

CI GAMES GROUP

MANAGEMENT REPORT ON GROUP
OPERATIONS
2013



WARSAW, MARCH 21, 2014

Dear Shareholders, Co-workers and Partners!

2013 was a very important year for CI Games Group. We generated our best sales yet, along with substantial net earnings. Still, we did not manage to fully achieve our sales objectives for Sniper: Ghost Warrior 2, and Alien Rage did not prove to be a success which is why we had to recognize a PLN 8 million impairment loss. Consolidated revenue from sales reached PLN 107 million at a net margin of over 10% (excluding the effects of deferred tax on acquired trademarks). The largest contributing factor was Sniper: Ghost Warrior 2, which has so far sold in over 1.5 million copies, although we were counting on more.

Overall sales in the Sniper: Ghost Warrior series have now exceeded 5 million copies worldwide. We are proud of the scale of this success. But we also feel that we can do much better. Today, having gone through a number of changes over the past year, we have matured as a company. We want to grow, and growth in our industry stems from the potential of the products that gamers buy.

This year will see two major releases: Enemy Front and Lords of the Fallen. Both of them are high-quality games which will be available to users of both current and next-generation consoles. They will have a major impact on our results in 2014.

We will soon be starting work on new games which we plan to release in the years to come. This year, we will reveal more details about two of these projects.

I would like to express my gratitude to our shareholders, employees, customers and partners for their continued support and trust, especially in such a difficult period. I am certain that we have learned from our mistakes. I deeply believe that the years that follow will be a period of unprecedented success for our Group, translating into further growth in the Company's value.

Sincerely,
Marek Tymiński
President of the Management Board, CI Games S.A.

CI Games S.A. Management Board Declaration

Pursuant to the Ordinance of the Minister of Finance of 19 February 2009 (Polish Journal of Laws no. 33, item 259 as amended) on current and periodic information provided by the issuers of securities and the conditions for recognizing information required by the provisions of law of a non-member state as equivalent, the Management Board of CI Games S.A. declares that to the best of its knowledge the consolidated annual financial statements and comparative data have been drawn up in accordance with binding accounting principles and correctly, reliably and clearly reflect the Group's financial and asset position together with its financial performance, and that the annual report on Group operations contains a true depiction of the development, achievements and situation of the Group, including a description of key threats and risks.

The Management Board of CI Games S.A. declares that the entity authorized to audit financial statements which audited the Group's annual financial statements was selected in accordance with the provisions of law and that such entity and the statutory auditors conducting the audit fulfilled the conditions for issue of an impartial and independent report on audit of the financial statements in accordance with binding regulations and professional standards.

Management Board of CI Games S.A.

Marek Tymiński

President of the Management Board

Warsaw, March 21, 2014

I. General description of CI Games Group operations

The CI Games Group operates in the global video game development and publishing market. The parent company, CI Games S.A., became the first publicly traded company in this sector in Central and Eastern Europe and the first to emerge as an international player and generate outstanding market and financial performance. The Group's strategic goal is to build a portfolio of recognizable brands in the most popular video-game genres using its advanced know-how and experienced team.

In the gaming market, the Group operates as:

- Developer, with in-house production studios,
- Publisher of own games and licensed products, being responsible for marketing strategy and product roll outs using local distributors,
- Distributor, selling products directly to retail chains and online.

The Group is investing in expanding its management and creative talent through hiring developers with years of experience in managing projects at well-respected studios throughout the world. The Group also works with leading technology providers and makes use of the latest equipment and software. The Issuer has executed agreements on game development and independent distribution with owners of the most popular gaming consoles, i.e. Sony and Microsoft. The Group produces games for current-generation (PlayStation®3 and Xbox360®) and next-gen platforms (Xbox One® and PlayStation®4), as well as for PCs. In order to maximize sales performance and marketing potential, CI Games collaborates with international distributors who operate in specific regional markets and are responsible for implementing promotional plans.

Through combining the above three functions, the Group may effectively control the process of game development and distribution.

II. Share capital

2.1. Share capital of the Parent – CI Games S.A.

The share capital of CI Games S.A. is PLN 1 391 499.90 and is divided into 13 914 999 shares with a nominal value of PLN 0.10 each:

- 10 000 000 series A shares,
- 40 000 series B shares,
- 2 500 000 series C shares,
- 110 000 series D shares.
- 1 264 999 series E shares.

Series A shares were subscribed for by then-current shareholders in City Interactive Sp. z o.o. at the moment the company was transformed into a public limited company (*spółka akcyjna*).

Series B shares were issued under an incentive scheme and were subscribed for by the Parent's employees and partners. The District Court made registration of the increase in share capital as a result of issuing series B shares on 10 August 2007.

Series C shares were subject to a public offering in November 2007, which was a complete success. All shares on offer have been subscribed for and are paid up. On 17 December 2007 the District Court in Warsaw made registration of the increase in the Parent's share capital as a result of issuing series C shares.

Series D shares were issued under an incentive scheme and were subscribed for by the Parent's employees and partners. The District Court made registration of the increase in share capital as a result of issuing series D shares on 9 October 2009.

Series E shares were the subject of a private placement in December 2013. All offered shares were purchased and paid for. On February 6, 2014, the shares were introduced to trading on the parallel market via a regular procedure.

There are no securities carrying special control entitlements in relation to the Issuer, since in accordance with the Parent's articles of association all shares issued are ordinary bearer shares with equal nominal value carrying the same rights and obligations for each shareholder.

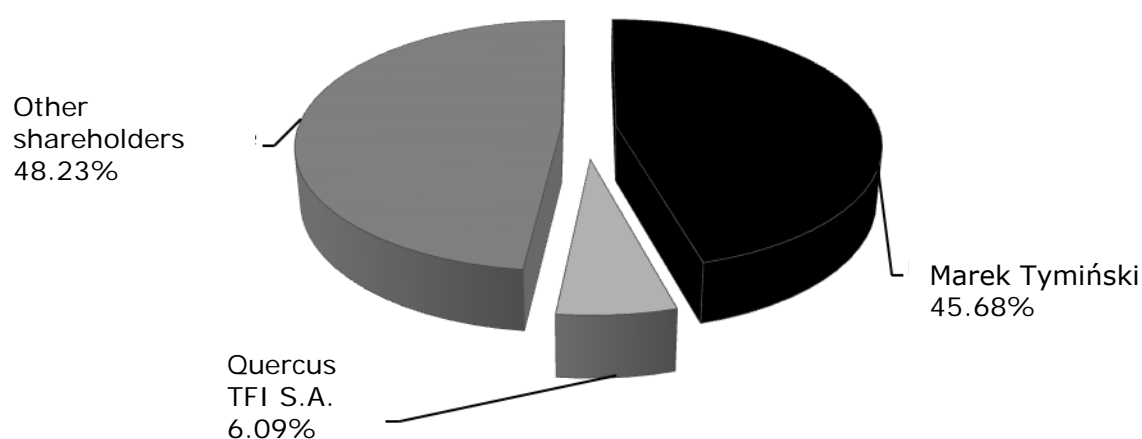
2.2. Indication of shareholders directly or indirectly through subsidiaries holding at least 5% of total votes at the Parent's general meeting as at the date of publishing the annual report, with indication of the number of shares held by such entities, their percentage in share capital, the number of votes carried thereby and their percentage share in the total number of votes at the general meeting

The total number of votes at the general meeting of the parent, CI Games S.A., is 13 914 999.

CI Games S.A. shareholding structure as at the publication date of this report:

Item	Number of shares	% in share capital	Number of votes at GM	% of votes at GM
Marek Tymiński	6 356 357	45.68%	6 356 357	45.68%
Quercus TFI S.A.	846 962	6.09%	846 962	6.09%
Other shareholders	6 711 680	48.23%	6 711 680	48.23%

CI Games S.A. shareholders



2.3. Total number and nominal value of the Issuer's shares held by management board and supervisory board members

Person	Position	As at December 31, 2013 (end of the reporting period)	Increase in shareholding during the period from December 31, 2013 to March 21, 2014	Decrease in shareholding during the period from December 31, 2013 to March 21, 2014	As at March 21, 2014 (report publication date)
Marek Tymiński	President of the Management Board	6 356 357	-	-	6 356 357
Lech Tymiński	Member of the Supervisory Board	9 565	-	-	9 565

2.4. Information on agreements known to the Issuer, pursuant to which there may be a change in the proportions of shares held by current shareholders. Indication of limitations concerning transfer of ownership to securities in the Parent

The Parent has no information concerning other agreements (including agreements entered into after the end of the reporting period) under which proportions of shares held by existing shareholders might change in the future.

