



STARWARD INDUSTRIES

**QUARTERLY REPORT
FOR THE PERIOD
FROM JANUARY 1, 2023 TO MARCH 31, 2023
(*ENGLISH TRANSLATION*)**

Starward Industries S.A.

Autoryzowany Doradca

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.

TABLE OF CONTENTS

1. Executive summary.....	4
2. Information on the rules adopted to prepare the report.....	6
3. Basic data.....	7
3.1. Contact and registration details.....	7
3.2. Management Board and Supervisory Board.....	8
3.3. Description of activities.....	9
4. Significant events in the reporting quarter.....	10
5. Significant events following the end of first quarter of 2023.....	11
6. Quarterly condensed financial statements for the first quarter of 2023.....	12
6.1. Commentary to the results for the first quarter of 2023.....	12
6.2. Condensed balance sheet.....	13
6.3. Condensed income statement.....	18
6.4. Condensed cash flow statement.....	21
6.5. Condensed statement of changes in equity.....	24
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.....	26
8. Description of the state of implementation of the Company's activities and investments and the schedule of their execution.....	26
9. Initiatives taken by the Company during the period covered by the report aimed at introducing innovative solutions.....	27
10. Description of the structure of the capital group, including entities subject to consolidation.....	27
11. Shareholding structure of Starward Industries.....	28
12. Information on lock-up agreements.....	29
13. Information on the number of persons employed by Starward Industries, in full-time equivalents.....	29

1. Executive summary

Dear Shareholders,

We would like to invite you to read the interim report of Starward Industries S.A. for Q1 2023. 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.

In the area of marketing, together with the publisher, we conducted two major activities. First, during the Game Developers Conference (GDC) in San Francisco, between March 20-24, 2023, behind closed doors, we uncovered another large fragment of "The Invincible" to gaming outlets, so that early May, during the LudoNarraCon event (a festival dedicated to narrative games), for the first time in the Company's history, we could make a smaller fragment of the game available to players around the world in the form of a public demo on Steam. The release of the demo was preceded by a social media marketing campaign with the participation of major influencers from Poland and around the world, as well as the presentation of another trailer for the game and unveiling of the slogan - "Not everything everywhere is for us", which will promote the game until it is released.

In the area of game development, the work has been continued on the Beta version of "The Invincible" and resulted in completion of the next milestone (MS-23) with location under a code name of "Hideout Outro". This was another phase, following MS-22, which was accepted and paid for by the publisher.

The first quarter was also a time of intense work in the corporate area. In accordance with the schedule for the publication of periodic reports in 2023, on March 16, 2023 we made the Company's Annual Report for 2022 public. A few days later, the Annual General Meeting of Shareholders was convened for April 18, 2023, at which shareholders passed the necessary resolutions to enable the Company's listing to be transferred from the NewConnect market to the regulated market of the Warsaw Stock Exchange. Consequently, on April 20, 2023, the Company filed a prospectus with the Polish Financial Supervision Authority along with an application for its approval.

Reading this report, you will be informed that at the end of the reporting period the value of inventories amounted to PLN 9.1 mln, and the operating expenses in the first quarter of 2023 amounted to PLN 1.6 mln. Company reported a net loss of PLN 631 thousand which is consistent with the Company's budget assumptions and has coverage in the advancement of the game's production plan.

In the first quarter, one additional person started working with us and as of the date of publication of this report, our team is composed of 35 people.

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 January 1, 2023 to March 31, 2023 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 January 1, 2023 to March 31, 2023 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 March 31, 2023 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 Pietrzkiewicz** - Member of the Management Board

As of date of March 31, 2023, 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

As at the date of this report, the composition of the Supervisory Board was as follows:

- **Bartosz Karasiński** - Chairman of the Supervisory Board
- **Jerzy Feliński** - Deputy Chairman of the Supervisory Board
- **Katarzyna Burek** - Member of the Supervisory Board
- **Bernard Gudowski** - Member of the Supervisory Board
- **Paweł Wilkos** - Member of the Supervisory Board

On April 11, 2023, the Company received resignations from Wojciech Weiss, Michał Siennicki and Marta Adamska from their positions as Supervisory Board Members of Starward Industries S.A. The above resignations became effective upon receipt by the Company.

