CI GAMES GROUP

CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
For the period from January 1
to 31 December 2013

Warsaw, March 21, 2014

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I. Introduction to the consolidated financial statements for the period from January 1 to December 31, 2013

1. Information on the Group

Parent:

a) The Company was registered on June 1, 2007 as City Interactive S.A. through transformation from City Interactive Sp. z o.o. pursuant to a notarial deed, Notary's Register A 2682/2007 of May 16, 2007. On August 7, 2013 the District Court for the Capital City of Warsaw, 13th Commercial Division of the National Court Register, registered a change of the Company's name from City Interactive S.A. to CI Games S.A. The Company's registered office is located at ul. Puławska 182 in Warsaw.

b) The Company is entered into the Register of Companies under entry no. KRS 0000282076. The entry was made by the District Court for the Capital City of Warsaw in Warsaw, 13th Commercial Division of the National Court Register.

c) The main subject of the Parent's and Group's operations is the development, release and distribution of computer games.

d) In accordance with the articles of association, the duration of the Company's operations is unlimited.

e) During 2013, the Company's Management Board comprised:

- Marek Tymiński President from January 1 to December 31, 2013
- Andreas Jaeger Member from January 1 to March 13, 2013

f) During 2013, the composition of the Company's Supervisory Board remained unchanged:

- Krzysztof Sroczyński Chairman from January 1 to December 31, 2013
- Lech Tymiński Member from January 1 to December 31, 2013
- Marek Dworak Member from January 1 to December 31, 2013
- Grzegorz Leszczyński Member from January 1 to December 31, 2013
- Tomasz Litwiniuk Member from January 1 to December 31, 2013

g) CI Games S.A. is the parent of the Group and draws up consolidated financial statements. The following subsidiaries belong to the Group:

As at December 31, 2013, CI Games Group comprised the following entities:

- CI Games S.A., having its registered office in Warsaw. Share capital of PLN 1 391 449.90. Group parent.
- CI Games Germany GmbH – a company having its registered office in Frankfurt am Main, Germany. Share capital of EUR 25 000. 100% of shares held by CI Games S.A.
- CI Games USA Inc. – a company having its registered office in Delaware, USA. Share capital USD 50 000. 100% of shares held by CI Games S.A.
- Business Area Spółka z o.o. – a company with registered office in Warsaw, subject to consolidation as of Q3 2010. Share capital of PLN 5 000. 100% interest held by CI Games S.A.
- City Interactive Studio S.R.L. – a company having its registered office in Bucharest, Romania. 100% of shares held by CI Games S.A. On November 7,

2013, the company filed for bankruptcy at the VII Civil Division, Court in Bucharest.

- City Interactive Canada Inc. – a company based in Ontario, Canada, established in October 2010. Share capital of CAD 10. 100% of shares held by CI Games S.A.
- CI Games Cyprus Ltd., having its registered office in Nicosia, Cyprus. 100% interest held by CI Games S.A. Share capital of EUR 1 200.
- CI Games Spółka Akcyjna Spółka Jawna (transformed from CI Games IP Sp. z o.o.) – a Warsaw-based company. Share capital of PLN 114 092 350. On May 13, 2013, pursuant to an agreement between CI Games Cyprus Ltd. and Business Area Spółka z ograniczoną odpowiedzialnością S.K.A., a 99.99% stake held by CI Games Cyprus Ltd. was transferred to Business Area Spółka z ograniczoną odpowiedzialnością S.K.A.; a 0.01% stake is held by the Group's parent. The company is subject to consolidation from Q1 2013. On August 12, 2013 an extraordinary general meeting of CI Games IP Sp. z o.o. adopted a resolution on transformation from a limited company (sp. z o.o.) to a general partnership (sp.j.). Existing shareholders in the limited company decided to participate in the general partnership. The new name of the company is CI Games S.A. spółka jawna. After the transformation, a 99.99% interest in the company is held by Business Area Spółka z ograniczoną odpowiedzialnością S.K.A. which was transformed on September 26, 2013 into Business Area Spółka z ograniczoną odpowiedzialnością Spółka Jawna.
- Business Area Spółka z ograniczoną odpowiedzialnością Spółka Jawna transformed from Business Area Spółka z ograniczoną odpowiedzialnością S.K.A., based in Warsaw, whose share capital was PLN 1 050 000. After the transformation on August 26, 2013, CI Games S.A. holds a 99.99% interest in the assets of the Company, whereas the second partner - Business Area Sp. z o.o. - holds 0.01%.
- City Interactive Spain S.L. – company having its registered office in Madrid, Spain. Share capital of EUR 3 600. 100% of shares held by CI Games S.A. The Issuer sold its interest in the company on February 6, 2013.

Furthermore, throughout 2008 CI Games S.A. acquired shares in the following entities operating in South America and subsequently in 2009 opted out of their further development:

- City Interactive Peru SAC (formerly UCRONICS SAC) – a company having its registered office in Lima, Peru. 99% share. Share capital 2 436 650 Sol.

- City Interactive Jogos Electronicos LTDA – company having its registered office in Sao Paulo, Brazil. Founding capital of BRL 100 000. 90% share, remaining 10% held by CI Games USA, Inc.

- City Interactive Mexico S.A. de C.V. – company having its registered office in Mexico City, Mexico. Founding capital of MEX 50 000. 95% share, remaining 5% held by CI Games USA, Inc.

2. **Basis for presentation and preparation of the consolidated financial statements**

a) These consolidated financial statements cover the period from January 1 to December 31, 2013. Comparative data covers the period from January 1 to December 31, 2012.

b) The consolidated financial statements were drawn up in accordance with the International Accounting Standards and International Financial Reporting Standards (IAS/IFRS).

c) The consolidated financial statements were drawn up on the assumption that the business will continue as a going concern in the foreseeable future. The Parent's management is convinced that the Group is able to:

- finalize, promote and sell the games it is currently developing,
- continue to operate and pay its liabilities,
- commence development of new games in 2014.

For this reason, the Group has taken further steps towards securing financing for the development of games scheduled for release in 2014. In 2014, the Parent obtained a loan for general corporate purposes with a PLN 5 million limit, and is in the process of obtaining a further approx. PLN 5 million. The Parent's management believes that these funds will be sufficient for completing and releasing the scheduled games.

The Parent's management further believes that revenue generated from game releases planned for 2014 will be sufficient to cover on-going operating costs, the repayment of game development-related liabilities and the commencement of new projects. The Parent's management bases its cash flow estimates among others on positive game reviews by independent experts, interest expressed by distributors and the fact that this is a popular game segment.

From a going-concern viewpoint, the sales of games scheduled for release in 2014 are of significance, however the Parent's management believes that even if these should prove unsuccessful, the Group will still be able to raise capital for new games and operating purposes.

Given the above, the Parent's management believes that there are no significant uncertainties regarding continuing operations for a period of at least 12 months from the drafting of these financial statements.

3. Adopted accounting principles

a) Application of International Accounting Standards

The annual consolidated financial statements are drawn up in accordance with the International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) adopted by the European Union and interpretations adopted by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) applicable in the business conducted by the Company and binding in annual reporting periods commencing January 1, 2007, together with the requirements of the Ordinance of the Minister of Finance of February 19, 2009 concerning current and periodical information provided by issuers of securities and the terms and conditions for information required by the provisions of law of a non-member state being recognized as equivalent (Polish Journal of Laws no. 33, item 259).

The consolidated financial statements for the period from January 1 to December 31, 2013 are subsequent financial statements prepared in accordance with IAS/IFRS. Comparative data covers the period from January 1 to December 31, 2012 and is sourced from the financial statements prepared in accordance with IAS/IFRS. IAS/IFRS were adopted on January 1, 2007.

b) Basis for preparing the consolidated financial statements

Figures in the financial statements are given in PLN thousands. Figures in the notes to the financial statements are given in full PLN. Figures of less than PLN 499.49 respectively were rounded down, while in other instances figures were rounded up.

The consolidated financial statements were drawn up on historical cost basis. Preparation of consolidated financial statements in accordance with IAS/IFRS requires that the Management Board provide professional judgments, estimates and assumptions which have an impact on the adopted principles and the value of assets, liabilities, revenues and costs presented. Estimates and associated assumptions are based on previous experience and other factors which are acknowledged as rational in given circumstances and their results provide a basis for professional judgment concerning the carrying amount of assets and liabilities which does not directly result from their sources. Actual values may differ from estimates.

Estimates and associated assumptions are subject to systematic verification. Changes in assumptions are recognized in the period in which these were made.

The principles of the accounting policy presented below were applied in relation to all periods presented in the submitted consolidated financial statements as well as in drawing up an opening balance sheet in accordance with IAS/IFRS as at January 1, 2007 for the purposes of implementing the transition from Polish accounting standards to IAS/IFRS-compliant reporting.

c) Principles of consolidation

(i) Subsidiaries

The CI Games Group consolidated financial statements were drawn up applying the acquisition method as the means of settlement adopted on the date of the share purchase transaction (fully consolidated). In drawing up the financial statements, the parent combines the financial statements of the parent and subsidiaries through summarizing individual items of assets, liabilities, shares in equity, revenues and costs.

In order to ensure presentation of financial information concerning the Group in the consolidated financial statements as if it constituted a single commercial entity, only the carrying amount of the parent's investments in subsidiaries and such part of the subsidiary's equity as corresponds to the parent's share is presented.

The method applied for translation of the financial statements of foreign operations depends on the means by which they are financed and the type of business activity conducted in relation to the entity drawing up the financial statements. For this reason, in accordance with IAS 21, entities operating abroad are broken down into: "entities operating abroad, whose operations constitute an integral part of the operations of the entity drawing up the financial statements" and "foreign operations".

For translation of the financial statements of subsidiaries operating abroad, the aforementioned entities were classified as "foreign operations" in accordance with IAS 21. After converting the financial statements of foreign operations, in order for these to be included in the financial statements of the entity drawing up the financial statements, the following principles were applied:

- assets and liabilities, both monetary and non-monetary, were converted at the closing rate;
- revenues and costs of foreign operations were converted at the exchange rate as at the date of executing transactions, with the exception of situations where the foreign operation is drawing up reports in hyper-inflationary economic conditions. In this situation items would be converted at the closing rate;
- all exchange rate differences are recognized in equity until disposal of the net investment.

The financial results of entities acquired or disposed of during the year are included in the consolidated financial statements from / to the moment of their acquisition or disposal, respectively, if this constitutes significant value for the presented financial statements.

Where necessary, adjustments are made in the financial statements of subsidiaries or associates in order to unify the accounting principles applied by the entity with the principles applied by the parent. All transactions, balances, revenues and costs between related entities covered by consolidation are subject to exclusion.

(ii) Associates, joint ventures

Associates are business entities where the Group exerts significant influence, although does not control their operational and financial policies.

The Group’s joint ventures are entities where the Group exercises joint control over their operations pursuant to contractual arrangements.

The consolidated financial statements contain the Group's share of profits and losses of associates / joint ventures using the equity method, from the moment of acquiring significant influence / joint control until the expiry of such influence / control. The Group also measures the loss in value of shares in the net assets of associates / joint ventures and makes the appropriate revaluation decreases. In the event of the Group's participation in losses exceeding the carrying amount of the associate / joint venture, such amount is reduced to zero and ceases to be recognized in further losses in as far as there is no legal obligation to cover losses or payment had not already been made to cover such liabilities.

