CITY INTERACTIVE GROUP

CONSOLIDATED QUARTERLY REPORT

FOR THE FIRST QUARTER OF 2013

GAMES

Warsaw, May 10, 2013

CONTENTS

I. CONSOLIDATED DATA FOR THE CITY INTERACTIVE GROUP

CONSOLIDATED BALANCE SHEET

as at March 31, 2013

PLN thousands

	ASSETS	As at Mar 31, 2013	As at Mar 31, 2012	As at Dec 31, 2012
A.	**NON-CURRENT ASSETS**	**43 773**	**35 480**	**44 883**
	Property, plant and equipment	1 548	1 742	1 425
	Intangible assets	37 919	31 981	38 108
	Goodwill	-	9	9
	Interests in subsidiaries, associates and jointly controlled entities	18	18	18
	Deferred income tax assets	4 255	1 696	5 291
	Other non-current assets	34	34	33
B.	**CURRENT ASSETS**	**84 276**	**33 647**	**27 574**
	Inventory	3 822	4 766	2 357
	Current investments	32	1 067	43
	Advance payments	1 353	85	100
	Trade receivables	59 515	9 364	6 108
	Income tax receivables	-	857	-
	Cash and cash equivalents	18 051	13 926	16 474
	Other current assets	1 504	3 584	2 492
	TOTAL ASSETS	**128 049**	**69 127**	**72 457**

CONSOLIDATED BALANCE SHEET

as at March 31, 2013 (continued) PLN thousands

	EQUITY AND LIABILITIES	As at Mar 31, 2013	As at Mar 31, 2012	As at Dec 31, 2012
A.	**EQUITY**	**63 563**	**58 357**	**39 657**
	Share capital	1 265	1 265	1 265
	Share premium	4 556	4 556	4 556
	Exchange differences on translation of foreign operations	664	-	-
	Revaluation reserve	- 987	534	-
	Exchange differences on net investments in foreign operations	- 26	- 11	- 54
	Buy-back provision	16 000	16 000	16 000
	Retained earnings	42 092	36 013	17 891
	including profit (loss) for the period	24 201	- 2 048	- 19 794
	Equity attributable to owners of the Parent	**63 563**	**58 357**	**39 657**
	Equity attributable to non-controlling interests	**-**	**-**	**-**
B.	**LIABILITIES**	**64 486**	**10 769**	**32 799**
	Non-current liabilities	**1 838**	**333**	**114**
	Employee benefit provisions	67	60	32
	Finance lease liabilities	33	22	39
	Deferred income tax provision	1 738	251	44
	Current liabilities	**62 648**	**10 437**	**32 685**
	Borrowings including credits, loans and other debt instruments	21 120	-	20 602
	Income tax liabilities	2 698	22	-
	Trade payables	19 126	7 615	8 030
	Finance lease liabilities	45	26	51
	Other financial liabilities	12 768	-	-
	Other liabilities	480	437	286
	Other current provisions	6 147	276	988
	Deferred revenue	264	2 060	2 728
	TOTAL EQUITY AND LIABILITIES	**128 049**	**69 127**	**72 457**

Book value (in PLN thousands)	63 563	58 357	39 657
Number of shares (in thousands)	12 650	12 650	12 650
Book value per share (in PLN)	5.02	4.61	3.13

CONSOLIDATED PROFIT AND LOSS STATEMENT

for the period from January 1 to March 31, 2013

(multiple-step format)

PLN thousands

	for the period Jan 1 - Mar 31, 2013	for the period Jan 1 - Mar 31, 2012	for the period Jan 1 - Dec 31, 2012
Continuing operations			
Net revenue from sales	**79 395**	**9 638**	**41 205**
Revenue from sale of products and services	79 705	9 104	40 151
Revenue from sale of goods for resale and materials	- 310	534	1 055
Cost of products, goods for resale and services sold	**35 207**	**7 145**	**30 227**
Cost of manufacture of products sold	34 966	6 794	29 585
Value of goods for resale and materials sold	241	351	641
Gross profit (loss) on sales	**44 188**	**2 494**	**10 979**
Other operating revenue	79	70	329
Distribution costs	10 835	1 680	9 691
Administrative expenses	1 829	1 419	5 973
Other operating expenses	705	254	17 074
Profit (loss) on operating activities	**30 897**	**- 790**	**- 21 431**
Finance income	68	94	442
Finance costs	533	1 434	2 383
Profit (loss) before tax	**30 432**	**- 2 129**	**- 23 372**
Income tax	6 231	- 81	- 3 577
Profit (loss) on continuing operations	**24 201**	**- 2 048**	**- 19 794**
Discontinued operations	**-**	**-**	**-**
Loss on discontinued operations	**-**	**-**	**-**
NET PROFIT (LOSS)	**24 201**	**- 2 048**	**- 19 794**

Net profit (loss) (in PLN thousands)	24 201	-2 048	-19 794
Number of shares (in thousands)	12 650	12 650	12 650
Profit (loss) per ordinary share (in PLN)	1.91	-0.16	-1.56

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

	for the period Jan 1 - Mar 31, 2013	for the period Jan 1 - Mar 31, 2012	for the period Jan 1 - Dec 31, 2012
Net profit (loss)	**24 201**	**-2 048**	**-19 794**
Other comprehensive income	-295	2 632	2 054
Effect of translation of foreign operations	28	- 1	- 44
Effect of hedging instrument measurements	-987	2 633	2 098
Exchange differences on translation of foreign operations	664	-	-
Total comprehensive income	**23 906**	**584**	**-17 740**
Total comprehensive income attributable to:			
% share attributable to the parent	*100%*	*100%*	*100%*
owners of the parent	23 906	584	-17 740
non-controlling interests	-	-	-
Total	**23 906**	**584**	**-17 740**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the period from January 1 to March 31, 2013

