefore, Ten Square Games' existing rules, procedures and business policies focus on 2 main groups in this area:

1. employees and others who provide work for the Group. In this area, the aspects to which the Group pays much attention are:
 - a. equal pay – its effect is to close or maintain the wage gap between employees of different genders employed at Ten Square Games at a level lower than in the Polish economy as a whole. This effect is achieved through various measures taken in 2023, such as salary benchmarks reviewed twice a year, promotion and hiring of women in management and senior technical positions.

It is worth noting that many of the top positions at Ten Square Games Group are held by women. Overall, 30% of leaders at TSG are women, which is the average rate in the technology industry, but this number may increase in the near future in line with the aforementioned trend of increasing team diversity.
 - b. mental health – recognizing the importance of this issue, catalyzed by the COVID-19 pandemic, Ten Square Games is committed to supporting employees' mental health. In addition to providing private medical care, the company has introduced an additional mental health care package.
2. the end users of Ten Square Games Group products – gamers. The team in charge of dealing with players on a daily basis forwards any comments made to the product teams. As a result, changes are made to products to meet the needs of users. In addition, procedures have been adopted to eliminate inappropriate behavior among players. In 2023, these measures were further supported by the introduction of a Code of Conduct for Players („Code of Conduct”).

The majority of people working with Ten Square Games Group, both under employment contract and otherwise, are ICT specialists. In 2023, Ten Square Games Group employed an average of 222 people on the basis of an employment contract, while the average number of people employed at Ten Square Games Group in 2023, on the basis of all types of contracts, was 390. 62% of employees are men, and 38% are women. The largest age group among both men and women is 30-50 years old.

Employees under contract of employment at Ten Square Games Group by age group and gender – as of December 31, 2023:

AGE	WOMEN	MEN
Age group over 50	0	5
Age group 30-50	45	76
Age group below 30	35	52
TOTAL	80	133

Employees under contract of employment at Ten Square Games Group by nationality and gender – as of December 31, 2023:

NATIONALITY	WOMEN	MEN
Polish	67	95
Italian	4	25
Other	9	13
TOTAL	80	133

On the Parent Company's Management Board, one of the three Board members is a woman. The six-member Supervisory Board also includes one woman.

The Gender Pay Gap indicator for the entire Ten Square Games Group in 2023 was 6.43%, which was 1.37 p.p. lower than the Gender Pay Gap indicator for Poland for 2022 (the latest update of data published by Eurostat.).

The above indicator was developed in accordance with the definition set forth in the ESRS standards. This means that it was calculated based on the average gross hourly wage of women divided by the average gross hourly wage of men weighted by the number of employees in each of the Ten Square Games Group companies. The indicator was calculated for employees with employment contracts. The indicator calculated by the indicated method (unadjusted wage gap) does not take into account the full characteristics of employment.

Ten Square Games Group supports employees in combining work and family life. One of the initiatives is to maintain the possibility of remote work on selected days of the week or to allow flexible forms of employment after returning from maternity, parental or parental leaves. In preparation for reporting in accordance with ESRS standards, the Parent Company has verified several indicators that will require reporting on work-life balance. Information obtained in this process is that in 2023, 37 people were entitled to parental leave. 21 people took advantage of this entitlement. In contrast, the rate of return to work after taking parental leave was 71.4% in 2023. The retention rate of those returning from parental leave was 100%.

The people who work and collaborate with the TSG Group are a major source of innovation and ideas that can lead to the creation of breakthrough games and technologies. Investing in the development of employees' competence and creativity can result in new, innovative products, which increases the Group's competitiveness in the mobile game market. Building a strong organizational culture that fosters employee commitment and loyalty can lead to increased productivity and quality of work. People who identify with the company are more likely to pursue common goals, which can translate into better company performance. That's why in 2023 Ten Square Games Group provided opportunities for people who work for it to participate in 18 different training courses and workshops to improve their soft skills. In preparation for reporting on ESG issues, Ten Square Games Group has introduced new rules for collecting training information, which will enable more accurate reporting of indicators in future periods.

