CI GAMES
CAPITAL GROUP

CONSOLIDATED QUARTERLY REPORT
FOR THE FIRST QUARTER OF 2017

WARSAW, 5/24/2017

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I. CONSOLIDATED DATA FOR THE CI GAMES CAPITAL GROUP

CONSOLIDATED BALANCE SHEET as at March 31, 2017

	ASSETS	3/31/2017	3/31/2016	12/31/2016
		PLN thousand	PLN thousand	PLN thousand
A.	**NON-CURRENT ASSETS**	**91,872**	**75,921**	**83,648**
	Property, plant and equipment	869	853	917
	Intangible assets	67,078	51,070	59,299
	Deferred income tax assets	23,566	23,998	23,035
	Other non-current assets	359	-	397
B.	**CURRENT ASSETS**	**32,562**	**20,450**	**34,194**
	Inventory	3,503	2,773	3,396
	Advances granted	14,265	29	663
	Trade receivables	3,399	7,267	2,690
	Income tax receivables	68	91	-
	Cash and cash equivalents	8,842	8,209	25,424
	Other current assets	2,485	2,081	2,021
TOTAL ASSETS		**124,434**	**96,371**	**117,842**

	LIABILITIES	3/31/2017	3/31/2016	12/31/2016
		PLN thousand	PLN thousand	PLN thousand
A.	**EQUITY**	**77,709**	**73,695**	**83,643**
	Share capital	1,501	1,391	1,501
	Share premium	39,975	15,530	39,975
	Exchange differences on translation of foreign operations	561	447	579
	Reserve capital for the acquisition of shares	16,000	16,000	16,000
	Retained earnings	19,672	40,327	25,588
	including profit for the period	-5,916	-1,502	-16,240
	Equity attributable to owners of the Parent	**77,709**	**73,695**	**83,643**
	Equity attributable to non-controlling interests	**-**	**-**	**-**
B.	**LIABILITIES**	**46,725**	**22,676**	**34,199**
	Non-current liabilities	**2,969**	**2,746**	**2,751**
	Other long-term provisions	210	-	-
	Deferred income tax provision	2,759	2,746	2,751
	Current liabilities	**43,756**	**19,930**	**31,448**
	Borrowings including credits, loans and other debt instruments	34,512	12,795	23,917
	Income tax liabilities	71	53	81
	Trade liabilities	8,477	5,719	6,507
	Other liabilities	106	196	214
	Other current provisions	590	1,167	729
TOTAL EQUITY AND LIABILITIES		**124,434**	**96,371**	**117,842**
	Book value (in PLN thousand)	**77,709**	**73,695**	**83,643**
	Number of shares (in thousands)	**150,150**	**13,914**	**15,015**
	Book value per share (in PLN)	**0.52**	**5.30**	**5.57**

CONSOLIDATED PROFIT AND LOSS ACCOUNT AND CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME for the period from January 1 to March 31, 2017 (multiple-step format)[1]

	for the period from 1/01 to 3/31/2017	for the period 1/01 - 3/31/2016	for the period from 1/01 to 12/31/2016
	PLN thousand	PLN thousand	PLN thousand
Continuing operations			
Net revenue from sales	**3,281**	**7,724**	**24,231**
Revenue from sale of products and services	3,259	7,192	23,476
Revenue from sale of goods and materials	22	532	755
Costs of products, goods and services sold	**-456**	**-5,341**	**-21,450**
Manufacturing cost of products sold	-320	-5,068	-21,101
Value of goods and materials sold	-136	-273	-349
Gross profit (loss) on sales	**2,825**	**2,383**	**2,781**
Other operating revenues	673	88	626
Selling costs	-7,134	-1,157	-9,203
General and administrative costs	-1,493	-1,653	-6,008
Other operating expenses	-384	-742	-2,544
Profit (loss) on operating activities	**-5,513**	**-1,081**	**-14,348**
Financial revenues	9	199	743
Financial expenses	-932	-129	-230
Profit (loss) before tax	**-6,436**	**-1,011**	**-13,835**
Income tax	520	-491	-2,405
Profit (loss) on continuing operations	**-5,916**	**-1,502**	**-16,240**
Discontinued operations		-	
Loss from discontinued operations		**-**	
NET PROFIT (LOSS)	**-5,916**	**-1,502**	**-16,240**
Total other comprehensive income, including:			
Exchange differences on translation of foreign operations	**-18**	**-31**	101
TOTAL INCOME FOR THE FINANCIAL YEAR	**-5,934**	**-1,533**	**-16,139**
Net profit (loss) in thousands of PLN	**-5,916**	**-1,502**	**-16,240**
Number of shares (in thousands)	**150,150***	**13,914**	**15,015**
Profit (loss) per ordinary share (in PLN)	**-0.04**	**-0.11**	**-1.08**

