



CI GAMES CAPITAL GROUP

MANAGEMENT REPORT FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2022

Warsaw, 6th September 2022

TABLE OF CONTENTS

3
3

I. THE PROFILE OF ACTIVITY OF CI GAMES GROUP

7
7

II. FINANCIAL RESULTS

11
11

III. MANAGEMENT OF BUSINESS RISKS

19
19

IV. INFORMATION ON CORPORATE GOVERNANCE

28
28

V. APPROVAL OF MANAGEMENT REPORT

I.

THE PROFILE OF ACTIVITY 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 *The 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 14 million copies worldwide, while *The Lords of the Fallen* 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 S.A. (further "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 *The 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 player base with best-in-class sniping mechanics.

With regard to *The 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 *The Lords of the Fallen* (further *LotF*) fulfils its vision as CI Games' most ambitious souls like 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.

3. 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 favourable 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.

4. Key events in the Group in the first half of 2022 and until the report publication date – a description of significant achievements or failures with a list of the key associated events

- 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 favourable 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.
- On 01.03.2022, Supervisory Board of the Company appointed David Broderick on the position of Vice President of the Management Board/Chief Financial Officer. 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.
- On 29.04.2022 CI Games concluded a loan agreement with PKO BP S.A. a multi-purpose loan facility in the amount up to PLN 29 mln. The loan was granted for the period from 29.04.2022 to 31.12.2023. On 22.06.2022 the Company established loan collaterals: (a) the guarantee issued by Bank Gospodarstwa Krajowego up to PLN 23.2 mln and a blank promissory note issued for the benefit of Bank Gospodarstwa Krajowego; (b) a notarized declaration of submission to enforcement up to PLN 49.3 mln in accordance with art. 777 § 1, point 5 of Commercial Civil Code.
- CI Games S.A. announced on 17.05.2022 a tender offer to subscribe for the sale of 275,000 shares of United Label S.A. entitling to exercise 275,000 votes at the general meeting of United Label, which constitutes 21.57% of the share capital of United Label and 21.57% of the total

number of votes at the general meeting of United Label. The price of United Label S.A. shares in the tender offer was set at PLN 18.04 per share. After the settlement of the transaction for the purchase of the United Label's S.A. shares under the tender offer, the Company holds a total of 1,168,555 shares in the share capital of the United Label S.A., which constitutes 91.65% of the share capital of the United Label S.A and in the total number of votes at the general meeting of United Label.

- On 04.08.2022 the Company notified (current report no 19/2022) about intention to transfer the Company CI Games S.A. into an European Company ("EC"). In accordance with the first notification of its shareholders about intention to transfer into EC, the Company will be transferred from a Polish public limited company (public company of the Polish law) into European Company, subject to Polish law as the law of the state in which the Company will have its registered office after the transformation. Pursuant to Articles 552 of the Commercial Companies Code, the Converted Company (i.e. CI Games SE) will be entitled to all rights and obligations of the Company to be Converted (i.e. CI Games S.A.), and all assets and liabilities of the Company will become assets and liabilities of the Converted Company (upon continuation principle). The shareholders of the Company will automatically become shareholders of the Converted Company (i.e. EC). An important consequence of the transformation for the Company will be the change in the corporate governance model adopted in the Company: in accordance with the Company's transformation plan published on 04.08.2022, the existing dualistic corporate governance model in the Company, assuming the existence of the Management Board and Supervisory Board, is to be replaced by a monistic model, whose management functions, representation of the Company and permanent supervision over the Company's operations will be concentrated in one body - the Administrative Board. The Company notified shareholders twice about intention to transfer the Company (on 04.08.2022 and 19.08.2022).
- After 7 months of 2022, the volume of sold units of *the Sniper* series exceeded 14 million.
- On 23.08.2022, the global marketing campaign for *The Lords of the Fallen* was initiated. The title's Announcement Trailer premiered during Geoff Keighley's 'Opening Night Live' at Gamescom - one of the most prestigious gaming events of the year, at which time, the store pages also went live with the ability to wishlist. The trailer, featuring a new logo and key art, repositioned the game as a reboot as opposed to direct sequel to the original 2014 hit. This will allow the new title to appeal to a much wider audience, as it removes the barrier to entry that a direct sequel can potentially create to franchise newcomers.
- The Announce Trailer has now generated a combined 13 million views on YouTube across 159 separate uploads - it is the most watched trailer from Gamescom on the Gamespot official channel with 1.1 million views, the joint most watched trailer from Gamescom on PlayStation's official channel with 1.5 million views, and received 29.5% of votes in an IGN user poll asking readers to vote for their 'favorite Opening Night Live next-gen reveal' (over 6000 votes). The Announce Trailer has been viewed over 61.5 million times across all platforms with 897 uploads, and has featured in over 755 media articles worldwide. In total, it has generated over 200 million impressions.
- In less than seven days, *The Lords of the Fallen* had achieved 130% of the Steam wishlists that *Sniper Ghost Warrior Contracts 2* had generated during its entire nine month marketing campaign from announcement to the day before release.

