



CI GAMES CAPITAL GROUP

**Consolidated Management Report on the activity
of CI Games Capital Group for 2021**

Warsaw, April 7, 2022

HIGHLIGHTS OF THE YEAR

Revenue

PLN 105.5m +129%

2021	PLN 105.5m
2020	PLN 46m
2019	PLN 47.5m

Operating Profit

PLN 40.3m +361%

2021	PLN 40.3m
2020	PLN 8.7m
2019	PLN 1m

Operating Profit Margin

38.2% +19.2%

2021	38.2%
2020	19%
2019	2.2%

Net Result

PLN 38.3m +440%

2021	PLN 38.3m
2020	PLN 7.1m
2019	PLN (2.9)m

EBITDA

PLN 60.4m +117%

2021	PLN 60.4m
2020	PLN 27.8m
2019	PLN 20.5m

Earnings Per Share

0.20 +400%

2021	0.20
2020	0.04
2019	-0.02

Cash & Cash Equivalents

PLN 37.8m +361%

2021	PLN 37.8m
2020	PLN 8.2m
2019	PLN 6.7m

NON-FINANCIAL HIGHLIGHTS

- Released three commercially successful, key titles: **Sniper Ghost Warrior Contracts 2**, **Eldest Souls** and **Tails of Iron**
- CI Games** is currently pursuing a UK listing on **LSE** with assistance from **Berenberg**, to further grow the value of the company and open investment opportunities to a larger international investment pool.
- Early 2021, appointed new **UK-based publishing arm**, with senior marketing and commercial executives and the majority of their teams based in the UK.
- Streamlined product development cycle** thanks to full execution of new company strategy; employed more senior developers; increased globalisation of management, teams, and partners.
- Agile operations across key, global geographic locations, alongside an almost **fully remote working model** became a competitive advantage in 2021, **widening talent pool**, and helping build strong multicultural teams.
- United Label** continued its strong start, with another two successful launches in 2021 (**Eldest Souls** and **Tails of Iron**), resulting in three profitable titles.

Total Headcount 2021

157 +57%

2020	100	2019	62
124 Developers		33 Admin, Sales &	
90 Internationally-Based		67 Poland-Based	

Key regions include UK, US, Poland, Spain & France.

Growth Based on Four Pillars

Established ongoing business model based on four pillars (**Lords of The Fallen**, **Sniper Ghost Warrior**, **Project: Survive** and **United Label**). Three of the four pillars (LotF, SGW, P:S) are internal IPs currently in development with two internal studios, **Underdog Studio** and **Hexworks**, and one internally-led external studio, **BatFields**.

State of the Art Technology

Unreal Engine 5 will be the primary engine for all key IPs currently in development. In addition to its leading technology, this will **improve synergy** between internal teams as they share best practices.

LETTER FROM THE CEO



Overview

CI Games (WSX: CIG) is an independent global video games developer and publisher of premium video games content, with studios in Warsaw, Barcelona, Bucharest, the United States and the United Kingdom.

This was a record year for CI Games and the third consecutive year where we have consistently grown our net revenues and net profits, whilst maintaining attractive EBITDA margins of 57% in 2021. It was also a year of considerable operational achievement, with CI Games continuing to deliver against our four-pillar growth strategy, including the launch of the Sniper Ghost Warrior Contracts 2 franchise. We remain confident that executing our diversified portfolio strategy will drive CI Games' future success, both in terms of our financial performance and our exciting upcoming releases.

Results

CI Games Group delivered net revenue growth of 129% to PLN 105.5m (2020: PLN 46.0m), with EBITDA of PLN 60.4m (2020: PLN 27.8m) and net profit of PLN 38.3m (2020: PLN 7.1m) in 2021. At the year end, the Group had net cash of PLN 37.8m (2020: PLN 28.2m) and no debt (except for office leases). The major contributor to our strong 2021 results was the launch of Sniper Ghost Warrior Contracts 2 in June 2021, which contributed approximately 61% of the Group's 2021 net revenue. In addition to this, two new titles were launched from United Label (the indie publishing label in which CI Games is the majority shareholder), Eldest Souls and Tails of Iron, which contributed 11% of 2021 group net revenue. The back catalogue accounted for the remaining 28% of net revenue.

Digital sales accounted for approximately 69% of 2021 group net revenue and physical sales represented approximately 31%, and our outlook is that the digital sales will continue to grow as a proportion of group net revenue over the coming years.

A RECORD YEAR FOR CI GAMES' AND A STRONG FOUNDATION FOR FUTURE GROWTH

Strategy

2021 further demonstrated the success of our four-pillar strategy, which is focused on building a sustainable and growing business, which seeks to diversify, and enhance the quality of our IP and to develop that IP efficiently through an optimal combination of best in class talent, both internally and at third party developers. We expect diversifying our portfolio of premium content, through each of the below four pillars, to drive growth and recurring revenues from our pipeline of new and existing content over the medium to long term, is the right strategy.

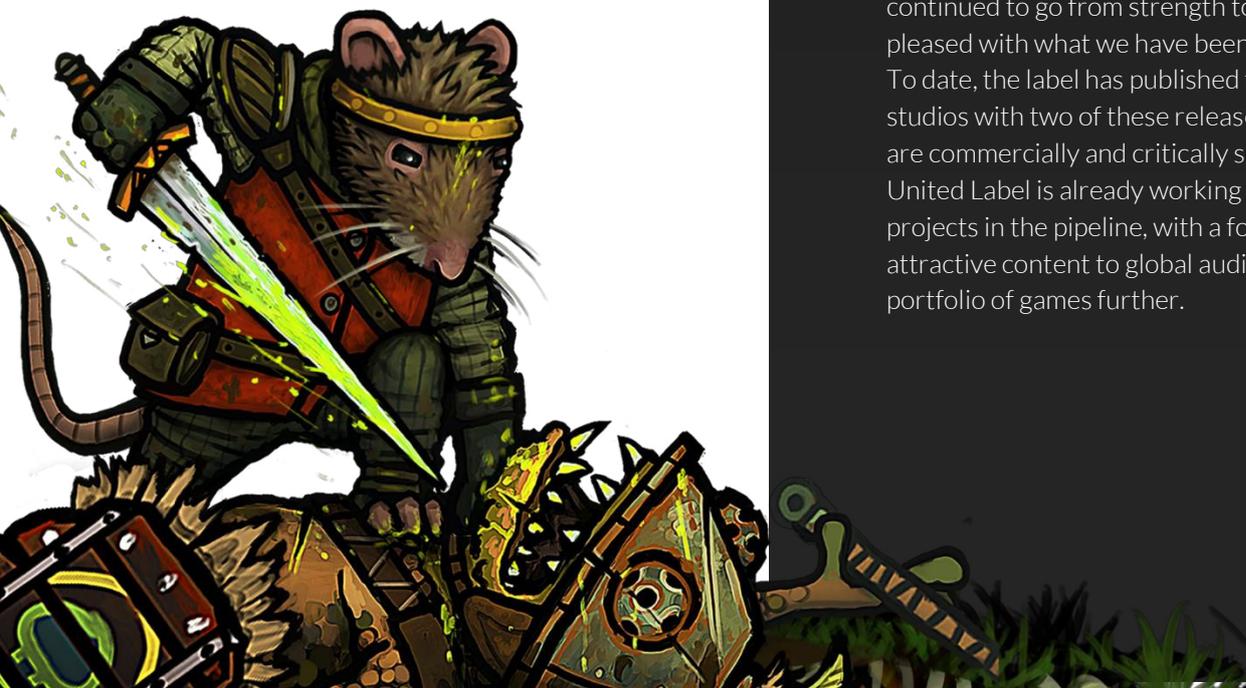
We currently have three major products in development and we fully own the IP behind each project. These projects have been developed simultaneously by our internal studios and external partners mostly across Europe.

Our four-pillar strategy:

1. **Lords of the Fallen:** The sequel to this franchise has been developed by our internal studio Hexworks since 2019. The project has been led out of Barcelona, Spain, with additional development talent based in Romania, the United Kingdom and France. Our studio of 60+ internal development team members have worked closely with other third party developers across various disciplines in the development of the game, which is now at an advanced stage of production. We plan to start the global marketing campaign of the game during the third Quarter of 2022. Lords of the Fallen 2 is planned to be released in 2023 as a full-price game for the new generation of consoles and PC.



2. **Sniper Ghost Warrior:** The next game within our Sniper Ghost Warrior franchise has been developed by our development team in our Underdog Studio, which previously developed Sniper Ghost Warrior Contracts and Sniper Ghost Warrior Contracts 2. The studio now has approximately 50 team members and is run by an international team of directors, with around half of its key talent located in Poland. The studio has been utilising third party outsourcers which have been essential in producing both Sniper Ghost Warrior Contracts and Sniper Ghost Warrior Contracts 2. The project is in full production.
3. **Project Survive:** Is being developed with Batfields Studio, out of Czech Republic, as an external developer, is the Group's latest project and will be a new piece of fully owned intellectual property for CI Games. Currently, the team developing that game accounts for around 25 talented developers and this is planned to be further expanded in the future. We are encouraged by the prospects of the survival genre, which is a great one to add to our future portfolio both from a commercial aspect and because it builds on our experience and track record in First Person Shooters (FPS) and Role Playing Game (RPG) genres.
4. **United Label:** Our partnership with United Label has continued to go from strength to strength and I am pleased with what we have been able to achieve so far. To date, the label has published three games from indie studios with two of these released in 2021, all of which are commercially and critically successful. The team at United Label is already working on further exciting projects in the pipeline, with a focus on bringing attractive content to global audiences and expanding our portfolio of games further.



People

Our strong international executive team continued to successfully operate the organisation from multiple geographic locations both remotely and office based, providing our team with the flexibility to work across regions. In 2021, approximately 40% of our team was based in Poland and the remaining 60% based across other European countries such as Spain and the UK, in addition to a smaller group based in the United States.

In 2021, we established our new hub in the United Kingdom that now leads our new marketing, sales and business development operations and appointed some high quality and experienced talent to the team. At the end of the year, the UK team numbered eight members, giving us a team of highly-skilled professionals with successful track records within video games to lead our global efforts.

Since the year end, on 2nd March 2022, David Broderick was appointed to the management board as Chief Financial Officer for the group. David previously served as the group Chief Financial Officer at AIM Listed Keywords Studios for over three years and worked for over eight years at Europe's largest low-cost airline, Ryanair Holdings plc, as Director of Investor Relations.

I look forward to reporting on our further growth and successes in the coming year.

Review of Strategic Options

Having initiated a review of the strategic options for group in order to drive further growth and maximise shareholder value, the Board of CI Games has taken the decision to appoint Joh. Berenberg, Gossler & Co. KG, London Branch to explore a potential dual listing of the company's shares on the London Stock Exchange'. I look forward to providing further updates as appropriate.

Outlook

The long-term demand for video games is underpinned by strong technology trends and an expanded player base. New opportunities are arising from the continual shift to digital distribution, the launch of next generation consoles and growth of games as a service.

We expect the current financial year to be a period of consolidating upon our recent progress and continued investment, as we focus on the evolution of the business. 2022 is expected to be a quieter year in terms major new gaming title releases, however we remain focused on delivering sustainable growth from our strongest portfolio of games and content to date in 2023 and beyond.

The sequel to Lords of the Fallen is CI Games' largest ever project and one that seeks to capitalise on the continuing growth in popularity of the genre around the world. We also have big aspirations that the next Sniper Ghost Warrior title will bring the franchise to a bigger audience than ever before. Project Survive is also a great opportunity for CI Games to enter a very attractive genre, leveraging our existing development expertise.

Going forward, CI Games is focused on launching new major titles every 12-18 months, to further diversify its gaming title portfolio as well as broadening its revenue streams. This will also further support a more consistent earnings profile for the group from new gaming releases coming to market on a more frequent basis, whilst still maintaining CI Games' strong back catalogue sales.

I am extremely excited about the prospects for the Group and its plans for the future. I want to thank all our employees, partners and suppliers for their hard work and commitment, especially during the COVID-19 pandemic. With a strong team, pipeline of IP and financial position, CI Games is well placed to deliver on its market opportunity and I look forward to reporting our further successes in 2022 and beyond.