[1] *On January 31, 2017, the Extraordinary General Meeting of Shareholders of CI Games S.A. adopted a resolution on Company's share split in the ratio 1:10. As a result of this split, the nominal value of one Company's share is PLN 0.01 instead of PLN 0.10. After the split, the Company's share number increased (as at May 24, 2017: 150,699,990); the value of the initial capital of the Company did not change.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the period from January 1 to March 31, 2017

PLN thousand

FOR THE PERIOD FROM 1/01 TO 3/31/2017	Share capital	Share premium	Reserve capital for the purchase of own shares	Translation losses/profits	Retained earnings	Total equity
AS AT 1/01/2017	**1,501**	**39,975**	**16,000**	**579**	**25,588**	**83,643**
Changes in accounting policy	-	-	-	-	-	-
AS AT 1/01/2017, AFTER CONVERSION	**1,501**	**39,975**	**16,000**	**579**	**25,588**	**83,643**
CHANGES IN EQUITY						
Profit and loss for the period	-	-	-	-	-5,916	-5,916
Exchange differences on translation	-	-	-	-18	-	-18
AS AT 3/31/2017	**1,501**	**39,975**	**16,000**	**561**	**19,672**	**77,709**
FOR THE PERIOD 1/01 - 3/31/2016	Share capital	Share premium	Reserve capital for the purchase of own shares	Translation losses/profits	Retained earnings	Total equity
AS AT 1/01/2016	**1,391**	**15,530**	**16,000**	**478**	**41,828**	**75,227**
Changes in accounting policy	-	-	-	-	-	-
AS AT 1/01/2016, AFTER CONVERSION	**1,391**	**15,530**	**16,000**	**478**	**41,828**	**75,227**
CHANGES IN EQUITY						
Profit and loss for the period	-	-	-	-	-1,502	-1,502
Exchange differences on translation of foreign operations	-	-	-	-31	-	-31
AS AT 3/31/2016	**1,391**	**15,530**	**16,000**	**447**	**40,327**	**73,695**
FOR THE PERIOD FROM 1/01 TO 12/31/2016	Share capital	Share premium	Reserve capital for the purchase of own shares	Translation losses/profits	Retained earnings	Total equity
AS AT 1/01/2016	**1,391**	**15,530**	**16,000**	**478**	**41,828**	**75,227**
Changes in accounting policy	-	-	-	-	-	-
AS AT 1/01/2016, 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 12/31/2016	**1,501**	**39,975**	**16,000**	**579**	**25,588**	**83,643**

CONSOLIDATED STATEMENT OF CASH FLOWS

for the period from January 1 to March 31, 2017 **PLN thousand**

(indirect method)

	for the period from 1/01 to 3/31/2017	for the period 1/01 - 3/31/2016	for the period from 1/01 to 12/31/2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Gross profit (loss)	**-6,457**	**-1,011**	**-14,689**
Total adjustments	**-12,749**	**3,112**	**19,222**
Depreciation	97	3,188	15,476
Impairment loss (reversal)	-	-	200
Profit (loss) on exchange differences	-	-31	-
Interest	36	-	110
Credit fee	106	-	-
Profit (loss) on sale of non-current assets	-	-	2
Change in receivables	-709	-1,695	2,973
Change in inventory and prepayments	-13,709	1,567	310
Change in trade and other payables	1,852	1,156	1,364
Change in employee benefit provisions and liabilities	71	-421	-859
Change in other current assets	-426	-17	-354
Tax paid	-68	-635	-
Other adjustments	1	-	-
Net cash flows from operating activities	**-19,206**	**2,101**	**4,533**
CASH FLOWS FROM INVESTING ACTIVITIES			
Repayment of loans granted	-	3	3
Cash outflows on acquisition of property, plant and equipment and intangible assets	-103	-49	-762
Cash outflows on development works	-7,725	-8,147	-28,216
Net cash from investing activities	**-7,828**	**-8,193**	**-28,975**
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from the issue of shares and other capital instruments	-	-	24,555
Incurrence of borrowings	10,595	7,118	18,240
Interest	-36	-	-112
Other financial outflows	-107	-	-
Net cash from financing activities	**10,452**	**7,118**	**42,683**
TOTAL NET CASH FLOWS	**-16,582**	**1,026**	**18,241**
EXCHANGE DIFFERENCES ON CASH	-	-	-
BALANCE SHEET CHANGES IN CASH AND CASH EQUIVALENTS	**-16,582**	**1,026**	**18,241**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	**25,424**	**7,183**	**7,183**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**8,842**	**8,209**	**25,424**

