



**Translation of
QUARTERLY REPORT
01.04.2020 - 30.06.2020**

Starward Industries Spółka Akcyjna

Please note that the following content of this document is not the Quarterly 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 that Quarterly Report and has not been published in accordance to aforementioned regulations. Only the Quarterly 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.



**STARWARD
INDUSTRIES**

**QUARTERLY REPORT
01.04.2020 - 30.06.2020**

Starward Industries Spółka Akcyjna

Authorised Adviser

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 Authorised 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

<u>Information on the rules adopted to prepare the report</u>	<u>3</u>
<u>Basic data</u>	<u>4</u>
Contact and registration details	4
Management Board and Supervisory Board	5
Description of activities	5
<u>Significant events in the ended quarter</u>	<u>6</u>
<u>Significant events after the balance sheet date and expected developments</u>	<u>6</u>
<u>Quarterly condensed financial statements for the second quarter of 2020</u>	<u>7</u>
Commentary to the results for Q2 2020	7
Condensed balance sheet	7
Condensed profit and loss account	10
Condensed cash flow statement	11
Condensed statement of changes in equity	13
<u>Standpoint regarding the possibility of meeting the published forecasts for the given year in the light of the results presented in the quarterly report</u>	<u>14</u>
<u>Description of the state of implementation of the Company's activities and investments and the schedule of their execution</u>	<u>15</u>
<u>Initiatives taken by the Company during the period covered by the report aimed at introducing innovative solutions</u>	<u>15</u>
<u>Description of the structure of the capital group, including entities subject to consolidation</u>	<u>15</u>
<u>Shareholding structure of Starward Industries</u>	<u>15</u>
<u>Information on the number of persons employed by Starward Industries, in full-time equivalents</u>	<u>16</u>
<u>Own shares, branches, financial instruments</u>	<u>16</u>
<u>Risk factors and description of hazards</u>	<u>16</u>

1. Information on the rules adopted to prepare the report

This quarterly report of **Starward Industries S.A.** for the period 01 April 2020 - 30 June 2020 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 29th 1994 (as amended) applicable to entities continuing operations. The Company prepares the profit and loss account 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 in the accounting principles (policy). Condensed separate financial statements of Starward Industries S.A. for the period 1 April 2020 - 30 June 2020 have not been audited or reviewed by an entity authorized to audit financial statements. Starward Industries S.A. is not composed of internal organisational units preparing independent financial statements.

2. Basic data

2.1. Contact and registration details

Company:	Starward Industries Spółka Akcyjna
Country of incorporation:	Polska
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 10 September 2018 (Register A No. 13664/2018), drawn up by Notary Marcin Satora.

By decision of 27 September 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 in the Register of Entrepreneurs of the National Court Register under number 0000750305.

The duration of the Company is unlimited.

2.2. Management Board and Supervisory Board

As at 30 June 2020 and as at the date of this report, the composition of the Management Board was as follows:

- **Marek Markuszewski** - President
- **Daniel Betke** - member
- **Mariusz Antkiewicz** - member

As at 30 June 2020 and as at the date of this report, the composition of the Supervisory Board was as follows:

- **Kamil Klinowski** - Chairman
- **Dawid Sękowski** - Vice-Chairman
- **Przemysław Marmul** - member
- **Marcin Górecki** - member
- **Katarzyna Pióro** - member

2.3. 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 with many years of experience in companies such as CD Projekt Red, Reality Pump, Techland, headed 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 novel Sci-Fi 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 concept. 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 10 September 2018** in Kraków. It was registered with the National Court Register on 27 September 2019, and from October of the same year it started to operate with all positions filled.

As of the date of this Report, the Company is in the process of developing **a role-playing game** based on a novel **by Stanisław Lem**, a famous Polish 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 5 October 2023. Although the company may decide to postpone the scheduled release date, in the interests of game quality and revenue maximisation, it intends to release the first game well before the licence deadline of 2021. In that case, Starward Industries will have the option to extend the exclusive license period in order to create more games under it.

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. Starward Industries is aware that the goal it has set itself is ambitious, so it regularly consults its creative decisions with experts in Lem's work. By the date of this Report, the Company had published the first conceptual graphics promoting the

game, which met with a very favourable reception. At the same time, the Company makes sure to follow current trends by participating in conferences and shows, specialised forums and analysis of newly emerging games. Starward Industries also places an emphasis on professional development of team members, ensuring that they stay in touch with emerging technologies and trends.

