



ARTIFEX MUNDI



Artifex Mundi S. A.

Summary of the Company's Financial Report
for Q1 2023

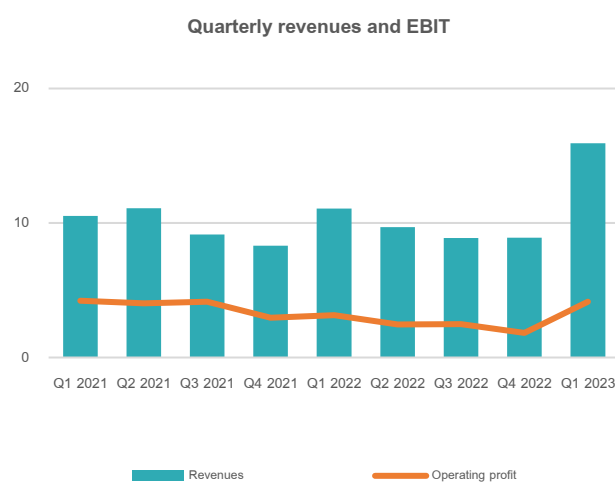
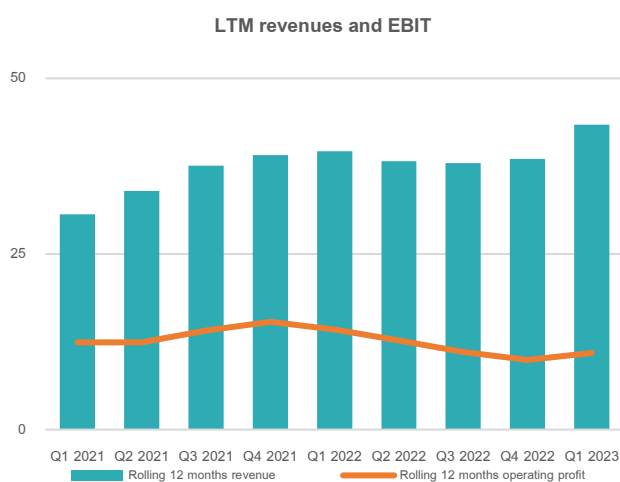


1

**Q1 2023
AT A GLANCE**

Highlights of Q1 2023

- **44%** increase in sales revenue to **PLN 15.9 million**.
- **16%** increase in normalized EBITDA to **PLN 5.7 million**.
- **25%** EBIT increase to **PLN 4.1 million**.
- **19%** decrease of net profits to **PLN 4 million**.
- **2** game projects in development.
- **34%** increase in game production expenditure to **PLN 4.5 million**.
- **101** – average employment in Q1 2023.



Financial results for Q1 2023

Sales revenue

In PLN thousands	Q1 2023	Q1 2022
Total revenues, including:	15,928	11,078
Free-to-play games, including:	12,790	7,097
Unsolved, including:	12,268	5,843
Advertising revenue	2,564	1,452
HOPA Games	3,032	3,802
Premium games	106	173

In Q1 2023, the Company reported an 80% increase in the commercialization revenues of the *free-to-play* segment, reaching PLN 12.8 million. This growth is attributable to the development of *Unsolved*, whose revenue increased by 110% to PLN 12.3 million. Revenue from the sales of premium model HOPA games during the period in question decreased by 20%.