II. SEPARATE FINANCIAL DATA - CI GAMES S.A.

SEPARATE BALANCE SHEET as at March 31, 2017

	ASSETS	3/31/2017	3/31/2016	12/31/2016
		PLN thousand	PLN thousand	PLN thousand
A.	**NON-CURRENT ASSETS**	**95,791**	**80,029**	**87,779**
	Property, plant and equipment	869	853	917
	Intangible assets	66,439	50,430	58,660
	Interests in subsidiaries, associates and jointly controlled entities	4,597	4,597	4,597
	Non-current investments	-	155	184
	Deferred income tax assets	23,527	23,994	23,024
	Other non-current assets	359	-	397
B.	**CURRENT ASSETS**	**31,518**	**17,221**	**30,655**
	Inventory	3,503	2,773	3,396
	Current investments	207	16	16
	Advances granted	14,243	-	638
	Trade receivables	3,618	5,965	11,541
	Income tax receivables	68	91	-
	Cash and cash equivalents	7,926	6,743	13,565
	Other current assets	1,953	1,633	1,499
TOTAL ASSETS		**127,309**	**97,250**	**118,434**

	LIABILITIES	3/31/2017	3/31/2016	12/31/2016
		PLN thousand	PLN thousand	PLN thousand
A.	**EQUITY**	**80,707**	**72,099**	**82,823**
	Share capital	1,501	1,391	1,501
	Share premium	39,975	15,530	39,975
	Reserve capital for the acquisition of shares	16,000	16,000	16,000
	Dividend capital	1,017	1,017	1,017
	Retained earnings	22,214	38,161	24,330
	including profit for the period	-2,116	-559	-14,390
	Equity attributable to owners of the Parent	**80,707**	**72,099**	**82,823**
	Equity attributable to non-controlling interests	**-**	**-**	**-**
B.	**LIABILITIES**	**46,602**	**25,151**	**35,611**
	Non-current liabilities	**2,969**	**2,746**	**2,751**
	Other long-term provisions	210	-	-
	Deferred income tax provision	2,759	2,746	2,751
	Current liabilities	**43,633**	**22,405**	**32,860**
	Borrowings including credits, loans and other debt instruments	34,606	12,795	24,138
	Income tax liabilities	-	-	9
	Trade liabilities	8,502	9,002	7,999
	Other liabilities	222	177	323
	Other current provisions	303	431	391
TOTAL EQUITY AND LIABILITIES		**127,309**	**97,250**	**118,434**
	Book value (in PLN thousand)	**80,707**	**72,099**	**82,823**
	Number of shares (in thousands)	**150,150**	**13,914**	**15,015**
	Book value per share (in PLN)	**0.54**	**5.18**	**5.52**

INDIVIDUAL PROFIT AND LOSS ACCOUNT
AND INDIVIDUAL STATEMENT OF COMPREHENSIVE INCOME
for the period from January 1 to March 31, 2017
(multiple-step format)[2]

	for the period from 1/01 to 3/31/2017	for the period 1/01 - 3/31/2016	for the period from 1/01 to 12/31/2016
	PLN thousand	PLN thousand	PLN thousand
Continuing operations			
Net revenue from sales	**3,375**	**7,774**	**21,792**
Revenue from sale of products and services	3,329	7,521	21,426
Revenue from sale of goods and materials	46	253	366
Costs of products, goods and services sold	**-593**	**-5,461**	**-21,541**
Manufacturing cost of products sold	-536	-5,292	-21,288
Value of goods and materials sold	-57	-169	-253
Gross profit (loss) on sales	**2,782**	**2,313**	**251**
Other operating revenues	405	88	590
Selling costs	-3,209	-497	-6,469
General and administrative costs	-1,294	-1,307	-5,114
Other operating expenses	-383	-741	-1,309
Profit (loss) on operating activities	**-1,699**	**-144**	**-12,051**
Financial revenues	1	199	274
Financial expenses	-912	-128	-228
Profit (loss) before tax	**-2,610**	**-73**	**-12,005**
Income tax	494	-486	-2,385
Profit (loss) on continuing operations	**-2,116**	**-559**	**-14,390**
Discontinued operations	-	-	-
Loss from discontinued operations	**-**	**-**	**-**
NET PROFIT (LOSS)	**-2,116**	**-559**	**-14,390**
Total other comprehensive income, including:			
Exchange differences on translation of foreign operations	**-**	**-**	-
TOTAL INCOME FOR THE FINANCIAL YEAR	**-2,116**	**-559**	**-14,390**
Net profit (loss) in thousands of PLN	**-2,116**	**-559**	**-14,390**
Number of shares (in thousands)	**150,150***	**13,914**	**15,015**
Profit (loss) per ordinary share (in PLN)	**-0.01**	**-0.04**	**-0.96**

