



CI GAMES Capital Group

**Management Report on the activities of
CI Games Capital Group in 2020**

Dear Shareholders,

I am proud of what we achieved as a company in 2020. It was a year of dynamic growth for the entire CI Games Group, and despite the fact that a new game was not released during this time, we closed the year with a very positive outcome, both in terms of sales revenue and net profit. Last year, we also evolved into a much more global company. This was reflected in the expansion of our product, in addition to new hires across numerous other countries, giving the company a much stronger international profile.

The Group closed last year with a consolidated net profit of PLN 7.1m. Consolidated net revenues from sales totaled PLN 46.0m. The results reported were reflected by the amount of cash generated - in 2020, CI Games Group had a net operating cash flow of PLN 40.6m. As of December 31st 2020, the Group had PLN 28.2m in cash in its bank accounts, including funds from the share issue conducted in September 2020. At the same time, the Group had no loan liabilities.

At present, the Group employs twice as many people involved in the process of game development than at the end of 2019. We are currently managing two major projects at the same time, involving two of our most important franchises - *Sniper Ghost Warrior* and *Lords of the Fallen*. Our current development studios are located in Warsaw, Barcelona and Bucharest; we also employ key people in numerous locations across Europe, including the UK. In total, the entire CI Games group now consists of 125 people, compared to 62 at the end of 2019.

The latest instalment of the *Sniper* series, *Sniper Ghost Warrior Contracts 2*, will be released on June 4th this year. The title will launch simultaneously on PlayStation 5, Xbox Series X/S, PC, PlayStation 4 and Xbox One. The suggested retail price of SGWC 2 in Western markets is set at 39.99 USD/EURO on all console platforms and PC. Our marketing campaign has already commenced and is now in full deployment, designed in such a way so as to have a much greater impact than previous campaigns in the series, both in player reach across all key markets, but also in its efficiency and effectiveness.

Hexworks, the internal development studio of the Group, located in Barcelona, has been working on *Lords of the Fallen 2* for over a year. This title has been developed with a focus on new generation consoles and PC. *LotF 2* will release at full price, mirroring the first instalment of the series, which generated for the company over PLN 100m in sales revenue and approximately PLN 50m in profits. Having now sold in excess of 3 million copies worldwide, with additional downloads as part of the PlayStation and Xbox subscription models, a total of approximately 10 million people have enjoyed this game.

Röki, released in July 2020, was the inaugural title of the Group's Indie publishing entity, United Label S.A - the company, of which, has been listed on the New Connect market since January 2021. The game received overwhelmingly positive reviews from both critics and players alike. In March 2021, the game broke even, recouping all the expenses incurred during production and marketing. *Röki* received a nomination at The Game Awards in the "Best Indie Debut of 2020" category, and was also nominated for "Best Debut Game" and "Best British Game" at the BAFTAs 2020. United Label S.A. is launching two new titles for 2021, both of which are showing great promise for release.

In 2021 and beyond, we will continue to develop the organization across the entire Group. We have set ambitious targets in terms of the games we are both developing and publishing. The scope of our projects is growing, and I believe that the potential success of these titles will contribute to the further growth of the market value of CI Games.

I would like to thank our employees, partners and investors for their continued support. On behalf of the entire CI Games Group I would like to invite you to read the 2020 annual report.

Marek Tymirski
President of the Board

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I. The profile of activity of CI Games Capital Group

1. Description of the Capital Group

CI Games Capital Group (hereinafter: “the Group”, “the Capital Group”, “CI Games Group”) engages in production and publishing activity on the global market of video games. The parent company, CI Games S.A. (hereinafter: “CI Games S.A.”, “the Issuer”, “the Company”, “the Parent Company”, “the Parent Entity”) is the first company in this sector in Central and Eastern Europe with the status of a public company and the first in the region to have become a global player.

CI Games Group, which includes, among others, the independent developer and publisher - CI Games S.A. - may develop projects and publish games on the basis of its own vision and the best strategy adapted to specific products. The Capital Group includes in the first place the Parent Company seated in Warsaw and the key subsidiaries: CI Games Mediterranean Projects S.L. with the seat in Barcelona and CI Games USA Inc. seated in New York. CI Games S.A. focuses on publishing and production activity, CI Games Mediterranean Projects S.L. produces games, while Games USA Inc. engages in publishing activity on the markets of North and South America.

In 2018, CI Games S.A. established a subsidiary, United Label S.A., which is aimed at developing the publishing activity of the Group on the basis of cooperation with independent game producers.

In response to the dynamically changing market conditions, CI Games Group implements a business model based on knowledge and cooperation with carefully selected Partners. The Group’s strategy ensures its optimum effectiveness, as well as constant control of titles sold under its brand.

The Group has competences in all business areas of the market of video games. In activity on the video game market, the Capital Group or its individual companies operate as:

- A. A producer with their own production studios to develop new titles with support of external Partners. The CI Games development studio in Warsaw specializes in production of FPS video games;
- B. A publisher of own games and licensed titles, for which it develops a marketing strategy and places them on the market through the agency of local distributors. CI Games S.A. has entered into contracts for production and independent publishing of games with owners of the most popular consoles, that is, Sony and Microsoft. The Company develops games for all of the key platforms: PlayStation, Xbox and PCs. United Label S.A. publishes games produced by independent developers in indie segments including also Nintendo Switch;
- C. A distributor, selling products directly to retail chains and in digital distribution. One of the Group’s subsidiaries - CI Games USA Inc. - coordinates sales directly, among others, on the American market.

Thanks to such complementary combination of these three areas of activity, the Group is able to exert effective control over the process of production and distribution of games developed, as well as titles licensed from other producers.

The Group develops high-grade, innovative products on the basis of own or external IPs. The key brands of CI Games Group include: “Lords of the Fallen” (hereinafter also: “LotF”) and “Sniper Ghost Warrior” (hereinafter also: “SGW”). LotF has reached more than 10 million players around the world since its release while the number of products sold in the SGW series has substantially exceeded 11 million.

Map 1. Distribution of products of CI Games studio



Games are sold by CI Games Group in accordance with the three basic business models: sales of physical boxed copies to selected distribution partners, sales of digital codes authorizing the user to install the game and sales of rights to distribution of games in a specific territory (in boxed or digital form).

In order to maximize the efficiency of sales, as well as its marketing potential, CI Games S.A. cooperates with international distributors, operating in individual regional markets, who are also responsible for implementation of promotion and marketing plans.

Products of CI Games Group are available from the biggest digital distribution channels - Steam, PlayStation Store, Xbox Games Store, App Store and Google Store. In the case of digital versions of PC games, activity of the Group includes cooperation with the biggest Web-based platforms, allowing games in this version to reach a great number of players around the world, who are thus able to purchase games, paying for them in their local currencies.

2. Products of CI Games Capital Group

Since 2002 the Group has published over 100 titles and is the owner of globally recognized franchises including the *Sniper Ghost Warrior*, *Lords of the Fallen* and *Sniper Ghost Warrior Contracts*.

At present, work on *Sniper Ghost Warrior Contracts 2* continues. It features a new story, taking place in the modern day Middle East. The release date is planned for June 4, 2021, while the group has already begun pre-sales of the game's boxed version for PlayStation 5, PlayStation 4, Xbox Series X/S, Xbox One and PC. On release, the title will be available on both the latest and previous console generations, in addition to PC. The development is being handled by a highly experienced team, who have made numerous improvements to ensure it surpasses the previous edition from a quality perspective.



