



GAMES



**CI GAMES
CAPITAL GROUP**

Management Report on the Group's Activities in the period
from 1 January to 30 June, 2023

Warsaw, 28th September 2023

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I. THE PROFILE OF CI GAMES GROUP

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

- CI Games Spółka Europejska (“Issuer”, “Parent entity”, “the Company”, “CI Games”) was registered on 01.06.2007 as City Interactive S.A. On 07.08.2013, 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 the Court registered transformation of CI Games SA into European Company. 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 number 0001025884.
- Registered Address: Rondo Daszyńskiego 2B, 00-843 Warsaw
- The core business activity: production, publishing and distribution of video games
- Court registration number (KRS): 0001025884
- 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 24.10.2022, the Group 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. 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 on 13.10.2023. 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 12th most wishlisted game on Steam. The marketing campaign ramped up in Q2 2023, 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 (“UE 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, and up till 16.08.2023 the development has been outsourced to a partner studio, Batfield Studio, at which point the production agreement was terminated. CI Games continues working on "Survive" using internal resources for the project and, in justified cases, the support of external partners, to ensure greater levels of control as it transitioned into an even grander project than originally envisaged.

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 threshold of 1.5 million units sold in July 2023, just two years after its release on 04.06.2021.

United Label S.A.

Three titles ("RÖKI", "Eldest Souls", "Tails of Iron") 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 player base, with many more PS+ gamers having downloaded the title.

The next project from the developers of "Tails of Iron", as well as a brand-new IP signed to United Label S.A. ("United Label"), are planned to be announced later this year with planned releases in 2024.

4. 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 characterised by irregularity. The Issuer establishes the dates of premiere sales of the games to select the most favourable competitive environment, including in the context of known publishing plans of competitive entities, to achieve the maximum financial benefits associated with the game release.

As a result, it is a typical phenomenon in the entire sector of video games that producers record significantly higher revenues 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.

5. Key events in the Group in the first half of 2023 and until the report publication date

- 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 8.02.2023, 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.