PLN thousands

For the period Jan 1 - Mar 31, 2013	Share capital	Share premium	Buy-back provision	Translation of foreign operations	Revaluation reserve	Exchange differences on translation of foreign operations	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 during the first quarter of 2013								
Profit (loss) for the period	-	-	-	-	-	-	24 201	**24 201**
Exchange differences on translation of foreign operations	-	-	-	-	-	664	-	**664**
Effect of translation of foreign operations	-	-	-	28	-	-	-	**28**
Measurement of hedging instruments	-	-	-	-	- 987	-	-	**-987**
Balance as at March 31, 2013	**1 265**	**4 556**	**16 000**	**-26**	**-987**	**664**	**42 092**	**63 563**

For the period Jan 1 - Mar 31, 2012	Share capital	Share premium	Buy-back provision	Translation of foreign operations	Revaluation reserve	Exchange differences on translation of foreign operations	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	-	-	-	-	-	-	-	**-**
Balance as at January 1, 2012, after restatement	**1 265**	**4 556**	**16 000**	**-10**	**- 2 098**	**-**	**38 061**	**57 772**
Changes in equity during the first quarter of 2012								
Profit (loss) for the period	-	-	-	-	-	-	-2 048	**-2 048**
Translation of foreign operations	-	-	-	-1	-	-	-	**-1**
Measurement of hedging instruments	-	-	-	-	2 633	-	-	**2 633**
Balance as at March 31, 2012	**1 265**	**4 556**	**16 000**	**-11**	**534**	**-**	**36 013**	**58 357**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the period from January 1 to March 31, 2013 (continued)

PLN thousands

For the period Jan 1 - Dec 31, 2012	Share capital	Share premium	Buy-back provision	Translation of foreign operations	Revaluation reserve	Exchange differences on translation of foreign operations	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 March 31, 2013 PLN thousands
(indirect method)

	for the period Jan 1 - Mar 31, 2013	for the period Jan 1 - Mar 31, 2012	for the period Jan 1 - Dec 31, 2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Gross profit (loss)	**30 432**	**- 2 129**	**- 23 372**
Total adjustments	**- 35 549**	**7 556**	**32 444**
Depreciation / amortization	6 653	828	2 534
Impairment loss (reversal)	-	-	14 003
Gain (loss) on exchange differences	804	48	277
Interest	379	-3	749
Gain (loss) on sale of non-current assets	- 3	4	599
Change in receivables	- 43 104	5 332	9 726
Change in inventory	- 1 463	90	2 127
Change in trade and other payables	3 132	-477	-600
Change in employee benefit provisions and liabilities	35	45	17
Change in other current assets	869	-	648
Exclusion of financial asset measurements	182	-363	-363
Tax paid	-568	-7	-
Deferred revenue	- 2 465	2 060	2 728
Net cash flows from operating activities	**- 5 117**	**5 427**	**9 073**

CONSOLIDATED STATEMENT OF CASH FLOWS

for the period from January 1 to March 31, 2013 (continued)

(indirect method)

PLN thousands

	for the period Jan 1 - Mar 31, 2013	for the period Jan 1 - Mar 31, 2012	for the period Jan 1 - Dec 31, 2012
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment and intangible assets	3	-	-
Proceeds from sale of financial assets	-	-	20
Repayment of borrowings	-	-	300
Interest received	10	-	22
Other proceeds (sale of a company)	-	-	- 70
Cash outflows on acquisition of property, plant and equipment and intangible assets	-6 561	-8 195	-29 235
Cash outflows on acquisition of subsidiaries	-14	-	-
Net cash flow from investing activities	**-6 562**	**-8 195**	**-28 963**
CASH FLOWS FROM FINANCING ACTIVITIES			
Issuance of debt securities	-	-	20 113
Commission on bonds	-	-	- 395
Other financial inflows	13 268	-	-
Repayment of finance lease liabilities	-12	-6	-42
Interest	-	-1	-7
Net cash flows from financing activities	**13 256**	**-7**	**19 669**
TOTAL NET CASH FLOWS	**1 577**	**-2 775**	**-221**
Exchange differences on cash and cash equivalents	-	-	**-6**
BALANCE SHEET CHANGES IN CASH AND CASH EQUIVALENTS, of which:	**1 577**	**- 2 775**	**- 227**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD	**16 474**	**16 700**	**16 700**
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	**18 051**	**13 926**	**16 474**

II. SEPARATE DATA FOR CITY INTERACTIVE S.A.

SEPARATE BALANCE SHEET

as at March 31, 2013

PLN thousands

	ASSETS	As at Mar 31, 2013	As at Mar 31, 2012	As at Dec 31, 2012
A.	**NON-CURRENT ASSETS**	**47 469**	**33 628**	**44 607**
	Property, plant and equipment	853	1 179	1 048
	Intangible assets	38 091	30 493	38 214
	Interests in subsidiaries, associates and jointly controlled entities	4 562	287	223
	Deferred income tax assets	3 963	1 670	5 122
B.	**CURRENT ASSETS**	**80 216**	**38 256**	**29 046**
	Inventory	3 822	3 914	2 024
	Current investments	938	6 605	1 717
	Advance payments	1 125	67	78
	Trade receivables	58 154	11 356	8 778
	Income tax receivables	-	855	-
	Cash and cash equivalents	14 970	12 714	14 398
	Other current assets	1 206	2 745	2 051
	TOTAL ASSETS	**127 685**	**71 884**	**73 653**

SEPARATE BALANCE SHEET

as at March 31, 2013 (continued)

