CAPITAL GROUP
CI GAMES S.A.

ANNUAL CONSOLIDATED FINANCIAL STATEMENT
FOR THE PERIOD FROM 1 JANUARY 2016 TO 31 DECEMBER 2016

WARSAW, 31 March 2017

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I. Introduction to the consolidated financial statement for the period from 1.01.2016 to 31.12.2016

1. Information about the Group

a) CI Games S.A. ("Parent Company", "Company") was registered on 1 June 2007 as City Interactive S.A., by transforming CITY INTERACTIVE sp. z o.o. under a notarised deed Rep. A 2682/2007 of 16 May 2007. On 7 August 2013 the District Court for the Capital City of Warsaw in Warsaw, XIII Commercial Division of the National Court Register recorded the change of the Company's name from the existing one to CI Games S.A. The company registered office is in Warsaw, at ul. Puławska 182.

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

c) The core activities of the Company include production, publication and distribution of computer games.

d) According to the Company's Articles of Association, the term of the Company is not limited.

e) In 2016, the Management Board Members were:

- Marek Tymiński — President
- Adam Pieniacki — Member
- Monika Rumianek — Member
- Łukasz Misiurski — Management Board Member by 23.03.2016

f) In 2016, the Supervisory Board was as follows:

- Dasza Gadomska — Supervisory Board Chairwoman
- Grzegorz Leszczyński — Supervisory Board member
- Tomasz Litwiniuk — Supervisory Board member
- Norbert Biedrzycki — Supervisory Board member
- Mariusz Sawoniewski — Supervisory Board member

g) The Company is the parent company of the Capital Group, which draws up this consolidated financial statement.

Composition of the CI Games Capital Group as at, December 31, 2016:

- **CI Games S.A.** (formerly City Interactive S.A.) – a Warsaw-based company. Share capital: PLN 1,501,499,90. Parent company.
  - CI Games Germany GmbH in liquidation – company with its registered office in Frankfurt am Main, Germany. Share capital of EUR 25.000. 100% of shares held by CI Games S.A. The company was put into liquidation in Q4 2015.
  - CI Games USA Inc. – a company having its registered office in Delaware, U.S. Share capital of USD 50.000. 100% of shares held by CI Games S.A.
  - Business Area Spółka z o.o. – company headquartered in Warsaw, Poland. Share capital of PLN 5,000. 100% of shares held by CI Games S.A.

- CI Games Cyprus Ltd. headquartered in Nicosia, Cyprus. Share capital of EUR 1.200. 100% of shares held by CI Games S.A.

- CI Games Spółka Akcyjna Spółka Jawna (transformed from CI Games IP Sp. z o.o.) – company headquartered in Warsaw, Poland. 0.01% shares held by CI Games S.A.

- Business Area Spółka z ograniczoną odpowiedzialnością Spółka Jawna, transformed from Business Area Spółka z ograniczoną odpowiedzialnością S.K.A., headquartered in Warsaw, Poland, with its share capital of PLN 1,050,000. 99.99% of shares held by CI Games S.A.

Moreover, in 2008, CI Games S.A. acquired shares in the following entities operating in Latin America, and then abandoned their further development in the following years:

In 2009:

- City Interactive Peru SAC (formerly UCRONICS SAC) – a company having its registered office in Lima, Peru. 99% of shares held by CI Games S.A. Share capital of SOL 2,436,650.

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

- City Interactive Mexico S.A. de C.V. – company headquartered in Mexico City, Mexico. Founding capital of MXN 50,000. 95% of shares held by CI Games S.A., remaining 5% held by CI Games USA Inc.

In 2016:

- City Interactive Studio S.R.L. – a company headquartered in Bucharest, Romania. 100% of shares held by CI Games S.A. Share capital of RON 200. The Company was dissolved following the bankruptcy proceedings finished in May 2016.

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

a) The consolidated financial statement covers the period from 1.01.2016 to 31.12.2016. The comparable data cover the period from 1.01.2015 to 31.12.2015.

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

c) The consolidated financial statement was drawn up assuming continued operations in the foreseeable future. The Management Board believes the Company is able to:

- carry out its current activities and pay liabilities;
- continue production of new games in 2017.

In connection with the games published in previous years and with the release of Sniper Ghost Warrior 3, planned for 25.04.2017, according to the Management Board, the proceeds from their sale enable to cover the current operating costs and also to launch new projects in 2017. According to the Management Board, there is no significant uncertainty related to the assumed continued operations for at least 12 months after the financial statements are drawn up.

3. Adopted accounting principles

a) Application of International Accounting Standards

The annual consolidated financial statement is drawn up in accordance with International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) adopted by the European Union (EU) 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, 2007 concerning current and periodical information provided by Issuers of securities and the terms and conditions for information required by the provisions of law of a non-member state being recognized as equivalent (Polish Journal of Laws no. 33, item 259).

The consolidated financial statement for the period from 1.01.2016 to 31.12.2016 is a subsequent annual financial statement prepared in accordance with IAS/IFRS. The comparable data for the period 1.01.2015 to 31.12.2015 come from the consolidated statement drawn in accordance with IAS/IFRS. IAS/IFRS were adopted on 1 January 2007.

b) Basis for preparing the consolidated financial statements

The data in the consolidated financial statement, in the notes to the financial statement, were provided in thousand PLN, unless indicated otherwise. The roundings were made by rejecting values below PLN 499 and 49 00/100 respectively and by rounding up in the other circumstances.

The consolidated financial statement was 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 they were made.

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

c) Principles of consolidation

(i) Subsidiaries

The CI Games Capital 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 Capital 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 consolidated financial statement. 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 consolidated financial statements" and "foreign operations".

For conversion of the financial statements of subsidiaries operating abroad, the aforementioned entities have been 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 consolidated 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 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 recognized 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 parties covered by consolidation are subject to exclusion.

(ii) Affiliates, joint ventures

Associates are business entities where the Parent company exerts significant influence, although does not control their operational and financial policies.
The Group's joint ventures are entities where the Parent 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 profit and loss statement. 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 hereunder, together with Group revenues and costs, are excluded during the preparation of the consolidated financial statements. Unrealized profits 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 Company 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 profit and loss statement 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 Company'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 fixed assets commences at the moment they are commissioned. Each new fixed asset must, in as far as possible, be broken down into separate components, with the depreciation method specified.

Fixed assets 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 profit and loss statement.

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 have been established with consideration to the period of economic usefulness of fixed assets.

Property, plant and equipment is 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.

Liability towards the lessor arising on this account is presented in the balance sheet under finance lease liabilities.

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

(iii) Later expenditures

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 profit and loss statement.

e) Intangible assets

(i) Intangible assets

The Group recognizes intangible assets only when:

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

An intangible asset is initially valued at purchase price or cost of production. Intangible assets are subject to amortization. Amortization rates have been 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%

Expenses on development works are recognized as costs at the moment they are borne.

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

- the possibility, from a technical point of view, to complete an intangible asset so that it is suitable for use or sale,
- the intent to complete an intangible asset and to use or sell it,
- the capacity to use or sell an intangible asset,
- the means in which an intangible asset will create potential economic benefits. Amongst others, the Company should prove the existence of a market for products created thanks 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 works and the use or sale of the intangible asset,
- the possibility to establish outlays borne during development works which may be assigned to such intangible asset.

The costs of development works with a useful life assumed in advance are subject to amortization. Amortization charges 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 works are verified at least as at the end of the financial year. Costs of development works 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 works 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 on the basis of the effective interest rate, interest due on funds invested by the Company, dividends due, foreign exchange gains and losses and profit and loss concerning 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 have been 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 has been 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 revenue in as far as the asset has not been subject to prior restatement – 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 Company becomes a party to a binding agreement.