Goodwill arising during consolidation results from the occurrence as at the acquisition date of a surplus of the cost of acquiring the entity over the fair value of identifiable assets and liabilities of the subsidiary, associate or joint venture as at the acquisition date.
Goodwill acquired through a merger of commercial entities is not amortized. Goodwill is subject to impairment testing at least once per year. Any impairment is immediately recognized in the statement of profit and loss. In disposal of a subsidiary, associate or joint venture, the appropriate part of goodwill is taken into consideration in calculating the profit or loss on disposal.

(iii) Consolidation adjustments

The balance of intragroup settlements, transactions executed within the Group and all unrealized profits or losses resulting thereunder, together with Group revenues and costs, are excluded during the preparation of the consolidated financial statements. Unrealized gains resulting from transactions with associates and joint ventures are excluded from the consolidated financial statements proportionally to the level of the Group's participation in such entities. Unrealized losses are excluded from the consolidated financial statements on the same principles as profits, until the moment when evidence indicating impairment arises.

d) Property, plant and equipment

(i) Own property, plant and equipment

Property, plant and equipment are fixed assets which are used in the production process or in supplying goods and providing services, in order for them to be handed over to other entities for use pursuant to a rental agreement and where there is an expectation that they will be used for longer than one reporting period.

Costs borne at a later time are included in the carrying amount of an asset or are indicated as a separate asset only if it is probable that the Group will achieve future economic benefit connected with such asset and the purchase price for a given item may be measured reliably. Expenses for repair and maintenance are recognized in the statement of profit and loss in the period in which they were borne. The cost of production is augmented by fees and for defined assets by the costs of external finance capitalized in accordance with the principles defined in the Group's accounting policy.

Property, plant and equipment are measured at cost of purchase or manufacture less accumulated depreciation and accumulated impairment.

Depreciation concerning such property, plant and equipment commences at the moment they are commissioned. Each new fixed asset must, in as far as possible, be broken down into separate components and depreciated as a separate asset.

Property, plant and equipment under construction intended for production, lease or administrative purposes, as well as for undefined purposes, are presented in the balance sheet at cost of manufacture less impairment.

Profit or loss arising from disposal / liquidation or suspension of the use of fixed assets is defined as the difference between revenues from disposal and the net value of such fixed assets and are included in the statement of profit and loss.

Land – the right of perpetual usufruct of plots of land is presented at purchase price.

The Group does not amortize rights to perpetual usufruct of land. Depreciation rates were established with consideration to the period of economic usefulness of fixed assets.

Property, plant and equipment items are depreciated using the straight-line method with the following rates:

- technical equipment and machinery: 20-60%
- other fixed assets: 20%

(ii) Property, plant and equipment used under leasing agreements

Leases are classified as finance leases if in principle the terms and conditions of the agreement transfer all potential ownership benefits and risk to the lessee. All other types of leases are treated as operating leases.

Assets used pursuant to a finance lease agreement are treated as the Group's assets and are measured at fair value as of the moment of their acquisition, although at a level not exceeding the value of their current minimum lease payments.

Lessor liabilities arising on this account are recognized in the balance sheet under finance lease liabilities.

Lease payments are divided into interest and principal. Finance costs are recognized in the statement of profit and loss.

(iii) Subsequent expenses

Costs aimed at exchange of separate components of an element of property, plant and equipment borne in a subsequent period are capitalized. Other costs are capitalized only if they can reliably be measured and increase future economic benefits connected with a fixed asset. Other expenses are systematically recognized in the statement of profit and loss.

e) Intangible assets

(i) Intangible assets

The Group recognizes intangible assets only when:

a) it is probable that the future economic benefits that are attributable to the assets will flow to the Group, and
b) the purchase price or cost of production of a given asset may be measured reliably.

An intangible asset is initially valued at purchase price or cost of production. Intangible assets are subject to amortization. Amortization rates were established with consideration to the period of economic usefulness of intangible assets.

Intangible assets are amortized using the straight-line method with the following rates:

- licenses: 20%-90%
- computer software: 50%

Development expenditures are recognized as costs at the moment they are borne.

Costs of development work borne before the commencement of production or application of new technological solutions are classified as intangible assets if the Group can prove the following:

- the possibility, from a technical point of view, to complete an intangible asset so that it is suitable for use or sale,
- the intent to complete an intangible asset and to use or sell it,
- the capacity to use or sell an intangible asset,
- the means in which an intangible asset will create potential economic benefits. Amongst others, the Group should prove the existence of a market for products arising due to the intangible asset or the asset itself or – if the asset is to be used by the entity – the usefulness of the intangible asset,
- the availability of appropriate technical, financial and other resources which are to serve completion of development work and the use or sale of the intangible asset,
- the possibility to establish outlays borne during development work which may be assigned to such intangible asset.

The costs of development work with a useful life assumed in advance are subject to amortization. Amortization write-offs commence as of the date when a given asset is ready for use, whereas they end at the moment when a given asset is allocated for sale or ceases to be included in the accounts.

The amortization period is equal to the period of economic usefulness of a resource held. The adopted amortization period and method for the costs of development work are verified at least as at the end of the financial year. The costs of development work are amortized during the anticipated period of achieving revenues from sale of a product, however not longer than three years.

The Group does not amortize the costs of development work with an undefined useful life. Intangible assets with undefined useful life are subject to an annual impairment test, in application of the guidelines of IAS 36 "Impairment of Assets."

External financing costs (e.g. interest on loans and borrowings and exchange differences on loans and borrowings denominated in foreign currencies) which may be directly assigned to the purchase or production of assets increase the purchase or production cost of such item. Net financing costs include interest payable on debt established based on the effective interest rate, interest receivables on funds invested by the Group, due dividends, gains and losses on foreign exchange differences and gains and losses on hedging instruments, which are recognized in the statement of profit and loss.

(ii) Impairment

At the end of each reporting period the Group reviews assets in order to confirm that there were no circumstances indicating the possibility of their impairment.

In the event of such circumstance existing, the recoverable amount of a given asset is estimated in order to establish a potential impairment loss.

In a situation where an asset does not generate cash flows which are to a large extent independent of cash flows generated by other assets, analysis is carried out for the group of assets generating cash flows to which a given asset belongs.

In the case of intangible assets with a defined useful life, the impairment test is carried out both annually and in the event of circumstances indicating the possibility of impairment. The recoverable amount is established as the higher of two values: fair value less costs to sell, or its value in use. This final amount corresponds to the current value of estimated future discounted cash flows using a discount rate taking into consideration the present value of money and asset-specific risk.

If the recoverable amount is lower than the net book value of an asset (or group of assets), the book value is decreased to the recoverable amount.

Impairment loss is recognized as a cost in the period it occurred, with the exception of a situation where an asset was recognized at restated value (in this case the impairment is treated as a decrease in the previous restatement).

At the moment where the impairment is subject to subsequent reversal, the net value of the asset (or group of assets) is increased to the new estimated recoverable amount, however not higher than the net value of such asset as it would have been established had impairment not been identified in previous years.

Reversal of impairment is recognized in revenues in as far as the asset was not subject to prior estimation – in this event reversal of impairment is recorded in the revaluation reserve.

f) Investments

Investments other than property, intangible and financial assets are recognized at purchase price, less impairment.
Investments recognized at historical cost expressed in a foreign currency as at the end of the reporting period are valued using the average exchange rate announced by the National Bank of Poland as at the end of the reporting period.

g) Financial instruments

Financial assets and liabilities are recognized in the balance sheet at the moment when the Group becomes a party to a binding agreement.

The Group classifies each agreement which results in simultaneous occurrence of a financial asset with one party and a financial liability or equity instrument with the other party as a financial instrument, on condition that unambiguous economic effects result from a contract executed between two or more parties.

All assets fulfilling the definition of a financial instrument at the acquisition date are classified as one of three categories:

- instruments held for trading (at fair value through profit or loss) – financial assets or liabilities which were acquired or arose in order to generate profit achieved due to short-time price fluctuations,

- financial instruments held to maturity – financial assets with fixed or determinable payments or fixed maturity dates, which the Group has the intent and capability to hold to maturity, carried at amortized cost with application of the effective interest rate method, with the exception of loans granted by associates and own debt claims, valued using the effective interest method,
- available-for-sale financial instruments – financial assets other than loans granted and own receivables, assets held to maturity or financial assets not held for trading. Carried at fair value,
- borrowings and receivables – non-derivative financial assets with fixed or determinable payments which are not quoted in an active market. At initial recognition, the Group values financial assets and liabilities at purchase cost (price), i.e. according to the fair value of the payment made in the case of assets, or the amount received in the case of liabilities.

The Group includes transaction costs in the initial value of all financial assets and liabilities.

Differences in restatement and revenues achieved or costs borne appropriate to classification of a financial asset are recognized in profit or loss or the revaluation reserve as available-for-sale financial assets, respectively.

Principles for measurement of financial instruments.

The Group measures financial assets at amortized costs, as at the end of the reporting period, with consideration of the effective interest rate of:

- assets held to maturity,
- borrowings granted and receivables, and
- other financial liabilities not classified as held for trading.

Measurement may also take place:

- at the amount requiring payment if the discount effect is not significant;
- at the amount requiring payment: receivables and liabilities with short maturity period;
- at fair value: financial assets and liabilities held for trading and available-for-sale financial assets.

Changes in the fair value of financial assets held for trading not being part of hedges are recognized as finance income or costs when they arise.

Interests in other entities are valued at purchase price less impairment.

h) Trade and other receivables

Current trade and other receivables are valued at repayment value in as far as the effect of charging interest is not significant. Otherwise receivables are initially recognized at fair value and subsequently valued at amortized cost in application of the effective interest rate. In accordance with the principle adopted by the Group, receivables with maturity of longer than 180 days are subject to discounting.

i) Financial liabilities

Financial liabilities held for trading, including in particular derivatives with negative fair value, which are not classified as hedging instruments are recognized at fair value, whereas gains and losses from their measurement are recognized directly through profit or loss.

Other financial liabilities are measured at amortized costs with application of the effective interest rate.

All financial liabilities are included in the accounts under the contract execution date.

The principles for measurement and presentation of financial instruments in the consolidated financial statements are as follows:

Asset or liability group	Measurement principles	Principles for recognition in the financial statements
Assets carried at fair value through profit or loss	At fair value (with the exception of assets for which fair value cannot be established)	Measurement difference recognized in profit or loss for the current reporting period in the finance income or finance costs item.
Liabilities held for trading	At fair value (with the exception of assets for which fair value cannot be established)	Measurement difference recognized in profit or loss for the current reporting period in the finance income or finance costs item.
Other financial liabilities	At amortized purchase cost in application of the internal rate of return	The measurement difference adjusts the value of the asset and is recognized in profit or loss for the current reporting period.
Borrowings granted and own receivables	At amortized purchase price in application of the internal rate of return, and in a situation where the payment deadline is not known then at purchase price (e.g. in the case of loans without an established repayment date)	The measurement difference adjusts the value of the asset and is recognized in profit or loss for the current reporting period.
Assets held to maturity	At amortized purchase cost in application of the internal rate of return	The measurement difference adjusts the value of the asset and is recognized in profit or loss for the current reporting period.
Available-for-sale financial assets	At fair value (with the exception of assets for which fair value cannot be established)	The difference between measurement and fair value is included in the revaluation reserve. In the case of debt instruments, interest is recognized directly in profit or loss.
Financial assets and liabilities held for trading and available-for-sale financial assets, the fair value of which cannot be established.	At purchase price less impairment.	An asset or liability item is recognized at purchase price until the moment such item is used (e.g. sold). Impairment is recognized in finance costs.

j) Inventory

The initial value (cost) of inventories includes all costs (acquisition, production, etc.) borne in connection with bringing inventories to their current location and condition.