PLN thousands

	EQUITY AND LIABILITIES	As at Mar 31, 2013	As at Mar 31, 2012	As at Dec 31, 2012
A.	**EQUITY**	**62 789**	**58 995**	**41 622**
	Share capital	1 265	1 265	1 265
	Share premium	4 556	4 556	4 556
	Revaluation reserve	- 987	590	-
	Buy-back provision	16 000	16 000	16 000
	Retained earnings	41 955	36 584	19 801
	including profit (loss) for the period	22 154	- 2 213	- 18 996
B.	**LIABILITIES**	**64 896**	**12 889**	**32 031**
	Non-current liabilities	**1 837**	**326**	**114**
	Employee benefit provisions	67	60	32
	Finance lease liabilities	33	22	39
	Deferred income tax provision	1 738	243	43
	Current liabilities	**63 059**	**12 564**	**31 917**
	Borrowings including credits, loans and other debt instruments	21 120	-	20 602
	Income tax liabilities	2 114	-	-
	Trade payables	20 856	9 765	7 266
	Finance lease liabilities	45	27	51
	Financial liabilities	12 768	-	-
	Other liabilities	340	437	285
	Other current provisions	5 554	275	984
	Deferred revenue	264	2 060	2 728
	TOTAL EQUITY AND LIABILITIES	**127 685**	**71 884**	**73 653**
	Book value (in PLN thousands)	62 789	58 995	41 622
	Number of shares (in thousands)	12 650	12 650	12 650
	Book value per share (in PLN)	4.96	4.66	3.29

SEPARATE PROFIT AND LOSS STATEMENT

for the period from January 1 to March 31, 2013

(multiple-step format)

PLN thousands

	For the period Jan 1 - Mar 31, 2013	For the period Jan 1 - Mar 31, 2012	For the period Jan 1 - Dec 31, 2012
Continuing operations			
Net revenue from sales	**77 375**	**7 461**	**30 982**
Revenue from sale of products and services	77 185	6 927	29 927
Revenue from sale of goods for resale and materials	190	534	1 055
Cost of products, goods for resale and services sold	**37 054**	**6 095**	**24 915**
Cost of manufacture of products sold	36 813	5 744	24 274
Value of goods for resale and materials sold	241	351	641
Gross profit (loss) on sales	**40 320**	**1 366**	**6 067**
Other operating revenue	399	72	329
Distribution costs	8 557	1 084	5 849
Administrative expenses	1 322	1 110	4 898
Other operating expenses	457	253	16 457
Profit (loss) on operating activities	**30 383**	**-1 009**	**-20 807**
Finance income	65	101	456
Finance costs	2 526	1 391	2 257
Profit (loss) before tax	**27 921**	**-2 298**	**-22 608**
Income tax	5 767	-85	-3 612
Profit (loss) on continuing operations	**22 154**	**-2 213**	**-18 996**
Discontinued operations	**-**	**-**	**-**
Loss on discontinued operations	-	-	-
NET PROFIT (LOSS)	**22 154**	**-2 213**	**-18 996**
Net profit (loss) (in PLN thousands)	22 154	-2 213	-18 996
Number of shares (in thousands)	12 650	12 650	12 650
Profit (loss) per ordinary share (in PLN)	1.75	-0.17	-1.50

SEPARATE STATEMENT OF COMPREHENSIVE INCOME

for the period from January 1 to March 31, 2013

PLN thousands

	For the period Jan 1 - Mar 31, 2013	For the period Jan 1 - Mar 31, 2012	For the period Jan 1 - Dec 31, 2012
Net profit (loss)	**22 154**	**-2 213**	**-18 996**
Other comprehensive income	-987	2 610	2 021
Effect of financial asset measurements	-	-23	-77
Effect of hedging instrument measurements	-987	2 633	2 098
Total comprehensive income	**21 167**	**398**	**-16 975**
Total comprehensive income attributable to:			
% share attributable to the parent	*100%*	*100%*	*100%*
owners of the parent	21 167	398	-16 975
non-controlling interests	-	-	-
Total	**21 167**	**398**	**-16 975**

SEPARATE STATEMENT OF CHANGES IN EQUITY

for the period from January 1 to March 31, 2013

PLN thousands

For the period Jan 1 - Mar 31, 2013	Share capital	Share premium	Buy-back provision	Revaluation reserve	Incentive scheme provision	Retained earnings	Total equity
Balance as at January 1, 2013	**1 265**	**4 556**	**16 000**	-	-	**19 801**	**41 622**
Changes in accounting principles	-	-	-	-	-	-	**-**
Balance as at January 1, 2013, after restatement	**1 265**	**4 556**	**16 000**	-	-	**19 801**	**41 622**
Changes in equity during the first quarter of 2013							
Profit (loss) for the period	-	-	-	-	-	22 154	**22 154**
Measurement of hedging instruments	-	-	-	- 987	-	-	**- 987**
Balance as at March 31, 2013	**1 265**	**4 556**	**16 000**	**- 987**	**-**	**41 955**	**62 789**

COMPARATIVE DATA for the period from January 1 to March 31, 2012	Share capital	Share premium	Buy-back provision	Revaluation reserve	Incentive scheme provision	Retained earnings	Total equity
Balance as at January 1, 2012	**1 265**	**4 556**	**16 000**	**-2 021**	**-**	**38 797**	**58 596**
Changes in accounting principles	-	-	-	-	-	-	**-**
Balance as at January 1, 2012, after restatement	**1 265**	**4 556**	**16 000**	**-2 021**	**-**	**38 797**	**58 596**
Changes in equity during the first quarter of 2012							
Profit (loss) for the period	-	-	-	-	-	- 2 213	**- 2 213**
Measurement of financial assets	-	-	-	- 23	-	-	**- 23**
Measurement of hedging instruments	-	-	-	2 633	-	-	**2 633**
Balance as at March 31, 2012	**1 265**	**4 556**	**16 000**	**590**	**-**	**36 584**	**58 995**

SEPARATE STATEMENT OF CHANGES IN EQUITY

for the period from January 1 to March 31, 2013 (continued)

PLN thousands

COMPARATIVE DATA for the period from January 1 to December 31, 2012	Share capital	Share premium	Buy-back provision	Revaluation reserve	Incentive scheme provision	Retained earnings	Total equity
Balance as at January 1, 2012	**1 265**	**4 556**	**16 000**	**-2 021**	-	**38 797**	**58 596**
Changes in accounting principles	-	-	-	-	-	-	**-**
Balance as at January 1, 2012, after restatement	**1 265**	**4 556**	**16 000**	**-2 021**	-	**38 797**	**58 596**
Changes in equity in 2012							
Profit (loss) for the period	-	-	-	-	-	- 18 996	**- 18 996**
Measurement of financial assets	-	-	-	-77	-	-	**-77**
Measurement of hedging instruments	-	-	-	2 098	-	-	**2 098**
Balance as at December 31, 2012	**1 265**	**4 556**	**16 000**	**-**	**-**	**19 801**	**41 622**