Marek Tymiński

CEO, President of the Board

7 April 2022

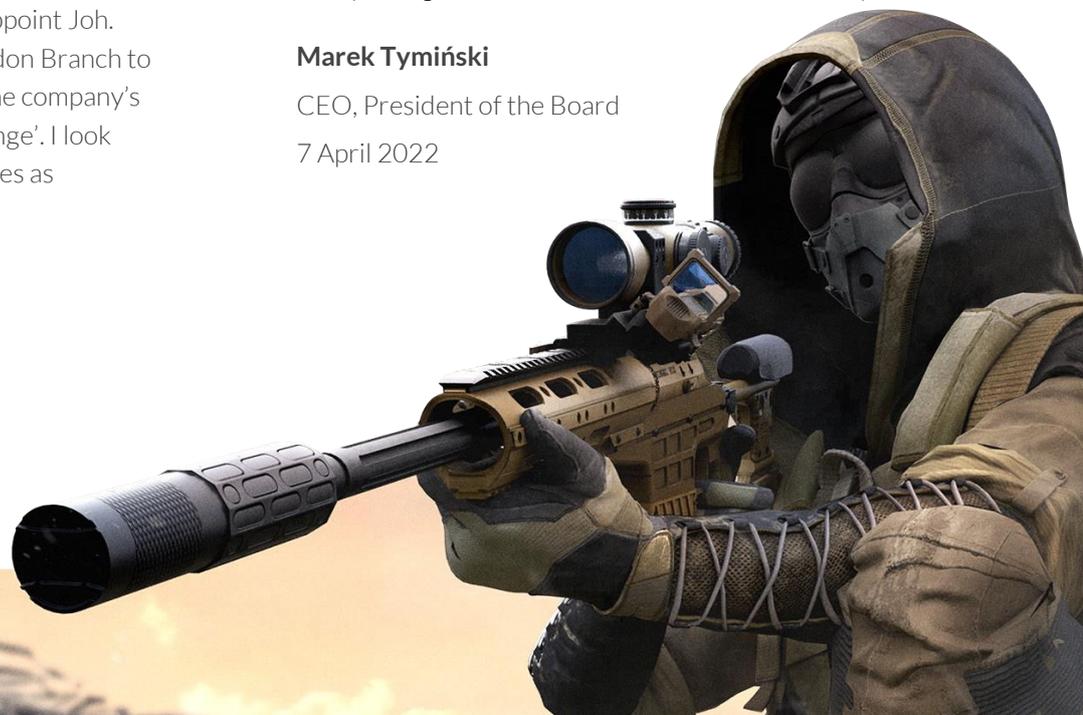


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I. THE PROFILE OF CI GAMES GROUP

1. General information: name, headquarters and principal activity of CI Games

- CI Games S.A. ("the Issuer", "the Dominant Entity", „the Company") was registered on June 1st, 2007 as City Interactive S.A. On August 7, 2013, at the District Court for the Capital City of Warsaw in Warsaw, 13th Commercial Division of the National Court Register which recorded the change of Company's name from the previous name to CI Games S.A. The registered office of the Company is located in Warsaw at Rondo Daszyńskiego 2B.
- The Company is entered in the Register of Entrepreneurs under the number KRS 0000282076 at the District Court for the Capital City of Warsaw in Warsaw, 12th Commercial Division. The entry was made by the District Court for the Capital City of Warsaw in Warsaw, 13th Commercial Division of the National Court Register. The court of registration of the Company is currently the District Court for the Capital City of Warsaw in Warsaw, 12th Commercial Division of the National Court Register.
- The core business activity of the Company consists of production, publishing and distribution of video games
- Tax identification number (NIP): 1181585759.
- Statistical identification number (REGON): 017186320.
- The Company has been established for an unlimited period of time.

2. CI GAMES Strategy

Our mission is to continually develop both new and existing brands, renowned and enjoyed at a global scale. With the regular releases of genre-leading titles, celebrated for quality, creativity, and innovation, we strive to ensure financial performance proceeds to grow at an exponential rate.

CI Games is a globally-renowned video games company, celebrated for its best-in-class, action-driven titles, including the *Sniper Ghost Warrior* and *Lords of the Fallen* franchises. Founded in 2002, the company operates at a truly global scale, employing over 140 industry professionals from all over the world, and is listed on the main stock market of the Warsaw Stock Exchange.

A SOLID FOUNDATION, AN EVEN STRONGER FUTURE

The *Sniper Ghost Warrior* franchise has sold over 13 million copies worldwide, while *Lords of the Fallen* recently surpassed the 3 million mark.

CI Games is an independent, global Video Games Developer and Publisher, with studios in Warsaw, Barcelona, Bucharest, the UK, and a publishing office in the US. Founded in 2002, we've been creating globally-recognised titles for close to twenty years, over which time, we have garnered a passionate and committed playerbase, and secured a solid reputation across the industry.

In 2018, we founded United Label, focusing on smaller but equally ambitious titles, and in 2020, we brought together a team of industry veterans to form Hexworks; a new studio specialising in action-RPGs.

EVER-GROWING BRANDS

We continue to develop our franchises by creating and delivering great games that broaden customer engagement across a growing number of genres.

Well recognised for two major franchises – Sniper Ghost Warrior and Lords of the Fallen – we continue to build on the CI brand’s solid reputation with the continual development and delivery of strong and successful games, both from new and existing IPs.

In relation to the Sniper Ghost Warrior franchise, we want to fully establish the IP within the FPS genre, increasing the title’s accessibility and appeal to a larger audience, while continuing to engage the core playerbase with best-in-class sniping mechanics.

With regard to Lords of the Fallen, this franchise has strong market recognition in the Fantasy RPG genre. With a major focus on creating an immersive world, combined with genre-leading combat, our objective is to ensure Lords of the Fallen 2 fulfils its vision as CI Games’ most ambitious soulslike project to date.

Project: Survive will be the third major ongoing IP owned by CI Games, and form the third pillar of the business. Having recognised an opportunity within the highly successful survival genre, our ambition is to capitalise on the ever-expanding audience, utilising UE5 technology in order to produce a title with genre-leading visuals, along side best-in-class systems and a commercially-sound theme.

As for United Label, the intention is to validate the publisher as a recognised and celebrated name within the Indie gaming sphere, recognized for beautifully-crafted titles of the utmost quality and attention to detail. With regular multi-platform releases, we will continuously develop the publisher’s awareness and reputation.

CONTINUAL TEAM DEVELOPMENT

By continuing to attract global industry-leading talent, our ability to deliver a range of great games goes from strength-to-strength. Maximising customer experience and servicing global trends is our key objective on an ongoing basis.

Over the next couple of years, our primary goal is to continue increasing the studio profile at a global scale. With the ongoing growth of our internal teams and the regular release of highly successful genre-specific games, we continue to grow the development team throughout the production timeline, focusing on highly experienced industry.

In addition to this, CI Games is an expert in physical and digital publishing and distribution across all major console and PC platforms, with a highly accomplished in-house marketing team that works alongside global distributors to maximise reach and awareness around all title releases.

EXPONENTIAL FINANCIAL GROWTH

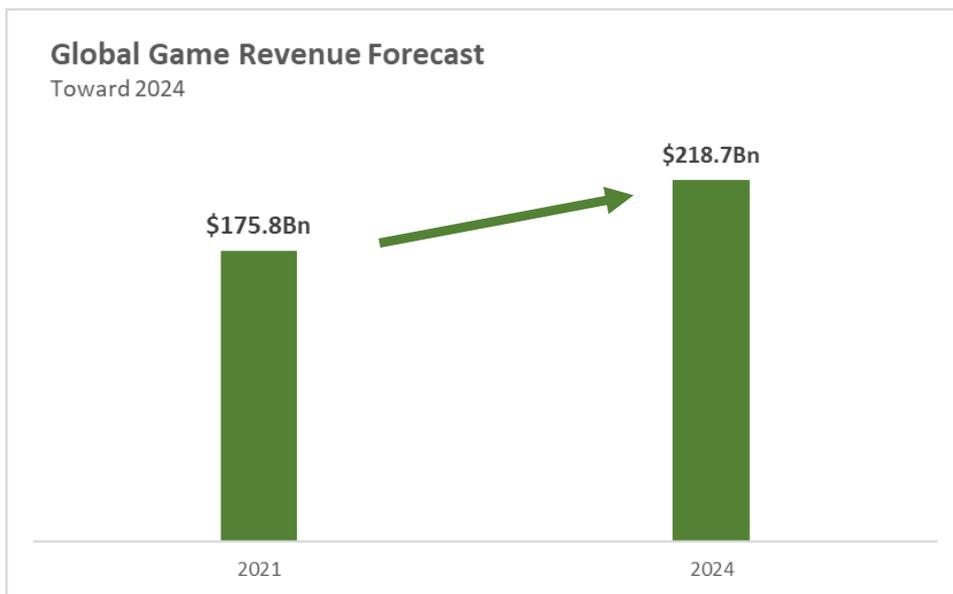
Part of our strategy is to deliver significant growth through the regular releases of successful genre-specific games to a loyal and broadening global audience in this high growth industry.

With the openings of the Hexworks studio and United Label publishing house, we were able to build on our existing, stable and highly-successful business model, to allow for the simultaneous production of multiple high-quality games spanning a variety of genres.

That said, while financial growth is of vital importance to us, it is important to note that it will not necessarily always be year on year. Instead, we would rather focus on launching games when they are ready to maximise customer satisfaction.

3. Market Overview

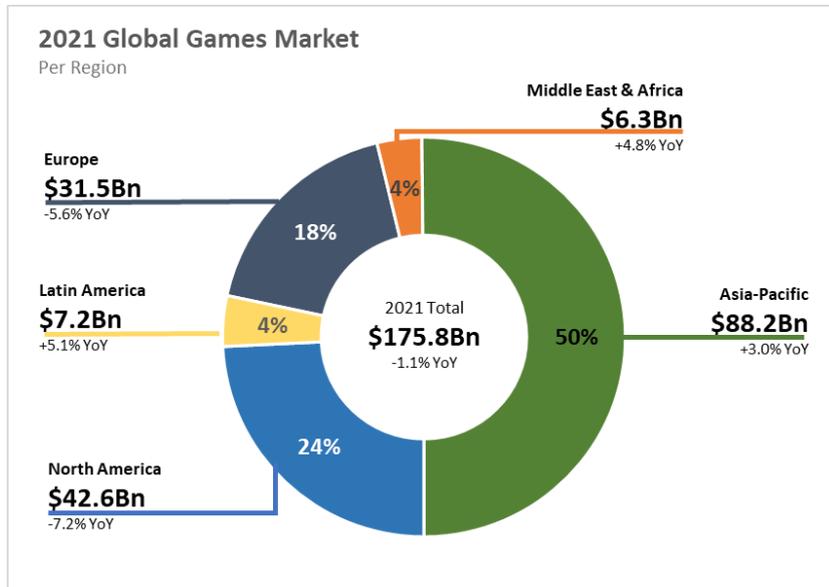
Market analyst, Newzoo¹, estimates that three billion gamers generated global revenues of c. \$176bn in 2021, a fall of 1.1% after annual growth of more than 20% in 2020, driven by lockdown demand for content. From 2021–24 more regular growth of 7.6% is expected to return, building to a total market size of over \$219bn by 2024.



Source: Newzoo

The Europe, Middle East and Africa (EMEA) and North American markets together are estimated to represent c. 46% of 2021 global revenues, with Asia-Pacific (dominated by China) representing 50% of total revenues, although we would note that the increasingly tough regulatory and political climate in China, particularly restricting children’s game time, may slow future growth. CI Games has no material exposure to China.