3. Significant events in the ended quarter

April 2020

- At the beginning of April, the Company completed work on the fifth stage of game production (**MS-05**), which ended the pre-production phase. The team designed and implemented all the key mechanics needed to complete the game, and introduced benchmark graphics for the environment, objects and characters. Thus, a draft was created for the realization of the intended course of the game.
- On 29 April the Company submitted a set of applications for admission of the first 73 thousand shares (series H) of the Company to trading on the NewConnect market of the Warsaw Stock Exchange (WSE).
- On 30 April, the Company participated in an investor chat on StockWatch.pl, during which it presented its current situation by answering questions asked by the participants' on an ongoing basis, a record of which [can be read on the portal](#).

May 2020

- The end of May saw completion of the sixth stage of the video game production (**MS-06**). This stage ended with the implementation of the initial part of the game's target course, about 60 minutes long. The initial section of the game (prologue) introduces the main and side characters as well as provides an introduction to the storyline. Action takes place both on the planet's surface and on board a spaceship.

June 2020

- On 28 June, President Marek Markuszewski took part in the third WSE Innovation Day conference, during which he presented the Company and answered investors' questions. A report is available [on WSE YouTube channel](#).
- A new Company website was launched, with an extensive investor relations section.

4. Significant events after the balance sheet date and expected developments

In connection with the transition from pre-production to full production, the Company has started recruitment in order to strengthen the creative team. To date, 3 people have joined the team: Programmer, Level Designer and Tester.

In connection with the recommendations received from the WSE concerning the new NewConnect regulations, the Company has completed all the formalities required to allow the shares to be listed on the market by submitting an application to the National Depository for Securities (KDPW) for dematerialization of series G shares on 16 July 2020. Together with the Authorised Adviser, the Company prepared an updated Information Document with attachments, which were submitted to the WSE on 17 July 2020.

On 7 August 2020 Starward Industries received a positive decision of the WSE Management Board in the form of **a resolution introducing G and H series shares to trading**. Subsequently, today the WSE Management Board

adopted a resolution setting the first trading day for **19 August 2020**. At the same time Starward Industries was given the abbreviated name "**STARWARD**" and the designation "**STA**".

The production stage (**MS-07**) was also completed on 17 July and another milestone (**MS-08**) is planned to be completed on 17 August 2020; as part of this milestone the creative team is expanding the game with another feature chapter.

September marks the **99th anniversary of Stanisław Lem's birthday** and the second anniversary of the establishment of Starward Industries. The company plans a modest celebration over two days: the 12th and 13th of September, as both these dates are referred to as the birthday of the most outstanding Polish science fiction writer. Wojciech Orliński cites this in his book *Lem. Życie nie z tej ziemi*, according to which Stanisław Lem was born in Lviv most probably on 13 September 1921, but the date of 12 September was entered in his birth certificate to avoid bad luck.

The long-term plan of the Company's operations is the production of subsequent games in thematic series, played in virtual worlds created and developed by the Company. Such a strategy is to ensure revenue stability and continuity of operations. Thanks to this, promotional outlays and marketing activities will support the sale of not one, but a whole series of games under a common brand, and additionally, the characters, motives and stories created will have a chance to penetrate other areas of culture and entertainment over time.

5. Quarterly condensed financial statements for the second quarter of 2020

5.1. Commentary to the results for Q2 2020

Starward Industries has raised funds through the issue of shares in an amount that fully covers the needs of the first video game. The rate of utilisation of the funds collected so far is below the plan threshold.

As of 30 June 2020, the Company's balance sheet total showed PLN 7,623,793.68, including PLN 7,105,316.54 in equity and PLN 7,494,710.51 in current assets. In the second quarter of 2020 the Company increased the value of inventories to PLN 2,240,875.96, which includes the costs of development work on the first video game. At the same time, in the ended quarter the Company incurred operating expenses in the amount of PLN 593,775.99, mostly due to external services directly related to development works. Reported net loss of PLN 594,942.66 is in line with the Company's budget assumptions and represents the advancement of the game production plan.

The Company plans to cover losses from its operating activities from the expected future revenues, which will be generated directly after the start of game sales. In the Company's opinion, this will allow for further development of business and financing of further projects.

5.2. Condensed balance sheet

Currently, the **net profit (loss)** item in liabilities stands at PLN -2,042,897.76, of which PLN -1,447,955.10 will be transferred to the **previous years' profit (loss)** item if the relevant resolution of the Ordinary General Meeting of Shareholders approving the report of 2019 is passed. As a result, the **net profit (loss)** item as of 30 June 2020 would be PLN -594,942.66.