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

All assets used as financial instruments on the day of their purchase are classified into three categories:

- instruments held for trading (at fair value through profit or loss) – financial assets or liabilities which have been acquired or have arisen 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 Company has the intent and capability to hold to maturity, with the exception of loans granted by associates and own debt claims valued based on the amortized cost , using the effective interest rate method,
- available-for-sale financial instruments – financial assets other than loans granted and own receivables, assets held to maturity or than financial assets not held for trading, carried at fair value,
- loans and receivables – non-derivative financial assets with fixed or determinable payments which are not quoted in an active market. At initial recognition, the Company 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 revaluation and revenues achieved or losses incurred depending on the classification of a financial instrument impact on the financial result or the revaluation provision as available-for-sale financial assets, respectively.

Principles for valuation of financial instruments as at the end of the reporting period are evaluated by the Company 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.

Valuation 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.

Shares 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 Company, receivables with maturity of longer than 180 days are subject to discounting.

i) Financial liabilities

The financial liabilities held for trading, including the derivative instruments with a negative fair value, which were not assigned as hedging instruments, are revealed in their fair values, while the profits and losses resulting from their valuation are disclosed directly in the profit and loss account.

The other financial liabilities are evaluated based on the amortized cost, using the effective interest rate method.

All financial liabilities are introduced into the books as at the contract date.

The rules of financial instrument valuation and presentation in the financial statement are as follows:

Group of assets or liabilities	Rules of valuation	Rules of presentation in the financial statement
The assets are evaluated based on their fair value by the financial result	Based on the fair value (except for the ones which the fair value is impossible to determine for)	The valuation difference included in the financial result for the current reporting period in the financial revenues or financial costs.
Liabilities held for trading	Based on the fair value (except for the ones which the fair value is impossible to determine for)	The valuation difference included in the financial result for the current reporting period in the financial revenues or financial costs.
Other liabilities	Based on the amortized purchase price, using effective interest rate (IRR).	The valuation difference adjusts the value of the appraised asset and is included in the financial result for the current reporting period.
Loans granted and receivables	Based on the amortized purchase price using effective interest rate (IRR) and if the payment date is unknown, based on the purchase price (e.g. for loans granted without a set payment date)	The valuation difference adjusts the value of the appraised asset and is included in the financial result for the current reporting period.
Assets held to maturity	Based on the amortized purchase price, using effective interest rate (IRR).	The valuation difference adjusts the value of the appraised asset and is included in the financial result for the current reporting period.
Available-for-sale financial assets	Based on the fair value (except for the ones which the fair value is impossible to determine for)	The valuation difference to the fair value included in the revaluation provision. For the debt instruments, the accrued interest is included directly in the profit and loss account.
The financial assets and liabilities held for trading or available for sale, with the fair value impossible to determine.	Based on the purchase price, adjusted with impairment losses.	An asset or a liability is included with the purchase price, until such asset/liability is executed (e.g. sold). Impairment losses are included in the financial costs.

j) Inventory

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

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

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

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

Impairment losses on inventory

Impairment losses on current property, plant and equipment connected with their impairment or valuation as at the end of the reporting period correspond to their own operating costs (IAS2).

The Company 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 inventory depreciation write-down resulting from an increase in the net recoverable value is recognized as a decrease in inventory recognized as other operating revenue which the write-down reversal concerns.

As at the balance sheet date, the inventory is valued at acquisition or purchase price, and such a price may not exceed the net sales price for a given inventory item.

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

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

k) Cash and cash equivalents

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

l) Share capital

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

(i) 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 recognized as a decrease in equity.

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

m) Provisions

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

- the companies are burdened with an existing obligation (legal or constructive) resulting from past events,
- it is probable that fulfillment of an obligation will result in necessary outflow of resources representing economic benefits,
- the amount of such obligation can be reliably estimated.

The Group creates the following provisions for liabilities:

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

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

n) Trade and other payables

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

- maturing in within 12 months from the balance sheet date - classified as short-term liabilities,
- 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 turnovers and account balances should be reconciled, and potential adjustments should be made to the accounts, including in the financial statement of the entity. In the event of discrepancies 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 liabilities 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 creditors.

o) Revenue

Revenue from sale of products and services includes sale of products manufactured by the Company 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 is recognized if the following conditions are met:

- the Group has transferred significant risk and benefits resulting from the right of ownership of goods and products to the purchaser,
- the Group ceases to be permanently involved in managing the sale of goods or products to the extent that such function is usually exercised in relation to goods 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 has 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 and services supplied under normal business activity after decrease by discounts, VAT and other sales-related taxes.

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

p) Costs

The Company draws up a profit and loss statement 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 Company, dividends due, foreign exchange gains and losses and profit and loss concerning hedging instruments which are recognized in the statement of profit and loss.

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

q) Tax

Mandatory encumbrances on the result include current tax (CIT) 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 has 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 as the basis 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 profit and loss statement, aside from a situation where it concerns items directly recognized in equity. In this last instance deferred tax is also settled directly in equity. The Group offsets deferred income tax assets with provisions for deferred income tax exclusively when it has an enforceable legal title to offset deferred income tax assets with provisions for deferred income tax.

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

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

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

s) Segment reporting

A reportable segment is a separate part of the Group which deals with the supply of defined products or services (operating 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 Capital Group CI Games S.A. presents revenue from sales broken down into the following segments:

- operating – covering sales divided into products, goods and services,
- geographical – covering sales divided into the following areas: Europe, America and Australasia, Africa.

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 which have been 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 or materials sold at purchase price,
- indirect costs, i.e. costs which cannot be directly assigned to a defined product, e.g. overhead, sales and other operating costs.

Segment reporting – assignment to specific operating segments – concerns direct costs and such part of indirect costs as can be assigned to a given segment. The Group distinguishes a single segment.

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

Immediately before reclassification to the assets held for sale, valuation of assets (or all assets and liabilities constituting a group held for sale) is updated in accordance with the appropriate IFRS. Subsequently, as at the day of initial classification as held for sale, a fixed asset or group of assets 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 profit and loss statement 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 group held for sale.

4. Accounting principles change (financial statement conversion)

When the accounting principles are changed, the Group uses the solution pursuant to IAS 8 "Accounting principles (policy) - changes in accounting estimates and errors".

The accounting principles (policy) applied to draw up the financial statement are compliant with the ones used for drawing up the financial statement of the Company for the year ending on 31 December 2015, except for the following changes, required by standards and new interpretations in force for the annual periods starting on 1 January 2016:

• IFRS 10 Consolidated financial statements and IAS 27 Individual financial statements

IFRS 10 replaces a part of the previous standard IAS 27 "Consolidated and individual financial statement" with respect to the consolidated financial statements and introduces a new control definition. IFRS 10 may bring about changes within the consolidated group with respect to the possibility to consolidate entities which were consolidated before or vice versa. It does not introduce any changes related to the consolidation procedures and methods of transaction settlement in the consolidated financial statement.

Applying those changes did not affect the financial situation or results of the Company.

• IFRS 11 Joint arrangements and IAS 28 Investments in affiliated entities and joint ventures

IFRS 11 covers the joint contractual arrangements. It introduces two categories of joint arrangements: joint operations and joint ventures, with the appropriate valuation methods.

Applying the standard may result in changing the valuation method for joint arrangements (e.g. the ventures classified before as the entities with joint control, evaluated using pro-rata method, can be classified as joint ventures now, and evaluated using the equity method).

IAS 28 was amended and includes guidelines concerning the application of the equity method for joint ventures.

Applying those changes did not affect the financial situation or results of the Company.

• IFRS 12 Disclosure of interest in other entities

IFRS 12 contains many disclosures related to the entity's interest in subsidiaries, affiliates or joint ventures. The standard application may lead to wider disclosures in the financial statement, e.g.:

- of key financial information, including the risk related to the Group ventures;
- disclosure of interest in unconsolidated special entities and risks related to such ventures,
- information on every venture, in which material non-controlling interest exist,
- disclosure of material judgment and assumptions taken for classifying particular ventures, as subsidiaries, interdependent entities or affiliates.

Applying those changes did not affect the financial situation or results of the Company.

• Investment entities—- amendment to IFRS 10, IFRS 12 and IAS 27

The amendments introduce the concept of investment entities, released from the obligation to consolidate subsidiaries and which, after the amendments, evaluate their subsidiaries in the fair value through profit or loss.