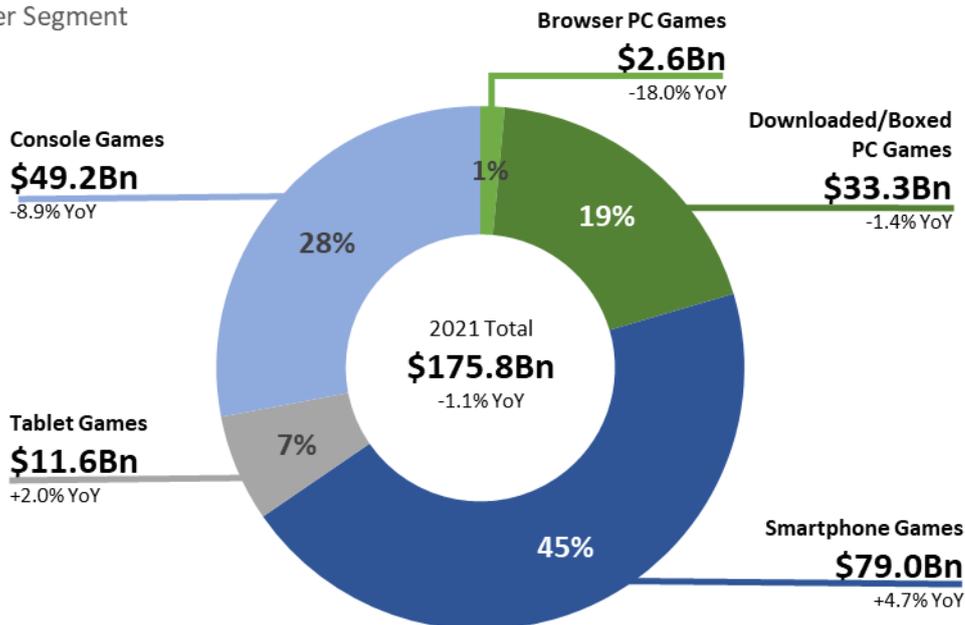
¹ Global Games Market Report, Newzoo, 2021



In 2021, 52% of global revenues were on mobile devices (smartphones and tablets), with 28% on consoles, with the remaining 20% on PC (both via download and browser-based games).

2021 Global Games Market

Per Segment



Source: Newzoo

4. Our Games



SNIPER GHOST WARRIOR CONTRACTS

CATEGORY: First-person shooter (FPS)

RELEASE: Nov 2019

PC PS4 XBOX ONE

68 74

SRP: €39.99/\$39.99



SNIPER GHOST WARRIOR CONTRACTS 2

CATEGORY: First-person shooter (FPS)

RELEASE: June 2021

PC XBOX SERIES X|S XBOX ONE
 PS5 PS4

74 85

SRP: €39.99/\$39.99



RÖKI

CATEGORY: Action-RPG RELEASE: July 2020

PC XBOX SERIES X|S XBOX ONE
 PS5 PS4 SWITCH

81 92

SRP: €21.99/\$19.99



Elden Souls

CATEGORY: Action-RPG RELEASE: July 2021

PC XBOX SERIES X|S PS5 SWITCH

78 83

SRP: €19.99/\$19.99



TAILS OF IRON

CATEGORY: Action-RPG RELEASE: Sep 2021

PC XBOX SERIES X|S XBOX ONE
 PS5 PS4 SWITCH

82 90

SRP: €24.99/\$24.99

5. Four pillars

CI Games has identified four pillars on which we plan to build a sustainable, growing business: 1) SGW franchise, 2) Lotf2, 3) Project: Survive (the new third IP), and 4) United Label, the indie publishing business.

SNIPER GHOST WARRIOR CONTRACTS 2

The latest entry to the long-running, successful Sniper Ghost Warrior series, Sniper Ghost Warrior Contracts 2 launched on PC, PS4, Xbox Series X/S and Xbox One on 04.06.2021, and later on PS5 on 24.08.2021.

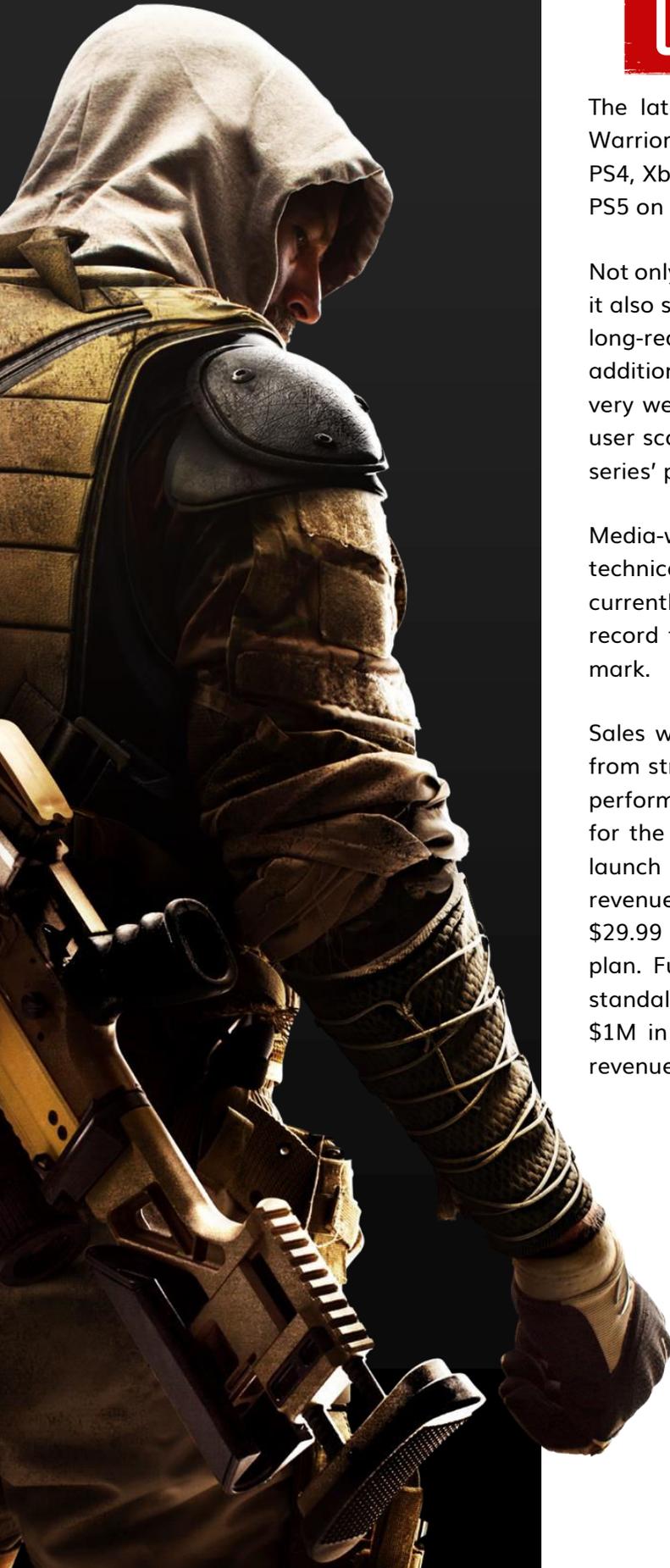
Not only the most visually impressive entry to the franchise so far, it also saw the introduction of 1000m+ extreme-range sniping - a long-requested feature from the fanbase - alongside a number of additional gameplay improvements. As a result, the game was very well received with players and media alike; with an overall user score of 84% on Steam, this is significantly higher than the series' previous record (74%, SGW Contracts, SGW 2).

Media-wise, the PS5 version of the game (this being the most technically sound version thanks to new-gen capabilities) currently has a Metacritic rating of 81. Again, this is another record for a series that has previously hovered around the 70s mark.

Sales wise, the Sniper Ghost Warrior franchise continues to go from strength to strength, with SGW Contracts 2 surpassing the performance of its predecessor with an increase of 39% in units for the same time period across digital sales (data taken from launch to end of Dec 2021), with an additional 64% in gross revenue of base game sales due to both an increase in SRP from \$29.99 (SGW Contracts) to \$39.99 as well as a more robust SKU plan. Furthermore, we have seen an additional 227% uplift in standalone DLC sales compared to SGW Contracts (an additional \$1M in comparison to \$250k), equating to \$1.25M gross DLC revenue.

We plan to further build on this strategy through the creation of new digital editions of SGW Contracts and SGW Contracts 2, in which we will bundle our base games and DLC to provide us with further premium editions so that we may upsell consumers at the point of purchase.

The strong sales and critical reception to SGW Contracts 2 has helped confirm that the studio is taking the series in the correct direction. The next iteration, Sniper Ghost Warrior Next (working title) is currently in development, with the intention of further widening the series' potential market size, to the ongoing long-term benefit of the IP.



LORDS OF THE FALLEN 2

The long awaited sequel to 2014's Lords of the Fallen, Lords of the Fallen 2 is planned to release on PC, PS5 and Xbox Series X/S in 2023 as a full price game. With the original entry garnering a player base of over 10 million players, it is vitally important that we re-engage this audience with the upcoming entry, while also capitalising on the significant expansion of the action-RPG genre since the original's release.

LotF 2 will encompass a range of significant upgrades, including a new dark-fantasy aesthetic in keeping with the prevailing action-RPG tone, alongside a fully revised, more challenging combat system.

Marketing is currently undertaking audience research to better understand the IPs market perception and penetration, in order to help inform the new entry's brand positioning. The global marketing campaign is currently planned to commence in the third quarter of 2022.



SURVIVE

Project: Survive will be the third major ongoing IP for CI Games, and form one of the four pillars of the business. Having recognised an opportunity within the highly successful survival genre, our ambition is to capitalise on the ever-expanding audience, utilising UE5 technology in order to produce a title with genre-leading visuals, alongside best-in-class systems and a commercially-sound theme.



**united
label**



United Label saw two major launches in 2021, both of which released to strong critical acclaim, further reinforcing the company's reputation for publishing exceptionally high-quality video games, albeit at a smaller development scale.

The pixel art, boss-rush action-RPG, *Eldest Souls* launched digitally on PC, PS5, PS4, Xbox Series X/S, Xbox One and Nintendo Switch on 29.07.2021. In an increasingly competitive genre, the title released to strong critical acclaim with both players and media; it currently has an overall user score of 83% on Steam, and a Metacritic rating of 80 for the Xbox Series X version of the game. This in turn helped the title achieve 70k unit sales, 55% of which were on Steam, and generate \$777k revenue from launch to the end of December 2021.



Tails of Iron, an adventure-RPG with a focus on challenging combat, launched digitally on PC, and both digitally and physically (in select regions) on PS5, PS4, Xbox Series X/S, Xbox One and Nintendo Switch on 17th September 2021. Released to high critical acclaim, the title currently has a 91% user review score on Steam, and a rating of 84 for the Xbox Series X version on Metacritic. Benefiting from a sustained, high-impact marketing campaign, with key announcements at both E3 and Gamescom, the title went on to perform well commercially; it sold 108k units in the first 16 weeks from launch to the end of Dec 2021, generating \$1.82 million revenue. The Odd Bug Studio development team is currently working on the next ambitious project that will be published by United Label.

Following its original release on PC and Nintendo Switch in 2020, a strong critical reception and continued public demand saw Röki ported to new-gen consoles - PS5 and Xbox Series X/S - on 28th October 2021 to help drive incremental revenue throughout its life cycle. Additionally, we collaborated with Super Rare Games to release a physical copy of Röki

2021 also saw United Label sign the new IP, Beyond Galaxy Land - a pixel art action-adventure game being developed by Sam Enright. It is scheduled to release on all major platforms in 2024.



6. Information on seasonal or cyclical nature of business activity of the Issuer in the presented period

Due to diversified sources of revenues and the specific nature of the market of video games, CI Games Capital Group is characterized by variability of revenues from sales in the trading year, determined mainly by introduction of new products on the market.

A game production cycle at the Company is usually 12 to 36 months long. In the case of simultaneous production of two games, the premieres of these games feature significant asymmetric cyclicity. Thus the publishing cycle of the Company, in which new game premiere dates are determined, is characterized by irregularity. The Issuer establishes the dates of premiere sales of the games to select the most favorable competitive environment, including in the context of known publishing plans of competitive entities, to achieve the maximum financial benefits associated with the game release.