- On 26.01.2023 the title “Lords of the Fallen” was on the cover of prestigious gaming magazine, The Edge. The first screenshots of the game, eight in total, were released to wider media on 31.01.2023. Collectively these dual beats generated 312 press articles worldwide.
- The Company was invited by Epic to feature a 4-minute Technical Showcase video within their State of Unreal at GDC on 22.03.2023, highlighting how UE5 is helping bring dark fantasy action-RPG “Lords of the Fallen” to life. The ‘behind-the-scenes’ video had 1.2M views by the close of GDC, was the most watched game title segment from the show on IGN and generated 359 press articles. Throughout GDC, hands-off demo meetings were held with the top tier press. This was replicated at WASD gaming event in London on 30.03.2023. These meetings delivered very positive first impressions articles, which were picked up by other press around the world delivering 125 articles in total across the first 2 weeks of April current year.
- On 27.03.2023 CI Games SE concluded a loan agreement in the amount of PLN 20 mln with PKO BP S.A. for the financing production and marketing of “Lords of the Fallen” game. The loan has been granted for the period from 27.03.2023 to 30.11.2023.
- On 04.04.2023 “Tails of Iron”, was launched into PS+ subscription. It was announced by Sony PlayStation on 29.03.2023 and will remain available to PS+ subscription members until 01.06.2023. The future lifecycle plans for this IP that will benefit commercially from the new audience, which has more than quadrupled our playerbase for the title.
- On 24.04.2023, a contract for Pan-European distribution of the game "Lords of the Fallen" was concluded 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.
- On 18.05.2023, the release date of “Lords of the Fallen” of October 13, 2023 was announced. The announcement was supported by a 4-minute Gameplay Reveal trailer release and opened pre-purchase across our full sku offering; Standard (physical + digital), Deluxe (physical + digital) and Collector’s Edition (physical). Simultaneously, IGN released an exclusive extended cut version of the trailer which they promoted via social media and a 24hr premier countdown on YouTube. Over the initial weekend of the trailer release it was generated 650 press articles, reached 15 mln impressions across social media and the trailer views were tracking slightly above our first two major trailer beats (August announcement & December gameplay tease).
- On 19.05.2023, the Company entered into an intermediary agreement with Trigon Dom Maklerski S.A., for the acquisition of shares of United Label S.A. This agreement relates to the acquisition through Trigon Dom Maklerski S.A. of up to 30,000 shares of United Label S.A. at a price of PLN 18.05 in one or more session, package or off-market transactions executed up to and including 30.05.2023. Pursuant to this agreement, the Company is obliged to repurchase from the brokerage house all the acquired shares of United Label S.A. by 30.12.2023.
- On 19.05.2023, the Company entered into an intermediary agreement with Trigon Dom Maklerski S.A., for the acquisition of shares of United Label S.A. This agreement relates to the acquisition through Trigon Dom Maklerski S.A. of up to 30,000 shares of United Label S.A. at a price of PLN 18.05 in one or more session, package or off-market transactions executed up to and including 30.05.2023. Pursuant to this agreement, the Company is obliged to repurchase from the brokerage house all the acquired shares of United Label S.A. by 30.12.2023.
- 08.06.2023, the Company has entered into agreement for distribution of the game “Lords of the Fallen” with U&I Entertainment LLC, a Delaware limited liability company located in Minnetonka, Minnesota. U&I will distribute LOTF in physical format across all North & South American territories including the United States, Canada, Mexico & Latin American.
- On 10.06.2023, Future Game Show premiered a new gameplay showcase video from “Lords of the Fallen” during their summer showcase show as part of SummerGameFest. Reaching an impressive 2.5 mln video views in under two weeks, and generating 327 press articles, once again overwhelmingly positive sentiments.
- On 20.07.2023 the Management Board of the Company adopted a resolution on the allotment of 60 series F bonds, registered, unsecured, non-documentary, convertible into series L ordinary bearer shares, with a par value equal to the issue price of EUR 100,000 each bond and a total par value of EUR 6m, bearing interest at a fixed annual rate of 8%. Further details presented in Section IV, point 8.
- On 25.07.2023 the first hands-on event for “Lords of the Fallen” was held in Los Angeles with top tier Media outlets and a selection of Influencers.
- On 27.07.2023 an extended gameplay presentation for “Lords of the Fallen” was released. The 18-minute-long video received 1 million views within 24 hours, generated 574 articles across 492 different outlets and reached 2.6 million organic video views within two weeks.

- On 01-2.08.2023 a second hands-on event for “Lords of the Fallen” was held in London, across two days, with attendance from top tier media outlets and select influencers across UK & Europe. Simultaneously, a mini hands-on event was conducted in Australia by our distribution partners FiveStar with a select few top tier media and influencers.
- Throughout the month of August, “Lords of the Fallen” was the IGN First feature game. Beginning on 01.08.2023 and running through to the last feature on 31.08.23, IGN’s Action RPG expert, Mitchell Saltzman, covered various topics and content created with Hexworks and by the Brand team. Ten pieces of editorial were published in total (including their positive preview on 10.08.23).
- On 10.08.2023 the embargo for “Lords of the Fallen” was lifted with the 70+ key media and influencers releasing their preview content. In total 529 articles were published detailing the predominantly positive reactions and comments. Invaluable feedback was also received, which was subsequently integrated into production focus and each element of feedback addressed by development studio Hexworks in the build ready for Gamescom 2023.
- On 16.08.2023, the Company entered into a settlement agreement with Batfields s.r.o., headquartered in the Czech Republic, terminating the production agreement for “Survive”. Pursuant to this settlement, the Company, as the sole owner of “Survive”, has retained the intellectual property rights and is not obliged to pay any royalties to Batfields s.r.o. for “Survive”.
- During August, “Lords of the Fallen” featured on the cover of PLAY UK magazine and PLAY AUS magazine and also has print features in EDGE magazine and FAMITSU magazine
- On 22.08.2023 “Lords of the Fallen” began Gamescom 2023 activities by premiering a 90 second Story Trailer at Opening Night Live. Immediately following the show, and the full extended 150 second version of the Story Trailer was released, achieving 3.3 mln views within two weeks and continued to reach 5.5 mln views by early September.
- At Gamescom, “Lords of the Fallen” featured on the Entertainment show floor with a live demo being performed within an immersive, branded cinema. The 30-seat cinema was full for each session, with one of the largest continuous queues at the event. There were also hands-on and capture opportunities for “Lords of the Fallen” within the B2B area at Gamescoms, with all sessions in the hand-on room fully booked prior to Gamescom and overspill into meeting rooms for press and influencers. Large “Lords of the Fallen” printed OOH dominated the East and North entrances, and Digital OOH sites within the North entrance and the Central Boulevard.
- On 30.08.2023 the embargo for press and influencer’s “Lords of the Fallen” Gamescom content was lifted, and on 01.09.2023 a 17-minute version of the Gamescom Cinema demo was released on the “Lords of the Fallen” YouTube channel. Together these generated a further 267 articles over 5 days.
- Further hands-on and capture opportunities for “Lords of the Fallen” were happening in Seattle at PAX 01-04.09.2023, in Beijing at GFusion 08-10.09.2023 and in London at WASD 14-15.09.2023.
- On 14.09.2023 a “Lords of the Fallen” Gameplay overview video was released.

