



CONSOLIDATED QUARTERLY REPORT

OF THE CAPITAL GROUP TEN SQUARE GAMES S.A. FOR Q3 2020

Wrocław, 23.11.2020

Disclaimer

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.

SELECTED FINANCIAL DATA, ALSO CONVERTED INTO EURO

CONSOLIDATED DATA

Specification	01.01.2020 - 30.09.2020		01.01.2019 - 30.09.2019	
	PLN	EUR	PLN	EUR
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME				
Net revenues	443 898 596	99 932 147	162 831 738	37 792 262
Costs of goods and services sold	17 199 016	3 871 908	7 572 499	1 757 531
Selling costs	268 593 435	60 466 780	100 208 516	23 257 790
General and administrative costs	23 818 570	5 362 127	4 876 130	1 131 720
Operating profit (loss)	133 452 623	30 043 364	50 201 312	11 651 421
Gross profit (loss)	133 854 576	30 133 853	50 934 822	11 821 664
Net profit (loss)	119 734 401	26 955 066	41 558 988	9 645 590
CONSOLIDATED CASH FLOW STATEMENT				
Net cash flows from operating activities	109 552 770	24 662 938	32 815 358	7 616 246
Net cash flows from investment activities	-3 562 814	-802 074	-2 988 853	-693 695
Net cash flows from financial activity	-27 971 971	-6 297 157	-27 308 875	-6 338 225

Specification	30.09.2020		31.12.2019	
	PLN	EUR	PLN	EUR
CONSOLIDATED BALANCE SHEET				
Fixed assets	14 394 589	3 179 860	4 936 261	1 159 155
Current assets	227 102 767	50 168 500	101 109 269	23 742 930
Equity	199 277 081	44 021 623	92 144 636	21 637 815
Long-term liabilities	8 140 968	1 798 394	537 405	126 196
Short-term liabilities	34 079 307	7 528 344	13 363 489	3 138 074

EUR/PLN exchange rate	2020	2019
- for the balance-sheet data	4.5268	4.2585
- for the data from the profit and loss statement and cash flow statement	4.442	4.3086

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

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

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GENERAL INFORMATION

1. COMPANY DATA

Name	Ten Square Games
Legal form	Spółka Akcyjna
Registered seat	ul. Traugutta 45, 51-162 Wrocław
Registration country	Poland
Core business activity	publishing activity with regard to computer games (58.21.Z)
Authority keeping the register	District Court, VI Commercial Division of the National Court Register
entry no.	0000704863
Statistical Business Number (REGON)	021744780
Tax Identification Number (NIP)	8982196752
Company duration	indefinite

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

2. TSG GROUP



Ten Square Games S.A. is the Parent Entity in the Capital Group, which prepares consolidated financial statements. The subsidiaries represented above are subject to the consolidated financial statement since the date of a given company's establishment.

3. SHAREHOLDERS STRUCTURE

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

- as of the date of publication of this report

Shareholder	Number of shares as at 23.11.2020	share in the share capital	number of votes at the GMS	% share in votes
Shareholders' Agreement ¹	3 739 649	51,46%	3 739 649	51,46%
Others (none of which above 5% of shares)	3 527 662	48,54%	3 527 662	48,54%
TOTAL	7 267 311	100%	7 267 311	100%

¹ Agreement of the Company's shareholders of 21.10.2019 concerning a permanent policy towards the Company and consistent exercise of voting rights from the Company's shares (current report no 30/2019). The parties to the shareholders' agreement are, among others, Maciej Popowicz (President of the Board until 20 May 2020) and Arkadiusz Pernal Vice-President of the Board.

as at the date of publication of the previous interim report

Shareholder	Number of shares as at 24.08.2020	share in the share capital	number of votes at the GMS	% share in votes
Shareholders' Agreement ¹	3 766 110	52,01%	3 766 110	52,01%
Others (none of which above 5% of shares)	3 475 135	47,99%	3 475 135	47,99%
TOTAL	7 241 245	100%	7 241 245	100%

In July 2020, as part of the existing incentive program for 2018-2020, shares were allocated to participants approved by the Supervisory Board. On 30 July 2020 the Company submitted an application to the National Court Register to register the increase of the supplementary capital by the amount of 2 606.60 PLN in connection with the incentive program. The increase was registered on 31 August 2020.

3.2. List of shares owned by members of the Issuer's Management or Supervisory Board

- as at the date of publication of this report

Shareholder	number of shares as at 23.11.2020	share in basic capital	number of votes at GSM	% share in the number of votes
President of the Management Board - Maciej Zużalek	194 826	2,68%	194 826	2,68%
Vice President of the Management Board - Arkadiusz Pernal	1 014 012	13,95%	1 014 012	13,95%
Member of the Supervisory Board - Maciej Marszałek	44 000	0,61%	44 000	0,61%
Member of the Supervisory Board - Rafał Olesiński	669	0,01%	669	0,01%
Member of the Supervisory Board - Kinga Stanisławska	105	0,00%	105	0,00%
<i>Others</i>	<i>6 013 699</i>	<i>82,75%</i>	<i>6 013 699</i>	<i>82,75%</i>
TOTAL	7 267 311	100%	7 267 311	100%

- as at the date of publication of the previous interim report

Shareholder	number of shares as at 24.08.2020	share in basic capital	number of votes at GSM	% share in the number of votes
President of the Management Board - Maciej Zużalek	194 826	2,69%	194 826	2,69%
Vice President of the Management Board - Arkadiusz Pernal	1 014 012	14,00%	1 014 012	14,00%
Member of the Supervisory Board - Maciej Marszałek	49 000	0,68%	49 000	0,68%
Member of the Supervisory Board - Rafał Olesiński	669	0,01%	669	0,01%
Member of the Supervisory Board - Kinga Stanisławska	105	0,00%	105	0,00%
<i>Others</i>	5 982 633	82,62%	5 982 633	82,62%
TOTAL	7 241 245	100%	7 241 245	100%

3.3. Share series**- as at the date of publication of this report**

Share series	Type of shares	Number of shares as at 23.11.2020	Nominal value per share	Total nominal value of shares
A	ordinary	7 225 000	0,1 PLN	722 500,00
B	ordinary	42 311	0,1 PLN	4 231,10

- as at the date of publication of the previous interim report

Share series	Type of shares	Number of shares as at 24.08.2020	Nominal value per share	Total nominal value of shares
A	ordinary	7 225 000	0,1 PLN	722 500,00
B	ordinary	16 245	0,1 PLN	1 624,50

Series B shares are related to the incentive program implemented in the Company, and the share capital increase related thereto was communicated in current reports No. 23/2019 and 25/2019.

On 30 July 2020 the Company applied to the National Court Register for registration of the increase in supplementary capital by the amount of PLN 2,606.60 in connection with MSOP. The increase was registered on 31 August 2020.

On 21 October 2020, the National Depository for Securities (KDPW S.A.) registered 26,066 B series ordinary bearer shares. Thus, the condition for the admission and introduction of these shares to exchange trading on the WSE Main Market was fulfilled.

4. COMPOSITION OF THE COMPANY'S BODIES AS AT 30.09.2019**The Management Board:**

Maciej Zużalek – President of the Management Board;

Arkadiusz Pernal – Vice-President of the Management Board;

Marcin Chruszczyński – Member of the Board.

Between 1.01.2020 and 23.11.2020 a change of the President of the Management Board took place, coinciding with the end of the term of the Management Board and the appointment of a new composition - until 20 May 2020 this function was held by Mr. Maciej Popowicz.

On 27 July 2020. Ms. Magdalena Jurewicz resigned from the position of the Member of the Management Board as of 31 July 2020.

On 31 July 2020 Mr. Marcin Chruszczyński, by decision of the Supervisory Board, was appointed Member of the Management Board as of 1 August 2020.

On 7 October 2020, the Company's Management Board received information about the decision of the Vice President of the Company's Management Board, Mr. Arkadiusz Pernal, to resign from his function in the Company's Management Board with effect from 31.12.2020. Mr. Arkadiusz Pernal declared that his intention is to remain in the Company and join the Supervisory Board of the current term.

Supervisory Board:

Rafał Olesiński –Chairman of the Supervisory Board;

Marcin Biłos– Member of the Supervisory Board;

Tomasz Drożdżyński – Member of the Supervisory Board;

Maciej Marszałek – Member of the Supervisory Board;

Wiktor Schmidt – Member of the Supervisory Board;

Kinga Stanisławska – Member of the Management Board.

Between 1.01.2020 and 23.11.2020 the following changes in the composition of the body took place as a result of the end of the term of office and appointment of a new Supervisory Board:

- Mr. Marcin Chruszczyński was a Member of the Supervisory Board until 20 May 2020;
- Mrs. Milena Olszewska-Miszuris was a Member of the Supervisory Board until 20 May 2020;
- Mr. Maciej Zużalek was the Chairman of the Supervisory Board until 21 April 2020, and on 20 May 2020 he became the President of the Management Board of the Company;
- Mr. Rafał Olesiński was the Vice Chairman of the Supervisory Board until 20 May 2020, and after that date he became the Chairman of the Supervisory Board of the Company;
- Mr. Marcin Biłos joined the Supervisory Board on 20 May 2020;
- Ms. Kinga Stanisławska joined the Supervisory Board on 20 May 2020.

5. FORM OF THE CONDENSED STATEMENT

The basis for the preparation of the financial statement

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

The interim condensed consolidated financial statement does not involve all information and disclosures required in the annual financial statement and it shall be read in conjunction with the consolidated financial statement of the Group for the year ending on 31 December 2019.

Functional currency and presentation currency

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

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

Presented periods

The interim condensed consolidated financial statement has been prepared as at 30.09.2020 and it covers the period of 9 months, i.e. since 1.01.2020 to 30.09.2020.

For the data presented in the interim condensed consolidated statement of financial position and off-balance sheet items, comparable financial data as at 30.09.2019 and 31.12.2019 were presented.

For the data presented in the interim condensed consolidated statement of comprehensive income and in the interim condensed consolidated statement of cash flows, comparable financial data were presented for the period from 01.01.2019 to 30.09.2019.

For the data presented in the interim condensed consolidated statement of changes in equity, comparable financial data were presented for the period from 01.01.2019 to 30.09.2019 and for the period from 01.01.2019 to 31.12.2019.

Continuity assumption

The interim condensed consolidated financial statement has been prepared assuming that the Company and the Capital Group shall continue their activities for the period of 12 months after the last balance-sheet date, i.e. 30.09.2020. The Management Board of the Parent Entity, as at the date of signing the statement, was not aware of any facts or circumstances which could indicate a threat to the continuation of activity for the period of 12 months after the balance-sheet date due to an intended or forced discontinuance or material limitation of the activity.

Until the date of preparation of the interim condensed consolidated financial statement for the third quarter of 2020, there were no events which were not and which should have been included in the accountancy books of the reporting period. At the same time, no material events relating to previous years in these financial statements are included in the financial statement.