As a result, it is a typical phenomenon in the entire sector of video games that producers record significantly higher revenues in the period directly following the date of premiere of a new game, and a rather natural decrease in revenues in the following months. It is obviously an effect of high seasonality and cyclicity of activity, experienced by the video game sector around the world

7. Products, services, sales markets, suppliers and purchasers

CI Games Group produces and publishes games for the global video game market. The Group primarily handles distribution for its own titles, however, in some cases, it sells licenses for software distribution in select territories at specific time.

Products of CI Games Group are available in all countries through digital distribution platforms. The share of domestic sales increases in the years of a game release, when the largest sales is noted in the physical products category.

Structure of sales revenue in value terms:

Revenues	2021		2020	
	PLN' 000	% share	PLN' 000	% share
Sales of physical products	32,891	31%	11,617	25%
Digital sales	72,296	69%	34,365	75%
Other sales	341	-	29	-
Total	105,528	100%	46,010	100%

An increase from 25% share of physical sales in total revenues in 2020 to 31% in 2021, is attributable to the fact that the highest sales of physical products is noted a few months after the release of a game (there was no new release in 2020 except for indie in United Label).

Territorial distribution of sales revenue of CI Games Group per regions (in value terms):

Revenues	2021	2020
Global (exc. Poland)	104,041	45,800
<i>share (%)</i>	<i>99%</i>	<i>100%</i>
Poland	1,487	210
<i>share (%)</i>	<i>1%</i>	<i>0%</i>
Total	105,528	46,010

The following clients each comprised more than a 10% share in sales of the Group in year 2021:

- Valve Corporation (27% sales value) – an entity unrelated to the Group, via the Steam platform for digital sales of games;
- Sony Interactive Entertainment (18% sales value) – three legal entities from Europe, USA and Japan unrelated to the Group, via the PlayStation for digital sales of games;
- Microsoft Corporation (12% sales value) – an entity unrelated to the Group, via the Xbox platform for digital sales of games;
- U&I Entertainment (10% sales value) – an entity unrelated to the Group, one of the clients of CI Games USA. Inc.

Other business partners did not exceed the established significance level of 10%.

The CI Games Group has a dispersed base of suppliers, none of which exceeded the threshold of 10% in value of purchases in year 2021. Key suppliers of the Group include subcontractors delivering game production components, companies that render services in physical game production, suppliers of marketing services.

8. Key events in the Group in 2021 – a description of significant achievements or failures with a list of the key associated events

- The key event in 2021 was the release of *Sniper Ghost Warrior Contracts 2* on 04.06.2021 on PlayStation 4, Xbox Series X/S, Xbox One and PC. The release of this game on PS5 was on 24.08.2021. The Group expects that sales on all platforms would account for a significant part of the revenues of the Group in the following months.
- In 2021, consolidated net revenues from sale of *Sniper Ghost Warrior Contracts 2* from the release date (i.e. 04.06.2021) exceeded its production and publishing costs including capex, marketing, COGS, license fees related to the engine. Consequently, the game SGWC 2 achieved its return on investment in the second month from the release date.
- On 29.07.2021, the pixel art boss-rush title, *Eldest Souls* (a game from United Label S.A. portfolio) was released on PS5, PS4, Xbox Series X/S, Xbox One, Nintendo Switch and PC. The title was very positively received by players (as of the report publishing date user score on Steam was 83%) and media scoring 8s and 9s with many leading outlets including IGN, Screen Rant and Tom's Guide, and became an instant hit among leading global influencers.
- Action-adventure RPG, *Tails of Iron*, was released on PS5, PS4, Xbox Series X/S, Xbox One, Nintendo Switch and PC on 17.09.2021.
- CI Games Group has significantly increased its headcount in 2021. As of 31.12.2021, the Group employed 157 people, 124 of which work in game production: 62 persons work in the

production of *Lords of the Fallen 2*, 48 persons are involved in the production of *Sniper Ghost Warrior* series, and 14 persons make up the QA team.

- United Label S.A. signed a new contract with a developer Odd Bug Studio on 27.07.2021. The developer's team from Manchester is responsible for the production of the largest title from United Label's S.A. portfolio – *Tails of Iron*.
- On 17.08.2021, CI Games S.A. made a decision to initiate a review of strategic options for the Company. The purpose of the review of strategic options was to select the most favorable way of achieving the Company's long-term goal which is Company development based on the existing strategy of maximizing the value for current and future shareholders. In the course of the review of strategic options, the Company's Managing Board announced on the 02.03.2022 that it has appointed Joh. Berenberg, Gossler & Co. KG London Branch as the Company's Financial Adviser in relation to a potential dual listing on the London Stock Exchange. The Company will inform about the further course of dual listing process and the key decisions made by means of appropriate current reports, in accordance with applicable law.
- On 15.10.2021, the Company concluded an agreement with BatFields s.r.o. for development of the game in the survival genre. In accordance with the provisions of the agreement, the development of the game will be made by Batfields s.r.o. in co-operation with the Company and its internal team, that will include key employees responsible for the game, particularly creative and artistic directors, technical director and project leaders. Pursuant to the provision of the agreement the copyrights to the Game will be owned by the Company. The development of the game will be based on the engine Unreal Engine 5 and the game will be release on PC and latest console generation.

9. Description of factors of events, with particular emphasis on extraordinary events, that influenced the financial results achieved

Between January 1st and December 31th, 2021, no extraordinary events took place, which would exert impact on the financial results achieved.

In June 2021, the game *Sniper Ghost Warrior Contracts 2* was released which had a major impact on the financial results.

10. External and internal factors impacting the Group's development

The Group operates on the international market and is thus to a certain extent dependent on international economy, although the sector itself is more resilient to economic crises than other branches of economy.

The most significant external factors that exert impact on development of the Group include the regulatory factor, which is associated with the current state of legal - including tax - regulations. A substantial role is also played by virtual media in promotion of individual titles, as well as the increasing share of digital channels at the expense of the traditional distribution channels. Moreover, video game market producers are becoming increasingly competitive, which exerts direct impact on salary levels in the sector and recruitment and maintaining of highly qualified staff, contractors and subcontractors.

The Company focuses its activity on the projects, which attract potential customers at a sufficient large scale. Such projects include the *Sniper Ghost Warrior Next* series and *Lords of the Fallen 2*.

Simultaneous implementation of several projects allows for diversification of revenues, stabilization of results in between the releases of own titles, as well as effective use of own resources. In this context, it is significant to secure the financing in order to grow the business of the Parent Entity and CI Games Group.

The Group intends to stand up to new challenges leveraging its own resources and a developed network of partners. This model will allow for much greater flexibility in decision-making and implementation of new projects.

A detailed description of factors, which may influence activity of the Group, can be found in Chapter III of this report.

11. Information about noteworthy contracts for the conduction business of CI Games Capital Group

- Contracts for distribution of *Sniper Ghost Warrior Contracts* and *Sniper Ghost Warrior Contracts 2* concluded between CI Games S.A. and: Koch Media in Germany, Austria, Switzerland, Belgium, the Netherlands, Spain, Portugal, the United Kingdom and Ireland; PAN Vision AB from Sweden for Norway, Sweden, Iceland, Denmark, Finland, Lithuania, Latvia, Estonia; Maximum Games Ltd. from England for United Kingdom and Ireland; Five Star Games Pty. for Australia and New Zealand Just for Games SAS for France, H2 Interactive Co. Ltd for Japan and South Korea; Game King LLC for Middle East. These contracts were concluded in 2019 and 2020 and they are still binding.
- Publishing contracts signed with United Label S.A. with independent developers. Polygon Treehouse Ltd, Odd Bug Studio Limited, Fallen Flag Studio Ltd for worldwide distribution.
- On 15.10.2021, the Company concluded an agreement with BatFields s.r.o. for development of the game in the survival genre (described in the point 8 above).
- Contract for an office rental in Warsaw concluded on 21.12.2020 between CI Games S.A. and with Ghelamco GP 11 sp. z o.o. THE HUB S.K.A.. The rental started in June 2021 for 60 months.

II. FINANCIAL RESULTS

1. Profitability of the business

Consolidated profit and loss account

Profit and Loss Accounts	for the period from 1.01 to 31.12.2021		for the period from 1.01 to 31.12.2020	
	PLN'000	EUR'000	PLN'000	EUR'000
Net revenue from sales	105,528	23,054	46,010	10,283
Gross profit on sales	65,926	14,402	19,327	4,320
<i>Sales margin (%)</i>	<i>62.5%</i>	<i>62.5%</i>	<i>42.0%</i>	<i>42.0%</i>
Profit (loss) from operating activities	40,267	8,797	8,729	1,951
<i>Operatating margin (%)</i>	<i>38.2%</i>	<i>38.2%</i>	<i>19.0%</i>	<i>19.0%</i>
Reported EBITDA	60,446	13,205	27,829	6,220
<i>EBITDA (%)</i>	<i>57.3%</i>	<i>57.3%</i>	<i>60.5%</i>	<i>60.5%</i>
Gross profit (loss)	42,819	9,354	8,532	1,907
<i>Gross profit (%)</i>	<i>40.6%</i>	<i>40.6%</i>	<i>18.5%</i>	<i>18.5%</i>
Net profit (loss)	38,343	8,376	7,097	1,586
<i>Net margin (%)</i>	<i>36.3%</i>	<i>36.3%</i>	<i>15.4%</i>	<i>15.4%</i>
EBITDA adjustments:				
Impairment of old mobile games	2,040	446		
Adjusted EBITDA	62,486	13,651	27,829	6,220
<i>Adjusted EBITDA (%)</i>	<i>59.2%</i>	<i>59.2%</i>	<i>60.5%</i>	<i>60.5%</i>

In June 2021, the Company released *Sniper Ghost Warrior Contracts 2*, which had significant impact on the Group's financial performance. This game generated 61% of consolidated revenues, while *Sniper Ghost Warrior Contracts* (release on November 2019) continued its good sales, accounting for 16% of the 2021 sales. Newly published games from United Label portfolio *Eldest Souls* (release on 27.07.2021) and *Tails of Iron* (release on 17.09.2021) contributed 11% to annual sales.

Digital sales accounted for 69% in 2021 compared to 75% in 2020.

Production costs consisted mainly of amortization of development work on *Sniper Ghost Warrior Contracts* and *Sniper Ghost Warrior Contracts 2*, in addition to the cost of producing physical media as well as costs of production that were not included under development costs.

Increase of Sales margin from 42.0% in 2020 to 62.5% in 2021 is mainly attributable to new release wherein the first months of sales generate the highest margin as the new game is sold at the full price. Other positive factors having impact on the improvement of profitability are finished amortization of SGWC in September 2021 and the fact that unit amortization of SGWC 2 is lower compared to an unit amortization cost of SGWC.

In 2021, the Group incurred an increase in selling costs (PLN 16.3m in 2021 vs. PLN 5.8m in 2020) attributable to marketing spending on the games' releases related costs and growth in an

international marketing and sales department. G&A costs noted an increase (PLN 7.7m in 2021 and PLN 5.5m in 2020) as the result of growing headcount and the related costs.

Operating profit in 2021 totaled PLN 40.3m (38.2%) and was significantly higher than the year before (PLN 8.7m) as the result of new games' releases.

The 2021 reported EBITDA amounted to PLN 60.4m (57,3%) showing a double value increase compared to the previous year, in which there was no a game release (except for indie title in United Label). Adjusted EBITDA for a non-cash item of PLN 2.0m related to impairment of old mobile games, was PLN 62.5m (59.2%).

The Group posted a net profit of PLN 38.3m (36.3% net margin) in 2021, arising mainly from the profitability of *SGWC 2*, *Eldest Souls* and *Tails of Iron*.

2. Balance sheet structure

Consolidated balance sheet

Balance sheet	as of 31.12.2021		as of 31.12.2020	
	PLN'000	EUR'000	PLN'000	EUR'000
Non-current assets	90,767	19,735	69,137	14,982
Current assets	61,345	13,338	41,150	8,917
Total assets	152,112	33,072	110,287	23,899
Equity	135,109	29,375	96,544	20,921
Initial capital	1,829	398	1,829	396
Liabilities	17,003	3,697	13,743	2,978
Non-current liabilities	6,839	1,487	8,173	1,771
Current liabilities	10,164	2,210	5,570	1,207
Total equity and liabilities	152,112	33,072	110,287	23,899

The balance sheet of CI Games Group as of 31.12.2021 totaled PLN 152.1m and was up by 38% compared to the balance sheet total at the end of 2020. The main items behind this change were the rise in net book value of intangibles (by PLN 21.6m) and an increase of the cash balance by PLN 9.4m and receivables by PLN 9.8m.