SNIPER: GHOST WARRIOR 2

MARZEC 2013



SNIPER: GHOST WARRIOR 3

KWIECIEŃ 2017



SNIPER: GHOST WARRIOR CONTRACTS 2

CZERWIEC 2021

2010

SNIPER: GHOST WARRIOR
CZERWIEC 2010



2013

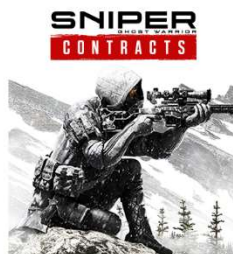
LORDS OF THE FALLEN
PAŹDZIERNIK 2014



2014

2017

SNIPER: GHOST WARRIOR CONTRACTS
LISTOPAD 2019



2019

2021

LORDS OF THE FALLEN 2



Sniper Ghost Warrior is one of the most recognizable Polish brands worldwide among shooter games. The brand debuted on the market in 2010 and by January 2021 the Group sold over 11 million copies of games from this franchise. The main theme of all SGW titles is to give players an opportunity to impersonate a sniper infiltrating enemy territory.

Sniper Ghost Warrior
Category: First-person shooter (FPS)
Platforms: PC, PS, Xbox



SNIPER

GHOST WARRIOR

Sniper Ghost Warrior

Category: First-person shooter (FPS)

Release: June 2010

Platforms: PC, PS3, Xbox 360

4.5 mln of copies sold



SNIPER 2

GHOST WARRIOR

Sniper Ghost Warrior 2

Category : First-person shooter (FPS)

Release : March 2013

Platforms: PC, PS3, Xbox 360

3.5 mln of copies sold



SNIPER 3

GHOST WARRIOR

Sniper Ghost Warrior 3

Category : First-person shooter (FPS)

Release : April 2017

Platforms: PC, PS4, Xbox One

2 mln of copies sold



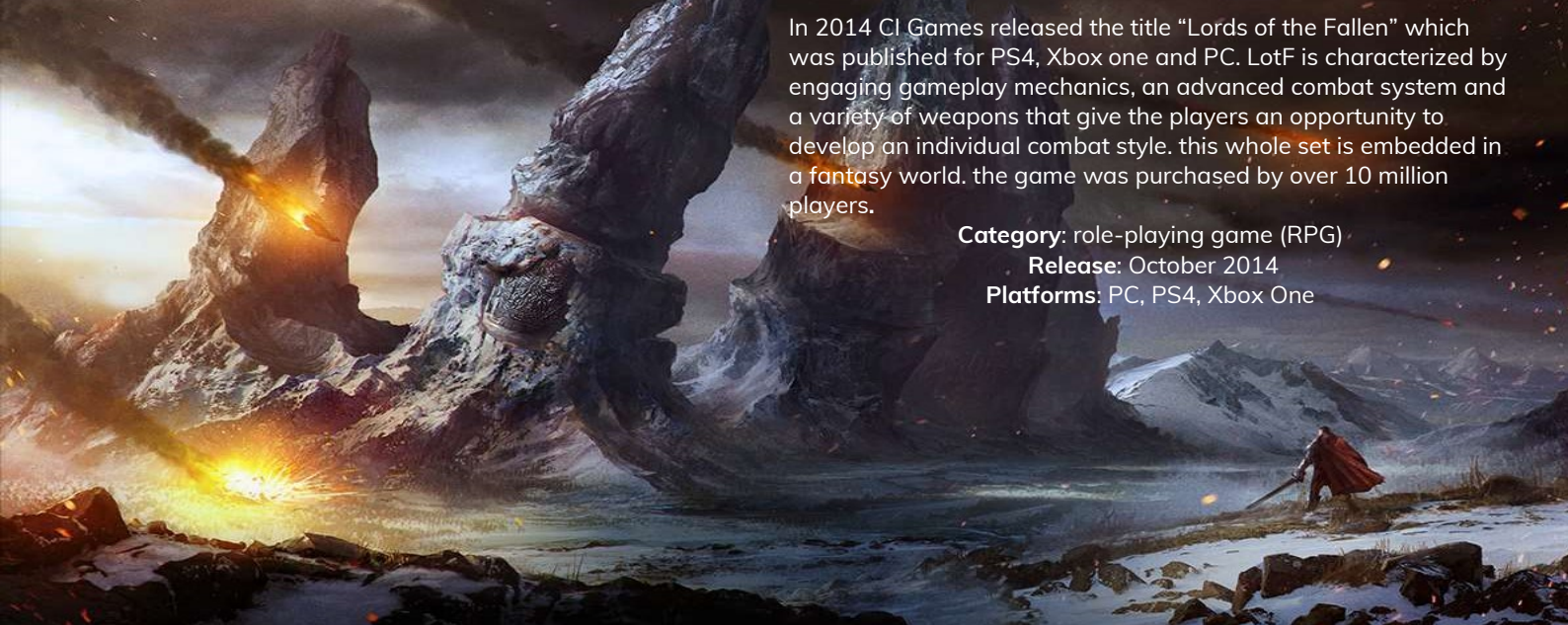
Sniper Ghost Warrior Contracts

Category: First person shooter (FPS)

Release: October 2019

Platforms: PC, PS4, Xbox One

1 mln of copies sold



In 2014 CI Games released the title “Lords of the Fallen” which was published for PS4, Xbox one and PC. LotF is characterized by engaging gameplay mechanics, an advanced combat system and a variety of weapons that give the players an opportunity to develop an individual combat style. this whole set is embedded in a fantasy world. the game was purchased by over 10 million players.

Category: role-playing game (RPG)

Release: October 2014

Platforms: PC, PS4, Xbox One

The next release for the CI Games Group will be *Eldest Souls*, part of the United Label S.A. portfolio. It is an ambitious title, categorised within the souls-like genre, built around a focus on boss fights, dynamic combat-based gameplay, and stylised pixel-art graphics. The title is being developed by UK studio, Fallen Flag. The game will be simultaneously released in 2Q 2021 on all key platforms, including PS5, PS4, Xbox X/S, Xbox One, Nintendo Switch and PC, optimizing the marketing budget. As of 15.04.2021, over 97,000 users have added *Eldest Souls* to their wishlist on Steam.

Another key release from the United Label portfolio is *Tails of Iron*. This game will debut in 2021 on all key platforms, including PS5, PS4, Xbox X/S, Xbox One, Nintendo Switch and PCs. *Tails of Iron* is United Label's biggest publishing project to date, having had the highest development budget. It is an RPG Adventure game set in a characteristic, medieval-style world. The game tells the story of Redgi the Rat, rightful heir to the throne, as he embarks on a perilous quest to reclaim the land of his ancestors from the merciless Iron Frog clan.

3. 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.

The structure of revenue from sales achieved by the Group in years 2019-2020 according to the type of product offered in value terms was the following:

Structure of sales revenue in value terms (in PLN thousand):

Revenues	2020		2019		2020/2019
	PLN'000	Share (%)	PLN'000	Share (%)	
Sales of physical products	11,617	25%	26,143	55%	-56%
Licenses	-	-	2	-	(1)
Digital sales	34,365	75%	21,159	45%	62%
Other sales	29	-	174	-	(1)
Total	46,010	100%	47,478	100%	-3%

An increase of 45% share of digital sales in total revenues in 2019 to 75% in 2020, is attributable to the fact that the highest sales of physical products is noted a few months after the release of a game (the last game release took place in November 2020, and in United Label S.A. in the summer 2020).