Audit carried out by an auditing company

These interim condensed consolidated financial statements with selected elements of the interim condensed consolidated financial statements were neither audited nor reviewed by an independent audit firm.

1. REPRESENTATION OF THE MANAGEMENT BOARD

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

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

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

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENT

1. INTERIM CONDENSED CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT	01.07.2020 - 30.09.2020	01.01.2020 - 30.09.2020	01.07.2019 - 30.09.2019	01.01.2019 - 30.09.2019
Revenues from the sales of services	179 258 550	443 898 596	67 650 494	162 831 738
Costs of services sold	6 837 473	17 199 016	2 930 996	7 572 499
Gross profit (loss) on sales	172 421 077	426 699 580	64 719 498	155 259 239
Other operating revenues	54 623	60 229	2 445	48 564
Selling costs	95 253 370	268 593 435	41 040 733	100 208 516
General and administrative costs	10 692 843	23 818 570	1 898 293	4 876 130
Other operating costs	54 360	895 183	7 377	21 845
Operating profit (loss)	66 475 126	133 452 623	21 775 540	50 201 312
Financial revenues	-568 727	569 058	541 372	735 191
Financial costs	57 763	167 104	556	1 681
Profit (loss) before taxation	65 848 636	133 854 576	22 316 356	50 934 822
Income tax	7 077 654	14 120 175	4 166 959	9 375 834
Net profit (loss)	58 770 982	119 734 401	18 149 397	41 558 988
Total comprehensive income	58 770 982	119 734 401	18 149 397	41 558 988
EBITDA	67 256 792	135 665 017	22 095 300	50 977 086
Adjusted EBITDA	73 289 960	147 731 353	22 095 300	50 977 086

EBITDA is the net profit/(loss), before depreciation, write-offs (and reversals) for impairment of tangible and intangible assets, interest income, financial costs, exchange rate differences and income tax.

Adjusted EBITDA does not include the non-cash cost of the incentive scheme as described in the Other Notes.

Calculation of earnings per share	01.07.2020 - 30.09.2020	01.01.2020 - 30.09.2020	01.07.2019 - 30.09.2019	01.01.2019 - 30.09.2019
<i>Number of shares</i>				
The weighted average number of shares for the purpose of calculating the value basic of earnings per share (in units)	7 241 245	7 241 245	7 237 007	7 238 620
The weighted average number of shares for the purpose of calculating the value of diluted earnings per share (in units)	7 267 311	7 267 311	7 237 007	7 238 620
Net profit assigned to the Parent Entity	58 770 982	119 734 401	18 149 397	41 558 988
<i>Earnings per share per shareholders of the Parent Entity</i>				
Basic EPS	8,12 zł	16,54 zł	2,51 zł	5,74 zł
Diluted EPS	8,09 zł	16,48 zł	2,51 zł	5,74 zł

2. INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL SITUATION

ASSETS	30.09.2020	31.12.2019	30.09.2019
Fixed assets	14 394 589	4 936 261	5 175 668
Property, plant and equipment	8 732 695	568 568	506 027
Intangible assets	4 290 872	3 397 515	4 213 057
Other fixed assets	0	0	0
Other financial assets	857 595	590 589	194 726
Deferred income tax assets	513 428	379 589	261 858
Current assets	227 102 767	101 109 269	71 020 881
Inventories	0	0	0
Trade receivables	57 205 254	20 737 918	24 011 839
Other receivables	11 647 647	3 498 580	3 143 569
Prepayments and accrued income	3 448 853	1 561 831	1 409 910
Loans granted	889 296	80 914	80 000
Cash and cash equivalents	153 911 716	75 230 027	42 375 563
TOTAL ASSETS	241 497 356	106 045 530	76 196 549

EQUITY & LIABILITIES	30.09.2020	31.12.2019	30.09.2019
Equity	199 277 081	92 144 636	57 036 837
<i>Equity of the Parent Entity's shareholders</i>	<i>199 277 081</i>	<i>92 144 636</i>	<i>57 036 837</i>
Share capital	726 731	724 125	724 125
Reserve capital from the sales of shares above their nominal value	496 100	496 100	496 100
Reserve capital created from net result	57 137 902	10 713 413	10 713 413
Capital from the settlement of the incentive scheme	16 531 379	1 764 034	1 483 048
Undistributed financial result	4 650 569	2 061 163	2 061 163
Financial result of the current period	119 734 401	76 385 801	41 558 988
<i>Equity of non-controlling shareholders</i>	<i>0</i>	<i>0</i>	<i>0</i>
Long-term liabilities	8 140 968	537 405	750 665
Deferred income tax provisions	845 028	537 405	750 665
Leasing liabilities	7 295 940	0	0
Short-term liabilities	34 079 307	13 363 489	18 409 047
Trade liabilities	20 941 387	4 633 152	8 570 320
Current income tax liabilities	7 966 944	6 135 688	7 698 212
Leasing liabilities	952 449	0	0
Other liabilities	544 072	337 080	261 652
Other provisions	497 411	254 054	209 983
Accruals and deferred income	3 177 044	2 003 515	1 668 880
TOTAL EQUITY & LIABILITIES	241 497 356	106 045 530	76 196 549

3. INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Consolidated statement of changes in equity	Share capital	Reserve capital from the sales of shares above their nominal value	Reserve capital created from net result	Capital from the settlement of the incentive scheme	Undistributed financial result	Financial result of the current period	Total equity
9 months ending on 30/09/2020							
Equity as at 01/01/2020	724 125	496 100	10 713 413	1 764 034	78 446 964	0	92 144 636
Changes in accounting principles (policy)							0
Corrections of errors from previous periods							0
Equity after corrections	724 125	496 100	10 713 413	1 764 034	78 446 964	0	92 144 636
Payment of the share capital	2 606						2 606
Share-based payments				14 767 345			14 767 345
Distribution of net profit			46 424 489		-46 424 489		0
Dividend payment					-27 371 907		-27 371 907
Total comprehensive income						119 734 401	119 734 401
Equity as at 30/09/2020	726 731	496 100	57 137 902	16 531 379	4 650 569	119 734 401	199 277 081
9 months ending on 30/09/2019							
Equity as at 01/01/2019	727 500	496 100	995 962	780 748	39 084 114	0	42 084 424
Changes in accounting principles (policy)							0
Corrections of errors from previous periods							0
Equity after corrections	727 500	496 100	995 962	780 748	39 084 114	0	42 084 424
Payment of the share capital	1 625						1 625
Share-based payments				906 456			906 456
Reduction of the share capital in accordance with the resolution of the Extraordinary General Meeting of Shareholders	-5 000		5 000				0
Adjustment of share-based payments combined with share capital reduction				-204 155			-204 155
Distribution of net profit			9 712 451		-9 712 451		0
Dividend payment					-27 310 500		-27 310 500
Total comprehensive income						41 558 988	41 558 988
Equity as at 30/09/2019	724 125	496 100	10 713 413	1 483 049	2 061 163	41 558 988	57 036 838

Consolidated statement of changes in equity	Share capital	Reserve capital from the sales of shares above their nominal value	Reserve capital created from net result	Capital from the settlement of the incentive scheme	Undistributed financial result	Financial result of the current period	Total equity
12 months ending on 31/12/2019							
Equity as at 01/01/2019	727 500	496 100	995 962	780 748	39 084 114	0	42 084 424
Changes in accounting principles (policy)							0
Corrections of errors from previous periods							0
Equity after corrections	727 500	496 100	995 962	780 748	39 084 114	0	42 084 424
Payment of share capital	1 625						1 625
Share-based payments				1 187 441			1 187 441
Reduction of the share capital in accordance with the resolution of the Extraordinary General Meeting of Shareholders	-5 000		5 000				0
Adjustment of share-based payments combined with share capital reduction				-204 155			-204 155
Distribution of net profit			9 712 451		-9 712 451		0
Dividend payment					-27 310 500		-27 310 500
Total comprehensive income						76 385 801	76 385 801
Equity as at 31/12/2019	724 125	496 100	10 713 413	1 764 034	2 061 163	76 385 801	92 144 636

4. INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT

Consolidated cash flow statement	01.07.2020 - 30.09.2020	01.01.2020 - 30.09.2020	01.07.2019 - 30.09.2019	01.01.2019 - 30.09.2019
OPERATING ACTIVITY				
Profit/loss before taxation	65 848 636	133 854 576	22 316 356	50 934 822
Total corrections:	2 219 783	-12 190 276	-7 196 971	-9 084 882
Depreciation	781 666	2 212 395	319 760	775 774
Exchange profit/loss	-490 385	-663 704	-147 907	-107 138
Interest paid on leasing	57 684	167 025	0	0
Valuation of the lease liability	113 029	385 394	0	0
Change in provisions and accrued expenses (excluding deferred tax provision)	578 260	1 416 887	456 549	481 522
Change in receivables	-2 106 975	-44 883 410	-8 998 626	-16 137 823
Change in liabilities, except for loans and credits, CIT and dividends	-2 358 071	16 578 194	1 397 464	5 935 658
Change in prepayments and accruals (without short-term prepayments and accruals for share-based payments)	-1 201 502	-1 887 022	-462 320	-776 903
Share-based payments (part not included in the acquisition of intangible assets)	6 852 424	14 551 296	281 872	787 950
Other corrections	-6 349	-67 330	-43 763	-43 922
Cash on operating activity	68 068 419	121 664 299	15 119 385	41 849 940
Paid interest	0	0	0	0
Income tax (paid) / reimbursed	-2 209 193	-12 111 530	-540 761	-9 034 582
A. Net operating cash flow	65 859 226	109 552 770	14 578 624	32 815 358
INVESTMENT ACTIVITY				
Proceeds	60 000	80 000	0	0
Repayment of loans granted	60 000	80 000	0	0
Outflows	1 815 084	3 642 814	1 097 420	2 988 853
Purchase of intangible and tangible fixed assets	930 084	2 757 814	1 017 420	2 908 853
Loans granted	885 000	885 000	80 000	80 000
B. Net cash flow from investment activities	-1 755 084	-3 562 814	-1 097 420	-2 988 853
FINANCIAL ACTIVITY				
Proceeds	0	0	1 625	1 625
Net proceeds from issue of shares and other capital instruments and capital contributions	0	0	1 625	1 625
Outflows	209 951	27 971 971	0	27 310 500
Dividends and other payments to owners	0	27 371 906	0	27 310 500
Payment of liabilities under lease agreements	152 267	433 040	0	0
Interest	57 684	167 025	0	0
C. Net cash flow from financial activities	-209 951	-27 971 971	1 625	-27 308 875
D. Total net cash flow	63 894 191	78 017 985	13 482 829	2 517 630
E. Balance-sheet change in cash, including	64 384 577	78 497 900	13 630 736	2 624 768
- change in cash due to exchange losses/gains	490 384	663 704	147 907	107 138
F. Cash at the beginning of the period	89 537 609	75 413 816	28 862 020	39 827 219
G. Cash at the end of the period	153 431 801	153 431 801	42 344 849	42 344 849