SEPARATE STATEMENT OF CASH FLOWS

for the period from January 1 to March 31, 2013

(indirect method)

PLN thousands

	For the period Jan 1 - Mar 31, 2013	For the period Jan 1 - Mar 31, 2012	For the period Jan 1 - Dec 31, 2012
Cash flows from operating activities			
Gross profit (loss)	**27 921**	**-2 298**	**-22 608**
Total adjustments	**-33 157**	**8 791**	**29 564**
Depreciation / amortization	6 610	782	2 308
Gain (loss) on exchange differences	-	217	200
Interest	303	-34	749
Gain (loss) on sale of non-current assets	-3	4	-8
Change in employee benefit provisions and liabilities	35	45	17
Change in inventory	-1 798	-5	1 885
Change in receivables	-50 423	6 397	9 741
Change in current liabilities, excluding borrowings and taxes	12 126	-313	-1 609
Change in prepayments and accruals	-2 465	2 060	2 728
Exclusion of investing activity costs	2 000	-	-
Exclusion of financial asset measurements	182	-363	-363
Impairment losses	-	-	13 303
Tax paid	-568	-	-
Change in other current assets	845	-	614
Net cash flows from operating activities	**-5 235**	**6 493**	**6 956**

SEPARATE STATEMENT OF CASH FLOWS

for the period from January 1 to March 31, 2013 (continued)

(indirect method)

PLN thousands

	For the period Jan 1 - Mar 31, 2013	For the period Jan 1 - Mar 31, 2012	For the period Jan 1 - Dec 31, 2012
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment and intangible assets	3	-	20
Repayment of borrowings	1 673	4	9 430
Interest received	85	-	68
Acquisition of property, plant and equipment and intangible assets	-6 292	-5 784	-28 719
Acquisition of financial assets	-2 000	-	-
Cash outflows on acquisition of subsidiaries	-14	-	-
Expenditures connected with borrowings granted	-	-2 054	-7 084
Net cash flow from investing activities	**-6 544**	**-7 834**	**-26 284**
Cash flows from financing activities			
Issuance of debt securities	-	-	20 113
Commission on bonds	-	-	-395
Other financial inflows	13 273	-	-
Borrowings granted	-906	-	-
Repayment of finance lease liabilities	-12	-6	-42
Interest	-	-1	-7
Other finance costs	-3	-	-
Net cash flows from financing activities	**12 352**	**-7**	**19 669**
Change in net cash and cash equivalents	**573**	**-1 349**	**343**
Exchange differences on cash and cash equivalents	**-**	**-**	**-6**
Cash and cash equivalents as at the beginning of period	**14 398**	**14 062**	**14 062**
Cash and cash equivalents as at the end of period	**14 970**	**12 714**	**14 398**

III. SELECTED FINANCIAL DATA

Selected consolidated and separate financial information contained in this report were translated into EUR according to the following principles.

Balance sheet data was translated according to the average exchange rate published by the National Bank of Poland as at the end of the reporting period:

- EURPLN as at March 31, 2013 - 4.1774
- EURPLN as at March 31, 2012 - 4.1616
- EURPLN as at December 31, 2012 - 4.0882

Items in the statement of profit and loss and statement of cash flows 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.

- Q1 2013 - 4.1738
- Q1 2012 - 4.1750
- 2012 - 4.1736

CONSOLIDATED DATA

CONSOLIDATED BALANCE SHEET	31.03.2013		31.03.2012		31.12.2012	
	PLN thousands	EUR thousands	PLN thousands	EUR thousands	PLN thousands	EUR thousands
Non-current assets	43 773	10 479	35 480	8 526	44 883	10 979
Current assets	84 276	20 174	33 647	8 085	27 574	6 745
Total assets	**128 049**	**30 653**	**69 127**	**16 611**	**72 457**	**17 723**
Equity	63 563	15 216	58 357	14 024	39 657	9 700
Share capital	1 265	303	1 265	304	1 265	309
Liabilities and liability provisions	**64 486**	**15 437**	**10 769**	**2 588**	**32 799**	**8 023**
Non-current liabilities	1 838	440	333	80	114	28
Current liabilities	62 648	14 997	10 437	2 508	32 685	7 995
Total equity and liabilities	**128 049**	**30 653**	**69 127**	**16 611**	**72 457**	**17 723**

CONSOLIDATED PROFIT AND LOSS STATEMENT	Q1 2013		Q1 2012	
	PLN thousands	EUR thousands	PLN thousands	EUR thousands
Net revenue from sales	**79 395**	**19 022**	**9 638**	**2 309**
Profit (loss) from operating activities	30 897	7 403	-790	-189
Gross profit (loss)	30 432	7 291	-2 129	-510
Net profit (loss)	**24 201**	**5 798**	**-2 048**	**-491**
Number of shares (in thousands)	12 650	12 650	12 650	12 650
Profit (loss) per ordinary share	1,91	0,46	-0,16	-0,04

CONSOLIDATED STATEMENT OF CASH FLOWS	Q1 2013		Q1 2012	
	PLN thousands	EUR thousands	PLN thousands	EUR thousands
Net cash flows from operating activities	-5 117	-1 226	5 427	1 300
Net cash flows from investing activities	-6 562	-1 572	-8 195	-1 963
Net cash flows from financing activities	13 256	3 176	-7	-2
Net cash flows	**1 577**	**378**	**-2 775**	**-665**