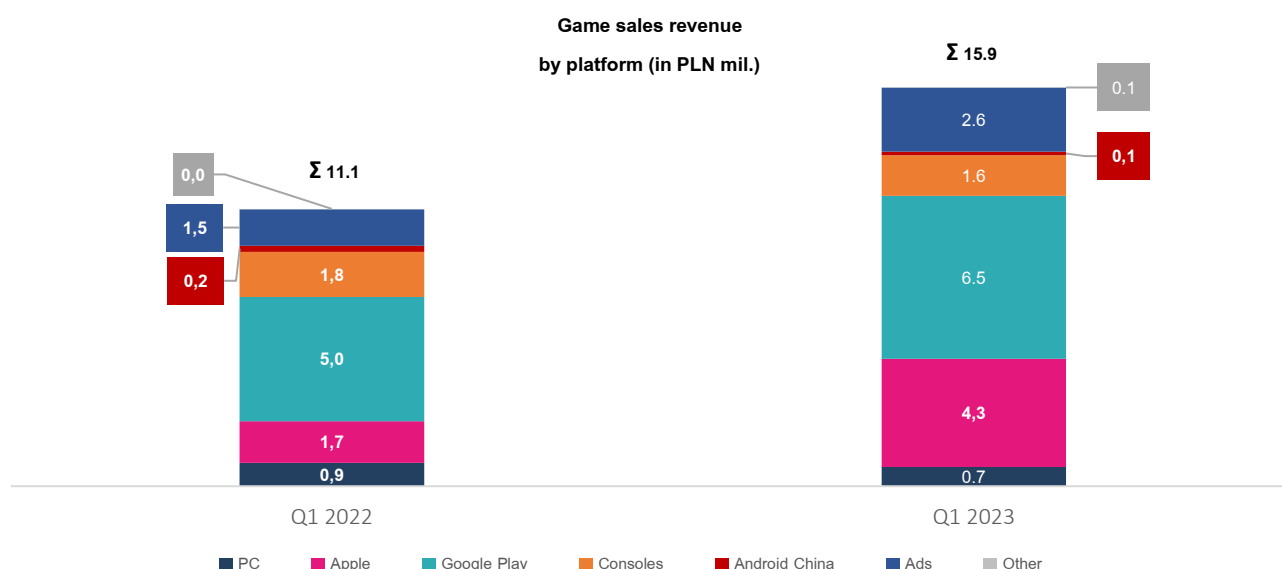
Key products of the Company

List of best-selling games	Share in game sale revenues in Q1 2023
Unsolved	77.0%
Bladebound	3.3%
Demon Hunter 2: A New Chapter	1.0%
Crime Secrets: Crimson Lilly	0.9%
Demon Hunter: Chronicles from Beyond	0.8%
Enigmatis: The Ghosts of Maple Creek	0.8%
Family Mysteries 3: Criminal Mindset	0.7%
Enigmatis 2: The Mists of Ravenwood	0.6%
Family Mysteries: Poisonous Promises	0.6%
GameHub	0.6%
Other	13.7%

The title from the Company's portfolio that generated the highest revenue in Q1 this year was Unsolved. It accounted for 77% of the Company's sales in the assessed period.

Distribution channels

The primary sources of Artifex Mundi's revenue from game sales in Q1 this year were sales made via Google Play (41% of the Company's total sales) and Apple Store (27% of total sales), which reflects the dynamic development of Unsolved. The third position in the ranking of the Company's revenue sources is held by revenue from advertisements displayed in Unsolved.



Operating expenses

Costs recognized in the income statement (in PLN thousands)	Q1 2023	Q1 2022
Costs of goods sold	2,218	2,339
Selling expenses	8,145	3,960
General administrative expenses	1,419	1,474
Total	11,782	7,773
Expense-to-revenue ratio for the quarter (per cent)	74%	70%

In Q1 2023, the Company recognized PLN 11.8 million in costs of goods sold as well as general and selling expenses, compared to PLN 7.8 million in the same period in 2022. The Company's expense-to-revenue ratio in Q1 this year amounted to 74%, compared to 70% in the previous year. The spike in the Company's operating costs in Q1 2023 was largely impacted by elevated user acquisition costs for *Unsolved* which are recognized in selling expenses.