[2] * On January 31, 2017, the Extraordinary General Meeting of Shareholders of CI Games S.A. adopted a resolution on Company's share split in the ratio 1:10. As a result of this split, the nominal value of one Company's share is PLN 0.01 instead of PLN 0.10. After the split, the Company's share number increased (as at May 24, 2017: 150,699,990); the value of the initial capital of the Company did not change.

SEPARATE STATEMENT OF CHANGES IN EQUITY

for the period from January 1 to March 31, 2017

PLN thousand

FOR THE PERIOD FROM 1/01 TO 3/31/2017	Share capital	Share premium	Reserve capital for the purchase of own shares	Translation losses/profits	Retained earnings	Total equity
AS AT 1/01/2017	**1,501**	**39,975**	**16,000**	**1,017**	**24,330**	**82,823**
Changes in accounting policy	-	-	-	-	-	-
AS AT 1/01/2017, AFTER CONVERSION	**1,501**	**39,975**	**16,000**	**1,017**	**24,330**	**82,823**
CHANGES IN EQUITY						
Profit and loss for the period	-	-	-	-	-2,116	-2,116
AS AT 3/31/2017	**1,501**	**39,975**	**16,000**	**1,017**	**22,214**	**80,707**

FOR THE PERIOD 1/01 - 3/31/2016	Share capital	Share premium	Reserve capital for the purchase of own shares	Dividend capital	Retained earnings	Total equity
AS AT 1/01/2016	**1,391**	**15,530**	**16,000**	**1,017**	**38,720**	72,658
Changes in accounting policy						-
AS AT 1/01/2016, AFTER CONVERSION	**1,391**	**15,530**	**16,000**	**1,017**	**38,720**	**72,658**
CHANGES IN EQUITY						
Profit and loss for the period					-559	-559
AS AT 3/31/2016	**1,391**	**15,530**	**16,000**	**1,017**	**38,161**	**72,099**

FOR THE PERIOD 1/01 - 12/31/2016	Share capital	Share premium	Reserve capital for the purchase of own shares	Dividend capital	Retained earnings	Total equity
AS AT 1/01/2016	**1,391**	**15,530**	**16,000**	**1,017**	**38,720**	**72,658**
Changes in accounting policy	-	-	-	-	-	-
AS AT 1/01/2016, AFTER CONVERSION	**1,391**	**15,530**	**16,000**	**1,017**	**38,720**	**72,658**
CHANGES IN EQUITY						
Share issue	110	24,445	-	-	-	24,555
Profit and loss for the period	-	-	-	-	-14,390	-14,390
AS AT 12/31/2016	**1,501**	**39,975**	**16,000**	**1,017**	**24,330**	**82,823**

SEPARATE STATEMENT OF CASH FLOWS

for the period from January 1 to March 31, 2017

(indirect method)

PLN thousand

	for the period from 1/01 to 3/31/2017	for the period 1/01 - 3/31/2016	for the period from 1/01 to 12/31/2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Gross profit (loss)	**-2,611**	**-73**	**-12,929**
Total adjustments	**-5,506**	**1,558**	**6,139**
Depreciation	97	3,188	15,473
Impairment loss (reversal)	-	-	200
Profit (loss) on exchange differences	13	3	-6
Interest	36	-1	-2
Credit fee	106	-	-
Profit (loss) on sale of non-current assets	-	-	2
Change in receivables	7,923	-2,090	-7,575
Change in inventory and prepayments	-13,712	1,560	300
Change in trade and other payables	393	-1,433	-1,357
Change in employee benefit provisions and liabilities	122	265	-699
Change in other current assets	-416	66	-197
Tax paid	-68	-	-
Net cash flows from operating activities	**-8,117**	**1,485**	**-6,790**
CASH FLOWS FROM INVESTING ACTIVITIES			
Repayment of loans granted	-	3	3
Cash outflows on acquisition of property, plant and equipment and intangible assets	-103	-50	-762
Cash outflows on development works	-7,725	-8,147	-28,216
Cash outflows on loans granted	-16	-21	-40
Net cash from investing activities	**-7,844**	**-8,215**	**-29,015**
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from the issue of shares and other capital instruments	-	-	24,555
Incurrence of borrowings	10,595	7,118	18,240
Repayment of borrowings	-130	-	-
Interest	-36	-	-
Cash outflows on repayment of credits and loans			220
Other financial outflows	-107	-	-
Net cash from financing activities	**10,322**	**7,118**	**43,015**
TOTAL NET CASH FLOWS	**-5,639**	**388**	**7,210**
EXCHANGE DIFFERENCES ON CASH	-	-	-
BALANCE SHEET CHANGES IN CASH AND CASH EQUIVALENTS	**-5,639**	**388**	**7,210**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	**13,565**	**6,355**	**6,355**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**7,926**	**6,743**	**13,565**