SEPARATE DATA

BALANCE SHEET	31.03.2013		31.03.2012		31.12.2012	
	PLN thousands	EUR thousands	PLN thousands	EUR thousands	PLN thousands	EUR thousands
Non-current assets	47 469	11 363	33 628	8 081	44 607	10 911
Current assets	80 216	19 202	38 256	9 193	29 046	7 105
Total assets	**127 685**	**30 566**	**71 884**	**17 273**	**73 653**	**18 016**
Equity	62 789	15 031	58 995	14 176	41 622	10 181
Share capital	1 265	303	1 265	304	1 265	309
Liabilities and liability provisions	**64 896**	**15 535**	**12 889**	**3 097**	**32 031**	**7 835**
Non-current liabilities	1 837	440	326	78	114	28
Current liabilities	63 059	15 095	12 564	3 019	31 917	7 807
Total equity and liabilities	**127 685**	**30 566**	**71 884**	**17 273**	**73 653**	**18 016**

PROFIT AND LOSS STATEMENT	Q1 2013		Q1 2012	
	PLN thousands	EUR thousands	PLN thousands	EUR thousands
Net revenue from sales	**77 375**	**18 538**	**7 461**	**1 787**
Profit (loss) from operating activities	30 383	7 279	-1 009	-242
Gross profit (loss)	27 921	6 690	-2 298	-550
Net profit (loss)	**22 154**	**5 308**	**-2 213**	**-530**
Number of shares (in thousands)	12 650	12 650	12 650	12 650
Profit (loss) per ordinary share	1,75	0,42	-0,17	-0,04

STATEMENT OF CASH FLOWS	Q1 2013		Q1 2012	
	PLN thousands	EUR thousands	PLN thousands	EUR thousands
Net cash flows from operating activities	-5 235	-1 254	6 493	1 555
Net cash flows from investing activities	-6 544	-1 568	-7 834	-1 876
Net cash flows from financing activities	12 352	2 960	-7	-2
Net cash flows	**573**	**137**	**- 1 349**	**-323**

IV. NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM JANUARY 1 TO MARCH 31, 2013

1. Basis for presentation and preparation of the financial statements

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

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

c) The financial statements were drawn up on the assumption that the business will continue as a going concern in the foreseeable future and that no events will occur posing a threat to its status as a going concern.

2. Adopted accounting principles

a) Application of International Accounting Standards

The financial statements are drawn up in accordance with 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 financial statements for the period from January 1 to March 31, 2013 are subsequent financial statements prepared in accordance with IAS/IFRS. Comparative data 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 consolidated financial statements are given in Polish zloty, which is the presentation currency and functional currency.

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 City Interactive 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 summing up individual assets, liabilities, shares in equity, revenues and costs.

In order to ensure appropriate 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 translated at the closing rate;
- revenue and cost items of foreign operations were translated 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 translated 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 recognized in the consolidated financial statements from / to the moment of their acquisition / 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 parties covered by consolidation are subject to exclusion.

(ii) Associates, joint ventures

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

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

The consolidated financial statements contain the Group's share of the 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 intra-Group 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 retained to be 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 expectation that they will not be used for longer than one period.

Costs borne at a later time are recognized in the carrying amount of an asset or 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 is measured at purchase price or manufacture cost less depreciation and impairment at the end of the reporting period.

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 pursuant to lease 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) Deferred 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:

- it is probable that the future economic benefits that are attributable to the assets will flow to the Group, and
- 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 expenses 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 Company 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. Costs of development work are amortized during the anticipated period of achieving revenues from sale of a product, however not longer than 3 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 write-down.

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.

In accordance with IAS 39, the Group classifies financial instruments as:

- 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 as at the end of the reporting period. The Group performs measurements at amortized costs, with consideration of the effective interest rate of:

- assets held to maturity,
- loans 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) 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 company.

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.

j) Cash and cash equivalents

Cash and cash equivalents include cash on hand and demand deposits. Short-term 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 Company's liquidity management policy are recognized as cash and cash equivalents for the purposes of the statement of cash flows.

k) Share capital

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

(i) Purchase of own shares

In the event of 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.

l) 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.

m) 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 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.

n) 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.

o) 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.

p) Tax

Mandatory 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.

q) Foreign-currency transactions

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.

r) 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.

The 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.

s) 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.

3. General description of City Interactive Group operations

The City Interactive Group operates in the global video game development and publishing market. Parent City Interactive S.A. is 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 is focused on developing high quality products across a wide spectrum of game genres, thus strengthening its status in the industry.

In the gaming market, the Group operates as:

- Developer, with in-house game 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 online and to retail chains.

Through combining these three functions, the Group can effectively control the process of creating and distributing games without needing to involve a large number of third parties in the process of introducing its products to the market.

The City Interactive Group effectively uses of its main assets: an experienced team, global distribution network, cost advantage and higher margins compared to other developers. 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 games developed for PlayStation®3, Xbox360® and PC have high commercial potential and are competitive in relation to others present in the market. In addition, work is underway on development of next-generation console games which should be released at the end of 2013 and start of 2014 and are set to gradually replace the existing generation. The Group is also working intensively on supplementing the product range with games from new segments, including RPGs and iOS-based games.

4. Organizational structure of the Issuer's Group with indication of entities subject to consolidation

Composition of the City Interactive Group as at March 31, 2013:

- City Interactive S.A., having its registered office in Warsaw. Share capital of PLN 1 265 000. Group parent.
- City Interactive USA Inc. – a company having its registered office in Delaware, USA. Share capital USD 50 000. 100% of shares held by City Interactive S.A. Company subject to consolidation as of the second quarter of 2008.
- 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 City Interactive S.A. Company subject to consolidation as of the second quarter of 2008.