Applying those changes did not affect the financial situation or results of the Group.

• Offsetting financial assets and liabilities – amendments to IAS 32

The amendments to IAS 32 offer precise description for and consequences of the good legal title to offset a financial asset or liability, and a precise description of offsetting criteria for gross settlement systems (e.g. settlement houses).

Applying those changes did not affect the financial situation or results of the Group.

• Disclosures concerning the recoverable amount of non-financial assets – amendments to IAS 36

The amendments removed the unintentional consequences of IFRS 13 related to disclosures required under IAS 36. Moreover, the amendments introduce the additional disclosures of the recoverable value for assets or cash generating units (CGU) for which the loss of value was recognized or reversed in a given period, when the usable value corresponds to the fair value less the costs of disposal.

Applying those changes did not affect the financial situation or results of the Group.

• Renewal of derivative instruments and continued hedge accounting – amendment to IAS 39

The amendments to IAS 39 pertain to the application of hedge accounting after the renewal (novation) of derivative instruments and release from the obligation to quit hedge accounting when the novation meets specific criteria, named in IAS 39.

The application of those amendments did not affect the financial standing or the operating results of the Group, nor the scope of information presented in the financial statement of the Group.

The Group did not decide to apply any standard, interpretation or amendment before, which was published but did not enter in force under the EU regulations.

The standards and interpretations published and approved by the EU which have not come in force:

The following standards and interpretations were published by the International Accounting Standards Board or the International Financial Reporting Interpretations Committee, and have not come in force so far:

The standards and interpretations which were already published but did not enter in force / were not approved / the works have been pending:

- IFRS 9 Financial Instruments (published on 24 July 2014) – applicable to the annual periods starting on 1 January 2018 or later,
- IFRS 14 Regulatory Deferral Accounts (published on 30 January 2014) – according to the decision of the European Commission, the process of the standard approval in the initial version will not be initiated before the publication of the final standard version – not approved by EU until the approval of this financial statement – applicable to the annual periods, starting on 1 January 2016 or later,
- IFRS 15 Revenue from Contracts with Customers (published on 28 May 2014), covering amendments to IFRS 15 Effective date of IFRS 15 (published on 11 September 2015) – applicable to the annual periods starting on 1 January 2018 or later,

- Amendments to IFRS 10 and IAS 28 Sale Transactions or Contribution of Assets between an Investor and its Associate or Joint Venture (published on 11 September 2014) – works leading to the approval of those amendments were postponed by EU for an unlimited time – the effective date was postponed by IASB for an unlimited time,
- IFRS 16 Financial lease (published on 13 January 2016) – not approved by EU before this financial statement was approved – applicable to the annual periods starting on 1 January 2019 or later,
- Amendments to IFRS 4 The application of IFRS 9 Financial instruments jointly with IFRS 4 Insurance agreements (published on 12 September 2016) – not approved by EU before this financial statement was approved – applicable to the annual periods starting on 1 January 2018 or later,
- Amendments to IAS 12 The Recognition of deferred tax assets for unrealised losses (published on 19 January 2016) – not approved by EU before this financial statement was approved – applicable to the annual periods starting on 1 January 2017 or later,
- Amendments to IAS 7 Disclosure Initiative (published on 29 January 2016) – not approved by EU before this financial statement was approved – applicable to the annual periods starting on 1 January 2017 or later,
- Explanations to IFRS 15 Revenue from Contracts with Customers (published on 12 April 2016) – not approved by EU before this financial statement was approved – applicable to the annual periods starting on 1 January 2018 or later,
- Amendments to IFRS 2 Share-based Payment (published on 20 June 2016) – not approved by EU before this financial statement was approved – applicable to the annual periods starting on 1 January 2018 or later,
- Amendments resulting from IFRS Review 2014-2016 (published on 8 December 2016) – not approved by EU before this financial statement was approved – The amendments to IFRS 12 apply to annual periods starting on 1 January 2017 or later, while to IFRS 1 and IAS 28 to annual periods starting on 1 January 2018 or later,
- Interpretation of to IFRIC 22 Foreign Currency Transactions and Advance Consideration (published on 8 December 2016) – not approved by EU before this financial statement was approved – applicable to the annual periods starting on 1 January 2018 or later,
- Amendments to IAS 40: Investment property (published on 8 December 2016) – not approved by EU before this financial statement was approved – applicable to the annual periods starting on 1 January 2018 or later.

The Management Board has been assessing the impact of introducing the said standards and interpretations on the accounting principles (policy) adopted by the Group.

II. Consolidated financial highlights

The balance sheet data was converted based on the mean FX rate announced by the President of the National Bank of Poland as at the financial statement date, being as follows as at the balance sheet date:

as at 31.12.2016 - PLN/EUR 4.4240,
as at 31.12.2015 - PLN/EUR 4.2615.

The data in the profit and loss account and cash flow statement were converted to EUR based on the FX rate being the arithmetic mean of mean rates announced by the President of the National Bank of Poland as at the last day of each month in a year:

for 2016 - PLN/EUR 4.3757,
for 2015 - PLN/EUR 4.1848.

STATEMENT OF PROFIT AND LOSS	2016		2015	
	PLN thousand	EUR thousand	PLN thousand	EUR thousand
Net revenue from sales	**24,231**	**5,538**	**25,019**	**5,979**
Profit (loss) from operating activities	-14,348	-3,279	-9,001	-2,151
Gross profit (loss)	-13,835	-3,162	-8,065	-1,927
Net profit (loss)	**-16,240**	**-3,711**	**-7,860**	**-1,878**
Number of shares (in thousands)	15,015	15,015	13,914	13,914
Profit (loss) per ordinary share (PLN/share)	-1.08	-0.25	-0.56	-0.13

STATEMENT OF CASH FLOWS	2016		2015	
	PLN thousand	EUR thousand	PLN thousand	EUR thousand
Net cash flows from operating activities	4,533	1,036	18,296	4,372
Net cash flows from investing activities	-28,975	-6,622	-26,257	-6,274
Net cash flows from financing activities	42,683	9,755	5,635	1,347
Net cash flows	**18,241**	**4,169**	**-2,326**	**-555**

BALANCE SHEET	12/31/2016		12/31/2015	
	PLN thousand	EUR thousand	PLN thousand	EUR thousand
Non-current assets	83,648	18,908	71,396	16,754
Current assets	34,194	7,729	19,282	4,525
Total assets	**117,842**	**26,637**	**90,678**	**21,278**
Equity	83,643	18,907	75,227	17,653
Share capital	*1,501*	339	*1,391*	326
Liabilities	**34,199**	**7,730**	**15,451**	**3,626**
Long-term liabilities	2,751	622	2,748	645
Short-term liabilities	31,448	7,108	12,703	2,981
Total equity and liabilities	**117,842**	**26,637**	**90,678**	**21,278**

III. Financial highlights of CI Games S.A. for the period from 1 January 2016 to 31 December 2016

CONSOLIDATED FINANCIAL STATEMENT

	ASSETS	NOTE	12/31/2016	12/31/2015
			PLN thousand	PLN thousand
A.	**NON-CURRENT ASSETS**		**83,648**	**71,396**
	Tangible fixed assets	1	917	971
	Intangible assets	2	59,299	45,943
	Deferred income tax assets	3	23,035	24,482
	Other non-current assets	9	397	-
B.	**CURRENT ASSETS**		**34,194**	**19,282**
	Inventory	4	3,396	4,333
	Current investments	5	-	3
	Advances granted	6	663	36
	Trade receivables	6	2,690	5,663
	Cash and cash equivalents	8	25,424	7,183
	Other current assets	9	2,021	2,064
TOTAL ASSETS			**117,842**	**90,678**