1. Financial performance in the first half of 2022

Consolidated Financial results

Profit and Loss Accounts	1H2022	1H2021
	PLN'000	PLN'000
Net revenue from sales	30,461	49,224
Gross profit on sales	22,547	28,856
<i>Sales margin (%)</i>	74.0%	58.6%
Selling costs	(3,832)	(9,063)
General and administrative costs	(7,462)	(3,318)
Other operating cost and income	(245)	841
Profit from operating activities	11,008	17,316
<i>Operating margin (%)</i>	36.1%	35.2%
Reported EBITDA	15,303	29,559
<i>EBITDA (%)</i>	50.2%	60.0%
Gross profit (loss)	13,521	17,638
<i>Gross profit (%)</i>	44.4%	35.8%
Net profit (loss)	13,344	13,582
<i>Net margin (%)</i>	43.8%	27.6%
Adjusted EBITDA	16,068	29,559
<i>Adjusted EBITDA (%)</i>	52.7%	60.0%

In the first six months of 2022 there was no new releases of the games, therefore revenues generated by the Group (PLN 30.5m) were lower compared to the revenues generated in the respective period of 2021 (PLN 49.2m). The game *Sniper Ghost Warrior Contracts 2*, which was released in June 2021, had a major impact on the Group's financial performance in 2021 and the first half of 2022 as well. This game continues to contribute significantly to the Group's revenues, accounting for 55% (63% in 1H2021) of consolidated revenues in the first half of 2022, while *Sniper Ghost Warrior Contracts* (released in November 2019) generated 15% revenues in this period (23% in 1H2021). Games from United Label S.A. portfolio contributed 11% to semi-annual sales of 2022 (2% in 1H2021).

The share of digital sales in total revenues increased from 77% in H12021 to 93% in H1 2022 due to the absence in H12022 of a new release which would usually give rise to large box sales on the release date as was the case for the same period last year.

Production costs consisted mainly of amortisation of development work on *Sniper Ghost Warrior Contracts 2* in 1H2022, while in the previous period they included both *Sniper Ghost Warrior Contracts 2* and *Sniper Ghost Warrior Contract* amortisation and higher cost of producing physical media.

Increase of Sales margin from 58.6% in 1H2021 to 74.0% in 1H2022 is mainly attributable to lower proportion of cost of goods sold as % of sales (decline from 41.4% to 26.0%) which resulted from lower amortisation cost (finished amortisation of SGWC in September 2021 and the fact that unit amortisation of SGWC was higher compared to an unit amortisation cost of SGWC 2) and decrease cost of producing physical boxes.

The Group incurred a decline in selling costs from PLN 9.2m in 1H2021 to PLN 3.8m in 1H2022 as the selling costs are partially connected with marketing campaign which intensify before the release of

the games. An increase in G&A costs (PLN 7.5m in 1H2022 vs. PLN 3.3m in 1H2021) is the result of growing headcount and the related costs, and also costs incurred in connection with dual listing.