Structure of revenues from sale in volume terms (pieces):

Revenues	2020		2019		2020/2019
	Units	Share (%)	Units	Share (%)	
Sales of physical products	183,250	11%	454,131	22%	-60%
Licenses	-	-	-	-	
Digital sales	1,507,571	89%	1,640,601	78%	-8%
Other sales	-	-	-	-	
Total	1,690,821	100%	2,094,732	100%	-19%

The sales in volume terms decreased by 19% in 2020, with the highest decline in physical copies segment (decline by 60% comparing 2020 to 2019). It results from the seasonality of sales described above.

Geographic distribution of sales revenue of CI Games Group in years 2019-2020 (in value terms):

Revenues	2020	2019
	PLN'000	PLN'000
Export	45,800	46,234
<i>share (%)</i>	<i>100%</i>	<i>97%</i>
Domestic	210	1,244
<i>share (%)</i>	<i>0%</i>	<i>3%</i>
Total	46,010	47,478

The Group sells its titles in five continents (more than 160 countries). 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.

The following clients each comprised more than a 10% share in sales of the Group in year 2020:

- Valve Corporation (27% sales value) – an entity unrelated to the Group, via the Steam platform for digital sales of games;
- Microsoft Corporation (17% sales value) – an entity unrelated to the Group, via the Xbox platform for digital sales of games;
- Sony Interactive Entertainment Europe Ltd (14% sales value) – an entity unrelated to the Group, via the Playstation platform for digital sales of games;
- Sony Interactive Entertainment AMERICA LCC (12% sales value) – an entity unrelated to the Group, Playstation platform for digital sales of games on the territory of North and South America.
- Cokem (sales value) – an entity unrelated to the Group, one of the distributors of CI Games USA Inc. on the American market.

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

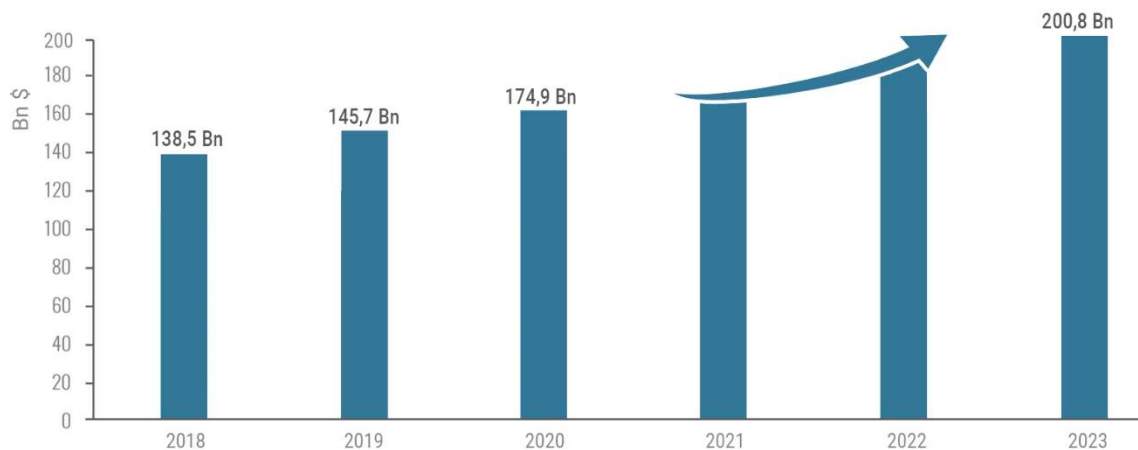
The CI Games Group has a dispersed base of suppliers, none of which exceeded the threshold of 10% in value of purchases in year 2020. Key suppliers of the Group include subcontractors delivering game production components, companies that render services in physical game production, suppliers of marketing services.

4. Description of the market on which the Group operates

The video games market continues to grow each year. A key contributor to growth in 2020 was the raised level of interest in games as a result of the global coronavirus pandemic and widespread restrictions. Additionally, the debut of next generation consoles, which took place at the end of 2020 also had a material impact on market growth.

According to estimates of market research firm Newzoo made in October 2020, the global games market was worth USD 174.9bn and by the year 2023 market value will increase to USD 200.8bn.

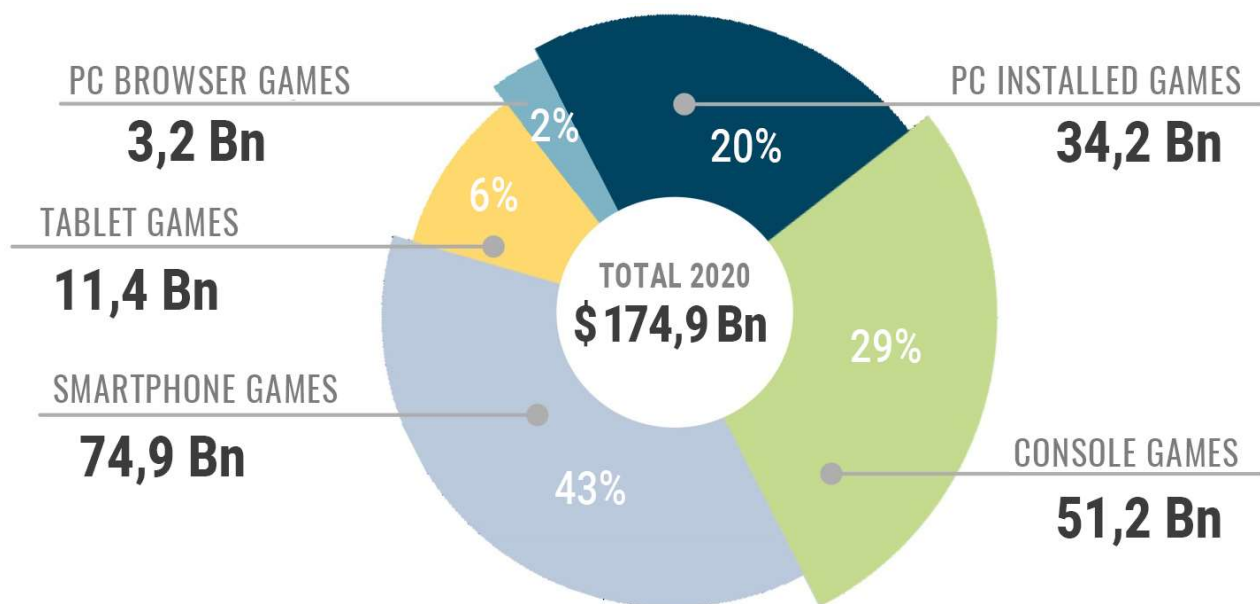
Diagram 1. Value of the global games market (in billions of USD)



Źródło:

2020 Global Games Market Report, Newzoo: <https://newzoo.com/insights/trend-reports/newzoo-global-games-market-report-2020-light-version/>

