CITY INTERACTIVE GROUP

CONSOLIDATED QUARTERLY REPORT

FOR THE THIRD QUARTER OF 2012

GAMES

Warsaw, November 14, 2012

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I. CONSOLIDATED DATA FOR THE CITY INTERACTIVE GROUP

CONSOLIDATED BALANCE SHEET

as at September 30, 2012

PLN thousands

	ASSETS	as at Sep 30, 2012	as at Jun 30, 2012	as at Sep 30, 2011	as at Dec 31, 2011
A.	**NON-CURRENT ASSETS**	**46 956**	**42 772**	**23 076**	**28 779**
	Property, plant and equipment	1 638	1 766	1 205	1 385
	Intangible assets	42 518	38 343	19 157	25 062
	Goodwill	9	9	4	9
	Interests in subsidiaries and associates	17	18	23	18
	Deferred income tax assets	2 742	2 602	2 687	2 269
	Other non-current assets	32	34	-	36
B.	**CURRENT ASSETS**	**33 831**	**24 627**	**51 894**	**41 875**
	Inventory	4 682	3 988	6 014	4 945
	Non-current investments	329	325	829	403
	Advance payments	226	42	873	1 361
	Trade receivables	7 024	8 395	24 869	14 517
	Deferred tax receivables	8	8	-	858
	Cash and cash equivalents	18 439	8 614	15 602	16 700
	Other current assets	3 122	3 255	3 706	3 089
	TOTAL ASSETS	**80 787**	**67 399**	**74 969**	**70 654**

CONSOLIDATED BALANCE SHEET

as at September 30, 2012 (continued)

PLN thousands

	EQUITY AND LIABILITIES	as at Sep 30, 2012	as at Jun 30, 2012	as at Sep 30, 2011	as at Dec 31, 2011
A.	**EQUITY**	**52 387**	**54 341**	**59 760**	**57 772**
	Share capital	1 265	1 265	1 265	1 265
	Share premium	4 556	4 556	4 838	4 556
	Revaluation reserve	-	-882	-	-2 098
	Exchange differences on net investments in foreign operations	-22	-26	-28	-10
	Buy-back provision	16 000	16 000	16 000	16 000
	Retained earnings	30 588	33 429	37 684	38 061
	including profit (loss) for the period	-7 473	-4 635	16 829	16 923
	Equity attributable to the parent	**52 387**	**54 341**	**59 760**	**57 772**
	Equity attributable to non-controlling interests	-	-	-	-
B.	**LIABILITIES**	**28 400**	**13 057**	**15 209**	**12 882**
	Non-current liabilities	**218**	**264**	**184**	**342**
	Provision for pensions and similar	45	55	25	15
	Finance lease liabilities	52	15	26	29
	Deferred income tax provision	121	193	134	298
	Current liabilities	**28 182**	**12 794**	**15 025**	**12 540**
	Borrowings including credits, loans and other debt instruments	14 509	-	-	-
	Income tax liabilities	26	11	1 433	46
	Trade payables	9 688	7 152	10 368	8 327
	Finance lease liabilities	-	27	32	26
	Financial liabilities	41	2 127	1 161	2 954
	Other liabilities	332	324	893	298
	Deferred income	2 566	2 566	-	-
	Other current provisions	1 021	586	1 138	890
	TOTAL EQUITY AND LIABILITIES	**80 787**	**67 399**	**74 969**	**70 654**

Book value (in PLN thousands)	52 387	54 341	59 760	57 772
Number of shares (in thousands)	12 650	12 650	12 650	12 650
Book value per share (in PLN)	4.14	4.30	4.72	4.57

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

for the period January 1 to September 30, 2012

(multiple-step format)

PLN thousands

	for the period Jul 1 - Sep 30, 2012	for the period Jan 1 - Sep 30, 2012	for the period Jul 1 - Sep 30, 2011	for the period Jan 1 - Sep 30, 2011
Continuing operations				
Net revenue from sales	**10 051**	**28 058**	**23 089**	**66 318**
Revenue from sale of products and services	10 083	27 330	22 910	65 383
Revenue from sale of goods for resale and materials	-32	728	180	935
Cost of products, goods for resale and services sold	**7 541**	**20 809**	**11 601**	**33 888**
Cost of manufacture of products sold	7 511	20 313	11 442	33 172
Value of goods for resale and materials sold	30	496	158	717
Gross profit (loss) on sales	**2 510**	**7 250**	**11 489**	**32 430**
Other operating revenues	35	175	192	434
Distribution costs	2 430	6 546	2 390	7 912
Administrative expenses	1 501	4 494	1 266	4 070
Other operating expenses	2 146	3 217	231	606
Profit (loss) on operating activities	**-3 532**	**-6 833**	**7 793**	**20 275**
Finance income	770	270	664	823
Finance costs	351	1 875	49	321
Profit (loss) before tax	**-3 113**	**-8 438**	**8 409**	**20 777**
Income tax	-275	-965	1 697	3 948
Profit (loss) on continuing operations	**-2 838**	**-7 473**	**6 712**	**16 829**
Discontinued operations				
Loss on discontinued operations	-	-	-	-
NET PROFIT (LOSS)	**-2 838**	**-7 473**	**6 712**	**16 829**

Number of shares (in thousands)	12 650	12 650	12 650	12 650
Profit (loss) per ordinary share (in PLN)	-0.22	-0.59	0.53	1.33

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the period January 1 to September 30, 2012 PLN thousands

	for the period Jul 1 - Sep 30, 2012	for the period Jan 1 - Sep 30, 2012	for the period Jul 1 - Sep 30, 2011	for the period Jan 1 - Sep 30, 2011
Net profit (loss)	**-2 838**	**-7 473**	**6 712**	**16 829**
Other comprehensive income:	887	2 086	-38	-31
Financial instrument measurement	5	-12	-38	-31
Hedging instrument measurement	882	2 098	-	-
Total comprehensive income	**-1 951**	**-5 386**	**6 674**	**16 798**
% share attributable to the parent	*100%*	*100%*	*100%*	*100%*
Comprehensive income attributable to the parent	**-1 951**	**-5 386**	**6 674**	**16 798**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the period January 1 to September 30, 2012