Also on April 11, 2023, the remaining members of the Company's Supervisory Board, following the resignation of Wojciech Weiss, Marta Adamska and Michał Siennicki, in order for the Supervisory Board to regain the minimum number of members required by regulations, using the authority provided in the Company's Articles of Association, co-opted Katarzyna Burek, Jerzy Feliński and Bartosz Karasiński to serve as Supervisory Board Members, effective immediately.

The Company's General Meeting of Shareholders was held on April 18, 2023, which included resolutions appointing Katarzyna Burek, Jerzy Feliński, Bartosz Karasiński, and Paweł Wilkos to serve as Supervisory Board Members of the Company, and a resolution dismissing Marcin Górecki from this position. The General Meeting's appointment of persons previously co-opted by the Board was due to the fact that the mandate of these persons would expire on the date of the next General Meeting following the co-option.

On April 28, 2023, resolutions of the Company's Supervisory Board appointed Bartosz Karasiński as Chairman and Jerzy Feliński as Vice Chairman of this body.

Bartosz Karasiński is a Member of the Board of Directors and Director of Export and Global Clients at Nowy Styl Sp. z o.o., a Polish company that is a European leader in the production of furniture solutions for office spaces and public places. He is also an active investor in the video game developer sector, Chairman of the Supervisory Board of Wooden Alien S.A. and a shareholder of Starward Industries S.A.

Bartosz is a graduate of the University of Economics with a degree in International Management, Financial Audit.

Jerzy Feliński is an attorney at law and a partner at Lempart Feliński Kancelaria Radców Prawnych. He graduated with honors from the international Master's Degree Program in Intellectual Property and New Technologies, defending his thesis on intellectual property protection in computer games.

He is a regular participant in the specialized Games Industry Law Summit conference, and a graduate of the Jagiellonian University's Law School (master's degree) and Competition and Consumer Protection and Medical Law and Bioethics (postgraduate studies).

Jerzy is also a holder of a certificate of competence to appear before the courts of the European Union and an attorney for foreign capital companies operating on the Polish market. He specializes in intellectual property law, industrial property law, civil law, business law and commercial law. He participates in projects involving ownership transformations and M&A transactions.

Katarzyna Burek is a chartered accountant and a member of ACCA (Association of Chartered Certified Accountants), and since 2017 also a fellow of the organization. She has a degree in Finance and Banking from the Warsaw School of Economics.

Katarzyna is a specialist in finance, accounting, reporting and auditing, particularly in financial institutions. She is currently a managing director of finance and accounting at Noble Securities S.A.

She gained experience in director and managerial positions at such companies as Generali Investments TFI S.A., Central Brokerage

House Pekao S.A., Brokerage Office of Bank Pekao S.A. and KPMG Audyt Sp. z o.o. sp.k.

Paweł Wilkos has been involved in the gamedev industry for 15 years, where he started in artistic positions, developing his skills from Graphic Designer, through 2D, 3D Artist, 3D Generalist, to FX Artist. He also has almost 10 years of experience as a Producer, in the most prominent Polish studios, such as CD Projekt RED and 11 bit studios S.A., and in the latter he is currently working as a Producer.

Paweł is also a member of the advisory board and an expert in video game production at GLG, the largest international organization that brings together specialists in various fields and provides market tools for business.

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 January 25, 2028.

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

January 2023:

- On **January 5, 2023**, the Company signed a contract with SSW Pragmatic Solutions Spaczyński, Szczepaniak, Okoń

Sp.k. law firm. The purpose of the cooperation is to prepare documentation necessary to carry out the process of transferring the studio's shares from NewConnect (alternative market) to the main market of the Warsaw Stock Exchange.

- On **January 25, 2023**, the Company entered into an annex to the licensing agreement with the heir of Stanisław Lem's works, under which the exclusive right to produce video games based on Stanisław Lem's novel "The Invincible" was extended until January 25, 2028.

The license, acquired in 2018, allows the production of more than one game in the world of "The Invincible," including add-ons (DLC) and paid story expansions to "The Invincible".

- On **January 27, 2023**, the publisher signed off on another milestone (MS-22), which included the production of a large part of the game entitled "Condor." In addition, console ports of the aforementioned section of the game were delivered.