II. FINANCIAL RESULTS

1. Financial performance in the first half of 2023

Consolidated Profit and Loss Account

Profit and Loss Account	1H2023	1H2022
	PLN'000	PLN'000
Net revenue from sales	22,241	30,461
Gross profit on sales	13,592	22,547
<i>Sales margin (%)</i>	61.1%	74.0%
Selling costs	(7,840)	(3,832)
General and administrative costs	(8,832)	(7,462)
Net other operating income/costs and net impairment	(925)	(245)
Profit (loss) from operating activities	(4,005)	11,008
<i>Operating margin (%)</i>	-18.0%	36.1%
Reported EBITDA	191	15,303
<i>EBITDA (%)</i>	0.9%	50.2%
Gross profit (loss)	(3,433)	13,521
<i>Gross profit (%)</i>	-15.4%	44.4%
Net profit (loss)	(3,145)	13,344
<i>Net margin (%)</i>	-14.1%	43.8%
Adjusted EBITDA	2,672	16,068
<i>Adjusted EBITDA (%)</i>	12.0%	52.8%

In the first six months of 2023 there was no new releases of the games, therefore revenues generated by the Group (PLN 22.2 mln) were lower compared to the revenues generated in the respective period of 2022 (PLN 30.5 mln). The game "Sniper Ghost Warrior Contracts 2", which was released in June 2021, had a major impact on the Group's financial performance in 2022 and the first half of 2023 as well. This game continues to contribute significantly to the Group's revenues, accounting for 44% (55% in 1H2022) of consolidated revenues in the first half of 2023, while "Sniper Ghost Warrior Contracts" (released in November 2019) generated 13% revenues in this period (15% in 1H2022). Games from United Label S.A. portfolio contributed 26% to semi-annual sales of 2023 (11% in 1H2022) – this growth is attributable to "Tails of Iron" which was launched into PS+ subscription as part of an agreement with Sony PlayStation.

Production costs consisted mainly of amortisation of "Sniper Ghost Warrior Contracts 2" and games from United Labels' portfolio and royalties on the United Labels' portfolio.

Decrease of Sales margin from 74.0% in 1H2022 to 61.1% in 1H2023 is mainly attributable to aging of game portfolio, wherein an average selling prices of the sold games is declining over a game lifecycle.

Selling costs significantly increased in 1H 2023 compared to 1H 2022, as they already included marketing costs related to release of "Lords of the Fallen" planned for Q3 2023, additional salaries costs of an expanded, international marketing and sales teams and growth in an amortization of the motivational program due to new persons enrolled in the program in Q2 2023.

In 1H2022, General and administrative costs included one-off costs related to dual listing, which did not appear in 1H2023. In spite of this, G&A costs in 1H2023 were higher compared to costs in 1H2022, due to growth in recruitment costs, larger international HR team, an increase in costs of legal services and higher amortization cost of the motivational program due to new persons enrolled in the program in Q2 2023.

The Group noted loss on operating activity in the amount of PLN 4.0m in 1H 2023, following on sales' decrease and simultaneous investment in the team's development, and marketing cost of the upcoming launch of "Lords of the Fallen".