PLN thousands

	for the period Jul 1 - Sep 30, 2012	Share capital	Share premium	Buy-back provision	Translation of foreign operations	Hedging reserve	Incentive scheme provision	Retained earnings	Total equity
1.	**Balance as at July 1, 2012**	**1 265**	**4 556**	**16 000**	**-26**	**-882**	**-**	**33 429**	**54 341**
2.	Opening balance restatement	-	-	-	-	-	-	-	-
3.	**Balance as at July 1, 2012 after restatement**	**1 265**	**4 556**	**16 000**	**-26**	**-882**	**-**	**33 429**	**54 341**
4.	Profit (loss) for the period	-	-	-	-	-	-	-2 838	-2 838
5.	Translation of foreign operations	-	-	-	5	-	-	-3	2
6.	Measurement of hedging instruments	-	-	-	-	882	-	-	882
	As at September 30, 2012	**1 265**	**4 556**	**16 000**	**-22**	**-**	**-**	**30 588**	**52 387**

	for the period Jan 1 - Sep 30, 2012	Share capital	Share premium	Buy-back provision	Translation of foreign operations	Hedging reserve	Incentive scheme provision	Retained earnings	Total equity
1.	**Balance as at January 1, 2012**	**1 265**	**4 556**	**16 000**	**-10**	**-2 098**	**-**	**38 061**	**57 772**
2.	Opening balance restatement	-	-	-	-	-	-	-	-
3.	**Balance as at January 1, 2012 after restatement**	**1 265**	**4 556**	**16 000**	**-10**	**-2 098**	**-**	**38 061**	**57 772**
4.	Profit (loss) for the period	-	-	-	-	-	-	-7 473	-7 473
5.	Translation of foreign operations	-	-	-	-12	-	-	-	-12
6.	Measurement of hedging instruments	-	-	-	-	2 098	-	-	2 098
	As at September 30, 2012	**1 265**	**4 556**	**16 000**	**-22**	**-**	**-**	**30 588**	**52 387**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the period January 1 to September 30, 2012 (continued)

PLN thousands

	COMPARATIVE DATA for the period from January 1 to September 30, 2011	Share capital	Share premium	Buy-back provision	Translation of foreign operations	Hedging reserve	Incentive scheme provision	Retained earnings	Total equity
1.	**Balance as at January 1, 2011**	**1 265**	**4 556**	**16 000**	**3**	**-**	**283**	**20 855**	**42 962**
2.	Opening balance restatement	-	-	-	-	-	-	-	-
3.	**Balance as at January 1, 2011 after restatement**	**1 265**	**4 556**	**16 000**	**3**	**-**	**283**	**20 855**	**42 962**
4.	Profit (loss) for the period	-	-	-	-	-	-	16 829	16 829
5.	Translation of foreign operations	-	-	-	-31	-	-	-	-31
6.	Reclassification of equity items	-	283	-	-	-	-283	-	-
	As at September 30, 2011	**1 265**	**4 838**	**16 000**	**-28**	**-**	**-**	**37 684**	**59 760**

	COMPARATIVE DATA for the period Jan 1 - Dec 31, 2011								
1.	**Balance as at January 1, 2011**	**1 265**	**4 556**	**16 000**	**3**	**-**	**283**	**20 855**	**42 962**
2.	Opening balance restatement	-	-	-	-	-	-	-	-
3.	**Balance as at January 1, 2011 after restatement**	**1 265**	**4 556**	**16 000**	**3**	**-**	**283**	**20 855**	**42 962**
4.	Profit (loss) for the period	-	-	-	-	-	-	16 923	16 923
5.	Incentive scheme provision	-	-	-	-	-	-283	283	-
6.	Translation of foreign operations	-	-	-	-14	-	-	-	-14
7.	Measurement of hedging instruments	-	-	-	-	-2 098	-	-	-2 098
	As at December 31, 2011	**1 265**	**4 556**	**16 000**	**-10**	**-2 098**	**-**	**38 061**	**57 772**

CONSOLIDATED STATEMENT OF CASH FLOWS
for the period January 1 to September 30, 2012 PLN thousands
(indirect method)

		for the period Jul 1 - Sep 30, 2012	for the period Jan 1 - Sep 30, 2012	for the period Jul 1 - Sep 30, 2011	for the period Jan 1 - Sep 30, 2011
A.	**CASH FLOWS FROM OPERATING ACTIVITIES**				
I.	**Gross profit (loss)**	**-3 113**	**-8 438**	**8 409**	**20 777**
II.	**Total adjustments**	**5 327**	**18 046**	**-1 914**	**-3 531**
	Depreciation / amortization	478	1 978	1 523	4 731
	Creation (reversal) of impairment charges	2 025	2 395	-	-
	Gain (loss) on exchange differences	-21	110	123	73
	Gain (loss) on sale of non-current assets	330	346	-10	-19
	Interest	-22	-98	-13	85
	Exclusion of financial asset measurements	-998	-322	1 263	1 521
	Change in receivables	1 207	8 963	-1 755	-7 197
	Change in inventories	-772	176	-228	-679
	Change in trade and other payables	3 114	1 936	-867	613
	Change in provisions and liabilities for employee benefits	-10	30	-10	11
	Tax paid	-3	-33	-1 941	-2 671
	Change in prepayments and accruals	-	2 566	-	-
III.	**Net cash flows from operating activities**	**2 215**	**9 608**	**6 495**	**17 245**

CONSOLIDATED STATEMENT OF CASH FLOWS

for the period January 1 to September 30, 2012 (continued)

(indirect method)

PLN thousands

		for the period Jul 1 - Sep 30, 2012	for the period Jan 1 - Sep 30, 2012	for the period Jul 1 - Sep 30, 2011	for the period Jan 1 - Sep 30, 2011
B.	**CASH FLOWS FROM INVESTING ACTIVITIES**				
	Proceeds from sale of property, plant and equipment and intangible assets	20	20	-	16
	Repayment of borrowings	-	-	100	100
	Cash outflows on acquisition of property, plant and equipment and intangible assets	-64	-1 392	-503	-1 153
	Cash outflows on acquisition of financial assets	-	-	-5	-11
	Cash outflows on development	-6 826	-20 963	-3 927	-10 451
	Expenditures on grant of borrowings	-	-	-424	-424
	Net cash from investing activities	**-6 870**	**-22 335**	**-4 759**	**-11 923**
C.	**CASH FLOWS FROM FINANCING ACTIVITIES**				
	Issuance of debt instruments	14 500	14 500	-	-
	Buy-back of debt instruments	-	-	-	-5 000
	Repayment of finance lease liabilities	-18	-30	-18	-104
	Interest	-2	-4	-	-138
	Net cash flows from financing activities	**14 481**	**14 466**	**-18**	**-5 242**
D.	**TOTAL NET CASH FLOWS**				
E.	BALANCE SHEET CHANGES IN CASH AND CASH EQUIVALENTS, of which:	9 825	1 738	1 717	81
F.	CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD	8 614	16 700	13 885	15 521
G.	**CASH AND CASH EQUIVALENTS AT THE END OF PERIOD**	**18 439**	**18 439**	**15 602**	**15 602**

