



STARWARD INDUSTRIES

**ENGLISH TRANSLATION OF
THE ANNUAL REPORT FOR 2022**

Starward Industries Spółka Akcyjna

Authorised Advisor

This report has been prepared in line with the requirements set out in Appendix 3 to the Regulations of the Alternative Trading System: "*Current and Periodic Information Provided in the Alternative Trading System on the NewConnect Market.*"

The role of the Authorised Consultant for Starward Industries S.A. is fulfilled by Navigator Capital Spółka Akcyjna with its registered office in Warsaw (00-105), ul. Twarda 18, entered into the Register of Entrepreneurs of the National Court Register under number KRS 0000380467.

Please note that the following content of this document is not the Annual Report under 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", but only translation of the Annual Report for 2022 and has not been published in accordance with aforementioned regulations. Only the Annual Report in Polish language was published in the manner specified in the aforementioned regulations and is the only binding document providing the information specified in these regulations.

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1. Letter from the Management to Shareholders and Investors

Dear All,

We would like to invite you to read the annual report for 2022 of Starward Industries, which includes, among other things: the report on the audit of the Company's annual financial statements, the Company's financial statements for 2022, and the Management Board's report on the Company's activities in 2022, which presents the most important events related to Starward Industries' activities during the above period. The published data are intended to present, in a reliable and transparent manner, information relevant for the assessment of the Company's assets and financial position as well as to present the achievements to date and the development prospects of our studio.

In the past year, the most important event in the development area was the start of work on the Beta version of The Invincible game and signing of a publishing agreement with 11 bit studios S.A.

With signing this agreement, the process of handing milestones over to the publisher was begun. As of the date of this report, the Company has handed over four milestones with project names: MS-19 - "City", MS-20 - "Camp, Excavation, Landing & Spaceship", MS-21 - "Base" and MS-22 - "Condor". As of the date of the report, all milestones have been delivered to and paid for by the publisher.

In the marketing area, when signing off the publishing agreement, we showed to the world for the first time a 5-minute long gameplay recording from The Invincible. The footage shown in June presented the actual gameplay recording from the game engine. In October

2022, representatives of the Company and from 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 Polish gamers were the first in the world to play a 40-minute-long demo of The Invincible, was very popular. Together with our publisher we received the PGA Award for Best Indie Game of the fair, as well as the ACANTHUS AUREUS distinction, awarded by the MTP group for its booth arrangement.

The demo, which editors from Edge Magazine and Game Informer, among others, had a chance to play earlier, made its way to leading industry sites. Journalists from such sites as IGN, Game Rant, PCGamesN, VG247 and GameSkinny, among others, gave it very positive reviews, and a preview appeared on IGN's YouTube channel, which has been viewed nearly 700,000 times.

In November 2022, at the Golden Joystick Awards 2023, we presented another trailer - "Life on Regis III: The Probability of Encounter", to show players another video at the IGN Fan Fest in February 2023 and reveal the slogan - "Not everything everywhere is for us" - that will promote the game in the following months.

In the investor relations area, the most important event of 2022 was the completion of the share issue addressed to 11 bit studios S.A. The publisher of the game signed up for the entire issue worth PLN 5.9 million. With the raising of additional funds, together with the

publisher we decided to change the production schedule of The Invincible and postpone the game's release to 2023.

Last year was also a period of further development of the team, with 4 people joining. There were also changes in the Company's governing bodies. Over the course of the year, Daniel Betke and Mariusz Antkiewicz resigned from the Management Board (remaining at the Company in key development positions), followed by Dawid Sękowski. In their place, Maciej Dobrowolski, previously acting as a manager responsible for marketing at Starward Industries, and Michał Pietrzkiwicz, previously serving on the Company's Supervisory Board, were appointed to the Management Board. Bernard Gudowski, a specialist in post merger integration and carve-outs, and an active investor in the video game and

biotechnology industries, became a new member of the Supervisory Board.

Detailed information is presented in the Management Board's Report on the Company's Activities, attached to this report.

We would like to thank all Shareholders for their trust. We would like to assure you that both the Management Board of the Company and the entire production team do not stop working on the game and continuously strive for the highest quality of the final product.

We invite you to read the following report.

Management Board of Starward Industries S.A.

Marek Markuszewski

Chairman of the Board

Maciej Dobrowolski

Member of the Board

Michał Pietrzkiwicz

Member of the Board

2. Selected financial data

Profit and loss statement (selected data)	01.01.2022 - 31.12.2022	01.01.2021 - 31.12.2021	01.01.2022 - 31.12.2022	01.01.2021 - 31.12.2021
	PLN	PLN	EUR	EUR
Net revenues from sales and equivalents, including:	3 013 375,43	2 130 039,09	642 743,73	465 328,04
Net revenues from product sales	0,00	0,00	0,00	0,00
Change in inventories	3 013 375,43	2 130 039,09	642 743,73	465 328,04
Profit (loss) from sales	-1 851 018,62	-1 792 549,43	-394 816,59	-391 600,09
Gross profit (loss)	-1 777 283,92	-1 809 302,35	-379 089,21	-395 259,93
Net profit (loss)	-1 857 894,69	-1 998 906,35	-396 283,23	-436 680,80