Specification	30.09.2020	30.09.2019
Cash on balance sheet	153 911 716	42 375 563
Exchange rate differences from balance sheet valuation as at reporting date	-479 915	-30 714
Total cash and cash equivalents shown in the cash flow statement	153 431 801	42 344 849

5. COMMENTARY ON THE RESULTS

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

5.1. COMPREHENSIVE INCOME STATEMENT

QUARTERLY CONSOLIDATED REVENUES BY GAMES

Game	1Q 2019	2Q 2019	3Q 2019	4Q 2019	1Q 2020	2Q 2020	3Q2020
Fishing Clash	37 524 342	43 146 664	57 896 490	67 933 223	84 677 795	158 043 812	164 256 332
Let's Fish	4 095 505	3 316 451	3 600 089	4 201 949	3 868 618	4 551 211	3 708 977
Wild Hunt	2 439 365	2 094 188	2 343 769	2 748 995	3 542 576	4 375 098	3 708 729
Hunting Clash	0	0	0	0	65 559	347 467	3 361 414
others	1 227 884	1 368 393	4 226 738	3 751 825	2 767 555	2 998 596	4 798 386
TOTAL PAYMENTS *	45 287 096	49 925 696	68 067 086	78 635 992	94 922 103	170 316 184	179 833 838
Deferred revenues	16 544	-48 092	-416 592	-334 636	95 569	-693 809	-575 289
TOTAL REVENUES	45 303 640	49 877 604	67 650 494	78 301 356	95 017 672	169 622 375	179 258 549

* under the term of payments, the Group shows 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 results from the estimation of unused virtual currency by active players at the balance sheet date. The amount of such deferred revenue is shown in the financial statements in the balance sheet item "Deferred revenue".

QUARTERLY CONSOLIDATED SALES COSTS

Specification	1Q 2019	2Q 2019	3Q 2019	4Q 2019	1Q 2020	2Q 2020	3Q 2020
Selling costs	29 688 819	29 478 964	41 040 733	36 945 700	48 544 738	124 795 326	95 253 370
marketing:	15 487 704	14 286 418	21 210 446	13 690 173	19 122 999	72 755 975	40 423 986
- Fishing Clash	15 060 121	14 014 231	20 966 520	13 224 531	18 263 312	70 508 454	33 387 047
- Wild Hunt	383 148	222 937	181 426	254 746	325 446	470 675	667 616
- other titles, events	44 435	49 250	62 501	210 896	534 241	1 776 846	6 369 323
commissions	12 552 593	14 000 307	18 333 228	21 612 824	27 044 419	49 255 530	52 189 581
revenue share	441 691	331 973	347 491	396 760	417 224	473 283	421 434
remuneration, external services	892 588	665 773	728 866	926 972	1 559 372	1 683 409	1 613 387
others	314 243	194 492	420 702	318 971	400 724	627 129	604 984

The increase in revenue, both during the three quarters of 2020 and in the perspective of the third quarter itself, is mainly due to further increase in popularity of Fishing Clash. Payments for this title increased by PLN 268.4 million in the analyzed period (PLN 407.0 million for the period January-September 2020 compared to PLN 138.6 million for the period January-September 2019). Additionally, analyzing the dynamics of payments after the quarters, the third quarter of 2020 was the best quarter so far in this respect, when Fishing Clash generated PLN 164.3 million compared to PLN 158.0 million in the second quarter of 2020 and PLN 84.7 million in the first. The game is supported by significant marketing budgets - for the 3 quarters of 2020 the costs amounted to PLN 122.2 million compared to PLN 50.0 million in the corresponding period of the previous year. On a quarterly basis, Q2 2020 saw a sharp increase in marketing expenses compared to the previous quarter (PLN 70.5m vs. PLN 18.3m). This was due to a temporarily very favorable situation in the advertising market (a drop in demand on the part of advertisers resulting in the possibility of cheaper acquisition of players), caused by sharply reduced marketing budgets of many industries, such as retail or tourism, due to the pandemic. The group decided to take advantage of the market situation in order to rapidly increase the user base in the game, acquiring them at lower than usual unit prices. As in Q3 2020 the prices for acquiring players increased significantly compared to the previous quarter, the Group significantly reduced marketing expenses for Fishing Clash to PLN 33.4 million.

The Group's second title, Let's Fish, also performed well, generating revenue of PLN 12.1 million over the three quarters of 2020, up 10% on the same period last year.

Another game, Wild Hunt, recorded very dynamic revenue growth - from PLN 6.9 million in the first three quarters of 2019 to PLN 11.6 million, an increase of nearly 70%. This title is supported by a relatively small marketing budget.

In 2020 two new games for women (SoliTales and Flip This House) and in hunting genre (Hunting Clash) were developed. These three titles were made available in the third quarter through open testing in most countries of the world, including the USA. The best results in terms of user engagement and revenue generation are shown by Hunting Clash, which generated a revenue of PLN 3.4 million in Q3 2020, so it was decided to further develop the game intensively in the long term and invest in user acquisition. The results of Flip This House and Soli Tales turned out to be weaker than expected, and the market environment has become very competitive in recent months. Therefore the Group decided to stop developing them - both games will be maintained in the near future, with a low cost of personnel. This means that work on the new content has been suspended and the teams creating these games have been moved to new, more promising projects. The games continue to be available to players at Google and Apple stores and can generate revenue.

The Group does not record significant seasonality of sales. The level of revenues depends on the life cycle of a given game (group of games) and on the accumulated marketing expenses from the last few months.

The cost of services sold includes mainly salaries of the Company's employees and associates. The increase in costs in 2020 results from the increase in the level of employment in the compared periods and from a greater number of active projects. Moreover, at the turn of the 3rd and 4th quarter of 2019, 3 games went to the so-called soft launch phase, which means that the costs of the teams creating these games are no longer capitalized and are immediately charged to the financial result of the current period.

The increase in selling costs results mainly from a significant increase in marketing expenses in the compared periods, which has been described in the paragraphs above. Another important cost component - commissions - is fully dependent on the level of payments and the amount of commission increases proportionally with their growth.

The increase in general administration costs in the first half of 2020 is caused by the expansion of general company departments - including finance, human resources, and the general increase in the number of employees and co-workers, which translates into higher office maintenance costs. Moreover, in the reporting period the Group recognized a part of non-cash cost of a dedicated incentive program, described in detail above, for the new President of the Management Board Mr. Maciej Zużalek. The cost incurred in the 9-month period ended 30 September 2020 amounted to PLN 12.1 million.

The Group's consolidated net profit for the three quarters of 2020 amounted to PLN 119.7 million and was higher by PLN 78.2 million compared to the same period of 2019, which means an increase by 188%. Adjusted for the cost of the non-cash incentive scheme referred to in the previous paragraph, the net profit for the 9-month period ended 30 September 2020 would be PLN 131.8 million.

5.2. STATEMENT OF FINANCIAL POSITION

In terms of the balance sheet, high sales of the Group's products translate into an increase in current assets (increase in cash and trade receivables). In June 2020 the Group paid out PLN 27.4 million in dividends, which once again significantly reduced the cash level. Additionally, a higher number of new projects translates into an increase in intangible assets.

The increase in short-term liabilities results from the increase in current marketing expenses, incurred mainly for the Fishing Clash game.

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

5.3. CASH FLOW STATEMENT

The increase in operating cash flow in the 9-month period ended 30 September 2020 by more than 230% is a direct effect of good financial results, for which the global success of Fishing Clash is mainly responsible. The Group's investment activity is related to the production of new titles - in the first nine months of 2020 the Group was working on four games, similarly to the previous year, hence the similar level of expenditure. Financial activities are cash flows related to the payment of dividends.

INTERIM CONDENSED SEPARATE FINANCIAL STATEMENT**1. INTERIM CONDENSED STANDALONE STATEMENT OF COMPREHENSIVE INCOME**

SEPARATE FINANCIAL STATEMENT OF COMPREHENSIVE INCOME	01.07.2020 - 30.09.2020	01.01.2020 - 30.09.2020	01.07.2019 - 30.09.2019	01.01.2019 - 30.09.2019
Revenues from the sales of services	178 277 166	440 988 991	66 196 349	160 486 925
Costs of goods and services sold	6 836 573	17 197 767	2 930 997	7 566 149
Gross profit (loss) on sales	171 440 593	423 791 223	63 265 352	152 920 776
Other operating revenues	54 554	60 006	57 325	145 695
Selling costs	95 120 197	268 296 701	40 912 883	99 870 309
Costs of general management	10 647 702	23 693 287	1 872 439	4 791 781
Other operating costs	54 109	893 693	62 288	125 109
Operating profit (loss)	65 673 138	130 967 548	20 475 067	48 279 272
Financial revenues	-569 174	2 269 204	527 298	855 551
Financial costs	57 685	167 025	543	557
Profit (loss) before taxation	65 046 280	133 069 727	21 001 822	49 134 266
Income tax	6 922 507	13 694 225	3 920 674	9 046 658
Net profit (loss)	58 123 773	119 375 502	17 081 148	40 087 608
Total comprehensive income	58 123 773	119 375 502	17 081 148	40 087 608
EBITDA	66 454 804	133 179 943	20 794 827	49 055 046
Adjusted EBITDA	72 487 972	145 246 279	20 794 827	49 055 046

EBITDA is the net profit/(loss), before depreciation, write-offs (and reversals) for impairment of tangible and intangible assets, interest income, financial costs, exchange rate differences and income tax.

Adjusted EBITDA does not include the non-cash cost of the incentive scheme as described in the Other Notes.