Diagram 2. Global games market in 2020

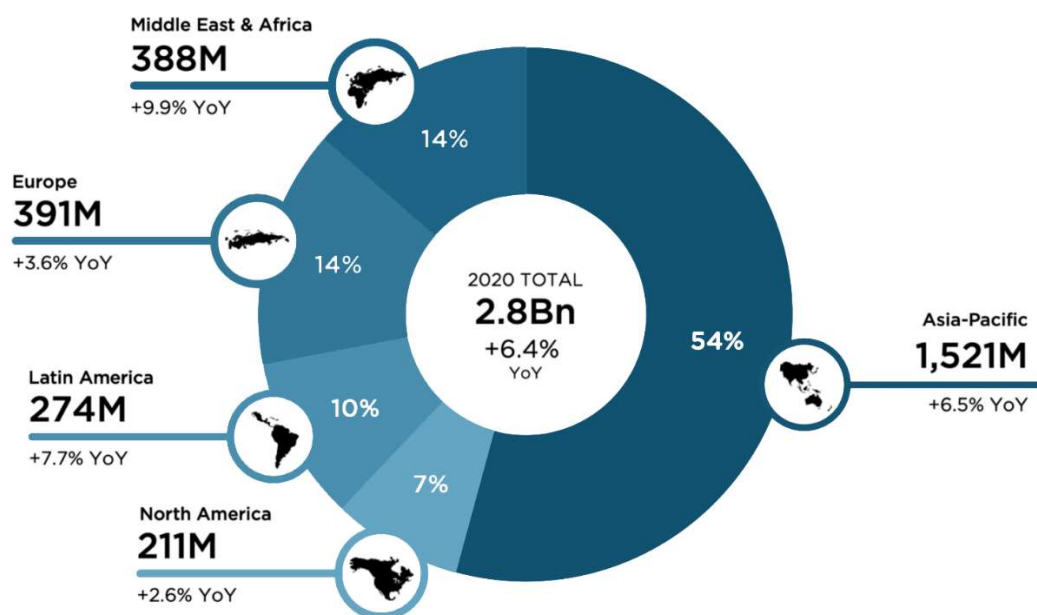


Źródło: 2020 Global Games Market, Newzoo: <https://newzoo.com/key-numbers>

Mobile games, including those for smartphones and tablets, represent the biggest market segment. Its value in 2020 totaled USD 86.3bn, growing by 25.6% year-on-year and accounting for 49% of the global games market. Console games took second place with revenues totaling USD 51.2bn, which represents

29% of the entire market. PC games took the last place. These games represent 22% of the global games market and their sales in 2020 totaled USD 37.4bn. This segment is recording the lowest growth rates due to the fact that PC players tend to switch to mobile devices.

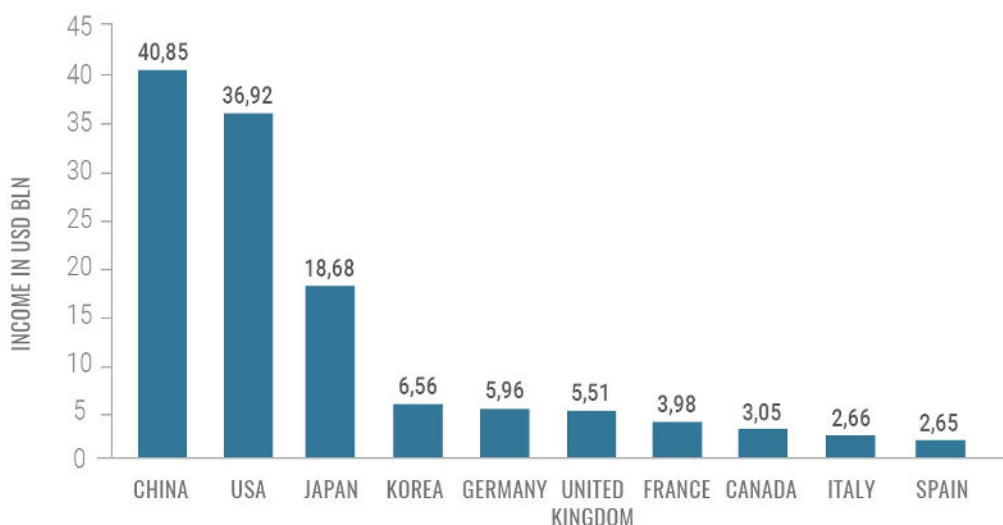
Map 2. Video games market in 2020 (number of players)



Źródło: 2020 Global Games Market, Newzoo: <https://newzoo.com/key-numbers>

In terms of player numbers, the global games market recorded a 6.4% increase in 2020 compared to the year 2019. Just as in 2019 and 2018, players from Asia and the Pacific region account for the biggest (54%). The share of players from Latin American and Middle Eastern markets in the entire market grew in 2020 (to 10% and 14% respectively) while growth rate in these regions, at 9.9% and 7.7% respectively, exceeds the growth rate of the market as a whole (6.4%). Europe and the North American market had 14% and 7% shares respectively and their growth rates were slower than that of the global market, an evidence of their maturity.

Diagram 3. Top video games markets globally in 2020



Źródło: Top 100 Countries by Game Revenues, Newzoo: <https://newzoo.com/insights/rankings/top-10-countries-by-game-revenues/>

China and the United States invariably remained the biggest video games markets in 2020, worth USD 40.85bn and USD 36.92bn respectively. The third place also remained unchanged, with Japan at USD 18.68bn. Further on, Korea is maintaining its position with USD 6.56bn followed by Germany with USD 5.97bn. The tenth largest local video games market is Spain, with sales of USD 2.66bn.

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

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

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

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

6. Key events in the Group in 2020 and until the report publication date – a description of significant achievements or failures with a list of the key associated events

Game production

- During the reporting period, i.e. in 2020, Group activities focused on the development of the game *Sniper Ghost Warrior Contracts 2* and *Lords of the Fallen 2*. The release of SGWC 2 is planned for June 4, 2021, when the game will be published simultaneously for all platforms (PlayStation 5, Xbox, Series X/S, PlayStation 4, Xbox One and PC) and distributed across all territories.
- The SGWC 2 marketing campaign was launched in September 2020. The title will offer players an entirely new story set in a brand new location, while also featuring a range of new equipment and weapon models. Elevating the franchise to a new level of visual quality and game realism, SGWC 2's gameplay will focus around extreme-range sniper shooting, with targets often in access of 1000m away.
- In January 2021, sales of *Sniper Ghost Warrior Contracts* exceeded 1 million copies, while sales of *Sniper Ghost Warrior 3* exceeded 2 million copies. The entire *Sniper Ghost Warrior* series has now sold a total of more than 11 million copies. Sales of *Lords of the Fallen* recently exceeded 3 million copies.
- In the first quarter of 2020, the Group opened a new development studio, Hexworks, located in Barcelona and Bucharest. Currently, the Hexworks team consists of over 40 experienced developers from Spain, the UK, Germany, France, Romania, Denmark, Ukraine, the US and elsewhere. Projects developed by the new studio will focus on high quality, AA+ RPG games. The first Hexworks project is *Lords of the Fallen 2*, designed for next-gen consoles and PC. The game will be set in a mature dark fantasy world, and features a demanding gameplay system. The title is being developed using the Unreal Engine.
- CI Games group has significantly increased its headcount over the course of 2020. As of the publication of this report, the Group employs over 125 people, approximately 100 of which work in game production. In 2021, the Company is planning further expansion of internal teams.

CI Games is working on an ongoing basis with external outsourcing partners to support key game development aspects, including the graphical elements used for the expanded worlds of the Company's two key projects; LotF 2 and SGWC 2.

- RÖKI, part of the United Label S.A. portfolio, released on PC on July 23, 2020, and later on Nintendo Switch on October 15, 2020. The game received very high ratings from both gaming media and users (95% user score on Steam). Sales of the game are growing steadily, reaffirming the long-term nature of the title. The game was nominated in the category of "Best Indie Game Debut" at the prestigious annual industry event, The Game Awards 2020.
- Going forward, titles from the United Label S.A. portfolio will release on an expanded range of consoles. The next United Label S.A. games, i.e. the *Eldest Souls* and *Tails of Iron* will be available on all the key platforms, including PS5, PS4, Xbox X/S, Xbox One, Nintendo Switch and PC, significantly boosting their sales potential.