Operating profit in 1H2022 totalled PLN 11.0m and in value terms it was lower compared to the respective period of 2021 (PLN 17.3m), however in terms of profitability the Group noted a slight improvement generating operating margin at 36.1% (vs. 35.2% in 1H2021).

The 1H2022 reported EBITDA amounted to PLN 15.3m (50.2%) compared to PLN 29.6m (60.0%) in 1H2021. The reported EBITDA has been adjusted by a non-cash item (PLN 764) related to the recognition of a motivational plan.

The Group posted a net profit of PLN 13.3m with profitability at 43.8% net margin in 1H2022, compared to PLN 13.6m (margin 27.6%) in 1H2021.

Consolidated balance sheet

Balance sheet	as of 30.06.2022	as of 31.12.2021
	PLN'000	PLN'000
Non-current assets	120,543	90,767
Current assets	45,990	61,345
Total assets	166,533	152,112
Equity	148,742	135,109
Initial capital	1,829	1,829
Liabilities	17,791	17,003
Non-current liabilities	5,954	6,839
Current liabilities	11,837	10,164
Total equity and liabilities	166,533	152,112

The balance sheet of CI Games Group as of 30.06.2022 totalled PLN 166.5m and was up by 9% compared to the balance sheet total at the end of 2021. The main item behind this change was the rise in net book value of intangibles (by PLN 31.3m) which netted of decline in current assets (mainly cash).

As 30.06.2022, total liabilities & equity rose mainly as a result of an increase in own equity following generated profit.

Consolidated cash flow

Statement of cash flow	6M2022	6M2021
	PLN'000	PLN'000
Net cash flows from operating activities	15,537	10,849
Net cash flows from investing activities	(34,966)	(18,488)
Net cash flows from financing activities	(522)	(338)
Net cash flows	(19,951)	(7,977)

In 1H2022 operating cash flow totalled PLN 15.5m and was due mainly to the conversion of trade receivables into cash.

In 1H2022 net cash flow from investing activities totalled PLN (35.0)m which related almost exclusively to development expenses of *The Lords of the Fallen*, *Sniper Ghost Warrior Next* and *Project Survive*.

Net cash flow from financing activities amounted to PLN (0.5)m. This item consisted mainly of payment of finance lease liability.

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

Between January 1st and June 30th, 2022, no extraordinary events took place, which would exert impact on the financial results achieved.

3. Assessment of ability to achieve the investment goals

CI Games Capital Group is capable of financing investment projects. Production of the *Sniper Ghost Warrior Next*, *The Lords of the Fallen* and *Survive* games is to be financed from own funds and a bank loan.

4. Information on financial projections

In the first half of 2022, the Management Board of the Company did not publish any forecasts concerning the consolidated results of CI Games Capital Group or individual results of the Issuer.

5. Information on significant transactions related to purchase and disposal of tangible assets

In the first half of 2022 and until the date of publication of this report, there were no significant transactions for purchase and sale of tangible assets.

6. Information on significant liabilities due to purchase of tangible assets

In the first half of 2022 and until the date of publication of this report, there were no significant liabilities related to purchase of tangible assets.

7. Information on loan and credit agreements, including their maturity periods and surety and guarantee agreements of CI Games Capital Group

The Company signed a bank loan agreement further described in the Section IV, point 13.

Parent Entity granted loans to its subsidiaries – it is described in the Section IV, point 14.

After the balance sheet date, CI Games entered into forward contracts described in Section IV, point 13.

As of 30.06.2022, the Group had no other conditional liabilities.

8. Information on loans granted by CI Games Capital Group

In the first half of 2022, neither the Company nor CI Games Capital Group, including all subsidiaries of the Group, granted any loans to employees, partners or contract parties of substantial unit value.

