



STARWARD INDUSTRIES

**QUARTERLY REPORT
FOR THE PERIOD
FROM JULY 1, 2022 TO SEPTEMBER 30, 2022
(ENGLISH TRANSLATION)**

Starward Industries S.A.

Authorized advisor

Navigator Capital[®]
 Value delivered.

Report prepared in accordance with the requirements specified in Annex 3 to the Alternative Trading System Regulations "Current and periodic information provided in the alternative trading system on the NewConnect market".

The Authorized Adviser for Starward Industries S.A. is Navigator Capital S.A. with its registered office in Warsaw (00-105), ul. Twarda 18, entered in the Register of Entrepreneurs of the National Court Register under KRS number 0000380467.

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1. Executive summary

Dear Shareholders,

We would like to invite you to read the interim report of Starward Industries S.A. for Q3 2022. In this report, we present a cross-sectional summary of events that took place during the reported period and after the end of period, extended up to the date of its publication.

The most important event of the third quarter of 2022 was coming into force of the partnership agreement concluded by the Company with 11 bit studios S.A. on June 12, 2022, concerning the release of “The Invincible”, and an equity investment, after the completion of which the partner (i.e. 11 bit studios) owns more than 5% of the share capital of Starward Industries.

On July 13, 2022 the Company’s General Meeting passed a resolution to increase its share capital, thereby enabling the issuance of new shares and the signing of an agreement to acquire Starward Industries shares at an issue price of PLN 79 per share by 11 bit studios S.A.

The process of increasing Company's share capital was completed on October 6, 2022 with the registration by the District Court for Kraków-Śródmieście in Kraków, XI Commercial Division of the National Court Register, of the issue of J-series shares, as well as amendments to the Company's Articles of Association.

In the area of production the work has been continued on the Beta version of “The Invincible” and resulted in completion of the next

milestone (MS-20), with four locations under code names: “Camp”, “Excavation”, “Landing” and “Spaceship”. This was another phase, following MS-19, which was accepted and paid for by the publisher.

In the third quarter of 2022, the Company and the publisher conducted extensive preparations related to their presence at the Poland largest gaming fair, Poznań Game Arena. Between October 7-9, 2022, for the first time in the Company's history we presented a 40-minute game demo to the players at a stand specially prepared for this occasion. During the fair, we gathered feedback that will help us in further development work on “The Invincible”, while the game itself was awarded the PGA Award for 2022 Best Indie Game, which confirms that the direction taken for the title's development was correct.

During the reporting period we increased the value of inventory to PLN 7.3 mln, while incurring operating expenses of PLN 1.4 mln and reporting a net loss of PLN 532 thousand. The loss incurred is consistent with our budget assumptions and is justified in view of the progress of the game's production plan.

We invite you to read the following report.

Management Board of Starward Industries S.A.



2. Information on the rules adopted to prepare the report

This quarterly report of Starward Industries S.A. for the period from July 1, 2022 to September 30, 2022 was prepared in accordance with the provisions of Annex 3 to the Alternative Trading System Regulations "Current and periodic information provided in the alternative trading system on the NewConnect market". According to regulations stated in previous sentence the quarterly report shall be prepared in Polish language version and if translated into a language other than Polish for any purpose, the Polish version shall in all events prevail and be paramount in the event of any differences, questions or disputes concerning the meaning, form, validity, or interpretation of this quarterly report.

The Company keeps its accounting books in accordance with the requirements of the Accounting Act of September 29, 1994 (as amended) applicable to entities continuing operations. The Company prepares the income statement in "by nature" format. The cash flow statement is prepared using the indirect method.

The reporting currency is the Polish zloty (PLN). In the financial statements, the Company presents economic events in accordance with their economic content. The Company's financial result for the given financial year includes all revenues earned and allocated to the Company and related costs in accordance with the principles of accrual, matching revenues and costs and prudent valuation. Individual assets and liabilities are valued using the prices actually incurred for their acquisition, while observing the prudence principle.

In the current reporting period the Company did not make any changes to the accounting principles (policy). Condensed separate financial statements of Starward Industries S.A. for the period from July 1, 2022 to September 30, 2022 have not been audited or reviewed by an entity authorized to audit financial statements. Starward Industries S.A. is not composed of internal organizational units preparing independent financial statements.

3. Basic data

3.1. Contact and registration details

Company:	Starward Industries S.A.
Country of incorporation:	Poland
Seat and address:	ul. Przemysłowa 12, 30-701 Kraków, Polska
E-mail address:	info@starward.industries
Website:	www.starwardindustries.com
Court of registration:	District Court for Kraków-Śródmieście in Kraków, XI Commercial Division of the National Court Register
KRS:	0000750305
Regon:	381277255
NIP:	6772437711

Starward Industries S.A. ("**Company**", "**Starward Industries**") was established on the basis of a notarial deed dated September 10, 2018 (Register A No. 13664/2018), drawn up by Notary Marcin Satora.