II. SEPARATE DATA FOR CITY INTERACTIVE S.A.

SEPARATE BALANCE SHEET

as at September 30, 2012

PLN thousands

	ASSETS	as at Sep 30, 2012	as at Jun 30, 2012	as at Sep 30, 2011	as at Dec 31, 2011
A.	**NON-CURRENT ASSETS**	**45 845**	**40 589**	**21 896**	**27 661**
	Property, plant and equipment	1 156	1 213	760	957
	Intangible assets	41 760	36 579	18 869	24 149
	Interests in subsidiaries and associates	223	223	300	308
	Deferred income tax assets	2 706	2 574	1 966	2 246
B.	**CURRENT ASSETS**	**35 475**	**27 038**	**52 093**	**43 469**
	Inventory	3 142	2 976	4 999	3 909
	Non-current investments	2 415	3 653	2 228	4 078
	Prepayments	220	30	831	1 049
	Trade receivables	10 787	10 935	28 499	16 857
	Deferred tax receivables	-	-	-	855
	Cash and cash equivalents	16 895	7 052	12 083	14 062
	Other current assets	2 015	2 391	3 453	2 660
	TOTAL ASSETS	**81 320**	**67 627**	**73 988**	**71 130**

SEPARATE BALANCE SHEET

as at September 30, 2012 (continued)

PLN thousands

	EQUITY AND LIABILITIES	as at Sep 30, 2012	as at Jun 30, 2012	as at Sep 30, 2011	as at Dec 31, 2011
A.	**EQUITY**	**54 876**	**55 789**	**60 611**	**58 596**
	Share capital	1 265	1 265	1 265	1 265
	Share premium	4 556	4 556	4 838	4 556
	Revaluation reserve	-	-882	68	-2 021
	Buy-back provision	16 000	16 000	16 000	16 000
	Retained earnings	33 055	34 850	38 440	38 797
	including profit (loss) for the period	-5 742	-3 947	17 028	17 103
B.	**LIABILITIES**	**26 444**	**11 838**	**13 377**	**12 534**
	Non-current liabilities	**218**	**256**	**184**	**334**
	Provision for pensions and similar	45	55	25	15
	Finance lease liabilities	52	15	26	29
	Deferred income tax provision	121	186	134	290
	Current liabilities	**26 226**	**11 582**	**13 193**	**12 200**
	Borrowings including credits, loans and other debt instruments	14 509	-	-	-
	Income tax liabilities	-	-	1 408	-
	Trade payables	7 759	5 955	8 557	8 033
	Finance lease liabilities	49	27	35	26
	Financial liabilities	41	2 127	1 161	2 954
	Other liabilities	282	322	893	298
	Deferred income	2 566	2 566	-	-
	Other current provisions	1 020	585	1 138	889
	TOTAL EQUITY AND LIABILITIES	**81 320**	**67 627**	**73 988**	**71 130**

Book value (in PLN thousands)	54 876	55 789	60 611	58 596
Number of shares (in thousands)	12 650	12 650	12 650	12 650
Book value per share (in PLN)	4.34	4.41	4.79	4.63

SEPARATE STATEMENT OF PROFIT AND LOSS
for the period January 1 to September 30, 2012
(multiple-step format)

PLN thousands

	for the period Jul 1 - Sep 30, 2012	for the period Jan 1 - Sep 30, 2012	for the period Jul 1 - Sep 30, 2011	for the period Jan 1 - Sep 30, 2011
Continuing operations				
Net revenue from sales	**8 357**	**22 326**	**22 010**	**58 804**
Revenue from sale of products and services	8 389	21 598	21 830	57 876
Revenue from sale of goods for resale and materials	-32	728	180	928
Cost of products, goods for resale and services sold	**6 525**	**17 820**	**10 792**	**29 947**
Cost of manufacture of products sold	6 495	17 324	10 634	29 245
Value of goods for resale and materials sold	30	496	160	702
Gross profit (loss) on sales	**1 832**	**4 506**	**11 218**	**28 857**
Other operating revenues	37	177	193	439
Distribution costs	1 188	3 280	1 504	5 058
Administrative expenses	1 195	3 610	1 169	3 175
Other operating costs	2 146	3 212	224	596
Profit (loss) on operating activities	**-2 659**	**-5 419**	**8 513**	**20 468**
Finance income	784	265	662	828
Finance costs	323	1 706	46	321
Profit (loss) before tax	**-2 199**	**-6 860**	**9 131**	**20 975**
Income tax	-404	-1 119	1 696	3 947
Profit (loss) on continuing operations	**-1 795**	**-5 742**	**7 435**	**17 028**
Discontinued operations				
Loss on discontinued operations	-	-	-	-
NET PROFIT (LOSS)	**-1 795**	**-5 742**	**7 435**	**17 028**

Number of shares (in thousands)	12 650	12 650	12 650	12 650
Profit (loss) per ordinary share (in PLN)	-0.14	-0.45	0.59	1.35

SEPARATE STATEMENT OF COMPREHENSIVE INCOME

for the period January 1 to September 30, 2012 PLN thousands

	for the period Jul 1 - Sep 30, 2012	for the period Jan 1 - Sep 30, 2012	for the period Jul 1 - Sep 30, 2011	for the period Jan 1 - Sep 30, 2011
Net profit (loss)	**-1 795**	**-5 742**	**7 435**	**17 028**
Total other gross comprehensive income:	882	2 021	36	26
Translation of foreign operations	-	-77	36	26
Hedging instrument measurement	882	2 098	-	-
Total comprehensive income	**-913**	**-3 720**	**7 471**	**17 054**