There are also no limitations on exercise of the right to vote carried by the Issuer's shares.

2.5. Information on employee share program control system

All shareholders whose stake in the Issuer's share capital as at the date of approving the prospectus exceeded 2% undertook towards the Parent, CI Games S.A., that during the 12-month period from the date of the first listing of rights to the Issuer's shares on the Warsaw Stock Exchange they would not encumber or pledge – with the exception of the possibility to establish a pledge for a bank in order to provide collateral for loans, nor dispose nor in any other manner transfer ownership, nor undertake to perform such action in relation to the entirety or part of shares, in any manner for the benefit of any person or entity unless consent for such action is expressed by the Parent's Supervisory Board. The obligation was intended to cease being binding in the event that CI Games S.A.'s share price (closing rate on the WSE) exceeded the issue price by at least 20%.

The above obligation concerned a total of 8 987 265 series A shares held by the above-mentioned shareholders, which constituted 90% of shares held by them as at the date on which the prospectus was approved. All shares which were subject to agreements on limitation of their assignability were deposited in brokerage accounts held by DM IDMSA.

In July 2007 the Parent issued 40 000 series B shares at an issue price of PLN 1 under a motivational program for its employees and significant associates. Persons subscribing for series B shares entered into a lock-up agreement with the Parent, limiting the assignability of shares for a period of either two or three years. In this manner the Issuer's employees and associates holding a total of 40 000 series B shares in CI Games S.A., constituting in total 100% of series B shares in the Issuer, entered into an agreement with the Parent pursuant to which they undertook not to dispose of any of series B shares held for a period of one year and:

- 70% of series B shares held for a period of one subsequent year for a total of 20 150 shares,
- 90% of series B shares held for a period of one subsequent year for a total of 19 850 shares,

Furthermore, certain persons under the aforementioned motivational program also became the holders of series A shares at a price of PLN 1. Employees and associates holding a total of 35 650 series A shares in CI Games S.A. submitted an official obligation not to dispose of any of the shares held for a period of 1 year and 90% of shares held for a subsequent period of two years.

All shares which were subject to agreements on limitation of their assignability were deposited in brokerage accounts held by DM IDMSA.

In the event of employment or cooperation being terminated with a shareholder holding shares covered by the motivational program, his/her shares were or are transferred to another person designated by the Company's Management Board.

110 000 ordinary series D shares in the Parent were issued on 30 June 2009. These shares were subscribed for by the Parent's employees at the issue price – PLN 1 per share.

There are no limitations on exercising voting rights carried by shares in the Issuer under the employee scheme.

III. Information on organizational and equity ties to other entities

Composition of the CI Games Group as at December 31, 2013:

- **CI Games S.A.** (previously City Interactive S.A.), having its registered office in Warsaw. Share capital of PLN 1 391 449.90. Group parent.
- **CI Games USA Inc.** (previously City Interactive 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. Company subject to consolidation from Q2 2008.
- **CI Games Germany GmbH** (previously City Interactive 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. Company subject to consolidation from Q2 2008.
- **City Interactive Studio S.R.L.** – a company having its registered office in Bucharest, Romania. 100% of shares held by CI Games S.A. This company is subject to consolidation from Q4 2011. On November 7, 2013, the company filed for bankruptcy at the VII Civil Division, Court in Bucharest.
- **Business Area Sp. z o.o.** – a company having its registered office in Warsaw, subject to consolidation from Q3 2010. Share capital PLN 5 000. 100% of shares held by CI Games S.A.
- **Business Area Spółka z ograniczoną odpowiedzialnością Spółka Jawna** (transformed from Business Area Spółka z ograniczoną odpowiedzialnością S.K.A.) – a Warsaw-based company. Share capital of PLN 1 050 000. The company is subject to consolidation from Q1 2013. On September 26, 2013, Business Area Spółka z ograniczoną odpowiedzialnością S.K.A. was transformed into Business Area Spółka z ograniczoną odpowiedzialnością Spółka Jawna.
- **CI Games Spółka Akcyjna Spółka Jawna** (transformed from CI Games IP Sp. z o.o.) – a Warsaw-based company with 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 in CI Games IP Sp. z o.o. was transferred from CI Games Cyprus Ltd. 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 September 19, 2013, CI Games IP Sp. z o.o. was transformed into CI Games Spółka Akcyjna Spółka Jawna.
- **CI Games Cyprus Ltd.** – a company headquartered in Nicosia, Cyprus. Share capital of EUR 1 200. 100% of shares held by CI Games S.A. Company subject to consolidation from Q1 2013.

- **City Interactive Canada Inc.** – a company based in Ontario, Canada, established in October 2010. Share capital of CAD 10.00. 100% of shares held by CI Games S.A. The company is not subject to consolidation with regard to the fact that its financial results are not significant for assessment of the Issuer's situation.

On February 6, 2013 the Issuer disposed of 100% of shares in City Interactive Spain S.L. based in Madrid, Spain.

In 2008, the parent acquired shares in the following entities operating in South America and subsequently in 2009 opted out of their further development. Currently these entities are not subject to consolidation as their operations have been discontinued and the Parent has created appropriate provisions.

- City Interactive Peru SAC (formerly UCRONICS SAC) – a company having its registered office in Lima, Peru. 99% interest. Share capital of 2 436 650 Sol. The company was subject to consolidation from the date of acquisition of a controlling block of shares to the end of 2008.
- City Interactive Jogos Electronicos LTDA – a company having its registered office in Sao Paulo, Brazil. Founding capital of BRL 100 000. 90% interest, 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 MXN 50 000. 95% interest, remaining 5% held by CI Games USA, Inc.

IV. Changes in key management principles

The main corporate management principles did not change during 2013.

V. Changes in the Parent's management board and supervisory board composition in 2013

Management Board of CI Games S.A.

Marek Tymiński President of the Company's Management Board throughout 2013
 Andreas Jaeger Member of the Company's Management Board until March 13, 2013

Andreas Jaeger resigned from the Management Board during 2013.

Supervisory Board of CI Games S.A.

Krzysztof Sroczyński	Chairman of the Supervisory Board throughout 2013
Marek Dworak	Member of the Supervisory Board throughout 2013
Lech Tymiński	Member of the Supervisory Board throughout 2013
Grzegorz Leszczyński	Member of the Supervisory Board throughout 2013
Tomasz Litwiniuk	Member of the Supervisory Board throughout 2013

VI. Description of the Group's significant achievements and set-backs in 2013, and events impacting its financial results

- **Release of Sniper: Ghost Warrior 2**

On January 18, 2013 Microsoft® certification for the Xbox360® version of Sniper: Ghost Warrior 2 was received on first attempt. Certification for the PlayStation®3 version of the game was received from Sony Computer Entertainment America LLC on January 30, 2013 and from Sony Computer Entertainment Europe Ltd. on February 13, 2013. Therefore the game was certified for Xbox360® and Sony PlayStation®3 including in North America, Europe and Australia.

The release of Sniper: Ghost Warrior 2 for PlayStation®3, Xbox360® and PC in North America occurred on March 12, 2013, while the European release took place on March 15, 2013.

- **Impairment of intangible assets**

On February 14, 2013 the Issuer announced the following:

- 1) after analyzing the commercial potential of *World of Mercenaries*, the Company's Management Board decided to discontinue development. In connection with the above, the Group's consolidated financial statements for 2012 show a PLN 5.4 million impairment loss on the unfinished development of the game.
- 2) after performing an impairment test on the completed development of *Dogfight 1942* based on planned future revenue from sale of the game, the Management Board of Parent CI Games S.A. decided to adjust its value as at the end of 2012 by PLN 5.2 million.
- 3) after exhaustive analysis of expenditures on the *Sniper: Ghost Warrior* mobile version for iOS and assessment of the potential to use completed game elements for further development of the title, the management board of Business Area Sp. z o.o. decided to recognize a PLN 0.7 million impairment loss in 2012 profit.

In addition, following an analysis of planned Alien Rage sales, the Parent's management decided to adjust the value of completed development work by PLN 8.0 million as at the end of 2013.

- **FX hedging transactions**

On February 19, 2013 the Parent terminated a framework agreement on futures and derivatives contracts and the additional foreign exchange transaction agreement executed with Raiffeisen Bank Polska S.A., and on the same day received a treasury transaction framework agreement signed by Alior Bank S.A. On March 6, 2013 the Parent executed forward contracts hedging the Group's currency surplus.

At the end of the reporting period, the Group did not have any open forward contracts.