February 2023:

- On **February 17, 2023**, during IGN Fan Fest, we showcased another trailer and revealed the slogan - "Not everything everywhere is for us", which will promote the game.

March 2023:

- March 1-2, 2023**, the Management Board members took part in devGAMM 2023. This year, the fair was held in Poland

for the first time. As part of the event, Digital Vikings awards were given in six categories. One of the statuettes - in the category for the Most Anticipated Indie Game of the Year - was awarded to Starward Industries for "The Invincible".

- On **March 16, 2023**, the Management Board of the Company, in accordance with the schedule for publication of periodic reports in 2023, made the Annual Report for 2022 available to the public.
- On **March 20, 2023**, the Management Board of the Company met with investors during a public [investor chat](#) organized by StockWatch.pl.
- **March 20-24, 2023**, as part of the GDC trade show in San Francisco, the Company presented a new demo of "The Invincible". The presentation behind closed doors included a previously unreleased portion of the game.

5. Significant events following the end of first quarter of 2023

April 2023:

- On **April 4, 2023**, in response to the demo of "The Invincible" presented at GDC, first media coverage was published.

The Rock Paper Shotgun [article](#), based on the interview Maciej Dobrowolski gave to this British video game website, can be considered one of the most notable. On the same day, articles on "The Invincible" also appeared on the websites of [Shacknews](#) and [The Loadout](#).

- On **April 17, 2023**, the publisher signed off on another milestone (MS-23), which included the production of a large game fragment entitled "Hideout Outro". In addition, console ports of the aforementioned section of the game were delivered.

The submission of this milestone to the publisher (in the second half of March) also marked the start of a phase of work focused on finalizing a complete and walkable Beta version of "The Invincible".

- On **April 18, 2023**, an Annual General Meeting of Shareholders was held, which unanimously adopted a resolution on the Company's application for admission and introduction to trading on the regulated market operated by the Warsaw Stock Exchange for all of the Company's shares.
- On **April 20, 2023**, the Company's proxies filed an application with the Financial Supervision Authority for approval of Starward Industries S.A. prospectus in connection with the Company's application for admission and listing of all of its shares on the regulated market.
- On **April 26, 2023**, a [demo](#) of "The Invincible" game was made available to developers and journalists for an influencer campaign ahead of the public release of the demo to all players in May 2023.

May 2023:

- **May 4-8, 2023**, the Company participated in LudoNarraCon, an online festival dedicated to narrative video games. "The Invincible" was presented among 43 other productions from all over the world, and during the course of the event, a

[public demo](#) of “The Invincible” was made available to gamers from around the world on Steam. The event can be accessed via a [dedicated website](#).

6. Quarterly condensed financial statements for the first quarter of 2023

6.1. Commentary to the results for the first quarter of 2023

As at March 31, 2023, the Company's balance sheet total amounted to PLN 14,510,884.64, incl. equity of PLN 10,718,882.90 and current assets of PLN 13,297,648.35. At the end of the first quarter of 2023, the value of the Company's inventory amounted to PLN 9,144,502.49, which included the cost of development works.

At the same time, during the first quarter of 2023, the Company incurred operating expenses of PLN 1,635,447.34, mostly for third-party services directly related to the development work. The reported net loss of PLN 631,284.54 is in line with the Company's budget assumptions and is justified based on the progress of the game's production plan.

In the first quarter of 2023, the Company received a sixth payment from the publisher, 11 bit studios S.A., totalling PLN 200,000.00. The Company has decided to recognise this amount as 'deferred income' in liabilities until the final version of the game is accepted and is available for players to buy.