SEPARATE STATEMENT OF CHANGES IN EQUITY

for the period January 1 to September 30, 2012

PLN thousands

	for the period Jul 1 - Sep 30, 2012	Share capital	Share premium	Buy-back provision	Hedging reserve	Incentive scheme provision	Retained earnings	Total equity
1.	**Balance as at July 1, 2012**	**1 265**	**4 556**	**16 000**	**-882**	**-**	**34 850**	**55 789**
2.	Opening balance restatement	-	-	-	-	-	-	-
3.	**Balance as at July 1, 2012 after restatement**	**1 265**	**4 556**	**16 000**	**-882**	**-**	**34 850**	**55 789**
4.	Profit (loss) for the period	-	-	-	-	-	-1 795	-1 795
5.	Measurement of hedging instruments	-	-	-	882	-	-	882
6.	Measurement of financial assets	-	-	-	-	-	-	-
	As at September 30, 2012	**1 265**	**4 556**	**16 000**	**-**	**-**	**33 055**	**54 876**

	for the period Jan 1 - Sep 30, 2012							
1.	**Balance as at January 1, 2012**	**1 265**	**4 556**	**16 000**	**-2 021**	**-**	**38 797**	**58 596**
2.	Opening balance restatement	-	-	-	-	-	-	-
3.	**Balance as at January 1, 2012 after restatement**	**1 265**	**4 556**	**16 000**	**-2 021**	**-**	**38 797**	**58 596**
4.	Profit (loss) for the period	-	-	-	-	-	-5 742	-5 742
5.	Measurement of hedging instruments	-	-	-	2 098	-	-	2 098
6.	Measurement of financial assets	-	-	-	-77	-	-	-77
	As at September 30, 2012	**1 265**	**4 556**	**16 000**	**-**	**-**	**33 055**	**54 876**

SEPARATE STATEMENT OF CHANGES IN EQUITY

for the period January 1 to September 30, 2012 (continued)

PLN thousands

COMPARATIVE DATA for the period Jan 1 - Sep 30, 2011		Share capital	Share premium	Buy-back provision	Hedging reserve	Incentive scheme provision	Retained earnings	Total equity
1.	**Balance as at January 1, 2011**	**1 265**	**4 556**	**16 000**	**42**	**283**	**21 411**	**43 557**
2.	Opening balance restatement	-	-	-	-	-	-	-
3.	**Balance as at January 1, 2011 after restatement**	**1 265**	**4 556**	**16 000**	**42**	**283**	**21 411**	**43 557**
4.	Profit (loss) for the period	-	-	-	-	-	17 028	17 028
5.	Reclassification of equity items	-	283	-	-	-283	-	-
6.	Measurement of financial assets	-	-	-	26	-	-	26
	As at September 30, 2011	**1 265**	**4 839**	**16 000**	**68**	**-**	**38 440**	**60 611**

COMPARATIVE DATA for the period Jan 1 - Dec 31, 2011								
1.	**Balance as at January 1, 2011**	**1 265**	**4 556**	**16 000**	**42**	**283**	**21 411**	**43 557**
2.	Opening balance restatement	-	-	-	-	-	-	-
3.	**Balance as at January 1, 2011 after restatement**	**1 265**	**4 556**	**16 000**	**42**	**283**	**21 411**	**43 557**
4.	Profit (loss) for the period	-	-	-	-	-	17 103	17 103
5.	Incentive scheme provision	-	-	-	-	-283	283	-
6.	Measurement of hedging instruments	-	-	-	-2 098	-	-	-2 098
7.	Measurement of financial assets	-	-	-	35	-	-	35
	As at December 31, 2011	**1 265**	**4 556**	**16 000**	**-2 021**	**-**	**38 797**	**58 596**

SEPARATE STATEMENT OF CASH FLOWS

for the period January 1 to September 30, 2012

(indirect method)

PLN thousands

		for the period Jul 1 - Sep 30, 2012	for the period Jan 1 - Sep 30, 2012	for the period Jul 1 - Sep 30, 2011	for the period Jan 1 - Sep 30, 2011
A.	**CASH FLOWS FROM OPERATING ACTIVITIES**				
I.	**Gross profit (loss)**	**-2 199**	**-6 860**	**9 131**	**20 975**
II.	**Total adjustments**	**3 834**	**15 423**	**-4 573**	**-5 950**
	Depreciation / amortization	418	1 811	1 502	4 681
	Creation (reversal) of impairment charges	2 025	2 395	-	-
	Gain (loss) on exchange differences	77	46	-134	-93
	Gain (loss) on sale of non-current assets	-24	-8	-	-9
	Interest	-22	-98	-13	85
	Exclusion of financial asset measurements	-998	-322	1 263	1 521
	Change in receivables	334	8 398	-5 325	-9 384
	Change in inventories	-165	767	-160	-713
	Change in trade and other payables	2 199	-161	243	620
	Change in provisions and liabilities for employee benefits	-10	30	-10	11
	Tax paid	-	-	-1 940	-2 670
	Change in prepayments and accruals	-	2 566	-	-
III.	**Net cash flows from operating activities**	**1 635**	**8 563**	**4 557**	**15 025**

SEPARATE STATEMENT OF CASH FLOWS

for the period January 1 to September 30, 2012 (continued)

(indirect method)

PLN thousands

		for the period Jul 1 - Sep 30, 2012	for the period Jan 1 - Sep 30, 2012	for the period Jul 1 - Sep 30, 2011	for the period Jan 1 - Sep 30, 2011
B.	**CASH FLOWS FROM INVESTING ACTIVITIES**				
	Proceeds from sale of property, plant and equipment and intangible assets	20	20	-	16
	Repayment of borrowings	6 316	7 891	100	100
	Interest received	5	44	-	-
	Cash outflows on acquisition of property, plant and equipment and intangible assets	-73	-911	-575	-726
	Cash outflows on acquisition of financial assets	-	-	-5	-6
	Cash outflows on development	-7 413	-20 946	-3 851	-10 185
	Cash outflows on borrowings granted	-5 128	-6 293	-712	-1 539
	Net cash from investing activities	**-6 273**	**-20 195**	**-5 043**	**-12 340**
C.	**CASH FLOWS FROM FINANCING ACTIVITIES**				
	Issuance of debt instruments	14 500	14 500	-	-
	Buy-back of debt instruments	-	-	-	-5 000
	Repayment of finance lease liabilities	-18	-30	-18	-104
	Interest	-2	-4	-	-138
	Net cash flows from financing activities	**14 481**	**14 466**	**-18**	**-5 242**
D.	**TOTAL NET CASH FLOWS**				
E.	BALANCE SHEET CHANGES IN CASH AND CASH EQUIVALENTS, of which:	9 843	2 833	-505	-2 556
F.	CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD	7 052	14 062	12 588	14 640
G.	**CASH AND CASH EQUIVALENTS AT THE END OF PERIOD**	**16 895**	**16 895**	**12 083**	**12 083**

III. SELECTED FINANCIAL DATA

Selected consolidated and separate financial information contained in this report have been converted into EUR according to the following principles.