ASSETS (PLN)	30.06.2019	31.12.2019	30.06.2020
Fixed assets	16,314.35	121,440.82	129,083.17
<u>Intangible and legal assets</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Costs of completed development works	0.00	0.00	0.00
Goodwill	0.00	0.00	0.00
Other intangible and legal assets	0.00	0.00	0.00
Advance payments towards intangible and legal assets	0.00	0.00	0.00
<u>Tangible fixed assets</u>	<u>16,314.35</u>	<u>17,365.34</u>	<u>25,007.69</u>
Fixed assets	16,314.35	17,365.34	25,007.69
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>0.00</u>	<u>0.00</u>	<u>0.00</u>
From related parties	0.00	0.00	0.00
From other entities in which the entity has a capital interest	0.00	0.00	0.00
From other entities	0.00	0.00	0.00
<u>Long-term investments</u>	<u>0.00</u>	<u>90,408.48</u>	<u>90,408.48</u>
Real property	0.00	0.00	0.00
Intangible and legal assets	0.00	0.00	0.00
Long-term financial assets	0.00	90,408.48	90,408.48
Other long-term investments	0.00	0.00	0.00
<u>Long-term prepayments/accruals</u>	<u>0.00</u>	<u>13,667.00</u>	<u>13,667.00</u>
Deferred income tax assets	0.00	13,667.00	13,667.00
Other prepayments/accruals	0.00	0.00	0.00
Current assets	2,467,581.62	5,163,695.36	7,494,710.51
<u>Inventory</u>	<u>939,861.42</u>	<u>1,596,775.96</u>	<u>2,240,875.96</u>
Materials	0.00	0.00	0.00
Semi-finished products and products in progress	939,861.42	1,596,775.96	2,240,875.96
Finished products	0.00	0.00	0.00
Goods	0.00	0.00	0.00
Advances on supplies and services	0.00	0.00	0.00

<u>Short-term receivables</u>	<u>124,484.06</u>	<u>146,789.08</u>	<u>118,445.27</u>
Receivables from related entities	0.00	0.00	0.00
Receivables from other entities in which the entity has a capital interest	0.00	0.00	0.00
Receivables from other entities	124,484.06	146,789.08	118,445.27
<u>Short-term investments</u>	<u>1,388,661.56</u>	<u>3,383,253.45</u>	<u>5,119,485.59</u>
Short-term financial assets	1,388,661.56	3,383,253.45	5,119,485.61
Other short-term investments	0.00	0.00	-0.02
<u>Short-term prepayments/accruals</u>	<u>14,574.58</u>	<u>36,876.87</u>	<u>15,903.69</u>
Called-up share capital (fund)	0.00	0.00	0.00
Own shares (stocks)	0.00	0.00	0.00
TOTAL ASSETS	2,483,895.97	5,285,136.18	7,623,793.68

LIABILITIES (PLN)	30.06.2019	31.12.2019	30.06.2020
Equity capital	611,574.24	4,700,814.20	7,105,316.54
<u>Share capital (fund)</u>	<u>186,486.17</u>	<u>224,509.35</u>	<u>240,240.00</u>
<u>Supplementary capital (fund)</u>	<u>934,024.38</u>	<u>5,924,259.95</u>	<u>8,907,974.30</u>
<u>Revaluation capital (fund)</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
<u>Other reserve capitals</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
<u>Profit (loss) from previous years</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
<u>Net profit (loss)</u>	<u>-508,936.31</u>	<u>-1,447,955.10</u>	<u>-2,042,897.76</u>
<u>Write-offs from net profit during the financial year (negative value)</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Liabilities and provisions for liabilities	1,872,321.73	584,321.98	518,477.14
<u>Provisions for liabilities</u>	<u>0.00</u>	<u>375,868.00</u>	<u>367,068.00</u>
Provision on account of deferred income tax	0.00	307,068.00	307,068.00
Provision for pensions and similar benefits	0.00	0.00	0.00
Other provisions	0.00	68,800.00	60,000.00
<u>Long-term liabilities</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Towards related entities	0.00	0.00	0.00
Towards other entities in which the entity has a capital interest	0.00	0.00	0.00
Towards other entities	0.00	0.00	0.00