As 31.12.2021, total liabilities & equity rose mainly as a result of an increase in own equity by PLN 38.3m following generated profit.

Assets structure

Ratio	31.12.2021	31.12.2020
Intangible assets / Assets	53,2%	53,5%
Property, plant and equipment/ Assets	1,2%	0,4%
Trade receivables / Assets	8,6%	6,2%
Inventories/ Assets	1,7%	1,4%
Cash and cash equivalents / Assets	24,9%	25,6%
Deferred income tax assets/ Assets	2,4%	2,9%
Other assets / Assets	2,7%	3,3%

As of 31.12.2021 the biggest item in terms of assets were intangibles of PLN 81.0m (53.2% of the total assets as of 31.12.2021), which rose by PLN 22.0m over the course of the year. The main items in intangibles were completed development works (PLN 13.1m) and development works in progress (PLN 62.5m), which totaled PLN 75.6m as of 31.12.2021. In 2021, expenditures on the games development amounted to PLN 41.7m as a result of expenditures on SGWC 2, SGWC 3 and LotF 2.

The growth in trade and other receivables as 31.12.2021 by PLN 6.7m (64%) compared to the balance at the end of 2020 is mainly due increase in trade receivables following growth in sales.

Cash holdings represent a significant part of the total assets (24.9%), totaling PLN 37.8m as of 31.12.2021 - the increase of this position is due to the conversion of receivables into cash.

As of 31.12.2021, total deferred tax assets increased by PLN 0.4m compared to the balance as of 31.12.2020, slightly decreasing as % of total assets (from 2.9% to 2.4%).

Structure of Equity and liabilities

Ratio	as of 31.12.2021	as of 31.12.2020
Own equity	88.8%	87.5%
Long term liabilities	4.5%	7.4%
Short term liabilities	6.7%	5.1%

CI Games Group own equity as of 31.03.2021 totaled PLN 135.1m (88.8% of the consolidated balance sheet total) and have increased significantly over the course of the year mainly thanks to retained earnings.

The Group's long-term liabilities declined from PLN 8.2m (balance as of 31.12.2020) to PLN 6.8m as 31.12.2021 mainly as a result of a change of financial leasing-related liabilities for a new office which offset the growth of income tax provision (by PLN 0.6m).

Short-term Group liabilities totaled PLN 10.2m as of 31.12.2021 registering almost a double increase as a result growth in current provisions (by PLN 3.3m).

3. Cash flow and liquidity

Consolidated cash flow

Statement of cash flow	2021		2020	
	PLN' 000	EUR' 000	PLN' 000	EUR' 000
Net cash flows from operating activities	54,045	11,807	40,609	9,076
Net cash flows from investing activities	(43,976)	(9,607)	(22,892)	(5,116)
Net cash flows from financing activities	(420)	(92)	3,847	860
Net cash flows	9,649	2,108	21,564	4,820

In 2021 operating cash flow totaled PLN 54.0m and was due mainly to the conversion of trade receivables into cash.

In 2021, net cash flow from investing activities totaled PLN (44.0)m which related almost exclusively to development expenses of *Sniper Ghost Warrior Contracts 2* (in the first half of 2021), *Sniper Ghost Warrior Next* (mainly in the second half of 2021) and *Lords of the Fallen 2* as well as investments in the games' development at a subsidiary United Label S.A.

Net cash flow from financing activities amounted to PLN (0.4)m. This item consisted mainly of payment of finance lease liability.

Liquidity ratios

Ratio	31.12.2021	31.12.2020
Current liquidity ratio (current assets/current liabilities)	6,04	7,39
Quick liquidity ratio (current assets-inventory)/current liabilities)	5,78	7,10
Acid test ratio (current assets-inventory and current receivables)/current liabilities)	4,08	5,22

As of 31.12.2021, the liquidity ratios were on the high level indicating safe liquidity position and the Group's ability to repay its current liabilities.

III. MANAGEMENT OF BUSINESS RISK OF THE GROUP

In the opinion of the Management Board of CI Games S.A., no serious circumstances exist, which would suggest inability or existence of serious threats to capability of the Company or the Group to continue or operation in the foreseeable future.

Described below are the key risk factors from the perspective of CI Games Group. Apart from the risk factors presented below, there is a possibility of emergence of other factors, not described below, which have not been identified or which the Group is not aware of. Materialization of risk factors described below and unidentified ones may exert negative impact on operating activity of the Group and its financial results or hinder implementation of the Group's strategy, thus influencing its situation.

1. Risk factors related to business environment of the Group

Risks associated with the economic situation

A vast majority of sales of the Group's products is generated on foreign markets - mainly in the territory of North and South America, as well as the key markets of Europe, Asia and Africa.

The global economic situation is of limited significance for activity and results generated by the Group. Impact on the level of sales achieved is exerted by GDP growth rate, the level of disposable income and expenditures of households, salaries, the state fiscal and monetary policy, as well as the level of investment expenditures of enterprises. Worsening of the economic condition of the global market may imply a reduction of consumer spending of households, decreased demand for entertainment products and services. A potential slowdown on the global market may, on the other hand, exert next negative impact on profitability expected by the group, as well as the planned development dynamics. Analogical factors impact the level of sales on the Polish market. In 2021, the SARS-CoV-2 virus pandemic continued with temporary lockdowns (described below), which lasted for the whole 2021 year until the release of this report, having a negative impact on Polish and global economy. Additionally, an increase in inflation rate in Poland and on other markets may have a negative impact on the costs structure.

Emergence of circumstances described above may have negative effect on the perspectives for development, results achieved and financial situation of the Group. Negative trends and events related to the economic situation is beyond control of the Group. The potential negative phenomena emerging on selected markets may translate to the Group's results despite the geographic diversification of its sales structure. However, it should be underlined that the market of video games, in which the Group operates, while characterized by high competitiveness and dynamics, is visibly less resilient to potential crisis than other trades. This has been confirmed by research conducted in the recent years. To reduce the risk associated with the macroeconomic conditions, the Group has been developing its activity on a global scale.

Risks related to the SARS-CoV-2 coronavirus/ COVID-19

Spreading of the SARS-CoV-2 coronavirus has had negative effects on the entire global economy, implying a decreased demand for entertainment in general. Consumers may start to focus on basic commodities. On the other hand, quarantines around the world impact the sales structure - a visible decrease in sales of physical products has been recorded, accompanied by simultaneous increase in sales through digital channels.

The CI Games Group makes its best to ensure safety of its employees and contractors by introducing the remote work mode. This requires organization of proper equipment and infrastructure. As of the date of publication of this report, the Group has not recorded significant number of persons infected with COVID-19 among its employees and contractors; however, it is not possible to exclude the emergence of such situation in the future. This, on the other hand, may disrupt continuity of works, especially if such situation concerns key employees or subcontractors. Disruptions in the mode of work may also result in delays in production of games or their publishing process, particularly in United Label S.A., where small teams work on individual games. The Management Board of the Company is engaged in constant monitoring of the situation on the domestic and global markets, using the available sources of information. If the situation associated with the coronavirus / COVID-19 exerts impact on operations of the Group, its financial results or perspectives, the Management Board of the Issuer will immediately publish the appropriate information in this regard and engage in action to limit its negative impact on operations of the Group.

Risk related to war in Ukraine

The war in Ukraine started on 24.02.2022. The international community responded by introducing sanctions against Russia and many companies withdraw from Russian and Belarus markets. Other noted consequences included depreciation of Polish currency, energy price increases, humanitarian crisis, increase in inflation rate. These elements may result in risk of deterioration of Polish and global economy thus decreasing spending on the entertainment. As described in the risk above related to economic situation, this risk is beyond the Group's control.

The Group is monitoring the situation and its potential negative consequences.

Risk associated with the condition of the gaming industry

The market of video games, on which CI Games Capital Group operates, is characterized by high competitiveness and dynamics, in particular, quick technological changes, as well as changes in interests and behaviors of consumers. Individual companies in CI Games Group, as well as the Group itself, engaging in business activity, are to a certain extent dependent on macroeconomic factors and the general macroeconomic situation. In the opinion of the Management Board of the Company, the sector of video games is relatively resilient to potential crises. In order to reduce the risk being discussed, the Group develops its activity on a global scale, engaging on its own in publishing activity on all of the key markets in the world. In the recent years, the entertainment sector has developed dynamically, and it is being estimated that the value of the market of video games has become higher than that of the film industry. Moreover, research conducted so far shows that even in the period of the global economic slowdown (years 2017-2011), demand for video games grew year after year. Due to the above, in the opinion of the Management Board of CI Games S.A., the risk associated with the macroeconomic situation, although recognized (identified) by the Company is of lesser significance for operations of the Company and the Group, and as such, it does not weaken competitiveness of the Company.

Competition risk

The market of video games is characterized by a high level of competitiveness. Due to the diversified business model, encompassing development, publishing and distribution of games, the Group is exposed to competition in each of these fields. As for its publishing activity, the Group competes with other entities, both on the global and the domestic market, to be able to sign licenses for attractive titles. In the case of a final product such as a video game, the competition is also global, but focused on acquiring - and sometimes also maintaining - the end client being the recipient (addressee) of video games, that is, the consumer. At present, consumers are offered numerous new products, often featuring similar themes, which results in the risk of reduced interest in individual games of the Group to the advantage of its competitors. A competitive market thus requires constant efforts to improve the quality of products and to search for new market niches and game themes, which could attract a wider audience. Moreover, consolidation processes among entities, which are the Group's competitors, may result in strengthening of their market position, and thus weakening of position of the Group on the domestic and international markets. Bigger entities usually have at their disposal higher publishing or marketing budgets, which may be of great importance for success of the game.

The Group makes effective use of its key advantages: an experienced team, a global distribution network, a cost advantage, which is associated with a lower profitability threshold in comparison with other - much bigger - producers. The flat organizational structure, on the other hand, provides the advantage of flexibility, fast action and effective management. Since mid-2016, the Group has developed games exclusively for new-generation platforms (Sony PlayStation4®, Microsoft XboxOne®) and for PCs, which are characterized by a high trade potential.

Risk associated with the game distribution channels

The Group's products are distributed using traditional channels (sales of boxed products) and digital channels. In the recent years, significance of digital channels has increased over the world (in particular, Web-based platforms and platforms dedicated to selected consoles), which is associated with specific risk factors. There is a risk of limited access to some platforms, operating on the basis of exclusivity models. In such cases, the group of potential customers may be limited, which, on the other hand, may influence the level of revenues of the Group from distribution of games through such platforms. Moreover, there is a small risk of a change in the mode of distribution of games for individual platforms, in particular in the case of console games, such as switching from distribution using traditional channels to a subscription-based model, in which a player is provided access to a range of games in exchange for a fixed subscription fee. This may influence the level of revenues generated for the Group by a given title, in particular, in the period of adaptation after the distribution mode has been changed. Increase in significance of digital game distribution channels creates favorable conditions for illegal distribution of the Group's products without its consent and knowledge. Illegal acquisition of Group's products by consumers may exert negative impact on the sales levels and financial results of the Group. There is also a risk of exclusion from a given digital platform in association with a failure to comply with all of the regulatory conditions of its use.

Use of such platforms by the Group is associated with a legal risk due to the necessity to accept their regulations, which are usually subject to third country legislation (foreign legal systems). Therefore, the Group carefully selects its suppliers of digital platforms used for sales of games, favoring those entities, which have a history of long-term cooperation with the Group. This allows for substantial mitigation of the risk of sudden changes in the rules of cooperation with suppliers of such digital platforms, which would be unfavorable for the Group, allowing the Group to respond early to any potential changes in the rules of cooperation (e.g. changes in regulations, tax legislation etc.)