III. FINANCIAL HIGHLIGHTS

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

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

- as at 3/31/2017 – 4.2198
- as at 3/31/2016 – 4.2684
- as at 12/31/2016 – 4.4240

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

- for Q1 2017 – 4.2891
- for Q1 2016 – 4.3559
- for FY 2016 – 4.3757

CONSOLIDATED DATA

STATEMENT OF PROFIT AND LOSS	Q1 2017		Q1 2016	
	PLN thousand	EUR thousand	PLN thousand	EUR thousand
Net revenue from sales	**3,281**	**765**	**7,724**	**1,773**
Profit (loss) from operating activities	-5,513	-1,285	-1,081	-248
Gross profit (loss)	-6,436	-1,501	-1,011	-232
Net profit (loss)	**-5,916**	**-1,379**	**-1,502**	**-345**
Number of shares (in thousands)	150,150	150,150	13,914	13,914
Profit (loss) per ordinary share (PLN/share)	-0.04	-0.01	-0.11	-0.02

STATEMENT OF CASH FLOWS	Q1 2017		Q1 2016	
	PLN thousand	EUR thousand	PLN thousand	EUR thousand
Net cash flows from operating activities	-19,206	-4,478	2,101	482
Net cash flows from investing activities	-7,828	-1,825	-8,193	-1,881
Net cash flows from financing activities	10,452	2,437	7,118	1,634
Net cash flows	**-16,582**	**-3,866**	**1,026**	**235**

BALANCE SHEET	3/31/2017		3/31/2016		12/31/2016	
	PLN thousand	EUR thousand	PLN thousand	EUR thousand	PLN thousand	EUR thousand
Non-current assets	91,872	21,772	75,921	17,787	83,648	18,908
Current assets	32,562	7,716	20,450	4,791	34,194	7,729
Total assets	**124,434**	**29,488**	**96,371**	**22,578**	**117,842**	**26,637**
Equity	77,709	18,415	73,695	17,265	83,643	18,907
Initial capital	*1,501*	*356*	*1,391*	*326*	*1,501*	*339*
Liabilities	**46,725**	**11,073**	**22,676**	**5,313**	**34,199**	**7,730**
Non-current liabilities	2,969	704	2,746	643	2,751	622
Current liabilities	43,756	10,369	19,930	4,669	31,448	7,108
Total equity and liabilities	**124,434**	**29,488**	**96,371**	**22,578**	**117,842**	**26,637**

SEPARATE DATA

STATEMENT OF PROFIT AND LOSS	Q1 2017		Q1 2016	
	PLN thousand	EUR thousand	PLN thousand	EUR thousand
Net revenue from sales	**3,375**	**787**	**7,774**	**1,785**
Profit (loss) from operating activities	-1,699	-396	-144	-33
Gross profit (loss)	-2,610	-609	-73	-17
Net profit (loss)	**-2,116**	**-493**	**-559**	**-128**
Number of shares (in thousands)	150,150	150,150	13,914	13,914
Profit (loss) per ordinary share (PLN/share)	-0.01	0.00	-0.04	-0.01

STATEMENT OF CASH FLOWS	Q1 2017		Q1 2016	
	PLN thousand	EUR thousand	PLN thousand	EUR thousand
Net cash flows from operating activities	-8,117	-1,892	1,485	341
Net cash flows from investing activities	-7,844	-1,829	-8,215	-1,886
Net cash flows from financing activities	10,322	2,407	7,118	1,634
Net cash flows	**-5,639**	**-1,314**	**388**	**89**