	LIABILITIES	NOTE	12/31/2016	12/31/2015
			PLN thousand	PLN thousand
A.	**EQUITY**		**83,643**	**75,227**
	Share capital	10	1,501	1,391
	Share premium	11	39,975	15,530
	Exchange differences on translation of foreign operations		579	478
	Reserve capital for the acquisition of shares	12	16,000	16,000
	Retained earnings		25,588	41,828
	including profit for the period	31	- 16,240	- 7,860
	Equity attributable to owners of the Parent		**83,643**	**75,227**
	Equity attributable to non-controlling interests		**-**	**-**
B.	**LIABILITIES**		**34,199**	**15,451**
	Non-current liabilities		**2,751**	**2,748**
	Deferred income tax provision	3	2,751	2,748
	Short-term liabilities		**31,448**	**12,703**
	Borrowings including credits, loans and other debt instruments	14	23,917	5,677
	Income tax liabilities	7	81	679
	Trade liabilities	17 18	6,507	4,586
	Other liabilities	19	214	173
	Other current provisions	20	729	1,588
TOTAL EQUITY AND LIABILITIES			**117,842**	**90,678**
	Book value (in PLN thousand)		**83,643**	**75,227**
	Number of shares (in thousands)		**15,015**	**13,914**
	Book value per share (in PLN)		**5.57**	**5.41**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	NOTE	for the period from 1.01 to 31.12.2016	for the period from 1.01 to 31.12.2015
		PLN thousand	PLN thousand
Continuing operations			
Net revenue from sales	**21**	**24,231**	**25,019**
Revenue from sale of products and services		23,476	24,377
Revenue from sale of goods and materials		755	642
Costs of products, goods and services sold	22	**- 21,450**	**- 18,477**
Manufacturing cost of products sold		- 21,101	- 18,173
Value of goods and materials sold		- 349	- 304
Gross profit (loss) on sales		**2,781**	**6,542**
Other operating revenues	24	626	1,695
Selling costs	22	- 9,203	- 7,061
General and administrative costs	22	- 6,008	- 8,472
Other operating expenses	25	- 2,544	- 1,705
Profit (loss) on operating activities		**- 14,348**	**- 9,001**
Financial revenues	26	743	1,081
Financial expenses	26	- 230	- 145
Profit (loss) before tax		**- 13,835**	**- 8,065**
Income tax	27 28	- 2,405	205
Profit (loss) on continuing operations	**31**	**- 16,240**	**- 7,860**
Discontinued operations			
Loss from discontinued operations			
NET PROFIT (LOSS)		**- 16,240**	**- 7,860**
Total other comprehensive income, including:			
Exchange differences on translation of foreign operations		**101**	45
TOTAL INCOME FOR THE FINANCIAL YEAR		**- 16,139**	**- 7,815**
Net profit (loss) in thousands of PLN		**-16,240**	**-7,860**
Number of shares (in thousands)		**15,015**	**13,914**
Profit (loss) per ordinary share (in PLN)		**-1.08**	**-0.56**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD FROM 1.01 TO 31.12.2015	Share capital	Share premium	Reserve capital for the purchase of own shares	Translation losses/profits	Retained earnings	Total equity
AS AT 1 JAN. 2015	**1,391**	**15,530**	**16,000**	**433**	**49,688**	**83,042**
Changes in accounting policy	-	-	-	-	-	-
AS AT 1 JAN. 2015, AFTER CONVERSION	**1,391**	**15,530**	**16,000**	**433**	**49,688**	**83,042**
CHANGES IN EQUITY						
Profit and loss for the period	-	-	-	-	- 7,860	- 7,860
Exchange differences on translation	-	-	-	45	-	45
AS AT 31.12.2015	**1,391**	**15,530**	**16,000**	**478**	**41,828**	**75,227**

FOR THE PERIOD FROM 1.01 TO 31.12.2016	Share capital	Share premium	Reserve capital for the purchase of own shares	Translation losses/profits	Retained earnings	Total equity
AS AT JAN. 1, 2016	**1,391**	**15,530**	**16,000**	**478**	**41,828**	**75,227**
Changes in accounting policy	-	-	-	-	-	-
AS AT 1 JAN. 2016, AFTER CONVERSION	**1,391**	**15,530**	**16,000**	**478**	**41,828**	**75,227**
CHANGES IN EQUITY						
Profit and loss for the period	-	-	-	-	- 16,240	- 16,240
Share issue	110	24,445	-	-	-	24,555
Exchange differences on translation	-	-	-	101	-	101
AS AT 31.12.2016	**1,501**	**39,975**	**16,000**	**579**	**25,588**	**83,643**

CONSOLIDATED STATEMENT OF CASH FLOWS

	for the period from 1.01 to 31.12.2016	for the period from 1.01 to 31.12.2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Gross profit (loss)	**-14,689**	**- 8,444**
Total adjustments	**19,222**	**26,740**
Depreciation	15,476	10,774
Impairment loss (reversal)	200	-
Profit (loss) on exchange differences	-	46
Interest	110	11
Commission on bonds	-	6
Profit (loss) on sale of non-current assets	2	- 24
Change in receivables	2,973	22,009
Change in inventory and prepayments	310	- 1,132
Change in trade and other payables	1,364	- 4,842
Change in employee benefit provisions and liabilities	- 859	115
Change in other current assets	- 354	- 223
Net cash flows from operating activities	**4,533**	**18,296**
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of property, plant and equipment and intangible assets	-	35
Repayment of borrowings	3	-
Cash outflows on acquisition of property, plant and equipment and intangible assets	- 762	- 184
Cash outflows on development works	- 28,216	- 26,108
Net cash from investing activities	**-28,975**	**-26,257**
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from the issue of shares and other capital instruments	24,555	-
Incurrence of borrowings	18,240	5,677
Commission on bonds	-	- 6
Repayment of finance lease liabilities	-	- 14
Interest	- 112	- 11
Cash outflows on repayment of credits and loans	-	- 11
Net cash from financing activities	**42,683**	**5,635**
TOTAL NET CASH FLOWS	**18,241**	**- 2,326**
EXCHANGE DIFFERENCES ON CASH	-	-
BALANCE SHEET CHANGES IN CASH AND CASH EQUIVALENTS	**18,241**	**- 2,326**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	**7,183**	**9,509**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**25,424**	**7,183**

IV. Additional information to the consolidated financial statement of CI Games S.A.

Note 1 Changes in fixed assets by type

FOR THE PERIOD FROM 1.01 TO 31.12.2016	Buildings, premises, civil and water engineering structures	Technical equipment and machinery	Vehicles	Other tangible fixed assets	Fixed assets under construction	Total
Gross value as at 1 Jan. 2015	**999**	**2,857**	**101**	**136**	**-**	**4,093**
Increases:	-	501	2	20	733	1,256
- acquisition	-	-	-	-	733	733
- transfer	-	501	-	20	-	521
- exchange differences on translation of foreign operations	-	-	2	-	-	2
Decreases:	-	135	0	-	721	856
- liquidation	-	135	-	-	-	135
- transfer	-	-	-	-	521	521
- impairment loss	-	-	-	-	200	200
Gross value as at 31 Dec. 2015	**999**	**3,223**	**103**	**156**	**12**	**4,493**
Depreciation as at 1 Jan. 2015	**502**	**2,476**	**68**	**76**	**-**	**3,122**
Increases:	203	346	17	21	-	587
- depreciation	203	346	15	21	-	585
- exchange differences on translation of foreign operations	-	-	2	-	-	2
Decreases:	-	133	-	-	-	133
- liquidation	-	133	-	-	-	133
Depreciation as at 30 June 2015	**705**	**2,689**	**85**	**97**	**-**	**3,576**
Net value						
As at 1 Jan. 2015	**497**	**381**	**33**	**60**	**-**	**971**
As at 31 Dec. 2015	**294**	**534**	**18**	**59**	**12**	**917**

Note 1 Changes in fixed assets by type ctd.