Calculation of profit per share	01.07.2020 - 30.09.2020	01.01.2020 - 30.09.2020	01.07.2019 - 30.09.2019	01.01.2019 - 30.09.2019
Number of shares				
The weighted average number of shares for the purpose of calculating the value of basic profit per share (in units)	7 241 245	7 239 444	7 237 007	7 238 620
The weighted average number of shares for the purpose of calculating the value of diluted profit per share (in units)	7 267 311	7 255 689	7 237 007	7 238 620
Net profit	58 123 773	119 375 502	17 081 148	40 087 608
Net profit per one share assigned to shareholders				
Basic net profit for the trading period	8,03 zł	16,49 zł	2,36 zł	5,54 zł
Diluted net profit for the trading period	8,00 zł	16,45 zł	2,36 zł	5,54 zł

2. INTERIM CONDENSED STANDALONE STATEMENT OF FINANCIAL SITUATION

ASSETS	30.09.2020	31.12.2019	30.09.2019
Fixed assets	14 399 589	4 941 261	5 180 668
Property, plant and equipment	8 732 695	568 568	506 027
Intangible assets	4 290 872	3 397 515	4 213 057
Other fixed assets	0	0	0
Investments in affiliates measured by equity method	5 000	5 000	5 000
Other financial assets	857 595	590 589	194 726
Deferred income tax assets	513 428	379 589	261 858
Current assets	223 344 770	97 732 820	68 728 638
Inventories	0	0	0
Trade receivables	58 110 961	23 565 939	25 494 408
Other receivables	10 840 357	1 690 236	2 025 784
Prepayments and accruals	3 446 196	80 914	1 406 844
Cash and cash equivalents	889 296	0	80 000
Assets classified as intended for sale	150 057 960	70 836 864	39 721 602
TOTAL ASSETS	237 744 359	102 674 081	73 909 306

EQUITY AND LIABILITIES	30.09.2020	31.12.2019	30.09.2019
Equity	195 594 932	88 821 386	54 831 614
Share capital	726 731	724 125	724 125
Reserve capital from the sales of shares above their nominal value	496 100	496 100	496 100
Reserve capital created from net result	57 137 902	10 713 413	10 713 413
Capital from the settlement of the incentive scheme	16 531 379	1 764 034	1 483 048
Undistributed financial result	1 327 319	1 327 319	1 327 319
Financial result of the current period	119 375 502	73 796 395	40 087 608
Long-term liabilities	8 152 285	548 722	761 982
Deferred income tax provisions	856 345	548 722	761 982
Leasing liabilities	7 295 940	0	0
Short-term liabilities	33 997 142	13 303 973	18 315 710
Trade liabilities	20 941 387	4 633 152	8 570 320
Current income tax liabilities	7 884 779	6 083 371	7 604 875
Leasing liabilities	952 449	0	0
Other liabilities	544 072	329 881	261 652
Other provisions	497 411	254 054	209 983
Prepayments and accrued income	3 177 044	2 003 515	1 668 880
TOTAL EQUITY AND LIABILITIES	237 744 359	102 674 081	73 909 306

3. INTERIM CONDENSED STANDALONE STATEMENT OF CHANGES IN EQUITY

Standalone statement of changes in equity	Share capital	Reserve capital from the sales of shares above their nominal value	Reserve capital created from net result	Capital from the settlement of the incentive scheme	Undistributed financial result	Financial result of the current period	Total equity
9 months ended on 30/09/2020							
Equity as at 01/01/2020	724 125	496 100	10 713 413	1 764 034	75 123 714	0	88 821 386
Changes in accounting principles (policy)							0
Corrections of errors from previous periods							0
Equity after corrections	724 125	496 100	10 713 413	1 764 034	75 123 714	0	88 821 386
Payment of the share capital	2 606						2 606
Share-based payments				14 767 345			14 767 345
Distribution of net profit			46 424 489		-46 424 489		0
Dividend payment					-27 371 907		-27 371 907
Total comprehensive income						119 375 502	119 375 502
Equity as at 30/09/2020	726 731	496 100	57 137 902	16 531 379	1 327 319	119 375 502	195 594 932
9 months ended on 30/09/2019							
Equity as at 01/01/2019	727 500	496 100	995 962	780 748	38 350 270	0	41 350 580
Changes in accounting principles (policy)							0
Corrections of errors from previous periods							0
Equity after corrections	727 500	496 100	995 962	780 748	38 350 270	0	41 350 580
Issue of shares							0
Payment of the share capital	1 625						1 625
Share-based payments				906 456			906 456
Reduction of the share capital in accordance with the resolution of the Extraordinary General Meeting of Shareholders	-5 000		5 000				0
Adjustment of share-based payments combined with share capital reduction				-204 155			-204 155
Distribution of net profit			9 712 451		-9 712 451		0
Dividend payment					-27 310 500		-27 310 500
Total comprehensive income						40 087 608	40 087 608
Equity as at 30/09/2019	724 125	496 100	10 713 413	1 483 049	1 327 319	40 087 608	54 831 614

Standalone statement of changes in equity	Share capital	Reserve capital from the sales of shares above their nominal value	Reserve capital created from net result	Capital from the settlement of the incentive scheme	Undistributed financial result	Financial result of the current period	Total equity
12 months ended on 31/12/2019							
Equity as at 01/01/2019	727 500	496 100	995 962	780 748	38 350 270	0	41 350 580
Changes in accounting principles (policy)							0
Corrections of errors from previous periods							0
Equity after corrections	727 500	496 100	995 962	780 748	38 350 270	0	41 350 580
Payment of share capital	1 625						1 625
Share-based payments				1 187 441			1 187 441
Reduction of the share capital in accordance with the resolution of the Extraordinary General Meeting of Shareholders	-5 000		5 000				0
Adjustment of share-based payments combined with share capital reduction				-204 155			-204 155
Distribution of net profit			9 712 451		-9 712 451		0
Dividend payment					-27 310 500		-27 310 500
Total comprehensive income						73 796 395	73 796 395
Equity as at 31/12/2019	724 125	496 100	10 713 413	1 764 034	1 327 319	73 796 395	88 821 386

4. INTERIM CONDENSED STANDALONE CASH FLOW STATEMENT

Standalone cash flow statement	01.07.2020 - 30.09.2020	01.01.2020 - 30.09.2020	01.07.2019 - 30.09.2019	01.01.2019 - 30.09.2019
OPERATING ACTIVITY				
Profit/loss before taxation	65 046 280	133 069 727	21 001 822	49 134 266
Total corrections:	6 100 087	-11 085 719	-7 254 549	-9 465 800
Depreciation	781 666	2 212 395	319 760	775 774
Exchange profit/loss	-454 018	-631 019	-128 363	-116 060
Interest paid on leasing	57 684	167 025	0	-124 875
Valuation of the lease liability	113 029	385 394	0	0
Interest and shares in profits (dividends)	0	-1 656 905	0	0
Change in provisions and accrued expenses (excluding deferred tax provision)	578 260	1 416 887	456 549	481 522
Change in receivables	1 697 989	-43 962 149	-9 128 317	-16 436 592
Change in liabilities, except for loans and credits, CIT and dividends	-2 318 894	16 585 394	1 404 748	5 942 168
Change in prepayments and accruals (without short-term prepayments and accruals for share-based payments)	-1 201 706	-1 887 328	-462 422	-777 311
Share-based payments (part not included in the acquisition of intangible assets)	6 852 424	14 551 296	281 872	787 950
Other corrections	-6 347	76 386	1 624	1 624
Cash on operating activity	71 146 367	121 984 007	13 747 273	39 668 466
Paid interest	0	0	0	
Income tax (paid) / reimbursed	-2 085 030	-11 703 321	-417 154	-8 830 099
A. Net operating cash flow	69 061 337	110 280 686	13 330 119	30 838 367
INVESTMENT ACTIVITY				
Proceeds	60 000	80 000	0	0
Repayment of loans granted	60 000	80 000	0	0
Outflows	1 815 084	3 642 814	1 097 420	2 988 853
Purchase of intangible and tangible fixed assets	930 084	2 757 814	1 017 420	2 908 853
Loans granted	885 000	885 000	80 000	80 000
B. Net cash flow from investment activities	-1 755 084	-3 562 814	-1 097 420	-2 988 853
FINANCIAL ACTIVITY				
Proceeds	0	0	0	124 875
Interest and shares in profits (dividends)	0	0	0	124 875
Outflows	209 951	27 971 971	0	27 310 500
Dividends and other payments to owners	0	27 371 906	0	27 310 500
Payment of liabilities under lease agreements	152 267	433 040	0	0
Interest	57 684	167 025	0	0
C. Net cash flow from financial activities	-209 951	-27 971 971	0	-27 185 625
D. Total net cash flow	67 096 304	78 745 901	12 232 699	663 889
E. Balance-sheet change in cash, including	67 550 321	79 221 096	12 361 063	779 950
- change in cash due to exchange losses/gains	454 018	631 019	128 363	116 060
F. Cash at the beginning of the period	82 486 461	70 836 864	27 449 079	39 017 889
G. Cash at the end of the period	149 582 765	149 582 765	39 681 779	39 681 779

ACCOUNTING PRINCIPLES

1. COMPLIANCE WITH THE INTERNATIONAL ACCOUNTING STANDARDS

This interim condensed consolidated financial statement has been prepared in accordance with the International Financial Reporting Standards and related interpretations, issued by the International Accounting Standards Board, approved by the European Union, under the Regulation on IFRS (European Commission 1606/2002), hereinafter referred to as “EU IFRS”, applicable as at 30.09.2020.

2. CHANGES IN ACCOUNTING PRINCIPLES (POLICY)

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

3. DESCRIPTION OF THE ADOPTED ACCOUNTING PRINCIPLES (POLICY)

3.1. Consolidation – subsidiaries

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

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

3.2. Revenues and costs of operating activity

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

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

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

The Group distinguishes three main sources of revenues:

- 1) revenues from additional functionalities purchased by the players (micro-payments);
- 2) revenues from advertisements displayed in games (advertisements);
- 3) revenues from the users’ activity in games which are shared with the Company’s commercial partners on the basis of license agreements (licenses).

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

With regard to the games, premium packages, including, for instance, notes and pearls (virtual currency), are available to users. Players can convert their virtual game currency into virtual durables, such as rods, lures or other accessories, to improve the performance of the equipment and thus the results achieved in the game, or into consumables - e.g. amplifiers (+x% of fish weight) or another chance to draw a card. The Group verifies an average estimated conversion period of virtual currency into goods in a game for a group of paying users and subsequently estimates the amount of potential liability due to the realization of premium packages. The amount of such a liability reduces the revenue of a given period and is recognised as an accrued income settlement (balance sheet item).

The Group does not analyse the use of durables in time (i.e. it does not identify how long the item is used by the player). This is related to the monetization mechanics used in games and the various ways of converting goods already in possession into other goods. Therefore, the Group does not estimate the amount of potential liability for the provision of durables in the game.

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

Revenues from advertisements displayed in games (advertisements)

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

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

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

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

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

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

3.3. Revenues and costs of financial activity

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

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

3.4. Income tax

Income tax includes: current tax payable and deferred tax.

Current tax

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

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

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

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

- the nexus index is used to calculate the tax for each revenue source.

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

Deferred tax

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

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

The basic temporary differences concern the different depreciation of the games generated by the Group and the balance sheet valuation of settlements.

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

Deferred tax is recognized in the profit and loss statement, and if it concerns transactions settled with equity, it is recognized in equity. Deferred income tax assets are recognized when it is probable that in the future the Group shall achieve the revenue subject to taxation, which enables the use of temporary differences. Deferred tax liabilities or assets are recognized as long-term liabilities or assets in the balance sheet.

Uncertainty related to the recognition of income tax

With the introduction of "IFRIC 23: Uncertainty Related to the Recognition of Income Tax" in 2019, which clarifies the recognition of income tax where there is no certainty that the tax treatment applied by an entity will be accepted by the tax authorities, the Company assesses each time the possible approach of the authorities to the tax return prepared by the Company. If it is probable that the tax authorities will accept the applied tax approach, the Company recognizes the taxes in the financial statement consistently with the tax returns without reflecting the uncertainty in the current and deferred tax recognition. Otherwise, the tax base (or tax loss), tax values and unused tax losses are recognized by the Company in the amount that better reflects the uncertainty resolution, using the method of one most probable result or the expected value method (the sums weighted by probability of possible solutions). When assessing the probability of acceptance, the Company assumes that the tax authorities will verify the uncertain tax treatment and have full knowledge of this issue.