Recognized costs (in PLN thousands)	Q1 2023	Q1 2022
Royalties	993	1,027
Free-to-play games amortization	1,055	1,033
HOPA games amortization	81	170
Premium game amortization	0	0
Selling expenses	8,145	3,960
General administrative expenses	1,419	1,474
Other	89	109
Costs recognized in the profit and loss account	11,782	7,773

EBITDA

In thousands PLN	Q1 2023	Q1 2022
Operating result	4,136	3,311
Adjusted by:		
a) computer game amortization	1,135	1,202
b) depreciation of fixed and intangible assets	55	41
EBTIDA	5,326	4,554
Adjusted by:		
a) impairment losses on games	0	0
b) incentive program costs	403	403
Normalized EBITDA	5,729	4,957

Capitalized costs of computer games

Capitalized costs of computer games (in PLN thousands)	March 31, 2023	December 31, 2022
Free-to-play games, including:	35,479	32,053
Unsolved	6,379	5,832
A new game from the RPG studio	11,088	9,528
Bladebound	2,286	3,153
R&D projects	13,985	12,283
HOPA Games	277	323
Premium games	1	0
Total	35,756	32,376

The majority of the “Capitalized game costs” balance sheet item of Artifex Mundi is attributed to expenses associated with *free-to-play* games development. At the end of March 2023, the capitalized costs of *free-to-play* games amounted to PLN 35.5 million, compared to PLN 32.1 million at the end of 2022.

Most significant events of Q1 2023 and until the date of report publication

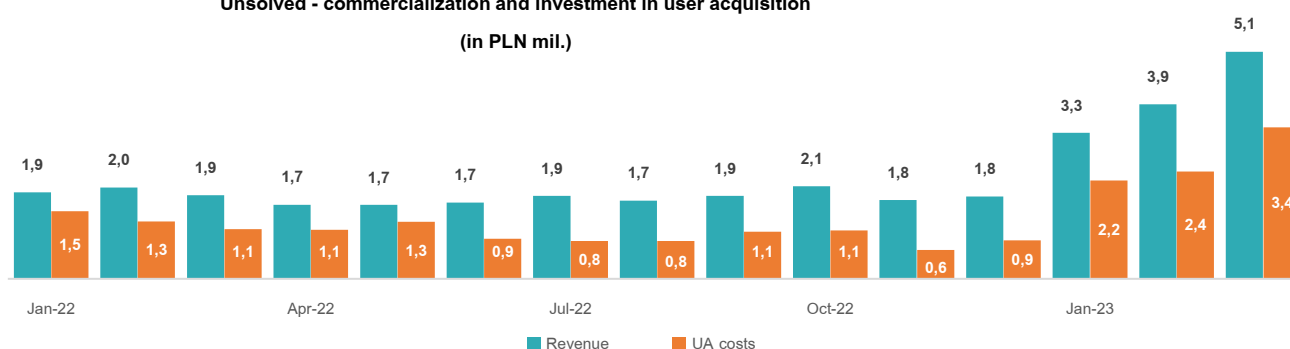
Free-to-play games

In Q1 2023, following the updated development strategy, the Company prioritized the development of two key projects: *Unsolved* and a new RPG.

Unsolved

An application that integrates certain games from Artifex Mundi’s HOPA games portfolio and provides users with free, time-limited gameplay based on the model of consumable energy that partially recharges on a daily basis, with additional energy available for purchase within the app.

Unsolved - commercialization and investment in user acquisition
(in PLN mil.)



In Q1 2023, the Company conducted regular user acquisition campaigns on social media, and advertising campaigns in various ecosystems, including Apple and Google Ads. The total user acquisition expenses for *Unsolved* in Q1 of this year amounted to PLN 8 million, as opposed to PLN 3.9 million in 2022.

In the past quarter, the Company continued developing the current version of the game by, among other things, increasing the number of titles available in the application to 32 by the end of March of this year, implementing regular special offers, and improving the

game's balance and economy. At the same time, new game mechanics for users were being implemented and a new game version concept was being developed to, among other things, significantly expand the project to involve a metagame.

The development of *Unsolved* combined with advertising campaigns led to an increase in game commercialization revenues, which in Q1 2023 reached PLN 12.3 million as opposed to PLN 5.8 million in the previous year.

New RPG

The new project is a strategic undertaking of the RPG studio which, on the day of this report, takes up the majority of its resources.

In the past period, development proceeded in accordance with the schedule, which provided for commencing the technical soft-launch in Q2 of this year. At the date of this report, game testing has been completed. The game received positive reviews, which confirmed the key creative goals of the game. At present, the data gathered through testing is being analyzed. The results will impact the further direction and schedule of development, including the plan for the game's commercialization.