The purchase price of inventories includes the purchase price increased by import duty and other taxes (not subject to subsequent refund from tax authorities), costs of transport, loading, unloading and other costs directly connected with the acquisition of inventories, decreased by discounts, rebates and other similar reductions.

Inventories are measured at initial value (purchase price or cost of production) or at net sale price depending on which is lower.

In relation to other inventories, costs are established using the first in, first out (FIFO) method.

Impairment losses on inventory

Impairment losses on current property, plant and equipment connected with their impairment or valuation as at the end of the reporting period correspond to their own cost of purchase (IAS 2).

The Group creates impairment losses equity to net recoverable values of inventory. The net recoverable value is the sale price established in normal operations less finishing costs and estimated costs necessary for sale to be effected.

Reversal of an impairment loss on inventory resulting from an increase in the net recoverable value is recognized as a decrease in inventory recognized as cost of sales which the impairment reversal concerns.

As at the end of the reporting period inventory is valued at acquisition or purchase price, while such price may not exceed the net sales price for a given inventory item.

Foreign-currency advance payments are recognized at the ask rate of the bank used by the Group.

The Group measures advance payments for inventory at nominal value and presents these in the financial statements at the historic rate less impairment. The Group inventories prepayments through the provision by contracting parties of confirmation that prepayments included in auxiliary ledgers to general ledger "supplier accounts", and provides explanations and settlement of potential variance.

k) Cash and cash equivalents

Cash and cash equivalents include cash on hand and demand deposits. Current investments which are not subject to significant change in value, which may be easily exchanged for a defined amount of cash and which constitute a part of the Group’s liquidity management policy are recognized as cash and cash equivalents for the purposes of the statement of cash flows.

l) Share capital

Share capital is recognized at the nominal value of issued and paid up shares.

(i) Buy-back

In a purchase of own shares, the payment amount, together with direct transaction costs, is recognized as a change in equity. Purchased shares are recorded as a decrease in equity.

(ii) Dividends

Dividends are recognized as a liability in the period in which they are authorized.

m) Provisions

Provisions are liabilities of uncertain time and amount. Group companies create provisions when all of the following conditions are met simultaneously:

– the companies are burdened with an existing obligation (legal or constructive) resulting from future events,

– it is probable that fulfillment of an obligation will result in necessary outflow of resources (payment),

– the amount of such obligation can be reliably estimated.

The Group creates the following provisions for liabilities:

- deferred income tax provision created in connection with the occurrence of positive differences between the book value of assets and liabilities and their tax value,
- provisions for employee benefits – provisions for pension gratuities are calculated based on own estimates, however with regard to the low average age of employees and the insignificant value of the provision resulting from this, there is currently no provision created,
- other provisions.

Release of unused provisions occurs as at the date on which they are acknowledged as unnecessary.

n) Trade and other payables

Trade and other payables are divided into current and non-current payables through application of the following criteria:

- maturing in under 12 months from the end of the reporting period – classified as current payables,
- payables not classified as trade payables and which do not fulfill the criteria for classification as current constitute non-current payables.

Trade payables with maturity of up to 180 days are valued as at the end of the reporting period at repayment value increased by potential interest for delay due as at the valuation date.

Trade payables within maturity of over 180 days are valued as at the end of the reporting period at amortized cost (i.e. discounted in application of the effective interest rate).

All trade and account balances should be reconciled, and potential adjustments should be included in the accounts, including in the consolidated financial statements of the entity. In the event of disagreements in agreeing a balance between the entity and the contracting party, the seller's position prevails and, after closing the year, potential adjustments are entered in the accounts for the current year.

Payables denominated in foreign currencies are valued at the current average exchange rate for a given currency on a given date established by the National Bank of Poland.

Interest for late payment of payables is not charged if the authorized entity submits a written declaration on opt-out of such interest. In other instances interest is calculated and recorded as per the principles below:

- systematically, pursuant to interest notes received,
- at estimated value, where estimation is based on historical data reflecting the amount of interest charged by specific contracting parties in relation to the level of debt.

In each instance other significant risks meaning that such interest may be charged should be taken into consideration when calculating interest.

The notes to the financial statements should include this fact, the occurrence of due payables and the associated risk that interest will be charged by a creditor.

o) Revenue

Revenue from sale of products and services includes sale of products manufactured by the Group to which it has exclusive license rights for their production or it purchased a license for release and distribution, together with services provided by the Group to other entities.

Revenue from sale of goods for resale and materials includes sale of products which were purchased and are held for further sale in a non-processed form, together with sale of materials for manufacture.

Revenue from sale of products and goods for resale is recognized if the following conditions are met:

- the Group has transferred significant risk and benefits resulting from the right of ownership of goods for resale and products to the purchaser,
- the Group ceases to be permanently involved in managing the sale of goods for resale or products to the extent that such function is usually exercised in relation to goods for resale and products to which there is right of ownership, and it does not exercise effective control over them,
- the revenue amounts may be measured reliably,
- it is probable that the Group will achieve economic benefits from the transaction,
- costs borne and those which will be borne by the Group in connection with the transaction may be valued in a reliable manner.

Revenue is recognized if achievement by the Group of economic benefits connected with the executed transaction is probable.

If there is uncertainty regarding the collectability of an amount due which is already counted as revenue, then the uncollectible amount in relation to which achievement ceased to be probable is recognized as costs and not as a correction of the initially recognized revenue amount.

Revenue from sale is recognized at the fair value of payments received or due and represents receivables for products, goods for resale and services supplied under normal business activity after decrease by discounts, VAT and other sales-related taxes.

Revenue from interest is recognized cumulatively in relation to the principal amount, in accordance with the effective interest rate method on lease.

p) Costs

The Group draws up a consolidated statement of profit and loss in multiple-step format. Costs are classified in accordance with their function.

(i) Finance lease payments

Lease payments are divided into a part constituting the cost of finance and a part decreasing the liability. The part constituting the cost of finance is allocated to specific periods during the term of the lease applying the effective interest rate method.

(ii) Net financing costs

Net financing costs include interest payable on debt, established on the basis of the effective interest rate, interest due on funds invested by the Group, dividends due, foreign exchange gains and losses and profit and loss concerning collateralized instruments which are recognized in the statement of profit and loss.

Interest income is recognized in the statement of profit and loss on an accrual basis applying the effective interest rate. Income from dividends is recognized in the statement of profit and loss at the moment when the Group acquires the right to receipt thereof. The part constituting the cost of finance arising in connection with finance lease fees is indicated in the statement of profit and loss applying the effective interest rate method.

q) Tax

Obligatory encumbrances on the result include current tax and deferred tax.

The current tax obligation is calculated on the basis of the tax result (basis for taxation) for a given financial year. Tax for the current and previous periods is recognized as a liability in the amount which had not been paid.

Tax profit (loss) differs from net book profit (loss) in connection with the exclusion of revenues subject to taxation and tax-deductible expenses in subsequent years and items of cost and revenue which will never be subject to taxation.

Deferred tax is calculated using the balance sheet method as tax subject to payment or refund in the future on the difference between the carrying amounts of assets and liabilities and the corresponding tax values used to calculate the basis for taxation.

Deferred income tax assets and provisions for deferred income tax are valued with application of tax rates which will be applied, according to predictions, if an asset is realized or a provision liquidated, adopting the basis as the tax rates (and tax regulations) legally in force or actually binding as at the end of the reporting period.

A deferred tax asset is subject to analysis as at the end of the reporting period, and in the event of it being expected that future tax profits will be insufficient to realize an asset or part thereof, it is written off. Deferred income tax assets and provisions for deferred income tax are not discounted.

Deferred tax is recognized in the statement of profit and loss, aside from a situation where it concerns items directly recognized in equity. In this last instance deferred tax is also settled directly in equity. The Group offsets deferred income tax assets with provisions for deferred income tax exclusively when it has an enforceable legal title to offset deferred income tax assets with provisions for deferred income tax.

r) Transactions expressed in foreign currencies

Transactions executed in foreign currencies are translated into the functional currency in application of exchange rates in force on the date of executing such transactions, in the following manner:

- in the case of selling foreign currencies and receivable repayment transactions – using the bid rate applied by the bank used by the Group;
- in the case of purchasing foreign currencies and liability repayment transactions – using the ask rate applied by the bank used by the Group;
- in the case of other transactions – according to the average exchange rate announced for a given currency by the National Bank of Poland in as far as customs documents do not give another exchange rate.

Cash items recognized at historical cost expressed in a foreign currency are recorded at the end of the reporting period using the average exchange rate announced by the National Bank of Poland as at the end of the reporting period. Non-monetary balance sheet items recorded at historical cost expressed in a foreign currency are recorded in application of the exchange rate as at the date the transaction is executed. Non-monetary balance sheet items recorded at fair value in a foreign currency are recorded in application of the exchange rate in force during establishment of fair value.

Foreign exchange gains and losses resulting from settlement of transactions in foreign currencies and from translation of cash assets and liabilities according to average National Bank of Poland exchange rates as at the end of the year are indicated in the statement of profit and loss, with the exception of settlement in equity fulfilling the criteria for recognition of cash flow hedges.

s) Segment reporting

A business segment is a separate part of the Group which deals with the supply of defined products or services (business segment) or supply of products or services in a defined economic environment (geographical segment), which is subject to risks and derives benefits differently to other segments.

CI Games Group presents revenue from sales broken down into the following segments:

– business – covering sales divided into products, goods for resale and services,
– geographical – covering sales divided into the following areas: Europe, America and Asia and Australia.

Revenue from sale of products covers sale of products manufactured by the Group to which it has exclusive licensing rights for their production or it purchased a license for release and distribution.

Revenue from sale of services covers revenues for services provided by the Group to other entities.

Revenue from sale of goods for resale covers sale of products were purchased and are held for further sale in a non-processed form, together with sale of materials for manufacture.

Operating costs are divided as follows:

– direct costs, which may be assigned to a given product or service, or the value of goods for resale or materials sold at purchase price,
– indirect costs, i.e. costs which cannot be directly assigned to a defined product, e.g. administrative, sales and other operating costs.

Segmentation – assignment to specific business segments – concerns direct costs and such part of indirect costs as can be assigned to a given segment. The Group has one business segment.

t) Operations being discontinued and non-current assets held for sale

Immediately before reclassification to assets held for sale, valuation of assets (or all assets and liabilities constituting an asset group held for sale) is updated in accordance with the appropriate IFRS. Subsequently, as at the day of initial recognition as held for sale, fixed assets or the group held for disposal are recognized according to the lower value: carrying amount or fair value less cost to sell.

Impairment identified at initial classification as held for sale is recognized in the statement of profit and loss even in the event of value restatement. This also concerns profit and loss resulting from subsequent change in value.