The Group regularly conducts employee satisfaction surveys in the form of an anonymous questionnaire. This gives each person working for Ten Square Games a chance to express his or her opinion and openly provide information on positive or negative impacts that affect or may affect them. The Parent Company analyzes the results of the surveys each time and takes appropriate action if necessary. Conclusions from the surveys are taken into account when shaping employment and working conditions at Ten Square Games. Survey results also provide an opportunity to analyze sentiment and interactions over time due to their regularity and repetitiveness. In a survey conducted in early 2024, almost half of those working for the Parent Company based on various forms of employment shared their feelings about the workplace. 70% declared satisfaction. The level with job satisfaction was rated at more than 22 points out of a possible 30.

The Parent Company has also implemented a system for reporting irregularities, available to all persons working for TSG, regardless of their form of employment, and to external persons. The form for reporting irregularities is available on the Parent Company's corporate website. The Group encourages people to report information about actual or potential violations or abuse of the law by TSG, in particular provisions on consumer protection, privacy and personal data protection, or labor law, as well as behavior that is contrary to TSG's values or otherwise violates the rights and freedoms of the reporter. The TSG Group strives to ensure full compliance of the TSG Group's activities with the applicable regulations, policies and internal procedures of the TSG Group, as well as to ensure respect for the values of the TSG Group, a healthy working environment free from all manifestations of discrimination, exclusion and other violations of personal rights and freedoms, regardless of forms of employment. The report may be anonymous or may include the whistleblower's contact information. It is sent to impartial persons designated to handle whistleblower reports, who investigate the circumstances indicated in the report.

Ten Square Games Group operates with due diligence to ensure compliance with the rights of persons employed under contracts other than employment contracts. These people are also protected against events such as discrimination and mobbing, and can also benefit from development within the organization's structures under designated contracts related to the adopted cooperation formula.

34.4.3. Governance

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

The Group remains in constant contact with shareholders and investors by participating in conferences organized by financial institutions and answering questions sent to the investor relations department. Ten Square Games S.A. publishes financial reports on a quarterly basis. Each publication is accompanied by a conference during which investors and shareholders can ask questions directly to members of the Management Board. Due to the large share of individual shareholders in the ownership structure of the Parent Company, investor chats dedicated to this group are also organized. The company also maintains an investor relations section on its corporate website. The Management Board of the Parent Company carries out these activities to ensure equal access to information for investors and transparent communication of the Group's activities and financial results.

The Group settles its liabilities on time. Suppliers issue invoices with different payment terms – Polish suppliers usually set payment terms at 7-14 days, and foreign suppliers use longer payment terms. Almost 100% of invoices sent to Ten Square Games S.A. is settled before the payment deadline.

The Parent Company or its subsidiaries are not party to any legal proceedings in connection with payment delays.

34.5. Execution of the Sustainable Development Goals

As an international Group operating in the rapidly developing digital industry, Ten Square Games is well aware of the challenges facing the world today. The climate crisis, inequality, poverty and hunger are just some of the global problems that the Group wants to contribute to solving by allocating some of its resources to these activities.

To address the most critical global issues in the most comprehensive and systematic way, the Group has joined the UN Global Compact and is implementing the Sustainable Development Goals that have been adopted by this organization:



ZERO HUNGER

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



GOOD HEALTH AND WELL-BEING

We provided our employees and associates with:

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



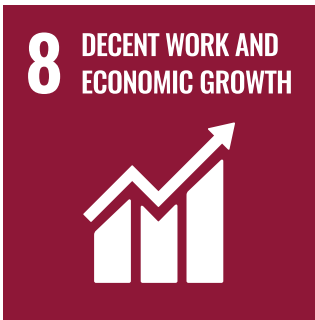
QUALITY EDUCATION

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



GENDER EQUALITY

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



DECENT WORK AND ECONOMIC GROWTH

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



REDUCED INEQUALITIES

Ten Square Games employs women in management and technical positions. As these are the highest paid positions, this policy helps to neutralize the gender pay gap that exists in all countries where the company operates.



