



GAMES

CI GAMES
CAPITAL GROUP

Management Report on the Group's Activities in 2022

Warsaw, 27 April 2023

Revenue PLN 56.7m

2022	PLN 56.7m	
2021		PLN 105.5m
2020	PLN 46m	
2019	PLN 47.5m	

Operating profit PLN 7.8m

2022	PLN 7.8m	
2021		PLN 40.2m
2020	PLN 8.7m	
2019	PLN 1m	

Operating profit margin 13.8%

2022	13.8%	
2021		38.2%
2020	19%	
2019	2.2%	

Net Result PLN 8.5m

2022	PLN 8.5m	
2021		PLN 38.3m
2020	PLN 7m	
2019	PLN 2.8m	

EBITDA PLN 16m

2022	PLN 16m	
2021		PLN 60.4m
2020	PLN 27.8m	
2019	PLN 20.5m	

Earnings per Share 0.04

2022	0.04	
2021		0.20
2020	0.04	
2019	0.02	

Cash & Cash Equivalents PLN 6.6m

2022	PLN 6.6m	
2021		PLN 37.8m
2020	PLN 8.2m	
2019	PLN 6.6m	

NON-FINANCIAL HIGHLIGHTS

- Company successfully transformed from CI Games S.A. to CI Games SE, facilitating access to a wider and more diversified investor base.
- Officially announced the Lords of the Fallen, an all-new AAA action-PRG and full reboot of the popular 2014 title, securing significant worldwide interest via its high-impact early marketing campaign. Currently the 18th most wishlisted upcoming game on Steam.
- Secured CI Games' first cover story with EDGE magazine, one of the world's most prestigious gaming publications, with Lords of the Fallen.
- Sniper Ghost Warrior Contracts 2 achieved 1 million sales in less than a year after release, with the franchise surpassing 13 million total sales.
- Released an evolved roadmap and strategy for future growth, built around seven key pillars, with significant ambition for both established and brand new IP.
- Announced development of two brand new, major, internal IPs, Project: Survive and Project: Scorpio, further diversifying the CI Games portfolio and strengthening future revenue potential.

Growth Based on Seven Pillars

Established ongoing business model based on seven pillars:

Lords of the Fallen, Sniper Ghost Warrior , Project Survive, United Label, Project Scorpio, Project Expand & Project Potential

Community Expansion

All future CI Games titles will include a multiplayer component for improved revenue and community growth potential.



Overview

CI Games (WSX: CIG) is an independent global video games developer and publisher of premium video games content, with studios and publishing teams across key European locations and the United States.

2022 was a transitional year for CI Games, as we advanced with our mission to continually develop both new and existing brands, that are renowned and enjoyed at a global scale, and celebrated for quality, creativity, and innovation, and as we strive to ensure a strong and sustainable financial outlook for the future.

We added new key pillars to our growth strategy, continuing diversification of our portfolio strategy and drive CI Games' future success. With no new title releases in year, our revenues have come from our continually strengthening back catalogue portfolio.

Our costs have risen with the increase of our international marketing and sales teams to fulfil our upcoming pipeline and the marketing campaign commencement for Lords of the Fallen.

Our EBITDA margin is 28.4%.

Results

CI Games Group delivered net revenue of PLN 56.7m (2021: PLN 105.6m), with EBITDA of PLN 16.1m (2021: PLN 60.4m) and net profit of PLN 8.6m (2021: PLN 38.3m) in 2022. At the year end, the Group had net debt of PLN 12.0m (2021: PLN 37.8m cash position) excluding finance lease liability related to an office leases). Within our 2022 results there are one off costs of PLN 11.8m that mostly relate to the advance marketing of Lords of the Fallen and the dual listing associated process.

Our catalogue sales have performed strongly for us in a year with no new title releases, and increased expenditure across our 2023-2025 new release pipeline, accounting for 100% of our net revenue (2021: 28%).

Digital sales accounted for approximately 89% of 2022 group net revenue and physical sales represented approximately 10%, and our outlook remains that digital sales will continue to grow as a proportion of group net revenue over the coming years.

Strategy

In 2022, we expanded on our four-pillar strategy to demonstrate our 5 year plan to continue to build 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.

The expansion introduced 3 new pillars, one of which is a new tactical multiplayer IP that will expand our strong foothold in the Shooter genre and enable the potential to move into a post launch live service model.

We now have four 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.

We self-publish all our products, selling directly through digital outlets globally and through distributors for physical sales, which provides us with the maximum margin potential.

Our Key Pillars:

- I. **Lords of the Fallen:** A fully reimagined, modernized reboot of the popular IP has been developed by our internal studio Hexworks, which has operated fully remotely since its inception in 2019. Our studio of 80+ internal development team members are working closely with third party developers and freelancers across various disciplines in the development of the game, which is now at the final stages of production. We started the global marketing campaign of the game during the third Quarter of 2022, and the reception has been strong, positioning the title as a highly anticipated AAA Action RPG release for 2023.
- II. **Sniper Ghost Warrior:** The next game within our Sniper Ghost Warrior franchise is already in mid- development. It will continue to be directionally driven by our in-house senior team at Underdog Studios, but the remaining development will be with an external studio whilst Underdog development team focus on the production of our new IP, Project Scorpio.
- III. **Project Survive:** Has been in steady production throughout 2022, being developed with Batfields Studio, an external developer out of the Czech Republic. The survival genre has seen tremendous growth over the past years, and great opportunity for us to add to our future portfolio this new fully owned intellectual property for CI Games. Global Marketing will begin late 2023 with a plan to release in 2024.
- IV. **United Label:** The indie publishing label has had a successful 2022, building on the lifecycle opportunities for the three games released across 2020 and 2021, and continued production on two new releases for 2023, for which marketing campaigns will begin late 2022. The business development team at United Label continues to actively look for new publishing projects, with a focus on bringing attractive content to global audiences and expanding our portfolio of games further.
- V. **Project Scorpio:** Our internal studio Underdog are already in early stages of development for what will become our fourth CI Games owned IP. This premium multiplayer PVE tactical shooter will expand our foothold in the shooter genre, and offers potential to enter the market growing and extremely profitable live service segment post the launch of the game.
- VI. **Project Potential:** One of two future pillars for growth, Potential is focused on exploring options to partner with strong external IP with the intention to launch new games through re-purposing our existing franchise tech and maximising use of our development teams skill and expertise.
- VII. **Project Expand:** The second of our future pillars is capitalising further our strong franchises through licensing and partnerships with external partners.



People

We have continued to strengthen our international executive team throughout 2022. After the appointment of David Broderick to the management board as Chief Financial Officer for the group, we also welcomed Kirsty Moore, previously at Rebellion, as our HR Director, Jon Tibble, previously Codemasters, Vivendi and Motorsport Games, as our VP Global Sales and Mich Davis, previously Team17, THQ and Twentieth Century Fox, as our Global Marketing Director.

Operating fully remotely across key global locations, majority in Europe, we supplement our teams in keeping with our people strategy, working with only the most senior and experienced freelance and external development teams, which currently increases our numbers to over 300 skilled individuals working on our current pipeline, 89% of which are focused on game development. Our internal teams equate to 160+ highly qualified, best-in-class gaming professionals.

Transition to a European Entity

Our efforts in 2022 to become a European entity were successful, and as of 17th March 2023, we became CI Games SE. We continue to work with Joh.Berenberg, Gossler & Co. KG, London Branch towards a potential dual listing of the company's shares on the London Stock Exchange'.

Outlook

Although a reparative year for the Global market coming out of lockdown growth periods, the number of gamers continued to grow as did the emerging markets across MEA and Latin America regions. The analysts predict the Global market will see revenue growth again over the next 3 years and that gamers will continue to increase in numbers.

With Lords of the Fallen due to launch later this year, being CI Games' largest ever project that seeks to capitalise on the continuing growth in popularity of the genre around the world, we remain extremely positive for the current financial year and the continued evolution of the business. With our new in-development IPs, Project Survive and Project Scorpio, and our big ambitions to ensure the next Sniper Ghost Warrior title will bring the franchise to a larger audience than ever before, we are enormously excited for 2024 and beyond.

CI Games is focused on launching new major titles every 12-18 months. This will 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 want to thank all our employees, partners and suppliers for their hard work and commitment during 2022. 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 2023 and beyond.

Marek Tymiński
CEO, President of the Board
27 April 2023



TABLE OF CONTENTS

I.

THE PROFILE OF CI GAMES CAPITAL GROUP

7

II.

FINANCIAL RESULTS

17

III.

MANAGEMENT OF BUSINESS RISK OF THE GROUP

21

IV.

INFORMATION ON CORPORATE GOVERNANCE

29

V.

APPROVAL OF THE MANAGEMENT REPORT FOR 2022

40

I. THE PROFILE OF CI GAMES GROUP

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

- CI Games Spółka Europejska (“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. on 17.03.2023 transformation of CI Games SA into CI Games SE was registered in the Register of Entrepreneurs of the National Court Register by the District Court for the Capital City of Warsaw in Warsaw, 13th Commercial Division of the National Court Register, under KRS number 0001025884.
- The registered office of the Company is located in Warsaw at Rondo Daszyńskiego 2B.
- 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. Growth Strategy

The studio will continue to develop both new and existing IPs with strong global sales potential, to ensure consistent financial growth. This is detailed further in the CI Games Corporate Strategy, found [here](#).

On 24th October 2022, the studio outlined an [evolved roadmap and strategy](#) for future growth, with significant ambition for both established and brand new IP over the next five years. The updated vision is centred on seven core pillars; the overall aim is to reinforce the company’s solid foundation, facilitate further brand and team development, and ensure exponential financial growth.

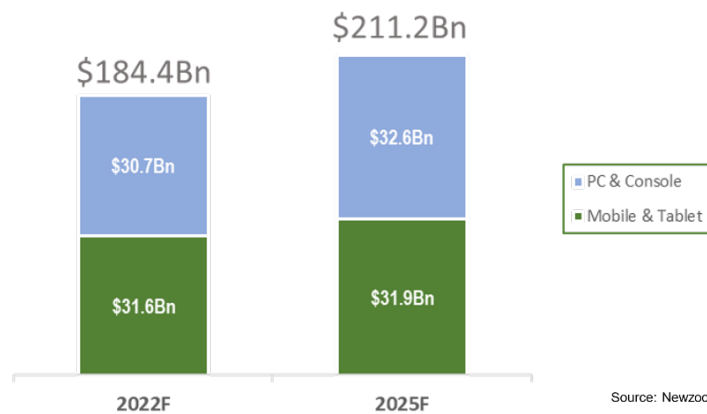
CI Games will develop all current and future titles using Unreal Engine 5, all of which will include a multiplayer component for improved revenue and community growth potential.