3.5. Tangible fixed assets

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

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

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

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

The write-downs shall be recognized as other costs relevant for the property functions of fixed assets in the period during which the impairment was determined, no later than at the end of the financial year. If it has been established, with sufficient certainty, that the

reasons for which a write-down on the value of assets had been made have stopped, the Company shall introduce the reversal of the conducted impairment write-down, in full or in part, by recognition of revenues.

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

3.6. Intangible assets

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

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

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

Intangible assets of the Group with the depreciation rates:

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

Development works

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

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

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

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

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

3.7. Leasing

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

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

At the date of commencement of the agreement, the Company recognizes an asset by virtue of the right of use and a liability by virtue of the lease. The asset by virtue of the right of use is measured at cost, while the liability by virtue of the lease is recognized in the amount of the present value of the lease fees remaining to be paid on that date.

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

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

- a) increasing the balance sheet value to reflect interest on the lease liability,
- (b) a reduction in the carrying amount in order to take account of the lease payments made, and

(c) revaluing the carrying amount to take account of any reassessment or change in the lease, or to take account of revalued substantially fixed lease payments.

Interest on the lease liability at any time during the lease term is the amount by which a fixed periodic interest rate is obtained in relation to the outstanding balance of the lease liability. The interest part of financial costs charges the profit or loss of the current period.

3.8. Financial instruments

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

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

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

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

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

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

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

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

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

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

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

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

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

3.9. Transactions in foreign currencies

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

Valuation

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

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

Transactions during the year

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

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

3.10. Pre-payments and accruals

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

3.11. Equity

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

3.12. Share-based payments

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

3.13. Payment of dividends

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

3.14. Provisions

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

3.15. Liabilities

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

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

3.16. Significant values based on professional judgement and estimates

The preparation of a consolidated financial statement requires from the Management Board of the Parent Entity conducting estimates and assumptions which are reflected in this statement and additional information and explanations to the statement.

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

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

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

Professional judgement:

Moment of activation of development costs

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

Depreciation period of activated intangible assets

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

Deferred income tax assets and liabilities

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

Fair value of share-based payments

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

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

On 26 February 2018, Google Play amended part of the distribution agreement with respect to sales in the EEA. "Assuming that Google acts as a representative of the Developer (i.e. the Company) and the Developer as a principal of Google, Google is the ultimate seller of Products sold and made available to users in the European Economic Area (EEA). The Developer is the ultimate seller of Products that

it sells or makes available to all other users in Google Play. The amount of payment he receives depends on the price of the Product as stated by the Developer”.

(full text of the agreement: https://play.google.com/intl/ALL_pl/about/developer-distribution-agreement.html)

In the opinion of the Management Board, the change in the wording of the type of sale in the EEA does not affect the economic content of the transaction, i.e. the Company is still obliged to deliver virtual goods in return for the money received by Google Play. The above implies recognition of 100% of the net payment amount in sales revenue and 30% of the commission amount in sales costs.

Uncertainty of estimates

Impairment of assets

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

Using of consummables in time

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

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

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

*The Company defines an active user as one who has ever made at least one payment until the balance sheet date and has been active in the game (i.e. has logged in at least once) within 30 days:

- preceding the balance sheet date and/or
- after the balance sheet date.

Using of durables in time

As a rule, virtual goods offered in video games are divided into two main categories: durable (durable virtual goods that do not wear out under normal use in the virtual world, and the player can use them as long as the game is played) and consumable virtual goods that wear out under normal use in the virtual world. Second category revenue is recognized at or as consumed, as described in the paragraph above. For the recognition of revenue from sales of so-called durables, models based on game statistics are used in the market, e.g. on the life expectancy of a given good and/or a group of players. As at the moment of issuing these financial statements, the Company does not have any statistical models allowing for estimating the value of durables. The game economy of the Company is based, among others, on

- 1) the possibility of converting some goods into other goods;
- 2) the possibility of receiving selected goods for free
- 3) the possibility of purchasing goods both with the use of pearls received free of charge (e.g. by winning a competition) and those purchased for so-called hard currency.

The above possibilities make it much more difficult to analyze the average use of the goods over time, hence the Company took advantage of the possibility of not valuing durables. In accordance with IFRS 15 par. 44 An entity recognizes revenue from meeting the

obligation to perform a benefit over time only when it can reasonably measure the extent to which the obligation to perform the benefit is fully met. If an entity is unable to measure reasonably the extent to which the obligation to perform is met in full, i.e. it does not have reliable information that is necessary to apply an appropriate measurement method, it may refrain from making an estimate.

Ultimately, the Company's intention is to build a statistical model allowing for the valuation of durables.

Determination of materiality

When preparing financial statements, the Group applies the materiality principle. The materiality principle introduces the possibility to apply simplifications, if it does not have a materially negative impact on the reliable and clear presentation of the property and financial situation and financial result. The Group has adopted the amount of PLN 1.5 m as the materiality level in the preparation of the financial statement (according to the accounting policy, not more than 5% of the gross result).

ADDITIONAL EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. REVENUES

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

Specification	01.01.2020 - 30.09.2020	01.01.2019 - 30.09.2019
Sales of services	443 898 596	162 831 738
TOTAL revenues from sales of services	443 898 596	162 831 738
Other operating revenues	60 229	48 564
Financial revenues	569 058	735 191
TOTAL revenues from continuing operations	444 527 885	163 615 494
TOTAL revenues	444 527 885	163 615 494

Revenues from discontinued operations did not occur.

1.1. Information on operating segments

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

1.2. Revenues - source

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

Type of revenues	payments 1-9 2020*	Share of payments 2020	payments 1-9 2019*	Share of payments 2019
micro-payments	434 723 519	97,7%	154 164 582	94,4%
advertisements	7 409 494	1,7%	6 549 640	4,0%
licences	2 939 113	0,7%	2 565 656	1,6%
PAYMENTS TOTAL	445 072 125	100,0%	163 279 878	100,0%
deferred income	-1 173 529	N/D	-448 140	N/D
REVENUES TOTAL	443 898 596	N/D	162 831 738	N/D

* Under the notion of payment, the Group recognizes income not reduced by deferred income (in the case of micropayments, these are payments made by users during a specified period.) The amount of deferred income results from the estimation of unused virtual currency by active players as at the balance sheet date. The amount of such deferred income is disclosed in the financial statements under the balance sheet item "settlement of deferred income".

Revenues from micropayments and licenses are generated entirely by natural persons, while the cash flow to the Group is made through payment aggregators, mobile stores or licensees. Users purchase specific packages in the game, e.g. pearls package, lure package (in fishing games), improved rods. The price of package is fixed, determined by the Group. The goods are transferred to the user at the moment of registration of the payment by the indicated entities. Although in the case of purchase of premium packages, i.e. packages containing, among others, virtual currency, the transfer of currency to the user's account takes place immediately after the payment is made, the use of virtual currency in the game may be postponed in time – it depends on each player's decision, who may individually, under the existing agreement between the parties, choose the moment of exchanging virtual currency for other virtual goods.

In the case of advertising revenues, users (individuals) are shown advertisements in games. The display of an advertisement is also the moment when the revenue is booked. The advertiser pays for the display of the advertisement, while the due part of this revenue goes to the Group through advertising intermediaries on the basis of advertising reports.

Settlement with advertising agents is based on monthly sales reports and payment is made in within the deadline specified in the contract, usually within the range from 1 to 60 days from the end of the calendar month.

1.3. Revenues - games

Game	payments in 1-9 2020*	share in payments in 2020	payments in 1-9 2019*	share in payments in 2019
Fishing Clash	406 977 939	91,4%	138 567 495	84,9%
Let's Fish	12 128 806	2,7%	11 012 046	6,7%
Wild Hunt	11 626 403	2,6%	6 877 322	4,2%
other	14 338 977	3,3%	6 823 014	4,2%
PAYMENTS TOTAL	445 072 125	100,0%	163 279 878	100,0%
deferred revenue	-1 173 529	N/D	-448 140	N/D
REVENUES TOTAL	443 898 596	N/D	162 831 738	N/D

Deferred revenue by games with respect to the first nine months of 2020:

Fishing Clash: - PLN 1.171.845

Let's Fish: + PLN 7.507

Wild Hunt: - PLN 9.191

Deferred revenue (cumulatively) divided into games in relation to the total deferred revenue - balance sheet item "deferred revenue":

Fishing Clash: -3,040,254 PLN;

Let's Fish: PLN -61.727;

Wild Hunt: PLN -76.971.

TOTAL: -3.178.952 PLN.

Quarterly breakdown of revenues:

Game	1Q 2019	2Q 2019	3Q 2019	4Q 2019	1Q 2020	2Q 2020	3Q2020
Fishing Clash	37 524 342	43 146 664	57 896 490	67 933 223	84 677 795	158 043 812	164 256 332
Let's Fish	4 095 505	3 316 451	3 600 089	4 201 949	3 868 618	4 551 211	3 708 977
Wild Hunt	2 439 365	2 094 188	2 343 769	2 748 995	3 542 576	4 375 098	3 708 729
Hunting Clash	0	0	0	0	65 559	347 467	3 361 414
other	1 227 884	1 368 393	4 226 738	3 751 825	2 767 555	2 998 596	4 798 386
PAYMENTS TOTAL	45 287 096	49 925 696	68 067 086	78 635 992	94 922 103	170 316 184	179 833 838
deferred income	16 544	-48 092	-416 592	-334 636	95 569	-693 809	-575 289
REVENUES TOTAL	45 303 640	49 877 604	67 650 494	78 301 356	95 017 672	169 622 375	179 258 549

1.4. Revenues - counterparties

Counterparty	payments 1-9 2020*	share in payments 2020	payments 1-9 2019*	share in payments 2019
Google Inc.	256 923 241	57,7%	93 294 222	57,1%
Apple Distribution International	159 110 723	35,7%	46 945 340	28,8%
others (of which none individually exceeds 10%)	29 038 161	6,5%	23 040 316	14,1%
PAYMENTS TOTAL	445 072 125	100,0%	163 279 878	100,0%
deferred income	-1 173 529	N/D	-448 140	N/D
REVENUES TOTAL	443 898 596	N/D	162 831 738	N/D

1.5. Revenues – distribution channels

Distribution channel	payments in 1-9 2020*	share in payments in 2020	payments in 1-9 2019*	share in payments in 2019
mobile	423 667 612	95,2%	146 941 625	90,0%
web browsers	21 404 513	4,8%	16 338 253	10,0%
PAYMENTS TOTAL	445 072 125	100,0%	163 279 878	100,0%
deferred income	-1 173 529	N/D	-448 140	N/D
REVENUES TOTAL	443 898 596	N/D	162 831 738	N/D

1.6. Revenues – geographical distribution

The Group allocates payments from the user on the basis of IP using external databases and using sales reports from countries available on selected distribution platforms.