- City Interactive Studio S.R.L. – a company having its registered office in Bucharest, Romania. 100% of shares held by City Interactive S.A. This company is subject to consolidation from Q4 2011.
- Business Area Spółka z o.o. – a company having its registered office in Warsaw, subject to consolidation as of Q3 2010. Share capital of PLN 5 000. 100% interest held by City Interactive S.A.
- Business Area Spółka z ograniczoną odpowiedzialnością S.K.A. – a company with having its registered office in Warsaw. Share capital of PLN 1 050 000. The sole limited partner is parent City Interactive S.A. and the sole general partner is subsidiary Business Area Sp. z o.o. The company is subject to consolidation from Q1 2013.
- CI Games Cyprus Ltd. – a company headquartered in Nicosia, Cyprus. Its share capital amounts to EUR 1 200. 100% of shares held by City Interactive S.A. Company subject to consolidation as of Q1 2013.
- CI Games IP Sp. z o.o. – company based in Warsaw, Poland. Share capital of PLN 114 092 350. 99.99% of shares held by CI Games Cyprus Ltd.; 0.01% held by the Group Parent. The company is 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 City Interactive 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.
- City Interactive UK Ltd. – a company based in Manchester, UK. Share capital of GBP 100. 100% of shares held by City Interactive 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 sold a 100% stake in City Interactive Spain S.L., a company based in Madrid, Spain.

Furthermore, throughout 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 City Interactive 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 City Interactive USA, Inc.

5. 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 quarterly 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, together with indication of changes in the ownership structure of significant blocks of the Issuer's shares during the period from publication of the previous annual report

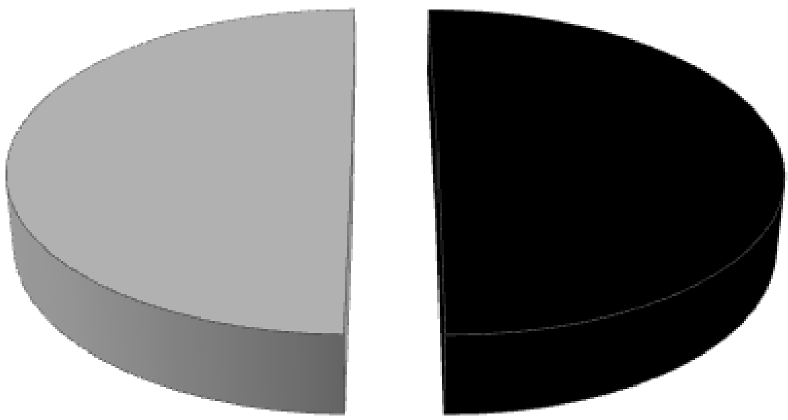
The total number of votes at the General Meeting of Parent City Interactive S.A. is 12 650 000.

City Interactive S.A. shareholding structure as at the publication date of this report:

Shareholder	number of shares	% in share capital	number of votes at GM	% of votes at GM
Marek Tymiński	6 347 285	50.18%	6 347 285	50.18%
Other	6 302 715	49.82%	6 302 715	49.82%

During the period from publication of the Issuer's preceding report (i.e. the period from March 7 to May 10, 2013) the ownership structure of significant shareholdings did not change.

City Interactive S.A. shareholding structure



6. Presentation of shareholdings in City Interactive S.A. or right to shares by the Issuer's management or supervisory personnel as at the date of publishing the quarterly report, together with indication of change in shareholding during the period from publication of the previous interim report, presented individually for each person

Person	Position	As at Mar 31, 2013 (2012 report publication date)	Increase in shareholding during the period Mar 31 to May 10, 2013	Decrease in shareholding during the period Mar 31 to May 10, 2013	As at May 10, 2013 (Q1 2013 report publication date)
Marek Tymiński	President of the Management Board	6 347 285	-	-	6 347 285
Andreas Jaeger	Member of the Management Board	5 000	-	-	5 000
Lech Tymiński	Member of the Supervisory Board	9 565	-	-	9 565

* On March 13, 2013 Andreas Jaeger resigned from the management board.

7. Description of the Group's significant achievements or set-backs in Q1 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. 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.

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

- **Impairment of intangible assets**

On February 14, 2013, the Issuer's Management Board announced that:

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 City Interactive S.A. decided to adjust its value by PLN 5.2 million as at the end of 2012.

3) after exhaustive analysis of expenses incurred to develop the Sniper: Ghost Warrior mobile and iOS version 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 the 2012 profit.

- **Foreign exchange hedging**

On February 19, 2013 the Parent terminated the 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 Company executed forward contracts hedging the Company's currency surplus.

During the reporting period the Parent implemented a hedging policy, due to which the effect of valuation of the principal constituting effective hedging was assigned to a PLN 987 000 revaluation provision (adjusted for deferred tax). Liabilities resulting from valuation of hedging transactions were presented in the balance sheet under "financial liabilities".

The table below presents all open forward contracts as at the end of the reporting period.

	Open contracts in foreign currency	Forward initial recognition in PLN	Entry price	Contract settlement date
EUR	3 000 000	12 376 500	4.1255	May 27, 2013
EUR	1 000 000	4 131 000	4.1310	August 31, 2013
EUR	1 000 000	4 140 000	4.1400	December 30, 2013
USD	4 000 000	12 651 600	3.1629	May 27, 2013
USD	2 000 000	6 333 600	3.1668	August 31, 2013
USD	2 000 000	6 345 400	3.1727	December 30, 2013
		45 978 100		

- **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 is provided in the form of confirmed assignment of City Interactive 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 do not differ from conditions commonly applied to this type of agreement.

- **IP management optimization within the Group**

On March 11, 2013 City Interactive S.A. acquired 1 000 000 shares in the share capital of 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 return for the Issuer's submission 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 asset items other than referred to in the point above, including intangible assets connected with the Branch's operations - PLN 124.5 million assessed market value of the Company'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 Branch cash and cash equivalents.

The Issuer fully controls subsidiary Business Ares Sp. z o.o. S.K.A. and in this regard 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 City Interactive S.A. as licensee. The agreement covers an exclusive license for use by City Interactive 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.

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

8. Description of factors and events, in particular extraordinary ones, affecting the financial results

During the reporting period the share of console games in the Group's sales structure slightly decreased to 90% (compared with 92% in 2012). Revenue from sales reached PLN 79.4 million in Q1 2013. The principal factor contributing to the 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, and sales during the reporting period exceeded one million copies.

During the reporting period the share of console sales within the Group's total sales structure decreased, achieving a level of 90% (compared to 92% in 2012).