CLIMATE ACTION

The group has taken the first steps towards carbon neutrality and is working towards achieving its net zero emissions target – in line with its Science-Based Targets initiative. During 2023, the Group carried out many ecological campaigns, which resulted in increasing the level of knowledge of employees, contractors and players. Details of these projects and their effects are described in the environmental part of the document.



LIFE BELOW WATER

In 2023, the Group continued to engage players in activities that expressed care and responsibility for the planet. The group pays special attention to the implementation of projects related to the protection of water reservoirs. These ecosystems are a key gameplay setting in the largest game published by Ten Square Games S.A. – Fishing Clash. In 2023, on the occasion of Earth Day, Ten Square Games S.A. prepared a special event in the game's New Zealand location, where players were encouraged to partici-

pate in ecological activities, such as fishing out garbage from waters, which gradually restored the beauty of the natural environment. Thanks to this project, the Company engaged the gaming community in environmental protection activities and provided real financial support to external initiatives. Through collaboration with WAI Wanaka and partner PlanetPlay, Ten Square Games has donated \$30,000 to a microplastic monitoring

and research project in New Zealand. These activities underline the Group's commitment to creating social and environmental value. They are also closely linked to the business strategy of the Ten Square Games Group. The above project is an illustration of the fact that games can be not only a source of entertainment, but also a tool for educating and mobilizing the global community to act to protect the planet.



PARTNERSHIPS FOR THE GOALS

Ten Square Games S.A. joined the UN Global Compact Initiative – a program that unites companies from around the world in a commitment to promote human rights and sustainable development in their organizations. Every year, the Company prepares a mandatory report on its activities, which it submits to the organization.

The parent company also joined the Fair Play Alliance, a global coalition of companies from the computer games industry committed to creating healthier gaming communities, within which it can develop and share best practices in order to prevent any signs of harassment, discrimination, or abuse. In the opinion of Ten Square Games, mobile games should be a safe space that gives users many constructive challenges and the opportunity to interact with each other. Therefore, in 2023, Ten Square Games has developed and implemented a Code of Conduct for players. In addition to its game applications, the Parent Company also made it available on its corporate website. The company condemns all manifestations of discrimination, and in its efforts to eliminate such potential incidents, it is supported by automated chat filters that help identify vulgar, offensive or discriminatory phrases. In the event of verbal aggression, the Company may block

the inappropriately behaving player from accessing the game. In special cases, the Company encourages any player who feels the target of aggression to cooperate with law enforcement authorities.

Ten Square Games is also a member of Tech To The Rescue, a voluntary movement of technology companies that help non-governmental organizations around the world implement digital solutions to increase their social impact.

The company also joined the Playing for the Planet initiative organized under the United Nations Environmental Program. Its members committed to introducing ecological events in their games, reducing CO2 emissions and supporting climate protection initiatives. In 2023, one of the games from the portfolio participated in the Green Game Jam event organized as part of this initiative.

Expenditures related to supporting culture, sports, charitable institutions, media, social organizations and trade unions incurred in 2022 and 2023 and described above are presented in the tables below:

TYPE OF THE EXPENDITURE	01.01.2023 – 31.12.2023	01.01.2022 – 31.12.2022
supporting environmental initiatives	393,986	932,267
sponsoring initiatives	199,075	70,886
supporting charity initiatives	20,570	1,093,139
incl. support for Ukraine	0	1,000,000
supporting sports initiatives	21,830	10,430
supporting educational initiatives	11,691	124,980
TOTAL	647,152	2,231,704

ORGANIZATION	01.01.2023 – 31.12.2023	01.01.2022 – 31.12.2022
Sphaira Innovation AG	199,942	0
Milkywire AB	118,836	0
Tech to the Rescue Foundation	71,204	67,751
DevGAMM LLC	57,972	0
GAP Foundation (Fundacja Gospodarki i Administracji Publicznej)	30,000	0
Polish Center for International Aid	0	500,000
Polish Medical Mission	0	500,000
Planetly GmbH	0	494,159
Ecosia GmbH	0	295,002
Polish Angling Association	0	100,000
Other	169,198	274,792
TOTAL	647,152	2,231,704

34.6.