Region	payments in 1-9 2020*	share in payments in 2020	payments in 1-9 2019*	share in payments in 2019
North America	186 203 758	41,8%	69 204 873	42,4%
Europe	172 316 077	38,7%	65 400 289	40,1%
<i>including Poland</i>	<i>22 261 124</i>	<i>5,0%</i>	<i>10 455 283</i>	<i>6,4%</i>
Asia	62 691 410	14,1%	21 015 107	12,9%
South America	13 215 743	3,0%	3 316 650	2,0%
Australia and Oceania	7 255 897	1,6%	2 931 731	1,8%
Africa	3 389 240	0,8%	1 411 227	0,8%
Total	445 072 125	100,0%	163 279 878	100,0%
deferred income	-1 173 529	N/D	-448 140	N/D
REVENUES TOTAL	443 898 596	N/D	162 831 738	N/D

2. OPERATING COSTS

Specification	01.01.2020 - 30.09.2020	01.01.2019 - 30.09.2019
Depreciation	2 212 395	775 774
Consumption of materials and energy	1 211 132	472 407
Third-party services	278 194 092	105 646 603
Taxes and fees	1 650 230	456 504
Remuneration	25 470 593	6 622 235
Social insurance and other benefits	2 339 483	1 156 135
Other costs by type	103 482	80 452
Total costs by type, including:	311 181 406	115 210 110
Change in products	0	0
Costs of manufacturing goods for internal purposes (negative value)	-1 570 385	-2 552 965
Selling costs (negative)	-268 593 435	-100 208 516
General and administrative costs (negative)	-23 818 570	-4 876 130
Costs of goods and services sold	17 199 016	7 572 499

Specification	01.01.2020 - 30.09.2020	01.01.2019 - 30.09.2019
Selling costs	268 593 435	100 208 516
marketing:	132 302 959	50 984 569
- <i>Fishing Clash</i>	122 158 812	50 040 872
- <i>Wild Hunt</i>	1 463 737	787 511
- <i>other titles, events</i>	8 680 410	156 186
commissions	128 489 530	44 886 127
revenue share	1 311 941	1 121 155
remuneration, external services	4 856 168	2 287 227
others	1 632 837	929 438

Specification	1Q 2019	2Q 2019	3Q 2019	4Q 2019	1Q 2020	2Q 2020	3Q 2020
Selling costs	29 688 819	29 478 964	41 040 733	36 945 700	48 544 738	124 795 326	95 253 370
marketing:	15 487 704	14 286 418	21 210 446	13 690 173	19 122 999	72 755 975	40 423 986
- <i>Fishing Clash</i>	15 060 121	14 014 231	20 966 520	13 224 531	18 263 312	70 508 454	33 387 047
- <i>Wild Hunt</i>	383 148	222 937	181 426	254 746	325 446	470 675	667 616
- <i>other titles, events</i>	44 435	49 250	62 501	210 896	534 241	1 776 846	6 369 323
commissions	12 552 593	14 000 307	18 333 228	21 612 824	27 044 419	49 255 530	52 189 581
revenue share	441 691	331 973	347 491	396 760	417 224	473 283	421 434
remuneration, external services	892 588	665 773	728 866	926 972	1 559 372	1 683 409	1 613 387
others	314 243	194 492	420 702	318 971	400 724	627 129	604 984

3. TANGIBLE FIXED ASSETS MOVEMENT SCHEDULE

Specification	Machinery and equipment	Other fixed assets	Buildings, premises and civil engineering facilities	TOTAL
Gross carrying amount as at 01.01.2020	1 038 975	114 403	0	1 153 378
Increases, due to:	905 556	84 495	8 608 612	9 598 663
- purchase	905 556	84 495	8 608 612	9 598 663
Decreases, due to:	0	0	0	0
- sale of fixed assets	0	0	0	0
Gross carrying amount as at 30.09.2020	1 944 531	198 898	8 608 612	10 752 041
Accumulated depreciation as at 01.01.2020	499 389	85 421	0	584 810
Increases, due to:	453 394	41 183	939 959	1 434 536
- depreciation	453 394	41 183	939 959	1 434 536
Decreases	0	0	0	0
Accumulated depreciation as at 30.09.2020	952 783	126 604	939 959	2 019 346
Revaluation write-offs as at 01.01.2020	0	0	0	0
Increases	0	0	0	0
Decreases	0	0	0	0
Revaluation write-offs as at 30.09.2020	0	0	0	0
Net balance sheet value as at 30.09.2020	991 748	72 294	7 668 653	8 732 695

Ownership structure - net value:

Specification	30.09.2020	31.12.2019
Own	1 064 042	568 568
Used under a rental, lease or other agreement, including a lease agreement	7 668 653	0
Total	8 732 695	568 568

On 2 January 2020, the Parent Company took over, on the basis of a lease agreement, office space located in the City One office building at 45 Traugutta Street in Wrocław. Due to the 5-year lease period, in accordance with IFRS16, this agreement is recognized as a lease and shown in the balance sheet as an increase in the value of fixed assets on the assets side and as a lease liability (long-term and short-term) on the liabilities side.

4. INTANGIBLE FIXED ASSETS MOVEMENT SCHEDULE

Specification	Development costs	Computer software	Intangible assets under development	TOTAL
Gross balance sheet value as at 01.01.2020	7 995 077	556 146	307 310	8 858 533
Increases, due to:	0	100 832	1 570 386	1 671 218
- purchase	0	100 832	1 570 386	1 671 218
- reclassification	0	0	0	0
Decreases, due to:	0	0	0	0
- reclassification	0	0	0	0
Gross balance sheet value as at 30.09.2020	7 995 077	656 978	1 877 696	10 529 751
Accumulated depreciation as at 01.01.2020	2 703 276	508 784	0	3 212 060
Increases, due to:	733 617	44 244	0	777 860
- depreciation	733 617	44 244	0	777 860
Decreases	0	0	0	0
Accumulated depreciation as at 30.09.2020	3 436 893	553 028	0	3 989 921
Revaluation write-offs as at 01.01.2020	2 248 958	0	0	2 248 958
Increases	0	0	0	0
Decreases	0	0	0	0
Revaluation write-offs as at 30.09.2020	2 248 958	0	0	2 248 958
Net balance sheet value as at 30.09.2020	2 309 226	103 950	1 877 696	4 290 872

The net value as at 30.09.2020 disclosed under "completed development works" consists of the Group's following games:

- 1) Fishing Clash - net value: PLN 127,555.76, remaining amortization period: 9 months;
- 2) Wild Hunt - net value: 54,303.55 PLN, remaining amortization period: 7 months;
- 3) Golf Rush - net value: 234,019.98 PLN, remaining amortization period: 9 months: 30 months;
- 4) SoliTales - net value: 362,966.68 PLN, remaining amortization period: 30 months: 36 months;
- 5) Flip This House - net value: 450,022.87 PLN, remaining amortization period: 36 months: 36 months;
- 6) Hunting Clash - net value: PLN 1,080,357.28, remaining amortization period: 36 months: 37 months;

The item "intangible assets under construction" as at 30.09.2020 consists of capitalized costs of the modified version of the Golf Rush game - the Group treats this as new production.

5. TRADE RECEIVABLES

currency	30.09.2020			31.12.2019		
	amount in currency	revaluation	% share	amount in currency	revaluation	% share
PLN	24 118 542	24 118 542	42,16%	11 162 105	11 162 105	53,82%
USD	8 406 330	32 497 191	56,81%	2 371 692	9 006 974	43,43%
EUR	58 152	263 240	0,46%	54 480	232 004	1,12%
RUB	6 339 711	312 548	0,55%	5 242 421	320 312	1,54%
BRL	0	0	0,00%	529	500	0,00%
JPY	0	0	0,00%	213 096	7 450	0,04%
Other currencies	-----	13 733	0,02%	-----	8 573	0,05%
TOTAL		57 205 254	100%		20 737 918	100%

age structure – overdue	30.09.2020	31.12.2019
	value of receivables	value of receivables
not overdue	57 071 087	20 736 599
up to one month	121 109	526
1-3 months	12 582	733
3-6 months	476	60
6-12 months	0	0
over a year	0	0
Total receivables	57 205 254	20 737 918

Payments from users are aggregated by intermediaries (mobile stores, payment aggregators, licensees). Payments for displayed advertisements are aggregated by advertising intermediaries. In the structure of receivables the largest balances come from:

- Google Inc - 40.1% at 30.09.2020 compared to 49.5% at 31.12.2019 and 38.3% at 30.09.2019;
- Apple Distribution International - 51.8% at 30 September 2020 as compared to 28.9% at 31 December 2020 and 40.6% at 30 September 2019.

No other entity exceeded 10% of total receivables as at 30.09.2020, 31.12.2019 and 30.09.2019. As at the balance sheet date of 30.09.2020, 31.12.2019 and 30.09.2019, the Group did not have any significant amounts of receivables which would have expected credit losses.

6. OTHER RECEIVABLES

Specification	30.09.2020	31.12.2019
Other receivables, including:	11 647 647	3 498 580
- on account of taxes, except for corporate income tax	11 620 647	3 179 440
- office lease deposit	27 000	207 831
- others	0	111 309

7. TRADE LIABILITIES

Currency structure:

	30.09.2020			31.12.2019		
currency	amount in currency	revaluation	% share	amount in currency	revaluation	% share
PLN	1 652 679	1 652 678	7,89%	507 760	507 760	10,96%
USD	4 897 287	18 931 931	90,40%	1 070 961	4 067 190	87,78%
EUR	64 582	292 350	1,40%	13 667	58 202	1,26%
CAD	13 000	64 428	0,31%			
TOTAL		20 941 387	100%		4 633 152	100%

In the amount of trade liabilities, the biggest share is held by liabilities resulting from marketing campaigns.

8. LEASING LIABILITIES

On 2 January 2020, the Parent Company took over, on the basis of a lease agreement, office space located in the City One office building at 45 Traugutta Street in Wrocław. Due to the 5-year lease period, in accordance with IFRS16, this agreement is recognized as a lease and shown in the balance sheet as an increase in the value of fixed assets on the assets side and as a lease liability (long-term and short-term) on the liabilities side.

9. ACCRUALS AND DEFERRED INCOME

Specification	30.09.2020	31.12.2019
Activated commission expenses (in line with deferred income)	953 116	601 057
Annual fee - a tool to track marketing campaigns	631 177	383 347
Trade mark registration fees	119 989	43 881
Software maintenance or subscriptions	1 705 019	517 592
Insurances	23 631	10 134
Other accruals	15 922	5 820
Prepayments	3 448 853	1 561 831

Specification	30.09.2020	31.12.2019
Revenue deferred in time (unused premium packages)	3 177 044	2 003 515
Total deferred revenue	3 177 044	2 003 515

10. DISTRIBUTION OF PROFIT FOR THE YEAR 2019

The General Meeting of Shareholders of the Company on 20.05.2020 adopted a resolution on the distribution of the Company's net profit for 2019 in the amount of PLN 73,796,395.00 (say: seventy three million seven hundred and ninety-six thousand three hundred and ninety-five zloty) in the following manner:

1) the amount of PLN 27,371,906.10 (twenty-seven million three hundred and seventy-one thousand nine hundred and six zlotys 10/100) was allocated for distribution among the shareholders in the form of dividend payment in the amount of PLN 3.78 (three zlotys and seventy-eight groszy) per share;

2) the amount of PLN 46,424,488.90 (in words: forty-six million four hundred twenty-four thousand four hundred eighty-eight zlotys 90/100) was allocated to the Company's supplementary capital.