Discontinued operation is a part of the Group's activity which constitutes a separate main business line or geographic segment or is a subsidiary acquired exclusively for further sale.

Classification as discontinued operation takes place as a result of disposal or at the moment when the operation fulfills the criteria for classification to the asset group held for sale.

4. **Changes in accounting principles**

In the event that the Group's accounting principles are altered, the solutions included in IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" are applied.

The CI Games Group consolidated financial statements for the period from January 1 to December 31, 2013 retain comparability to data from the financial statements for the period from January 1 to December 31, 2012, which were drawn up in accordance with IAS/IFRS.

New standards, interpretations and changes to the standards in force.

During the reporting period the following new or altered standards and interpretations were issued by the International Accounting Standards Board or the IFRS Interpretations Committee, but not yet entered into force:

- IFRS 13 Fair Value Measurement, endorsed by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013)
- Amendments to IFRS 1 First-time Adoption of IFRS – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters, endorsed by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013)
- Amendments to IFRS 1 First-time Adoption of IFRS – Government Loans, endorsed by the EU on 4 March 2013 (effective for annual periods beginning on or after 1 January 2013)
- Amendments to IFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities, endorsed by the EU on 13 December 2012 (effective for annual periods beginning on or after 1 January 2013)
- Amendments to IAS 1 Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income, endorsed by the EU on 5 June 2012 (effective for annual periods beginning on or after 1 July 2012)
- Amendments to IAS 12 Income Taxes - Deferred Tax: Recovery of Underlying Assets, endorsed by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013)
- Amendments to IAS 19 Employee Benefits – Improvements to Accounting for Pensions and Other Post-employment Benefits, endorsed by the EU on 5 June 2012 (effective for annual periods beginning on or after 1 January 2013)
- Amendments to various standards: Annual Improvements to International Financial Reporting Standards, 2009–2011 Cycle - changes under the annual improvements procedure for IFRS (IFRS 1, IAS 1, IAS 16, IAS 32 and IAS 34) aimed mainly at clarifying irregularities and standardization of terminology, endorsed by the EU on 27 March 2013 (effective for annual periods beginning on or after 1 January 2013)
- IFRIC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine, endorsed by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013)
- Application of the above amendments to standards did not have a significant effect on the Parent's existing accounting principles.

Standards and interpretations that have already been published and endorsed by the EU, but not yet entered into force:

- IFRS 10 Consolidated Financial Statements, endorsed by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014)
- IFRS 11 Joint Arrangements, endorsed by the EU on 11 December 2012 (applicable to annual periods beginning on or after 1 January 2014)

- IFRS 12 Disclosure of Interests in Other Entities, endorsed by the EU on 11 December 2012 (applicable to annual periods beginning on or after 1 January 2014)
- IAS 27 (as amended in 2011) Separate Financial Statements, endorsed by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014)
- IAS 28 (as amended in 2011) Investments in Associates and Joint Ventures, endorsed by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014)
- Amendments to IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities - explanations regarding transition regulations, endorsed by the EU on 4 April 2013 (effective for annual periods beginning on or after 1 January 2014)
- Amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements - Investment Entities, endorsed by the EU on 20 November 2013 (effective for annual periods beginning on or after 1 January 2014)
- Amendments to IAS 32 Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities, endorsed by the EU on 13 December 2012 (effective for annual periods beginning on or after 1 January 2014)
- Amendments to IAS 36 Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets, endorsed by the EU on 19 December 2013 (effective for annual periods beginning on or after 1 January 2014)
- Amendments to IAS 39 Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting, endorsed by the EU on 19 December 2013 (effective for annual periods beginning on or after 1 January 2014)
- "The Parent did not decide to adopt early any of the standards, interpretations or amendments that have been published, but not yet entered into force."

Standards and interpretations approved by the IASB, but not yet endorsed by the EU

- In the form endorsed by the EU, IFRS do not differ significantly from the regulations adopted by the International Accounting Standards Board (IASB), with the exception of the standards, amendments and interpretations below which, as at March 21, 2013, had not yet been endorsed (the following effective dates concern standards in full form)
- IFRS 9 Financial Instruments and subsequent amendments (effective date not yet provided)
- IFRS 14 Regulatory Deferral Accounts (effective for annual periods beginning on or after 1 January 2016)
- Amendments to IAS 19 Employee Benefits - Defined Benefit Plans: Employee Contributions (effective for annual periods beginning on or after 1 July 2014)
- Amendments to various standards: Annual Improvements to International Financial Reporting Standards, 2010–2012 Cycle - changes under the annual improvements procedure for IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) aimed mainly at clarifying irregularities and standardization of terminology (effective for annual periods beginning on or after 1 July 2014)
- Amendments to various standards: Annual Improvements to International Financial Reporting Standards, 2011–2013 Cycle - changes under the annual improvements procedure for IFRS (IFRS 1, IFRS 3, IFRS 13 and IAS 40) aimed mainly at clarifying

irregularities and standardization of terminology (effective for annual periods beginning on or after 1 July 2014)

- IFRIC 21 Levies (effective for annual periods beginning on or after 1 January 2014)

According to estimates, the above standards, interpretations and amendments to standards would not have had any significant impact on the financial statements, if they were applied by the Parent as at the end of the reporting period.

At the same time, hedge accounting for a portfolio of financial assets and liabilities still remains outside EU-endorsed regulations, the principles for which have not been endorsed for use within the EU.

According to the Parent's estimates, the application of hedge accounting for a portfolio of financial assets or liabilities in accordance with IAS 39 "Financial Instruments: Recognition and Measurement" would not have a significant impact on the financial statements had it been adopted for use as at the end of the reporting period.

II. Selected financial data

Balance sheet data was converted according to the average exchange rate published by the National Bank of Poland as at the date of drawing up the financial statements, which as at the end of the reporting period amounted to:

as at December 31, 2012 – 4.0882
as at December 31, 2013 – 4.1472

Data in the profit and loss statement and statement of cash flows was converted into EUR according to the exchange rate established as an average of the exchange rates published by the National Bank of Poland as at the last day of each month of the year:

for 2012 EURPLN - 4.1736
for 2013 EURPLN - 4.2110

STATEMENT OF PROFIT AND LOSS	2013		2012	
	PLN thousands	EUR thousands	PLN thousands	EUR thousands
Net revenue from sales	**107 290**	**25 479**	**41 205**	**9 873**
Profit (loss) from operating activities	15 757	3 742	-21 431	-5 135
Gross profit (loss)	14 038	3 334	-23 372	-5 600
Net profit (loss)	**29 713**	**7 056**	**-19 794**	**-4 743**
Number of shares (in thousands)	13 914	13 914	12 650	12 650
Profit (loss) per ordinary share	2.14	0.51	-1.56	-0.37

STATEMENT OF CASH FLOWS	2013		2012	
	PLN thousands	EUR thousands	PLN thousands	EUR thousands
Net cash flows from operating activities	30 459	7 233	9 073	2 174
Net cash flows from investing activities	-31 025	-7 368	-28 963	-6 940
Net cash flows from financing activities	-4 699	-1 116	19 669	4 713
Net cash flows	**-5 266**	**-1 251**	**-221**	**-53**

BALANCE SHEET	December 31, 2013		December 31, 2012	
	PLN thousands	EUR thousands	PLN thousands	EUR thousands
Non-current assets	68 237	16 454	44 883	10 979
Current assets	29 760	7 176	27 574	6 745
Total assets	**97 997**	**23 630**	**72 457**	**17 723**
Equity	80 547	19 422	39 657	9 700
Share capital	1 391	336	1 265	309
Liabilities	**17 450**	**4 208**	**32 799**	**8 023**
Non-current liabilities	1 122	271	114	28
Current liabilities	16 328	3 937	32 685	7 995
Total equity and liabilities	**97 997**	**23 630**	**72 457**	**17 723**

III. CI Games Group consolidated financial data for the period from January 1 to December 31, 2013

CONSOLIDATED BALANCE SHEET

as at December 31, 2013

PLN thousands

ASSETS	Note	As at Dec 31, 2013	As at Dec 31, 2012

A.	**NON-CURRENT ASSETS**		**68 237**	**44 883**
	Property, plant and equipment	1	1 967	1 425
	Intangible assets	2	43 784	38 108
	Goodwill		0	9
	Interests in subsidiaries, associates and jointly controlled entities	3	5	18
	Deferred income tax assets	4	22 479	5 291
	Other non-current assets		0	33
B.	**CURRENT ASSETS**		**29 760**	**27 574**
	Inventory	5	3 336	2 357
	Current investments	6	27	43
	Advance payments	7	473	100
	Trade receivables	7	9 527	6 108
	Income tax receivables	8	3 125	-
	Cash and cash equivalents	9	11 208	16 474
	Other current assets	10	2 064	2 492
	TOTAL ASSETS		**97 997**	**72 457**

CONSOLIDATED BALANCE SHEET

as at December 31, 2013 continued

PLN thousands

	EQUITY AND LIABILITIES	Note	As at Dec 31, 2013	As at Dec 31, 2012
A.	**EQUITY**		**80 547**	**39 657**
	Share capital	11	1 391	1 265
	Share premium	12	15 530	4 556
	Exchange differences on net investments in foreign operations		22	-54
	Buy-back provision	13	16 000	16 000
	Retained earnings		47 604	17 891
	including current-period earnings		29 713	-19 794
	Equity attributable to owners of the Parent		**80 547**	**39 657**
	Equity attributable to non-controlling interests		**-**	**-**
B.	**LIABILITIES**		**17 450**	**32 799**
	Non-current liabilities		**1 122**	**114**
	Employee benefit provisions	18	33	32
	Finance lease liabilities	15,16	13	39
	Deferred income tax provision	4	1 075	44
	Current liabilities		**16 328**	**32 685**
	Borrowings including credits, loans and other debt instruments	15,17	5 720	20 602
	Tax payables	8	492	-
	Trade payables	19,20	8 290	8 030
	Finance lease liabilities	15,16	25	51
	Financial liabilities	15	-	-
	Other liabilities	21	302	286
	Other current provisions	22	1 499	988
	Deferred revenue	22a	-	2 728
	TOTAL EQUITY AND LIABILITIES		**97 997**	**72 457**

Book value (in PLN thousands)	80 547	39 657
Number of shares (in thousands)	13 914	12 650
Book value per share (in PLN)	5.79	3.13

CONSOLIDATED STATEMENT OF PROFIT AND LOSS
for the period from January 1 to December 31, 2013

(multiple-step format)

PLN thousands

	Note	for the period Jan 1 - Dec 31, 2013	for the period Jan 1 - Dec 31, 2012
Continuing operations			
Net revenue from sales	23	**107 290**	**41 205**
Revenue from sale of products and services		66 188	40 151
Revenue from sale of goods for resale and materials		41 102	1 055
Cost of products, goods for resale and services sold		**57 590**	**30 227**
Cost of manufacture of products sold	24	56 984	29 585
Value of goods for resale and materials sold		606	641
Gross profit (loss) on sales (A - B)		**49 700**	**10 979**
Other operating revenue	26	1 175	329
Distribution costs	24	18 269	9 691
Administrative expenses	24	6 612	5 973
Other operating expenses	27	10 236	17 074
Profit (loss) on operating activities		**15 757**	**-21 431**
Finance income	28	107	442
Finance costs	28	1 827	2 383
Profit (loss) before tax		**14 038**	**-23 372**
Income tax	29	-15 675	-3 577
Profit (loss) on continuing operations		**29 713**	**-19 794**
Discontinued operations		**-**	**-**
Loss on discontinued operations		-	**-**
NET PROFIT (LOSS)		**29 713**	**-19 794**