- **Reverse factoring agreement**

On February 20, 2013 the Parent's Management Board announced that it had received a reverse factoring agreement executed with Warsaw-based Alior Bank S.A. The bank granted a EUR 3.2 million limit to the Parent for use in EUR and USD, allocated to finance the purchase of goods, licenses and contract work. The final repayment deadline was established as July 31, 2013. The product carries interest at the EURIBOR 1M rate for EUR and LIBOR 1M rate for USD plus the bank's annualized margin of 2.2%; origination commission (calculated for unused amounts) - none. Collateral for the product was provided in the form of confirmed assignment of CI Games USA Inc.'s receivables, a declaration on submission for enforcement proceedings and power of attorney for the Issuer's bank accounts at Alior Bank S.A. Other provisions in the agreement did not differ from conditions commonly applied to this type of agreement.

On July 15, 2013 the Parent made a full and timely repayment of the reverse factoring facility.

- **IP management optimization within the Group**

On March 11, 2013, CI Games S.A. acquired 1 000 000 shares in subsidiary Business Area Spółka z ograniczoną odpowiedzialnością Spółka komandytowo - akcyjna valued at PLN 128.9 million. Purchase of the new share issue, a result of increasing the share capital of Business Area Sp. z o.o. S.K.A., took place in exchange for the Issuer's transfer of a non-cash (in-kind) contribution valued at PLN 128.9 million, constituting a separate and

organized part of the Issuer's business designated for the performance of specific business tasks, i.e. management of intellectual property, and domestic sales and marketing, forming a separate Branch of the Company. The above transaction is aimed at separating intellectual property, in particular trademarks, and is an element of the project to streamline intellectual property management within the Group. The Company's extraordinary general meeting granted its consent to the transaction on March 6, 2013.

The Branch comprises assets including:

- movables and rights to movables constituting the Branch's equipment, with market value of PLN 30 000;
- Branch assets other than those referred to in the point above, including intangible assets connected with the Branch's operations - PLN 124.5 million assessed market value of the Parent's trademarks;
- PLN 4.3 million in receivables attributable to the Branch;
- PLN 126 000 in Branch liabilities under payment settlements with contracting parties;
- all rights and obligations under agreements and other legal relationships connected with the Branch;
- employees assigned to the Branch undertaking work-related duties within the Branch's operations;
- PLN 110 000 in cash and cash equivalents held by the Branch.

Subsidiary Business Ares Sp. z o.o. S.K.A. is fully controlled by the Issuer and in this regard the Issuer is fully protected from further trade in the rights constituting the in-kind contribution outside of the Issuer's Group without the Company's consent.

The following two agreements were signed on March 12, 2013 as implementation of subsequent phases under the project to streamline intellectual property management within the Group:

1) sales agreement for trademarks executed between the Issuer's subsidiaries Business Area Spółka z ograniczoną odpowiedzialnością S.K.A. as seller and CI Games Cyprus Ltd. as purchaser. The trademarks were sold as per the assessment of market value carried out by a valuation expert and adopted pursuant to an opinion issued by an independent statutory auditor.

2) license agreement for use of the trademarks, executed between the Issuer's subsidiary CI Games Cyprus Limited as licensor and CI Games S.A. as licensee. The agreement covers an exclusive license for use by CI Games S.A. of the trademarks.

On March 27, 2013 an agreement was executed selling trademarks valued at a total of PLN 114 million between the Issuer's subsidiaries CI Games Cyprus Ltd. (seller) and CI Games IP Sp. z o.o. (purchaser), and the trademarks in question were transferred as a non-cash (in-kind) contribution to cover subscription by CI Games Cyprus Ltd. for 2 281 747 shares valued at PLN 114 087 350 in the share capital of CI Games IP Sp. z o.o.

Therefore, on March 28, 2013, a license agreement for use of the trademarks was executed between the Issuer's subsidiary CI Games IP Sp. z o.o. as licensor and CI Games S.A. as licensee. The agreement covers an exclusive license for use by CI Games S.A. of the trademarks.

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 (*spółka jawna*). 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.

On September 26, 2013, Business Area Spółka z ograniczoną odpowiedzialnością S.K.A. was transformed into Business Area Spółka z ograniczoną odpowiedzialnością Spółka Jawna.

The above project to streamline intellectual property management will bring a range of benefits for management of trademark licensing-related cash flows.

- **Conclusion of an office lease agreement**

On April 10, 2013, the Parent received a signed lease agreement with IO-1 Building Spółka z o.o., which was transformed into Bertie Investments Spółka z ograniczoną odpowiedzialnością S.K.A., a partnership limited by shares, in 2013. The agreement concerns the Issuer's lease of almost 1 300m² in office space located in Warsaw at ul. Puławska 182 (building IO-1 next to the Wilanowska metro station), designated as the Issuer's new registered office and Warsaw studio. Rent for the lease was negotiated at a level not diverging from the current market levels currently in force for buildings with similar standard and location. The lease term is five years.

- **General Meeting of CI Games S.A.**

An ordinary general meeting of CI Games S.A. took place on April 23, 2013, at which:

- a decision was adopted changing the Parent's name from City Interactive S.A. to CI Games S.A.,
- the financial statements and management report on Company and Group operations for 2012 were approved,
- a decision was taken to cover the 2012 loss with future profits,
- a vote of approval was granted to the Issuer's Management Board and Supervisory Board for performance of their duties in 2012,
- a chairperson and members of the Supervisory Board were elected for a subsequent five-year term.

- **Series C and D bond buy-back**

On May 28, 2013 the Issuer announced that it completed a full and timely buy-back of CI Games S.A.'s series C bonds. The total value of the buy-back, including interest, was: PLN 15 577 500.

On June 26, 2013 the Issuer completed a full and timely buy-back of series D bonds. The total value of the series D buy-back was: PLN 6 000 000.

- **Change of the Issuer's name from City Interactive S.A. to CI Games S.A.**

On August 22, 2013 the Parent's Management Board announced that it received a copy of a decision by the District Court for the Capital City of Warsaw, 13th Commercial Division of the National Court Register, regarding registration of an amendment in the Company's articles of association consisting especially of a change in the Company's name from City Interactive Spółka Akcyjna to CI Games Spółka Akcyjna. Pursuant to the updated articles of association, the Parent may use the abbreviated form CI Games S.A.

- **Series E bond issue**

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 Parent issued 5 703 ordinary bearer bonds with a total nominal value of PLN 5 703 000. The issue price per bond was PLN 1 000. Bondholders will receive a quarterly coupon calculated using a reference rate consisting of WIBOR 3M plus a 5.50% margin applied to the actual number of days during the Interest Period and assuming a 365-day year. The Redemption Date has been set as December 18, 2014, and the Issuer has the right to request early redemption, full or partial, on each Date of Early Redemption Requested by the Issuer, i.e. on the following dates: September 18, 2014, October 17, 2014 and November 18, 2014.

As at December 31, 2013, the debt to equity ratio, defined as consolidated net financial debt over equity, was negative at 0.07. Net financial debt is understood as the Group's liabilities relating to credits, loans, finance and operating leasing, issuance of bonds or other debt securities, along with other interest-bearing or discounted financial instruments, less any related derivative hedges, cash and cash equivalents, available-for-sale marketable

securities and restricted cash, calculated using figures from the Group's consolidated financial statements.

- **Alien Rage release**

The PC version of Alien Rage premiered on September 24, 2013. The game is sold online.

The Xbox360® version of Alien Rage was released on October 18, 2013, while the Playstation®3 version premiered in the U.S. on October 22, 2013 and in Europe on October 23, 2013. The game is sold through online channels. Released in October 2013 also was the box set version for PCs.

- **Liquidation of a subsidiary in Romania**

On November 7, 2013, a Bucharest, Romania-based subsidiary, City Interactive SRL, filed for bankruptcy at the 7th Civil Division of the Court in Bucharest. The company was formed in 2011 as a studio developing World of Mercenaries. Following a decision to discontinue work on this game in Q1 2013, which came after a review of its commercial potential, the Romanian subsidiary de facto did not independently conduct development operations, and the substantially reduced team in Romania supported production of the Issuer's other games. Due to a lack of economic or operational justification for maintaining a studio in Romania, the Management Board of CI Games S.A. decided to liquidate the company.

- **Resolutions of the Extraordinary General Meeting of Shareholders**

On November 14, 2013, an extraordinary general meeting of the Parent's shareholders was held. The following resolutions were adopted:

- amendment of the Company's articles of association concerning authorization for the Issuer's Management Board to increase issued share capital within authorized share capital by an amount not higher than PLN 948 750, for a period of three years from registration of this amendment in the court register of companies,
- amendment of the Company's articles of association concerning authorization for the Company's Management Board to exclude, with Supervisory Board approval, preemptive rights, in full or in part, regarding the increase in issued share capital within authorized share capital,
- use of supplementary capital, in the amount equal to the share premium from issue of shares as part of the increase in issued share capital within authorized share capital.