BALANCE SHEET	3/31/2017		3/31/2016		12/31/2016	
	PLN thousand	EUR thousand	PLN thousand	EUR thousand	PLN thousand	EUR thousand
Non-current assets	95,791	22,700	80,029	18,749	87,779	19,842
Current assets	31,518	7,469	17,221	4,035	30,655	6,929
Total assets	**127,309**	**30,169**	**97,250**	**22,784**	**118,434**	**26,771**
Equity	80,707	19,126	72,099	16,891	82,823	18,721
Initial capital	*1,501*	*356*	*1,391*	*326*	*1,501*	*339*
Liabilities	**46,602**	**11,044**	**25,151**	**5,892**	**35,611**	**8,050**
Non-current liabilities	2,969	704	2,746	643	2,751	622
Current liabilities	43,633	10,340	22,405	5,249	32,860	7,428
Total equity and liabilities	**127,309**	**30,169**	**97,250**	**22,784**	**118,434**	**26,771**

IV. NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM 1/01/2017 TO 3/31/2017

1. Basis for presentation and preparation of the financial statements

a) The financial statements cover the period from 1/01/2017 to 3/31/2017. Comparative data covers the period from 1/01/2016 to 3/31/2016 and from 1/01/2016 to 12/31/2016.

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

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

2. Adopted accounting principles

a) Application of International Accounting Standards

The financial statements are drawn up in accordance with International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) adopted by the European Union ("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 on January 1, 2007, together with the requirements of the Ordinance of the Minister of Finance of February 19, 2009, concerning current and periodical information provided by issuers of securities and the terms and conditions for information required by the provisions of law of a non-member state being recognized as equivalent (Journal of Laws no. 33, item 259 as amended).

The financial statements for the period from 1/01/2017 to 3/31/2017 are subsequent financial statements prepared in accordance with IAS/IFRS. Comparative data is sourced from the financial statements prepared in accordance with IAS/IFRS. IAS/IFRS were adopted on January 1, 2007.

b) Basis for preparing the consolidated financial statements

Figures in the consolidated financial statements are given in Polish zloty, which is the presentation currency and functional currency.

The consolidated financial statements were drawn up on historical cost basis. Preparation of consolidated financial statements in accordance with IAS/IFRS requires that the Management Board provide professional judgments, estimates and assumptions which have an impact on the adopted principles and the value of assets, liabilities, revenues and costs presented. Estimates and associated assumptions are based on previous experience and other factors which are acknowledged as reasonable 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 financial statements. For this reason, in accordance with IAS 21, entities operating abroad are broken down into: "entities operating abroad, whose operations constitute an integral part of the operations of the entity drawing up the financial statements" and "foreign operations".

For conversion of the financial statements of subsidiaries operating abroad, the aforementioned entities 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 financial statements, the following principles were applied:

- assets and liabilities, both monetary and non-monetary, were converted at the closing rate;
- revenue and cost items of foreign operations were translated at the exchange rate as at the date of executing transactions, with the exception of situations where the foreign entity 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) Associates, joint ventures

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

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

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

Goodwill arising during consolidation results from the occurrence as at the acquisition date of a surplus of the cost of acquiring the entity over the fair value of identifiable assets and liabilities of the subsidiary, associate or joint venture as at the acquisition date.

Goodwill acquired through a merger of commercial entities is not amortized. Goodwill is subject to impairment testing at least once per year. Any impairment is immediately recognized in the 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 lease agreement and where there is expectation that they will be used for longer than one period.

Costs borne at a later time are included in the carrying amount of an asset or are indicated as a separate asset only if it is probable that the Group will achieve future economic benefit connected with such asset and the purchase price for a given item may be measured reliably. Expenses for repair and maintenance are recognized in the 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 financing, capitalized in accordance with the principles defined in the Group's accounting policy.

Property, plant and equipment is measured at purchase price or manufacture cost less depreciation and impairment at the end of the reporting period.

Depreciation concerning such 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 and depreciated as a separate asset.

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) Subsequent expenses

Costs aimed at exchange of separate components of an element of property, plant and equipment borne in a subsequent period are capitalized. Other costs are capitalized only if they can be reliably measured and if they 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:

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

An intangible asset is initially valued at purchase price or cost of production. Intangible assets are subject to amortization. Amortization rates 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 Company can prove the following:

- the possibility, from a technical point of view, to complete an intangible asset so that it is suitable for use or sale,
- the intent to complete an intangible asset and to use or sell it,
- the capacity to use or sell an intangible asset,
- the means in which an intangible asset will create potential economic benefits. Amongst others, the Group should prove the existence of a market for products arising due to the intangible asset or the asset itself or – if the asset is to be used by the entity – the usefulness of the intangible asset,
- the availability of appropriate technical, financial and other resources which are to serve completion of development 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 Group, 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 fixed assets in order to confirm that there have been no circumstances indicating the possibility of their impairment.

In the event of such circumstance, 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 Group becomes a party to a binding agreement.