Sales structure	Q1 2013	Q1 2012	2012
Console games	90%	95%	92%
PC games	10%	5%	8%

Europe accounted for the largest share in Group sales in Q1 2013 (50% of total Group sales). The second key market within the Group's geographical sales structure was North America with 37%. In turn Asia and Australia constituted 13% of Group revenues, which mainly resulted from the sale of licenses for Sniper: Ghost Warrior 2 in the Russian and Japanese markets.

Data in PLN thousands

Geographical structure	Q1 2013		Q1 2012		2012	
	Revenue	% share	Revenue	% share	Revenue	% share
Europe	40 061	50%	4 521	47%	17 277	42%
North America	29 319	37%	4 412	46%	21 155	51%
Asia and Australia	10 015	13%	705	7%	2 773	7%
TOTAL	**79 395**	**100%**	**9 638**	**100%**	**41 205**	**100%**

Revenue from sale and margin levels on specific product segments during the reporting periods are presented below.

Data in PLN thousands

Product segment	Q1 2013				Q1 2012			
	Revenue	% share	Result	% margin	Revenue	% share	Result	% margin
Own products	69 601	87%	35 573	51%	8 772	91%	2 323	26%
Licenses	9 311	12%	8 477	91%	73	1%	64	88%
Other sales	483	1%	138	28%	793	8%	107	13%
TOTAL	**79 395**	**100%**	**44 188**	**56%**	**9 638**	**100%**	**2 494**	**26%**

The Group’s margin, calculated as gross profit on sales over revenue from sales, hit 56% in Q1 2013 compared to 26% in Q1 2012. The higher margin in Q1 2013 was due to the release of Sniper: Ghost Warrior 2 and its sale at standard price, while other games (mainly the first installment of Sniper: Ghost Warrior) were sold at discounted prices in all markets over the same period in 2012.

In the reporting quarter administrative expenses totaled PLN 1.8 million, a PLN 0.3 million increase in relation to averaged quarterly costs in 2012, which results from the Group's growth. In turn distribution costs amounted to PLN 10.8 million. During the reporting period the biggest impact on distribution costs came from marketing and advertising connected with promoting the release of Sniper: Ghost Warrior 2.

The City Interactive Group's carrying amount as at March 31, 2013 was PLN 128 million, a PLN 55.6 million increase on the year-end figure. The growth in assets resulted from a higher level of trade receivables as at the end of Q1 (PLN 53.4 million increase), which is due to high sales in the last weeks of the quarter in connection with the release of Sniper: Ghost Warrior 2. This also led to a PLN 31.7 million increase in the Group's liabilities in comparison to December 31, 2012. The biggest increase in liabilities concerned trade liabilities, which rose PLN 11.1 million to PLN 19.1 million, alongside PLN 12.8 million in financial liabilities comprising PLN 11.4 million in reverse factoring to finance the production of media for Sniper: Ghost Warrior 2 and valuation of forward contracts as at the end of the reporting period.

As at March 31, 2013 the Group's equity amounted to PLN 63.6 million, denoting PLN 23.9 million growth in comparison to the end of 2012, which mainly resulted from the net profit generated in Q1.

As at March 31, 2013, the Group held PLN 18.1 million in cash and cash equivalents (growth of PLN 1.6 million in comparison to December 31, 2012). In Q1 2013 the Group generated PLN 5.2 million in negative cash flows from operating activities. Expenses for the manufacture of media for Sniper: Ghost Warrior 2 were financed through PLN 11.4 million in reverse factoring. At the same time the Group incurred PLN 6.6 million in investment expenditures for research and development work on new games.

Estimated amounts as at March 31, 2013

Data in PLN thousands

Estimates	City Interactive S.A.	Group
	As at March 31, 2013	As at March 31, 2013
Receivables revaluation	4 185	4 185
Inventory impairment losses	421	421
Provision for pensions and similar	67	67
Deferred income tax provision	1 738	1 738
Provision for costs and liabilities	5 554	6 147
TOTAL	**11 965**	**12 559**
Net revenue provision for returns and adjustments	- 2 300	- 3 092

9. Explanations concerning the seasonal or cyclical nature of the Issuer's business in the presented period

Due to the variety of revenue streams (domestic distribution, international distribution, sale of licenses) and specifics of the computer gaming industry, the Group is subject to sales revenue volatility during the financial year, determined by the release of new products. The Issuer establishes the dates for release of its games in order to select the most beneficial competitive environment and in order for the release to generate optimal financial results.

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

The Issuer's Management Board has no information concerning any proceedings in progress against it or its subsidiaries the value of which (separately or jointly) exceeds 10% of the Issuer's equity.

11. Information on change in contingent liabilities or assets which have occurred since the end of the last financial year

As at March 31, 2013 the Parent had no contingent liabilities except promissory notes issued by City Interactive S.A. for lessor Raiffeisen Leasing Polska and Getin Leasing S.A. in order to secure payments under concluded leasing agreements.

12. Information on grant by the Issuer or its subsidiary of sureties for credit or loans or grant of guarantees – to one entity or subsidiary from such entity if

the total value of existing sureties or guarantees constitutes the equivalent of at least 10% of the Company's equity

During the period from January 1 to March 31, 2013 neither the Issuer nor any of its subsidiaries issued loan sureties or guarantees, the value of which could constitute at least 10% of the Issuer's equity.

13. Information concerning the issue, buy-back and repayment of equity and debt instruments

During 2012 the Parent conducted two bond issues - series C and D, with a total nominal value of PLN 15.5 million and PLN 6 million. Redemption dates for the bonds issued in 2012 are May 28, 2013 and June 26, 2013, respectively.

On February 21, 2013, after receiving consent from all bondholders, parent City Interactive S.A.'s Management Board adopted a resolution on amendment to the Issuer's series C bonds issued on September 28, 2012, consisting of a bonus for bondholders amounting to 0.5% of par value per bond, payable on maturity, and amendment to one covenant entitling bondholders to request early redemption, i.e. change of the final deadline for releasing Sniper: Ghost Warrior 2 to March 12, 2013.