Only after the game is released and the Company receives the sales report these payments will 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 game release, the Company will be entitled to a revenue share 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)	31.03.2023	31.12.2022	31.03.2022
Fixed assets	1 213 236,29	366 930,37	203 246,62
<u>Intangible assets</u>	<u>4 021,37</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	4 021,37	0,00	0,00
Advances on intangible assets	0,00	0,00	0,00
<u>Tangible assets</u>	<u>148 814,20</u>	<u>89 863,07</u>	<u>66 728,38</u>
Fixed assets	148 814,20	89 863,07	66 728,38
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>39 377,80</u>	<u>39 377,80</u>	<u>93 949,31</u>
Real estate	0,00	0,00	0,00

Intangible assets	0,00	0,00	0,00
Long-term financial assets	39 377,80	39 377,80	93 949,31
Other long-term investments	0,00	0,00	0,00
<u>Long-term prepayments and accruals</u>	<u>994 167,99</u>	<u>210 834,57</u>	<u>15 714,00</u>
Deferred tax assets	210 834,57	210 834,57	15 714,00
Other prepayments and accruals	783 333,42	0,00	0,00
Current assets	13 297 648,35	14 487 467,17	7 448 765,39
<u>Inventory</u>	<u>9 144 502,49</u>	<u>8 150 236,80</u>	<u>5 738 158,03</u>
Materials	0,00	0,00	0,00
Semi-finished products and products in progress	9 140 752,49	8 145 607,30	5 738 158,03
Finished products	0,00	0,00	0,00
Goods	0,00	0,00	0,00
Advances on deliveries and services	3 750,00	4 629,50	0,00
<u>Short-term receivables</u>	<u>412 788,08</u>	<u>165 056,71</u>	<u>435 070,47</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	412 788,08	165 056,71	435 070,47
<u>Short-term investments</u>	<u>3 483 871,55</u>	<u>6 087 496,25</u>	<u>1 214 651,93</u>

Short-term financial assets	3 483 871,55	6 087 496,25	1 214 651,93
• in other entities	509 782,20	3 634 023,29	0,00
- other short-term financial assets	509 782,20	3 634 023,29	0,00
• cash and cash equivalents	2 974 089,35	2 453 472,96	1 214 651,93
- cash on hand and in accounts	665 173,71	539 420,90	1 214 651,93
- other cash assets	2 308 915,64	1 914 052,06	0,00
Other short-term investments	0,00	0,00	0,00
<u>Short-term prepayments and accruals</u>	<u>256 486,23</u>	<u>84 677,41</u>	<u>60 884,96</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	14 510 884,64	14 854 397,54	7 652 012,01

LIABILITIES (PLN)	31.03.2023	31.12.2022	31.03.2022
Equity capital	10 718 882,90	11 350 167,44	6 836 394,58
Share capital (fund)	253 629,35	253 629,35	243 879,35
Supplementary capital (fund)	12 954 432,78	12 954 432,78	9 038 089,13
Revaluation capital (fund)	0,00	0,00	0,00
Other reserve capitals	0,00	0,00	0,00
Profit (loss) from prior years	(1 857 894,69)	0,00	(1 998 906,35)
Net profit (loss)	(631 284,54)	(1 857 894,69)	(446 667,55)
Write-offs from net profit during the financial year (negative value)	0,00	0,00	0,00
Liabilities and provisions for liabilities	3 792 001,74	3 504 230,10	815 617,43
<u>Provisions for liabilities</u>	<u>798 674,60</u>	<u>812 174,60</u>	<u>581 668,23</u>
Deferred tax liability	741 460,34	741 460,34	465 729,00
Provision for pensions and other post-employment benefits	7 788,70	7 788,70	3 986,17
Other provisions	49 425,56	62 925,56	111 953,06
<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>593 327,14</u>	<u>492 055,50</u>	<u>233 949,20</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	593 327,14	492 055,50	233 949,20
Special funds	0,00	0,00	0,00
<u>Accruals</u>	<u>2 400 000,00</u>	<u>2 200 000,00</u>	<u>0,00</u>
Negative goodwill	0,00	0,00	0,00
Other accruals	2 400 000,00	2 200 000,00	0,00
TOTAL LIABILITIES	14 510 884,64	14 854 397,54	7 652 012,01

6.3. Condensed income statement

INCOME STATEMENT (PLN)	01.01.2023 - 31.03.2023	01.01.2022 - 31.03.2022
Net revenue from sales	995 145,19	605 926,16
Net revenue from sales of products	0,00	0,00
Change in inventory	995 145,19	605 926,16
Cost of manufacturing products for the entity's own needs	0,00	0,00
Net revenues from sales of goods and materials	0,00	0,00
Operating expenses	1 635 447,34	1 048 645,96
Amortization	27 936,50	15 861,78
Consumption of materials and energy	14 093,59	11 935,92
Third-party services	1 259 191,51	848 811,65
Taxes and charges	74,00	1 999,98
Remuneration	191 617,24	111 433,69
Social insurance and other benefits	56 676,44	27 182,26
Other operating expenses	85 858,06	31 420,68
Value of goods and materials sold	0,00	0,00
Gross profit (loss) from sales	(640 302,15)	(442 719,80)
Other operating revenues	4,12	3,32
Profit on disposal of non-financial fixed assets	0,00	0,00