Other events

- In January 2020, the Company paid in full a current account loan totaling PLN 5m granted on the basis of an agreement with mBank S.A. dated January 9, 2018.
- On September 24, 2020, the Company paid back the entire revolving loan totaling PLN 11.3m based on an agreement with mBank S.A. dated January 9, 2018. The Company has no outstanding loans at present.
- The Group has signed agreements to distribute SGWC 2 in key markets with the following partners:
 - Koch Media GmbH in Germany, Austria, Switzerland, Belgium, the Netherlands, Spain, Portugal, the UK and Ireland;
 - Five Star Games Pty. Ltd. from Australia in Australia and New Zealand;
 - PAN Vision AB from Sweden in Norway, Sweden, Iceland, Denmark, Finland, Estonia, Latvia and Lithuania;
 - Game King LLC from the United Arab Emirates in the Middle East;
 - Excelgames Interactive Pte. Ltd. from Singapore in Singapore, Malaysia, Indonesia, the Philippines, Thailand, Taiwan and Hong Kong;
 - Just For Games SAA in France;
 - H2 Interactive Co. Ltd. in Japan and South Korea.
- In July 2020, United Label S.A., a subsidiary of CI Games S.A. which operates a global publishing platform for indie video game developers, raised PLN 4.4m from investors (net funds raised totaled PLN 4,189,000) as a result of a capital raise. This funding will be used to expand the publishing portfolio and to finalize work on the present titles. The sale of series B shares consisted of 275,000 new shares with a nominal value of PLN 0.1 each. The shares were issued in two tranches, up to 187,500 shares with a subscription period between June 22 and 29, and up to 87,500 shares with a subscription period between June 30 and July 10. As a result of National Court Register (KRS) registration of the share issue, CI Games' stake in the capital of United Label S.A. stands at 78.43%. United Label S.A.'s debut on the NewConnect market took place on January 12, 2021.
- On August 24, 2020, the Company's Managing Board, acting on the basis of resolution no. 3/2/2018 of the Extraordinary General Meeting of Shareholders which took place on September 27, 2018, upon acceptance of the Supervisory Board required under this resolution, passed a resolution to raise the Company's initial capital within limits of its authorized capital by issuing at least 1 (one) and up to a maximum of 21 million ordinary bearer series I shares.
- Series I share issue was held as a private placement, excluding subscription rights of the Company's existing shareholders and with a restricted pre-emptive subscription right. The minimum subscription amount was set at PLN 500,000. Trigon Dom Maklerski (Brokerage House) served as the investment broker managing the offering. As a result of the share issue, the Company has raised over PLN 25m from investors (the value of the offering totaled PLN 25,200,000 while the net amount raised reached PLN 24,938,000). The issuing price was set at PLN 1.2 per share. Funds raised will be used for the development of games under the *Lords of the Fallen* and *Sniper Ghost Warrior* franchises.

- As a result of the above share issue, Rockbridge Towarzystwo Funduszy Inwestycyjnych S.A. mutual fund group, acting on behalf of and in the name of mutual funds it manages, acquired close to 6% stake in the Company, increasing the number of shares owned to 15,718,357 (representing 8.59% of CI Games' share capital and overall number of votes in the Company). As stated earlier, CI Games S.A. President of the Management Board, Marek Tymiński has purchased 420,000 series I shares as part of the new share issue, with all the shares acquired subject to a six-month lockup.

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

Between January 1st and December 31st, 2020, no extraordinary events took place, which would exert impact on the financial results achieved.

The Management Board of the Company is of opinion that the announced state of COVID-19 epidemic does not constitute an event, which would enforce adjustments to the consolidated financial statements for the year 2020. The Management Board is monitoring the situation on an ongoing basis and will take all possible steps to mitigate any negative consequences for the Group related to the ongoing epidemic.

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

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

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

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

A detailed description of factors, which may influence activity of the Group, can be found in Chapter III, point 2 "Significant risk factors and threats faced by the Group" of this report.

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

- Publishing contracts signed with United Label S.A. with independent developers. Polygon Treehouse Ltd, Lunarix Iris, Odd Bug Strios Limited, Fallen Flag Studio Ltd for worldwide distribution.
- 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.
- On December 21, 2020, the Company signed a lease agreement renting out office space at THE WARSAW HUB complex. The agreement was signed with Ghelamco GP 11 sp. z o.o. THE HUB S.K.A. with the registered office in Warsaw. Office space lease term will start in June 2021. The lease was signed for a period of 60 months. Lease terms do not diverge from standard terms for agreements of this kind. The agreement was signed at market terms.

II. Financial results

1. The selected financial data

Consolidated profit and loss account

Profit and Loss Accounts	for the period from 1.01 to 31.12.2020		for the period from 1.01 to 31.12.2019	
	PLN'000	EUR'000	PLN'000	EUR'000
Net revenue from sales	46,010	10,283	47,478	11,037
Gross profit on sales	19,327	4,320	18,465	4,292
<i>Sales margin (%)</i>	<i>42%</i>	<i>42%</i>	<i>39%</i>	<i>39%</i>
Profit (loss) from operating activities	8,729	1,951	1,047	243
<i>Operatating margin (%)</i>	<i>19%</i>	<i>19%</i>	<i>2%</i>	<i>2%</i>
EBITDA	27,829	6,220	20,514	4,768
<i>EBITDA (%)</i>	<i>60%</i>	<i>60%</i>	<i>43%</i>	<i>43%</i>
Gross profit (loss)	8,532	1,907	219	51
<i>Gross profit (%)</i>	<i>19%</i>	<i>19%</i>	<i>0%</i>	<i>0%</i>
Net profit (loss)	7,097	1,586	(2,877)	(669)
<i>Net margin (%)</i>	<i>15%</i>	<i>15%</i>	<i>-6%</i>	<i>-6%</i>

The Company did not release a new game in 2020, with revenue generated mainly from the sale of SGWC (approximately 60% of consolidated revenues) and its back catalogue (i.e. earlier titles of the Group). A subsidiary United Label S.A. published Rōki, an indie title for PC (release date July 23, 2020) and Nintendo Switch (October 15, 2020) generating revenues of PLN 1m in 2020.

Production costs consisted mainly of amortization and depreciation of development work on Sniper Ghost Warrior 3 and Sniper Ghost Warrior Contracts, in addition to the cost of producing physical media as well as costs of production that were not included under development costs.

Operating profit in 2020 totaled PLN 8.7m and was significantly higher than the year before. In 2019, the Group incurred sales-related expenses due to the game's release, while in 2020 these expenses fell by PLN 7.8m, which translated directly into higher profitability (19% operating margin in 2020 vs. 2% in 2019).

The Group posted a net profit of PLN 7.1m (15% net margin) in 2020, arising mainly from the profitability of SGWC, the development and marketing costs of which were recouped in 2Q 2020.