FOR THE PERIOD FROM 1.01 TO 31.12.2015	Buildings, premises, civil and water engineering structures	Technical equipment and machinery	Vehicles	Other tangible fixed assets	Fixed assets under construction	Total
Gross value as at 1 Jan. 2015	**999**	**2,644**	**212**	**111**	**-**	**3,966**
Increases:	-	283	-	25	-	308
- acquisition	-	242	-	25	-	267
- transfer	-	41	-	-	-	41
Decreases:	-	- 70	- 111	-	-	-181
- sale	-	- 10	-	-	-	- 10
- liquidation	-	- 60	- 111	-	-	- 171
Gross value as at 31 Dec. 2015	**999**	**2,857**	**101**	**136**	**-**	**4,093**
Depreciation as at 1 Jan. 2015	**299**	**2,153**	**164**	**58**	**-**	**2,674**
Increases:	**203**	**373**	**15**	**24**	**-**	**615**
- depreciation	203	373	15	24	-	615
Decreases:	**-**	**- 50**	**- 111**	**- 6**	**-**	**- 167**
- liquidation	-	- 50	- 111	- 6	-	- 167
Depreciation as at 31 Dec. 2015	**502**	**2,476**	**68**	**76**	**-**	**3,122**
Net value						
As at 1 Jan. 2015	**700**	**491**	**48**	**53**	**-**	**1,292**
As at 31 Dec. 2015	**497**	**381**	**33**	**60**	**-**	**971**

Note 2 Changes in intangible assets by type

All intangible assets of the Group have a specific useful life and are amortized. The recoverable value of the used intangible assets as at the balance sheet date is higher than their non-amortized value. The development works disclosed as an intangible asset will be, according to the Management Board, completed and bring the anticipated economic results except for those for which write-downs were created.

FOR THE PERIOD FROM 1.01 TO 31.12.2016	R&D expenses	Proprietary copyright, licences, concessions	Rights to press titles	Other intangible assets	Total
Gross value as at 1 January 2016	**136,748**	**220**	**51**	**2,069**	**139,087**
Increases:	28,751	-	-	29	28,780
- acquisition	14,657	-	-	10	14,667
- produced internally	14,094	-	-	18	14,112
Gross value as at 31 December 2016	**165,499**	**220**	**51**	**2,098**	**167,867**
Depreciation as at 1 Jan. 2016	**91,289**	**220**	**51**	**1,584**	**93,144**
Increases:	15,104	-	-	320	15,424
- depreciation	15,104	-	-	320	15,424
Depreciation as at 31 Dec. 2016	**106,393**	**220**	**51**	**1,904**	**108,568**
Net value					
As at 1 January 2016	**45,459**	**-**	**-**	**485**	**45,943**
As at 31 December 2016	**59,106**	**-**	**-**	**194**	**59,299**

R&D expenses were PLN 28.75 million in this period.

Note 2 Changes in intangible assets by type (ctd.)

FOR THE PERIOD FROM 1.01 TO 31.12.2015	R&D expenses	Proprietary copyright, licences, concessions	Rights to press titles	Other intangible assets	Total
Gross value as at 1 Jan. 2015	**110,290**	**220**	**51**	**2,021**	**112,581**
Increases:	26,458	-	-	48	26,506
- acquisition	15,627	-	-	48	15,675
- produced internally	10,831	-	-	-	10,831
Decreases:	-	-	-	-	-
- liquidation	-	-	-	-	-
Gross value as at 31 Dec. 2015	**136,748**	**220**	**51**	**2,069**	**139,087**
Depreciation as at 1 Jan. 2015	**80,796**	**220**	**51**	**1,401**	**82,468**
Increases:	**10,494**	**-**	**-**	**183**	**10,677**
- depreciation	10,494	-	-	183	10,677
Decreases:	**-**	**-**	**-**	**-**	**-**
- liquidation	-	-	-	-	-
Depreciation as at 31 Dec. 2015	**91,289**	**220**	**51**	**1,584**	**93,144**
Net value					
As at 1 Jan. 2015	**29,494**	**-**	**-**	**620**	**30,114**
As at 31 Dec. 2015	**45,459**	**-**	**-**	**485**	**45,943**

Note 3 Assets and deferred tax provision

DEFERRED TAX	as at 31 Dec. 2016	as at 31 Dec. 2015
Deferred tax assets		
Opening value	**25,590**	**25,590**
Including assets compared to the financial result	25,590	25,590
Increases compared to the financial result	23,035	24,482
cost provision	-74	2
receivables valuation allowances	279	802
interest valuation allowances	495	475
allowances to reduce inventory	19	66
exchange differences	-	-
tax loss	13,539	10,350
damages	-	-
unpaid payables	536	551
provision for returns	-	-
value of bought trade marks	5,419	9,755
other	2,822	2,481
Decreases compared to the financial result	25,590	25,590
Closing value	**23,035**	**24,482**
Deferred tax provisions		
Opening value	**2,748**	**4,441**
Including assets compared to the financial result	2,748	4,441
Increases compared to the financial result	2,751	2,748
revenue and interest accrued	-	3
other	-3	-4
difference between the balance-sheet and tax value of tangible fixed assets	2,754	2,745
Decreases compared to the result	2,748	4,441
Closing value	**2,751**	**2,748**

Note 4 Inventory - Breakdown and aging

INVENTORY	as at 31 Dec. 2016	as at 31 Dec. 2015
Materials	572	318
Finished goods	2,923	4,364
Commodities	-	-
Total gross inventory	**3,495**	**4,682**
Valuation allowance	-99	-349
Total net inventory	**3,396**	**4,333**

INVENTORY - AGING	as at 31 Dec. 2016	as at 31 Dec. 2015
0-90 days	848	1,739
91-180 days	163	94
181-360 days	927	124
above 360 days	1,557	2,725
Valuation allowance	-99	-349
Total net inventory	**3,396**	**4,333**

According to the Issuer's Management Board, all inventories not covered with the write-down for their impairment represent the recoverable value higher than their accounting value.

Note 5 Loans granted and loan revaluation deductions

LOANS GRANTED	as at 31 Dec. 2016	as at 31 Dec. 2015
Loans granted	**-**	3
Total loans	**-**	**3**

Note 6 Trade receivables and advance payments

RECEIVABLES - BREAKDOWN	as at 31 Dec. 2016	as at 31 Dec. 2015
Trade receivables from related parties	-	-
Trade receivables from other parties	5,391	7,870
up to 12 months	*5,391*	*7,870*
above 12 months	-	-
Trade receivables	**5,391**	**7,870**
Valuation allowances for trade receivables	-2,701	-2,207
Net trade receivables	**2,690**	**5,663**

Advances granted	663	36

RECEIVABLES - AGING	as at 31 Dec. 2016	as at 31 Dec. 2015
when due	1,706	4,290
behind due:	3,685	3,580
1-30 days	304	*192*
31-90 days	444	*209*
91-180 days	218	*446*
above 180 days	2,719	*2,733*
Valuation allowance	-2,701	-2,207
Net trade receivables	**2,690**	**5,663**

RECEIVABLES - CURRENCY STRUCTURE	as at 31 Dec. 2016	as at 31 Dec. 2015
PLN	1,590	2,124
EUR	609	743
GBP	7	11
USD	256	503

Note 7 Deferred tax receivables and payables

INCOME TAX SETTLEMENTS	as at 31 Dec. 2016	as at 31 Dec. 2015
Income tax receivables	**-**	**-**
- from legal persons	-	-
- from natural persons	-	-
Income tax liabilities	**82**	**773**
- from legal persons	82	680
- from natural persons	**-**	93

Note 8 Cash and cash equivalents

CASH AND CASH EQUIVALENTS	as at 31 Dec. 2016	as at 31 Dec. 2015
Bank accounts	25,387	7,173
Short-term deposits	-	-
Cash in hand	37	10
Total cash and cash equivalents	**25,424**	**7,183**

Note 9 Other assets

OTHER ASSETS	as at 31 Dec. 2016	as at 31 Dec. 2015
Tax receivables (excl. income tax)	1,274	1,318
Other settlements with employees	23	145
Settlements with shareholders	-	5
Deposits	44	36
Other settlements	189	27
Royalties	495	-
Prepayments	393	533
Insurance	*117*	*82*
Subscriptions	*229*	*60*
Other prepayments	*48*	*391*
Total other assets	**2,418**	**2,064**
including long-term:	***397***	**-**
Deposits	*34*	-
Royalties	*330*	-
Prepayments	*33*	-

Note 10 Share capital

As at 31 December 2016, the share capital was composed of six series of shares with the following parameters:

SHARE SERIES	QUANTITY	NOMINAL VALUE	REGISTRATIO N	RIGHT TO DIVIDEND FROM
A - ordinary bearer / paid up	10,000,000	1,000	6/1/2007	1/1/2007
B - ordinary bearer / paid up	40,000	4	8/10/2008	1/1/2007
C - ordinary bearer / paid up	2,500,000	250	12/17/2008	1/1/2007
D - ordinary bearer / paid up	110,000	11	10/9/2009	1/1/2009
E - ordinary bearer / paid up	1,264,999	126	1/9/2014	1/1/2014
G - ordinary bearer / paid up	1,100,000	110	12/6/2016	1/1/2016
TOTAL	**15,014,999**	**1,501**		

In November 2016, the Company issued 1,100,000 shares with the value of PLN 24,970,000, with the nominal share value amounting to PLN 110,000. Surplus exceeding the nominal value of shares of PLN 24,860,000 was classified as the share premium.