The 1H2023 reported EBITDA of PLN 0.2m has been adjusted by a non-cash item (PLN 2.5 mln vs. PLN 0.8 mln in H1 2022) related to the amortization of a motivational plan. An increase in this adjustment

is connected with new people enrolled to the plan in Q2 2023 and shorter amortization period for the respective cost.

Consolidated balance sheet

Balance sheet	as of 30.06.2023	as of 31.12.2022
	PLN'000	PLN'000
Non-current assets	203,439	158,466
Current assets	17,123	20,795
Total assets	220,562	179,261
Equity	141,323	142,217
Initial capital	1,829	1,829
Liabilities	79,239	37,044
Non-current liabilities	3,484	4,644
Current liabilities	75,755	32,400
Total equity and liabilities	220,562	179,261

The balance sheet of CI Games Group as of 30.06.2023 totalled PLN 220.6 mln and was up by 23% compared to the balance sheet total at the end of 2022. The main item behind this change was the rise in net book value of intangibles (by PLN 45.1 mln).

As 30.06.2023, total liabilities & equity rose mainly as a result of an increase current liabilities mainly trade creditors (driven by marketing expenditures and games' subcontractors) and short term bank loans.

Consolidated cash flow

Statement of cash flow	for the period from	for the period from
	1.01 to 30.06.2023	1.01 to 30.06.2022
	PLN'000	PLN'000
Net cash flows from operating activities	17,646	15,537
Net cash flows from investing activities	(48,608)	(34,966)
Net cash flows from financing activities	29,189	(522)
Net cash flows	(1,773)	(19,951)

In 1H2023 operating cash flow totalled PLN 17.7 mln and was due mainly to the conversion of trade receivables into cash.

In 1H2023 net cash flow from investing activities totalled PLN (48.6) mln which related mainly to development expenses of "Lords of the Fallen", "Sniper Ghost Warrior Next" and "Project Survive".

Net cash flow from financing activities amounted to PLN 29.2 mln related to drawing of the bank loan which was netted of by payment of finance lease liability.

In July 2023, the Company issued convertible bonds of EUR 6 mln (details in Chapter IV, point 8). Additionally, the Company received prepayment for physical games' production from its distributors and with significant part of marketing costs to be settled after "LotF" release, will bridge the Group's cash requirements with expected cash inflows from the new game's release.

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

Between January 1st and June 30th, 2023, no extraordinary events took place, which would exert impact on the financial results achieved.

3. Assessment of ability to achieve the investment goals

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

4. Information on financial projections

In the first half of 2023, the Management Board of the Company did not publish any forecasts concerning the consolidated results of CI Games Capital Group or individual results of the Issuer.

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

In the first half of 2023 and until the date of publication of this report, there were no significant transactions for purchase and sale of tangible assets.

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

In the first half of 2023 and until the date of publication of this report, there were no significant liabilities related to purchase of tangible assets.

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

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 49.3 mln 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 20 mln 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.

Parent Entity granted loans to its subsidiaries – it is described in the Section IV, point 15.

8. Information on loans granted by CI Games Capital Group

In the first half of 2023, neither the Company nor CI Games Capital Group, including all subsidiaries of the Group, granted any loans to employees, partners or contract parties of substantial unit value.

9. Indication of adjustments of errors for previous periods

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

III. MANAGEMENT OF BUSINESS RISK OF THE GROUP

In the opinion of the Management Board of CI Games SE, 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. SARS-CoV-2 virus pandemic had a negative impact on Polish and global economy. Additionally, a war in Ukraine triggered 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.