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

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

- instruments held for trading (at fair value through profit or loss) - financial assets or liabilities which 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 Group has the intent and capability to hold to maturity, carried at amortized cost with application of the effective interest rate method, with the exception of loans granted by associates and own debt claims, valued using the effective interest rate method,
- available-for-sale financial instruments – financial assets other than loans granted and own receivables, assets held to maturity or other 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 Group values financial assets and liabilities at purchase cost (price), i.e. according to the fair value of the payment made in the case of assets, or the amount received in the case of liabilities.

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

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

Principles for valuation of financial instruments as at the end of the reporting period. The Group makes valuation 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.

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

h) Trade and other receivables

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

i) Inventory

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

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

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

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

Impairment losses on inventory

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

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

Reversal of an 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 ask rate of the bank used by the Group.

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

j) 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 Company's liquidity management policy are recognized as cash and cash equivalents for the purposes of the statement of cash flows.

k) Share capital

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

(i) Purchase of own shares

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

(ii) Dividends

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

l) Provisions

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

- the companies are burdened with an existing obligation (legal or constructive) resulting from 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.

m) Trade and other payables

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

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

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

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

All trade and account balances should be reconciled, and potential adjustments should be included in the accounts, including in the financial statements of the entity. In the event of 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 overdue liabilities and the associated risk that interest will be charged by creditors.

n) Revenue

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

Revenue from sale of goods and materials includes sale of products which were purchased and are held for further sale in a non-processed form for resale, 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 collectibility of an amount due which is already counted as revenue, then the uncollectible amount in relation to which collection is no longer probable is recognized as costs and not as an adjustment 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.

o) Costs

The Group draws up a consolidated 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 Group, 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.

p) Tax

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

The current tax obligation is calculated on the basis of the tax result (basis for taxation) for a given financial year. Tax for the current and previous periods is recognized as a liability in the amount which 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 with equity. The Group offsets deferred income tax assets with provisions for deferred income tax only when it has an enforceable legal title to offset deferred income tax assets with provisions for deferred income tax.

q) Foreign-currency transactions

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

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

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

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

r) Segment reporting

A 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 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, North America, and Asia and Australia.

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

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

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

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

Immediately before reclassification to the group of 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.

3. General description of CI Games Capital Group operations

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

In the gaming market, the Capital Group operates as:

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

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

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

4. Organizational structure of the Issuer's Capital Group, including consolidated entities

Composition of the CI Games Capital Group as at Friday, March 31, 2017:

- **CI Games S.A.** (formerly City Interactive S.A.) – a Warsaw-based company. Initial capital: PLN 1,501,449.90. Parent company.
- **CI Games USA Inc**. (formerly City Interactive USA Inc.) – a company having its registered office in Delaware, USA. Initial capital: USD 50,000. 100% of shares held by CI Games S.A. Company subject to consolidation from Q2 2008.
- **CI Games Germany GmbH** (formerly City Interactive Germany GmbH) – a company having its registered office in Frankfurt am Main, Germany. Initial capital: EUR 25,000. 100% of shares held by CI Games S.A. Company subject to consolidation from Q2 2008.
- **Business Area sp. z o.o.** – a company having its registered office in Warsaw, subject to consolidation from Q3 of 2010. Initial capital: PLN 5,000. 100% of shares held by CI Games S.A.
- **Business Area sp. z o.o. sp.j.** – company headquartered in Warsaw. The company is subject to consolidation from Q1 2013. On September 26, 2013, Business Area Spółka z ograniczoną odpowiedzialnością S.K.A. was transformed into Business Area Spółka z ograniczoną odpowiedzialnością Spółka Jawna.
- **CI Games S.A. sp.j.**– with its registered office in Warsaw. On May 13, 2013, pursuant to an agreement between CI Games Cyprus Ltd. and Business Area Spółka z ograniczoną odpowiedzialnością S.K.A., a 99.99% stake held by CI Games Cyprus Ltd. was transferred to Business Area Spółka z ograniczoną odpowiedzialnością S.K.A.; 0.01% of shares held is held by CI Games S.A. The company is subject to consolidation from Q1 2013. On September 19, 2013, CI Games IP Sp. z o.o. was transformed into CI Games Spółka Akcyjna Spółka Jawna.
- **CI Games Cyprus Ltd.** – company headquartered in Nicosia, Cyprus. Initial capital: EUR 1,200. 100% of shares held by CI Games S.A. Company is subject to consolidation from Q1 2013.