3. Market Overview

Market analyst, Newzoo1 estimates Global gamers grew to 3.2 billion and generated global revenues of c. \$184.4bn in 2022, down 4.3% YoY in what is being viewed as a 'corrective' year following two years of lockdown fueled growth. Consoles saw a decline in spending due to fewer releases, whereas PC gaming saw a slight growth as not so reliant on 'hit-driven' titles. Newzoo predicts the Global Market is set for growth again, reaching \$211.2Bn by 2025, driven predominantly by PC & Console and the continued growth of Global gamers which they forecast will reach 3.6Bn.

Global Games Market to reach \$211.2Bn

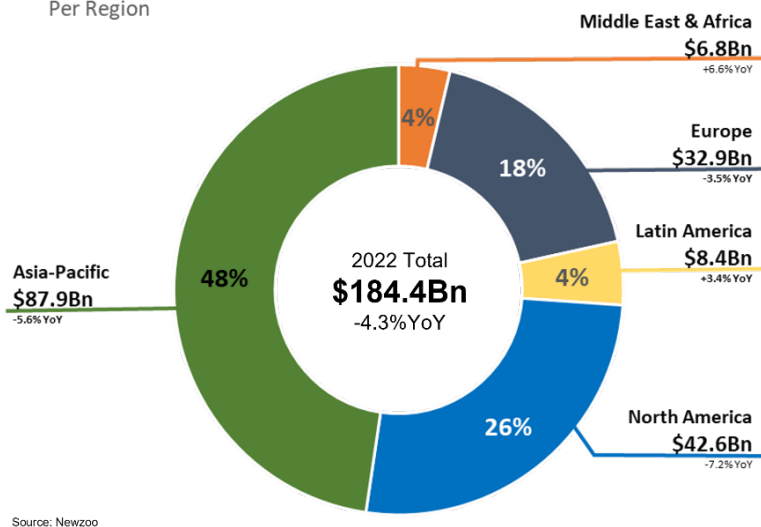
+3.4% CAGR 2020-2025



Asia-Pacific slightly reduced their share of market revenue to 48% and the MEA and Latin America regions continued to show growth. North America increased its share although seeing a YoY decline in revenues.

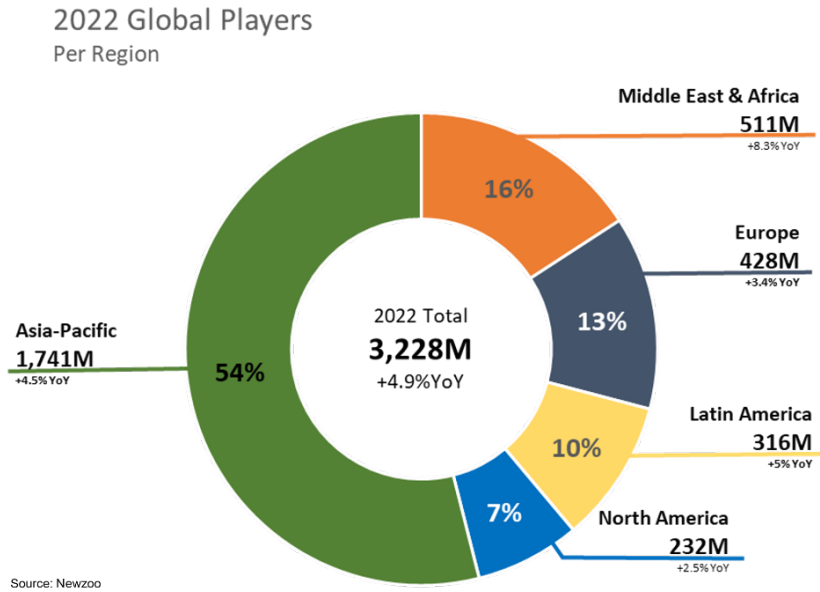
2022 Global Games Market

Per Region

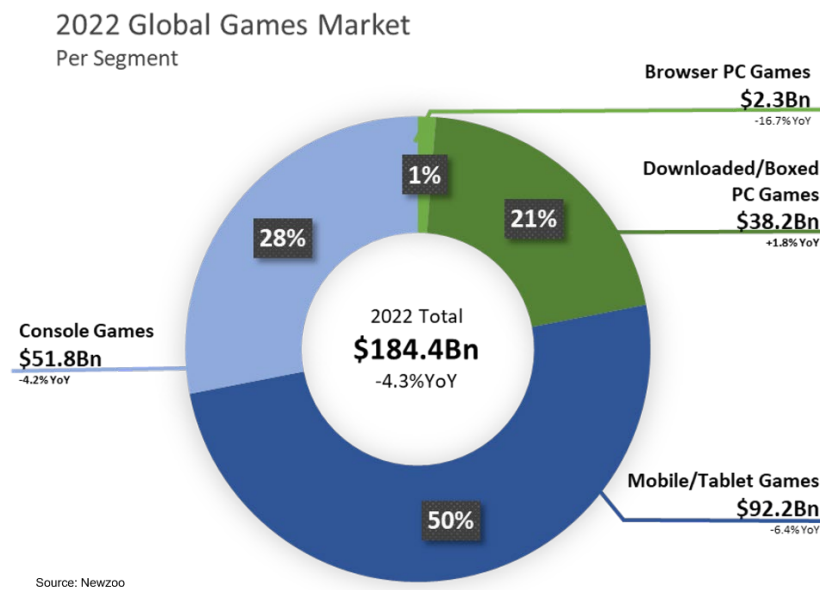


1 Global Games Market Report, Newzoo, 2022

The Games Market saw a healthy increase in gamers across all regions, with Global Players reaching 3.2M, a growth of +4.9% YoY.