By decision of September 27, 2018 (file number KR.XI NS-REJ.KRS/28215/18/135) issued by the District Court for Kraków-Śródmieście in Kraków, the Company was entered into the Register of Entrepreneurs of the National Court Register under number 0000750305.

The duration of the Company is unlimited.

3.2. Management Board and Supervisory Board

As of date of September 30, 2022 and as at the date of this report, the composition of the Management Board was as follows:

- **Marek Markuszewski** - President of the Management Board
- **Maciej Dobrowolski** - Member of the Management Board
- **Michał Pietrzekiewicz** - Member of the Management Board

As of date of September 30, 2022 and as at the date of this report, the composition of the Supervisory Board was as follows:

- **Wojciech Weiss** - Chairman of the Supervisory Board
- **Michał Siennicki** - Deputy Chairman of the Supervisory Board, representative of the individual investors
- **Marcin Górecki** - Member of the Supervisory Board
- **Marta Adamska** - Member of the Supervisory Board
- **Bernard Gudowski** - Member of the Supervisory Board

On September 30, 2022 the Company received resignations from Dawid Sękowski and Michał Pietrzekiewicz (from their respective positions of Member of the Management Board and Member of the Supervisory Board). Both resignations became effective upon their receipt by the Company.

As the reason for his resignation from the Company's Management Board, Dawid Sękowski cited the completion of his objectives, as well as personal reasons.

Also on September 30, 2022, the remaining members of the Supervisory Board of the Company, following the resignation of Michał Pietrzekiewicz, in order for the Supervisory Board to regain the required minimum number of members, using the powers provided for in the Articles of Association of the Company, by way of

co-option, appointed Bernard Gudowski to serve as a Member of the Supervisory Board with immediate effect.

Following the election of the new Member of the Supervisory Board referred to above, the Supervisory Board, in its new composition, adopted a resolution to appoint Michał Pietrzekiewicz as a Member of the Management Board of Starward Industries.

Bernard Gudowski is a director, head of the post-merger integration and carve-out team for the M&A activities of SIX Group, a Swiss operator of the Zurich and Madrid stock exchanges. He also co-founded two technology startups and is an active investor in the video games and biotechnology industries.

3.3. Description of activities

Starward Industries is an independent developer of games from the so-called **AA+** segment, designed for personal computers and PlayStation, Xbox and Nintendo Switch game consoles, created by a team of people with many years of experience in companies such as CD Projekt Red, Reality Pump or Techland, led by Marek Markuszewski - President of the Management Board and author of the studio concept.

Marek Markuszewski gained experience in the Kraków branch of CD Projekt RED, which he co-founded. After leaving the position of Senior Producer, he devoted himself to a new project which formed the basis for Starward Industries S.A. Over a year he gained talented and experienced game developers for cooperation, acquired a license to adapt an outstanding Sci-Fi novel and created a detailed business plan for the undertaking. In June 2018, he met with a

group of individual investors who provided the first round of financing and started to work together to develop the studio.

The result is a mature Company structure and a long-term business and financial plan. The work culminated in the establishment of a joint stock Company run under the current name on **September 10, 2018** in Kraków. It was registered with the National Court Register on September 27, 2019, and from October of the same year it started to operate with all positions filled (core team). At the beginning of 2020, Starward Industries began preparations for its debut on the NewConnect market, which culminated in the start of trading on August 19, 2020. This event completed the process of **going public**.

As of the date of this Report, the Company is in the process of developing a **role-playing game** based on a novel **“The Invincible” by Stanisław Lem**, a famous Polish Sci-Fi writer whose books have been distributed in tens of millions of copies worldwide. Starward Industries holds an exclusive license to produce a video game based on one of Stanisław Lem's novels, which is valid until October 5, 2023.

The Company is a pioneer in computer adaptation of Stanisław Lem's works. It does not reproduce any patterns created to date around the writer's work, but creates an original vision of the message.

4. Significant events in the reporting quarter

July 2022:

- On **July 13, 2022**, the extraordinary shareholders' meeting of the Company adopted a resolution to increase the share capital by PLN 9,750 through the issue of 75,000 J-series

ordinary bearer shares with a nominal value of PLN 0.13 each and to deprive existing shareholders of the pre-emptive right to the new issue and to register the newly issued shares with the Central Securities Depository of Poland and apply for their introduction to trading in the NewConnect Alternative Trading System operated by the Warsaw Stock Exchange. The offer to acquire J-series shares was addressed to 11 bit studios S.A. with its registered office in Warsaw, with the share issuing price set at PLN 79 per share.