On November 28, 2013, the District Court for the Capital City of Warsaw, 13th Commercial Division of the National Court Register, approved the above changes to the articles of association.

- **Series E share issue**

On December 5, 2013, the private placement for series E shares was completed through the execution of share purchase agreements. The subscription included 1 264 999 series E shares with a nominal value of PLN 0.10 each. Investors interested in purchasing shares submitted proposals oversubscribing the placement. The series E shares were purchased for PLN 9.00 each, and the total value of the placement was PLN 11 384 991. The total cost of preparing and executing the series E share issue was PLN 284 624.78 and was settled in the accounts through reducing the difference between the issue price and the nominal amount.

On January 9, 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. The Issuer's share capital was increased from PLN 1 265 000.00 to PLN 1 391 499.90, i.e. by PLN 126 499.90.

On February 4, 2014, the Parent's Management Board received Resolution No. 122/2014 of the Management Board of the Warsaw Stock Exchange concerning the admission and

introduction to trading on the WSE's main market of series E ordinary bearer shares. Pursuant to the resolution, 1 264 999 series E ordinary bearer shares of CI Games S.A. with a nominal value of PLN 0.10 each were admitted to trading on the parallel market.

On February 6, 2014, the series E shares were registered and admitted to trading on the parallel market via a regular procedure.

- **Enemy Front and Lords of the Fallen distribution agreements for North America, Latin America (including the Caribbean) and South America**

On January 16, 2014, the Management Board of CI Games S.A. received a signed distribution agreement with Namco Bandai Games America Inc. concerning Enemy Front (Sony Playstation®3, Xbox®360) and Lords of the Fallen (Sony Playstation®4, Xbox®One) sales in North America, Latin America (including the Caribbean) and South America.

- **New credit agreement**

On February 21, 2014, the Parent signed a current-account loan agreement with Bank Spółdzielczy w Ostrowii Mazowieckiej, having its registered office in Ostrów Mazowiecka, ul. 3-go Maja 32. The Parent received a PLN 5 million limit to be used for general corporate purposes, including Enemy Front and Lords of the Fallen development and marketing. Interest: variable-rate WIBOR 1M for the preceding month plus a 2.99% bank margin. Commitment fee (calculated annually based on unused balance): 0.7%; origination commission - 1.3% of the loan amount. The loan is secured by a registered pledge of CI Games S.A. shares held by Marek Tyimiński - president of the management board and principal shareholder of the Issuer, up to 2.5x the loan amount, alongside a loan repayment guarantee from BGK under a PLD de minimis portfolio guarantee line in the amount of 60% of the loan, i.e. PLN 3 million for the loan term plus three months, i.e. until June 30, 2015; together with a power of attorney for use of funds in the current account maintained by the Bank.

The final repayment date is March 31, 2015.

A description of events which could have a significant impact on the Issuer's future financial results may be found in sections XI and XIII of this report.

VII. Discussion of key economic and financial values disclosed in the annual financial statements

Balance sheet assets and liabilities are translated according to the average exchange rate announced by the National Bank of Poland as at the end of the reporting period.

- EURPLN as at December 31, 2012 - 4.0882
- EURPLN as at December 31, 2013 - 4.1472

Items in the profit and loss statement and statement of cash flows are translated according to the average exchange rate, calculated as the arithmetical average of exchange rates announced by the National Bank of Poland as at the last day of the month in a given period:

- EURPLN in 2012 - 4.1736
- EURPLN in 2013 - 4.2110

Selected financial data translated into EUR

STATEMENT OF PROFIT AND LOSS	2013		2012	
	PLN	EUR	PLN	EUR
	thousands	thousands	thousands	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	EUR	PLN	EUR
	thousands	thousands	thousands	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	-4 700	-1 116	19 669	4 713
Net cash flows	-5 266	-1 251	-221	-53

BALANCE SHEET	December 31, 2013		December 31, 2012	
	PLN	EUR	PLN	EUR
	thousands	thousands	thousands	thousands
Non-current assets	68 236	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

1. Balance sheet

CI Games Group's carrying amount as at December 31, 2013 was PLN 98.0 million, a 35% increase in comparison with December 31, 2012.

Assets

Non-current assets recognized in the balance sheet as at December 31, 2013 amounted to PLN 68.2 million (accounting for 70% of the Group's total assets) and had increased by 52% in comparison with the situation as at December 31, 2012.

The growth in non-current assets results primarily from an increase in deferred income tax assets as at the end of 2013 compared to the end of 2012 (PLN 22.5 million compared with PLN 5.3 million in 2012), resulting mainly from the purchase of trademarks under optimization of Group IP management (detailed can be found in point VI of this report). Furthermore, the increase in non-current assets was based on an increase in intangible assets as at the end of 2013 compared to the end of 2012 by PLN 5.7 million, i.e. by 15%. This results from capital expenditures incurred in 2013 on new game development (development costs). At the same time, the Group recognized impairment losses on development work totaling PLN 16.0 million.

The Group's current assets as at December 31, 2013 amounted to PLN 29.8 million, an 8% increase from a growth in receivables. Trade receivables increased by PLN 3.4 million, i.e. 56% in the comparable periods, resulting from higher sales in 2013 than in 2012. In addition, income tax receivables were PLN 3.1 million, connected with an overpayment of income tax due to generating a tax loss. The largest item in the Group's current assets was cash and cash equivalents (PLN 11.2 million at the end of 2013) which decreased by PLN 5.3 million, or 32%, in comparison with 2012.

Equity and liabilities

As at December 31, 2013, the Group's equity amounted to PLN 80.5 million (82% of the carrying amount), denoting a more than double increase in relation to December 31, 2012. The increase in equity mainly resulted from the PLN 29.7 million in net profit generated in 2013 and the series E share issue. The Parent's share capital was increased by PLN 126 000, whereas the share premium (less issue costs) in the amount of PLN 11 million was transferred to supplementary capital. Details of the share issue are presented in point VI of this report.

The Group's liabilities at PLN 17.5 million decreased by PLN 15.4 million compared with the end of 2012. This resulted from the repayment of series C and D bonds with a total nominal value of PLN 21.5 million. In 2013, CI Games S.A. also issued series E shares worth PLN 5.7 million. Detailed of the above repayment and issue are presented in point VI of this report. Furthermore, deferred revenue, in the amount of PLN 2.7 million, constituted prepayments received in 2012 for Sniper: Ghost Warrior 2 licensing which were recognized as revenue after the games release. Trade payables did not significantly changed compared with 2012 year-end (a PLN 0.3 million increase), however an increase was noted in deferred income tax provisions (by PLN 1 million) and - due to non-invoiced costs concerning the reporting period - other liability provisions (by PLN 0.5 million).

2. Profit and loss statement

The Group generated PLN 107.3 million in net revenue from sales, a PLN 66 million increase from 2012. The principal factor contributing to the sales results achieved during the period was the release of Sniper: Ghost Warrior 2, which took place in the North American market on March 12, 2013 and in Europe on March 15, 2013. The game was released simultaneously for all platforms - PlayStation®3, Xbox360® and PC. Alien Rage also premiered during the reporting period - the online and PC versions on September 24, 2013 and the console version at the end of October 2013.

The Group generated PLN 49.7 million in gross profit and a PLN 15.8 million operating profit. A description of factors affecting the Group's operating performance is provided in item VIII of this report.

The Group recorded a PLN 1.7 million loss on financing activities, resulting mainly from costs connected with raising capital by the Parent (bonds, reverse factoring) and negative exchange differences stemming from unfavorable currency movements during the reporting period.

The 2013 net profit of PLN 29.7 million was significantly impacted by the recognition of a deferred tax asset resulting from acquisition of trademarks valued at PLN 18.4 million.

3. Statement of cash flows

The Group began 2013 with PLN 16.5 million in cash and cash equivalents.

Net cash flows from operating activities amounted to PLN 30.5 million. The most significant impact on operating cash flows came from the 2013 gross profit, adjusted for depreciation, resulting from the release of Sniper Ghost Warrior 2.

Net cash flows from investing activities were negative at PLN -31.0 million. Expenditures connected with the financing of new game development in the amount of PLN 29.6 million constituted a significant item.

Net cash flows from financing activities were negative at PLN -4.7 million, resulting from the Parent's bond buyback during the period with a total nominal value of PLN 20.6 million. At the same time CI Games S.A. issued series E bonds and series E shares, generating a total of PLN 16.8 million in cash.

Cash and cash equivalents at the end of the reporting period amounted to PLN 11.2 million.