Consolidated balance sheet

Balance sheet	as of 31.12.2020		as of 31.12.2019	
	PLN'000	EUR'000	PLN'000	EUR'000
Non-current assets	69,137	14,982	62,297	14,629
Current assets	41,150	8,917	34,803	8,173
Total assets	110,287	23,899	97,100	22,801
Equity	96,544	20,921	60,318	14,164
Initial capital	1,829	396	1,619	380
Liabilities	13,743	2,978	36,782	8,637
Non-current liabilities	8,173	1,771	6,474	1,520
Current liabilities	5,570	1,207	30,308	7,117
Total equity and liabilities	110,287	23,899	97,100	22,801

The balance sheet total of CI Games Group as of December 31, 2020 totaled PLN 110.3m and was up by 14% compared to the balance sheet total at the end of 2019. The main items behind this change were the rise in value of the right to use assets (booking a new lease rental agreement according to IFRS 16) and an increase of the cash balance by PLN 21m.

As of December 31, 2020, liabilities rose mainly as a result of an increase in own equity by PLN 36.2m following the I series stock issue at CI Games S.A. and a capital increase of the subsidiary United Label S.A. (PLN 28.9m) and retained earnings (PLN 7.0m). The increase in liabilities as a result of an increase in own equity was partially offset by the decline of loan liabilities

Assets

Assets structure

Specification	Ratio	as of 31.12.2020	as of 31.12.2019
Intangible assets / Assets	%	50.5%	54.5%
Property, plant and equipment/ Assets	%	0.4%	0.4%
Trade receivables / Assets	%	6.2%	20.5%
Inventories/ Assets	%	1.4%	3.2%
Cash and cash equivalents / Assets	%	25.6%	6.9%
Deferred income tax assets/ Assets	%	2.9%	6.1%
Other assets / Assets	%	3.3%	5.2%

As of December 31, 2020 the biggest item in terms of assets were intangibles (50.5% of the total assets as of Dec. 31, 2020), which rose by PLN 2.9m over the course of the year. The main items in intangibles were development works, which totaled PLN 54.4m as of December 31, 2020. Between December 31, 2019 and December 31, 2020 consolidated balance of development works rose by PLN 2.4m as a result of expenditures on SGWC 2 and LotF 2 (including expenditures made by subsidiaries), which exceeded games' amortization.

The decline in trade receivables as of December 31, 2020 by PLN 13m (66%) compared to the balance at the end of 2019 is due to the conversion of receivables into cash after the game's release in 2019.

Cash holdings represent a significant part of the total assets (25.6%), totaling PLN 28.2m as of December 31, 2020 - the increase of this position is due to the conversion of receivables into cash mainly in 1Q 2020 and funds raised from series I stock issue at CI Games and an increase in capital at United Label S.A.

As of December 31, 2000, total assets relating to deferred income tax declined by PLN 2.7m compared to the balance as of December 31, 2019 mainly as a result of utilization of historical tax losses.

Equity and liabilities

Structure of equity and liabilities

	Ratio	as of 31.12.2020	as of 31.12.2019
Own equity	%	87.5%	62.1%
Long term liabilities	%	7.4%	6.7%
Short term liabilities	%	5.1%	31.2%

CI Games Group own equity as of December 31, 2020 totaled PLN 96.5m (87.5% of the consolidated balance sheet total) and have increased significantly over the course of the year mainly thanks to retained earnings and the stock issue.

The Group's long-term liabilities rose from PLN 6.5m (balance as of December 31, 2019) to PLN 8.2m as of December 31, 2020 mainly as a result of booking financial leasing-related liabilities for a new office (an increase by PLN 6m) which offset the reduction of income tax provision (by PLN 3.9m).

Short-term Group liabilities totaled PLN 5.6m as of December 31, 2020 registering an over fivefold decline as a result of repayment of bank loans totaling PLN 24m and a reduction of trade payables by PLN 1.5m.

Consolidated cash flow

Statement of cash flow	for the period from 1.01 to 31.12.2020		for the period from 1.01 to 31.12.2019	
	PLN'000	EUR'000	PLN'000	EUR'000
Net cash flows from operating activities	40,609	9,076	(1,494)	(347)
Net cash flows from investing activities	(22,892)	(5,116)	(20,314)	(4,722)
Net cash flows from financing activities	3,847	860	15,855	3,686
Net cash flows	21,564	4,820	(5,953)	(1,384)

In 2020 operating cash flow totaled PLN 40.6m and was due mainly to the conversion of trade receivables into cash.

Net cash flow from investing activities was negative and totaled PLN 22.9m which was related almost exclusively to development expenses of *Sniper Ghost Warrior Contracts 2* and *Lords of the Fallen 2* as well as advances (PLN 2.6m) for game development at a subsidiary United Label S.A.

Net cash flow from financing activities was positive (PLN 3.9m). This item consisted mainly of funds from the stock issue at CI Games S.A. and United Label S.A. totaling PLN 29.1m combined, which offset the repayment of bank loans (PLN 24m).

2. Assessment of ability to achieve the investment goals

The CI Games Capital Group is capable of financing investment projects. Production of the SGWC 2 and the LotF 2 games is to be financed from own funds.

3. Information on financial projections

In 2020, the Management Board of the Company did not publish any forecasts concerning the consolidated results of the CI Games Capital Group or individual results of the Issuer.

4. Information on significant transactions for purchase and sale of tangible assets

In 2020 and until the date of publication of this report, there were no significant transactions for purchase and sale of tangible assets.

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

In 2020 and until the date of publication of this report, there were no significant liabilities due to purchase of tangible assets.

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

1. Credit and loan agreements

As of 31.12.2020, the Group and the Company was not the party to any loan agreements.

Parent Entity granted loans to its subsidiaries – it was described in the Chapter IV, point 16.

2. Lease agreements

As of 31.12.2020, the Company was a party to one financial lease agreement for a company car. The respective balance was PLN 92 thousand.

As of 31.12.2020, the Group had no other conditional liabilities.

7. Information on loans granted by the CI Games Capital Group

In 2020, neither the Company nor the CI Games Capital Group, including all subsidiaries of the Group, granted any loans to employees, partners or contract parties of substantial unit value.

8. Information on sureties and guarantees granted and received in 2020 by the CI Games Capital Group

In 2020, neither the Company, nor the Capital Group, nor any of the Group subsidiaries granted or received any guarantees or sureties.

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 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 2020, the SARS-CoV-2 virus pandemic has emerged (the virus causes an illness known as COVID-19; described below), which lasted for the whole 2020 year until the release of this report, having a negative impact on Polish and global economy.

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 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 secures itself against the foreign currency risk by incurring liabilities in these currencies. In 1Q2021, the Company entered into five forward contracts for USD sale to be executed in the period August- December 2021.

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 subsidies, 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:

Marek Tymiński	President of the Management Board.
Monika Rumianek	Member of the Management Board

Composition of the Board of Supervisors of the Company in 2020 was as follows:

Ryszard Bartkowiak	Chairman of the Supervisory Board
Norbert Biedrzycki	Member of the Supervisory Board until 14.10.2020
Marcin Garliński	Member of the Supervisory Board
Grzegorz Leszczyński	Member of the Supervisory Board
Rafał Berliński	Member of the Supervisory Board from 27.07.2020
Krzysztof Kaczmarczyk	Member of the Supervisory Board from 09.10.2020
Tomasz Litwiniuk	Member of the Supervisory Board until 25.05.2020

2. The shareholding structure

According to the best knowledge of the Company's Management Board of the Issuer, as of the date of publication of this report, that is, 19.04.2021, the shareholding structure of CI Games S.A., including shareholders owning directly or through their subsidiaries at least 5% of the total votes during the general meeting, was as follows:

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

3. A breakdown of ownership of shares of CI Games S.A. or rights to these shares by persons managing and supervising the Issuer

A breakdown of ownership of shares of CI Games S.A. by managing and supervising persons as of the date of publication of this report:

Person	Function	State as of 31.12.2019	State as of 19.04.2020 (the report publication date)
Marek Tymiński	President of the Management Board of CI Games S.A.	52,663,570	53,083,570
Monika Rumianek	Member of the Management Board of CI Games S.A.	150,000	150,000
Marcin Garliński	Member of the Supervisory Board	0	15,000
Krzysztof Kaczmarczyk	Member of the Supervisory Board	0	40,000

Marek Tymiński, the President of the Management Board of CI Games S.A., holds 53,083,570 shares of the Issuers, constituting 29.02% of the share capital of the Issuer and 29.02% of the total number of votes during the general meeting of the Company.