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

- EURPLN as at September 30, 2012 - 4.1138
- EURPLN as at September 30, 2011 - 4.4112
- EURPLN as at December 31, 2011 - 4.4168

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.

- Q3 2012 - 4.1354
- Q1-Q3 2012 - 4.1948
- Q3 2011 - 4.1894
- Q1-Q3 2011 - 4.0413

CONSOLIDATED DATA

CONSOLIDATED BALANCE SHEET	Sep 30, 2012		Sep 30, 2011		Dec 31, 2011	
	PLN thousands	EUR thousands	PLN thousands	EUR thousands	PLN thousands	EUR thousands
Non-current assets	46 956	11 414	23 076	5 231	28 779	6 516
Current assets	33 831	8 224	51 894	11 764	41 875	9 481
Total assets	**80 787**	**19 638**	**74 969**	**16 995**	**70 654**	**15 997**
Equity	**52 387**	**12 734**	**59 760**	**13 547**	**57 772**	**13 080**
Share capital	1 265	308	1 265	287	1 265	286
Liabilities and provisions for liabilities	**28 400**	**6 904**	**15 209**	**3 448**	**12 882**	**2 917**
Non-current liabilities	218	53	184	42	342	77
Current liabilities	28 182	6 851	15 025	3 406	12 540	2 839
Total equity and liabilities	**80 787**	**19 638**	**74 969**	**16 995**	**70 654**	**15 997**

CONSOLIDATED STATEMENT OF PROFIT AND LOSS	Q3 2012		Q3 2011	
	PLN thousands	**EUR thousands**	**PLN thousands**	**EUR thousands**
Net revenue from sales	10 051	2 430	23 089	5 511
Profit (loss) from operating activities	-3 532	-854	7 793	1 860
Gross profit (loss)	-3 113	-753	8 409	2 007
Net profit (loss)	**-2 838**	**-686**	**6 712**	**1 602**
Number of shares (in thousands)	12 650	12 650	12 650	12 650
Profit (loss) per ordinary share	-0,22	-0,05	0,53	0,13

CONSOLIDATED STATEMENT OF PROFIT AND LOSS	Q1-Q3 2012		Q1-Q3 2011	
	PLN thousands	EUR thousands	PLN thousands	EUR thousands
Net revenue from sales	28 058	6 689	66 318	16 410
Profit (loss) from operating activities	-6 833	-1 629	20 275	5 017
Gross profit (loss)	-8 438	-2 012	20 777	5 141
Net profit (loss)	**-7 473**	**-1 781**	**16 829**	**4 164**
Number of shares (in thousands)	12 650	12 650	12 650	12 650
Profit (loss) per ordinary share	-0,59	-0,14	1,33	0,33

CONSOLIDATED STATEMENT OF CASH FLOWS	Q3 2012		Q3 2011	
	PLN thousands	EUR thousands	PLN thousands	EUR thousands
Net cash flows from operating activities	2 215	536	6 495	1 550
Net cash flows from investing activities	-6 870	-1 661	-4 759	-1 136
Net cash flows from financing activities	14 481	3 502	-18	-4
Net cash flows	**9 825**	**2 376**	**1 717**	**410**

CONSOLIDATED STATEMENT OF CASH FLOWS	Q1-Q3 2012		Q1-Q3 2011	
	PLN thousands	EUR thousands	PLN thousands	EUR thousands
Net cash flows from operating activities	9 608	2 290	17 245	4 267
Net cash flows from investing activities	-22 335	-5 324	-11 923	-2 950
Net cash flows from financing activities	14 466	3 448	-5 242	-1 297
Net cash flows	**1 738**	**414**	**81**	**20**

SEPARATE DATA

BALANCE SHEET	Sep 30, 2012		Sep 30, 2011		Dec 31, 2011	
	PLN thousands	EUR thousands	PLN thousands	EUR thousands	PLN thousands	EUR thousands
Non-current assets	45 845	11 144	21 896	4 964	27 661	6 263
Current assets	35 475	8 623	52 093	11 809	43 469	9 842
Total assets	**81 320**	**19 768**	**73 988**	**16 773**	**71 130**	**16 104**
Equity	**54 876**	**13 340**	**60 611**	**13 740**	**58 596**	**13 267**
Share capital	1 265	308	1 265	287	1 265	286
Liabilities and provisions for liabilities	**26 444**	**6 428**	**13 377**	**3 033**	**12 534**	**2 838**
Non-current liabilities	218	53	184	42	334	76
Current liabilities	26 226	6 375	13 193	2 991	12 200	2 762
Total equity and liabilities	**81 320**	**19 768**	**73 988**	**16 773**	**71 130**	**16 104**

STATEMENT OF PROFIT AND LOSS	Q3 2012		Q3 2011	
	PLN thousands	EUR thousands	PLN thousands	EUR thousands
Net revenue from sales	8 357	2 021	22 010	5 254
Profit (loss) from operating activities	-2 659	-643	8 513	2 032
Gross profit (loss)	-2 199	-532	9 131	2 180
Net profit (loss)	**-1 795**	**-434**	**7 435**	**1 775**
Number of shares (in thousands)	12 650	12 650	12 650	12 650
Profit (loss) per ordinary share	-0,14	-0,03	0,59	0,14

STATEMENT OF PROFIT AND LOSS	Q1-Q3 2012		Q1-Q3 2011	
	PLN thousands	EUR thousands	PLN thousands	EUR thousands
Net revenue from sales	22 326	5 322	58 804	14 551
Profit (loss) from operating activities	-5 419	-1 292	20 468	5 065
Gross profit (loss)	-6 860	-1 635	20 975	5 190
Net profit (loss)	**-5 742**	**-1 369**	**17 028**	**4 213**
Number of shares (in thousands)	12 650	12 650	12 650	12 650
Profit (loss) per ordinary share	-0,45	-0,11	1,35	0,33