Processes preparing the Parent Company for non-financial reporting

34.6.1. Materiality assessment

Ten Square Games Group conducted a comprehensive materiality study in 2023. The methodology according to which the study was carried out was adapted to the requirements of the CSRD directive and the new European Sustainability Reporting Standards (ESRS). The materiality testing process was conducted by an external entity – MATERIALITY. The result of the materiality testing process is the mapping of ESG risk areas, which can then be incorporated into internal risk control systems. The significance test was carried out using the MAX 4 – MATERIALITY ASSESSMENT MATRIX methodology, version four.

The study included, among others: the following sources of information:

- » analysis of aggregated source data from individual stages of the study,
- » comparative analysis of 21 entities from the gaming industry from Poland and around the world,
- » comprehensive survey conducted on a group of 17 people. The group included, among others, representatives of the management board and senior management of the Parent Company,
- » surveys and structured interviews with 5 representatives of external stakeholders.

During the materiality testing process, the level of risk in relation to material issues was examined. Risk testing was part of the financial materiality parameter testing. The issues covered by the study were analyzed using two dimensions: the level of risk and the level of opportunity.

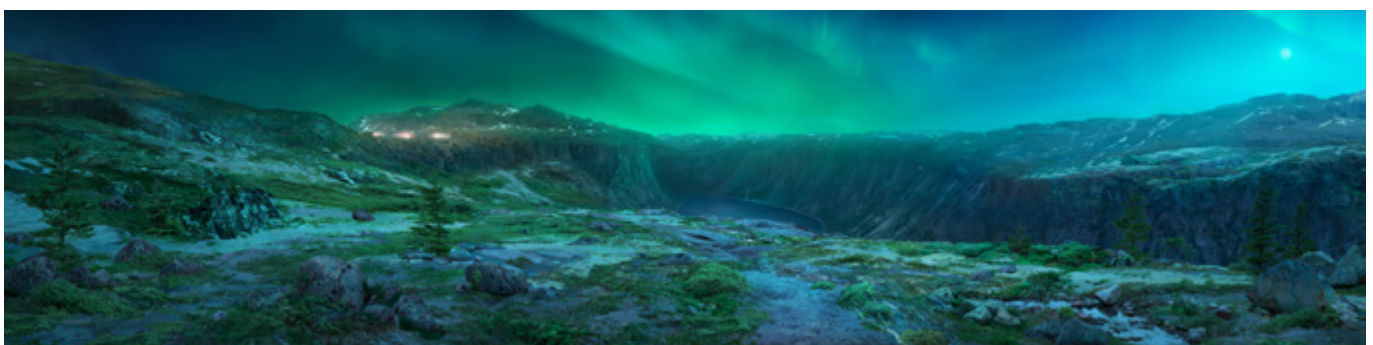
There are no separate operating segments in the TSG Group, therefore the group of comparable entities in the materiality test included entities conducting publishing activities in the field of computer games, which is the core business of the Ten Square Games Group.

In accordance with the principle of double materiality, an issue was considered significant and reported if it was considered significant from the perspective of impact materiality, financial materiality or both.