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

Risk related to war in Ukraine

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

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

Risk associated with the condition of the gaming industry

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

Competition risk

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

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

Risk associated with the game distribution channels

The Group's products are distributed using traditional channels (sales of boxed products) and digital channels. In the recent years, significance of digital channels has increased over the world (in particular, Web-based platforms and platforms dedicated to selected consoles), which is associated with specific risk factors. There is a risk of limited access to some platforms, operating on the basis of exclusivity models. In such cases, the group of potential customers may be limited, which, on the other hand, may influence the level of revenues of the Group from distribution of games through such platforms. Moreover, there is a small risk of a change in the mode of distribution of games for individual platforms, in particular in the case of console games, such as switching from distribution using traditional channels to a subscription-based model, in which a player is provided access to a range of games in exchange for a fixed subscription fee. This may influence the level of revenues generated for the Group by a given title, in particular, in the period of adaptation after the distribution mode has been changed. Increase in significance of digital game

distribution channels creates favourable conditions for illegal distribution of the Group's products without its consent and knowledge. Illegal acquisition of Group's products by consumers may exert negative impact on the sales levels and financial results of the Group. There is also a risk of exclusion from a given digital platform in association with a failure to comply with all of the regulatory conditions of its use.

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

Risk of changing trends

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

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

Risk of legislative changes

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

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

Risk of changes in tax legislation

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

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

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

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

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

Labour law risk

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

The currency risk

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

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. At present, the key role in constant development of distribution opportunities and strict cooperation with distributor in the Group is played by a subsidiary seated in New York – CI Games USA Inc.

Risks associated with suppliers

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

Risk associated with completion of development plans

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

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

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

The risk of copyright claims

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

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

The risk of wrong estimation of expenditures and future sales

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

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

Risk of new game titles

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

Risk of game production delay

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

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

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

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

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

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

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

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

The liquidity risk

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

IV. INFORMATION ON CORPORATE GOVERNANCE

1. Composition of the governing bodies of the Parent Entity

Management Board of the Parent Entity in the first half of 2023

Marek Tymiński	President of the Board
David Broderick	Vice President of the Board

Composition of the Supervisory Board of the Company in the period from January 1, 2023 to March 17, 2023 was as follows:

Ryszard Bartkowiak	Chairman of the Supervisory Board
Rafał Berliński	Member of the Supervisory Board
Marcin Garliński	Member of the Supervisory Board
Adam Niewiński	Member of the Supervisory Board
Jeremy M.J. Lewis	Member of the Supervisory Board

As the result of transformation of the Company into an European company on 17.03.2023, it became effective to appoint the following persons to the Supervisory Board. On 12.04.2023, during the first meeting of the Supervisory Board of the Company after its transformation into an European company, the Supervisory Board adopted a resolution to appoint Mr. Marcin Garliński as a Chairman of the Supervisory Board.

On 29.06.2023, the Ordinary General Meeting of the Company has appointed Mr. Michael Foley to the function of Supervisory Board Member.

On 19.07.2023, Mr Marcin Garliński resigned from the position of the Chairman of the Supervisory Board. On 19.07.2023 the Supervisory Board appointed Mr. Michael Foley as the Chairman of the Supervisory Board with effective date on 20.07.2023.

Marcin Garliński	Chairman of the Supervisory Board from 17.03.2023 until 20.07.2023 and Member of the Supervisory Board from 20.07.2023
Artur Osuchowski	Member of the Supervisory Board
Florian Schuhbauer	Member of the Supervisory Board
Adam Niewiński	Member of the Supervisory Board
Jeremy M.J. Lewis	Member of the Supervisory Board
Michael Foley	Member of the Supervisory Board from 29.06.2023 and Chairman of the Supervisory Board from 20.07.2023

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.

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	50.96%
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 28.09.2023 (report publication date)
Marek Tymiński	CEO, President of the Management Board	53,083,570	53,083,570
Marcin Garliński	Supervisory Board Member	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 Supervisory Board Member 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.

According to the best knowledge of the Company, the remaining members of the Supervisory Board hold no shares of the Company 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 spółka z ograniczoną odpowiedzialnością 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 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 2023, in connection with the reorganization of the UHY ECA Group, the audit department of UHY ECA Audyt Spółka z ograniczoną odpowiedzialnością Sp. k. was transferred to UHY ECA Audyt spółka z ograniczoną odpowiedzialnością and its number was changed into 3886).

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 points below, there is a description of the two motivational programs based on shares series J executed as series C subscription warrants and shares series K executed as series D subscription warrants. As the result of the implementation of these programs, the proportion of the shareholding structure owned by current shareholders may change.