In 2022, 50% of global revenues were on mobile devices (smartphones and tablets), with 28% on consoles, with the remaining 22% on PC (both via download and browser-based games).



4. Our Games

Lords of the Fallen

Lords of the Fallen is an all-new AAA action-RPG, releasing on PC, PS5 and Xbox Series X/S in 2023. Developed by a team of industry veterans using cutting-edge UE5 technology, it is a full reboot of the original 2014 game enjoyed by over 10 millions players globally, and will feature vast improvements in all aspects.

Originally announced during Opening Night Live at Gamescom 2023, the title has received significant global attention, and is currently the 18th most wishlisted game on Steam. The marketing campaign will ramp up in Q2, with the release of a Gameplay Reveal trailer alongside the start of Pre-Orders.

Project: Survive

Project: Survive (working title) will be the third major IP for CI Games, in development using Unreal Engine 5 for PC and latest gen consoles. Having recognised an opportunity within the highly successful survival genre, our ambition is to develop a title with mass market appeal, featuring genre-leading visuals, alongside best-in-class gameplay systems and a commercially-sound theme.

The creative direction is being driven in-house with development outsourced to partner studio, Batfield Studio.

Project: Scorpio

The fourth major IP for CI Games, Project: Scorpio (working title) will be a premium online multiplayer PVE tactical shooter, in development using Unreal Engine 5 for PC and latest gen consoles.

The title will adopt the highly successful GAAS model - including in-game purchases, expansions, and events - to sustain high community engagement and deliver strong ongoing revenue.

Sniper Ghost Warrior

The latest iteration in the popular series, Sniper Ghost Warrior Contracts 2 passed the million sales threshold in May 2022, less than a year after its release on 4th June 2021.



2022 has been a successful year for United Label S.A - revenue remained strong for its three titles while the studio successfully secured new commercial opportunities.

- All three of its titles were included as part of an agreement with Sony PlayStation to include them in the PS Plus subscription service during 2023.
- Tails of Iron went live in April 2023, and within the first two weeks has doubled its already strong global playerbase, with many more PS+ gamers having downloaded the title.
- UL will target this significantly increased playerbase with a new premium expansion launching in May.
- The next project from the developers of Tails of Iron, as well as the brand new IP, Beyond Galaxy Land, are planned to be announced later this year.



7. 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 and profits 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.

8. 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	2022		2021	
	PLN'000	% share	PLN'000	% share
Sales of physical products	5,668	10%	32,891	31%
Digital sales	50,620	89%	72,296	69%
Other sales	406	-	341	-
Total	56,694	100%	105,528	100%

An increase from 69% share of digital sales in total revenues in 2021 to 89% in 2022, is attributable to the fact that the share of digital sales is increasing with the length life of a game, while the highest sales of physical products is noted a few months after the release of a game (there was no new release in 2022).

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

Revenues	2022	2021
	PLN'000	PLN'000
Export	56,795	104,041
<i>share (%)</i>	100%	99%
Domestic	(101)	148
<i>share (%)</i>	0%	1%
Total	56,694	105,528

The following clients each comprised more than a 10% share in sales of the Group in year 2022:

- Valve Corporation (32% sales value) – an entity unrelated to the Group, via the Steam platform for digital sales of games;
- Sony Interactive Entertainment (30% sales value) – four legal entities from Europe, USA and Japan unrelated to the Group, via the PlayStation for digital sales of games;
- Microsoft Corporation (19% sales value) – an entity unrelated to the Group, via the Xbox platform for digital sales of games;

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

CI Games Group has a dispersed base of suppliers, none of which exceeded the threshold of 10% in value of purchases in year 2022. Key suppliers of the Group include subcontractors delivering game production components, companies that render services in physical game production, suppliers of marketing services.

9. Key events in the Group in 2022

- 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 S.A., 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 S.A. The company plans to have a resolution passed at the General Meeting to delist the shares of United Label S.A. from trading on the NewConnect and then apply to the Financial Supervision Commission for the relevant authorization.