VIII. Assessment of and justification for financial management at CI Games Group, together with specification of potential risks and preventative measures which the Parent has taken or intends to take. Information on the current and anticipated financial standing

Profitability ratios

	Item	Unit of measure	2013	2012
1.	Sales margin	%	46.3%	26.6%
2.	EBITDA margin	%	30.3%	-45.8%
3.	EBIT operating margin	%	14.7%	-52.0%
4.	Gross margin	%	13.1%	-56.7%
5.	Net margin	%	27.7%	-48.0%
6.	Return on assets	%	30.3%	-27.3%
7.	Return on equity	%	36.9%	-49.9%

Ratios calculated as follows:

- | | | |
|--------------------------|---|--|
| 1. Sales margin | = | profit from sales / revenue from sales |
| 2. EBITDA margin | = | EBITDA / Revenue from sales |
| 3. EBIT operating margin | = | Operating profit / revenue from sales |
| 4. Gross margin | = | Profit before tax / revenue from sales |
| 5. Net margin | = | Net profit / revenue from sales |
| 6. Return on assets | = | Net profit / assets |
| 7. Return on equity | = | Net profit / equity |

The Group's sales margin in 2013 was 46.3%, a 19.7pp increase compared to 2012. Several factors contributed to this:

Firstly, the higher margin resulted from the release of Sniper: Ghost Warrior 2 in 2013, which was sold mainly at regular prices, whereas in 2012 the game's first installment (Sniper: Ghost Warrior) was sold at discounted prices for all platforms (resulting from the game's lifecycle). Furthermore, throughout 2012 the Group sold several other, older games from its inventory at significantly reduced prices.

Selling costs increased by PLN 8.6 million in the comparable periods, stemming primarily from higher marketing expenses connected with the release of Sniper: Ghost Warrior 2. Administrative expenses increased by PLN 0.6 million, mainly due to the costs of legal and tax services resulting from the IP management optimization project.

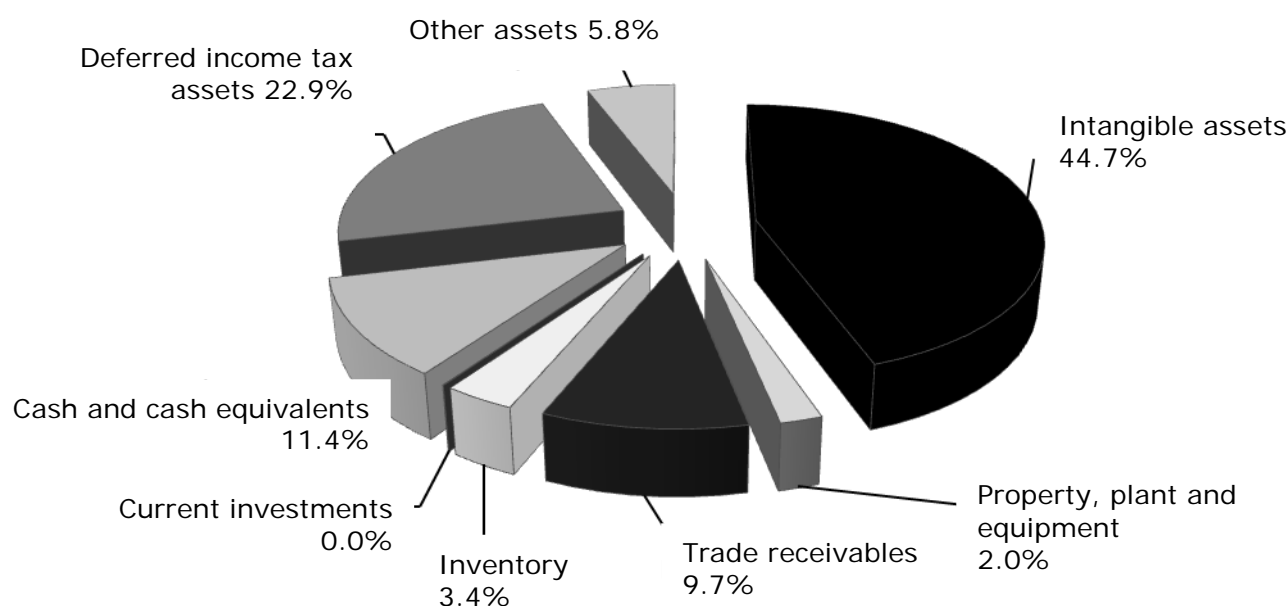
The Group also recognized an impairment loss of PLN 8.0 million on Alien Rage development (equal to the amount of expected proceeds from the game's sales). Further to that, the Group wrote down unrecoverable receivables on tax withholding in the amount of PLN 0.9 million, along with a simultaneous reversal of a PLN 0.8 million impairment loss.

Given the factors above, gross margin was positive at 13.1%.

Asset structure

	Item	Unit of measure	2013	2012
1.	Intangible assets	%	44.7%	52.6%
2.	Property, plant and equipment	%	2.0%	2.0%
3.	Trade receivables	%	9.7%	8.4%
4.	Inventory	%	3.4%	3.3%
5.	Current investments	%	0.0%	0.1%
6.	Cash and cash equivalents	%	11.4%	22.7%
7.	Deferred income tax assets	%	22.9%	7.3%
8.	Other assets	%	5.9%	3.6%

2013 asset structure



The asset structure as at the end of 2013 (similar to previous years) was dominated by intangible assets, consisting primarily of game development costs. As at December 31, 2013, this item constituted 44.7% of the Group's assets.

Significant asset items included deferred income tax assets (22.9% of the total carrying amount), cash and cash equivalents (11.4%) and trade receivables (9.7%).

As at December 31, 2013, the Group held PLN 11.2 million in bank accounts. The Group raised PLN 16.8 million through the Issuer's series E bonds and series E shares and generated a 30.5 million cash surplus on operating activities in 2013. The Group also incurred PLN 29.6 million in capital expenditure comprising finance for new game development and redeemed series C and D bonds (PLN 20.6 million).

Turnover ratios

Item	Unit of measure	2013	2012
1. Asset turnover ratio	times turned over	1.1	0.6
2. Inventory turnover ratio		32.2	17.5
3. Receivables collection period	number of days	32	54
4. Payables repayment period		28	71

Ratios calculated as follows:

1. Asset turnover ratio = revenue from sales / assets
2. Inventory turnover ratio = revenue from sales / inventory at the end of reporting period
3. Receivables collection period = (trade and other receivables / revenue from sales) * number of days in period
4. Payables payment period = (trade and other payables / revenue from sales) * number of days in period

The receivables collection period improved to 32 days from 54 in the year prior, as did the payables repayment period (28 days compared with 71 days in the previous year), which resulted from higher revenue generated during the reporting period.

Debt ratios

Item	2013	2012
1. Debt ratio	0.18	0.45
2. Debt to equity	0.22	0.83
3. Equity to assets	1.20	0.89
4. Short-term debt ratio	0.17	0.45
5. Long-term debt ratio	0.011	0.002

Ratios calculated as follows:

1. Debt ratio = (current liabilities + non-current liabilities) / total equity and liabilities
2. Debt to equity = (current liabilities + non-current liabilities) / equity
3. Equity to assets = (equity + non-current liabilities) / non-current assets
4. Current debt ratio = current liabilities / total equity and liabilities
5. Long-term debt ratio = non-current liabilities / total equity and liabilities

Debt ratios have improved in relation to the previous year. This is due to a PLN 29.7 million net profit generated in 2013 and the issue of series E shares, which increased the Group's equity, at the same time decreasing external finance sources in the Group's financing structure. In addition, in 2013 the Parent redeemed series C and D bonds with a total nominal value of PLN 21.5 million which substantially reduced liabilities.