<u>Short-term liabilities</u>	<u>1,872,321.73</u>	<u>208,453.98</u>	<u>151,409.14</u>
Liabilities towards related entities	0.00	0.00	0.00
Liabilities towards other entities in which the entity has a capital interest	0.00	0.00	0.00
Liabilities towards other entities	1,872,321.73	208,453.98	151,409.14
Special funds	0.00	0.00	0.00
<u>Prepayments and accruals</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Negative goodwill	0.00	0.00	0.00
Other prepayments/accruals	0.00	0.00	0.00
TOTAL LIABILITIES	2,483,895.97	5,285,136.18	7,623,793.68

5.3. Condensed profit and loss account

PROFIT AND LOSS ACCOUNT (PLN)	01.04.2019 30.06.2019	01.04.2020 30.06.2020	10.09.2018 30.06.2019	01.01.2020 30.06.2020
Net revenue from sales	374,500.42	315,800.00	939,861.42	644,100.00
Net revenue from sales of products	0.00	0.00	0.00	0.00
Change in inventory	374,500.42	315,800.00	939,861.42	644,100.00
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 costs	561,699.26	593,775.99	1,452,440.46	1,260,253.37
Depreciation	5,834.54	10,820.61	46,776.33	14,968.63
Material and energy consumption	21,516.63	21,953.16	35,584.35	36,292.14
Third-party services	459,182.55	524,541.68	1,248,682.43	1,125,997.90
Taxes and charges	430.28	1,585.24	2,578.64	6,763.51
Remuneration	52,120.00	28,864.00	80,631.00	59,738.00
Social security and other benefits	3,248.92	4,792.32	9,154.92	9,584.64
Other generic costs	19,366.34	1,218.98	29,032.79	6,908.55
Value of sold goods and materials	0.00	0.00	0.00	0.00
Profit (loss) on sales	-187,198.84	-277,975.99	-512,579.04	-616,153.37
Other operating revenues	26.96	9,819.30	29.26	9,820.03
Profit on the outflow of non-financial fixed assets	0.00	0.00	0.00	0.00

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	26.96	9,819.30	29.26	9820.03
Other operating costs	1.33	1.65	3.29	2.18
Loss on 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	1.33	1.65	3.29	2.18
Profit (loss) on operational activity	-187,173.21	-268,158.34	-512,553.07	-606,335.52
Financial income	1,163.07	4,939.78	3,989.58	12,244.46
Dividends and profit sharing	0.00	0.00	0.00	0.00
Interest	1,163.07	4,939.78	3,989.58	12,244.46
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	118.54	589.29	372.82	851.60
Interest	0.00	0.40	0.00	0.40
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	118.54	588.89	372.82	851.20
Gross profit (loss)	-186,128.68	-263,807.85	-508,936.31	-594,942.66
Income tax	0.00	0.00	0.00	0.00
Other mandatory profit reductions (increases in losses)	0.00	0.00	0.00	0.00
NET PROFIT (LOSS)	-186,128.68	-263,807.85	-508,936.31	-594,942.66

5.4. Condensed cash flow statement

CASH FLOW STATEMENT (PLN)	01.04.2019 30.06.2019	01.04.2020. 30.06.2020.	10.09.2018. 30.06.2019.	01.01.2020. 30.06.2020.
Cash flows from operating activities				
<u>Net profit (loss)</u>	<u>-186,128.68</u>	<u>-263,807.85</u>	<u>-508,936.31</u>	<u>-594,942.66</u>
<u>Total adjustments</u>	<u>-352,625.64</u>	<u>-160,114.55</u>	<u>-894,732.88</u>	<u>-645,659.20</u>