- On **July 15, 2022**, the publisher accepted another milestone (MS-19), which consisted of Beta quality production of a large section of the game entitled "City". The acceptance also completed the commissioning phase of the collaborative environment between the Starward Industries development team and the publisher. The said environment includes:
 - the development of file transfer standards and documentation,
 - introduction of the publisher's testing team (Jira),
 - the launch of communication channels (Slack).
- On **July 27, 2022**, the Management Board of the Company, in accordance with the timetable for the publication of interim reports in 2022, published the Periodic Report for the second quarter of 2022.
- On **July 29, 2022** the Company entered into a share subscription agreement with 11 bit studios S.A. and subsequently received the amount of PLN 5,925,000.00 from the new shareholder as payment for the shares within the

timeframe as stated in ESPI current report No. 8/2022 (of the same date).

August 2022:

- On **August 4, 2022**, Members of the Company's Management Board participated in a video presentation and investor chat organized by StockWatch.pl. The meeting with investors was focused on recent developments in the Company, including the establishment of a partnership with the publisher and plans for the near future. The [meeting](#) can be viewed on YouTube.

September 2022:

- In the area of production the work has been continued on the Beta version of "The Invincible" and resulted in completion of the next milestone (MS-20), with four locations under code names: "Camp", "Excavation", "Landing" and "Spaceship". This was another phase, following MS-19, which was accepted and paid for by the publisher.
- On **September 6, 2022**, the Company participated in Feardemic's Fear Fest 2022: Black Summer Edition, an event centered around thrillers and horror games and a celebration of horror as a genre. As part of the festival's demonstration via a dedicated [YouTube channel](#), viewers could watch a gameplay trailer of "The Invincible." In addition, the Company's game was promoted on the [event website](#) and on social media.
- On **September 12, 2022**, in celebration of the 101st birthday of Stanislaw Lem, author of the novel "The Invincible", the

Company shared with fans (via its social media accounts, incl. [Facebook account](#)), a short animation inspired by the writer's work.

5. Significant events following the end of third quarter of 2022

October 2022 roku:

- On **October 4, 2022**, the 'Way onto the Warsaw Stock Exchange' conference organized by the Strict Minds agency and the StockWatch.pl portal took place, in which Michal Pietrzekiewicz, Member of the Company's Management Board, was one of the panelists. The [recording of the meeting](#) is available on YouTube.
- On **October 6, 2022**, the Company's J-series shares subscribed for by 11 bit studios S.A. were registered by the District Court for Kraków-Śródmieście in Kraków, XI Commercial Division of the National Court Register.
- Between **October 7-9, 2022**, representatives of the Company and of the publisher took part in the sixteenth edition of Poznań Game Arena 2022, the largest video game and multimedia entertainment fair in Poland and Central and Eastern Europe. The stand, where players, for the very first time in the world, could play a 40-minute demo of "The Invincible", talk to team members and receive gadgets related to the game, gathered a huge crowd. The Company and the publisher received the PGA Award 2022 for Best Indie Game of the fair, as well as the ACANTHUS AUREUS distinction, awarded by the MTP group for the stand design.

In addition to the marketing value, participation in the fair allowed the Company to gather valuable feedback from more than 300 players.

The demo, which editors from, among others, Edge Magazine and Game Informer had a chance to play, was sent to leading industry media outlets. Journalists from portals such as IGN, Game Rant, PCGamesN, VG247 and GameSkinny, to name a few, have given it very positive

reviews, and a [preview has appeared on IGN's YouTube channel](#), which has so far been viewed more than 600,000 times.

- On **October 21, 2022**, the Company's Management Board submitted an application to list the J-series shares on the NewConnect market. As of the date of publication of this report, the Company has not received the decision of the WSE in this regard.

6. Quarterly condensed financial statements for the third quarter of 2022

6.1. Commentary to the results for the third quarter of 2022

As at September 30, 2022, the Company's balance sheet total amounted to PLN 14,616,243.47, incl. equity of PLN 11,797,129.97 and current assets of PLN 14,460,790.46. At the end of the third quarter of 2022, the value of the Company's inventory amounted to PLN 7,251,307.31, which includes the costs of completed development works.

At the same time, during the third quarter of 2022, the Company incurred operating expenses of PLN 1,402,524.80, mostly for third-party services directly related to the development work. The reported net loss of PLN 532,976.36 is in line with the Company's budget assumptions and is justified based on the progress of the game's production plan.