Risk of changing trends

The CI Games Capital Group operates in the area of new technologies and virtual entertainment, in which the product life cycle is relatively short. It is impossible to rule out the risk of new solutions emerging in the market, which would make the products offer less attractive, hindering generating the appropriate level of proceeds. In order to limit this risk, we have applied the strategy of following the trends and offering products that have been tested and appreciated by consumers. A trend-setting strategy would be more costly and risky.

The main activity of the Group in this regard consist of constant monitoring of the market in terms of development of new technologies (e.g. 3D) and management of segments created by newly developed consoles, mobile devices and the Internet.

Risk of legislative changes

Activity of the Group may be subject to the threat of very frequent changes in legislation in Poland and around the world. This applies, in particular, to legal regulations and interpretations in the field of protection of intellectual property, capital market, labor law and social insurance, taxation law, as well as company law. In some countries, there is a recurring topic of prohibition imposed on video games containing components of abuse. Therefore, there is a risk of amendment of legal provisions in any of the countries, in which the Capital Group offers its products, which might exert negative influence on results of activity of the Group.

Materialization of this risk is beyond control of the Group and may exert negative influence on its results, although the Issuer monitors on ongoing basis the compliance of regulations applied by the Company and the current legislation. In addition, the Group engages in activity aimed at elimination of this risk through cooperation with specialized law firms around the world and through product civil liability insurance, applicable to its entire catalog of products published.

Risk of changes in tax legislation

Changes in both domestic and foreign taxation law are of significance for the Group. Practices of revenue authorities and judicial decisions in the field of taxation law are not uniform. This gives rise to the risk of adoption by tax authorities of an interpretation of legal provisions different from that applied by the Group, which may lead, among other things, to arrears with revenue offices.

As many contracts concluded by the Group are based on legislation other than Polish law, there is a tax risk resulting from being subject to foreign tax jurisdictions in relation to direct sales to consumers, the risk of correct determination of the payment obligation of withheld tax, proper reporting of taxation plans etc.

The Polish taxation system is characterized by unclear provisions and frequent amendments over short periods of time. Oftentimes, these provisions lack a consistent interpretation, which may lead to the risk of differences in their interpretation between the Group and the tax authorities. In the case of occurrence of such situation, the proper tax authority may impose upon the Group or any of its companies an obligation to pay tax and interest on outstanding tax, and in specific situations, establish the so-called additional tax obligation, which may exert a significant negative impact on financial results of the Group. Moreover, the tax authorities may verify correctness of tax statements submitted by the Group, specifying the amount of the tax obligation, in principle, during a period of five years from the end of the year, in which the tax payment was due. In the case if tax authorities adopt an interpretation of tax regulations different from the interpretation, which served as a basis for calculation of the tax obligation by the Group, this situation may have a significant negative impact on the financial standing of the Group.

Products of the Group are subject to a VAT rate in the amount specified in legal provisions of the state, in which they are sold. The risk related to taxation of products (games) may be due to changes in tax rates, which are significant from the Group's perspective.

An additional risk for the Group is associated with changes in indirect tax rates, which may negatively influence the financial condition of the Group. Potential changes in VAT rates may have a negative impact on profitability of products sold due to reduction of demand among the final users.

Labor law risk

Activity of the Group may be influenced by amendments to legal provisions on employment, including employment of foreigners, most of all with regard to requirements concerning social benefits for employees, provided by the employer. Amendments in this regard may exert impact on the level of costs incurred by the Group. In addition, activity of the Group may be significantly influenced by raises of minimum wages required by legislators in individual countries, as well as amendments to labor law and social welfare law, resulting in restrictions imposed upon hiring of employees on the basis of civil law contracts and the obligation to pay social insurance premiums on civil law contracts that may increase the labor costs of the Group.

The currency risk

Due to the fact that the Group bears a part of the costs of operation in currencies other than PLN, mainly USD and EUR (PLN constitutes the Issuer's functional and presentation currency), the risk factor faced by the Group is the risk of unfavorable changes in exchange rates. This risk is applicable, in particular, to PLN exchange rates to USD and EUR, as revenues from sales of products are settled in these currencies. Appreciation of the zloty in relation to USD and EUR may exert negative impact on selected items of the financial statement, including, in particular, revenues of sales, which - as the operating costs are incurred partially in PLN, may also exert negative impact on financial results of the Group.

The Parent Entity partially secured itself against the foreign currency risk by incurring liabilities in these currencies. In 2021, the Company entered into forward contracts for USD sale, which were executed in the period August 2021- February 2022.

2. Risk factors related to activity of the Group

Risk associated with loss of key employees

Success of activity of the Group depends largely on knowledge and experience of its employees and co-workers. This is typical for the video game industry, as the so-called intellectual copyrights are its key asset. On the market, it is difficult to acquire qualified specialists from the development (game production) industry. Moreover, recruitment of new employees and co-workers is associated with a period of learning of their new duties, resulting in a temporarily lower effectiveness of work.

Risk associated with loss of key clients

Trade activity is conducted on the basis of well-developed retail network channels in Poland and strict cooperation with foreign distributors, having their registered offices around the world. There is a risk of termination of distribution contracts or bankruptcy of companies being the formal purchasers of goods, for which the Group is a creditor. In order to minimize the risk of incurring losses, the Parent Entity has subsidiaries, which are responsible for constant development of distribution opportunities and

strict cooperation with distributors. At present, the key role in this regard in the Group is played by a subsidiary seated in New York – CI Games USA Inc.

Risks associated with suppliers

One of the risk categories associated with suppliers is placement of titles on specific console platforms and cooperation with their owners in the process of certification of new titles. A failure to obtain the certification and the possibility of giving a notice of termination of publishing contracts for consoles are the main two risk components, which really exist and may influence the financial results of the Capital Group. It should be underlined, however, that the Group makes particular effort in order to ensure thorough fulfillment of all its obligations based on contracts concluded between these entities and the Group companies. Payments related to publishing of games for consoles constitute the main amount of trade receivables of the Group in the reporting period and are implemented in accordance with all applicable time limits.

Risk associated with completion of development plans

The growing costs of game production may result in increased demand for external financing. The Parent Entity is able to obtain financing from the sector of finances - if a need arises to finance additional projects.

The strategy of the Group also includes development of publishing operations concerning games created by external development studios on the basis of their creative concepts (the indie segment). A subsidiary of the Issuer is responsible for implementation of the Group's strategy in this regard – United Label S.A, which has signed publishing contracts (agreements for exclusive licenses for the territory of the entire world) with four development studios, located in the United Kingdom and in France. Each of these production studios is at least partially involved in financing of their productions (one of them finances it entirely).

A failure to implement the Group's strategy in whole or in part may influence the Group's revenues and cash flows in the Group, but is not a threat to stability of the Group and its ability to generate revenues as such.

The risk of copyright claims

Within the framework of production and publishing activity, the Group establishes cooperation with individual external entities rendering services on the basis of various legal relationships (contracts for cooperation – B2B, contracts for specific tasks, other similar contracts). Contracts concluded by the Group vary not only in terms of their type or legal nature, but also in terms of the law and jurisdiction applicable to these contracts or the potential associated litigations, security measures used etc. Contracts concluded by the Group usually contain provisions on use or acquisition by the Company of copyrights to results of these contracts, constituting works as defined by proper legal regulations, provisions on prohibition of competition, confidentiality obligations with regard to specific categories of information etc. In relation to contracts concluded by the Group concerning creation of graphics (assets), maps, models, scenarios, music works and similar and purchase of licenses (e.g. for software), the Group recognizes the risk of a situation, in which transfer of copyrights would have legal defects, be ineffective or fail to provide for the possibility of further resale. Moreover, basic of copyright requires precise indication of all fields of use, to which such transfer pertains, and it is not effective if made on the basis of a general clause referring to "all known fields of use". Therefore, there is a risk that in the case of a failure to recognize a potential field of use, a given work will be used illegally. There is also the risk of third parties transferring their copyrights to works to the Group effectively while copying solutions already available on the market and transferring them as "their own". Most

contracts concluded by entities of the Group pertain to acquisition of copyrights; therefore, it is not possible to exclude the possibility of effective acquisition of these rights being questioned by third persons, and thus claims made by such persons against the Group or its companies with regard to copyrights.

In order to mitigate this risk, the Group uses services of law firms specializing in protection of intellectual property and registers the trademarks of its products. Submitting an application for protection of trademarks in the territory of the European Union and other countries around the world, we check its availability on individual markets and estimate the risk of violation of third-party copyrights.

The risk of wrong estimation of expenditures and future sales

The Group operates both in the publishing and in the production segment. In the case of publishing activity, the cost of effecting distribution of a game is relatively lower in comparison with its production from the scratch. However, in both cases, profitability of a given game and the associated possibility of covering expenses incurred in association with its publishing or in the production process is related directly to market success, which can be measured by the size of demand, the number of products sold and revenues from sales. There is a risk that the Group will wrongly assess the commercial potential of a new title, for instance, a game is not accepted by one of the certification systems, the age category imposed is different than expected or its promotion is ineffective and the title fails to achieve a market success. This, on the other hand, will have a negative impact on revenues from sale and financial results of the Group.

The Company assesses consumer tastes on the basis of knowledge of market trends, historic data and experience of the Management Board and the staff to match the games with the publishing catalog and engage in production of titles characterized by a high commercial potential and can be published for many platforms. The Group estimates the potential for sales of new titles with due diligence on the basis of many years of experience. Due to the high number of variables that must be estimated prior the planned product premiere date, it is not possible to eliminate entirely the risk of wrong estimation of the number of copies and future sales.

Risk of new game titles

Activity of the Group is focused on production of video games. Activity of this kind requires substantial expenditures for costs of development works and marketing, which limits the Group's ability to diversify the risk and distribute it among different products (titles). As a result, there is risk concentration in the relatively few game titles that are awaiting its debut at a given time. As a result of this risk concentration, if the sales level is lower than expected, the Group is exposed to the risk of decrease in the level of revenues from sales, and the resulting lower net results and liquidity problems.

Risk of game production delay

Shifts and delays in premieres of computer games are a normal phenomenon on the market of computer games. Production of computer games is a complex and costly process, based largely on creative and artistic work, which results in the risk of wrong estimation of the schedule of works on a given title, the risk of technical problems related to programming (e.g. failure of the game to meet the quality requirements or problems with its proper functioning) or lack or insufficient level of financing.

The market of video games is driven by expectations associated with debuts of new products. There is a risk that some products will be finished later than planned. This may result in negative impact on the cash flows generated and the financial result in individual periods.

Internal factors that may result in shifting of the date of premiere of the new game are related to defining of the time necessary to complete the game production process so that it meets the quality requirements. Publishing of a game, which fails to meet the Group's high-quality standards, could exert negative impact on revenues from sale of a given product, at the same time damaging its image.

An external factor, which may influence the decision on shifting of the premiere date, is the market situation, as the optimum time of publishing of a game – taking into account the publishing schedules of other publishers around the world – is a significant component of the decision-making process. Another significant risk factor are delays of suppliers or subcontractors in preparation of the ordered game components.

A shift in the premiere date is often related to the marketing component of a "long-awaited game", which exerts positive influence on the process of building of image of the product.

Both in the case of the publishing and production activity of the Company, changes to the original schedule of works may delay the premiere of a given game, which may, in turn, shift the time of sales of the finished product or – in an extreme case – result in withdrawal from such sales. This, on the other hand, may result in reduction of revenue from sales and exert negative impact on financial condition of the Group. Although the Group conducts its publishing activity in cooperation with carefully selected development studios, it should be kept in mind that the Group exerts no constant direct control over the production process, which limits its impact on the associated risk. It is also impossible to rule out the possibility that one or more games developed by external studios and published by the Group will generate revenues with a delay in relation to the plan established by the Group or will not be distributed at all.

Risk associated with production of console, smart phone and tablet games

Production of games for consoles and devices with iOS systems requires undergoing a certification system with the platform owner. There is a risk of termination of cooperation with the platform owner, a delay or a failure to obtain certification for the game produced, which may delay the premiere.