- 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 conversion. 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 conversion for the Company will be the change in the corporate governance model adopted in the Company: in accordance with the Company's conversion 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). The Extraordinary General Meeting convened on 05.09.2022 did not adopt a resolution on the conversion of the Company into a European company (SE) pursuant to Art. 2 clause 4 and art. 37 of Council Regulation (EC) No 2157/2001 of October 8, 2001 on the Statute for a European Company (SE) and resolutions related to the conversion process, about which the Company informed in detail in the current report no. 26/2022, 28/2022 and 29/2022. On 12.09.2022 (current report no 31/2022) the Company informed that it continues the process of conversion into a European Company (SE), in accordance with the assumptions previously provided by the Company, referred to, among others, in the documents prepared for the purposes of conversion into an SE published by the Company so far. In current report No. 34/2022 of 23.12.2022, the Company updated the information on the conversion process indicating that the conversion will take place without changing the structure of the Company's bodies. The Management Board of the Company considered it advisable for the Company to continue its activities in the form of an SE, in which the management and supervisory functions will be divided, as before, between the Management Board and the Supervisory Board. By current reports No. 35/2022 and No. 2/2023, the Company published the legally required information regarding the planned conversion, including the new draft of conversion plan and other documents published by the Company in connection with the conversion. At the Extraordinary General Meeting of the Company on 8 February 2023, the General Meeting adopted a resolution on the conversion. On 17.03.2023, the District Court entered CI Games SE in the Register of Entrepreneurs of the National Court Register, on which date the conversion of CI Games S.A. into a European company became effective.

- A global marketing campaign for Lords of the Fallen was launched on 23.08.2022. The premiere of the trailer announcing the new game took place during Geoff Keighley's “Opening Night Live” at Gamescom - one of the most prestigious gaming events of the year. At the same time, the product page on Steam became available, allowing the game to be added to Wishlist. The trailer repositioned the game as a reboot as opposed to a direct sequel to the original 2014 hit, which will allow to reach a much wider audience. Lords of the Fallen announcement trailer was among the most viewed trailers shown at Gamescom on the official PlayStation channel and Gamespot YouTube channel, among others. It received 29.5% of the votes on IGN's 'favorite Opening Night Live next-genreveal' poll (over 6,000 votes). Lords of the Fallen immediately went into Steam's Global Top 40 Wishlist chart.

- On 24.10.2022, CI Games announced an update of its strategy pillars for the years 2023- 2027 with the addition of three new pillars - Project Potential, Expand and Scorpio. The overall aim is to reinforce the company's solid foundation, facilitate further brand development, fortify team development, and ensure an even stronger future with exponential financial growth.
- The second trailer for Lords of the Fallen premiered on 08.10.2022 at The Game Awards, the biggest video game awards in the industry hosted by Geoff Keighley. Within hours the Gameplay Tease trailer had achieved 3.2 million views and once again performed strongly on partner channels, including the official Playstation channel. By the end of 2022, the early stages of Lords of the Fallen's marketing campaign had achieved 30.8 million views, almost 2k press articles and reached 26th position in Steam's Global Top 40 wishlist chart.

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

Between January 1st and December 31th, 2022, no extraordinary events took place, which would exert impact on the financial results achieved.

11. 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 Lords of the Fallen, Survive, Scorpio and Sniper Ghost Warrior Next series.

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.

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

- Contract for Pan-European distribution of the game "Lords of the Fallen" concluded on 24.04.2023 with Plaion GmbH. Plaion will distribute the game in physical format across all European territories including the UK, Germany, France, Italy, Spain, Poland, Czech, Slovakia, Portugal, Nordics and Benelux.
- 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 31.12.2022		for the period from 1.01 to 31.12.2021	
	PLN'000	EUR'000	PLN'000	EUR'000
Net revenue from sales	56,694	12,093	105,528	23,054
Gross profit on sales	40,745	8,691	65,926	14,402
<i>Sales margin (%)</i>	71.9%	71.9%	62.5%	62.5%
Selling costs	(15,896)	(3,391)	(16,349)	(3,572)
General and administrative costs	(16,346)	(3,487)	(7,733)	(1,689)
Net other operating income/costs and	(684)	(146)	(1,577)	(345)
Profit (loss) from operating activities	7,819	1,668	40,267	8,797
<i>Operatating margin (%)</i>	13.8%	13.8%	38.2%	38.2%
Reported EBITDA	16,076	3,429	60,446	13,205
<i>EBITDA (%)</i>	28.4%	28.4%	57.3%	57.3%
Gross profit (loss)	11,386	2,429	42,819	9,354
<i>Gross profit (%)</i>	20.1%	20.1%	40.6%	40.6%
Net profit (loss)	8,575	1,829	38,343	8,376
<i>Net margin (%)</i>	15.1%	15.1%	36.3%	36.3%
EBITDA adjustments:				
Impairment of old mobile games	-	-	2,040	446
Adjusted EBITDA	16,076	3,429	62,486	13,651
<i>Adjusted EBITDA (%)</i>	28.4%	28.4%	59.2%	59.2%

In 2022, the Group did not release of new games, therefore the sales was generated from the earlier released games Sniper Ghost Warrior Contracts 2 (released in June 2021) and Sniper Ghost Warrior Contracts (released in November 2019). Both games continued good sales, generating 52% and 15%, respectively, of total the 2022 sales. The three games from United Label's S.A. portfolio contributed to 15% of 2022 sales.

In 2022, production costs consisted of amortization of Sniper Ghost Warrior Contracts 2 and games from the United Label's S.A. portfolio as well as costs of production that were not included under development costs.

Increase in Sales margin from 62.5% in 2021 to 71.9% in 2022 results from lower sales of physical products in 2022 (consequently, insignificant part of production cost included in the COGS), wherein the highest volume is sold at the release date of a game. The share of digital products in total sales increases with the length life of a product (share of digital sales in total sales increased from 69% in 2021 to 89% in 2022). Additionally, in 2022 amortization included Sniper Ghost Warrior Contracts 2, which unit amortization cost is lower compared to an unit amortization of Sniper Ghost Warrior Contracts, which amortization cost was also included in 2021 (up to September).