In connection with the new share issue, the shareholding structure of the share capital changed when compared to the previous year. The shareholding structure was as follows as at signing this financial statement:

SHARE CAPITAL - STRUCTURE	Number of shares	% of votes
Marek Tymiński	59,663,570	39.74%
Other shareholders	82,757,540	55.12%
Towarzystwo Funduszy Inwestycyjnych PZU Spółka Akcyjna	7,728,880	5.15%
All shareholders in aggregate	**150,149,990**	**100.00%**

Note 11 Share premium

SHARE SERIES	QUANTITY	SURPLUS
B - ordinary bearer / paid up	40,000	36
C - ordinary bearer / paid up	2,500,000	22,250
D - ordinary bearer / paid up	110,000	99
E - ordinary bearer / paid up	1,264,999	11,259
G - ordinary bearer / paid up	1,100,000	24,860
TOTAL	**5,014,999**	**58,504**
Reduction due to C series issue costs		-1,829
Reduction due to E series issue costs		-285
Transfer to the reserve capital		-16,000
Reduction due to G series issue costs		-415
As at 31 December 2016		**39,975**

Note 12 Reserve capital for the purchase of own shares

Created by the resolution of the Extraordinary General Meeting of Shareholders of Ci Games S.A. of 8 November 2010 in connection with the resolution of the same day, concerning the consent for the Company to acquire its own shares. The capital was created by transferring, from the Company's supplementary capital, amounts which under Art. 348 para. 1 Commercial Companies' Code, can be distributed among shareholders.

The supplementary capital for buying own shares as at 31 December 2016: PLN 16,000,000 (31.12.2015: PLN 16,000,000)

The own shares were not bought by the Issuer by the date when the financial statement was drawn up.

Note 13 Revaluation reserve

In 2016, the Company did not execute any forward contract and had no open futures contract as at 31.12.2016.

Note 14 Borrowings including credits, loans and financial lease

LOAN LIABILITIES	as at 31 Dec. 2016	as at 31 Dec. 2015
Finance lease liabilities - short-term	-	-
Loan liabilities, including in open-end current loans	23,917	5,677
TOTAL	**23,917**	**5,677**

All liabilities related to the above-mentioned transactions are short-term.

Note 15 Information about the credits raised and liabilities under debt securities

On 27 May 2015, CI Games S.A. executed an open-end current loan agreement with Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna, with its seat in Warsaw, ul. Puławska 15 (hereinafter "Bank"), pursuant to the following terms and conditions:

1) Limit granted: PLN 5 million;

2) Designation: ongoing operations of the Issuer;

3) Repayment deadline: 26 May 2017.

4) Interest rate – variable interest rate in the interest accrual periods, calculated by: WIBOR 1M for the previous month plus the Bank's margin and commissions in the value not deviating from the market conditions;

5) Loan collateral: a) the loan repayment guarantee by Bank Gospodarstwa Krajowego within the portfolio guarantee line de minimis PLD amounting to 60% of the loan value, that is PLN 3 million for 27 months, that is till 31 August 2017; b) registered lien on the claims from the Issuer's accounts kept by the Bank; c) blank promissory note issued by the Company together with promissory note declaration; d) the power of attorney to dispose of the cash on the current account held by the Bank.

As at 31 December 2016, the debt related to the open-end current loan was PLN 4,239,794.

On 27 May 2015, CI Games S.A. executed an open-end current loan agreement with Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna, with its seat in Warsaw, ul. Puławska 15 (hereinafter "Bank"), in PLN, pursuant to the following terms and conditions:

1) Limit granted: PLN 10 million;

2) Designation: financing production of new computer game titles, including Sniper Ghost Warrior 3;

3) Repayment deadline: 26 May 2017.

4) Interest rate – variable interest rate in the interest accrual periods, calculated by: WIBOR 1M for the previous month plus the Bank's margin and commissions in the value not deviating from the market conditions;

5) Loan collateral: a) registered lien on CI Games S.A. shares held by Mr Marek Tymiński, Management Board President and Major Shareholder of the Issuer, in the quantity of 1,898,740; b) registered lien on the cash claims (receivables from distributors); c) registered lien on the claims from the Issuer's accounts kept by the Bank; d) blank promissory note issued by the Company together with promissory note declaration; e) the power of attorney to dispose of the cash on the current account held by the Bank.

On 10 February 2016, the Management Board of CI Games S.A. executed an appendix to the open-end current loan with Powszechna Kasa Oszczędności Bank Polski S.A. resulting in increasing the limit of the awarded loan to reach PLN 20,000,000.00 (say: twenty million zlotys).

As at 31 December 2016, the debt related to the open-end current bank loan was PLN 19,677,288.

On 22 February 2017, CI Games S.A. executed an open-end current loan agreement with Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna, with its seat in Warsaw, ul. Puławska 15 (hereinafter "Bank"), in foreign currency, pursuant to the following terms and conditions:

1) Limit granted: USD 2.5 million;

2) Designation: financing costs related to the pressing of the game called Sniper Ghost Warrior

3) Repayment deadline: 26 May 2017.

4) Interest rate – variable interest rate in the interest accrual periods, calculated by: WIBOR 1M for the previous month plus the Bank's margin and commissions in the value not deviating from the market conditions;

5) Loan collateral: a) registered lien up to the highest cup of USD 3,750,000.00 on the cash claims (receivables from distributors); b) registered lien up to the highest cup of USD 3,750,000.00 on the claims from the Issuer's accounts kept by the Bank; c) blank promissory note issued by the Company together with promissory note declaration.

Note 16 Provisions for employee benefits

Provisions for employee benefits cover the sums in lieu of holiday leaves unused as at 31 December 2016.

Provisions for the retirement and disability compensation related to low mean age of employees and resulting negligible provision value were not created.