The dividend day was set for 29 May 2020 and the dividend payment day for 10 June 2020.

11. INFORMATION ON TRANSACTIONS WITH RELATED ENTITIES, INCLUDING INFORMATION ON REMUNERATION OF THE SENIOR MANAGEMENT AND SUPERVISORY BOARD

The following tables present the total amounts of transactions concluded between the Parent Company and related parties for the current and previous reporting period:

1. Senior management

Related person	Net purchase		Remuneration		Net dividend	
Period:	1.01.2020-30.09.2020	1.01.2019-30.09.2019	1.01.2020-30.09.2020	1.01.2019-30.09.2019	1.01.2020-30.09.2020	1.01.2019-30.09.2019
Management Board	110 709	216 000	12 686 240	186 525	4 264 362	12 989 687
Maciej Popowicz (until 20.05.2020)	62 709	121 500	20 903	40 500	0	8 733 785
- <i>Ten Square Games S.A.</i>	62 709	121 500	20 903	40 500	0	8 733 785
Maciej Zużalek (since 20.05.2020)	0	0	12 371 667	0	189 000	0
- <i>Ten Square Games S.A. – cash remuneration</i>	0	0	305 331	0	189 000	0
- <i>Ten Square Games S.A. – share-based incentive scheme recognized over time</i>	0	0	12 066 336	0	0	0
Arkadiusz Pernal	48 000	94 500	88 954	36 000	3 980 862	4 179 357
- <i>Ten Square Games S.A.</i>	48 000	94 500	88 954	36 000	3 980 862	4 179 357
Magdalena Jurewicz (until 31.07.2020)	0	0	161 309	110 025	94 500	76 545
- <i>Ten Square Games S.A.</i>	0	0	161 309	110 025	94 500	76 545
Marcin Chruszczyński (since 01.08.2020)	0	0	64 310	0	0	0
- <i>Ten Square Games S.A.</i>	0	0	64 310	0	0	0
Supervisory Board (Ten Square Games S.A.)	0	0	228 148	165 500	187 749	392 428
Maciej Zużalek (until 21.04.2020)	0	0	3 700	9 000	0	229 635
Rafał Olesiński	0	0	53 354	31 500	2 529	2 048
Marcin Chruszczyński (until 20.05.2020)	0	0	16 258	31 500	0	0
Tomasz Drożdżyński	0	0	33 483	27 000	0	0
Maciej Marszałek	0	0	28 516	13 500	185 220	160 745
Milena Olszewska-Miszuris (until 20.05.2020)	0	0	19 258	26 000	0	0
Wiktor Schmidt	0	0	34 483	27 000	0	0
Marcin Biłos (since 20.05.2020)	0	0	19 548	0	0	0
Kinga Stanisławska (since 20.05.2020)	0	0	19 548	0	0	0
Related persons (Ten Square Games S.A.)	84 057	0	0	0	8 318 979	0
Maciej Popowicz (until 20.05.2020)	58 790	0	0	0	8 318 979	0
Marcin Chruszczyński (since 1.06.2020)	25 267	0	0	0	0	0
Key personnel (Ten Square Games S.A.)	0	0	0	0	n/d	n/d
Family members of key personnel/Management Board (Ten Square Games S.A.)	217 956	188 842	0	0	n/d	n/d

Transactions between related parties were carried out on terms and conditions equivalent to those in force in transactions concluded on market terms.

The management did not enter into transactions with subsidiaries of Ten Square Games S.A.

2. Other related entities

Related entity	Net sales		Net purchase	
Period:	1.01.2020- 30.09.2020	1.01.2019- 30.09.2019	1.01.2020- 30.09.2020	1.01.2019- 30.09.2019
Subsidiaries:	4 690 706	4 277 969	0	0
Play Cool Zombie Sport Games Sp. z o.o.	118 871	344 670	0	0
Tiny Dragon Adventure Games Sp. z o.o.	3 431 649	2 802 897	0	0
Fat Lion Games Sp. z o.o.	1 140 186	1 130 402	0	0
Personally related entities:	0	0	74 334	84 583
Olesiński i Wspólnicy Spółka komandytowa	0	0	74 334	84 583

Related entity	Gross receivables		Gross payables	
As of:	30.09.2020	30.09.2019	30.09.2020	30.09.2019
Subsidiaries:	2 243 193	3 949 773	0	0
Play Cool Zombie Sport Games Sp. z o.o.	10 958	129 458	0	0
Tiny Dragon Adventure Games Sp. z o.o.	1 542 412	2 646 433	0	0
Fat Lion Games Sp. z o.o.	689 823	1 173 882	0	0
Personally related entities:	0	0	33 067	5 704
Olesiński i Wspólnicy Spółka komandytowa	0	0	33 067	5 704

The Parent Company sells self-produced games to its subsidiaries and receives remuneration for them in return.

The Parent Company uses the legal/tax services offered by Olesiński i Wspólnicy Sp.k. as part of its needs, each time based on the valuation of works for a given project.

Transactions between related parties were carried out on terms and conditions equivalent to those in force in transactions concluded on market terms.

12. CURRENT TAX

Income tax disclosed in the statement of comprehensive income	01.01.2020 - 30.09.2020	01.01.2019 - 30.09.2019
Current income tax	13 946 390	9 046 461
Relating to the financial year	13 946 390	9 046 461
Deferred income tax	173 785	329 373
Related to the creation and reversal of temporary differences	173 785	329 373
Tax payable disclosed in the standalone profit and loss account	14 120 175	9 375 834

Reconciliation of gross profit to the taxation base is as follows:

Name	01.01.2020 - 30.09.2020	01.01.2019 - 30.09.2019
Gross financial result (profit, loss)	133 854 576	50 934 822
Foreign exchange differences – balance sheet differences, differences not constituting the tax base, not constituting the tax deductible costs	-865 130	-182 977
Write-off of receivables which do not constitute tax deductible costs	3 407	0
Release and establishment of the provision for holiday pay	243 358	0
Establishment of provision for other costs	0	0
ZUS – costs excluded	-7 200	0
Donations (then deducted from income)	834 500	0
Other costs not constituting tax deductible costs	384 526	0
Depreciation of leasing	1 065 305	193 089
Amortisation of intangible assets	733 618	540 987
Capitalisation of games costs	-1 570 385	-4 077 629
Share-based payments	14 767 344	940 483
Income (and related expense) deferred in time – finally, as per account balance	821 470	313 696
Other tax-deductible costs not constituting balance sheet costs	-871 250	0
Taxable income	149 394 139	48 662 471
<i>including income taxed at 5% (IP Box)</i>	<i>98 762 169</i>	<i>0</i>
<i>including income taxed at 19% rate</i>	<i>50 631 971</i>	<i>48 662 471</i>

Since 2019 the parent company has been using the so-called IP Box relief. This relief consists in taxation of income obtained from qualified property rights at the rate of 5% instead of the standard 19%. The IP Box relief was introduced from 2019 onwards and the practice began to take shape in the second half of 2019. As a result, the Group's financial statements for the nine months of 2019 did not include the calculation of taxable income including this relief - it was only in the 2019 annual report that IP Box relief was applied.

Corporate income tax regulations are subject to frequent changes, as a result of which there is often no reference to established regulations or legal precedents. The applicable regulations also contain ambiguities that cause differences in opinions on the legal interpretation of tax regulations both between state bodies and between state bodies and companies. Tax and other settlements (e.g. customs or foreign exchange settlements) may be subject to control by authorities that are entitled to impose high penalties, and additional amounts of liabilities established as a result of the control must be paid together with high interest. These phenomena cause that the tax risk in Poland is higher than that usually existing in countries with a developed tax system. Tax settlements may be audited for five years. As a result, the amounts shown in the financial statements may change at a later date after they have been finally determined by the tax authorities.

13. DEFERRED TAX

Structure of a deferred income tax asset

Specification	as at 30/09/2020	as at 31/12/2019
income and cost deferred in time - settlement of pearls in time (net)	330 524	266 467
annul leave accrual	94 508	48 270
leasing – IFRS 16 valuation	88 396	8 125
accounts receivable and payable valuation	0	56 727
Total	513 428	379 589

Structure of deferred income tax provision

Specification	as at 30/09/2020	as at 31/12/2019
amortisation of games	655 341	537 405
receivables and payables valuation	189 687	0
Total	845 028	537 405

14. PROVISIONS

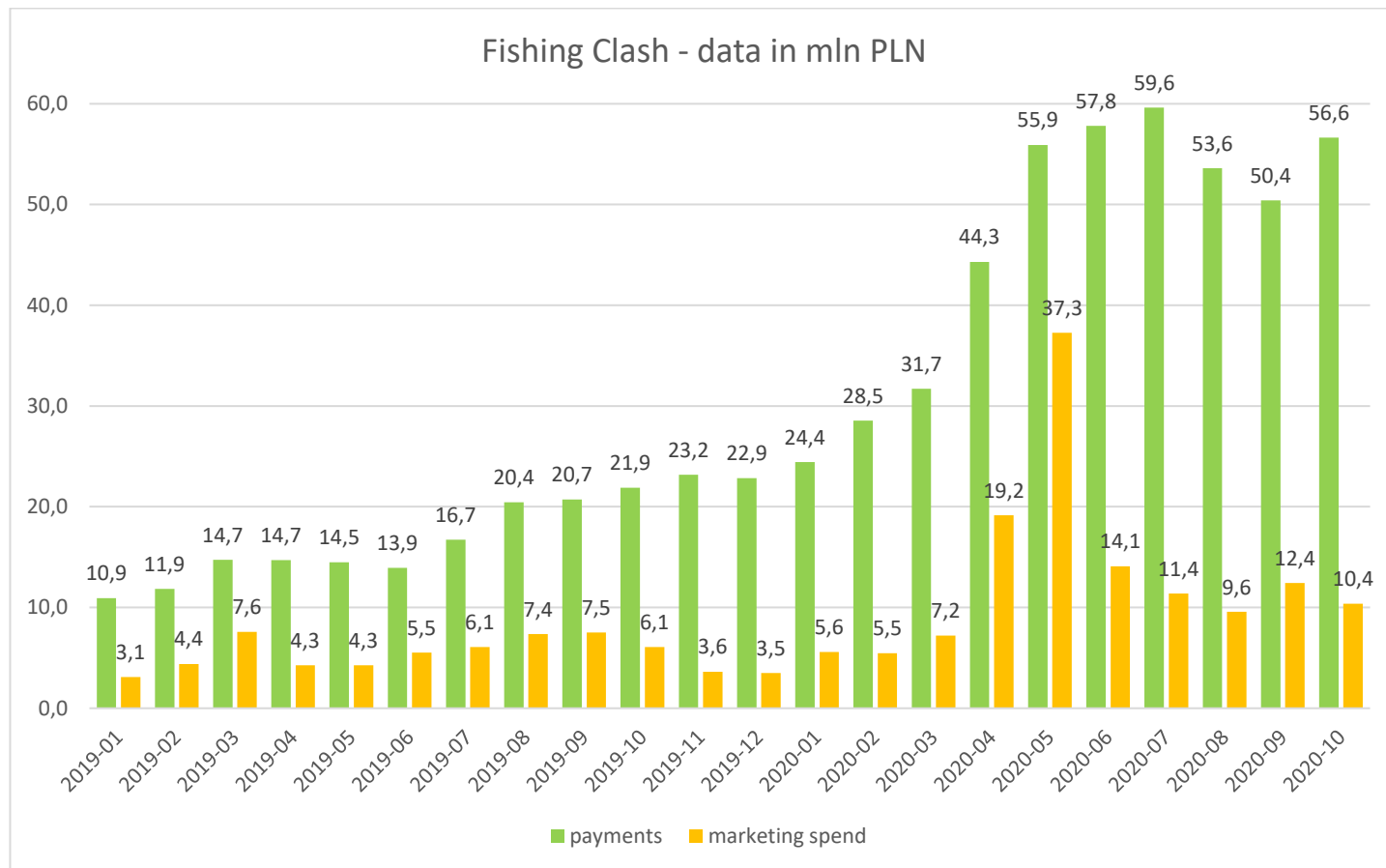
Specification	As at 01/01/2020	Changes during the year		As at 30/09/2020
		Assumption	Use	
Annual leave accrual	254 054	497 411	254 054	497 411