Net profit (loss) (in PLN thousands)	29 713	-19 794
Number of shares (in thousands)	13 914	12 650
Profit (loss) per ordinary share (in PLN)	2.14	-1.56

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the period from January 1 to December 31, 2013 PLN thousands

	for the period Jan 1 - Dec 31, 2013	for the period Jan 1 - Dec 31, 2012
Net profit (loss) for the year	**29 713**	**-19 794**
Other comprehensive income	76	2 054
Effect of translation of foreign operations	76	-44
Effect of hedging instrument measurements	-	2 098
Total comprehensive income for the year	**29 789**	**-17 740**
Total comprehensive income attributable to:		
% share attributable to the parent	*100%*	*100%*
owners of the parent	29 789	-17 740
non-controlling interests	-	-
Total	**29 789**	**-17 740**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the period from January 1 to December 31, 2013

PLN thousands

For the period Jan 1 - Dec 31, 2013	Share capital	Share premium	Buy-back provision	Translation of foreign operations	Revaluation reserve	Retained earnings	Total equity
Balance as at January 1, 2013	**1 265**	**4 556**	**16 000**	**-54**	**-**	**17 891**	**39 657**
Changes in accounting principles	-	-	-	-	-	-	**-**
Balance as at January 1, 2013, after restatement	**1 265**	**4 556**	**16 000**	**-54**	**-**	**17 891**	**39 657**
Changes in equity in 2013							
Profit (loss) for the period	-	-	-	-	-	29 713	**29 713**
Share issue	126	11 259	-	-	-	-	**11 385**
Share issue costs	-	-285	-	-	-	-	**-285**
Translation of foreign operations	-	-	-	76	-	-	**76**
Balance as at December 31, 2013	**1 391**	**15 530**	**16 000**	**22**	**-**	**47 604**	**80 547**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the period from January 1 to December 31, 2012

PLN thousands

For the period Jan 1 - Dec 31, 2012	Share capital	Share premium	Buy-back provision	Translation of foreign operations	Revaluation reserve	Retained earnings	Total equity
Balance as at January 1, 2012	**1 265**	**4 556**	**16 000**	**-10**	**-2 098**	**38 061**	**57 772**
Changes in accounting principles	-	-	-	-	-	-	**-**
Correction of prior-period profit	-	-	-	-	-	-374	**-374**
Balance as at January 1, 2012, after restatement	**1 265**	**4 556**	**16 000**	**-10**	**-2 098**	**37 686**	**57 398**
Changes in equity in 2012							
Profit (loss) for the period	-	-	-	-	-	-19 794	**-19 794**
Translation of foreign operations	-	-	-	-44	-	-	**-44**
Measurement of hedging instruments	-	-	-	-	2 098	-	**2 098**
Balance as at December 31, 2012	**1 265**	**4 556**	**16 000**	**-54**	**-**	**17 891**	**39 657**

CONSOLIDATED STATEMENT OF CASH FLOWS

for the period from January 1 to December 31, 2013 (indirect method)

PLN thousands

	for the period Jan 1 - Dec 31, 2013	for the period Jan 1 - Dec 31, 2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Gross profit (loss)	**14 038**	**-23 372**
Total adjustments	**16 421**	**32 444**
Depreciation	16 750	2 534
Impairment losses	8 000	14 003
Gain (loss) on exchange differences	18	277
Interest	665	749
Commission on bonds	43	-
Gain (loss) on sale of fixed assets	-5	599
Change in receivables	-3 419	9 726
Change in inventory and advance payments	-1 351	2 127
Change in trade and other payables	1 279	-600
Change in employee benefit provisions and liabilities	2	17
Change in other current assets	460	648
Exclusion of financial asset measurements	-	-363
Income taxes paid	-3 354	-
Deferred revenue	-2 728	2 728
Other adjustments	64	-
Net cash flows from operating activities	**30 459**	**9 073**

CONSOLIDATED STATEMENT OF CASH FLOWS

for the period from January 1 to December 31, 2013 continued

(indirect method)

PLN thousands

	for the period Jan 1 - Dec 31, 2013	for the period Jan 1 - Dec 31, 2012
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of property, plant and equipment and intangible assets	5	-
Proceeds from sale of financial assets	-	20
Repayment of borrowings	43	300
Interest received	131	22
Other proceeds (sale of a company)	-	-70
Cash outflows on acquisition of property, plant and equipment and intangible assets	-1 598	-1 774
Cash outflows on R&D	-29 607	-27 461
Net cash from investing activities	**-31 025**	**-28 963**
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from issue of shares and other equity instruments	11 100	-
Other financial proceeds (factoring)	13 417	-
Issuance of debt securities	5 720	20 113
Commission on bonds	-43	-395
Borrowings granted	-27	-
Buy-back of debt securities	-20 602	-
Payment of finance lease liabilities	-51	-42
Interest	-796	-7
Other financial proceeds (factoring)	-13 417	-
Net cash flows from financing activities	**-4 699**	**19 669**
TOTAL NET CASH FLOWS	**-5 266**	**-221**
Exchange differences on cash and cash equivalents	**-**	**-6**
BALANCE SHEET CHANGES IN CASH AND CASH EQUIVALENTS, of which:	**-5 266**	**-227**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD	**16 474**	**16 700**
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	**11 208**	**16 474**

IV. Notes to the consolidated financial statements of CI Games Group for the period from January 1 to December 31, 2013

Note 1
Changes in property, plant and equipment by type

in PLN

	Buildings, premises, civil and marine engineering structures	Technical equipment and machinery	Means of transport	Other property, plant and equipment	Property, plant and equipment under construction	Total
Gross value as at Jan 1, 2013	**-**	**2 671 954**	**892 184**	**175 357**	**-**	**3 739 495**
Increases:	975 014	231 813	341 940	69 631	-	1 618 398
- acquisition	975 014	231 813	341 940	69 631	-	1 618 398
Decreases:	-	154 625	61 886	88 666	-	305 177
- sale	-	22 879	-	8 770	-	31 649
- liquidation	-	115 184	-	78 282	-	193 466
- transfer	-	16 562	61 886	1 614	-	80 062
Gross value as at Dec 31, 2013	**975 014**	**2 749 143**	**1 172 238**	**156 322**	**-**	**5 052 717**
Amortization as at Jan 1, 2013	**-**	**1 848 528**	**333 522**	**132 022**	**-**	**2 314 071**
Increases:	99 053	703 350	214 738	17 176	-	1 034 317
- revaluation	-		-	-	-	-
- amortization	99 053	703 350	214 738	17 176	-	1 034 317
Decreases:	-	130 343	61 885	70 871	-	263 099
- sale	-	17 695	-	7 893	-	25 588
- liquidation	-	99 790	-	61 364	-	161 154
- transfer	-	12 858	61 885	1 614	-	76 357
Amortization as at Dec 31, 2013	**99 053**	**2 421 535**	**486 375**	**78 327**	**-**	**3 085 289**
Net value						
As at January 1, 2013	-	**823 426**	**558 662**	**43 335**	**-**	**1 425 425**
As at December 31, 2013	**875 961**	**327 609**	**685 863**	**77 995**	**-**	**1 967 427**

Note 1

Changes in property, plant and equipment by type continued

in PLN

	Buildings, premises, civil and marine engineering structures	Technical equipment and machinery	Means of transport	Other property, plant and equipment	Property, plant and equipment under construction	Total
Gross value as at Jan 1, 2012	**-**	**1 774 577**	**839 155**	**150 894**	**36 038**	**2 800 665**
Increases:	-	1 009 316	76 829	29 341	11 260	1 126 746
- acquisition	-	1 009 316	-	29 341	11 260	1 049 917
- leases	-	-	76 829	-	-	76 829
Decreases:	-	111 939	23 800	4 878	47 298	187 915
- sale	-	103 478	23 800	-	-	127 278
- liquidation	-	8 462	-	4 878	47 298	60 638
Gross value as at Dec 31, 2012	**-**	**2 671 954**	**892 184**	**175 357**	**-**	**3 739 495**
Amortization as at Jan 1, 2012	-	**1 120 994**	**183 112**	**111 345**	**-**	**1 415 451**
Increases:	-	770 071	163 103	21 408	-	954 583
- amortization	-	723 454	163 103	21 408	-	907 966
- other	-	46 617	-	-	-	46 617
Decreases:	-	42 537	12 693	732	-	55 962
- sale	-	34 846	12 693	-	-	47 539
- liquidation	-	7 692	-	732		8 423
Amortization as at Dec 31, 2012	-	**1 848 528**	**333 522**	**132 022**	**-**	**2 314 071**
Net value						
As at January 1, 2012	-	**653 583**	**656 043**	**39 549**	**36 038**	**1 385 214**
As at December 31, 2012	-	**823 426**	**558 662**	**43 335**	**-**	**1 425 425**

Note 2
Changes in intangible assets by type in PLN

All of the Group's intangible assets have a defined period of use and are subject to amortization.
As at the end of the reporting period, the recoverable value of used intangible assets is higher than their non-depreciated value.
In the Management's assessment, development work recognized as intangible assets will be completed and bring the anticipated economic effects.

	Game development*	Author's copyrights, related rights, licenses	Rights to press titles	Other intangible assets	Advances on intangible assets	Total
Gross value as at January 1, 2013	**60 276 418**	**6 963 931**	**51 000**	**1 732 698**	-	**69 024 048**
Increases:	29 727 796	-	-	141 058	-	29 868 854
- acquisition	15 333 838	-	-	141 058	-	15 474 896
- own production	14 393 958	-	-	-	-	14 393 958
Decreases:	7 836 472	6 126 703	-	-	-	13 963 175
- capitalized margin	-163 528	-	-	-	-	-163 528
- liquidation	-	6 126 703	-	-	-	6 126 703
- impairment losses	8 000 000	-	-	-	-	8 000 000
Gross value as at December 31, 2013	**82 167 742**	**837 228**	**51 000**	**1 873 756**	-	**84 929 727**
Amortization as at January 1, 2013	**23 110 104**	**6 787 215**	**51 000**	**967 975**	**-**	**30 916 294**
Increases:	16 009 792	120 858	-	225 165	-	16 355 816
- amortization	16 009 792	120 858		225 165	-	16 355 816
Decreases:	-	6 126 703	-	-	-	6 126 703
- liquidation	-	6 126 703	-		-	6 126 703
Amortization as at December 31, 2013	**39 119 896**	**781 370**	**51 000**	**1 193 140**	**-**	**41 145 407**
Net value					**-**	
As at January 1, 2013	**37 166 314**	**176 716**	**-**	**764 723**	**-**	**38 107 754**
As at December 31, 2013	**43 047 846**	**55 857**	**-**	**680 616**	**-**	**43 784 319**

The amount incurred on development during the current period was PLN 29.7 million. Development work worth PLN 29.7 million was completed during the year (Sniper Ghost Warrior 2, Alien Rage). The net value of unfinished development work as at December 31, 2013 was PLN 37.1 million, with completed development work valued at PLN 5.9 million.