Grants	0,00	0,00
Revaluation of non-financial assets	0,00	0,00
Other operating revenues	4,12	3,32
Other operating costs	56,88	1 029,44
Loss from disposal of non-financial fixed assets	0,00	0,00
Revaluation of non-financial assets	0,00	0,00
Other operating costs	56,88	1 029,44
Profit (loss) from operating activity	(640 354,91)	(443 745,92)
Financial income	18 001,10	435,98
Dividends and share in profits	0,00	0,00
Interest	18 001,10	435,98
Profit on disposal of financial assets	0,00	0,00
Revaluation of financial assets	0,00	0,00
Other	0,00	0,00
Financial costs	8 930,73	3 357,61
Interest	0,00	834,00
Loss from disposal of financial assets	0,00	0,00
Revaluation of financial assets	0,00	0,00
Other	8 930,73	2 523,61
Gross profit (loss)	(631 284,54)	(446 667,55)

QUARTERLY REPORT - Q1 2023

Income tax	0,00	0,00
Other mandatory decrease in profit (increase of loss)	0,00	0,00
NET PROFIT (LOSS)	(631 284,54)	(446 667,55)

6.4. Condensed cash flow statement

CASH FLOW STATEMENT (PLN)	01.01.2023 - 31.03.2023	01.01.2022 - 31.03.2022
<i>Cash flows from operating activities</i>		
Net profit (loss)	(631 284,54)	(446 667,55)
<u>Total adjustments</u>	<u>(1 857 190,07)</u>	<u>(793 085,29)</u>
Amortization	27 936,50	15 861,78
Profit (loss) on exchange rate differences	0,00	0,00
Interest and share in profits (dividends)	24 241,09	0,00
Profit (loss) on investment activity	0,00	0,00
Change in reserves	(13 500,00)	(12 500,00)
Change in inventories	(994 265,69)	(605 926,16)
Change in receivables	(247 731,37)	(43 611,64)
Change in short-term liabilities, except for loans and credits	101 271,64	(154 112,04)
Change in accruals and prepayments	(755 142,24)	7 202,77
Other adjustments	0,00	0,00
Net cash flows from operating activities	(2 488 474,61)	(1 239 752,84)
<i>Cash flows from investment activities</i>		
<u>Inflows</u>	<u>3 100 000,00</u>	<u>0,00</u>

Disposal of intangible assets and fixed assets	0,00	0,00
Disposal of investments in real estate and intangible assets	0,00	0,00
From financial assets	3 100 000,00	0,00
Other financial inflows	0,00	0,00
<u>Outflows</u>	<u>90 909,00</u>	<u>9 360,85</u>
Acquisition of intangible assets and fixed assets	90 909,00	9 360,85
Investments in real estate and intangible assets	0,00	0,00
On financial assets	0,00	0,00
Other investment outflows	0,00	0,00
Net cash flows from investment activities	3 009 091,00	(9 360,85)
<i>Cash flows from financial activities</i>		
<u>Inflows</u>	<u>0,00</u>	<u>0,00</u>
Net proceeds from the issue of shares (issue of stocks) and other capital instruments and additional capital contributions	0,00	0,00
Loans and credits	0,00	0,00
Issue of debt securities	0,00	0,00
Other financial inflows	0,00	0,00
<u>Outflows</u>	<u>0,00</u>	<u>0,00</u>
Purchase of own shares (stocks)	0,00	0,00