In the third quarter of 2022, the Company received a second and third payment from the publisher, 11 bit studios S.A., totalling PLN 1 million. The Company has decided to recognise this amount as

'deferred income' in liabilities until the final version of the game is accepted and the publisher starts selling it.

Only after the game is released and the Company receives the sales report will these payments be recognised as sales revenues. The payments received from the publisher result from the investment in the production budget and do not represent actual product sales revenues, understood as revenues from selling the game.

With the release of "The Invincible", the Company anticipates that the cash flow structure will change. Until the game is released, the Company is entitled to milestone payments under the publishing agreement. Following the release, the Company will be entitled to a percentage of the revenues from selling the game, as defined in the publishing agreement, less applicable fees to distribution platforms and taxes.

The distribution of the profit due to Starward Industries will take place as soon as the total proceeds from selling the game cover the costs and expenses incurred by the publisher, arising solely from the provisions of the publishing agreement. The recoup does

not apply to the amount contributed to the Company by 11 bit studios S.A. as part of the equity investment through an increase in the share capital of Starward Industries via the issue of J-series shares.

6.2. Condensed balance sheet

ASSETS (PLN)	30.09.2022	31.12.2021	30.09.2021
Fixed assets	155 453,01	209 747,55	181 681,22
<u>Intangible assets</u>	<u>0,00</u>	<u>0,00</u>	<u>0,00</u>
Costs of completed development	0,00	0,00	0,00
Goodwill	0,00	0,00	0,00
Other intangible assets	0,00	0,00	0,00
Advances on intangible assets	0,00	0,00	0,00
<u>Tangible assets</u>	<u>74 234,28</u>	<u>73 229,31</u>	<u>50 356,98</u>
Fixed assets	74 234,28	73 229,31	50 356,98
Fixed assets under construction	0,00	0,00	0,00
Advances on fixed assets under construction	0,00	0,00	0,00
<u>Long-term receivables</u>	<u>26 854.93</u>	<u>26 854.93</u>	<u>26 854.93</u>
From related parties	0,00	0,00	0,00

From other entities in which the entity has a stake	0,00	0,00	0,00
From other entities	26 854,93	26 854,93	26 854,93
<u>Long-term investments</u>	<u>38 649,80</u>	<u>93 949,31</u>	<u>92 181,31</u>
Real estate	0,00	0,00	0,00
Intangible assets	0,00	0,00	0,00
Long-term financial assets	38 649,80	93 949,31	92 181,31
Other long-term investments	0,00	0,00	0,00
<u>Long-term prepayments and accruals</u>	<u>15 714,00</u>	<u>15 714,00</u>	<u>12 288,00</u>
Deferred tax assets	15 714,00	15 714,00	12 288,00
Other prepayments and accruals	0,00	0,00	0,00
Current assets	14 460 790,46	8 055 544,05	8 457 883,80
<u>Inventory</u>	<u>7 251 307,31</u>	<u>5 132 231,87</u>	<u>4 352 092,30</u>
Materials	0,00	0,00	0,00
Semi-finished products and products in progress	7 251 307,31	5 132 231,87	4 352 092,30
Finished products	0,00	0,00	0,00
Goods	0,00	0,00	0,00
Advances on deliveries and services	0,00	0,00	0,00
<u>Short-term receivables</u>	<u>39 432,86</u>	<u>391 458,83</u>	<u>345 754,59</u>

Receivables from related entities	0,00	0,00	0,00
Receivables from other entities in which the entity has a stake	0,00	0,00	0,00
Receivables from other entities	39 432,86	391 458,83	345 754,59
<u>Short-term investments</u>	<u>7 109 763,12</u>	<u>2 463 765,62</u>	<u>3 719 917,05</u>
Short-term financial assets	7 109 763,12	2 463 765,62	3 719 917,05
Other short-term investments	0,00	0,00	0,00
<u>Short-term prepayments and accruals</u>	<u>60 287,17</u>	<u>68 087,73</u>	<u>40 119,86</u>
Called-up share capital (fund) not paid	0,00	0,00	0,00
Own shares (stocks)	0,00	0,00	0,00
TOTAL ASSETS	14 616 243,47	8 265 291,60	8 639 565,02

LIABILITIES (PLN)	30.09.2022	31.12.2021	30.09.2021
Equity capital	11 797 129,97	7 283 062,13	8 129 287,74
Share capital (fund)	243 879,35	243 879,35	243 879,35
Supplementary capital (fund)	7 039 182,78	9 038 089,13	9 038 089,13
Revaluation capital (fund)	0,00	0,00	0,00
Other reserve capitals	5 925 000,00	0,00	0,00
Profit (loss) from prior years	0,00	0,00	0,00