Liquidity ratios

Item	2013	2012
1. Current ratio	1.82	0.84
2. Quick ratio	1.62	0.77
3. Cash ratio	0.69	0.50

Ratios calculated as follows:

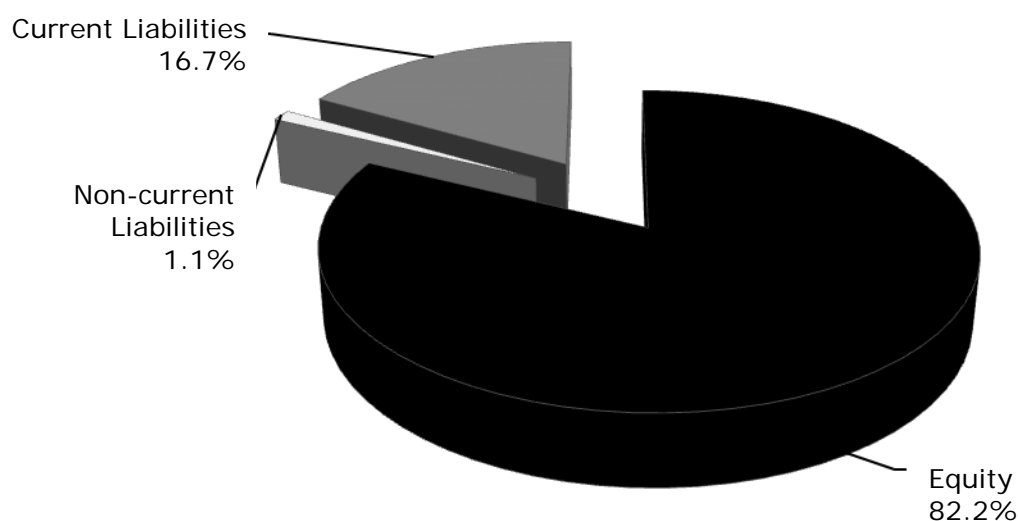
1. Current ratio = current assets / current liabilities
2. Quick ratio = (current assets - inventory) / current liabilities
3. Cash ratio = cash and cash equivalents / current liabilities

All of the Group's liquidity ratios improved. This was caused by a slight increase in current assets and a simultaneous substantial decrease in current liabilities in the comparable periods. As at December 31, 2013, cash and cash equivalents amounted to PLN 11.2 million, compared to PLN 16.5 million as at the end of the previous year.

Financing structure

Item	Unit of measure	2013	2012
1. Equity	%	82.2%	54.7%
2. Non-current liabilities	%	1.1%	0.2%
3. Current liabilities	%	16.7%	45.1%

2013 financing structure



Equity comprises the main component within the Group's financing structure (82.2% of equity and liabilities). The increase in equity as at December 31, 2013 compared to the same period in 2012 resulted from a PLN 29.7 million profit generated in 2013 and the issue of series E bonds.

All financial ratios, asset values and financial standing demonstrate the company's good financial position and constitute a stable basis for further development and implementation of the Group's strategic objectives. According to the Parent's management, no circumstances exist which could indicate a threat to the Group's continuing as a going

concern or a threat of losing liquidity and thus not being able to service assets and meet liabilities in a normal course of doing business.

IX. Information on key products, goods for resale and services, their volume and value, together with Group sales by product group and changes in 2013

CI Games Group operates in the global video game development and publishing market. The Group places emphasis on sales in the form of distributing finished media with computer programs (finished goods), however in some cases sells licenses for the distribution of games within a specific area and a specific time period.

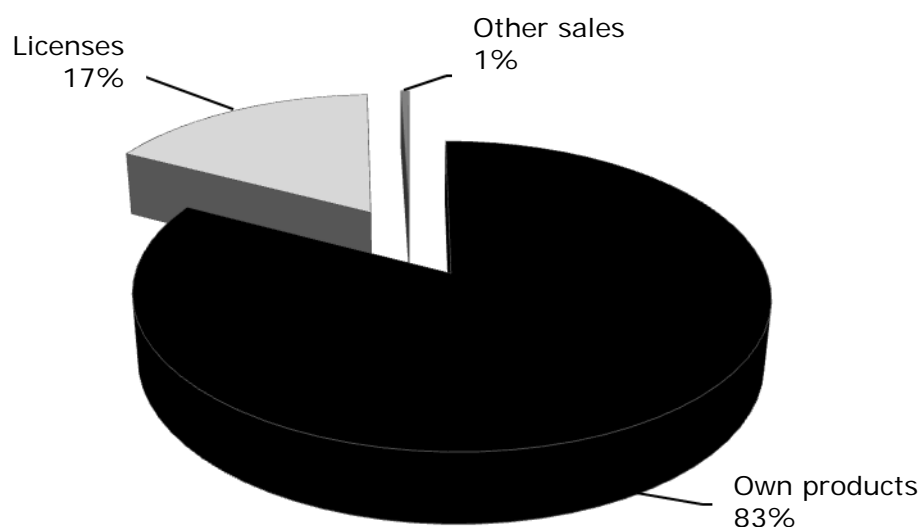
The structure of revenue from sales achieved by the Group over the period 2012 - 2013 with consideration to the type of product offered is as follows:

1. Revenue from sales by value

Data in PLN thousands

Revenue	2013	% share	2012	% share	2013/2012
Own products	88 755	82%	35 699	87%	149%
Licenses	17 986	17%	3 945	9%	356%
Other sales	548	1%	1 561	4%	-65%
Total	107 290	100%	41 205	100%	160%

2013 revenue structure



2. Revenue from sales by volume

Revenue	2013	% share	2012	% share	2013/2012
Own products	2 045 911	89%	1 194 011	75%	-2%
Licenses	179 750	8%	149	0%	-8%
Other sales	77 709	3%	396 370	25%	-45%
Total	2 303 370	100%	1 590 530	100%	-17%

X. Information on sales markets, divided into domestic and international, together with sources of supply for production materials, goods and services, with specification of dependence on customers and suppliers

In 2013, foreign sales accounted for 97% of total Group sales and did not significantly change from 2012.

Data in PLN thousands

Sales	2013	2012
Foreign	104 012	39 296
<i>% share</i>	97%	95%
Domestic	3 278	1 910
<i>% share</i>	3%	5%
Total	107 290	41 205

Exports accounted for 95% of the sales volume which is a substantial increase compared with 2012 (by 29%). This change results from the downsizing of the product catalogue (the Group sold leftover titles in 2012 at significantly reduced prices), which means a decrease in domestic sales compared with the previous year. The difference in the % share of foreign sales value and volume results mainly from higher unit prices in foreign markets than in Poland.

Sales	2013	2012
Foreign	2 182 132	1 054 249
<i>% share</i>	95%	66%
Domestic	121 238	536 281
<i>% share</i>	5%	34%
Total	2 303 370	1 590 530

Customers whose share in the Group's sales in 2013 exceeded 10%:

Counterparty	% share
1. Namco Bandai Games Europe	11.08%
2. Game Stop	10.57%
3. U&I Entertainment	10.05%

Other counterparties did not exceed the 10% threshold.

The table below presents a list of suppliers whose share in the Group's purchases in 2013 exceeded 10%:

Counterparty	% share
1. Microsoft Ireland Operations Ltd	31.79%
2. Sony DADC Austria AG	30.05%
3. Sony DADC USA INC	18.76%

Other suppliers did not exceed the 10% threshold.

XI. Information on agreements significant for the business activity of CI Games Group, including agreements entered into between shareholders and insurance, collaboration and cooperation agreements

1. Agreements significant to Group operations:

- **Agreement concerning treasury transactions**

On February 13, 2013 the Parent executed a framework agreement on cooperation in the area of forward and derivative transactions, together with an additional agreement on foreign exchange transactions, with Raiffeisen Bank Polska S.A. On the same day the Parent also received an executed framework agreement on treasury transactions from Alior Bank S.A. also covering forward transactions.

- **Office lease agreement**

On April 10, 2013, the Parent received a signed lease agreement with IO-1 Building Spółka z o.o., which was transformed into Bertie Investments Spółka z ograniczoną odpowiedzialnością S.K.A., a partnership limited by shares, in 2013. The agreement concerns the Issuer's lease of almost 1 300m² in office space located in Warsaw at ul. Puławska 182 (building IO-1 next to the Wilanowska metro station), designated as the Issuer's new registered office and Warsaw studio. Rent for the lease was negotiated at a level not diverging from the current market levels currently in force for buildings with similar standard and location. The lease term is five years.

- **Enemy Front and Lords of the Fallen distribution agreements for North America, Latin America (including the Caribbean) and South America**

On January 16, 2014, the Management Board of CI Games S.A. announced that it had received a signed distribution agreement with Namco Bandai Games America Inc. concerning Enemy Front (Sony Playstation®3, Xbox®360) and Lords of the Fallen (Sony Playstation®4, Xbox®One) sales in North America, Latin America (including the Caribbean) and South America.