Dividends and other payments to owners	0,00	0,00
Expenses on account of profit distribution, other than payments to owners	0,00	0,00
Repayment of credits and loans	0,00	0,00
Redemption of debt securities	0,00	0,00
Other financial liabilities	0,00	0,00
Installments under financial lease agreements	0,00	0,00
Interest	0,00	0,00
Other financial outflows	0,00	0,00
Net cash flows from financial activities	0,00	0,00
Total net cash flow	520 616,39	(1 249 113,69)
Balance sheet change in cash	520 616,39	(1 249 113,69)
Cash at the start of the period	2 453 472,96	2 463 765,62
Cash at the end of the period	2 974 089,35	1 214 651,93

6.5. Condensed statement of changes in equity

STATEMENT OF CHANGES IN EQUITY (PLN)	01.01.2023 - 31.03.2023	01.01.2022 - 31.03.2022
Opening balance of equity capital (fund) (OB)	11 350 167,44	7 283 062,13
Opening balance of equity capital (fund) (OB), after adjustments	11 350 167,44	7 283 062,13
<u>Opening balance of share capital (fund)</u>	<u>253 629,35</u>	<u>243 879,35</u>
Changes in share capital (fund)	0,00	0,00
Closing balance of share capital (fund)	253 629,35	243 879,35
<u>Opening balance of supplementary capital (fund)</u>	<u>12 954 432,78</u>	<u>9 038 089,13</u>
Changes in supplementary capital (fund)	0,00	0,00
Closing balance of supplementary capital (fund)	12 954 432,78	9 038 089,13
<u>Opening balance of revaluation capital (fund)</u>	<u>0,00</u>	<u>0,00</u>
Changes in revaluation capital (fund)	0,00	0,00
Closing balance of revaluation capital (fund)	0,00	0,00
<u>Opening balance of other reserve capitals (funds)</u>	<u>0,00</u>	<u>0,00</u>
Changes in other reserve capitals (funds)	0,00	0,00
Closing balance of other reserve capitals (funds)	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>
Profit from prior years at the beginning of the period	0,00	0,00

Profit from prior years at the beginning of the period, after adjustments	0,00	0,00
Profit from prior years at the end of the period	0,00	0,00
Loss from prior years at the beginning of the period	0,00	1 998 906,35
Loss from prior years at the beginning of the period, after adjustments	0,00	1 998 906,35
Loss from prior years at the end of the period	1 857 894,69	1 998 906,35
Profit (loss) from prior years at the end of the period	(1 857 894,69)	(1 998 906,35)
Net result	(631 284,54)	(446 667,55)
Closing balance of equity capital (fund) (CB)	10 718 882,90	6 836 394,58
Equity capital (fund), after taking into account the proposed profit distribution (loss coverage)	10 718 882,90	6 836 394,58

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)	01.01.2023 - 31.03.2023	01.01.2022 - 31.03.2022
	PLN	PLN
INVESTMENT EXPENDITURES	90 909,00	9 360,85
Purchases of intangible and tangible fixed asset	90 909,00	9 360,85
Financial assets, including::	0,00	0,00
Long-term loans granted	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 first quarter of 2023, the value of expenditure incurred by the Company on the acquisition of intangible assets and tangible fixed assets amounted to PLN 86,887.63. The largest of the purchases, regarding the outfit for the motion capture sessions at the Company's premises, was a one-time expense of PLN 68 thousand).

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 Q1 2023 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 of 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	132 338	6,78%	132 338	6,78%
3	Marcin Przasnyski	117 236	6,01%	117 236	6,01%
4	11 bit studios S.A.	116 787	5,99%	116 787	5,99%
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.	97 681	5,01%	97 681	5,01%
8	Bartosz Karasiński**	45 900	2,35%	45 900	2,35%
9	Acion Partners Ltd.	27 995	1,43%	27 995	1,43%
10	Workers and coworkers	255 426	13,09%	255 426	13,09%
11	The other shareholders < 5%	602 630	30,89%	602 630	30,89%
	TOTAL	1 950 995	100,00%	1 950 995	100,00%

* Management Board / ** Supervisory Board Members

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 Annual General Meeting on April 18, 2023.

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 793,001 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 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"

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

As at the end of the first quarter of 2023, calculated on a full-time basis within the definition of the Labour Code Act, the Company employed 3 and 3/4 persons. At the same time, Starward Industries

cooperates on a permanent basis with 32 persons who provide services to the Company on the basis of civil law contracts.

Prepared in Kraków on May 11, 2023.