The liquidity risk

The Group may be exposed to a situation, in which it is not able to settle its financial liabilities. Moreover, the Group is exposed to the risk of failure of its key business partners to meet their contractual obligations to the Group, in particular, with regard to timely settlement of their liabilities by distributors of games published by the Group. This phenomenon may exert negative impact on financial liquidity of the Group, resulting e.g. in the necessity to make impairment allowances for receivables. In order to minimize the risk of undermining or losing financial liquidity, the Group conducts systematic analysis of its financing structure, caring to maintain the proper level of cash necessary for timely settlement of its current liabilities.

IV. INFORMATION ON CORPORATE GOVERNANCE

1. Composition of governing bodies of the Issuer

Management Board of the Parent Entity in 2021 was as follows:

Marek Tymiński	CEO, President of the Management Board
Monika Rumianek	Member of the Management Board

Composition of the Supervisory Board of the Company in 2021 was as follows:

Ryszard Bartkowiak*	Chairman of the Supervisory Board
Marcin Garliński*	Member of the Supervisory Board
Grzegorz Leszczyński*	Member of the Supervisory Board
Rafał Berliński	Member of the Supervisory Board
Krzysztof Kaczmarczyk*	Member of the Supervisory Board until 06.12.2021
Adam Niewiński*	Member of the Supervisory Board from 06.12.2021

*Independent

2. Composition of the Executive Team

Organizational Structure

The Group is organized into departments, which correspond to development of key products *Sniper Ghost Warrior* and *Lords of the Fallen 2* supported by Quality Assurance. Other departments include Sales & Marketing and Finance & Administration. The breakdown of headcount by department is presented below.

	Headcount	
	As of 31.12.2021	As of 31.12.2020
Development	124	96
Sales & Marketing	14	11
Finance & Administration	19	13
Total	157	100

Executive Team

Key management at CI Games consists of professionals of many different nationalities. All have extensive experience in the video games industry. The management operates from various locations contributing to further internationalization of the company. This is a continuation of the remote development strategy implemented by necessity during the COVID19 lockdown. This strategy allows CI Games to attract and retain experienced senior professionals of diverse backgrounds.

The key management as of the release of this report is listed below.

Name	Role	Location
Marek Tymiański	CEO & President of the Management Board	Poland / Spain
David Broderick	CFO / VP of the Management Board	Ireland
Monika Rumianek	HR & Admin Director/ Management Board Member	Poland
Darren Newnham	CEO United Label/ Business Development Director	United Kingdom/ Poland
Saul Gascon	Executive Producer (Hexworks)	Spain
Aitor Roda	Executive Producer (Underdog)	Sweden
Sam Sadeghi	VP, Global Sales	United Kingdom
Ryan Hill	Marketing Director	United Kingdom
Katarzyna Sermanowicz-Giza	Finance Director	Poland
Cezar Virtosu	Creative Director ((Hexworks)	Spain
Kenton Fletcher	Creative Director (Underdog)	France
Alexandre Chaudret	Art Director (Hexworks)	France
Joan Piqué	Art Director (Underdog)	Spain
Rhys Twelves	Technical Director (Hexworks & Underdog)	United Kingdom

Development Structure

CI Games has two internal studios and a third external studio, BatFields s.r.o. ("BatFields"), with a registered office in the Czech Republic.

The first internal studio ("Underdog") is fully responsible for the *Sniper Ghost Warrior* franchise. The primary focus for this studio at present is to develop the next installment of the *Sniper Ghost Warrior* franchise.

The second internal studio, Hexworks, founded in 2020, is fully responsible for development of *Lords of the Fallen 2*. Hexworks boasts a highly experienced team of senior developers from all around the world. Hexworks' team is based across multiple locations, including Spain, Romania, the United Kingdom, and France, among others.

In October 2021, CI Games and BatFields, with a registered office in the Czech Republic, concluded an agreement for development of a game in the survival genre. The game will be developed by BatFields in cooperation with CI Games' key management, including creative and artistic directors, technical director and project leaders.

Sales & Marketing

CI Games has been building an international sales and marketing team with a global reach. The marketing team is mainly based in the United Kingdom, while the sales team is spread across the United Kingdom, United States and Poland.

3. The shareholding structure of the Parent Entity

The shareholding structure is determined on the basis of formal notices issued by shareholders who control at least 5% of the total number of votes at the General Meeting of Shareholders. The percentage share in the Company's share capital and in the total number of votes at the General Meeting is calculated on the basis of the most recent notices received from Company shareholders as of the date of publication of this report.

Share capital– structure	Number of shares and number of votes	% of votes in the share capital of the Company and in the total number of votes
Marek Tymiński	53,083,570	29.02%
Rockbridge Towarzystwo Funduszy Inwestycyjnych S.A.	15,718,357	8.59%
Other shareholders	114,141,088	62.39%
Total	182,943,015	100.00%

4. Ownership of CI Games S.A. shares or rights to shares by persons managing and supervising the Company

Ownership of CI Games S.A. shares by members of managing and supervising bodies as of the date of publication of this report:

Person	Function	State as of 31.12.2021	State as of 07.04.2022 (report publication date)
Marek Tymiński	President of the Management Board	53,083,570	53,083,570
Monika Rumianek	Member of the Management Board	150,000	150,000
Marcin Garliński	Member of the Management Board	40,000	40,000
Rafał Berliński	Member of the Supervisory Board	66,000	66,000
Adam Niewiński	Member of the Supervisory Board	0	0

Marek Tymiński, the President of the Management Board of CI Games S.A., holds 53,083,570 shares of the Parent Entity, representing 29.02% of the Issuer's share capital and 29.02% of the total number of votes at the Company's general meeting.

Monika Rumianek, a member of the Management Board of CI Games S.A., holds 150,000 shares of the Issuer, representing 0.08% of the Company's share capital and 0.08% of the total number of votes at the Company's general meeting.

Marcin Garliński, a member of the Supervisory Board of CI Games S.A. holds 40,000 shares of the Issuer, constituting 0.02% of the share capital of the Issuer and 0.02% of the total number of votes during the general meeting of the Company.

Rafał Berliński, a member of the Company's Supervisory Board holds 66,000 shares of the Issuer, constituting 0.036% of the total number of votes during the general meeting of the Company.

According to the best knowledge of the Company, the remaining members of the Supervisory Board hold no shares of the Company in 2021 and as of the date of the release of this report.

5. Information on contracts with the entity authorized to audit financial statements

On 13.07.2021, CI Games S.A. entered into a contract with UHY ECA Audyt Sp. z o.o. Sp. k. with a registered office in Warsaw for a semi-annual review and audit of the individual and consolidated financial statements for years 2021-23. This entity was selected by the Supervisory Board of CI Games S.A. on the basis of recommendations of the Audit Committee of the Supervisory Board of the Company, in accordance with the audit firm selection policy and procedure adopted by the Company.

The selected entity has been entered on the list of entities authorized to audit financial statements of the National Chamber of Statutory Auditors under no. 3115.

Remuneration of the entity authorized to audit the financial statements of the Group	Annual net remuneration (PLN)
Audit of annual financial statements	41,000
Review of financial statements	32,000
Other attestation services	5,500
Total	78,500

6. Information on contracts known to the Issuer, which may result in future changes in proportions of shares held by the existing stockholders and bondholders

In the point below, there is a description of the motivational program based on shares series J executed as series C subscription warrants. As the result of the implementation of this program, the proportion of the shareholding structure owned by current shareholders may change.

7. Information on employee share plan control system

On 22.06.2021, Ordinary General Meeting of the Company adopted resolution no. 19/1/2021 on the establishment of an incentive program addressed to key employees and contractors of CI Games Group, including Members of the Managing Board of CI Games S.A.

Pursuant to this resolution the Company and CI Games Group have adopted a new incentive program based on series J shares. Execution of this program is dependent on CI Games Group financial results, i.e. achievement by the Company and by CI Games Group of one of the following two specific targets, depending on whichever is reached first:

- i) combined net profit of CI Games Group in the fiscal years 2021-2022 totaling PLN 40,000,000 (forty million zloty)
- ii) combined net profit of CI Games Group in fiscal years 2021-2023 totaling PLN 65,000,000 (sixty five million zloty).

In the event one of these targets is achieved, entitled persons will be granted a total of no more than 13,720,726 (thirteen million seven hundred and twenty thousand seven hundred and twenty six) series C subscription warrants with the right to take up 13,720,726 (thirteen million seven hundred and twenty thousand seven hundred and twenty six) ordinary series J bearer shares. However, in the event where one of these targets is exceeded by every additional and consecutive PLN 5,000,000 (five million zloty), the number of warrants granted in connection with the execution of the related goal of the program will be increased by 0.5 percentage points, with the provision that such number may not exceed 7.5% of the total number of Company's shares upon the date of adoption of its incentive program, i.e. 22.06.2021. As a result of the execution of this incentive program, entitled persons serving as the Company's Management Board Members may be granted no more than 50% of the warrants, of which a maximum of 30% of all warrants may be granted to the Company's Chief Executive Officer.

The Company's Managing Board will designate persons, who will participate in the incentive program and with respect to Members of the Issuer's Managing Board, such persons will be designated by the Company's Supervisory Board. Shares issued as part of the incentive program will be taken up by entitled program participants upon execution of rights arising from subscription warrants series C. Subscription warrants will be taken up free of charge while J series shares will be taken up at an issuing price of PLN 1.26 per share. The issuing price has been set up as weighted average of the shares' price on the regulated market, on which the shares of the Company has been quoted in the first quarter of 2021 decreased by 10% i.e. PLN 1.26. Regulations of this incentive program were adopted by the Company's Ordinary General Meeting with the resolution no. 19/1/2021 dated 22.06.2021.

Pursuant to resolution no. 20/1/2021 of the Ordinary General Meeting of the Company dated 22.06.2021, the Company will issue series C subscription warrants which will entitle their holders to take up series J shares (at a rate of one warrant per one share), excluding in their entirety subscription rights of the Company's shareholders. Furthermore, pursuant to that resolution, it was adopted to conditionally raise the Company's initial capital for the purpose of the above incentive program. The Company's conditional initial capital totals PLN 137,207.26 (one hundred thirty seven thousand two hundred and seven zloty and twenty six grosze). Upon issuance and after being taken up by entitled persons, series J shares will be admitted into trading on a regulated market managed by the Warsaw Stock Exchange.

According to regulations of the incentive program, series J shares will be subject to a partial lockup so that (i) within 30 (thirty) days of taking up series J shares, each participant of the program will be able to dispose of no more than $\frac{1}{3}$ of the shares taken up; (ii) over the next 30 (thirty) days from the end of the period referred to in letter i) above, each program participant will be able to dispose of the remaining shares, however, such number will not exceed $\frac{1}{3}$ of the shares taken up by such person; (iii)

over the next 30 (thirty) day period from the end of the period referred to in letter ii) above, program participant will be able to dispose of the remaining shares if part of the shares were already disposed of by the deadlines referred to above, or dispose of all shares taken up by such person unless part of the shares was disposed of within the deadlines indicated above.

The Company's Supervisory Board will develop financial support principles for entitled participants of the incentive program in order to facilitate their taking up shares as part of the program.

The incentive program referred to above was adopted for the years 2021–2024.

On 22.06.2021, the Company's Ordinary General Meeting, based on resolution no. 21/1/2021 on repealing the resolution no. 17/2015 of the Ordinary General Shareholders' Meeting of CI Games Spółka Akcyjna with the registered office in Warsaw, made on 28.04.2015 on the incentive plan, issue of subscription warrants, conditional increase of initial equity and the exclusion of pre-emptive rights of existing shareholders with respect to subscription warrants and shares issued as part of conditional increase of initial equity, as well as application for admission of shares issued as part of conditional increase of initial equity for trading on the regulated market and their dematerialisation and amendment of the Company's Articles of Association, following resolution no. 20/1/2021 of the Company's Ordinary General Meeting dated 22.06.2021, repealed in its entirety the above resolution no. 17/2015 of the Company's Ordinary General Meeting dated 28.04.2015. On that basis, the process of issuing ordinary series F shares as part of the Company's incentive plan adopted by the Company's General Meeting on 28.04.2015, has formally ended.