The new RPG project is designed to utilize the fruits of the Company's R&D projects co-financed by the "GameINN" Sectoral Program..

Bladebound

A spectacular action RPG produced by the Company's internal team.

In Q1 of this year and immediately thereafter, the Company focused on maximizing profits from the game while keeping maintenance expenses to a minimum. The *Bladebound* commercialization revenue for that period amounted to PLN 0.5 million as opposed to PLN 1.25 million in the same period in 2022. A significant YoY decrease in sales is related to a large base developed before the release of a competitive product (*Diablo Immortal*) at the end of Q2 2022.

HOPA Games

In Q1 2023, the Company continued implementing its strategy for the HOPA games segment, which placed particular emphasis on maximizing profitability and a positive cash flow for this segment.

In the period in question, this segment recorded a 20% decrease in sales to PLN 3.0 million. Decreased sales are a direct outcome of the implemented segment strategy aimed at maximizing the segment's profitability while keeping capital expenditure to a minimum by not investing in the production of new titles in this genre. In Q1 of this year, the Company continued to port past releases to console platforms. During this period, the Company granted access to *Chronicles from Beyond* and *Demon Hunter 2: A New Chapter* to PS3/PS4, Xbox One/Xbox Series, and Nintendo Switch users, and *Eventide: Slavic Fable* to Xbox One/Xbox Series users. At the end of March 2023, a total of 48 games from Artifex Mundi's entire portfolio were available on at least two console platforms.

In Q1 of this year, the sale of games for console platforms brought in PLN 1.6 million in revenue, accounting for 51% of revenue from the segment. The commercialization of game versions for PCs brought in PLN 0.7 million in revenue, while mobile versions accounted for PLN 0.8 million (including sales in China).

Premium games

In Q1 2023 and afterwards, the Company continued to commercialize the premium game projects completed in previous years.

Factors that will influence the results of the upcoming quarters

Short-term perspectives

The Company's management board is of the opinion that the following events will significantly impact the Company's financial performance in the next twelve months:

- a) Development of *Unsolved*, its on-going commercialization, including the effectiveness of acquiring new users for the application via UA campaigns, and the ability to reach the target KPIs with an expanded application user base;
- b) Commercialization of *Bladebound*, including the impact of the current sales results on the balance sheet measurement of the project;
- c) Development of a new game project by the RPG studio;
- d) Interest in Artifex Mundi's HOPA games release offer;

- e) Expansion of the distribution channels for the HOPA game portfolio by, among other things, releasing games from Artifex Mundi's portfolio on consoles, including new generation consoles;
- f) The war in Ukraine and its impact on, among other things, currency markets.

Long-term perspective

The Company's management board is of the opinion that the implementation of Artifex Mundi's strategy, including the pursuit of operational goals covered thereby, will, in the long run, have a positive impact on the Company's financial performance and goodwill for the Stockholders.



2

Artifex Mundi S.A. Selected financial data for Q1 2023

Selected financial data

	Average exchange rate in the period of *	Minimum exchange rate in the period of	Maximum exchange rate in the period of	Exchange rate of the last day of the period of
01/01/2023 to 03/31/2023	4.7005	4.6688	4.7895	4.6755
01/01/2022 to 12/31/2022	4.6883	4.4879	4.9647	4.6899
01/01/2022 to 03/31/2022	4.6472	4.4879	4.9647	4.6525

* an average exchange rate of the last day of each month in a given period

Individual asset and liability items were converted at the exchange rates published by the National Bank of Poland of the last day of a period.

Individual items of the Profit and Loss Account and the Cash Flow Statement in EUR are converted using the exchange rates calculated as the arithmetical mean of average exchange rates published by the National Bank of Poland, valid of the last day of each month in a given reporting period.