Net profit (loss)	-1 410 932,16	-1 998 906,35	-1 152 680,74
Write-offs from net profit during the financial year (negative value)	0,00	0,00	0,00
Liabilities and provisions for liabilities	2 819 113,50	982 229,47	510 277,28
<u>Provisions for liabilities</u>	<u>579 368,23</u>	<u>594 168,23</u>	<u>372 649,83</u>
Deferred tax liability	465 729,00	465 729,00	272 699,00
Provision for pensions and other post-employment benefits	3 986,17	3 986,17	5 576,78
Other provisions	109 653,06	124 453,06	94 374,05
<u>Long-term liabilities</u>	<u>0,00</u>	<u>0,00</u>	<u>0,00</u>
Liabilities to related entities	0,00	0,00	0,00
Liabilities to other entities in which the entity has a stake	0,00	0,00	0,00
Liabilities to other entities	0,00	0,00	0,00
<u>Short-term liabilities</u>	<u>239 745,27</u>	<u>388 061,24</u>	<u>137 627,45</u>
Liabilities to related entities	0,00	0,00	0,00
Liabilities to other entities in which the entity has a stake	0,00	0,00	0,00
Liabilities to other entities	239 745,27	388 061,24	137 627,45
Special funds	0,00	0,00	0,00
<u>Accruals</u>	<u>2 000 000,00</u>	<u>0,00</u>	<u>0,00</u>
Negative goodwill	0,00	0,00	0,00

Other accruals	2 000 000,00	0,00	0,00
TOTAL LIABILITIES	14 616 243,47	8 265 291,60	8 639 565,02

6.3. Condensed income statement

INCOME STATEMENT (PLN)	01.07.2022 - 30.09.2022	01.01.2022 - 30.09.2022	01.07.2021 - 30.09.2021	01.01.2021 - 30.09.2021
Net revenue from sales	864 290,06	2 119 075,44	459 858,06	1 362 594,92
Net revenue from sales of products	0,00	0,00	0,00	12 695,40
Change in inventory	864 290,06	2 119 075,44	459 858,06	1 349 899,52
Cost of manufacturing products for the entity's own needs	0,00	0,00	0,00	0,00
Net revenues from sales of goods and materials	0,00	0,00	0,00	0,00
Operating expenses	1 402 524,80	3 527 368,16	969 897,69	2 490 596,54
Amortization	16 915,76	42 399,77	12 745,17	40 087,76
Consumption of materials and energy	15 633,95	37 918,13	77 098,81	110 326,73
Third-party services	1 144 903,49	2 873 501,45	794 906,94	2 100 209,26
Taxes and charges	14 463,22	17 739,39	97,50	918,15
Remuneration	140 196,13	363 880,16	72 604,06	203 625,09
Social insurance and other benefits	33 361,95	90 153,37	6 018,11	25 878,19
Other operating expenses	37 050,30	101 775,89	6 427,10	9 551,36
Value of goods and materials sold	0,00	0,00	0,00	0,00

Gross profit (loss) from sales	-538 234,74	-1 408 292,72	-510 039,63	-1 128 001,62
Other operating revenues	0,20	27,43	310,22	312,02
Profit on disposal of non-financial fixed assets	0,00	0,00	260,10	260,10
Grants	0,00	0,00	0,00	0,00
Revaluation of non-financial assets	0,00	0,00	0,00	0,00
Other operating revenues	0,20	27,43	50,12	51,92
Other operating costs	1 927,33	2 957,62	7 892,96	21 421,45
Loss from disposal of non-financial fixed assets	0,00	0,00	0,00	0,00
Revaluation of non-financial assets	0,00	0,00	0,00	0,00
Other operating costs	1 927,33	2 957,62	7 892,96	21 421,45
Profit (loss) from operating activity	-540 161,87	-1 411 222,91	-517 622,37	-1 149 111,05
Financial income	12 343,39	13 653,96	74,39	232,19
Dividends and share in profits	0,00	0,00	0,00	0,00
Interest	12 343,39	13 653,96	74,39	232,19
Profit on disposal of financial assets	0,00	0,00	0,00	0,00
Revaluation of financial assets	0,00	0,00	0,00	0,00
Other	0,00	0,00	0,00	0,00
Financial costs	5 157,88	13 363,21	580,55	3 801,88
Interest	0,00	834,00	0,00	0,00
Loss from disposal of financial assets	0,00	0,00	0,00	0,00