2. Insurance agreements

During the reporting period, CI Games Group held the following insurance policies:

Insurer	Subject and scope of insurance	Period	Value
AIG Europe Limited*	Civil liability insurance for the Parent's Management Board	07.11.2012 - 06.11.2013	PLN 50 million
AIG Europe Limited	Civil liability insurance for the Parent's Management Board	07.11.2013 - 06.11.2014	PLN 60 million
AIG Europe Limited*	Civil liability insurance concerning product liability	10.06.2012 - 09.06.2013	USD 2 million
AIG Europe Limited	Civil liability insurance concerning product liability	10.06.2013 - 09.06.2014	USD 2 million
AIG Europe Limited*	Civil liability insurance concerning product liability	05.05.2012 - 04.05.2013	USD 3 million
AIG Europe Limited*	Civil liability insurance concerning product liability	05.05.2013 - 04.05.2014	USD 3 million
ERGO Hestia S.A.	Insurance for electronic equipment	15.09.2012 - 14.09.2013	PLN 2.2 million
ERGO Hestia S.A.	Property insurance	15.09.2012 - 14.09.2013	PLN 1.3 million
ERGO Hestia S.A.	Additional property insurance	27.09.2012 - 30.04.2013	PLN 5.0 million
AVIVA Towarzystwo Ubezpieczeń Ogólnych S.A.	Insurance for electronic equipment and property	15.09.2013 - 14.09.2014	PLN 7.7 million
ERGO Hestia S.A.	Civil liability insurance concerning business operations or use of property	15.02.2013 - 14.02.2014	EUR 0.1 million
Scottsdale Insurance Company	Civil liability insurance for the Parent's Management Board	26.01.2012 - 26.01.2013	USD 2 million
Scottsdale Insurance Company	Civil liability insurance for the Parent's Management Board	26.01.2013 - 26.01.2014	USD 2 million
LLOYD'S	Civil liability insurance concerning product liability	10.06.2012 - 10.06.2013	USD 2 million
LLOYD'S	Civil liability insurance concerning product liability	10.06.2013 - 10.06.2014	USD 2 million

* Formerly Chartis Europe S.A.

In addition to the above, the Group held third party and fully comprehensive insurance policies for six passenger vehicles.

3. Agreements between shareholders

The Management Board of CI Games S.A. is not aware of any agreements entered into between the Parent's shareholders in 2013.

XII. Agreements between the Issuer and management personnel providing for compensation in the event of their resignation or dismissal without valid cause or if their dismissal or redundancy occurs as a result of the Issuer's merger

No such agreements were executed.

XIII. Information on the Parent's loan agreements with consideration to their maturity dates and on guarantee and surety agreements

1. Agreements concerning borrowings

As at December 31, 2013, the Issuer did not have any borrowing liabilities.

- **Reverse factoring agreement**

On February 20, 2013 the Parent signed a reverse factoring agreement with Alior Bank S.A. in Warsaw. The Bank extended the Issuer a EUR 3.2 million limit available in EUR and USD for financing for goods / licenses / contract work. Final repayment deadline: July 31, 2013. Interest: EURIBOR 1M for EUR and LIBOR 1 M for USD plus the Bank's margin of 2.2% annualized; origination commission (calculated from unused amounts) - none. Collateral: Notarized assignment of CI Games USA Inc.'s receivables; declaration on submission for enforcement proceedings; power of attorney for the Issuer's bank accounts at Alior Bank S.A. Other provisions in the agreement did not differ from conditions commonly applied to this type of agreements.

On July 15, 2013 the Company made a full and timely repayment of the reverse factoring facility.

- **New credit agreement**

On February 21, 2014, the Parent signed a current-account loan agreement with Bank Spółdzielczy w Ostrowii Mazowieckiej, having its registered office in Ostrów Mazowiecka, ul. 3-go Maja 32. The Parent received a PLN 5 million limit to be used for general corporate purposes, including Enemy Front and Lords of the Fallen development and marketing. Interest: variable-rate WIBOR 1M for the preceding month plus a 2.99% bank margin. Commitment fee (calculated annually based on unused balance): 0.7%; origination commission - 1.3% of the loan amount. The loan is secured by a registered pledge of CI Games S.A. shares held by Marek Tyimiński - president of the management board and principal shareholder of the Issuer, up to 2.5x the loan amount, alongside a loan repayment guarantee from BGK under a PLD de minimis portfolio guarantee line in the amount of 60% of the loan, i.e. PLN 3 million for the loan period plus three months, i.e. until June 30, 2015. The final repayment date is March 31, 2015.

2. Lease agreements

As at December 31, 2013, 2012 the Parent had signed one operating lease agreement which was executed with Getin Leasing S.A. in 2012 (initial value: PLN 76 800, principal remaining as at December 31, 2013: PLN 38 000).

3. Guarantee and surety agreements

The Parent has a bank guarantee issued by Alior Bank S.A. on April 23, 2013 up to the amount of PLN 420 000 for Bertie Investment Sp. z o.o. concerning the lease of office space at ul. Puławska 182. The guarantee is valid until April 22, 2014.

As at December 31, 2013, The Group does not have any other contingent liabilities.

XIV. Securities issuance during the reporting period - description of the use of proceeds

- **Series E bond issue**

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 Parent issued 5 703 ordinary bearer bonds with a total nominal value of PLN 5 703 000. The issue price per bond was PLN 1 000.

- **Series E share issue**

On December 5, 2013, the private placement for series E shares was completed through the execution of share purchase agreements. The subscription included 1 264 999 series E shares with a nominal value of PLN 0.10 each. Investors interested in purchasing shares submitted proposals oversubscribing the placement. The series E shares were purchased for PLN 9.00 each, and the total value of the placement was PLN 11 384 991.

A detailed description of the above-mentioned issues can be found in point VI of this report.

XV. Information on borrowings granted by CI Games S.A.

Borrower	Total contractual amount	Repayment date	Loan and interest amount in foreign currency	Loan and interest amount in PLN
CI Games GERMANY GmbH	EUR 80 000	09.01.2015	EUR 81 255	336 982
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

XVI. Level of salaries, awards, benefits paid out, due or potentially due to the Parent's management or supervisory personnel

Level of (gross) remuneration for the Parent's management and supervisory personnel paid out in 2013 (in PLN):

Management Board of CI Games S.A.

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

Supervisory Board of CI Games S.A.

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

XVII. Information on significant transactions executed by the Issuer or its subsidiaries with related parties

All transactions described below were executed on market terms. Parent CI Games S.A.'s transactions with Group companies:

Data in PLN thousands

	Costs	Revenues	Receivables	Liabilities
CI Games GERMANY GmbH	404	5	337	61
CI Games USA Inc.	181	32 988	4 515	-
City Interactive Studio S.R.L.	-	2	-	-
Business Area Sp. z o.o.	-	7	6	-
Business Area Sp. z o.o. Sp. j.	2 025	1 300	-	1 546
CI Games S.A. Sp. j.	718	27	-	134
CI Games Cyprus LTD	2 116	-	-	2 116
City Interactive Peru	-	-	-	490
TOTAL	5 444	34 330	4 858	4 348

On March 11, 2013, the Parent acquired shares in Business Area Spółka z ograniczoną odpowiedzialnością S.K.A. with a total nominal value of PLN 128.9 million in exchange for a non-cash contribution in the form of an organized part of a business. Detailed of the transaction are presented in point VI of this report.

Parent CI Games S.A.'s transactions with companies connected with Marek Tyimiński – majority shareholder in the Parent, who directly or indirectly controls the following entities:

Data in PLN thousands

	Costs / procurement	Revenues	Receivables	Liabilities
Onimedia Sp. z o.o.	-	9	-	-
Premium Food Restaurants S.A.	27	76	53	-
Tech Marek Tyimiński	-	2	1	-
MT Golf Sp. z o.o.	-	10	32	-
TOTAL	27	97	87	-

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

Issuer's transactions with companies personally linked to members of its supervisory board and management board:

Data in PLN thousands

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

XVIII. Indication of proceedings in progress before a court, competent authority for arbitration proceedings or public administration authority

As at the report publication date the Issuer's management has no information concerning any proceedings in progress against it or its subsidiaries.

XIX. Description of atypical factors and events impacting on the operating results in 2013

In 2013, the Parent completed an IP management optimization project and recognized impairment losses on intangible assets. A detailed description of the transactions is presented in point VI of this report, while their effects on the Group's results are described in points VII and VIII.

During the reporting period no other atypical events occurred such as would have had a significant impact on the CI Games Group's financial performance.

XX. Explanation of variances between the financial results indicated in the annual report and previously published forecasts

On March 6, 2014, CI Games S.A. announced that, according to preliminary estimates, CI Games Group liabilities reached PLN 17.4 million as at December 31, 2013. The management confirms that the above guidance has been met.

The Issuer's Management Board did not publish any estimates or forecasts relating to the Group results presented in this report.

XXI. Significant risks and threats

The most significant external risks from the Issuer's point of view are as follows:

Macroeconomic risk

The video game market in which the CI Games Group operates is highly competitive, and technology and consumer interests change rapidly. A significant factor which exerts a negative impact on operational efficiency are the macroeconomic fluctuations in specific markets. In order to minimize risk, the Group develops its operations on a global scale, independently releasing products in all of the most significant markets around the world. In recent years the entertainment industry has developed dynamically and it is estimated that the value of the video gaming market will exceed that of the film industry.