	PLN		EUR	
	01/01/2023 to 03/31/2023	01/01/2022 to 03/31/2022	01/01/2023 to 03/31/2023	01/01/2022 to 03/31/2022
Net revenue from sales	15,928,143	11,078,303	3,388,606	2,383,866
Operating income	4,136,407	3,311,043	879,993	712,481
Profit before taxes	4,517,465	5,229,131	961,060	1,125,222
Profit generated in a given period	3,996,664	4,916,368	850,263	1,057,920
Net cash flow from operating activities	-57,722	1,433,550	-12,280	308,476
Net cash flow from investment activities	1,980,962	2,452,518	421,436	527,741
Net cash flow from financial activities	-283,751	-201,540	-60,366	-43,368
Total net cash flow	1,634,921	3,656,813	347,818	786,885

	PLN		EUR	
	01/01/2023 to 03/31/2023	01/01/2022 to 12/31/2022	01/01/2023 to 03/31/2023	01/01/2022 to 12/31/2022
Total assets	71,253,979	65,006,488	15,239,863	13,860,954
Liabilities and provisions for liabilities	11,665,498	9,817,219	2,495,027	2,093,268
Long-term liabilities	1,054,030	1,141,379	225,437	243,370
Short-term liabilities	10,611,468	8,675,840	2,269,590	1,849,899
Equity	59,588,481	55,189,269	12,744,836	11,767,686
Number of shares	11,897,000	11,897,000	11,897,000	11,897,000
Profit per share	0.34	1.07	0.07	0.23
Book value per share	5.01	4.64	1.07	0.99

Profit and loss statement for the period ended March 31st, 2023

	01/01/2023 to 03/31/2023	01/01/2022 to 03/31/2022
Revenue	15,928,143	11,078,303
Costs of goods sold	2,218,043	2,338,882
Gross profit on sales	13,710,100	8,739,421
Selling expenses	8,145,206	3,960,216
General administrative expenses	1,419,012	1,474,222
Net profit on sales	4,145,882	3,304,983
Other operating revenue	91,660	8,725
Other operating expenses	101,135	2,665
Operating result	4,136,407	3,311,043
Financial revenue	676,445	2,455,258
Financial expenses	295,387	537,170
Profit before taxes	4,517,465	5,229,131
Income tax	520,801	312,763
Profit or loss in the period	3,996,664	4,916,368
Profit attributable to stockholders of the parent company	3,996,664	4,916,368
Profit attributable to non-controlling interest	0	0
Profit per one common share:	0.34	0.41

Balance sheet as of March 31st, 2023

	03/31/2023	12/31/2022	03/31/2022
Fixed assets	7,150,151	5,623,019	5,478,026
Tangible fixed assets	1,864,130	2,000,472	2,190,005
Intangible assets	69,421	66,064	93,402
Financial assets	2,022,400	0	10,000
Receivables	214,942	204,533	128,221
Deferred income tax assets	2,979,258	3,351,950	3,056,398
Current assets	64,103,828	59,383,469	49,185,787
Capitalized costs of computer games	35,755,846	32,375,865	23,873,199
Trade and other receivables	9,106,719	5,495,994	5,637,570
Income tax receivables	488,903	278,395	1,548,379
Financial assets	13,953,936	18,069,712	0
Cash and cash equivalents	4,798,424	3,163,503	18,126,639
Total assets	71,253,979	65,006,488	54,663,813

	03/31/2023	12/31/2022	03/31/2022
Equity	59,588,481	55,189,269	46,832,177
Share capital	118,970	118,970	118,970
Capital from the sale of stock in excess of its nominal value	24,331,352	24,331,352	24,331,352
Revaluation surplus	3,259,449	2,856,901	1,649,256
Retained earnings	31,878,710	27,882,046	20,732,599
Liabilities	11,665,498	9,817,219	7,831,636
Long-term liabilities	1,054,030	1,141,379	1,642,291
Deferred income tax liabilities	747,574	643,987	563,365
Lease liabilities	306,456	497,392	1,078,926
Short-term liabilities	10,611,468	8,675,840	6,189,345
Trade and other liabilities	8,976,637	5,857,637	3,725,243
Income tax liabilities	0	0	0
Other short-term provisions	833,996	1,574,088	690,068
Lease liabilities	750,580	750,580	751,724
Other financial liabilities	50,255	493,535	1,022,310
Equity and Liabilities	71,253,979	65,006,488	54,663,813