Note 2
Changes in intangible assets by type continued in PLN

	Game development	Author's copyrights, related rights, licenses	Rights to press titles	Other intangible assets	Advances on intangible assets	Total
Gross value as at January 1, 2012	**45 266 508**	**6 892 719**	**51 000**	**1 291 607**	**274 658**	**53 776 492**
Increases:	30 012 133	240 440	-	512 945	31 272	30 796 790
- acquisition	17 367 441	175 849	-	512 945	31 272	18 087 508
- own production	12 644 692	-	-	-	-	12 644 692
- transfer	-	64 590	-	-	-	64 590
Decreases:	15 002 222	169 228	-	71 853	305 931	15 549 234
- capitalized margin	1 175 761	-	-	-	-	1 175 761
- sale	-	169 228	-	71 853	-	241 081
- liquidation	-	-	-	-	241 340	241 340
- transfer	-	-	-	-	64 590	64 590
- impairment losses	13 826 462	-	-	-	-	13 826 462
Gross value as at December 31, 2012	**60 276 418**	**6 963 931**	**51 000**	**1 732 698**	**-**	**69 024 048**
Amortization as at January 1, 2012	**21 478 431**	**6 448 382**	**47 600**	**740 414**	-	**28 714 827**
Increases:	1 631 673	390 013	3 400	249 314	-	2 274 401
- amortization	1 631 673	390 013	3 400	249 314	-	2 274 401
Decreases:	-	51 180	-	21 753	-	72 933
- sale	-	51 180	-	21 753	-	72 933
Amortization as at December 31, 2012	**23 110 104**	**6 787 215**	**51 000**	**967 975**	-	**30 916 294**
Net value						
As at January 1, 2012	**23 788 077**	**444 337**	**3 400**	**551 193**	**274 658**	**25 061 665**
As at December 31, 2012	**37 166 314**	**176 716**	**-**	**764 723**	**-**	**38 107 754**

Note 3
Interests in subsidiaries, associates and jointly controlled entities in PLN

	as at December 31, 2013	as at December 31, 2012
City Interactive Peru (PEN 5 940)	2 489 175	2 489 175
City Interactive Spain (EUR 3 600)	-	12 092
City Interactive Brazil (BRL 90 000)	105 751	105 751
City Interactive Mexico (MXN 47 500)	10 621	10 621
City Interactive Canada (CAD 10)	33	33
Business Area Sp. k.	5 434	5 434
Non-current financial assets	**2 611 013**	**2 623 105**
Revaluation	**2 605 546**	**2 605 546**
including: City Interactive Peru	2 489 175	2 489 175
City Interactive Brazil	105 751	105 751
City Interactive Mexico	10 621	10 621
Net non-current financial assets:	**5 467**	**17 559**

Note 4
Deferred income tax assets and liabilities in PLN

Deferred income provision	as at December 31, 2013	as at December 31, 2012
Deferred income tax provision at the beginning of period	**43 722**	**298 397**
through profit or loss	43 722	298 397
increases through profit or loss	1 075 475	43 722
Interest on borrowings	2 774	22 188
Interest on deposits	-	3 814
Positive exchange differences	20 265	17 325
Difference between the balance sheet value and tax value of non-current tax assets	1 052 436	395
Decreases through profit or loss	43 722	298 397
Deferred income tax provision as at the end of period	**1 075 475**	**43 722**

The substantial increase in deferred income tax assets results from the recognition of an asset concerning a temporary difference between the book value and tax value of trademarks belonging to subsidiaries of CI Games S.A. for which CI Games S.A. is the tax payer.

Note 5
Inventory

in PLN

	as at December 31, 2013	as at December 31, 2012
Materials	137 626	1 119 642
Finished products	3 247 234	1 691 605
Goods for resale	30 679	160 540
Total gross inventory	**3 415 539**	**2 971 786**
Impairment	-80 000	-614 377
Total net inventory	**3 335 539**	**2 357 409**

In the Management's assessment all inventory items not subject to impairment have a recoverable amount higher than their book value.

Note 5a
Aging of inventory

in PLN

	as at December 31, 2013	as at December 31, 2012
0-90 days	1 917 674	2 414 213
91-180 days	212 994	128 108
180-360 days	1 123 382	33 811
over 360 days	161 489	395 654
revaluation	-80 000	-614 377
Total	**3 335 539**	**2 357 409**

Note 6
Current investments

in PLN

	as at December 31, 2013	as at December 31, 2012
Borrowings granted	27 408	43 278
Total	**27 408**	**43 278**

Borrower	Total contractual amount	Repayment date	Loan and interest amount in foreign currency	Loan and interest amount in PLN
Stephen Hart	PLN 12 800	30.11.2014	PLN 12 999	12 999
Stephen Hart	GBP 1 800	30.11.2014	GBP 879.93	4 409
Paul Robinson	PLN 10 000	31.05.2014	PLN 10 000	10 000
Total				27 408

Note 7
Trade and other receivables, advance payments in PLN

	as at December 31, 2013	as at December 31, 2012
Trade receivables from related parties	-	1 482 393
Trade receivables from other entities	13 795 657	8 936 009
up to 12 months	13 795 657	8 936 009
over 12 months	-	-
Trade receivables	**13 795 657**	**10 418 402**
Trade receivables impairment	-4 268 662	-4 310 806
Total net trade receivables	**9 526 995**	**6 107 596**

Advance payments	472 913	99 802

Note 7a
Aging of trade receivables in PLN

	as at December 31, 2013	as at December 31, 2012
not overdue	4 143 823	2 372 734
overdue	9 777 233	8 045 668
including:		
1-30 days	1 091 598	3 231 549
31-90 days	1 704 342	193 355
91-180 days	2 919 279	160 690
> 180 days	4 062 014	4 460 074
impairment	-4 394 060	-4 310 806
Total	**9 526 995**	**6 107 596**

Note 7b
Currency structure of trade receivables

	Currency	as at December 31, 2013	as at December 31, 2012
in PLN	PLN	1 774 407	721 660
in foreign currency	JPY	389 096	20 848
	RON	-	118 049
	EUR	673 690	251 359
	GBP	56 846	71 790
	USD	1 548 556	1 254 746

Note 8
Income tax receivables in PLN

	as at December 31, 2013	as at December 31, 2012
- from legal entities	3 125 286	-
Total	**3 125 286**	**-**

Income tax liabilities

	as at December 31, 2013	as at December 31, 2012
- from legal entities	469 096	-
- from natural persons	60 443	39 430
Total	**529 539**	**39 430**

Note 9
Cash and cash equivalents in PLN

	as at December 31, 2013	as at December 31, 2012
Current accounts	1 634 893	2 922 271
Short-term deposits	9 569 477	13 547 642
Cash on hand	3 391	3 836
Cash and cash equivalents, value recognized in statement of cash flows	**11 207 761**	**16 473 749**

Note 9a

Cash and cash equivalents Currency structure

	Currency	as at December 31, 2013	as at December 31, 2012
in PLN	PLN	8 627 517	11 603 240
in foreign currency	EUR	101 436	466 723
	GBP	41 090	134 745
	RON	65 088	109 498
	USD	628 997	705 386

Note 10
Other current assets in PLN

	as at December 31, 2013	as at December 31, 2012
Tax receivables (including VAT, not including corporate income tax)	1 581 981	1 995 995
Other employee settlements	58 021	11 079
Shareholder settlements	-	25 250
Collateral	70 400	97 030
Other settlements	15 119	192 955
Prepayments	338 959	169 750
including:		
Property insurance	96 598	99 950
Subscriptions and installments	51 474	24 821
Other	190 887	44 979
Total	**2 064 481**	**2 492 058**

Note 11
Share capital

As at December 31, 2013, share capital comprised five share series as follows:

Series	Type of shares	Number of shares	Nominal amount of the series (in PLN)	Method of payment for shares	Registration date	Right to dividend (from date)
A	ordinary bearer shares	10 000 000	1 000 000	paid in	01.06.2007	01.01.2007
B	ordinary bearer shares	40 000	4 000	paid in	10.08.2008	01.01.2007
C	ordinary bearer shares	2 500 000	250 000	paid in	17.12.2008	01.01.2007
D	ordinary bearer shares	110 000	11 000	paid in	09.10.2009	01.01.2009
E	ordinary bearer shares	1 264 999	126 500	paid in	09.01.2014	01.01.2013
	total	13 914 999	1 391 500			

Total number of shares	13 914 999
Total share capital	1 391 500

Nominal value of one share (in PLN)	0,10

Shareholders with at least 5% of voting rights at the general meeting as at December 31, 2013, and other shareholders collectively:

Shareholder	Number of shares	Number of votes	% share in share capital
Marek Tymiński	6 356 357	45.68%	45.68%
Quercus TFI SA	846 962	6.09%	6.09%
Others	6 711 680	48.23%	48.23%
Total	13 914 999	100.00%	100.00%

On November 14, 2013, an extraordinary general meeting of CI Games S.A. changed, through a resolution, the Parent's articles of association by authorizing the Company's Management Board to increase issued share capital within authorized share capital, after receiving consent from the Company's Supervisory Board, by an amount not larger than PLN 948 750.00 for a three-year period from registration in the company register of the change in the Company's articles of association.

On November 28, 2013, the District Court for the Capital City of Warsaw, 13th Commercial Division of the National Court Register, approved the change of the articles of association of CI Games S.A. resulting from resolutions of the extraordinary general meeting of CI Games S.A. of November 14, 2013.

On December 4, 2013, after receiving consent from the Supervisory Board, the Management Board of CI Games S.A. increased the Company's share capital by PLN 126 499.90 through the issue of 1 264 999 ordinary (not preferred) bearer shares series E, numbered from 0000001 to 1264999, with a nominal value of PLN 0.10 each ("Series E Shares"). The issue price per Series E Share was PLN 9.00. The Series E Shares were purchased through a proposal to purchase Series E Shares provided by the Company to individual investors and their subsequent acceptance (private placement).

The opening and closing of subscription took place on December 5, 2013 through the execution of agreements concerning purchase of Series E Shares. Given the fact that the purchase of Series E Shares occurred via a private placement, the shares were not subject to allocation in the meaning of art. 434 of the Polish Commercial Companies Code. Number of shares covered by the subscription: 1 264 999 series E shares with a nominal value of PLN 0.10 each.

Series E Share purchase agreements were executed with 99 investors. Value of the series E share offer (constituting the product of the number of shares subject to subscription and the issue price per share): PLN 11 384 991. Total cost of the Series E Share issue: PLN 284 624.78, including: placement preparation and execution PLN 284 624.78. The means of settlement in the books and recognition in the financial statements: pursuant to IAS 32, the Series E Shares were settled by reducing the issue price of the issued shares over their nominal amount. The average cost of placement per Series E Share was PLN 0.23.

On January 8, 2014, the District Court for the Capital City of Warsaw, 13th Commercial Division of the National Court Register, registered the increase in the Company's share capital comprising the issue of series E ordinary bearer shares by way of a private placement completed on December 5, 2013.