STATEMENT OF CASH FLOWS	Q3 2012		Q3 2011	
	PLN thousands	EUR thousands	PLN thousands	EUR thousands
Net cash flows from operating activities	1 635	395	4 557	1 088
Net cash flows from investing activities	-6 273	-1 517	-5 043	-1 204
Net cash flows from financing activities	14 481	3 502	-18	-4
Net cash flows	**9 843**	**2 380**	**-505**	**-120**

STATEMENT OF CASH FLOWS	Q1-Q3 2012		Q1-Q3 2011	
	PLN thousands	EUR thousands	PLN thousands	EUR thousands
Net cash flows from operating activities	8 563	2 041	15 025	3 718
Net cash flows from investing activities	-20 195	-4 814	-12 340	-3 053
Net cash flows from financing activities	14 466	3 448	-5 242	-1 297
Net cash flows	**2 833**	**675**	**-2 556**	**-633**

IV. NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM JANUARY 1 TO SEPTEMBER 30, 2012

1. Basis for presentation and preparation of the financial statements

a) These financial statements cover the period from January 1 to September 30, 2012. Comparative data covers the period from January 1 to September 30, 2011 and from January 1 to December 31, 2011, and also as at September 30, 2011 and as at December 31, 2011 (balance sheet).

b) The financial statements were drawn up in accordance with the 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 the International Accounting Standards

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

The financial statements for the period from January 1 to September 30, 2012 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 summarizing individual items of assets, liabilities, shares in equity, revenues and costs.

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

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

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

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

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

(ii) Associates, joint ventures

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

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".

(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) 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.

h) 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.

Write-downs on current property, plant and equipment items connected with their impairment or valuation as at the end of the reporting period correspond to their own cost of purchase.

i) 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.

j) 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.

k) Share capital

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

(i) Buy-back

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.

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) Liabilities

Trade and other payables are recognized at amortized cost.

n) Revenues

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 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) Payments for finance leases

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.

Revenue from interest is recorded 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

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

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

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

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

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

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

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

q) Transactions in foreign currencies

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

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

Monetary 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, North 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.

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, having its own 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 makes good use of its main assets: an experienced team, global distribution network, cost advantage and higher margins compared to other developers. The Group 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. The Group is also working intensively on supplementing the product range with games from new segments, including role-playing-games, titles for iOS platforms and online games.

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

As at September 30, 2012 the City Interactive Group comprised the following entities:

- **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.
- **Business Area Spółka z o.o.** – a company with registered office in Warsaw, subject to consolidation as of Q3 2010. Share capital of PLN 5 000. 100% interest held by City Interactive S.A.
- **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.
- **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 having its registered office in Manchester, UK. Founding capital of GBP 100. 100% of shares held by City Interactive S.A. This company is not subject to consolidation with regard to the fact that its financial results are insignificant for assessment of the Issuer's situation.
- **City Interactive Spain S.L.** – company having its registered office in Madrid, Spain. Share capital of EUR 3 600. 100% of shares held by City Interactive S.A. The company is subject to consolidation as of the fourth quarter of 2008, whereas on January 1, 2010, after creation of revaluation write-offs on receivables, it was excluded from consolidation.

On August 21, 2012 the Issuer disposed of 100% of shares (share capital amounted to GBP 100) in subsidiary City Interactive Studio Ltd, headquartered in London, UK. The company was formed in December 2010 and was subject to consolidation from Q1 2011.

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. These entities are currently not subject to consolidation with regard to discontinuation of their operations and the creation of provisions at the parent level:

- 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 quarterly report

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

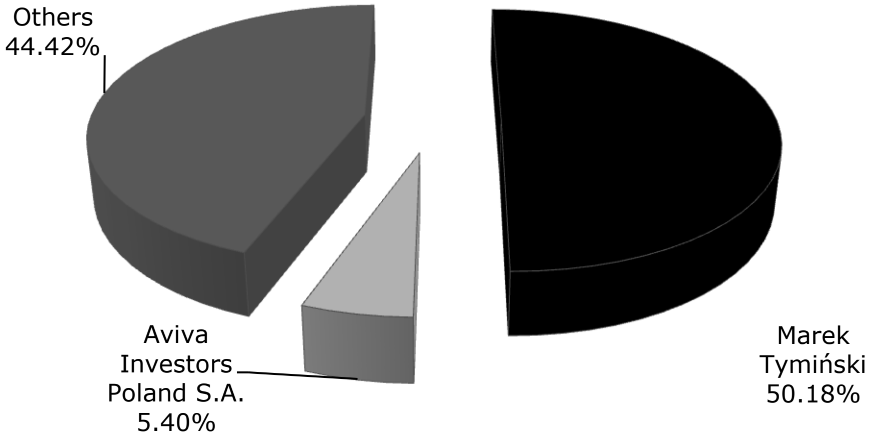
City Interactive S.A. shareholding structure as at the publication date of this report:

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%
Aviva Investors Poland S.A.	683 104	5.40%	683 104	5.40%
Others	5 619 611	44.42%	5 619 611	44.42%

During the period from publication of the Issuer's preceding interim report (i.e. the period from August 30 to November 14, 2012) the following changes took place in the ownership structure of significant shareholdings:

- on August 31, 2012 the Company received notification from President of the Management Board of City Interactive S.A. Marek Tymiński on his execution of a transaction to purchase 480 shares in City Interactive S.A. As at August 31, 2012 Marek Tymiński held 6 346 274 shares in the Company, constituting 50.17% of total shares and carrying 50.17% of votes at the City Interactive S.A. General Meeting of Shareholders.
- on September 6, 2012, the Company received notification from President of the Management Board of City Interactive S.A. Marek Tymiński on his execution of a transaction to purchase 1 011 shares in City Interactive S.A. As at September 6, 2012 Marek Tymiński held 6 347 285 shares in the Company, constituting 50.18% of total shares and carrying 50.18% of votes at the City Interactive S.A. General Meeting of Shareholders.