As at March 31, 2013 the debt to equity ratio, defined as consolidated net financial debt over equity, was positive at 0.22. Net financial debt is understood as the Group’s liabilities relating to credits, loans and 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.

During the reporting period the Issuer did not issue, redeem or repay any other debt or equity instruments.

14. Indication of the effects of changes in the structure of the economic entity, including as a result of merging economic entities, acquisition or disposal of group entities, non-current investments, divisions, restructuring and discontinuation of activity

The following changes were made in the City Interactive Group's structure during the reporting period:

- On February 4, 2013, Parent City Interactive S.A. (limited partner) acquired shares in **Business Area Spółka z ograniczoną odpowiedzialnością S.K.A.** in Warsaw. Its share capital is PLN 1 050 000 (nominal value per share is PLN 1). The sole general partner is the Issuer's subsidiary Business Area Sp. z o.o.
- On February 6, 2013 the Issuer sold a 100% stake in **City Interactive Spain S.L.**, a company based in Madrid, Spain.
- On March 11, 2013 Parent City Interactive S.A. acquired a 100% stake in **CI Games Cyprus Ltd.**, headquartered in Nicosia, Cyprus. Its share capital amounts to EUR 1 200.
- On March 27, 2013 Group company CI Games Cyprus Ltd. acquired 99.99% of shares in **Warsaw-based CI Games IP Sp. z o.o.** The remaining shares were acquired by Parent City Interactive S.A. Share capital amounts to PLN 114 092 350.

15. Information on conclusion by the Issuer or one of its subsidiaries of one or more transactions with related entities, if these are individually or jointly

significant and were executed on conditions other than market conditions, with indication of their values

During the reporting period the parent and subsidiaries did not execute transactions which were atypical, exceeded the normal course of the business' operating activities with related entities and which were significant either individually or jointly.

16. Information concerning paid (or declared) dividends, both total and per share, with division into ordinary and preferred shares

During the reporting period, City Interactive S.A. did not pay out nor declare a dividend.

17. Other information which the Company's management believes is essential for assessment of its HR, asset or financial situations, financial result and change thereto, as well as information essential for assessing the Issuer's ability to satisfy its liabilities

In the opinion of the Management Board of City Interactive S.A., no information other than that included in this report will appear which could be significant for assessing the Issuer's HR, asset and financial situation (including financial result) and changes in these and for assessing the Issuer's ability to perform its obligations.

18. Management's position concerning the possibility to meet previously published earnings forecasts for a given financial year in light of results presented in the quarterly report in relation to forecast results

On April 8, 2013 the Management Board of City Interactive S.A. published the Company's initial forecasts for the consolidated net revenue from sales and consolidated net profit generated by the City Interactive Group in Q1 2013, with the estimated figures exceeding PLN 75 million and PLN 23 million respectively. The Management Board confirms that the above forecasts were achieved (106% in relation to revenue, while 10% in relation to net profit).

The Issuer's management did not publish any estimates or forecasts concerning the City Interactive Group's consolidated results other than those presented in this report.

19. Indication of events which occurred after the date as of which the quarterly financial statements were drawn up such as were not recognized in the statements and which may have a significant impact on the Issuer's future financial results

- **Conclusion of an office lease agreement**

On April 10, 2013 the Company received a signed lease agreement with IO-1 Building Spółka z o.o. 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 Company's new registered office and the Issuer's 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.

- **City Interactive S.A. general meeting**

The City Interactive S.A. ordinary general meeting of shareholders took place on April 23, 2013, at which:

- a decision was adopted changing the Company'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.

20. Indication of factors which, in the opinion of the Issuer's management, may have an impact on achievement by the company of financial results in the perspective of at least the subsequent quarter

The City Interactive Group is unwavering in pursuing its development strategy aimed at consistently releasing high quality video games. Currently, 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 existing consoles and is steadily expanding game development for next-generation consoles which should become available in 2013-2014 and will gradually replace the existing platforms. This is a clear move in the direction of the most important global market, where sales are based on console products, while at the same time following the latest gaming trends. The management is expanding operations by venturing into new genres and gaming models (e.g. RPGs) and new distribution channels (games for iOS systems, i.e. iPad®, iPhone®), which constitutes a further step in the Group’s development. The Issuer's management believes that this will yield a further improvement in the Issuer’s financial performance in subsequent quarters and years.

Almost three years of intensive work went into the CryENGINE®3-based development of a sequel to *Sniper: Ghost Warrior*. The release of *Sniper: Ghost Warrior 2* took place on March 12, 2013 in North America and on March 15, 2013 in Europe. Additional downloadable content was subsequently released as add-ons to the game. To date 1.1 million copies of the game have been sold.

2013 will also see the release of *Alien Fear*. The game is developed using the latest version of Unreal® Engine3 and will be sold online in PC, Xbox360® and PlayStation®3 formats.

Another 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 2014. City Interactive S.A.’s management is counting on an equally impressive reception for the game as was the case with *Sniper: Ghost Warrior*.

Work is currently underway on the development of *Lords of the Fallen*, primarily in Germany where an experienced team at Deck13 Interactive GmbH is working alongside the game's executive producer Tomasz Gop (one of the principal producers of The Witcher® 2 Assassins of Kings). Its release is scheduled for 2014 and the game will be available on PC and next-gen platforms replacing Xbox360® and Sony Playstation®3.

The Group is also currently working on a mobile version of *Sniper: Ghost Warrior* for iOS platforms (iPad®, iPhone® and iPod Touch®), which will be based on Epic Games Inc.'s Unreal® Engine3.

The Issuer's Management believes that the current strategy will allow City Interactive S.A. to achieve further financial success, strengthen its position in global markets and diversify Group revenues. The Management believes that the company has the necessary competences and technical capabilities to develop and release high quality games.

MANAGEMENT BOARD:

Marek Tymiński

President of the Management Board

Warsaw, May 10, 2013