Note 12

Share premium

Share premium covers the share premium received from shares series B, C, D and E:

Series	Number of shares	Nominal value (in PLN)	Purchase price (in PLN)	Premium for the series (in PLN)
B	40 000	0,10	1,00	36 000
C	2 500 000	0,10	9,00	22 250 000
D	110 000	0,10	1,00	99 000
E	1 264 999	0,10	9,00	11 258 491

Excess of purchase price over nominal value of shares		33 643 491
Decrease due to C series share issue costs		-1 829 311
Decrease due to E series share issue costs		-284 625
Transfer to reserve capital		-16 000 000
	as at January 1, 2013	**4 555 689**
Changes during the reporting period:		10 973 866
	as at December 31, 2013	**15 529 555**

Note 13
Buy-back provision

Created through the resolution of the Extraordinary General Meeting of the Parent of November 8, 2010 in connection with a resolution of the same date concerning authorization for purchase by the Company of its own shares. The provision was created through transfer from the Company's capital reserve, i.e. from amounts which, in accordance with art. 348, par. 1 of the Polish Commercial Companies Code, which may be allocated for distribution between shareholders.

Value of the buy-back provision as at December 31, 2013: PLN 16 000 000.

As at the date of drafting these consolidated financial statements the Issuer did not execute any buy-back transactions.

Note 14
Revaluation reserve

The Issuer used hedge accounting during the reporting period. The aim was to eliminate foreign exchange risk connected with anticipated foreign exchange surpluses.
Forward contracts were executed (for currency sales), constituting a hedge position in relation to the hedge position for surplus expected by the Company in the principle currencies for the Group’s revenues (USD, EUR, GBP). This surplus will arise during the settlement period for specific forward contracts.
Forward contracts are valued through comparison of the spot rate for the currency hedging the contract.
The interest is recognized as costs for the period.
The effective part of the hedge is recognized in the revaluation reserve.
There was no revaluation reserve as at December 31, 2013.
The Parent did not have any open derivative contracts as at December 31, 2013.

Note 15

Borrowings including credits, loans and other debt instruments in PLN

Non-current liabilities	as at December 31, 2013	as at December 31, 2012
Finance lease liabilities - non-current part	13 300	38 809
Total	**13 300**	**38 809**

Current liabilities	as at December 31, 2013	as at December 31, 2012
Debt instruments	5 719 665	20 601 976
Financial instrument liabilities	-	-
Finance lease liabilities - current part	25 311	51 092
Total	**5 744 976**	**20 653 068**

Note 16
Finance lease liabilities in PLN

	as at December 31, 2013	as at December 31, 2012
up to 1 month	1 946	3 995
1 - 3 months	3 944	8 086
3 - 6 months	6 051	12 374
6 - 12 months	13 370	26 638
1 - 5 years	13 300	38 809
Total	**38 611**	**89 902**

Note 17
Information on loans incurred and debt security liabilities

The Issuer did not recognize any liabilities under bank loans during the reporting period.

The issue of CI Games S.A. series C bonds took place on September 28, 2012. The issue objective was to use the capital raised to finance expenditures connected with the release of Sniper: Ghost Warrior 2. In addition, the Issuer intended to use the bond issue proceeds to finance further development work and marketing and advertising expenses connected with new games. The Company issued 15 500 bearer shares (dematerialized, unsecured, zero-coupon) with a total par value of PLN 15.5 million. The issue price per bond was PLN 935.50. The bond redemption date was set as May 28, 2013. The bonds were redeemed in a timely manner.
On October 30, 2012 CI Games S.A. issued series D bonds as a follow-on to the series C issue of September 28, 2012. The series D issue's objective, like the series C, was primarily raising capital to finance expenditures connected with the release of Sniper: Ghost Warrior 2. In addition, the Issuer used the proceeds raised from the bond issue to finance new game development, together with marketing and advertising. The Parent has issued 6000 ordinary bearer bonds (zero-coupon, dematerialized, non-interest bearing) with a total par value of PLN 6 million. The issue price per bond was PLN 935.50. The bonds were redeemed at par value in a timely manner on June 26, 2013.

On September 23, 2013, CI Games S.A. issued series E bonds, their objective being the financing of expenditures connected with finishing the production, promotion and distribution of Enemy Front and Lords of the Fallen. The Company issued 5 703 dematerialized unsecured ordinary bearer bonds with a total nominal value of PLN 5 703 000. Bondholders will receive a quarterly variable-rate coupon fixed for each Interest Period. The Reference Rate is WIBOR 3M, established at the beginning of each Interest Period at the fixing seven working days prior to the commencement of each Interest Period. A 5.50% margin will be added onto the Reference Rate. The coupon amount will be calculated based on the actual number of days in the Interest Period and assuming a 365 day year. The Redemption Date has been set as December 18, 2014, and the interest redemption dates as: December 18, 2013, March 18 2014, June 18, 2014, September 18, 2014 and December 18, 2014.

Note 18
Employee benefit provisions

Provisions for employee benefits cover costs of equivalents connected with unused annual leave as at December 31, 2013.
With regard to the low average employee age, pension provisions and the resulting insignificant level of the provision was not amortized.

Note 19
Trade payables in PLN

Trade payables	as at December 31, 2013	as at December 31, 2012
Trade payables to related parties	490 284	504 543
Trade payables to other entities	7 799 310	7 525 214
up to 12 months	7 799 310	7 525 214
over 12 months	-	-
Total	**8 289 594**	**8 029 757**

Note 20
Aging of trade payables in PLN

	as at December 31, 2013	as at December 31, 2012
not overdue	2 489 435	2 624 632

overdue	5 800 159	5 405 125
including:		
1-30 days	2 422 829	3 270 530
31-60 days	2 035 205	337 753
61-90 days	802 497	212 597
91-180 days	539 628	329 454
> 180 days	-	1 254 792
Total	**8 289 594**	**8 029 757**

Note 21
Other liabilities in PLN

Other liabilities	As at December 31, 2013	As at December 31, 2012
Corporate income tax liabilities	75 254	123 950
Other liabilities	121 206	107 695
Special-purpose funds	105 542	54 115
Total	**302 002**	**285 760**

Note 22
Estimated amounts, including other short-term provisions in PLN

	as at December 31, 2013	as at December 31, 2012
Provision for audit of financial statements	38 039	25 000
Provision for non-invoiced expenses	1 461 262	963 089
Total	**1 499 301**	**988 089**

	as at December 31, 2013	as at December 31, 2012
Provision for returns - decrease of revenue and receivables	750 000	623 223
Total	**750 000**	**623 223**

Note 22a
Deferred revenue in PLN

	for the period Jan 1 - Dec 31, 2013	for the period Jan 1 - Dec 31, 2012
Japanese market	-	2 060 000

Russian market	-	505 750
Chinese market	-	162 515
Total	**-**	**2 728 265**

Deferred revenue recognized during 2012 was connected with advance licensing payments are received for Sniper: Ghost Warrior 2.

Note 23
Geographical structure in PLN

	for the period Jan 1 - Dec 31, 2013	for the period Jan 1 - Dec 31, 2012
Domestic	3 278 251	1 909 777
Export	104 011 502	39 295 639
Total	**107 289 753**	**41 205 416**

	for the period Jan 1 - Dec 31, 2013	for the period Jan 1 - Dec 31, 2012
Europe	50 415 582	17 277 306
North America	44 998 903	21 154 857
Asia and Australia	11 875 268	2 773 253
Total	**107 289 753**	**41 205 416**

The main factor affecting revenue in 2013 was sales Sniper Ghost Warrior 2 which premiered in Q1 2013.

Note 24
Costs by nature in PLN

	for the period Jan 1 - Dec 31, 2013	for the period Jan 1 - Dec 31, 2012
Depreciation	16 704 628	2 568 093

Use of materials and energy	755 942	576 501
Third-party services	22 983 666	8 981 163
Taxes and fees	379 549	167 216
Remuneration and employee benefits	3 983 115	4 011 918
Other costs	13 069 764	6 759 919
Total costs by nature	**57 876 663**	**23 064 809**

Distribution costs	-18 269 075	-9 691 034
Administrative expenses	-6 612 336	-5 973 349
Value of products sold	23 988 611	22 185 071
Cost of manufacture of products sold	**56 983 863**	**29 585 498**

Note 25
Employee benefits in PLN

	for the period Jan 1 - Dec 31, 2013	for the period Jan 1 - Dec 31, 2012
Remuneration	2 777 289	3 309 571
Social security	236 624	230 453
Other benefits	969 201	471 894
Total	**3 983 115**	**4 011 918**

Note 26
Other operating revenue in PLN

	for the period Jan 1 - Dec 31, 2013	for the period Jan 1 - Dec 31, 2012
Release of receivables impairment charges	780 943	11 381

Damages received	23 589	7 455
Inventory differences	54 387	4 010
Gain on disposal of non-financial assets	5 082	-
Liabilities written-off	1 995	40 545
Re-invoicing	110 438	107 015
Other	198 166	158 672
Total	**1 174 600**	**329 078**

Note 27
Other operating expenses in PLN

	for the period Jan 1 - Dec 31, 2013	for the period Jan 1 - Dec 31, 2012
Receivables revaluation	-	934 598
Impairment losses on inventory	-193 009	614 377
Inventory differences	170 643	89 175
Liquidation of returns	400 572	763 786
Settlements, contractual penalties, sanctions	37 132	389 551
Donations	50 000	-
Loss on disposal of non-financial assets	1 728	13 452
Receivables written-off	6 330	213 206
Court costs	1 207	892
Impairment of intangible assets	8 000 000	13 513 824
Tax withholding	922 972	-
Other	838 472	541 434
Total	**10 236 047**	**17 074 295**

After testing Alien Rage development work for impairment, the Issuer decided to recognize a PLN 8 million impairment loss. The amount of the impairment loss was estimated based on planned future revenue from sales of this game.