In the point 8 below, there is a description of issuance of the convertible bonds which may also result in future changes in proportions of shares held by existing shareholders and bondholders.

6. Information on employee share plan control system for 2021-2023

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

In the event one of these targets is achieved, entitled persons will be granted no more than 9,147,150 series C subscription warrants. 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 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.

As a result of the execution of this incentive program, entitled persons serving as the Company's Management Board Members may be granted no more than 50% of the warrants, of which a maximum of 30% of all warrants may be granted to the Company's President of the Management Board.

The Company's Managing Board designated persons, who participate in the incentive program and with respect to Members of the 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), with full exclusion of the pre-emptive rights of the Company's existing 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 26/100). 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 duration of the incentive program referred to above covers the years 2021-2024. The Company has entered into incentive program participation agreements with persons designated by the Management Board and with members of the Company's Management Board designated by the Supervisory Board. Achievement of the target of to achieve a profit in the fiscal years 2021-2022 of 40,000,000 PLN (forty million zlotys) allows the Company to grant in 2023 subscription warrants C series with the right to subscribe for J series ordinary bearer shares. The Company intends to grant warrants as part of the execution of the incentive program in the fourth quarter of 2023.

In 2022 and first six months of 2023, the Company concluded agreements for participation in the motivational program with selected persons by the Board and with Board members designed by the Supervisory Board. As of 30.06.2023, 6,755,000 entitlements (adjusted by the leavers and new persons assigned to the program) have been granted under this program and its recognition on the financial statement in the first half of 2023 was as follows:

Share-based program	01.01.2023- 30.06.2023
	PLN'000
Costs of products sold	679
Selling costs	832
General and administration costs	970
Operating costs	2,481
	as of 30.06.2023
Reserve capital - cost of incentive program	4,385

7. Information of employee share plan control system for 2023-2025

On 29.06.2023, Ordinary General Meeting of the Company adopted resolution no. 21/2/2023 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 SE. 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:

- a) total net profit of the CI Games Group in fiscal years 2023-2024 in excess of PLN 150,000,000 (one hundred and fifty million zlotys),
- b) total net profit of the CI Games Group in fiscal years 2023-2025 in excess of PLN 250,000,000 (two hundred and fifty million zlotys).

If the targets are met, the entitled persons will be granted a total of no more than 9,000,000 (nine million) series D subscription warrants with the right to subscribe for 9,000,000 (nine million) series K ordinary

bearer shares. In the event that one of these objectives is achieved by each additional 25,000,000 (twenty-five million zlotys) more, the number of warrants allotted in connection with the performance of the related program objective will be increased by 1,000,000 (one million), not to exceed 13,000,000 (thirteen million) warrants in total.

In the event of a material change in the ownership structure of the Company (i.e., a significant change in the shareholding structure of the Company) in relation to the structure existing on the date of adoption of the Resolution of the General Meeting no 21/2/2023 of 29 June 2023, in such a way that after the date of adoption of the said resolution, more than 50% (fifty percent) of the total number of shares in the Company will become the property of one or more shareholders acting in concert, other than the majority shareholder of the Company on the date of adoption of the resolution who is also a member of the Management Board, the shares will not be issued to entitled participants, regardless of whether the Company has already concluded participation agreements with these participants. In the case referred to in the first sentence, the Company shall without any delay, at the first possible date in accordance with the regulations, and unconditionally pay in money to the participants referred to in the previous sentence the amounts corresponding to the product of the difference between the issue price and weighted average (market) price per share over the last 30 (thirty) calendar days until the said change of ownership, multiplied by the number of shares to which these participants were entitled in accordance with the regulations, relevant executive resolutions or participation agreements, and multiplied by the number of full calendar months from the General Meeting as of 29 June 2023 till the change of ownership divided by 24 (twenty-four).

Persons who will participate in the incentive program will be designated by the Company's Management Board, and with respect to the Company's Management Board Members, the entitled persons will be designated by the Company's Supervisory Board. Shares issued under the incentive program will be taken up by entitled participants of the program in exercise of rights from series D subscription warrants. Series D subscription warrants will be acquired free of charge, while series K shares will be acquired at an issue price of PLN 3.50 per share.