9. Indication of adjustments of errors for previous periods

In the reporting period, no adjustments of significant errors were made with regard to financial statements from previous periods.

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.

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. CI Games also suspended the sale of its products in the territory of Russia and Belarus. 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 behaviours 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 favourable 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, favouring 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 unfavourable 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

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, labour 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 catalogue 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.

Labour 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 labour 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 labour 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 unfavourable 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 July 2022, the Company entered into forward contracts for USD sale, which will be executed in the period September 2022- March 2023.

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 fulfilment 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 catalogue 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 the governing bodies of the Parent Entity

Management Board of the Parent Entity in the first half of 2022:

Marek Tymiński	CEO, President of the Management Board
David Broderick	Vice President of the Management Board from 01.03.2022
Ido Hochman	Member of the Management Board from 24.01.2022 to 31.01.2022
Monika Rumianek	Member of the Management Board until 05.07.2022

Composition of the Supervisory Board of the Company in the first half of 2022 was as follows:

Ryszard Bartkowiak	Chairman of the Supervisory Board
Rafał Berliński	Member of the Supervisory Board
Marcin Garliński	Member of the Supervisory Board
Grzegorz Leszczyński	Member of the Supervisory Board
Adam Niewiński	Member of the Supervisory Board

2. 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 the Company's shareholders as of the date of publication of this report.

On 16.05.2022, the Company received from Rockbridge Towarzystwo Funduszy Inwestycyjnych S.A. with its registered office in Warsaw, acting on behalf of and for the benefit of the investment funds managed by it, with the reduction of the funds' share in the total number of votes at the general meeting of the Company below the 5% threshold and disposal of all the Company's shares.

On 16.05.2022, the Company received a notification from the Active Ownership Fund Sicav-FIS SCS based in Luxembourg about the purchase of a total of 25,842,439 shares of the Company, which constitutes 14.13% of the total number of shares and votes at the general meeting of the Company. Detailed information on changes in the ownership structure of significant blocks of the Issuer's shares received pursuant to the applicable regulations was provided by the Company in current reports no. 22/2022 and 11/2022.

On 22.08.2022, the Company received a notification from the Active Ownership Fund Sicav-FIS SCS based in Luxembourg about the purchase of additional 9,147,021 shares of the Company, which constitutes rounded 5% of the total number of shares and votes at the general meeting of the Company. Detailed information on changes in the ownership structure of significant blocks of the Issuer's shares received pursuant to the applicable regulations was provided by the Company in current report no. 22/2022. Total volume of total purchased shares by Active Ownership Fund Sicav-FIS SCS is 36,568,931, which constitutes 19.99% of the total number of shares and votes at the general meeting of the Company.

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%
Active Ownership Fund Sicav-FIS SCS	36,568,931	19.99%
Other shareholders	92,290,514	50.99%
Total	182,943,015	100.00%

3. 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 06.08.2022 (report publication date)
Marek Tymiński	President of the Management Board	53,083,570	53,083,570
Marcin Garliński	Member of the Management Board	40,000	40,000
Rafał Berliński	Member of the Supervisory Board	66,000	66,000

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.

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 Supervisory Board of the Company, holds 66,000 shares of the Issuer, constituting 0.04% 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 the first half of 2022 and as of the date of the release of this report.

4. 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.

5. 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.

6. 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 totalling PLN 40,000,000 (forty million zloty)
- ii) combined net profit of CI Games Group in fiscal years 2021-2023 totalling 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 President of the Management Board/Chief Executive Officer.

The Company's Managing Board designated persons, who participate in the incentive program and with respect to Members of the Issuer's Managing Board, such persons were 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 incentive program referred to above was adopted for the years 2021–2024.

The accounting policy related to recognition of this share-based plan is described in Consolidated Financial Report for the first half of 2022, in Section II, point 6.