Revaluation of financial assets	0,00	0,00	0,00	0,00
Other	5 157,88	12 529,21	580,55	3 801,88
Gross profit (loss)	-532 976,36	-1 410 932,16	-518 128,53	-1 152 680,74
Income tax	0,00	0,00	0,00	0,00
Other mandatory decrease in profit (increase of loss)	0,00	0,00	0,00	0,00
NET PROFIT (LOSS)	-532 976,36	-1 410 932,16	-518 128,53	-1 152 680,74

6.4. Condensed cash flow statement

CASH FLOW STATEMENT (PLN)	01.07.2022 - 30.09.2022	01.01.2022 - 30.09.2022	01.07.2021 - 30.09.2021	01.01.2021 - 30.09.2021
<i>Cash flows from operating activities</i>				
Net profit (loss)	-532 976,36	-1 410 932,16	-518 128,53	-1 152 680,74
<u>Total adjustments</u>	<u>139 534,40</u>	<u>120 034,89</u>	<u>-474 177,51</u>	<u>-1 457 555,44</u>
Amortization	16 915,76	42 399,77	12 745,17	40 087,76
Profit (loss) on exchange rate differences	0,00	0,00	0,00	0,00
Interest and share in profits (dividends)	0,00	0,00	0,00	0,00
Profit (loss) on investment activity	0,00	0,00	0,00	0,00
Change in reserves	-2 300,00	-14 800,00	0,00	-30 000,00
Change in inventories	-864 290,06	-2 119 075,44	-459 858,06	-1 349 899,52

Change in receivables	47 333,44	352 025,97	-79 366,45	-175 848,83
Change in short-term liabilities, except for loans and credits	-37 763,05	-148 315,97	52 301,83	56 809,09
Change in accruals and prepayments	979 638,31	2 007 800,56	0,00	1 296,06
Other adjustments	0,00	0,00	0,00	0,00
Net cash flows from operating activities	-393 441,96	-1 290 897,27	-992 306,04	-2 610 236,18
<i>Cash flows from investment activities</i>				
<u>Inflows</u>	<u>0,00</u>	<u>0,00</u>	<u>0,00</u>	<u>0,00</u>
Disposal of intangible assets and fixed assets	0,00	0,00	0,00	0,00
Disposal of investments in real estate and intangible assets	0,00	0,00	0,00	0,00
From financial assets	0,00	0,00	0,00	0,00
Other financial inflows	0,00	0,00	0,00	0,00
<u>Outflows</u>	<u>18 990,23</u>	<u>43 404,74</u>	<u>45 722,30</u>	<u>73 319,16</u>
Acquisition of intangible assets and fixed assets	18 990,23	43 404,74	45 722,30	73 319,16
Investments in real estate and intangible assets	0,00	0,00	0,00	0,00
On financial assets	0,00	0,00	0,00	0,00
Other investment outflows	0,00	0,00	0,00	0,00
Net cash flows from investment activities	-18 990,23	-43 404,74	-45 722,30	-73 319,16
<i>Cash flows from financial activities</i>				

<u>Inflows</u>	<u>5 925 000,00</u>	<u>5 925 000,00</u>	<u>0,00</u>	<u>2 715 515,00</u>
Net proceeds from the issue of shares (issue of stocks) and other capital instruments and additional capital contributions	5 925 000,00	5 925 000,00	0,00	2 715 515,00
Loans and credits	0,00	0,00	0,00	0,00
Issue of debt securities	0,00	0,00	0,00	0,00
Other financial inflows	0,00	0,00	0,00	0,00
<u>Outflows</u>	<u>0,00</u>	<u>0,00</u>	<u>0,00</u>	<u>0,00</u>
Purchase of own shares (stocks)	0,00	0,00	0,00	0,00
Dividends and other payments to owners	0,00	0,00	0,00	0,00
Expenses on account of profit distribution, other than payments to owners	0,00	0,00	0,00	0,00
Repayment of credits and loans	0,00	0,00	0,00	0,00
Redemption of debt securities	0,00	0,00	0,00	0,00
Other financial liabilities	0,00	0,00	0,00	0,00
Installments under financial lease agreements	0,00	0,00	0,00	0,00
Interest	0,00	0,00	0,00	0,00
Other financial outflows	0,00	0,00	0,00	0,00
Net cash flows from financial activities	5 925 000,00	5 925 000,00	0,00	2 715 515,00
Total net cash flow	5 512 567,81	4 590 697,99	-1 038 028,34	31 959,66

Balance sheet change in cash	5 512 567,81	4 645 997,50	-1 038 028,34	31 959,66
Cash at the start of the period	1 597 195,31	2 463 765,62	4 757 945,39	3 687 957,39
Cash at the end of the period	7 109 763,12	7 109 763,12	3 719 917,05	3 719 917,05