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

On 06.07.2020, the Company received a notification of acquisition of 40,000 shares of the Company by Mr. Marcin Garliński – a member of the Board of Supervisors of the Company.

On 26.10.2020, the Company received a notification of acquisition of 15,000 shares of the Company by Mr. Krzysztof Kaczmarczyk – a member of the Board of Supervisors of the Company.

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

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

On 10.06.2019, CI Games S.A. entered into a contract with UHY ECA Audyt Sp. z o.o. Sp. k. with a registered office in Krakow for a semi-annual review and audit of the individual and consolidated financial statements for years 2019 and 2020. This entity was selected by the Supervisory Board of CI Games S.A. on the basis of recommendations of the Audit Committee of the Supervisory Board of the Company, in accordance with the audit firm selection policy and procedure adopted by the Company.

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

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

No such contracts are known to the Issuer.

6. Loan liabilities

As of 31.12.2020 the Company had no loans liabilities.

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

In 2020, the Issuer concluded no contracts with managing persons, providing for a compensation for such persons in the case of their resignation or dismissal due to any reason.

8. 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 Capital Group:

Transactions in 2020 and balances as of 31.12.2020	COSTS	REVENUES	RECEIVABLES	LIABILITIES
Entity	PLN'000	PLN'000	PLN'000	PLN'000
CI Games USA Inc.	-	8,329	9,748	-
Business Area Sp. z o.o.	-	2	-	-
Business Area Sp. z o.o. Sp.J.	49	22	-	680
CI Games S.A. Sp. J.	104	2	-	193
United Label S.A.	912	230	4,791	584
CI Games UK Limited	56	-	119	-
CI Games BUCHAREST STUDIO SRL	-	2	431	-
CI Games Mediterranean Projects	-	21	2,750	-
TOTAL	1,121	8,608	17,839	1,457

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 2020 and balances as of 31.12.2020	COSTS	REVENUES	RECEIVABLES	LIABILITIES
Entity	PLN'000	PLN'000	PLN'000	PLN'000
Onimedia Sp. z o.o.	-	2	-	-
Premium Restaurants Sp. z o.o.	-	-	-	9
Premium Food Restaurants S.A.	-	-	84	-
Fine Dining Sp. z o.o.	-	-	174	-
TOTAL	-	2	258	9

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 2020 and balances as of 31.12.2020	COSTS	REVENUES	RECEIVABLES	LIABILITIES
Entity	PLN'000	PLN'000	PLN'000	PLN'000
Marek Tyminiński	60	-	-	-
ADVISOR Rafał Berliński	87	-	-	-
BWHS Bartkowiak Wojciechowski Hałupczak Springer SPÓŁKA JAWNA	143	-	-	-
TOTAL	290	-	-	-

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

As of 31.12.2020, the CI Games Capital Group consisted of the following entities:

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

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

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

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

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

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

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

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

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

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

The new Member of the Supervisory Board, Mr. Rafał Berliński, was appointed by the Ordinary General Meeting of CI Games S.A. on 27.07.2020. On 09.10.2020 the Ordinary General Meeting appointed Mr. Krzysztof Kaczmarczyk as the Member of the Supervisory Board of the Company.

On 14.10.2020, Mr. Norbert Biedrzycki submitted his resignation from the function of a member of CI Games S.A. Supervisory Board.

On 05.25.2020, Mr. Tomasz Litwiniuk submitted his resignation from the function of a Member of the Supervisory Board due to the fact that as of 26.05.2020, he became the President of the Management Board

of the subsidiary United Label S.A. On 09.06.2020, two new Members of the Supervisory Board of United Label S.A., were appointed: Mr. Rafał Berliński and Mr. Marcin Garliński.

Two newly established subsidiaries began operations during 3Q 2020. Their main area of activity is the development of *Lords of the Fallen 2* as part of Hexworks, the Group's newly created development studio. CI Games Mediterranean Projects S.L. has been active since July 2020. Its Administrator (the sole managing body) from the date on which it was established is Mr. Marek Tymiński.

CI Games Bucharest Studio S.R.L. began its operations in September 2020. In December 2020 Ms. Monika Rumianek became the Administrator of CI Games Bucharest Studio S.R.L., replacing Mr. Marek Tymiński who served in this role since the establishment of this company.

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 879 thousand (equivalent of EUR 180 thousand and PLN 48 thousand). As of the report publication date, the case is pending.

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) constitute at least 10% of equity of the Issuer.

On 04.02.2020, CI Games S.A. and Original Force Ltd. with a registered office in Nanjing (China) entered into a settlement based on the laws of the U.S. state of California, resulting from winning by the Company of the arbitration dispute, conducted against Original Force Ltd. before the JAMS arbitration institution in the United States. On the basis of the settlement reached, Original Force Ltd. will pay on behalf of CI Games S.A. the total amount of USD 800,000, and the payment schedule provides for payments made in installments until 20.02.2021. As of the date of this report, the Company received the whole amount as per terms of the signed settlement.

13. 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

In 2020, there were no violations of terms and conditions of loan or credit agreements. The Company repaid all loans in 2020.

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

In 2020, no changes took place in classification of financial assets due to a change in the purpose or use of these assets.

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

Chapter II, point 6 and point 8, describes the conditional liabilities.

After the balance sheet date, the Management signed the following:

- Statement on submission to enforcement pursuant to article 777 § 1 point 5 of the Polish Code of Civil Proceedings dated March 9, 2021 pursuant to an agreement dated Dec. 21, 2020 on the payment of costs and expenses relating to relocation of Company's office signed with Ghelamco GP 11 spółka z ograniczoną odpowiedzialnością THE HUB spółka komandytowo-akcyjna with the registered office in Warsaw.
- Statement on submission to execution pursuant to article 777 § 1 point 4 of the Polish Code of Civil Proceedings dated March 23, 2021 based on short-term office lease signed with Spektrum Tower spółka z ograniczoną odpowiedzialnością with the registered office in Warsaw on March 17, 2021.

As of the report publication date, the Group had no other conditional liabilities.

16. 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

On 12.12.2018, CI Games S.A. concluded a loan agreement with its subsidiary United Label S.A. for the amount of PLN 2 million. The loan funds are made available in tranches. The deadline for full repayment of the loan is 12.12.2023. The loan interest rate is equal to WIBOR 3M base rate increased by margin. Based on Annex no 1 and Annex 2 to this loan agreement, the loan amount was increased to PLN 5.5 mln. As of 31.12.2020, the loan balance including interest amounted to PLN 4,782 thousand.

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. The term of the loan is no longer than 5 years. The loan interest rate is equal to 4%. As of 31.12.2020, the loan balance including interest amounted to PLN 2,750 thousand.