In the first six months of 2022, the Company concluded agreements for participation in the motivational program with selected persons by the Board and with Board members designed by the Supervisory Board. As of 30.06.2022, 5,905,000 entitlements (adjusted by the leavers after the balance sheet date) have been granted under this program and its recognition on the financial statement in the first half of 2022 was as follows:

Share-based program	01.01.2022- 30.06.2022
	PLN'000
Costs of products sold	306
Selling costs	92
General and administration costs	366
Operating costs	764
	as of 30.06.2022
Reserve capital - cost of incentive program	764

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

As of 30.06.2022, 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 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. The share capital is GBP 100. 100% shares held by CI Games S.A.

CI Games Mediterrean Projects, S.L. with a registered office in Barcelona, Spain. The share capital is EUR 3,000. 75% shares in this company are held by CI Games S.A. The company is involved in the production of *The Lords of the Fallen* game.

CI Games Bucharest Studio S.R.L with the seat in Bucharest, Romania. The share capital is LEI 200. 100% shares owned by CI Games S.A. The company is involved mainly in the production of *The Lords of the Fallen* game.

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

On 17.05.2022, CI Games S.A. announced a tender offer to subscribe for the sale of 275,000 shares of United Label S.A. entitling to exercise 275,000 votes at the general meeting of United Label, which constitutes 21.57% of the share capital of United Label and 21.57% of the total number of votes at the general meeting of United Label. The Company holds 1,000,000 S.A. United Label shares entitling to exercise 1,000,000 votes at the United Label S.A. general meeting, which constitutes 78.43% of the United Label S.A. share capital and 78.43% of the total number of votes at the United Label S.A. general meeting. The tender offer is announced pursuant to Art. 91 Section 5 of the Act of 29th July 2005 on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organized Trading,

and Public Companies "Act". The price of United Label shares in the tender offer was set at PLN 18.04 per share.

The intention of CI Games is to withdraw the shares of United Label S.A. from trading on NewConnect. For this purpose, after the end of the tender offer, the Company plans to procure the adoption of a resolution at the general meeting to withdraw the shares of United Label S.A. from trading on NewConnect, and then apply to the Polish Financial Supervision Authority for a relevant permit. In addition, after the tender offer, depending on its results, CI Games will consider a compulsory buyout (squeeze out) of United Label S.A. shares. on the terms set out in Art. 82 of the Act.

On 01.04.2022 Mr. David Broderick became the Director of CI Games UK Ltd. replacing Ms. Monika Rumianek who served in this role.

On 01.09.2022, Mr. Grzegorz Leszczyński submitted his resignation from the function of a member of CI Games S.A. Supervisory Board.

On 05.09.2022 the Ordinary General Meeting appointed Mr. Jeremy M.J. Lewis as a Member of the Supervisory Board of the Company.

9. 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) represent at least 10% of equity of the Parent Entity.

In the Annual Report published on March 27, 2020, the Company has disclosed the initiation of court proceedings on October 17, 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 District Court in Warsaw against these entities due to the unlawful drawing of funds from a bank guarantee, overpaid operating costs and overpaid rent. The total value of the object of litigation is PLN 891 thousand. The first hearing in the case took place on 09.06.2022. The court set the date of the next hearing for 23.09.2022. As of the report publication date, the case remains pending.

10. Information on significant settlements due to court cases

In the first half of 2022, there were no significant settlements due to court cases.

11. Information on the failure to repay credits or loans or breaches 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

In the first half of 2022, there were no breaches of the loan's agreement terms.

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

In the first half of 2022, no changes took place in classification of financial assets due to a change in the purpose or use of these assets

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

As of 30.06.2022 r. Dominant entity had the following contingent liabilities:

- On 29.04.2022 CI Games S.A. signed a loan agreement with PKO BP S.A. A. a multi-purpose loan facility in the amount up to PLN 29 mln. The loan was granted for the period from 29.04.2022 to 31.12.2023. The loan can be drawn in EUR or/and PLN depending on the Company's disposal. The interest on the loan is set up at WIBOR 1M for loan in PLN and EURIBOR 1M for loan in EUR increased by the bank's margin. On 22.06.2022 the Company established below mentioned loan's collaterals:
 - the guarantee issued by Bank Gospodarstwa Krajowego up to PLN 23.2 mln and a blank promissory note issued for the benefit of Bank Gospodarstwa Krajowego;
 - a notarized declaration of submission to enforcement up to PLN 49.3mln in accordance with art. 777 §1, point 5 of Commercial Civil Code.