In 2022, the Group selling costs (PLN 15.9m) included costs of increasing international marketing and sales team and costs of preparation trailers and marketing assets related to Lords of the Fallen game. G&A costs noted an increase (PLN 16.3m in 2022 vs. PLN 7.7m in 2021) as the result of one-off

advisory fees related to dual listing costs, growing headcount and the related costs (recruitment costs, IT equipment, software etc.). The total value of marketing costs related to Lords of the Fallen and dual listing amounted to PLN 11.9m in 2022.

Consolidated operating and net profit amounted to PLN 7.8m (13.8%) and PLN 8.6m (15.1% net margin), respectively which was mostly impacted by lower sales due to lack of new games releases and increased selling and G&A costs as described above.

2. Balance sheet structure

Consolidated balance sheet

Balance sheet	as of 31.12.2022		as of 31.12.2021	
	PLN'000	EUR'000	PLN'000	EUR'000
Non-current assets	158,466	33,789	90,767	19,735
Current assets	20,795	4,434	61,345	13,338
Total assets	179,261	38,223	152,112	33,072
Equity	142,217	30,324	135,109	29,375
Initial capital	1,829	390	1,829	398
Liabilities	37,044	7,899	17,003	3,697
Non-current liabilities	4,644	990	6,839	1,487
Current liabilities	32,400	6,908	10,164	2,210
Total equity and liabilities	179,261	38,223	152,112	33,072

The balance sheet of CI Games Group as of 31.12.2022 totalled PLN 179.2m and was up by 18% compared to the balance sheet total at the end of 2021. The key item behind this change was the rise in net book value of intangibles (by PLN 71.1m). Current assets declined almost three times due to decrease of inventory, receivables and cash.

As 31.12.2022, total liabilities & equity rose mainly as a result of an increase in own equity by PLN 7.1m, a loan debt facility with the balance of PLN 18.6m and growth in trade liabilities.

Assets structure

Ratio	as of 31.12.2022	as of 31.12.2021
Intangible assets / Assets	84.8%	53.2
Property, plant and equipment/ Assets	0.9%	1.2
Trade receivables / Assets	4.3%	8.6
Inventories/ Assets	0.7%	1.7
Cash and cash equivalents / Assets	3.7%	24.9
Deferred income tax assets/ Assets	0.6%	2.4
Other assets / Assets	2.5%	2.7

As of 31.12.2022 the biggest item in terms of assets were intangibles of PLN 152.0m (84.8% of the total assets as of 31.12.2022), which rose by PLN 71.1m over the course of the year. The main items in intangibles were development works in progress (PLN 139.1m) and completed development works (PLN 7.9m). In 2022, expenditures on the games development amounted to PLN 80.2m as a result of expenditures on Lords of the Fallen, Project Survive and Sniper Ghost Warrior Next.

The decline in trade and other receivables as 31.12.2022 by PLN 5.0m (by 29%) compared to the balance at the end of 2021 is mainly due to declining sales as following the fact that there was no new games' releases in 2022.

Cash holdings declined as share in total assets due to investment into new projects.

As of 31.12.2022, total deferred tax assets declined by PLN 2.6m compared to the balance as of 31.12.2021, as in 2022 CI Games utilised a significant portion of tax losses carried from the previous years.

Structure of Equity and liabilities

Ratio	as of 31.12.2022	as of 31.12.2021
Own equity	79.3%	88.8%
Long term liabilities	2.6%	4.5%
Short term liabilities	18.1%	6.7%

CI Games Group own equity as of 31.03.2022 totalled PLN 142.2m (79.3% of the consolidated balance sheet total) and declined as % of the total balance sheet due to the significant increase of the balances sheet following up investment in the projects, which was financed partially by own cash and partially by a bank financing.

The Group's long-term liabilities declined from PLN 6.8m (balance as of 31.12.2021) to PLN 4.6m as 31.12.2022 mainly as a result of a amortization of the financial lease liability related to an office rental.

Short-term Group liabilities totalled PLN 32.4m as of 31.12.2022 registering over a three times increase as a result of a short term bank financing (PLN 18.5m), deferred income (PLN 1.7m) and growth in trade liabilities (from PLN 3.3m to PLN 8.6m).

3. Cash flow and liquidity

Consolidated cash flow

Statement of cash flow	for the period from 1.01 to 31.12.2022		for the period from 1.01 to 31.12.2021	
	PLN'000	EUR'000	PLN'000	EUR'000
Net cash flows from operating activities	31,738	6,770	54,045	11,807
Net cash flows from investing activities	(80,114)	(17,088)	(43,976)	(9,607)
Net cash flows from financing activities	17,238	3,677	(420)	(92)
Net cash flows	(31,138)	(6,642)	9,649	2,108

In 2022 operating cash flow totalled PLN 31.7m and was due mainly to the conversion of trade receivables into cash.

In 2022, net cash flow from investing activities totalled PLN (80.1)m which related almost exclusively to development expenses of Lords of the Fallen, Sniper Ghost Warrior Next, Project Survive, investments in the games' development at a subsidiary United Label S.A. and a tender offer for the United Label's shares (PLN 3m).