Note 17 Trade payables

LIABILITIES - BREAKDOWN	as at 31 Dec. 2016	as at 31 Dec. 2015
Trade payables to related parties	-	-
Trade payables to other parties	6,507	4,586
up to 12 months	*6,507*	*4,586*
above 12 months	-	-
Trade liabilities	**6,507**	**4,586**

PAYABLES - CURRENCY STRUCTURE	as at 31 Dec. 2016	as at 31 Dec. 2015
PLN	1,329	624
CAD	23	-
EUR	466	251
GBP	185	33
NZD	2	-
USD	500	693

Note 18 Trade payables aging

PAYABLES - AGING	as at 31 Dec. 2016	as at 31 Dec. 2015
when due	1,559	2,472
behind due:	4,948	2,114
1-30 days	*2,204*	*263*
31-90 days	*600*	*2*
91-180 days	*322*	*1*
above 180 days	*1,822*	*1,848*

Note 19 Other payables

OTHER PAYABLES	as at 31 Dec. 2016	as at 31 Dec. 2015
Tax payables except Corporate Income Tax	137	120
Other liabilities	77	51
Special funds (Company Social Benefits Fund, CSBF)	-	2
Trade liabilities	**214**	**173**

Note 20 Other current provisions

OTHER PROVISIONS	as at 31 Dec. 2016	as at 31 Dec. 2015
Other current provisions		
Provision for balance sheet auditing costs	40	20
Provision for non-invoiced costs	582	1,568
Provisions for paid leave	107	-
Total other current provisions	**729**	**1,588**
Provision for returns - reduced revenues and receivables	**-**	**894**

Note 21 Net revenues on sales of products Geographical structure

REVENUES - TERRITORIAL STRUCTURE	as at 31 Dec. 2016	as at 31 Dec. 2015
Country	1,097	222
- including from related parties	*413*	*34*
Export	23,133	24,797
- including from related parties	*6,349*	*9,478*
Total revenues	**24,231**	**25,019**
Europe	5,987	5,697
North America	15,909	18,854
Asia and Australia	2,335	468
Total revenues	**24,231**	**25,019**

Note 22 Costs by type

COSTS BY TYPE	as at 31 Dec. 2016	as at 31 Dec. 2015
Depreciation	15,476	10,775
Consumption of materials and energy	330	3,313
Third-party services	11,606	6,457
Taxes and charges	97	51
Employee benefits	2,620	2,021
Other expenses	5,620	5,774
Costs by type	**35,749**	**28,391**
Selling cost	-9,203	-7,061
Overheads	-6,008	-8,472
Value of products sold	563	5,315
Cost of products sold	**21,101**	**18,173**

Note 23 Employee benefits

COSTS BY TYPE	as at 31 Dec. 2016	as at 31 Dec. 2015
Remuneration	1,616	1,643
Social insurance	180	119
Other employee benefits	824	259
Total employee benefits	**2,620**	**2,021**

Note 24 Other operating revenues

OTHER OPERATING REVENUES	as at 31 Dec. 2016	as at 31 Dec. 2015
Release of receivables valuation allowance	7	34
Release of impairment loss on inventory	243	-
Release of other provisions	84	-
Damages received	-	653
Profit on selling non-financial fixed assets	-	30
Liabilities listed	183	16
Re-invoices	-	74
Stock-taking discrepancies	73	237
Subsidies	-	67
Other	36	14
Return of tax on civil law transactions	-	570
Total other operating revenues	**626**	**1,695**

Note 25 Other operating expenses

OTHER OPERATING EXPENSES	as at 31 Dec. 2016	as at 31 Dec. 2015
Valuation allowances for receivables	1,381	-
Impairment loss on inventory	-	151
Stock-taking discrepancies	-	250
Donations granted	5	2
Listed receivables	105	128
Legal expenses	1,019	19
Tax at source	-	959
Other	34	196
Total other operating expenses	**2,544**	**1,705**

Note 26 Financial revenues/costs

FINANCIAL REVENUES AND COSTS	as at 31 Dec. 2016	as at 31 Dec. 2015
Interest received	8	103
Positive net exchange differences	734	977
Dividend received	-	1
Other	2	-
Total financial revenues	**743**	**1,081**
Interest accrued	223	38
Other	7	107
Total financial costs	**230**	**145**

Note 27 Income tax

INCOME TAX	as at 31 Dec. 2016	as at 31 Dec. 2015
Current income tax	950	379
Deferred tax	1,455	-584
Total income tax	**2,405**	**-205**

Note 28 Effective tax rate

EFFECTIVE TAX RATE	as at 31 Dec. 2016	as at 31 Dec. 2015
Profit/loss before tax	-13,835	-8,065
Tax based on 19% tax rate	2,629	1,532
Non-taxable revenues, tax value	-131	-304
Revenues/costs of registered partnerships where CI GAMES S.A. / Business Area Sp. z o.o. is a payer	-4,477	-4,055
Non-deductible expenses, tax value	3,068	2,189
List of previous-year losses	716	-
Tax at source	928	-
Consolidation adjustments	-328	433
Income tax	**2,405**	**-205**
Effective tax rate	**-17%**	**3%**

Note 29 Activity segments

FOR THE PERIOD FROM 1.01 TO 31.12.2016	Own products	Licenses	Online sales	Other sales	Total
Total revenue (A)	**8,412**	**3,319**	**11,076**	**1,425**	**24,231**
Total costs (B), including:	**-7,446**	**-2,938**	**-9,804**	**-1,261**	**-21,450**
Depreciation	-5,372	-2,120	-7,074	-910	**-15,476**
Financial revenue / costs	178	70	234	30	**513**
Income tax	-1,157	-1,130	-1,523	-196	**-2,405**
Net profit (loss) for the financial year	**-5,638**	**-2,224**	**-7,423**	**-955**	**-16,240**
Total assets, including:	**40,908**	**16,141**	**53,864**	**6,929**	**117,842**
Intangible assets	21,871	8,630	28,798		**59,299**
Liabilities	11,872	4,684	15,632	2,011	**34,199**
Investment outlays	10,885	4,295	14,333		**29,513**

Note 29 Activity segments ctd.

FOR THE PERIOD FROM 1.01 TO 31.12.2015	Own products	Licenses	Online sales	Other sales	Total
Total revenue (A)	**8,080**	**108**	**16,463**	**368**	**25,019**
Total costs (B), including:	**-10,940**	**-84**	**-21,273**	**-201**	**-32,498**
Depreciation	-1,902	-58	-8,808	-6	**-10,774**
Financial revenue / costs	302	4	616	14	**936**
Income tax	66	1	135	3	**205**
Net profit (loss) for the financial year	**-2,538**	**-34**	**-5,172**	**-116**	**-7,860**
Total assets, including:	**15,676**	**474**	**72,547**	**1,621**	**90,318**
Intangible assets	8,120	246	37,578		**45,943**
Liabilities	2,551	77	11,808	264	**14,700**
Investment outlays	4,732	143	21,898		**26,773**

Note 30 Profit/loss per 1 share

The consolidated net loss per 1 outstanding share is PLN 1.08 as at 31 December 2016.

Note 31 Appropriation of profit for 2016 and 2015

On 29 April 2016, the Issuer's Ordinary General Meeting of Shareholders decided to cover the loss of the Company in the financial year 2015, amounting to PLN 7,757,000, from the subsequent years' profits.

The Issuer's Management Board decides to cover the current year's loss from the subsequent years' profits.

Note 32 Contingent liabilities and receivables

As at 31 December, 2016, the Parent held the following contingent liabilities:

- a bank guarantee issued by PKO Bank S.A. on May 5, 2016 up to the amount of PLN 433,816.66 for Bertie Investment Sp. z o.o. concerning the lease of the office space at ul. Puławska 182. The guarantee is valid until 25 December 2018.
- in-blanco promissory note, issued in June 2014, to secure repayment of financing granted by the Ministry of Economy seated in Warsaw, based on a project financing agreement entitled "Promotion of CI Games S.A. and increase of the Company's competitiveness on the international market – Gamescom" no. POIG.06.05.02-00-587/13-00 in the amount of PLN 264,750. The promissory note is valid until the end of August 2017,
- in-blanco promissory note, together with the promissory note declaration, issued on May 27, 2015 to secure repayment of the overdraft facility agreement granted by PKO Bank Polski S.A. in the amount of PLN 5,000,000.00,
- in-blanco promissory note, together with the promissory note declaration, issued on May 27, 2015 to secure repayment of the open-end current loan granted by PKO Bank Polski S.A. in the amount of PLN 20,000,000.00.

The regulations concerning the Goods and Services Tax, Corporate Income Tax, Personal Income Tax or social security contributions undergo frequent changes and consequently there is often no reference to the established regulations or legal precedents. The applicable regulations are unclear at times, resulting in differing opinions concerning legal interpretation of tax regulations both between the public bodies, and between the public bodies and companies. The tax and other settlements (including customs or foreign currency) can be checked by bodies authorised to impose significant penalties and the additional payables determined during the inspection must be paid together with the applicable interest. For this reason, the tax-related risk is higher in Poland than in the countries with more developed tax system.