6.5. Condensed statement of changes in equity

STATEMENT OF CHANGES IN EQUITY (PLN)	01.07.2022 - 30.09.2022	01.01.2022 - 30.09.2022	01.07.2021 - 30.09.2021	01.01.2021 - 30.09.2021
Opening balance of equity capital (fund) (OB)	6 405 106,33	7 283 062,13	8 647 416,27	6 566 453,48
Opening balance of equity capital (fund) (OB), after adjustments	6 405 106,33	7 283 062,13	8 647 416,27	6 566 453,48
<u>Opening balance of share capital (fund)</u>	<u>243 879,35</u>	<u>243 879,35</u>	<u>243 879,35</u>	<u>240 240,00</u>
Changes in share capital (fund)	0,00	0,00	0,00	3 639,35
Closing balance of share capital (fund)	243 879,35	243 879,35	243 879,35	243 879,35
<u>Opening balance of supplementary capital (fund)</u>	<u>7 039 182,78</u>	<u>9 038 089,13</u>	<u>10 171 894,85</u>	<u>7 460 019,20</u>
Changes in supplementary capital (fund)	0,00	-1 998 906,35	-1 133 805,72	1 578 069,93
Closing balance of supplementary capital (fund)	7 039 182,78	7 039 182,78	9 038 089,13	9 038 089,13
<u>Opening balance of revaluation capital (fund)</u>	<u>0,00</u>	<u>0,00</u>	<u>0,00</u>	<u>0,00</u>
Changes in revaluation capital (fund)	0,00	0,00	0,00	0,00
Closing balance of revaluation capital (fund)	0,00	0,00	0,00	0,00

<u>Opening balance of other reserve capitals (funds)</u>	<u>0,00</u>	<u>0,00</u>	<u>0,00</u>	<u>0,00</u>
Changes in other reserve capitals (funds)	5 925 000,00	5 925 000,00	0,00	0,00
Closing balance of other reserve capitals (funds)	5 925 000,00	5 925 000,00	0,00	0,00
<u>Profit (loss) from prior years at the beginning of the period</u>	<u>0,00</u>	<u>-1 998 906,35</u>	<u>-1 133 805,72</u>	<u>-1 133 805,72</u>
Profit from prior years at the beginning of the period	0,00	0,00	0,00	0,00
Profit from prior years at the beginning of the period, after adjustments	0,00	0,00	0,00	0,00
Profit from prior years at the end of the period	0,00	0,00	0,00	0,00
Loss from prior years at the beginning of the period	0,00	-1 998 906,35	-1 133 805,72	-1 133 805,72
Loss from prior years at the beginning of the period, after adjustments	0,00	-1 998 906,35	-1 133 805,72	-1 133 805,72
Loss from prior years at the end of the period	0,00	0,00	0,00	0,00
Profit (loss) from prior years at the end of the period	0,00	0,00	0,00	0,00
Net result	-532 976,36	-1 410 932,16	-518 128,53	-1 152 680,74
Closing balance of equity capital (fund) (CB)	11 797 129,97	11 797 129,97	8 129 287,74	8 129 287,74
Equity capital (fund), after taking into account the proposed profit distribution (loss coverage)	11 797 129,97	11 797 129,97	8 129 287,74	8 129 287,74

7. Standpoint regarding the possibility of meeting the published forecasts for the given year in the light of the results presented in the quarterly report

Not applicable. Until the date of this Report, the Company has not published any financial forecasts. Due to the specific nature of the video game development and sales in the industry, Starward Industries is of the opinion that it is not possible to determine precisely the potential volume of copies sold in the future, and any

assumed data can only be indicative. Therefore, as of the date of this Report, the Company does not draw up any binding plans for the sale of products in terms of the number of copies of the game sold.

8. Description of the state of implementation of the Company's activities and investments and the schedule of their execution

INVESTMENT EXPENDITURES (PLN)	01.07.2022 - 30.09.2022	01.01.2022 - 30.09.2022	01.07.2021 - 30.09.2021	01.01.2021 - 30.09.2021
	PLN	PLN	PLN	PLN
INVESTMENT EXPENDITURES	18 990,23	43 404,74	45 722,30	73 319,16
Purchases of intangible and tangible fixed asset	18 990,23	43 404,74	45 722,30	73 319,16
Financial assets, including::	0,00	0,00	0,00	0,00
Long-term loans granted	0,00	0,00	0,00	0,00

The Company has not yet made any significant investments in tangible fixed assets. Its expenditure on development work on the games and maintenance of the design and production team is recognised both as costs of salaries and external services,

depending on the form of cooperation with members of the production team, and as intangible assets.