Net cash flow from financing activities amounted to PLN 17.3m. This item consisted mainly of inflows from the bank overdraft facility netted off by a repayment of the finance lease liability.

Liquidity ratios

Ratio	as of 31.12.2022	as of 31.12.2021
Current liquidity ratio (current assets/current liabilities)	0.64	6.04
Quick liquidity ratio (current assets-inventory)/current liabilities)	0.61	5.78
Acid test ratio (current assets-inventory and current receivables)/current liabilities)	0.23	4.08

As of 31.12.2022, the liquidity ratios had been impacted by the seasonality of the business and the fact that last game release was in June 2021. Therefore, the level of working capital elements decreased with the increase of the trade liabilities, which were higher following the production marketing assets for Lords of the Fallen game.

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 2022, the Company entered into forward contracts for USD sale, which were 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 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 2023 was as follows:

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 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 until 05.09.2022
Adam Niewiński	Member of the Supervisory Board
Jeremy M.J. Lewis	Member of the Supervisory Board from 05.09.2022

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 Company shareholders as of the date of publication of this report.

On 16.05.2022 (current report 11/2022), 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 constituted 14.13% of the total number of shares and votes at the general meeting of the Company.

On 22.08.2022 (current report 22/2022) and on 13.09.2022 (current report no 32/2022) the Company received notifications from the Active Ownership Fund Sicav-FIS SCS based in

Luxembourg about the purchase of additional 9,147,021 and 50,000 shares, respectively. 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 and 32/2022. Total volume of total purchased shares by Active Ownership Fund Sicav-FIS SCS is 36,618,931, which constitutes 20,02% 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	36,618,931	20.02%
Other shareholders	93,240,514	50.97%
Total	182,943,015	100.00%

3. Ownership of CI Games SE shares or rights to shares by persons managing and supervising the Company

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

Person	Function	State as of 31.12.2022	State as of 28.04.2022 (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

Marek Tymiński, the President of the Management Board of CI Games, 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, 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 0.04% of the total number of votes during the general meeting of the Company as of 31.12.2022 (he was not a Supervisory Board member as of the publication of this report).

According to the best knowledge of the Company, the remaining members of the Supervisory Board hold no shares of the Company in 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.

In 2022, an audit company - UHY ECA Audyt Spółka z ograniczoną odpowiedzialnością Sp.k. with its registered office in Warsaw, provided to the Company permitted non-audit services consisting in assessing the remuneration report referred to in Article 90g section 1 of the Act of July 29, 2005 on public offering and conditions for introducing financial instruments to an organized trading system and on public companies (Journal of Laws 2020, item 2080).

Remuneration of the entity authorized to audit the financial statements of the Company and the Group

Annual net remuneration (PLN)

Audit of annual financial statements	45,000
Review of financial statements	32,000
Other attestation services	11,750
Total	88,750

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 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 designated persons, who will 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 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.

The achievement of the profit target for the financial years 2021-2022 of PLN 40,000,000 (in words: forty million zloty) enables the Company to grant series C subscription warrants in 2023 with the right to subscribe up to 13,720,726 series J ordinary bearer shares.

7. Loan liabilities

As of 31.12.2022 the Company had a loan liability of PLN 18,575 thousand due to PKO BP SA as the result of multipurpose overdraft facility in the current account.

8. 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

On 02.09.2022, Supervisory Board adopted a resolution no 2022/09/02/4n the determination of an additional benefit for the President of the Management Board of CI Games S.A., pursuant to which the President of the Management Board, Marek Tymiński, was granted the right to a one-off severance payment in the amount of PLN 1,115,520 gross in the event of dismissal of Mr. Marek Tymiński from the position of the President of the Management Board of the Company or resignation of Mr. Marek Tymiński from the function of the President of the Management Board of the Company. The Supervisory Board granted the President of the Management Board a severance pay pursuant to § 7 sec. 7 of the Remuneration Policy, taking into account the need for additional recognition of the long-term commitment and contribution of Mr. Marek Tymiński as the founder, majority shareholder and President of the Management Board of the Company in setting the development strategy of the Company and the CI Games Capital Group and building its value, taking into account that the monthly remuneration due to Mr. Marek Tymiński to date as the President of the Management Board of the Company did not fully reflect the contribution of the President of the Management Board to the long-term development of the Company.

On 02.09.2022, the Supervisory Board adopted a resolution No. 2022/09/02/5 on the establishment of an additional benefit for the Vice-President of the Management Board of CI Games S.A., according to which the Vice-President of the Management Board, David Broderick, was granted the right to a one-time severance pay in the amount of six months' salary, i.e. in the amount of EUR 110,000.00 gross in the event of recalling Mr. David Broderick from the position of Vice President of the Management Board of the Company or resignation of Mr. David Broderick from the position of Vice President of the Management Board of the Company. The Supervisory Board granted the Vice President of the Management Board a severance pay pursuant to § 7 sec. 7 The remuneration policy, taking into account the need for additional recognition of the involvement and contribution of Mr. David Broderick as the Vice President of the Management Board of the Company in setting the Company's development strategy and building its value.

As at the date of publication of this report, the Issuer has not concluded any agreements with the members of the Management Board of the Company granting the right to severance payments under the conditions specified in the resolutions of the Supervisory Board No. 2022/09/02/4 and 2022/09/02/5.