Depreciation	5,834.54	10820.61	46,776.33	14,968.63
Profit (loss) on exchange rate differences	0.00	0.00	0.00	0.00
Interest and profit sharing (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	0.00	-2,000.00	0.00	-8,800.00
Change in inventory	-374,500.42	-315,800.00	-939,861.42	-644,100.00
Change in receivables	-10,892.84	25,176.89	-124,484.06	28,343.81
Change in short-term liabilities, except for loans and credits	17,722.69	111,509.08	137,410.85	-57,044.84
Change in accruals and prepayments	9,210.39	10,178.85	-14,574.58	20,973.18
Other adjustments	0.00	0.02	0.00	0.02
Net cash flows from operating activities	-538,754.32	-423,922.40	-1,403,669.19	-1,240,601.86
Cash flows from financial activities				
<u>Inflows</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Net proceeds from the issue of shares (issue of stocks) and other capital instruments and capital contributions	0.00	0.00	0.00	0.00
Loans and advances	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>Expenses</u>	<u>4,555.28</u>	<u>15,790.23</u>	<u>151,490.68</u>	<u>22,610.98</u>
Acquisition of intangible and legal assets and tangible fixed assets	4,555.28	15,790.23	63,090.68	22,610.98
Investments in real estate and in intangible and legal assets	0.00	0.00	0.00	0.00
For financial assets	0.00	0.00	0.00	0.00
Other investment expenditure	0.00	0.00	88,400.00	0.00
Net cash flows from investment activities	-4,555.28	-15,790.23	-151,490.68	-22,610.98
Cash flows from financial activities				
<u>Inflows</u>	<u>1,234,224.55</u>	<u>5,590.00</u>	<u>2,855,421.43</u>	<u>2,999,445.00</u>
Net proceeds from the issue of shares (issue of stocks) and other capital instruments and capital contributions	1,234,224.55	5,590.00	2,855,421.43	2,999,445.00
Loans and advances	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>Expenses</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
For other financial liabilities	0.00	0.00	0.00	0.00
Payment of liabilities under financial lease agreements	0.00	0.00	0.00	0.00
Interest	0.00	0.00	0.00	0.00
Other financial expenses	0.00	0.00	0.00	0.00
Net cash flows from financial activities	1,234,224.55	5,590.00	2,855,421.43	2,999,445.00
Net cash flow total	690,914.95	-434,122.63	1,300,261.56	1,736,232.16
Balance sheet change in cash	690,914.95	-434,122.63	1,300,261.56	1,736,232.16
Cash at the start of the period	609,346.61	5,553,608.24	0.00	3,383,253.45
Cash at the end of the period	1,300,261.56	5,119,485.61	1,300,261.56	5,119,485.61

5.5. Condensed statement of changes in equity

Currently, in equity, the net result item stands at PLN -2,042,897.76, part of which, i.e. PLN -1,447,955.10 will be transferred to the loss from previous years at the end of the period if the Ordinary General Meeting of Shareholders approves the report from 2019. As a result, the net result item as of 30 June 2020 would be PLN -594,942.66.

STATEMENT OF CHANGES IN EQUITY (FUND)	01.04.2019. 30.06.2019	01.04.2020 30.06.2020	10.09.2018. 30.06.2019	01.01.2020. 30.06.2020
Opening balance of equity capital (fund) (OB)	186,486.17	7,362,884.39	0.00	4,700,814.20
Opening balance of equity capital (fund) (OB), after corrections	186,486.17	7,362,884.39	0.00	4,700,814.20
<u>Opening balance of basic capital (fund)</u>	<u>186,486.17</u>	<u>234,000.00</u>	<u>0.00</u>	<u>224,509.35</u>
Changes in basic capital (fund)	0.00	6,240.00	186,486.17	15,730.65
Closing balance of basic capital (fund)	186,486.17	240,240.00	186,486.17	240,240.00
<u>Opening balance of supplementary capital (fund)</u>	<u>934,024.38</u>	<u>8,907,974.30</u>	<u>0.00</u>	<u>5,924,259.95</u>

Changes in supplementary capital (fund)	0.00	0.00	934 024.38	2,983,714.35
Closing balance of supplementary capital (fund)	934,024.38	8,907,974.30	934,024.38	8,907,974.30
<u>Opening balance of revaluation capital (fund)- changes in adopted accounting principles (policies)</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)	0.00	0.00	0.00	0.00
Closing balance of other reserve capitals (funds)	0.00	0.00	0.00	0.00
<u>Profit (loss) from previous years at the beginning of the period</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Profit from previous years at the beginning of the period	0.00	0.00	0.00	0.00
Profit from previous years at the beginning of the period, after corrections	0.00	0.00	0.00	0.00
Profit from previous years at the end of the period	0.00	0.00	0.00	0.00
Loss from previous years at the beginning of the period	0.00	0.00	0.00	0.00
Loss from previous years at the beginning of the period, after corrections	0.00	0.00	0.00	0.00
Loss from previous years at the end of the period	0.00	0.00	0.00	0.00
Profit (loss) from previous years at the end of the period	0.00	0.00	0.00	0.00
<u>Net result</u>	<u>-508,936.31</u>	<u>-2,042,897.76</u>	<u>-508,936.31</u>	<u>-2,042,897.76</u>
Closing balance of equity capital (fund) (CB)	611,574.24	7,105,316.54	611,574.24	7,105,316.54
Equity capital (fund), after taking into account the proposed profit distribution (loss coverage)	611,574.24	7,105,316.54	611,574.24	7,105,316.54

6. 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 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 produced.