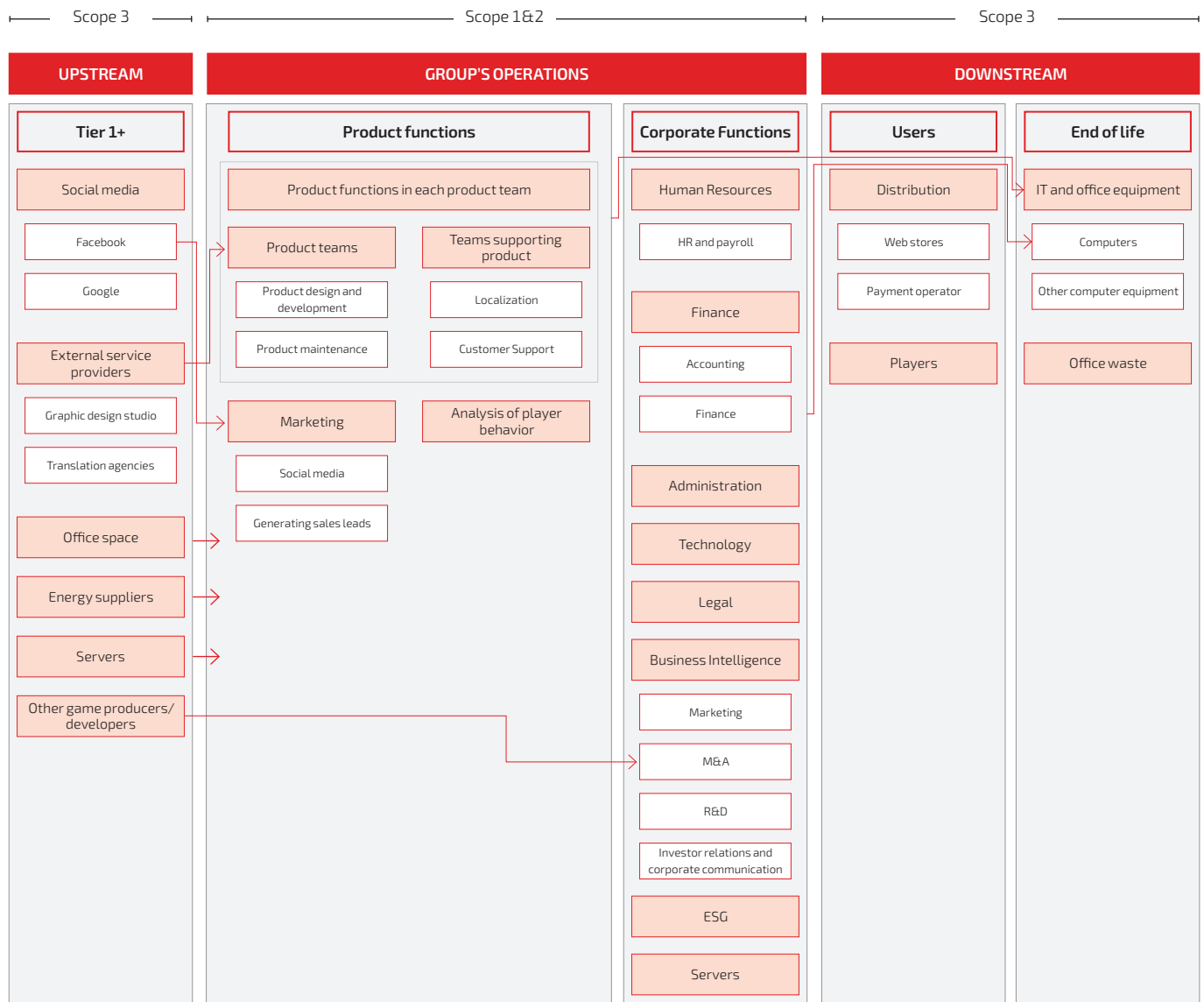
Materiality of impact

The monitoring of impacts was closely related to the Group's identified activities and business relationships, as well as the value chain, which was developed by a working group that represented different areas of the Group's activities and different perspectives. The value chain was the basis for analyzing the Group's influence by analyzing, among others, the Group's suppliers (which also includes the Group's contractors and business partners), the products and services offered, the organizational structure, end customers and users of the products offered by the Group, as well as the end of life of equipment and waste.

The stakeholders influenced by the Group have been identified based on the areas of activity of the value chain.