On 29.09.2020, CI Games S.A. concluded a loan agreement with its subsidiary CI Games Bucharest Studio S.R.L. for the amount of EUR 170 thousands. The deadline for full repayment of the loan is 30.04.2021. The loan interest rate is equal to EURIBOR 3M base rate increased by margin. As of 31.12.2020, the loan balance including interest amounted to PLN 431 thousand.

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

In the third quarter of 2020 the Issuer conducted a share issue as part of the increase of the Company's share capital within the limits of its authorized capital.

Managing Board of the Company, acting pursuant to the authority given to the Managing Board by Resolution no. 3/2/2018 of the Extraordinary General Meeting of Shareholders dated September 27, 2018 concerning: i) amendment of the Articles of Association to authorize the Company's Managing Board, upon permission of the Company's Supervisory Board, to increase the Company's share capital within limits of authorized capital, ii) amendment of the Company's Articles of association to authorize the Company's Managing Board to waive subscription rights, upon permission of the Supervisory Board, in their entirety or in part concerning the increase of the Company's share capital as part of authorized capital, iii) authorizing the Company's Supervisory Board to adopt unified text of the Articles of Association and on the basis of § 10a of the Company's Articles of Association upon permission of the Company's Supervisory Board subject to Resolution no. 2020/08/24/1 of CI Games S.A. Supervisory Board dated September 24, 2020 on the approval for the Company's Managing Board for the increase of the Company's share capital within limits of authorized capital by issuing ordinary, series I bearer shares, waiving subscription rights of the existing shareholders to all series I shares and on amendment of the Company's Articles of Association, passed in a vote by circulation; has, on August 24, 2020, taken up a resolution on an increase of the Company's share capital as part of authorized capital from PLN 1,619,430.15 by at least PLN 0.01 and by no more than PLN 210,000, i.e. to at least PLN 1,619,430.16 and to no more than PLN 1,829,430.15 („Managing Board Resolution”). As a consequence of the adoption of the Managing Board's Resolution, the Company issued series I shares totaling no more than 21,000,000 (21 million) ordinary bearer, series I shares with a nominal value of PLN 0.01 each (“Series I Shares”).

Series I Shares were offered in a private placement conducted on August 31, 2020 - September 2, 2020. As part of Series I Share issue:

i) The Managing Board made a pre-emptive offer to purchase Series I Shares to those Company shareholders, who within 3 (three) days of the passing of Managing Board resolution have demonstrated they were shareholders of the Company upon the date of Management Board Resolution (“Pre-emptive right to take up shares”). The pre-emptive right to take up shares was due to specific shareholders in the amount equal to the ratio between a) the number of Company shares held by such shareholder upon the announcement of Managing Board Resolution and the total number of all outstanding shares of the Company and b) ultimate number of Series I Shares. As a pre-requisite for the execution of Pre-emptive right to take up shares the shareholder had to fulfil additional requirements, i.e. a) present a document issued by an entity managing that shareholder's securities account confirming that the shareholder is a shareholder upon the date of Management Board Resolution and possessed shares representing at least 0.25% (twenty-five percentage points) of the Company's initial capital and b) having the authorized shareholder make a subscription at a price no less than the final Series I Share price set and c) making a subscription for Series I Shares at an issuing price determined by the Managing Board;

ii) In the event where a mutual investment fund, as defined by the Law on Investment Funds and the Management of Alternative Investment Funds (Journal of Laws 2018, item 1355) had the Pre-emptive right to take up shares, at the request of such authorized shareholder the Company's Management Board could also make an offer to take up Series I Shares to another mutual fund or mutual funds as defined by the above law, which are managed by the same mutual fund company (“Associated Entities”). Total number of Series I Shares offered by the Company's Management Board to such fund or its Associated Entities while executing the Pre-emptive right to take up shares may not exceed the number of Series I Shares referred to in point i) above.

Furthermore, the Company's Management Board passed a resolution to amend the Company's Articles of Association so as to reflect the above increase of initial capital.

On September 3, 2020, the Company's Management Board allocated Series I Shares. Series I Shares were taken up at an issuing price of PLN 1.2 per share. As part of this issue, the Issuer's President of the Management Board, Mr. Marek Tymiński, took up 420,000 (four hundred twenty thousand) Series I Shares.

Pursuant to the Resolution, the Company's Management Board took all steps in order for the Company to effectively seek admission and a listing on a regulated trading market operated by the Warsaw Stock Exchange (GPW) in Warsaw of Series I Shares and to dematerialize Series I Shares. Series A Shares totaling 21,000,000 (twenty-one million) were listed on WSE's Main Market on October 6, 2020. Registration of changes of the Company's Articles of Association, containing the information on the increase of initial capital in relation to Series I Share issue took place on September 21, 2020.

Issuer's subsidiary, United Label S.A., has raised its share capital by issuing 275,000 ordinary bearer shares of series B, with a nominal value of PLN 0.10 each, at issuing price of PLN 16 apiece. The value of this issue was PLN 4.4m. Subscription of series B shares was conducted in two tranches: up to 187,500 shares – subscription in the period of June 22-29 and up to 87,500 shares – subscription in the period between June 30 and July 10, 2020. On July 22, 2020, the District Court for the capital city of Warsaw, 12th Commercial Division of the National Court Register, recorded an increase in the share capital of United Label S.A. At present, the share capital of United Label S.A. amounts to PLN 127,500.

18. 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 Chapter IV, point 8. In 2020, transactions were executed with related entities on the basis of market conditions, and in the opinion of the Management Board of the Company, they were typical and routine-based transactions.

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

In 2020, the Parent Entity neither paid nor declared payment of dividends.

The Ordinary General Meeting of the Company of 27.07.2020 passed a resolution on allocation of profit earned in 2019 in the amount of PLN 2,007,435.33 to coverage of loss of previous years.

20. Description of the mode of use of proceeds from the issue

In the reporting period, CI Games S.A. issued 21,000,000 of ordinary bearer shares I series and the Company gained PLN 25 million of net proceeds as a result of this issue. The objectives of the shares I series issue conducted in the private subscription regime, were not declared

21. 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 point 22 below.

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

-
- The Group will continue to sell *Sniper Ghost Warrior Contracts*, *Sniper Ghost Warrior 3*, and *RÖKI*, 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. On 20.03.2021, the Company entered into 5 forward contracts for the sale of USD 1.5 mln in five tranches, during the period of August – December 2021.
- The Group is currently focusing on the preparation of the *Sniper Ghost Warrior Contracts 2* game release, and production of *Lords of the Fallen 2*. Both games are being developed internally with the support of external subcontractors.

Approval of the activity report for the period from January 1st to December 31st, 2020

The Management Board of CI Games S.A.


Marek Tymiński

President of the Management Board

Monika Rumianek

Member of the Management Board

Warsaw, April 19th, 2021

The title "LORDS OF THE FALLEN" is rendered in a large, metallic, gothic-style font. The letters have a silver, reflective surface with red highlights and shadows, giving them a three-dimensional appearance. The word "OF THE" is smaller and positioned between "LORDS" and "FALLEN". Below the main title is a large, stylized number "2" that also features the same metallic, red-and-silver design. The background is a dark, gradient field filled with numerous small, glowing golden-yellow particles, resembling dust or embers. Wisps of white smoke or mist drift across the upper portion of the image, partially obscuring the top of the title.

LORDS OF THE FALLEN 2

HEXWORKS