At the same time, the Company's Management Board stresses that any statements made by its representatives about the assumptions or expectations of the amount of sales of the game being developed are not formal financial forecasts and cannot be treated in this way under any circumstances.

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

INVESTMENT OUTLAYS (PLN)	01.04.2020 30.06.2020	01.01.2020. 31.03.2020
INVESTMENT EXPENDITURES	15,790.23	6,820.75
Acquisition of intangible and legal assets and tangible fixed assets	15,790.23	6,820.75
For 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 second quarter of 2020, the value of expenditure incurred by the Company on the acquisition of intangible assets and tangible fixed assets amounted to PLN 15,790.23.

8. 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 working title P#1, 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 analyses 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.

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

Not applicable. The Company does not form a capital group.

10. Shareholding structure of Starward Industries

As of the date of this Report, Starward Industries has 166 shareholders, including 163 individuals and 3 legal entities. This number includes all share capital increases, including those concerning 48,000 F-series shares taken up by 8 team members. All shares give shareholders the same rights. The Company has not issued preference shares.

The table below presents the shareholding structure, indicating shareholders holding at least 5% of votes at the General Meeting and members of the Management Board and Supervisory Board.

No.	Shareholder	No. of shares	% of shares	No. of votes	% of votes
1	Marek Markuszewski *	380,001	20.56%	380,001	20.56%
2	Kamil Klinowski **	124,833	6.76%	124,833	6.76%
3	Marcin Przasnyski	119,787	6.48%	119,787	6.48%
4	Chiswick Creative Ventures Ltd	101,007	5.47%	101,007	5.47%
5	Sebastian Sptuszka	100,350	5.43%	100,350	5.43%
6	Daniel Betke*	100,000	5.41%	100,000	5.41%
7	Dawid Sękowski **	82,201	4.45%	82,201	4.45%
8	Mariusz Antkiewicz *	50,000	2.71%	50,000	2.71%
9	Katarzyna Pióro **	47,125	2.55%	47,125	2.55%
10	Przemysław Marmul **	6,005	0.32%	6,005	0.32%
11	Pozostali akcjonariusze	736,691	39.86%	736,691	39.86%
	TOTAL	1,848,000	100.00%	1,848,000	100.00%

* Management Board / ** Supervisory Board

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

As at the end of the second quarter of 2020, calculated on a full-time basis within the definition of the Labour Code Act, The company employed 3/4 persons. At the same time, Starward Industries cooperates on a permanent basis with 13 persons who provide services to the Company on the basis of civil law contracts.

12. Own shares, branches, financial instruments

As of the date of this report, Starward Industries does not hold its own shares and has not acquired any own shares in the reporting period. The Company does not have any branches nor financial instruments.

13. Risk factors and description of hazards

A key threat to Starward Industries' business is production of the first video game at an unsatisfactory level for the gaming market and consequent generation of insufficient sales revenue. The quality of the game produced depends, among other things, on the involvement of the team, which may, for many reasons, such as illness, accidents, delays in work, fail to achieve the goals set for it. The Management Board has taken appropriate measures to ensure stability of the team's work, in particular by adopting a model based on ownership of shares by all its members. This translates into teamwork aimed at joint success and increased commitment compared to a model where people working on the production are not co-owners of the Company. Moreover, the success of the sales is connected to, among other things, the selected publishing model and a successful marketing campaign, which is burdened with the risk of poor reception of the retro-futuristic style, as well as possible

creation of competitive products. Revenues from sales are also threatened by, among others, currency fluctuations and continuity of digital distribution platforms.

Due to the state of epidemic threat, which is still in place, the Company observes all the restrictions introduced in Poland. The possibility of remote working, introduced since 13 March, has been maintained. With the current operational configuration of the production team, the change of working mode required minor organisational adjustments and did not cause significant delays in production and company operation. In addition, the Company has limited personal participation of its representatives in industry events, using remote communication means where possible.

Starward Industries is currently concentrating its efforts on one key debut product, whose success will determine to a large extent the Company's further development. The Management Board is aware of the risks associated with this model of operation, but at the same time it considers it to be appropriate and most likely to achieve significant profits from its operations. The Board makes every effort to reduce business risks and increase the likelihood of market success with due diligence.

Prepared in Kraków on 14 August 2020.