VALUE CHAIN OF TSG GROUP



The impact materiality parameters were assessed by the scale and importance of stakeholder groups for the Group (including share in revenues, costs, capital provision, etc.). The significance of a given activity or the Group's impact on individual stakeholder groups was also assessed. An issue with a significant impact is considered if the materiality of the impact is at least important (IM>2), the risk is at least greater than average (R>2) or the chance is at least greater than average (S=>2).

Parameters determining the significance of the impact:

- » power of influence
- » scope of influence
- » possibility of repairing the effects
- » probability of impact.

Financial materiality

Financial materiality parameters used in the materiality test include:

1. The scale of the risk or opportunity, which determines how severe the consequences will be for the Ten Square Games Group if a given risk occurs. In the case of an opportunity, the scale determines how significant the beneficial effects can be if the opportunity occurs and is exploited.
2. The probability of a risk or opportunity determines how likely it is to occur in the context of the Group.

Taking into account stakeholder opinions

In the materiality testing process, 6 stakeholder groups were identified that were important from the perspective of Ten Square Games. The stakeholders influenced by the Group have been identified based on the areas of activity of the value chain. The stakeholder group included:

- » consumers (players),
- » employees, persons providing work for the Ten Square Games Group on the basis of an employment relationship other than an employment contract,
- » suppliers,
- » subcontractors,
- » legislative bodies and public administration and
- » investors (also potential ones).

During the materiality testing process, interviews and surveys were also conducted with representatives of individual stakeholder groups.

As a result of the study, 24 significant ESG issues were identified, subject to reporting, with different management priorities. Topics that are subject to reporting in accordance with the ESRS S1 standard regarding persons performing work for the enterprise have been classified as the highest priority issues. In this area, the Company analyzed 11 topics. Issues related to consumers and end users described in the ESRS S4 standard were given medium priority. In this area, 8 issues were analyzed. Issues related to business practices described in accordance with the ESRS G1 standard were given normal management priority. Based on the study, 3 topics were analyzed in this area. The same priority has been assigned to climate change issues described in the ESRS E1 standard. Two topics were analyzed as important in this area.

The results of the materiality study will constitute the basis for developing the ESG strategy of the Ten Square Games Group.

Taking into account the results of the materiality test in ESG management

Sustainability risks are assessed in a manner consistent with other risks – in the context of their probability, impact on the Group's operating activities, impact on the financial result and impact on the Group. In this way, the Management Board of the Parent Company ensures that risks related to sustainable development are neither ignored nor preferred to other risks. Ten Square Games Group has not yet developed a formal process for managing sustainability issues. Work on it will continue in subsequent periods.

34.6.2 Climate risk analysis

In 2023, the Ten Square Games Group carried out the identification and analysis of ESG risks, i.e. risks and the resulting threats and opportunities in the field of climate change, natural environment issues, social, labor and human rights issues. This analysis was performed in cooperation with an external consulting company, in accordance with the AXIS® methodology (Amplification, eXclusion, Intensification, Seizure), in a four-stage process including: comparative, questionnaire, quantitative and qualitative analysis. The process was based on assumptions consistent with the ISO 31000 Risk management standard.

The analysis included 38 risks and their potential effects in the form of 12 opportunities and 26 hazards for the organization.

The following time horizons were adopted for the analysis of climate risks:

- » 2023 – 2025
- » 2026 – 2030
- » 2031 – 2050

Probability is assessed on a scale:

- » Almost certain
- » Very likely
- » Likely
- » Somewhat likely
- » Rather unlikely
- » Unbelievable
- » Very unlikely
- » Almost impossible

Weight is assessed on a scale:

- » Very high
- » High
- » Medium high
- » Medium low
- » Low
- » Very low

After assessing the probability and importance of individual threats and opportunities, it was determined that 1 opportunity and 3 threats are of significant importance to the Ten Square Games Group. Additionally, 3 opportunities and 10 threats were monitored and managed in justified cases.