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 August 30, 2012 (H1 2012 report publication date)	Increase in shareholding during the period from August 30to November 14, 2012	Decrease in shareholding during the period from August 30 to November 14, 2012	As at November 14, 2012 (Q3 2012 report publication date)
Marek Tymiński	President of the Management Board	6 345 794	1 491	-	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

7. Description of the Group’s significant achievements or set-backs in Q3 2012 and events impacting its financial results

- ***Sniper: Ghost Warrior 2*** **global release date**

On July 25, 2012 the Management Board of City Interactive S.A. rescheduled the release of Sniper: Ghost Warrior 2 to January 15, 2013. After further thorough analysis of project progress, the Issuer’s Management Board has recognized that, due to the need to refine the game’s multiplayer mode and optimize the functionality/playability of Sniper: Ghost Warrior 2 for PlayStation® 3, it is necessary to extend the project schedule.

- **Release of *Dogfight 1942* for Xbox360® and PC**

On August 2, 2012 the Management Board of City Interactive S.A. announced that the Company received confirmation from Microsoft® on the successful completion of the Xbox 360® certification process for Dogfight 1942. The game features some of the most spectacular air battles of the Second World War. The Xbox 360® version of the game was released on September 5, 2012, while the PC version was launched on September 21. The game is in online distribution.

- **Series C bond issue**

The issue of City Interactive S.A. series C bonds took place on September 28, 2012. The issue objective was to use the capital raised to finance expenditures connected with the release of Sniper: Ghost Warrior 2. In addition, the Issuer intends to use the bond issue proceeds to finance further development work and marketing and advertising expenses connected with new games. The Company issued 15 500 bearer shares (dematerialized, unsecured, zero-coupon) with a total par value of PLN 15.5 million. The issue price per bond was PLN 935.50. The bonds will be redeemed at par value on May 28, 2013.

As at September 30, 2012 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 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.

- **FX hedging transactions**

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	300 000	1 315 500	4,3850	March 29, 2013
EUR	1 000 000	4 385 000	4,3850	March 29, 2013
EUR	2 245 000	9 771 812	4,3527	March 29, 2013
USD	450 000	1 444 995	3,2111	March 29, 2013
USD	1 350 000	4 334 175	3,2105	March 29, 2013
USD	2 500 000	8 015 000	3,2060	March 29, 2013
EUR	2 428 964	9 721 929	4,0025	March 29, 2013
		38 988 410		

As at the end of the reporting period the Company decided to no longer apply hedge accounting. All contracts were closed on October 18, 2012. The result was a positive PLN 31 000.

8. Description of atypical factors and events impacting on the operating results

In Q3 2012 revenue from sales reached PLN 10.1 million. The principal factor contributing to the results achieved during the period were the continued discounted sales of Sniper: Ghost Warrior and the release of Dogfight 1942 for Xbox360 and PC. The latter game has been available in online distribution since September.

During the reporting period the share of console sales within the Group's total sales structure increased to 94%, compared to 84% in Q3 2011.

Sales structure	Q3 2012	Q1-Q3 2012	Q3 2011	Q1-Q3 2011
Console games	94%	90%	84%	87%
PC games	6%	10%	16%	13%

The geographical structure of the Group's sales remained at a similar level to that observed throughout H1 2012. North America accounted for the highest share in the Group's total sales (48%), having increased by 16pp compared to the same period last year on the back of distribution network growth in this market.

Data in PLN thousands

Geographical structure	Q3 2012		Q1-Q3 2012		Q3 2011		Q1-Q3 2011	
	Revenue	% share	Revenue	% share	Revenue	% share	Revenue	% share
Europe	4 484	45%	13 182	47%	12 259	53%	36 775	55%
North America	4 834	48%	13 061	47%	7 342	32%	22 581	34%
Asia and Australia	733	7%	1 815	6%	3 488	15%	6 962	11%
TOTAL	**10 051**	**100%**	**28 058**	**100%**	**23 089**	**100%**	**66 318**	**100%**

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

Data in PLN thousands

Product segment	Q3 2012				Q3 2011			
	Revenue	% share	Result	% margin	Revenue	% share	Result	% margin
Own products	9 094	90%	1 852	20%	19 229	83%	8 409	44%
Licenses	954	9%	886	93%	2 490	11%	2 331	94%
Licensed products	-76	-1%	-194	n/a	975	4%	587	60%
Other sales	78	1%	-34	n/a	395	2%	162	41%
TOTAL	**10 051**	**100%**	**2 510**	**25%**	**23 089**	**100%**	**11 489**	**50%**

Product segment	Q1-Q3 2012				Q1-Q3 2011			
	Revenue	% share	Result	% margin	Revenue	% share	Result	% margin
Own products	24 300	87%	4 938	20%	58 756	89%	27 280	46%
Licenses	2 633	9%	2 354	89%	4 277	6%	3 935	92%
Licensed products	16	0%	-415	n/a	1 681	3%	536	32%
Other sales	1 109	4%	373	34%	1 604	2%	679	42%
TOTAL	**28 058**	**100%**	**7 250**	**26%**	**66 318**	**100%**	**32 430**	**49%**

The Group's margin, calculated as gross profit on sales over revenue from sales, in Q3 2012 reached 25%, down from 50% in Q3 2011. This decrease results from successive Sniper: Ghost Warrior pricing discounts across all platforms, which is in contrast to the standard pricing of the PlayStation®3 version applied during the same period in 2011.

During Q3 2012 administrative expenses amounted to PLN 1.5 million, having increased over the same period last year as a result of several Group development projects.

Distribution costs remained at a similar level throughout the two compared periods. Administrative expenses and distribution costs remain at the level observed in Q2 2012.

During the reporting period the City Interactive Group recognized impairment losses amounting to PLN 2.0 million on development work related to Dogfight 1942, aligning this item's value with the game's expected sales revenue. This resulted in an increase in other operating expenses compared to the same period in 2011.

The Group's net result during the reporting period was also impacted by financing activities. Following the withdrawal from its hedging policy, the Company recognized positive exchange differences on measurement of forward derivatives (see point 18 of this report). Finance costs were largely impacted by the cost of issuing series C bonds in the part not recognized as intangible assets.

As at September 30, 2012, the Group held PLN 18.4 million in bank accounts, an increase of PLN 9.8 million compared to June 30, 2012. In Q3 2012 the Group generated a PLN 2.2 million cash surplus on operating activities. In addition, on September 28, 2012 the Parent received PLN 14.5 million in proceeds from a bond issue (see point 7 of this report). During the period the Group also incurred investment expenditures of PLN 6.8 million on new game development.