As of 30.06.2022 the Company did not draw any tranches from this loan.

- On 27.07.2022, the Company purchased seven forward contracts for sales of USD 2.1 million at an exchange rate of PLN/USD 4.8110 with an execution period September 2022 – March 2023.

As of the date of this report, the Group did not have any other contingent liabilities.

14. Information on credit or loan sureties or warranties made 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 represents the equivalent of at least 10% of Company's equity

In the period between January 1, 2022 and June 30, 2022, 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.

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 (further increasing the loan limit to PLN 5.5 million). The deadline for full repayment of the loan is December 12.12.2023. The loan interest rate is equal to WIBOR 3M base rate plus margin. The loan balance as of 30.06.2022 amounted to zero PLN.

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 thousand. The term of the loan is no longer than 5 years. The loan interest rate is equal to 4%. Annex to this loan agreement was signed on 17.03.2021, increasing the loan limit to EUR 1,650 thousand. Second Annex (dated 24.05.2021)

increased the loan limit to EUR 3 million. As of 30.06.2022, the loan balance amounted to PLN 4,234 thousand (capital and interest) 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 thousand. The deadline for full repayment of the loan is 30.04.2021. The loan interest rate was equal to EURIBOR 3M base rate increased by a margin. Annex to this loan agreement was signed on 22.03.2021, increasing the loan limit to EUR 400 thousand and extending the repayment date until 31.12.2021. As of 30.06.2022, the loan balance amounted to PLN 63 thousand (interest).

15. Information on issue, redemption and repayment of non-equity and equity securities

In the 1st half of year 2022, as well as until the date of publication of this report, no issue, redemption or repayment of non-equity and equity securities took place.

16. 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 Statements Report ended 31.12.2021 prepared in accordance with IFRS. In the first half of the 2022, transactions were executed with related entities on the basis of market conditions, and in the opinion of the Management Board of the Company, they were typical and routine-based transactions.

17. Information on paid (or declared) dividends, in total and per share, divided by ordinary and preferred shares

The Company did not pay dividends in 2022. The Ordinary General Meeting of Shareholders dated 05.07.2022 passed a resolution to allocate profit earned in 2021 in the amount of PLN 33,320,157.52 in the following way: amount of PLN 33,320,157.52 (in words: thirty three million three hundred and twenty thousand one hundred and fifty-seven 52/100) to the Company's supplementary capital.

18. Other information, which, in the opinion of the Management Board of the Company, is material for the assessment of its employment, assets, financial situation, financial result and any changes to the above and information which is significant for the assessment of the Company's to fulfil its obligations in the reporting period

In the first half of year 2022, no events occurred, which would exert a negative impact on assessment of capability of the Parent Entity and the Capital Group to settle their liabilities.

19. Events and factors which could impact the future financial results in the following or subsequent quarters

- The Group will continue to sell *Sniper Ghost Warrior Contracts* and *Sniper Ghost Warrior Contracts 2*, and games from United Label S.A. (*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 *The Lords of the Fallen*, *Sniper Ghost Warrior Next* and *Project Survive*. The first two projects are being produced by internal dedicated studios (Hexworks and Underdog Studio) in co-operation with external subcontractors. The third game is being produced by an external studio BatFields s.r.o. in co-operation with key personnel from the Company.
- 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 S.A. 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 MANAGEMENT REPORT

Approval of the Management Report for the period from January 1, to June 30, 2022 by the Management Board of CI Games S.A.:

Marek Tymiński

CEO, President of the Management Board

David Broederick

CFO, Vice President of the Management Board

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