The group of significant risks and opportunities includes:

Opportunities

1. An opportunity to acquire customers interested in products that help counteract the climate crisis.

Risks

1. Risk of interrupting logistic chains.
2. Risk of the need for more detailed reporting of sustainable development issues.
3. Risk of an increase in energy prices as a result of a high-emission electricity mix in Poland or other countries.

The described study identified specific groups:

Group A (Amplification) – high probability and low severity:

- » 2 opportunities,
- » 7 threats.

Group X (Exclusion) – niskie prawdopodobieństwo i niska waga:

- » 7 opportunities,
- » 13 threats.

Group I (Intensification) – high importance and low probability:

- » 1 opportunity,
- » 3 threats.

Group S (Seizure) – high probability and high importance:

- » 1 opportunity,
- » 3 threats.

According to the audit methodology, those risks, threats and opportunities for which the probability or severity exceeds certain established boundary values should be considered material. The boundary value for probability is set at the level of the first threshold, which is a multiple of 0.5 above the average for all threats and opportunities combined. The above average was 5.03, so the marginal value was set at 5.50. The boundary value for weight is determined as the average of: the average of all ratings, the median of all ratings and the maximum rating in the weight category – rounded to decimal places. The average was 3.34, so the marginal value was set at 3.50.

34.6.3. UE Taxonomy

The EU Taxonomy is a taxonomy that shows what part (percentage) of activity – through the prism of revenues, capital expenditures (CapEx) and operating expenses (OpEx) – is environmentally sustainable. Related obligations were introduced by Regulation (EU) 2020/852 of the Parliament and of the Council of 18 June 2020 on establishing a framework to facilitate sustainable investments. The Ten Square Games Group is not yet subject to the reporting obligation in accordance with the EU Taxonomy and this disclosure of compliance with the Taxonomy is information published voluntarily as a result of the work of the Parent Company in the process of preparation for reporting.

According to the taxonomy, an environmentally sustainable activity is one that simultaneously:

- » makes a significant contribution to the achievement of at least one environmental goal,
- » does not cause serious harm to any environmental purpose,
- » is conducted in accordance with Minimum Safeguards,
- » meeting technical qualification criteria.

The EU taxonomy is structured around 6 environmental objectives:

1. Mitigating climate change,
2. Adaptation to climate change,
3. Sustainable use and protection of water and marine resources,
4. Transition to a circular economy,
5. Pollution prevention and control,
6. Protection and restoration of biodiversity and ecosystems.

The Technical Eligibility Criteria detail what it means to make a significant contribution to specific objectives and not cause serious harm. They are set out in Annexes I and II to Commission Delegated Regulation (EU) 2021/213930, as extended by Commission Delegated Regulation (EU) 2022/121431.

Minimum Safeguards, określone w Art. 18 Regulation 2020/852, są procedurami stosowanymi do zapewnienia zgodności z UN Guiding Principles on Business and Human Rights oraz OECD Guidelines for Multinational Enterprises.

Compliance of the activities conducted by Ten Square Games with the Taxonomy

As a result of the analysis conducted at the Identification stage, it was shown that the main activities of the Ten Square Games Group in 2023, which were related to the production, maintenance and investments in the field of mobile games, are not clearly included in the annexes to the delegated act, therefore, for key Turnover, CapEx and OpEx values at Ten Square Games, it is not possible to verify their compliance with the taxonomy.

In 2023, the Ten Square Games Group generated over PLN 436 million in revenues from activities not classified as systematic. The Group's source of revenue is mainly micropayments.

Examination of compliance with Taxonomy

In order to examine compliance with the taxonomy, a four-stage process was planned. Due to the results of the first stage of the process, showing the lack of significant activities qualifying for taxonomy, the Ten Square Games Group did not conduct stages 2, 3 and 4 in 2023. The exception is the element of stage 3 „Verification" – in 2023, an analysis of the compliance of the activities was carried out Ten Square Games with Minimum Guarantees. Due to this, the description of the subsequent stages of the study is omitted below.