Balance sheet (selected data)	31.12.2022	31.12.2021	31.12.2022	31.12.2021
	PLN	PLN	EUR	EUR
Fixed assets	366 930,37	209 747,55	78 238,42	45 603,24
Current assets	14 487 467,17	8 055 544,05	3 089 078,05	1 751 433,68
Inventories	8 150 236,80	5 132 231,87	1 737 827,42	1 115 848,13
Short-term receivables	165 056,71	391 458,83	35 194,08	85 110,85
Short-term investments	6 087 496,25	2 463 765,62	1 298 001,29	535 671,09
Short-term prepayments and accruals	84 677,41	68 087,73	18 055,27	14 803,61
TOTAL ASSETS	14 854 397,54	8 265 291,60	3 167 316,48	1 797 036,92
Equity	11 350 167,44	7 283 062,13	2 420 129,95	1 583 480,92
Liabilities and provisions for liabilities	3 504 230,10	982 229,47	747 186,53	213 556,00
Provisions for liabilities	812 174,60	594 168,23	173 175,25	129 183,86
Long-term liabilities	0,00	0,00	0,00	0,00
Short-term liabilities	492 055,50	388 061,24	104 918,12	84 372,14
Accruals and deferred income	2 200 000,00	0,00	469 093,16	0,00
TOTAL LIABILITIES	14 854 397,54	8 265 291,60	3 167 316,48	1 797 036,92

Cash flow statement (selected data)	01.01.2022 - 31.12.2022	01.01.2021 - 31.12.2021	01.01.2022 - 31.12.2022	01.01.2021 - 31.12.2021
	PLN	PLN	EUR	EUR
Net cash flow from operating activities	-2 251 343,00	-3 796 554,82	-480 204,55	-829 394,83
Net cash flow from investment activities	-3 683 949,66	-143 151,95	-785 775,16	-31 272,95
Net cash flow from financial activities	5 925 000,00	2 715 515,00	1 263 784,31	593 231,02
<u>Total net cash flows</u>	<u>-10 292,66</u>	<u>-1 224 191,77</u>	<u>-2 195,39</u>	<u>-267 436,76</u>
<u>Balance sheet change in cash</u>	<u>-10 292,66</u>	<u>-1 224 191,77</u>	<u>-2 195,39</u>	<u>-267 436,76</u>
Cash at the beginning of the period	2 463 765,62	3 687 957,39	525 513,64	805 670,65
Cash at the end of the period	2 453 472,96	2 463 765,62	523 318,25	538 233,89

The main line items from the financial statements were converted to EUR at the average foreign exchange rates published by the National Bank of Poland and the fx rates used were as follows:

a) Balance sheet - the exchange rate applicable on the last day of the relevant period:

– as of December 31, 2022 - 4,6899;

– as of December 31, 2021 - 4,5994.

b) Profit and loss account and cash flow statement – exchange rates reflecting the arithmetic mean of average PLN/EUR exchange rates as of the last days of each month in a given period:

- in the period from January 1 to December 31, 2022 - 4,6883;

- in the period from January 1 to December 31, 2021 - 4,5775.

3. Description of the organisation of the capital group

In 2022 and as of the date of the report, Starward Industries did not create nor form a capital group under the accounting regulations applicable to the Company. Also, in 2022 and up to the date of this report, the Company has not owned any shares in subsidiaries.

4. Separate financial statements of Starward Industries S.A. for 2022

The separate financial statements of Starward Industries S.A. for 2022, prepared in line with the applicable accounting principles and audited by an auditing company, constitute Appendix 1 to this report.

5. The Management Board's report on the activities of Starward Industries S.A. in 2022

The Management Board's report on the activities of Starward Industries S.A. for the financial year covering the period from January 1, 2022 to December 31, 2022 constitutes Appendix 2 to this report.

6. Audit report on the financial statements of Starward Industries S.A. for 2022

The audit report on the financial statements of Starward Industries S.A. for 2022 is attached in the Appendix 3 to this report.



7. Statement of the Management Board on the method of preparing the annual financial statements by Starward Industries S.A. for 2022

On behalf of the Management Board of Starward Industries S.A., we hereby declare that, to the best of our knowledge, the annual financial statements and comparable data have been prepared in accordance with the regulations applicable to the Company and that they truthfully, fairly and clearly reflect the Company's assets and financial standing, and that the Report on the Company's Activities contains a true picture of the Company's situation, including a description of the main threats and risks.

*Signed with a qualified
electronic signature*

Marek Markuszewski

Chairman of the Board

*Signed with a qualified
electronic signature*

Maciej Dobrowolski

Member of the Board

*Signed with a qualified
electronic signature*

Michał Pietrzekiewicz

Member of the Board

8. Statement of the Management Board on the selection of an audit company to audit the annual financial statements of Starward Industries S.A. for 2022

On behalf of the Management Board of Starward Industries S.A., we hereby declare that the audit firm hired to audit the Company's annual financial statements was selected in line with applicable regulations, including the selection procedure for an audit firm. At the same time, we declare that the audit company and members of the audit team passed the criteria for drawing up an impartial and independent report on the audit of the Company's annual financial statements in accordance with the applicable regulations, professional standards and rules of professional ethics.

*Signed with a qualified
electronic signature*

Marek Markuszewski

Chairman of the Board

*Signed with a qualified
electronic signature*

Maciej Dobrowolski

Member of the Board

*Signed with a qualified electronic
signature*

Michał Pietrzekiewicz

Member of the Board

9. Information on the application of corporate governance principles

Information on the adherence to the principles of corporate governance specified in the document for “Best Practices for NewConnect-Listed Companies” is attached in the Appendix 4 to this report.

*Signed with a qualified
electronic signature*

Marek Markuszewski

Chairman of the Board

*Signed with a qualified
electronic signature*

Maciej Dobrowolski

Member of the Board

*Signed with a qualified electronic
signature*

Michał Pietrzekiewicz

Member of the Board