Statement of changes in equity as of March 31st, 2023

	Capital stock	Capital from the sale of stock in excess of its minimum value	Revaluation surplus	Retained earnings	Equity attributable to stockholders	Total capital
Status as of 01/01/2023	118,970	24,331,352	2,856,901	27,882,046	55,189,269	55,189,269
Profit or loss in the given period	0	0	0	3,996,664	3,996,664	3,996,664
Total overall income	0	0	0	3,996,664	3,996,664	3,996,664
IFRS2 Incentive Program	0	0	402,548	0	402,548	402,548
Total change in equity	0	0	402,548	3,996,664	4,399,212	4,399,212
Total as of 03/31/2023	118,970	24,331,352	3,259,449	31,878,710	59,588,481	59,588,481

	Capital stock	Capital from the sale of stock in excess of its minimum value	Revaluation surplus	Retained earnings	Equity attributable to stockholders	Total capital
Status as of 01/01/2022	118,970	24,331,352	1,246,708	15,816,231	41,513,261	41,513,261
Profit or loss in the given period	0	0	0	12,065,815	12,065,815	12,065,815
Total overall income	0	0	0	12,065,815	12,065,815	12,065,815
IFRS2 Incentive Program	0	0	1,610,193	0	1,610,193	1,610,193
Total change in equity	0	0	1,610,193	12,065,815	13,676,008	13,676,008
Total as of 12/31/2022	118,970	24,331,352	2,856,901	27,882,046	55,189,269	55,189,269

	Capital stock	Capital from the sale of stock in excess of its minimum value	Revaluation surplus	Retained earnings	Equity attributable to stockholders	Total capital
Status as of 01/01/2022	118,970	24,331,352	1,246,708	15,816,231	41,513,261	41,513,261
Profit or loss in the given period	0	0	0	4,916,368	4,916,368	4,916,368
Total overall income	0	0	0	4,916,368	4,916,368	4,916,368
IFRS2 Incentive Program	0	0	402,548	0	402,548	402,548
Total change in equity	0	0	402,548	4,916,368	5,318,916	5,318,916
Total as of 03/31/2022	118,970	24,331,352	1,649,256	20,732,599	46,832,177	46,832,177

Cash flow statement as of March 31st, 2023

	01/01/2023 to 03/31/2023	01/01/2022 to 03/31/2022
Cash flow from operating activities		
Net profit	3,996,664	4,916,368
Adjusted by:	-3,843,878	-3,395,260
Depreciation	245,398	231,879
Foreign exchange gains (-) / (losses (+))	-438,711	516,373
Interest and commission gains (-) / (losses (+))	92,815	0
Received dividends	0	-2,455,199
Loss from investment activity	0	-1,829
Change in provisions	-636,505	-95,807
Change in capitalized game costs	-3,379,981	-2,166,948
Changes in amounts receivable	-3,248,442	-120,302
Change in short-term liabilities, excluding loans and credits	3,119,000	294,025
Other adjustments from operating activities	402,548	402,548
Cash flow from operating activities	152,786	1,521,108
Income tax paid (-) / reimbursed (+)	-210,508	-87,558
Net cash flow from operating activities	-57,722	1,433,550
Cash flow from investment activities		
Disposal of fixed and intangible assets	0	1,829
Acquisition of fixed and intangible assets	-112,414	-4,510
Dividend proceeds	0	2,455,199
Bond acquisition	-9,369,012	0
Proceeds from bond sales	11,462,388	0
Net cash from investment activities	1,980,962	2,452,518
Cash flow from financial activities		
Finance lease payments	-190,936	-201,540
Repayments of credits and loans	0	0
Interest and bank commissions	-92,815	0
Net cash from financial activities	-283,751	-201,540
Change in cash prior to foreign exchange differences	1,639,489	3,684,528
Effects of exchange rate changes concerning cash and cash equivalents	-4,568	-27,715
Cash changes	1,634,921	3,656,813
Cash opening balance	3,163,503	14,469,826
Cash closing balance	4,798,424	18,126,639