The process was carried out by a team consisting of representatives of the Ten Square Games Group with the support of an external consulting company and was supervised by members of the Management Board of the Parent Company.

Minimum Safeguards

„Minimum safeguards" are the procedures followed by an undertaking carrying on a business activity to ensure compliance with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, including the principles and rights set out in the eight core conventions identified in the International Labor Organization's Declaration on Fundamental Principles and rights at work and the principles and rights set out in the International Bill of Human Rights."

The examination of compliance with the Minimum Safeguards was carried out in accordance with the recommendations included in the Final Report on Minimum Safeguards by Platform On Sustainable Finance.

In accordance with the above recommendations, failure to meet the Minimum Guarantees is one of four conditions:

1. Inadequate or non-existent human rights due diligence processes, including labor rights, corruption, taxation and fair competition.
2. The Company has been ultimately held liable or found to have violated labor or human rights law in certain types of labor or human rights lawsuits.
3. Lack of cooperation with the OECD National Contact Point (hereinafter referred to as the OECD NCP) regarding the notification accepted by the OECD NCP.
4. The Business and Human Rights Resource Center (BHRRC) raised an allegation against the company and the company did not respond within 3 months.

During the verification process at Ten Square Games, non-compliance with the above-mentioned premises was examined as follows:

Premise 1: Verification of the completeness of due diligence processes was based on internal verification of the existence and operation of due diligence process elements resulting from the framework of these processes contained in the documents listed in the definition of Minimum Safeguards. It has been shown that some stages of the process require supplementation to ensure the continuity and completeness of the process. For this reason, it was decided that the activities of the Ten Square Games Group were incompatible with the Minimum Safeguards due to their qualification for Premise 1.

Premise 2: The second premise was verified in the process of supplementing the answer to premise 1 by checking whether no final convictions were passed against the persons mentioned in the content of the premise during the period covered by the verification. As a result of the verification, it was found that there was no information qualifying the Group to meet the conditions of premise 2.

Premise 3: The OECD NCP notification database was verified, which showed that there were no notifications regarding the Group in the period covered by the verification. [<http://mneguidelines.oecd.org/database/>].

Premise 4: The Business and Human Rights Resource Center (BHRRC) report database was verified, which showed that there were no reports against Ten Square Games in the period covered by the verification. [<https://www.business-humanrights.org/en/companies>].

As a result of the verification process, it was determined that Ten Square Games does not meet the requirements of the Minimum Safeguards for 2023. As a result of the process, recommendations were presented, the implementation of which is aimed at creating a complete due diligence process in a model that meets the requirements set out in the definition of Minimum Safeguards.

34.7. Summary

Although Ten Square Games has long been committed to developing its operations in a sustainable manner, the number and scale of initiatives in this area have increased significantly in recent years. Along with preparations for formal reporting of ESG activities and the development of an ESG strategy, the Group's activities focus on the most important issues. The parent company decided to start preparations for reporting ESG activities in 2023, i.e. earlier than required by law, to ensure even greater transparency of activities and real involvement in the changes necessary for ESG to become a permanent element of business processes.

35.

PRINCIPLES OF CORPORATE GOVERNANCE

The Issuer is subject to corporate governance rules contained in the document 'Code of Best Practice for WSE Listed Companies'. The statement of compliance with corporate governance rules in Ten Square Games S.A. in 2023 is a separate part of the Management Board's report on the activities of the Ten Square Games S.A. Capital Group, and Ten Square Games S.A.



APPROVED REPORT ON THE ACTIVITIES OF THE MANAGEMENT BOARD

was approved for publication by the Board of Directors of the Company on 25.03.2024
and signed by:

PRESIDENT OF THE MANAGEMENT BOARD

Andrzej Ilczuk

**MEMBER OF THE
MANAGEMENT BOARD**

Janusz Dziemidowicz

**MEMBER OF THE
MANAGEMENT BOARD**

Magdalena Jurewicz

Wroclaw, March 25th, 2024