Estimated amounts recognized in the Group's consolidated balance sheet as at September 30, 2012.

Data in PLN thousands

Estimates	City Interactive S.A.	Group
	As at Sep 30, 2012	As at Sep 30, 2012
Intangible assets impairment charges	2 000	2 000
Receivables impairment charges	5 036	5 036
Inventory impairment charges	362	362
Provision for pensions and similar	45	45
Deferred income tax provision	121	121
Provision for costs and liabilities	1 020	1 021
TOTAL	**8 584**	**8 585**
Net revenue provision for returns and adjustments	206	466

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 occurred since the end of the last financial year

As at September 30, 2012 the company 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 September 30, 2012 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

On September 28, 2012 parent City Interactive S.A. issued series C bonds, and subsequently on October 30, 2012 series D bonds. The bond issues are described in detail in points 7 and 19 hereof.

During the reporting period, the Issuer did not issue, redeem or repay equity or non-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

Other than the sale on August 21, 2012 of 100% of shares in subsidiary City Interactive Studio Ltd., headquartered in London, UK, no other changes in the structure of the Group took place during the reporting period.

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) dividend, together with calculation per share with division into ordinary and preference shares

During the reporting period City Interactive S.A. did not pay or 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 October 2, 2012 the Management Board of City Interactive S.A. published the preliminary estimated net revenue from sales generated by the City Interactive Group in Q3 2012, which exceeded PLN 9.5 million. Then, on October 26, 2012, in connection with a planned bond issue, the Management Board of City Interactive S.A. announced that according to preliminary estimates the Issuer’s liabilities as at September 30, 2012 amount to approx. PLN 26.5 million, including PLN 14.5 million due to the series C bond issue.

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 interim 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

- **Series D bond issue**

On October 30, 2012 City Interactive S.A. issued series D bonds as follow-on to the series C issue of September 28, 2012. The series D issue’s objective, like the series C, was primarily raising capital to finance expenditures connected with the release of Sniper: Ghost Warrior 2. In addition, the Issuer intends to use the proceeds raised from the bond issue to finance new game development, together with marketing and advertising. The Company has issued 6000 ordinary bearer bonds (zero-coupon, dematerialized, non-interest bearing) with a total par value of PLN 6 million. The issue price per bond was PLN 935.50. The bonds will be redeemed at par value on June 26, 2013.

- **Closing of forward contracts**

In connection with the decision to withdraw the Company’s hedging policy, on October 18, 2012 all forward contracts specified in point 7 hereof were closed. The result was a positive PLN 31 000.

- **Release of *Dogfight 1942* for Playstation®3**

A Playstation®3 version of Dogfight 1942 was released on October 17, 2012. The game is in online distribution.

A description of other events which could potentially have a significant impact on the Issuer's future financial results can be found in points 18 and 20 of these notes to the financial statements.

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 consistently pursues its development strategy aimed at regularly releasing high quality video games. Currently, quality of game development, promotion and sales will be the decisive factor affecting product planning and development activities. The Group is developing more and more games for new generation consoles. This is a clear move in the direction of the most important global market, where sales are based on console markets, while at the same time, heading in the same direction as the very latest video market trends, the management board has commenced activities to develop operations based on new genres and game models (role-playing game - RPG, free-to-play - F2P) and new distribution channels (games for iOS systems, i.e. the iPad®, iPhone® and iPod Touch®, as well as online and social games), which constitutes a subsequent step in the Group's development. In the opinion of the Issuer's management, this will result in a further improvement in City Interactive S.A.'s results in subsequent quarters and years.

For over two years intensive work has been underway on the production of *Sniper: Ghost Warrior 2*, The sequel is improved, based on the latest CryENGINE®3 technology and has a good chance of becoming the Issuer's all-time largest production and distribution success, and will be able to compete with the largest global titles in the First Person Shooter segment. The realism of the gameplay and story, coupled with a shooting mechanism which is improved on the previous version, make the game something completely new and a pioneering experience in tactical sniper simulation aimed at a broad consumer base. The release of *Sniper: Ghost Warrior 2* is planned for January 15, 2013. As at the report date, the Issuer's management believes there is a high likelihood that the game's release might be moved slightly to another date in Q1 2013. *Sniper: Ghost Warrior 2* will undoubtedly be one of the most important factors impacting on the Group's financial results in 2013. Following the game's release additional DLC content will be introduced, including game supplements, which will enable to generate further revenue from sales of *Sniper: Ghost Warrior 2*.

The Group is also working on a mobile version of Sniper: Ghost Warrior on iOS platforms, i.e. iPad® and iPhone®, which will be developed using Epic Games Inc.'s Unreal® Engine3. This release is planned for Q1 2013.

The first quarter of 2013 will also see the release of Alien Fear - a science fiction-based first person shooter where the player is cast as the lone survivor of a group of marines which have come to the aid of lost space station Deep Space One. The game is produced using the latest version of Unreal® Engine3 technology and will be marketed in digital distribution for Xbox360®, Sony PlayStation®3 and PC.

The Issuer's second key project in the production phase with high commercial potential is Enemy Front, a first person shooter set in the Second World War. Enemy Front is a classic of the genre, created on the most popular topic, however with a modern approach using one of the most modern and highly advanced technologies for the creation of first person shooter games - CryENGINE®3. A part of the Issuer's Romanian team is also working on development, particularly supporting the Rzeszów-based team in multiplayer mode improvements, which is supposed to play a pivotal role in *Enemy Front*. The game is set behind Nazi lines over several years in various historically significant locations. The game's release on Xbox360®, PlayStation®3 and PC is planned for 2013. City Interactive S.A. management is counting on an equally impressive reception for the game as was met by Sniper: Ghost Warrior.

Lords of the fallen, an RPG project, is currently being developed mostly in Germany, by an experienced team at Deck13 Interactive GmbH along with the game's executive producer Tomasz Gop (one of the principal producers of The Witcher® 2 Assassins of Kings).

From August 2011 in its Romanian studio the Issuer is working on its first free-to-play project, World of Mercenaries. The game will be a modern online multiplayer shooter.

The Issuer's management believes that this 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 create and release high quality games.

MANAGEMENT BOARD:

Marek Tymiński

President of the Management Board

Andreas Jaeger

Member of the Management Board

Warsaw, November 14, 2012