According to resolution no. 22/2/2023 of the Ordinary General Meeting of the Company dated 29.06.2023 the Company will issue series D subscription warrants, which will entitle their holders to subscribe for series K shares (in the ratio of one warrant - one share), with full exclusion of the pre-emptive rights of the Company's existing shareholders. In addition, a conditional increase in the Company's share capital for the purposes of the aforementioned incentive program was adopted on the basis of this resolution. The Company's conditional share capital issued for the purposes of this program is 13,000,000 (thirteen million). Series K shares, once issued and taken up by entitled persons, will be introduced to trading on the regulated market operated by the Warsaw Stock Exchange.

Pursuant to the terms and conditions of the incentive program, series J shares will be subject to partial lock-up in such a way that: a) within the period of 45 (forty-five) days from subscription for the shares, the Shareholder can transfer no more than 1/3 of the shares subscribed for by him/her (partial

lock-up); b) within the period of subsequent 45 (forty-five) days from expiry of the period referred to in letter a) above, the Participant can transfer the remaining shares, not exceeding, however, 1/3 of the shares subscribed for by him/her (partial lock-up); c) within the period of subsequent 45 (forty-five) days from expiry of the period referred to in letter b) above, the Participant can transfer the remaining shares if he/she transferred a part of them within the time limits specified in letters a)-b) or transfer all shares subscribed for by him/her if he/she did not transfer them under letters a)-b) above.

The duration of the incentive program, referred to above, covers the years 2023-2026.

8. Convertible bonds issuance

On 29.06.2023. The Ordinary General Meeting of the Company adopted Resolution No. 23/2/2023 on the issuance of convertible bonds, depriving the Company's shareholders in full of their subscription rights to convertible series F bonds, conditionally increasing the Company's share capital, depriving the Company's shareholders in full of their subscription rights to series L shares, and amending the Company's Articles of Association. Pursuant to the resolution, the Company is allowed to issue registered bonds, in one or more series, unsecured, convertible into ordinary bearer shares of the Company's L series, with an aggregate nominal value of these bonds not exceeding EUR 10,000,000 (ten million euros) with a nominal value of EUR 100,000 (one hundred thousand euros) each bond.

The bondholder will have the right to:

(a) the payment of interest on the interest dates provided for in the terms of issue;

(b) to pay on the redemption date (or on the early redemption date as defined above) the nominal value of each of the Bonds to be redeemed (together with interest accrued up to that date and previously unpaid);

(c) acquisition of ordinary bearer series L shares of the Company, with a nominal value of PLN 0.01 (one grosz) each.

In addition, for the purpose of the bond issue, a conditional share capital increase of the Company was adopted. The conditional share capital of the Company issued for the purpose of the bond issue is PLN 90,000 (ninety thousand zlotys). The purpose of the conditional share capital increase is to grant holders of convertible bonds the right to acquire up to 9,000,000 (nine million) series L shares with a nominal value of PLN 0.01 (one grosz) each, with full exclusion of the pre-emptive rights of the Company's existing shareholders.

The shares will be taken up by bondholders at an issue price set at no less than PLN 5.50. Series L shares, once issued and taken up by entitled persons, will be introduced to trading on the regulated market operated by the Warsaw Stock Exchange.

The redemption date of the bonds will be on the first anniversary of the date of issuance of the bonds, subject to the possibility of early redemption: (a) at the request of the bondholder(s) - in cases specified in the terms of issue; or (b) at the request of the Company - on the terms and conditions specified in the terms of issue (in particular, it is permissible to specify in the terms of issue a commission to bondholders for early redemption at the request of the Company).

In execution of the resolution of General Meeting on 14.07.2023 the Management Board adopted a resolution on the issuance of up to 60 (sixty) series F registered bonds, convertible into series L ordinary bearer shares of the Company, with an aggregate nominal value of up to EUR 6,000,000 (six million euros) with a nominal value of EUR 100,000 (one hundred thousand euros) each bond.