In the third quarter of 2022, the value of expenditure incurred by the Company on the acquisition of intangible assets and tangible fixed assets amounted to PLN 18,990.23.

9. Initiatives taken by the Company during the period covered by the report aimed at introducing innovative solutions

Not applicable. In the period covered by this Report, the Company did not undertake any initiatives aimed at introducing innovative solutions in the Company from the perspective of the question at hand.

All initiatives undertaken by the Company are related to the production of the first project under the title “The Invincible”, which by its nature is innovative and developmental. In the

opinion of Starward Industries, the project focuses on continuous development by using the latest available technologies, which are the basis for building a solid base of potential customers. In particular, the Company's Management Board analyzes and develops available technologies on an ongoing basis, e.g. in the field of game engines, with a view to their use in the production process.

10. Description of the structure of the capital group, including entities subject to consolidation

During Q3 2022 and as at the date of the report, Starward Industries did not form and does not form a group within the meaning of the accounting regulations applicable to the

Company. As well as it did not and does not hold any interest in any subsidiaries.

11. Shareholding structure of Starward Industries

The table below presents the shareholder structure as of the date of this report, indicating in particular the shareholders holding at least 5% of the votes at the General Meeting and the members of the Management Board and Supervisory Board.

No	Shareholder	No. of shares	% of shares	No. of votes	% of votes
1	Marek Markuszewski*	355 002	18,20%	355 002	18,20%
2	Kamil Klinowski	130 000	6,66%	130 000	6,66%
3	Marcin Przasnyski	117 236	6,01%	117 236	6,01%
4	11 bit studios S.A.	100 000	5,13%	100 000	5,13%
5	Sebastian Spłuszka	100 000	5,13%	100 000	5,13%
6	Daniel Betke	100 000	5,13%	100 000	5,13%
7	Chiswick Creative Ventures Ltd.	98 240	5,04%	98 240	5,04%
8	Acion Partners Ltd.	27 995	1,43%	27 995	1,43%
9	Wojciech Weiss**	9 456	0,48%	9 456	0,48%
10	Michał Siennicki**	3 200	0,16%	3 200	0,16%
11	Workers and coworkers	255 426	13,09%	255 426	13,09%
12	The other shareholders < 5%	654 440	33,54%	654 440	33,54%
	TOTAL	1 950 995	100,00%	1 950 995	100,00%

* Management Board / ** Supervisory Board

The data on the shareholding structure of Starward Industries are presented to the best knowledge of the Company, in particular on the basis of the number of shares registered at the Extraordinary General Meeting on July 13, 2022 and the information indicated in ESPI Current Report No. 8/2022 of July 29, 2022 and ESPI Current Reports No. 9/2022 and 10/2022 of August 3, 2022, and may not take into account transactions that did not give rise to reporting

12. Information on lock-up agreements

To the best of the Management Board's knowledge, as at the date of this report, the Company's existing shareholders were, to a significant extent, party to share lock-up agreements. A total of 793,002 shares of the Company are subject to lock-up (part of A-series shares for which the lock-up did not expire on August 19, 2021 and February 19, 2022 and all B-series and F-series shares), representing 40.65% in the share capital and the total number of votes at the General Meeting of Shareholders.

The number of shares covered by the Lock-up Agreements as at the date of this report is 25,000 shares below the number reported

13. Information on the number of persons employed by Starward Industries, in full-time equivalents

As at the end of the third quarter of 2022, calculated on a full-time basis within the definition of the Labour Code Act, the Company employed 2 and 1/2 persons. At the same time, Starward Industries

obligations. The table presents data after the increase of the Company's share capital and takes into account 75.000 J-series shares subscribed to by 11 bit studios S.A. and registered by the District Court for Kraków-Śródmieście in Kraków, XI Commercial Division of the National Court Register, after the balance sheet date, i.e. October 6, 2022.

in the interim report for the second quarter of 2022. The difference relates only to the shares sold by Marek Markuszewski to 11 bit studios S.A. (with the consent of the Supervisory Board) - information on the sale was included in ESPI Current Report No. 8/2022 of July 29, 2022, as well as ESPI Current Reports No. 9/2022 and 10/2022 of August 3, 2022.

The Lock-up Agreements currently in force were entered into for the period from the signature date until the expiry of the respective periods calculated from the official release date of the Company's first game, "The Invincible"

cooperates on a permanent basis with 30 persons who provide services to the Company on the basis of civil law contracts.

Prepared in Kraków on November 10, 2022.