OTHER ADDITIONAL INFORMATION

1. A BRIEF DESCRIPTION OF THE ISSUER'S SIGNIFICANT ACHIEVEMENTS OR FAILURES IN THE PERIOD COVERED BY THE REPORT, TOGETHER WITH A LIST OF THE MOST IMPORTANT EVENTS CONCERNING THE ISSUER

The third quarter of 2020 is another period of revenue growth for Fishing Clash game due to further product development and the increase in marketing budgets in the previous quarter, resulting in the acquisition of a significant group of new players. The third quarter of 2020 was the best quarter so far, with revenue from the game at the level of PLN 164.3 million compared to PLN 158.0 million in the second quarter of 2020 and PLN 84.7 million in the first. The project team continues to focus on product development.

The marketing team focused on optimizing marketing expenses devoted to the promotion of Fishing Clash. The game is supported by significant marketing budgets - for 3 quarters of 2020 the costs amounted to PLN 122.2 million compared to PLN 50.0 million in the same period last year. On a quarterly basis, Q2 2020 saw a sharp increase in marketing expenses compared to the previous quarter (PLN 70.5m vs. PLN 18.3m). This was due to a temporarily very favorable situation in the advertising market (a drop in demand on the part of advertisers resulting in the possibility of cheaper acquisition of players), caused by sharply reduced marketing budgets of many industries, such as retail or tourism, due to the pandemic. The group decided to take advantage of the market situation in order to rapidly increase the user base in the game, acquiring them at lower than usual unit prices. As in Q3 2020 the prices for acquiring players increased significantly compared to the previous quarter, the Group significantly reduced marketing expenses for Fishing Clash to PLN 33.4 million.



In 2020 two new games for women (SoliTales and Flip This House) and one in hunting genre (Hunting Clash) were in development. These three titles were made available in the third quarter through open testing in most countries of the world, including the USA. The best results in terms of user engagement and revenue generation are shown by Hunting Clash, which generated a revenue of PLN 3.4 million in Q3 2020, so it was decided to further develop the game intensively in the long run and invest in user acquisition. In turn, the results of Flip This House and Soli Tales turned out to be weaker than expected, and the market environment has become very competitive in recent months. Therefore, it was decided to stop developing them - both games will be maintained in the near future, with a low cost of personnel. This means that work on the new content has been suspended and the teams creating these games have been moved to new, more promising projects. The games continue to be available to players at Google and Apple stores and can generate revenue.

2. QUALITY PARAMETERS OF GAMES

okres	1Q 2019	2Q 2019	3Q 2019	4Q 2019	1Q 2020	2Q 2020	3Q 2020
Fishing Clash – MAU* (period average)	1 991 253	1 435 734	1 984 688	1 854 046	2 894 045	6 914 935	4 165 725
Let's Fish - MAU (period average)	499 767	459 712	432 407	384 618	377 988	429 901	320 282
Wild Hunt - MAU (period average)	843 800	668 371	652 730	802 574	1 293 296	1 203 428	777 609

*MAU – monthly average active users

Marketing expenses, which in the second quarter of 2020 were the highest in history, and the so-called featurings of distribution platforms have a very significant impact on the MAU level in the case of Fishing Clash. MAU of Fishing Clash in the second quarter of 2020 has more than doubled compared to the first quarter. During the global lockdown period, when a large part of the world's population did not leave home, the so-called organic user influx also increased significantly. In the third quarter of 2020, MAU Fishing Clash, as expected, fell significantly, mainly due to a significant reduction in marketing expenses (PLN 33.4 million compared to PLN 70.5 million in the previous quarter), which did not prevent the game from generating revenues higher by 4%.

3. INDICATION OF FACTORS AND EVENTS, INCLUDING THOSE OF AN UNTYPICAL NATURE, HAVING A SIGNIFICANT IMPACT ON THE CONDENSED FINANCIAL STATEMENTS

In the period from 1 January to 30 September 2020, there were no unusual events which would have a significant impact on the condensed interim consolidated financial statement, except for the event described below.

In the reporting period the Group recognized a part of the cost of the dedicated incentive program for the new President of the Management Board Mr. Maciej Zużalek. The incentive program in question includes the transfer at a nominal price equal to PLN 0.1 per share of 144,825 shares by the Company's existing shareholders. In accordance with IFRS 2 "Share-based Payment", each transfer of an entity's equity instruments made by its shareholders to counterparties providing goods or services is a share-based payment and is subject to measurement in accordance with the indicated standard. The market value of the program was PLN 72.4 million and the cost (not related to cash outflow) will be borne by the Group on a pro rata basis for 36 months from 20 May 2020. The cost incurred during the 9-month period ended 30 September 2020 was PLN 12.1 million.

The Management Board, monitoring TSG's situation and actively managing the Group, does not perceive this non-cash cost as having a significant impact on its operating activities, therefore it analyses the financial results and plans operational and strategic activities without taking it into account.

4. SIGNIFICANT EVENTS OCCURRING AFTER THE END OF THE INTERIM PERIOD, WHICH WERE NOT REFLECTED IN THE FINANCIAL STATEMENTS FOR THE GIVEN INTERIM PERIOD

After the reporting period, but prior to the publication of this report, the decision to further develop the Hunting Clash game and invest financial resources in acquiring users and to stop developing the Solitales and Flip This House titles has been made - both games will be maintained in the near future, at a low personal cost.

5. INDICATION OF FACTORS WHICH, IN THE ISSUER'S OPINION, WILL AFFECT THE RESULTS ACHIEVED BY THE ISSUER IN THE PERSPECTIVE OF AT LEAST THE NEXT QUARTER

In the perspective of the next quarters the Group intends to continue to develop its activities in the existing areas.

The results in the following quarters will be influenced by further development of Fishing Clash and the situation on the advertising market. Improvement of results both in the product and marketing area may significantly affect the results of the next quarter. In order to use this potential, the Group conducts continuously optimized live-ops activities, continues to develop product functionality and conducts marketing activities.

The Group also awaits the certification of the Fishing Clash game on the Chinese market. The decision to obtain the license is completely independent of the Group.

Factors that may influence the Group's performance in the future include directional decisions on products currently undergoing global testing. In 2020 two new games for women (SoliTales and Flip This House) and one in the hunting genre (Hunting Clash) were being developed. These three titles were released in the third quarter as part of open testing in most countries of the world, including the USA. The best results in terms of user engagement and revenue generation are shown by Hunting Clash, which generated a revenue of PLN 3.4 million in Q3 2020.

The current axis of the Group's development is organic growth understood as production and distribution of own F2P games. However, the Group is working on other possible development strategies, i.e. it does not exclude acquisitions, investments or publishing agreements concluded with other entities producing games in a similar gaming model.

External factors that may affect the Group's performance include the duration of the COVID-19 pandemic and its impact on the economy, the exchange rate of the U.S. dollar, the emergence of products competing with the Group's games, advertising market parameters such as the prices and supply of advertising displayed in the Group's games and the prices of ads purchased by the Group, and changes in the policy of key distribution platforms Google Play, Facebook and Apple affecting the scope and possibility of distribution of the Group's products.

6. OTHER INFORMATION IMPORTANT FOR THE ASSESSMENT OF THE HUMAN RESOURCES, PROPERTY, FINANCIAL SITUATION, FINANCIAL RESULT AND THEIR CHANGES AND INFORMATION IMPORTANT FOR THE ASSESSMENT OF THE ISSUER'S ABILITY TO MEET ITS OBLIGATIONS

In the Ten Square Games S.A. Capital Group as at 30.09.2020 there is no other significant information of the above nature.

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

The Management Board of Ten Square Games S.A. did not publish financial forecasts for 2020.

8. SEASONAL OR CYCLICAL NATURE OF OPERATIONS

There is no seasonality in the Group's operations.

9. INDICATION OF SIGNIFICANT PROCEEDINGS PENDING BEFORE A COURT, ARBITRATION BODY OR PUBLIC ADMINISTRATION AUTHORITY, CONCERNING LIABILITIES AND RECEIVABLES OF THE ISSUER OR ITS SUBSIDIARY

Neither Ten Square Games S.A. nor any of its subsidiaries were, as at September 30, 2020, or as at the date of issuance of the financial statements, a party to any court or arbitration proceedings or before any public authority.

10. CREDITS, LOANS, GUARANTEES

Ten Square Games S.A. is a party to three loan agreements (lender) for the total amount of PLN 885 thousand. The loans were granted on market terms to entities unrelated to the Company.

Except for the above mentioned loans, neither Ten Square Games S.A. nor any of its subsidiaries were parties to any loan or borrowing agreements as at September 30, 2020 and as at the date of issuing the financial statements. The Issuer and its subsidiaries also did not provide any sureties during the period covered by the report.

APPROVAL OF THE FINANCIAL STATEMENTS

This report for the period from January 1 to September 30, 2020 was signed and approved for publication by the Management Board of Ten Square Games S.A. on November 23, 2020.

		date	signature
President of the Management Board	Maciej Zużalek	23.11.2020	
Vice-President of the Management Board	Arkadiusz Pernal	23.11.2020	
Member of the Management Board	Marcin Chruszczyński	23.11.2020	