Competition risk

The Group conducts operations in a market where the leading position is held by companies with strong, established positions. The CI Games Group successfully competes with them by using its key advantages: an experienced team, global distribution network and cost efficiency which results in a lower breakeven point compared to other, much larger developers. A horizontal organizational structure enables flexibility and short reaction time. Its products are included in all price ranges. The Group develops games for both previous (Sony PlayStation®3, Xbox360®) and next generation platforms (Sony PlayStation®4, XboxOne®) which have high commercial potential and are competitive against others present in the market. The Group has also taken steps to supplement its portfolio by entering a new gaming segment: games for iOS.

Risk of change in trends

The Group operates in the new technology and virtual entertainment fields where a product's life cycle is relatively short. What cannot be counted out is the risk of new solutions appearing which mean that the products offered by the Group cease to be attractive and do not ensure the desired inflows. In order to minimize this risk a strategy has been adopted to follow trends and offer a range on the market which is proven and enjoys success amongst customers, rather than setting trends, a strategy which is a lot more expensive and risky.

The CI Games Group's principal activities in this field are based on constant monitoring of the market with regard to the development of new technologies (e.g. 3D) and managing new segments created by new consoles, mobile devices and online.

The current project pipeline ensures diversification of CI Games' product range and reduces market risk.

Risk of change in legal and tax regulations

Frequent changes in legal and tax regulations in Poland and other markets constitute a threat to the Issuer's operations. This concerns the regulation and interpretation of regulations connected with intellectual property, capital market, labor law and social security, tax law and regulations concerning commercial law. In some countries the issue of banning video games containing elements of violence is frequently raised. There is thus a risk of changes in regulations in a country where the Group sells its products which could have a negative impact on the Group's financial performance.

At the same time the Group undertakes activities aimed at eliminating risk through cooperating with specialist law firms around the world as well as insuring its entire catalog against product liability.

Foreign exchange risk

During 2013, 97% of the Group's revenues were generated primarily in two currencies: EUR and USD. The Parent hedges against currency risk through incurring liabilities in these currencies.

Cash surpluses in specific currencies are hedged through forward FX contracts in the principal foreign currencies.

The risk factors directly connected with the CI Games Group's operations include:

Risk associated with loss of key employees

The Group's success is to a large extent dependent on the knowledge and experience of employees. This is a characteristic feature of video game developers in a business where the key assets are intangible. In this market it is difficult to seek out qualified industry specialists. The recruitment of new employees is furthermore combined with the period of their introduction to work, resulting in a temporary decrease in productivity.

The Group places particular emphasis on the following:

- a motivational salary scheme which builds links between the organization and the employee, together with medical care and a social package,
- a working environment which encourages communication and sharing of experience,
- management training for key employees,
- an incentive scheme for executives which is conditional on the financial results achieved.

Risk associated with loss of key customers

Sales operations are conducted on the basis of a developed retail network in Poland and on close cooperation with international distributors from around the world. This is a risk associated with the termination of distribution agreements or the bankruptcy of entities engaged in distribution which are formal purchasers of goods and for which the Group is a creditor. In order to minimize the possibility of incurring losses, the Parent has subsidiaries in the most operationally significant markets, such as the United States, whose task is to constantly expand distribution opportunities and to work closely with distributors.

During 2013:

- the largest customer accounted for 11% of the CI Games Group's total sales,
- the three largest customers accounted for 32% of the Group's sales.

Supplier risk

One of the risk categories connected with suppliers is the introduction of titles on specific consoles and cooperation with their owners during the certification process. Non-acquisition of certification and the potential for termination of release agreements for consoles are two main elements of risk which exist in reality and may have an impact on the Group's financial results. It should however be emphasized that the Group makes specific efforts to meticulously fulfill and perform all obligations under agreements entered into between such entities and the Issuer or its subsidiaries. Payments connected with the release of games for consoles formed the main part of the Group's commercial liabilities during the reporting period and are always paid on time.

Corporate growth risk

The CI Games Group has a cash surplus from operating activities, which is used to finance the Group's game releases. The Parent has the capability to raise bank and capital-market financing in the event of this becoming necessary to finance additional projects.

Product portfolio risk

The video game market is driven by expectations connected with the release of new products. There is a risk that some products are finished later than planned, which as a consequence has a negative impact on cash flows generated and the financial result in specific periods.

Internal factors which can cause the delay of a release include difficulties in specifying the time needed to finish production and inspect the quality of a game in order for it to fulfill all expectations relating to quality. The release of a game which does not fulfill the high standards adopted by the Group could have a negative impact not just on the anticipated revenues from sale of this specific product but could also weaken the Company's image.

An external factor capable of resulting in the decision to postpone a release is the market situation, since an important element of the decision-making process is release of a game when competition from other products is at its lowest. Amongst other external factors a significant element is supplier delays in timely preparation of ordered game components.

In many instances rescheduling of a release is connected with an element of marketing known as the "long-awaited game," which is beneficial in creating a product image.

An additional aspect is the risk of companies or external persons threatening Group companies with legal action concerning copyrights to games, their elements, trademarks or reserved names for specific products. Operations in the United States are particularly exposed to this risk since this jurisdiction is characterized by strict legislation. In order to avoid losses here, the Group hires law firms specializing in intellectual property law and registers the trademarks of its products. In submitting such an application to protect

trademarks in the European Union and in other countries around the world, availability in specific markets is verified and the risk of violating third party trademarks is estimated.

Liquidity risk

The CI Games Group generates a cash surplus from operating activities. Protection against the risk of customer default is ensured through analyzing their financial condition and monitoring payment of receivables on an on-going basis. The Parent is also able to raise capital through bank debt or debt issuance.

XXII. Assessment of the potential to achieve investment objectives, including equity investments, with consideration to the amount of capital held and the capacity to change the financing structure for such operations

The CI Games Group has the capability to finance investment projects. During financial year 2014, the Group intends to maintain the current level of investment. Own funds as well as bank and capital market financing be used to finance investment projects.

XXIII. Indication of factors significant to the Group's development and description of growth perspectives

The CI Games Group is unwavering in pursuing its development strategy aimed at consistently releasing high quality video games. The quality of the game development, marketing and sales process is the decisive factor impacting product planning and development activities. The Group produces games for PCs and consoles, including next-gen - which began selling in Q4 2013 and are gradually replacing the existing platforms. By releasing games for users of both new- and older-generation consoles, the Issuer aims to reach a larger target group.

Almost three years of intensive work went into development of a sequel to Sniper: Ghost Warrior 2. The game was released in the US on March 12 and in Europe on March 15, 2013. Additional downloadable content was subsequently released as add-ons to the game. Over 1.5 million copies have been sold so far and over 5 million for the entire series.

The second half of 2013 also saw the release of Alien Rage. The game was developed using the latest version of Unreal® Engine3 and is available online for PCs, Xbox360® and PlayStation®3. A box set version for PCs was also released in selected markets.

One of the Issuer's key projects in the production phase with high commercial potential is Enemy Front, a first person shooter set during the Second World War. The game's release for Xbox360®, Sony PlayStation®3 and PC is planned for mid-2014.

An experienced team at Deck13 of Germany is currently working on development of Lords of the Fallen. The game, set to be released in H2 2014, will be available on Xbox One®, PlayStation®4 and PCs.

The Group's products will be distributed in regional markets by leading players in the given area, some of them being branches of the largest global video gaming companies.

The Issuer's management believes that the current strategy will allow the CI Games Group to continue delivering strong financial performance and to strengthen its position in global markets. The management believes that the company has the necessary competences and technical capabilities to develop, release and distribute high quality games.

XXIV. Information regarding agreements with an entity authorized to audit financial statements

- a) Name of the entity: CSWP Audyt Spółka z o.o. Sp. k.
- b) Date of entering into the agreement on audit of the separate and consolidated financial statements for 2013 – June 19, 2013. The agreement concerns audit of the financial statements of the Parent and Group for 2013 (semi-annual review and annual audit).
- c) Total remuneration due for review and audit of the Parent's and Group's financial statements in 2013 – PLN 42 000 net.
- d) The entity auditing the 2012 financial statements of the Parent and Group (semi-annual review and annual audit) was CSWP Audyt Sp. z o.o. Sp. k. Total remuneration due for review and audit of the Parent's and Group's financial statements in 2012 was PLN 40 000 net.

Marek Tymiński

President of the Management Board

Warsaw, March 21, 2014