The tax settlements can be checked for five years. Consequently, the sums named in the financial statement can be changed on a later date, after the tax authorities determine their ultimate value. The Company believes that appropriate provisions were created for the probable and quantifiable risks.

Note 33 Pending court proceedings

As at the statement's date, there are no disputes with the total value amounting at least to 10% of the issuer's own capitals.
As at the reporting date, the aggregate sum of all proceedings pending vis-a-vis the issuer is PLN 4,089,637.30, while the aggregate sum of all proceedings initiated by the issuer is PLN 1,379,403.20.

Note 34 Transactions with related parties

All transactions were executed pursuant to market terms and conditions.
Transactions with companies related personally with Marek Tymiński, major shareholder of the Company, who controls the following entities directly or indirectly:

	COSTS	REVENUES	RECEIVABLES	LIABILITIES
Onimedia Sp. z o.o.	-	1	4	-
Premium Restaurants Sp. z o.o.	-	1	-	12
Premium Food Restaurants S.A.	-	56	23	-
Fine Dining	3	27	30	-
TOTAL	**3**	**85**	**57**	**12**

Transactions with the Supervisory Board and Management Board members, including with the companies having personal ties with them:

	COSTS	REVENUES	RECEIVABLES	LIABILITIES
APKO Adam Pieniacki	345	-	-	25
Marek Tymiński	60	-	-	5
TOTAL	**405**	**-**	**-**	**30**

Note 35 Cash structure

CASH STRUCTURE	as at 31 Dec. 2016	as at 31 Dec. 2015
Cash in hand	37	10
Cash in bank	25,387	7,173
Other cash	-	-
Other monetary assets	-	-
Total	**25,424**	**7,183**
Short-term financial assets classified as cash for the purpose of the cash flow statement	-	-
Total cash for the purpose of the cash flow statement	**25,424**	**7,183**

Note 36 Information on employment

EMPLOYMENT STRUCTURE	as at 31 Dec. 2016	as at 31 Dec. 2015
Blue-collar workers	103	91
Administration and sales	9	7
Total employment	**112**	**98**

Note 37 Remuneration of the Management and Supervisory Board Members

Value of remuneration paid to the Management Board Members in 2016:

Marek Tymiński - President		1,002,000
Adam Pieniacki - Member		416,800
Łukasz Misiurski - Member		54,537
	Total:	**1,473,337**

Value of remuneration paid to the Supervisory Board Members in 2016:

Dasza Gadomska - Chairwoman		20,000
Grzegorz Leszczyński - Member		18,000
Tomasz Litwiniuk - Member		18,000
Norbert Biedrzycki - Member		15,000
Mariusz Sawoniewski - Member		18,000
	Total:	**89,000**

Note 38 Number of shares held by the Management and Supervisory Board Members

As at 31 December 2016, the Management Board Members held the following number of shares in the Company:
- 5,966,357 - Marek Tymiński, President,
- 15,000 - Adam Pieniacki, Management Board Member.

As at 31 December 2016, the Supervisory Board Members did not hold any shares in the Company.

Note 39 Financial instruments

FINANCIAL INSTRUMENTS - CLASSIFICATION	as at 31 Dec. 2016	as at 31 Dec. 2015
Credits and loans	-	3
Receivables	2,690	5,663
Payables related to debt securities	-	-
Financial payables for the hedging instrument valuation	-	-
Bank loans	-23,917	-5,677
Cash and cash equivalents	25,424	7,183

Fair value of all financial instruments does not differ significantly from their balance-sheet value as at the balance sheet date.

Risks the financial instruments are exposed to. Way to protect from the risk

Loan risk, cash flow risk

The Company does not have any trade receivables insurance. The protection against the risk related to the lost value of those financial instruments takes the form of cooperation with vendors having stable financial situation and its ongoing monitoring. In the financial period, there was no significant decrease in payable value. There are no significant delays in paying the Company's receivables.

FX risk

The payables and receivables resulting from current operations were created mostly in foreign currencies which is a functional and presentation currency. The Issuer uses the payables in the non-functional currencies to control the FX risk related to currency receivables.

Moreover, the value of the outstanding financial surplus in specific currencies is secured with forward contracts within hedge accounting.

Forward contracts (for currency sale) are hedging item vis-a-vis the hedged item, being the surplus in major currencies, in which the revenues are earned (USD, EUR, GBP), expected by the Issuer. This surplus shall take place in the settlement period for particular forward contracts. The Issuer evaluates the hedging items, except for the interest rate, as at the balance sheet date. The forward transactions are evaluated by comparing spot FX rates for the hedged currency. The interest rate was included in the costs for the period. The efficient hedging part was included in the revaluation reserve.

In 2016, the Company did not execute any forward contracts for the sale/purchase of currency.

Sensitivity analysis

FINANCIAL INSTRUMENTS - SENSITIVITY	as at 31 Dec. 2016	SENSITIVITY*
Receivables	2,690	371
Liabilities	-6,507	-511
Cash	25,424	1555

* impact on the net result and equity with the FX rate changing +/- 10%

Interest rate risk

The interest rate value was conditional on the interbank rates LIBOR and WIBOR, and consequently on the interest rate risk of the whole economic systems.
The Company does not have any instruments to control this risk type.
As at the balance sheet date, the Company has fixed-interest bonds. Consequently, the Company is not exposed to significant risk related to interest rate changes.

Price risk

The Company secures itself against the possible decrease in financial interest value and the risk of reduced cash flows related thereto, by selling in many countries and economic systems. This offers protection against fluctuations on a single market. The Group introduces new, improved products and new consoles into its offer, expanding the offer and strengthening its competitive advantage. Careful selection of distributors and evaluation of their financial standing also offer greater reduction of price risk.

Risk of new game titles

The Company's operations are focused on computer game production. Computer game production requires significant outlays for R&D works and for marketing which reduces the abilities to diversify risk and distribute it among different products (titles). Consequently, the risk is focused on relatively few game titles which are awaiting marketing. Such risk accumulation means that any failure in game selling, the Company is exposed to significant decrease in profits on sales, net results and liquidity issues.

Note 40 Events after the balance sheet date

The following events took place following the balance sheet date:

- On 9 February 2017, the change in the share capital structure was registered;
  The up-to-date initial capital structure of the Company is as follows the initial capital of the Company is PLN 1,501,499.90 and is divided into:

  – 100,000,000 ordinary bearer's A shares with the nominal value of PLN 0.01 each;

  – 400,000 ordinary bearer's B shares with the nominal value of PLN 0.01 each;

  – 25,000,000 ordinary bearer's C shares with the nominal value of PLN 0.01 each;

  – 1,100,000 ordinary bearer's D shares with the nominal value of PLN 0.01 each;

  – 12,649,990 ordinary bearer's E shares with the nominal value of PLN 0.01 each;

  – 11,000,000 ordinary bearer's G shares with the nominal value of PLN 0.01 each.

  The above change of the Company's initial capital structure does not lead to any change in the Company's Shareholding structure. The total number of shares and the total number of votes in the Company is 150,149,990 (one hundred fifty million one hundred forty nine thousand nine hundred ninety).

- On 22 February 2017, the Company executed a loan agreement based on the terms and conditions specified below ("Loan Agreement") with the bank Polska Kasa Oszczędności Bank Polski S.A., headquartered in Warsaw ("Bank").
  Pursuant to the Loan Agreement, the Bank shall grant a non-renewable current loan amounting to USD 2,500,000.00 (say: two million five hundred thousand 0/100 U.S. dollars) to be appropriated for financing the costs of pressing the game called "Sniper Ghost Warrior 3". The loan was awarded for the period from 23 February 2017 to 26 May 2017 (loan period). The loan agreement was executed pursuant to market terms and conditions. The other provisions of the Loan agreement do not differ from those commonly applied to those kinds of agreements.

Marek Tymiński

President of the Management Board

Adam Pieniacki

Member of the Management Board

Monika Rumianek

Member of the Management Board

Warsaw, 31 March 2017