On 20.07.2023 the Management Board of the Company adopted a resolution on the allotment of 60 (sixty) series F bonds, registered, unsecured, non-documentary, convertible into series L ordinary bearer shares, with a par value equal to the issue price of EUR 100,000 (one hundred thousand euros) each bond and a total par value of EUR 6,000,000 (six million euros), bearing interest at a fixed annual rate of 8%.

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

As of 30.06.2023, CI Games Capital Group consisted of the following entities:

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

United Label S.A. with a registered office in Warsaw. Share capital: PLN 127,500, 91.65% shares held by CI Games SE. 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 SE. 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. Share capital: PLN 5,000. 100% shares held by CI Games SE.

Business Area sp. z o.o. sp.j. with a registered office in Warsaw. 99.99% of the shares in the company are held by CI Games SE; 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 SE.

CI Games UK Limited with a registered Office in London, Great Britain. The share capital is GBP 100. 100% shares held by CI Games SE.

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

CI Games Bucharest Studio S.R.L with the seat in Bucharest, Romania. The share capital is LEI 200. 100% shares owned by CI Games SE. The company is involved mainly in the production of “Lords of the Fallen”, “Sniper Ghost Contracts Next” and “Scorpio”.

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

In the first half of 2023 there was no significant changes in the basic principles of management the Company or the Group.

Changes in the Supervisory Board’s structure has been described in this Section IV, under point 1.

11. 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 887 thousand. As of the report publication date, the court dismissed the claim. The Company has filed a motion to substantiate the judgment and appealed to the Court of Appeal in Warsaw and the case is pending.

On 21.04.2023, 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 interest. The claim consists of claims for contractual penalties, damages and reimbursement under the rental agreement concluded on 10.11.2017. The Company filed a response to the lawsuit in which it disputed the claim as baseless and unproven.

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

13. Information on the failure to repay credits or loans or breaches of significant terms and conditions of any loan or credit agreements with regard to which no remedial action had been taken until the end of the reporting period

As of 30.06.2023 there was not breaches of the bank loan agreements (a multi-purpose loan facility of PLN 29 mln and loan agreement for the financing of “Lords of the Fallen” for PLN 20 mln) with PKO BP S.A. as the Company obtained an approval to waive the loan covenants due to the seasonality of its business and high marketing spending preceding revenues and profits earned on the release of a new game in the third quarter of 2023.

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

In the first half of 2023, no changes took place in classification of financial assets due to a change in the purpose or use of these assets

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

In the period between January 1, 2023 and June 30, 2023, neither the Company nor any of its subsidiaries granted any loans or credit sureties or warranties for the amount equivalent to at least 10% of the Company's equity.

On 15.12.2020, CI Games concluded a loan agreement with its subsidiary CI Games Mediterranean Projects S.L. for the amount of EUR 950 thousand (the loan balance was increased to EUR 3.8 million based on the annexes signed on 24.05.2021 and 27.08.2021). The term of the loan is no longer than 5 years and loan interest rate is equal to 4%. As of 30.06.2023, the loan balance including interest amounted to PLN 4,168 thousand.

Business Area spółką z ograniczoną odpowiedzialnością spółka jawna (lender) concluded a loan agreement with CI Games SE (borrower) on 20.04.2023 for the amount of PLN 900,000. The repayment term is no later than 31.12.2023 with interest rate of 3M WIBOR plus margin.

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

In the 1st half of year 2023, as well as until the date of publication of this report, no issue, redemption or repayment of non-equity and equity securities took place.

17. 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.

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

In the first half of year 2023, no events occurred, which would exert a negative impact on assessment of capability of the Parent entity and the Capital Group to settle their liabilities.

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

- The Group commenced 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 and significantly will change elements of the working capital connected with the physical production before the game release. Game release was announced on 13.10.2023 and it would have a significant impact on the financial results of the Group in the next quarters.
- Termination of the production contract with Batfileds s.r.o. for the production of "Survive" which would have impact of headcount, the related costs and changes in the structure of the capital expenditures.
- Most the Group capital investment will relate to finalizing the production of "Lords of the Fallen", and continuance of the production of "Survive", "Scorpio" and "Sniper Ghost Warrior Next".
- 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

Approval of the Management Report for the period from January 1, to June 30, 2023 by 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, 28.09.2023