On 09.08.2021, the registry court of the Company recorded in the Register of Entrepreneurs of the National Court Register the changes to the Articles of Association of the Company in the scope adopted by resolution of the Ordinary General Meeting of the Company of 22th June 2021 as regards §10b of the Articles of Association relating to the conditional capital of the Company.

8. Loan liabilities

- As of 31.12.2021 the Company nor the Group had no loans liabilities.

9. Contracts concluded between the Issuer and managing persons, providing for a compensation in the case of their resignation or dismissal without a material reason or if their withdrawal or dismissal results from merger of the Issuer by acquisition

In 2021, the Issuer concluded no contracts with managing persons, providing for a compensation for such persons in the case of their resignation or dismissal due to any reason.

10. Information on significant transactions entered into by the Issuer or their subsidiary with related entities

All of the transactions presented below were executed on market conditions. Transactions of the Parent Company with companies belonging to the Group:

Transactions in 2021 and balances as of 31.12.2021 Entity	COSTS* PLN thousand	REVENUES PLN thousand	RECEIVABLES PLN thousand	LIABILITIES PLN thousand
CI Games USA Inc.	4,078	15,093	22,466	4,078
Business Area Sp. z o.o.	-	1	1	-
Business Area Sp. z o.o. Sp.J.	-	(92)	(818)	-
CI Games S.A. Sp. J.	(1)	1	-	191
United Label S.A.	8,797	349	292	1,356
CI Games UK Limited	2,528	-	1,839	-
CI Games BUCHAREST STUDIO SRL	89	60	61	18
CI Games Mediterranean Projects	28,458	387	6,387	5,169
TOTAL	43,949	15,799	30,228	10,812

*including capitalised costs

CI Games S.A. granted the following loans to its subsidiaries:

- On 12.12.2018, CI Games S.A. concluded a loan agreement with its subsidiary United Label S.A. for the amount of PLN 2 million. The deadline for full repayment of the loan is 12.12.2023. The loan interest rate is equal to WIBOR 3M base rate increased by margin. Based on Annex no 1 and Annex 2 to this loan agreement, the loan amount was increased to PLN 5.5 mln. As of 31.12.2021, the loan was repaid by United Label S.A.
- On 15.12.2020, CI Games S.A. concluded a loan agreement with its subsidiary CI Games Mediterranean Projects S.L. for the amount of EUR 950 thousands (further extended to EUR 3.8mln based on Annexes dated 24.05.2021 and 27.08.2021). The term of the loan is no longer than 5 years. The loan interest rate is equal to 4%. As of 31.12.2021, the loan balance including interest amounted to PLN 6,387 thousand.
- On 29.09.2020, CI Games S.A. concluded a loan agreement with its subsidiary CI Games Bucharest Studio S.R.L. for the amount of EUR 170 thousands. As of 31.12.2021, the loan was repaid and interest to be repaid amounted to PLN 61 thousand.

Transactions of the Parent Company with entities related personally to Mr. Marek Tymiński – the majority shareholder of CI Games S.A., who exerts direct or indirect control over the following entities:

Transactions in 2021 and balances as of 31.12.2021 Entity	COSTS PLN thousand	REVENUES PLN thousand	RECEIVABLES PLN thousand	LIABILITIES PLN thousand
Fine Dining Sp. z o.o.	5	-	168	-
TOTAL	5	-	168	-

Transactions of the Issuer with entities related personally to Members of the Supervisory Board and Members of the Management Board of the Parent Entity:

Transactions in 2021 and balances as of 31.12.2021 Entity	COSTS PLN thousand	REVENUES PLN thousand	RECEIVABLES PLN thousand	LIABILITIES PLN thousand
Marek Tymiński	60	-	-	-
TOTAL	60	-	-	-

11. Information on organizational or capital ties between the Issuer and other entities and specification of key domestic and foreign investments

As of 31.12.2021, the CI Games Capital Group consisted of the following entities:

CI Games S.A. with a registered office in Warsaw. The share capital is PLN 1,829,430.15. A Parent Entity, engaged in publishing and production activity, managing the CI Games production studio in Warsaw.

United Label S.A. with a registered office in Warsaw. Share capital: PLN 127,500, 78.43% shares held by CI Games S.A. The company is conducting publishing activity.

CI Games USA Inc. with a registered office in the state of Delaware, the United States. Share capital: USD 50,000. 100% shares held by CI Games S.A. CI Games USA Inc. is one of the key subsidiaries in the Group, engaged in distribution and marketing activity on the markets of North and South America.

Business Area sp. z o.o. with a registered office in Warsaw. The company has been included in consolidation from the third quarter of year 2010: Share capital: PLN 5,000. 100% shares held by CI Games S.A.

Business Area sp. z o.o. sp.j. with a registered office in Warsaw. The company has been subject to consolidation starting from the first quarter of year 2015. 99.99% of the shares in the company are held by CI Games S.A.; the remaining 0.01% are held by Business Area sp. z o.o.

CI Games S.A. sp.j. with a registered office in Warsaw. 99.99% shares in this company are held by Business Area sp. z o.o.; the remaining 0.01% shares are held by CI Games S.A.

CI Games UK Limited with a registered Office in London, Great Britain. 100% shares held by CI Games S.A.

CI Games Mediterrean Projects, S.L. with a registered office in Barcelona, Spain. 75% shares in this company are held by CI Games S.A. The company is involved in the production of *Lords of the Fallen 2* game.

CI Games Bucharest Studio S.R.L with the seat in Bucharest, Romania. 100% shares owned by CI Games S.A. The company is involved in the production of *Lords of the Fallen 2* and *SGWC 3* games.

12. Changes in the basic principles of management of enterprise of the Issuer and the Capital Group

On 15.11.2021, Mr. Krzysztof Kaczmarek submitted his resignation from the function of a member of CI Games S.A. Supervisory Board.

On 06.12.2021 the Ordinary General Meeting appointed Mr. Mr. Adam Niewiński as a Member of the Supervisory Board of the Company.

In April 2021, Ms. Monika Rumianek became the Director of CI Games UK Ltd. Replacing Mr. Marek Tymiński who served in this role since the establishment of this company.

13. Specification of material proceedings before courts, competent authorities for arbitration proceedings or public administration bodies

As of the date of publication of this report, the Management Board of the Issuer has no information on any pending proceedings involving the Parent Entity or its subsidiaries, the value of which would (jointly or individually) constitute at least 10% of equity of the Issuer.

In the Annual Report published on 27.03.2020, the Company informed of initiation of court proceedings on 17.10.2019 against EP Retail sp. z o.o., EP Office 2 sp. z o.o., EP Office 1 sp. z o.o. and EP Apartments sp. z o.o. CI Games S.A. filed a suit at the Circuit Court in Warsaw (Sąd Okręgowy) against these entities for payment due to unlawfully collected funds from a bank guarantee, of overpaid operating costs and overpaid rent. The total value of the object of litigation is PLN 876 thousand. As of the report publication date, the case is pending.

14. Information on significant settlements due to court cases

As of the date of publication of this report, the Management Board of the Issuer has no information on any pending proceedings involving the Parent Entity or its subsidiaries, the value of which would (jointly or individually) constitute at least 10% of equity of the Issuer.

15. Information on non-payment of credits or loans or violations of significant terms and conditions of any loan or credit agreements, with regard to which no remedial action had been taken until the end of the reporting period

The Company did not have any loans in 2021 nor as of the release date of this report.

16. Information on changes in classification of financial assets as a result of a change of the purpose or use of these assets

In 2021, no changes took place in classification of financial assets due to a change in the purpose or use of these assets.

17. Information on changes in conditional liabilities or conditional assets that took place since the end of the last financial year

As of 31.12.2021 the Company had the following contingent liabilities:

- two forward contracts for sales of USD 0.3 million at an exchange rate of PLN/USD 3.8910 with an execution period January - February 2022;
- two forward contracts for sales of USD 0.3 million at an exchange rate of PLN/USD 3.9025 with an execution period January - February 2022.

As of the report publication date, the Group had no other conditional liabilities nor conditional assets.

18. Information on credit or loan sureties or warranties granted by the Issuer or by any of its subsidiaries – in total, to a single entity or a subsidiary of this entity, if the total value of the existing sureties or warranties constitutes the equivalent of at least 10% of equity of the Company

In 2021, neither the Company nor any of its subsidiaries granted any loans or credit sureties or warranties for the amount equivalent to at least 10% of the Company's equity.

CI Games S.A. granted loans to its subsidiaries which are described in Section III, point 11.

19. Information on issue, buyout and repayment of non-equity and equity securities

In 2021, as well as until the date of publication of this report, no issue, redemption or repayment of non-equity and equity securities took place.

20. Information on one or many transactions entered into by the Issuer or any of their subsidiaries with related entities, if these are significant individually or jointly and were concluded on non-market conditions, indicating their value

In the reporting period, neither the Parent Entity nor any of its subsidiaries entered into transactions on non-market or unusual terms and conditions or on conditions that would go beyond the ordinary course of operations of the enterprise with its related entities, which would be of significance jointly or individually.

Significant transactions with related entities have been described in the Note 29 of the Consolidated Financial Report for 2021. Transactions were executed with related entities on the basis of market conditions and they were typical and routine-based transactions.

21. Information on paid (or declared) dividends, in total and per share, by category of ordinary and privileged shares

In the first half of 2021, the Parent Entity neither paid nor declared dividend payment.

The Ordinary General Meeting of Shareholders dated 22.06.2021 passed a resolution to allocate profit earned in 2020 in the amount of PLN 6,069,537.74 in the following way: amount of PLN 1,636,627.42 towards the loss in the previous years and remaining amount to be allocated to supplementary capital.

22. Other information, which, in the opinion of the Management Board of the Company, is significant for assessment of its employment, assets, financial situation, financial result and any changes to the above and information, which is significant for assessment of ability of the Issuer to fulfill their obligations in the reporting period

This clause has been described in the next point.

23. Information about impact of pandemic COVID-19 on the financial statements of the Group

The impact of COVID-19 pandemic outbreak had no material impact on the Group's Financial Statement in the course of the reporting period.

The Company did not use public assistance as part of crisis mitigation and assistance programs prepared by the government of the Republic of Poland.

CI Games USA, Inc. was eligible to participate under the provisions of the CARES Act for Covid Economic Relief. Under the provisions of the Paycheck Protection Program CI Games USA, Inc. obtain financing of USD 37,102 (further described in point 8, Chapter III of Consolidated Financial Report for 2021).

24. Information about impact of the war in Ukraine on the financial statements of the Group

The war in Ukraine did not have impact on the financial statements of the Company nor the Group. There is no risk of going concern as the Group's operations in Russia and Ukraine are limited.

25. Indication of events and factors that occurred after the date of the annual financial statements, not included in this report, which may nevertheless exert significant impact on the future financial results of the Issuer

- The Group will continue to sell *Sniper Ghost Warrior Contracts* and *Sniper Ghost Warrior Contracts 2*, and games from United Label (*RÖKI*, *Eldest Souls*, *Tails of Iron*) with the large majority of sales being generated from digital distribution channels.
- The Group makes most of its revenue from sales in foreign currencies (mainly EUR and USD), and therefore currency exchange rates will impact the financial results of the Group in the future.
- The Group is currently focusing on the production of *Lords of the Fallen2* and *Sniper Ghost Warrior Next* and *Project Survive*. These projects are being simultaneously produced by separate internal dedicated studios and an internally-led external studio.
- The Group will pursue a UK listing on LSE to further grow the value of the Company and open investment opportunities to a larger international investment pool.
- The Group will further look to expand its product portfolio both as CI Games and United Label publishing labels. The Group has been working on several internally created game concepts that some of them may be green lighted to a full commercial production and publishing. The group has been as well in ongoing publishing discussions with various development studios across the globe.

V. Approval of the Management Report for 2021

The Management Board of CI Games S.A.

Marek Tymiński

CEO, President of the Management Board

David Broderick

CFO, Vice president of the Management Board

Monika Rumianek

Member of the Management Board

Warsaw, 07.04.2022



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