On 14.09.2022, an annex to an employment contract (dated 01.07.2022) was signed between a Managing Director of CI Games MP, SL – Mr. Marek Tymiński, and CI Games MP, SL and CI Games SA. Based on this agreement, Mr. Marek Tymiński is entitled to a severance payment in the amount of EUR 300,000 in case of his termination or resignation.

9. 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 2022 and balances as of 31.12.2022	COSTS*	REVENUES	RECEIVABLES	LIABILITIES
Entity	PLN'000	PLN'000	PLN'000	PLN'000
CI Games USA Inc.	100	2 092	2 988	-
Business Area Sp. z o.o.	1	1	1	-
Business Area Sp. z o.o. Sp.J.	-	(160)	-	1 030
CI Games S.A. Sp. J.	-	1	-	191
United Label S.A.	6 716	736	117	4 272
CI Games UK Limited	6 017	-	4 051	-
CI Games BUCHAREST STUDIO SRL	385	-	-	35
CI Games Mediterranean Projects	50 142	151	4 318	12 902
TOTAL	63 361	2 821	11 475	18 430

*including capitalised costs

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 31.12.2022, the loan balance including interest amounted to PLN 4,318 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 2022 and balances as of 31.12.2022	COSTS	REVENUES	RECEIVABLES	LIABILITIES
Entity	PLN'000	PLN'000	PLN'000	PLN'000
Fine Dining Sp. z o.o.	4	-	166	-
TOTAL	4	-	166	-

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 2022 and balances as of 31.12.2022	COSTS	REVENUES	RECEIVABLES	LIABILITIES
Entity	PLN'000	PLN'000	PLN'000	PLN'000
Marek Tymiński	60	-	-	-
Niewińska Katarzyna	30	-	-	2
TOTAL	90	-	-	2

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

As of 31.12.2022, 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, 91,65% 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.

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

There have been no significant changes in the fundamental management principles of the Company and its Capital Group in 2022. In particular, the Company and the companies in the Capital Group have not decided to participate in the Group of Companies in accordance with the provisions of the Commercial Companies Code.

The Company, by current report No. 6/2022 dated 2 March 2022, announced that it was proceeding with a potential dual listing of the Company's shares on the capital market operated by the London Stock Exchange. This plans were paused due to the current market conditions

As a result of the tender offer announced by the Company on 17.05.2022 to subscribe for the sale of 275,500 shares in United Label S.A. The Company holds 1,168,555 shares in the share capital of United Label S.A., representing 91.65% of the share capital of United Label S.A and the total number of votes at the general meeting of United Label S.A.

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.

On 27.10.2022 Mr. David Broderick became the Director of CI Games Bucharest Studio Srl replacing Ms. Monika Rumianek who served in this role.

12. 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 court dismissed the claim. The Company will file a motion to substantiate the judgment and will appeal to the Court of Appeal in Warsaw.

On 21.4.2023, the Company received a lawsuit filed by the E.P. Retail sp. z o.o., E.P. Office 2 sp. z o.o., E.P. Office 1 sp. z o.o. and E.P. Apartments sp. z o.o. in the District Court in Warsaw, whereby demand payment of PLN 483,636.15 and EUR 542,645.83 with interests. The claim consists of claims for contractual penalties, damages and reimbursement under the rental agreement concluded on 10.11.2017. The Company, after a detailed review of the claims and documentation, will file a response to the lawsuit in which it will dispute the claims.

13. 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.

14. 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

As of 31.12.2022, there was not breaches of the terms of the loan agreement, that the Company has in PKO BP SA.

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

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

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

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.

On 27.03.2023 CI Games SE concluded a loan agreement for the amount of PLN 20m with PKO BP SA for the financing of the production and marketing of the game Lords of the Fallen. The loan was granted for the period from 27.03.2023 to 30.11.2023. Collaterals are the following:

- The guarantee issued by Bank Gospodarstwa Krajowego within de minimis guarantee line in the amount of PLN 7,028,000 and a blank promissory note issued for the benefit of Bank Gospodarstwa Krajowego;
- A notarized declaration of submission to enforcement up to PLN 30 mln in accordance with art. 777 §1, point 5 of Commercial Civil Code.
- Registered and civil pledge on 10,400 thousand of shares in CI Games SE owned by CEO Marek Tymiński.

The lawsuit against the Company, received on 21/04/2023 described in point 12 (chapter III)

As of the date of this report, there were no other conditional assets nor conditional liabilities.

17. 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 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.

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

18. 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.

19. 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 2022. Transactions were executed with related entities on the basis of market conditions and they were typical and routine-based transactions.

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

The Company did not pay dividends in 2022.

Recommendations for net profit distribution for 2022: The Management Board of CI Games recommends to transfer net profit from 2022 on the reserve capital.

21. 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.

22. 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.

23. 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.

24. 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

- Most the Group capital investment will relate to finalising the production of *Lords of the Fallen*, and continuance of the production of *Project Survive*, *Scorpio* and *Sniper Ghost Warrior Next*.
- The Group plans an intensive marketing campaign before releasing of *Lord of the Fallen*. As these costs will precede the revenues generated from the sale of this game, this would have a negative impact on the financial results in the following 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 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 the Management Report for 2022

The Management Board of CI Games SE

Marek Tymiński

CEO, President of the Management Board

David Broderick

CFO, Vice president of the Management Board

Warsaw, 27.04.2023