Note 28
Finance income / costs in PLN

	for the period Jan 1 - Dec 31, 2013	for the period Jan 1 - Dec 31, 2012
Interest	106 860	330 209

Net positive exchange differences	182	111 881
Net profit on sale of financial assets	-	43
Total finance income	**107 042**	**442 133**
Interest	856 264	375 236
Net negative exchange differences	697 260	1 589 407
Net loss sale of financial assets	1 562 349	-
Impairment of financial assets	-1 554 415	-
Other	265 246	418 151
Total finance costs	**1 826 704**	**2 382 793**

Net finance income / costs	**-1 719 662**	**-1 940 660**

Note 29
Income tax

in PLN

	for the period Jan 1 - Dec 31, 2013	for the period Jan 1 - Dec 31, 2012
Current tax	496 096	183 491
Current income tax	496 096	180 581
Income tax brought forward	-	2 910
Deferred tax	-16 171 357	-3 760 815
Income tax in profit or loss	**-15 675 261**	**-3 577 324**

Note 30
Effective tax rate

in PLN

	for the period Jan 1 - Dec 31, 2013	for the period Jan 1 - Dec 31, 2012
Profit (loss) before tax	14 037 648	-23 371 516

Tax, using the 19% tax rate	2 667 153	-4 440 588
Difference resulting from application of tax rates effective in different tax regimes	-172 180	-36 905
Non-taxable revenue, tax value	-5 694	-20 707
Other	-87 144	-
Tax depreciation of trademarks for 2013	-1 228 340	-
Costs not constituting tax-deductible expenses, tax value	1 576 050	917 966
Temporary differences - trademarks	-18 425 106	-
Current-period tax	-15 675 261	-3 580 234
Prior-period tax	-	2 910
Effective tax rate	-111,7%	15,3%

Note 31
Segment information for the period from January 1 to December 31, 2013 in PLN

	Own products	Licenses	Other sales	Total
-	**82.7%**	**16.8%**	**0.5%**	**100.0%**
Total segment revenue	**88 755 393**	**17 986 240**	**548 120**	**107 289 753**
Direct segment expenses, including:	**-53 844 394**	**-3 105 858**	**-639 333**	**-57 589 585**
Depreciation	-13 327 533	-2 697 691	-299 139	**-16 324 364**
Finance income / costs	-1 422 590	-288 287	-8 785	**-1 719 662**
Income tax	-12 967 351	-2 627 828	-80 082	**-15 675 261**
Net profit (loss) for the period	**24 579 989**	**4 981 123**	**151 797**	**29 712 909**
Total assets, including:	**81 067 610**	**16 428 314**	**500 643**	**97 996 568**
Intangible assets	36 406 549	7 377 770	-	**43 784 319**
Liabilities	14 435 260	2 925 299	89 147	**17 449 706**
Capital expenditures	26 181 569	5 305 683	-	**31 487 252**

Note 31
Segment information for the period from January 1 to December 31, 2012 in PLN

	Own products	Licenses	Other sales	Total
-	**86.6%**	**9.6%**	**3.8%**	**100%**
Total income	**35 698 920**	**3 945 122**	**1 561 375**	**41 205 416**
Direct segment expenses, including:	**-28 664 829**	**-392 133**	**-1 169 709**	**-30 226 672**
Depreciation	-1 513 952	-162 374	-443 607	**-2 119 932**
Finance income / costs	-1 681 320	-185 804	-73 536	**-1 940 660**
Income tax	-3 099 267	-342 503	-135 554	**-3 577 324**
Net profit (loss) for the period	**-17 148 990**	**-1 895 151**	**-750 051**	**-19 794 192**
Total assets	**62 773 944**	**6 937 209**	**2 745 563**	**72 456 716**
Intangible assets	34 315 513	3 792 240	-	**38 107 754**
Liabilities	28 416 142	3 140 295	1 242 845	**32 799 283**
Capital expenditures	28 748 511	3 177 025	-	**31 925 536**

Note 32
Earnings per share

Net earnings per share as at December 31, 2013 was PLN 2.14.

Note 33
2013 profit distribution
2012 loss coverage

On April 23, 2013 the Issuer's ordinary general meeting decided to cover the 2012 loss using future-period earnings.

Recommendation on use of 2013 profit.

The Issuer's management intends to use the 2013 profit to cover the 2012 loss and transfer the remainder to a dividend fund.

Note 34
Contingent liabilities and receivables

As at December 31, 2013, Group companies did not have contingent liabilities with the exception of a bank guarantee issued by Alior Bank S.A. on April 23, 2013 for Bertie Investment Sp. z o.o. up to the amount of PLN 420 000 concerning office space lease. The guarantee is valid until April 22, 2014.

Regulations concerning tax on goods and services, corporate income tax and social security contributions are subject to frequent amendments hence there often is a lack of reference to proven legal provisions or precedents. The regulations in force also contain unclear provisions which result in differences of opinion as regards the legal interpretation of tax regulations both between various state authorities and between state authorities and companies. Tax and other settlements (e.g. duty or currency) may be subject to audit by the authorities which are given the powers to impose substantial penalties. Furthermore, it may be necessary to pay interest on such penalties. These circumstances mean that tax risk in Poland is higher than in countries with a more developed tax system.

Tax settlements may be the subject of an audit for a period of up to five years. As a result, the amounts shown in the financial statements may be subject to change at a later date, after their revision by tax authorities. The Company believes that it has created provisions suitable to the probable and measurable risks.

Note 35
On-going judicial proceedings

As at the date of drafting these financial statements the Issuer’s Management was not aware of any significant on-going judicial proceedings involving the Issuer or its subsidiaries.

Note 36
Related-party transactions in PLN

Transactions with CI Games Group companies (non-consolidated):

	Receivables and borrowings as at Dec 31, 2013	Liabilities as at date of incurrence	Measurement as at Dec 31, 2013	Liabilities after measurement as at Dec 31, 2013
City Interactive Peru	-	467 495	22 789	490 284
RAZEM	**-**	**467 495**	**22 789**	**490 284**

Transactions with companies linked to Marek Tymiński – majority shareholder in the Company, who directly or indirectly controls the following entities:

	Costs	Revenues	Receivables	Liabilities
Onimedia Sp. z o.o.	-	9 167	-	487
Premium Food Sp. z o.o.	-	300	369	-
Premium Food Restaurants S.A.	30 638	76 030	52 975	2 000
Tech Marek Tymiński	-	1 903	1 427	-
MT Golf	-	9 912	31 869	-
TOTAL	**30 638**	**97 312**	**86 640**	**2 487**

During H2 2013, Marek Tymiński sold his shares in ATS Sp. z o.o. to third persons.

Transactions with companies personally linked to Supervisory Board and Management Board members:

	Costs	Revenues	Receivables	Liabilities
KS Konsulting Krzysztof Sroczyński	5 000	-	-	-
Andreas Jaeger Consulting	135 018	-	-	-
TOTAL	**140 018**	**-**	**-**	**-**

Note 37
Cash and cash equivalents structure in PLN

	December 31, 2013	December 31, 2012	Change
Cash on hand	3 391	3 836	-445
Current accounts	1 634 893	2 922 271	-1 287 378
Other cash instruments	9 569 477	13 547 642	-3 978 165
Total cash instruments for purposes of the statement of cash flows	**11 207 761**	**16 473 749**	**-5 265 988**

Note 38
Employment information (headcount)

	as at December 31, 2013	as at December 31, 2012
Game development staff	165	161
Sales and administration staff	15	20
Total employment	**180**	**181**

Note 39
Management Board and Supervisory Board Member remuneration in PLN

Remuneration paid to Management Board members during the period Jan 1 – Dec 31, 2013:

Marek Tymiński - President	401 419
Andreas Jaeger - Member	3 419

Remuneration paid to Supervisory Board members during the period Jan 1 – Dec 31, 2013:

Krzysztof Sroczyński - Chairman	42 000
Marek Dworak - Member	30 000
Grzegorz Leszczyński - Member	30 000
Lech Tymiński - Member	30 000
Tomasz Litwiniuk - Member	30 000

Note 40
Shares held by Management Board and Supervisory Board members in PLN

As at December 31, 2013, Management Board members held the following number of shares in the Issuer:

Marek Tymiński - President	6 356 357

As at December 31, 2013, Supervisory Board members held the following number of shares in the Issuer:

Lech Tymiński - Member	9 565

Nota 41
Financial instruments in PLN

Financial instrument classification	Carrying amount as at Dec 31, 2013	Carrying amount as at Dec 31, 2012
Borrowings	27 408	43 278
Receivables	9 526 995	6 107 596
Debt instruments	-5 719 665	-20 601 976
Cash and cash equivalents	11 207 761	16 473 749

The fair value of all financial instruments as at the end of the reporting period did not differ from their respective carrying amounts.

Risks affecting financial instruments, hedging methods

Credit and cash flow risk

The Group companies do not currently insure trade receivables. Cooperation with contracting parties which are in a stable financial situation and constant monitoring of this situation provides security against the risk of these financial instruments being impaired. There was no significant loss of value in receivables during the settlement period. There is also no significant delay in payment of the Group's receivables.

Foreign exchange risk

Payables and receivables resulting from current operations mainly occurred in currencies other than Polish zloty, which is the functional and presentational currency. The Issuer uses payables in currencies other than the functional currency as currency risk collateral under foreign exchange receivables. The value of the net financial surplus in specific currencies is hedged through forward contracts under the hedge accounting policy.

Forward contracts (for selling currencies) constitute a hedge position in relation to the hedge position for surplus expected by the Issuer in the principle currencies for its revenues (USD, EUR, GBP). This surplus arises during the settlement period for specific forward contracts. As at the end of the reporting period the Issuer values hedge positions with the exception of interest. Forward contracts are valued through comparison of the spot rate for the currency hedging the contract. The interest was transferred to costs for the period. The effective part of the hedge was transferred to the revaluation reserve.

During 2013, the Parent entered into forward contracts, which did not remain open as at the end of the reporting period.

Sensitivity analysis in PLN

Financial instrument classification	Carrying amount as at Dec 31, 2013	Exchange rate change +/- 10% including income tax
Receivables	7 752 588	627 960
Liabilities	-7 002 503	-567 203
Cash	2 580 244	209 000
Total	3 330 329	269 757*

* Effect on net profit and equity

Interest rate risk

Interest rates are dependent on the Libor and Wibor interbank rates and at the same time on interest rate risk within the economy as a whole. Group companies do not use hedging instruments for this type of risk.

As at the end of the reporting period, the Group has issued fixed-rate bonds. Therefore exposure to interest rate risk is limited.

Pricing risk

The Group is protected against potential drops in the value of financial instruments and against the risk of cash flows connected with them decreasing, by operating in many countries and economies. This protects the company against fluctuations in the economic situation in one market. The group is introducing new products to its expanding portfolio – games for new consoles – thereby building its competitive advantage. Careful selection of distributors and assessment of their financial conditions has the effect of lowering pricing risk.

Risk associated with new games

The Group's operations consist of the development of computer games. Game production requires substantial expenditures on development work and marketing activities which limits the extent to which such risk may be diversified across different products (games). As a result, this risk is concentrated in a relatively small number of games which are in development at a given time. Such a concentration of risk means that in the event that a game is not commercially successful, the company might be exposed to a substantial fall in revenue and net profit and might experience liquidity problems.

Note 37
Events after the end of the reporting period

On February 21, 2014, the Parent, CI Games S.A., entered into a loan agreement with Bank Spółdzielczy w Ostrowii Mazowieckiej, having its registered office in Ostrów Mazowiecka, ul. 3-go Maja 32 (the "Bank"), concerning a current account limit on the following terms: 1) Amount of limit: PLN 5 million; 2) Use: general corporate purposes, including development and marketing of Enemy Front and Lords of the Fallen; 3) Final repayment date: March 31, 2015; 4) Interest - variable interest rate effective during interest periods, calculated using the following formula: WIBOR 1M for the previous month plus the Bank's margin of 2.99%; exposure commission (calculated annually based on the unused portion of the loan) - 0.7%; the Bank's origination commission - 1.3% of the proceeds; 5) Collateral: a) registered pledge on CI Games S.A. shares held by Marek Tymiński - President of the Management Board and principal shareholder, in the amount of 2.5 times the value of the loan; b) loan repayment guarantee from BGK under a de minimis PLD portfolio guarantee line, in the amount of 60% of the value of the loan, i.e. PLN 3 million for the loan term plus three months, i.e. until June 30, 2015; c) declaration on submission to enforcement proceedings; d) power of attorney for use of funds in the current account maintained by the Bank.

Jerzy Litwiniuk

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Person preparing the consolidated financial statements

Marek Tymiński

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President of the Management Board

Warsaw, March 21, 2014