Moreover, in 2008, CI Games S.A. acquired shares in the following companies, abstaining from their further development in the subsequent years:

<u>In 2009:</u>

- 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. Initial capital: SOL 2,436,650.
- City Interactive Jogos Electronicos LTDA – a company having its registered office in Sao Paulo, Brazil. Registered capital: 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. Registered capital: MXN 50,000. 95% share held by CI Games S.A., remaining 5% held by CI Games USA Inc.

In 2014:

- City Interactive Canada Inc. – company headquartered in Ontario, Canada. Initial capital: CAD 10. 100% of shares held by CI Games S.A.

In 2016:

- City Interactive Studio S.R.L. – a company headquartered in Bucharest, Romania. 100% of shares held by CI Games S.A. Initial capital: RON 200. On November 7, 2013, the company filed for bankruptcy at the 7th Civil Division, Court in Bucharest. The company was crossed out from the register of companies in the mid-2016.

5. Indication of shareholders directly or indirectly through subsidiaries holding at least 5% of total votes at the Parent's General Meeting as at the date of publishing the quarterly report.

The total number of votes at the General Shareholders Meeting of the Parent, CI Games S.A., is 150,699,990.

Parent's shareholding structure as at the publication date of this report:

Item	Number of shares	% in share capital	Number of votes at GSM	% of votes at GSM
Marek Tymiński	59,663,570	39.59%	59,663,570	39.59%
Other shareholders	83,307,540	55.28%	83,307,540	55.28%
Towarzystwo Funduszy Inwestycyjnych PZU Spółka Akcyjna	7,728,880	5.13%	7,728,880	5.13%

6. Presentation of shareholdings in CI Games S.A. or rights to shares by the Issuer's management or supervisory personnel as at the date of publishing the quarterly report[3]

Person	Position	As at 12/31/2016 (balance sheet date)	Increase in shareholding during the period from 12/31/2016 to 5/24/2017	Decrease in shareholding during the period from 12/31/2016 to 5/24/2017	As at 5/24/2017 (report publication date)
Marek Tymiński	President of the Management Board	5,966,357	-	-	59,663,570
Monika Rumianek	Member of the Management Board	-	-	-	150,000

[3] On January 31, 2017, the Extraordinary General Meeting of Shareholders of CI Games S.A. adopted a resolution on Company's share split in the ratio 1:10. As a result of this split, the nominal value of one Company's share is PLN 0.01 instead of PLN 0.10. After the split, the Company's share number increased (as at May 24, 2017: 150,699,990); the value of the initial capital of the Company did not change.

Marek Tymiński, the Issuer's Management Board President, holds 59,663,570 shares of the Issuer, i.e. 39.59% in the share capital of the Issuer and 39.59% in the total number of votes in the Company.

Monika Rumianek, the Issuer's Management Board member, holds 150,000 shares of the Issuer, i.e. 0.10% in the share capital of the Issuer and 0.10% in the total number of votes in the Company.

7. Description of significant achievements or set-backs in Q1 2017 and events impacting its financial results

A description of events which could have a significant impact on the Issuer's future financial results may be found in points 19 and 20 of this report.

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

Q1 2017 sale revenue was PLN 3.28 M, which mainly results from the sale of the games "Lords of the Fallen" and "Sniper Ghost Warrior 2".

	for the period from 1/01 to 3/31/2017	for the period 1/01 - 3/31/2016
	PLN thousand	PLN thousand
Continuing operations		
Net revenue from sales	**3,281**	**7,724**
Costs of products, goods and services sold	**-456**	**-5,341**
Gross profit (loss) on sales	**2,825**	**2,383**
Other operating revenues	673	88
Selling costs	-7,134	-1,157
General and administrative costs	-1,493	-1,653
Other operating expenses	-384	-742
Profit (loss) on operating activities	**-5,513**	**-1,081**
Financial revenues	9	199
Financial expenses	-932	-129
Profit (loss) before tax	**-6,436**	**-1,011**
Income tax	520	-491
NET PROFIT (LOSS)	**-5,916**	**-1,502**

In the reported quarter, the administrative expenses were PLN 1.5 million and were comparable with the administrative expenses from the Q1 of the previous year. Sales costs reached PLN 7.1 million; they resulted from the promotional activities for the "Sniper Ghost Warrior 3" game. Sales costs were significantly higher than the sales costs of the corresponding period from last year, which is due to the high costs of the promotional activities for the game "Sniper Ghost Warrior 3" incurred by the company.

	ASSETS	3/31/2017	12/31/2016
A.	**NON-CURRENT ASSETS, including:**	**91,872**	**83,648**
	Intangible assets	67,078	59,299
	Deferred income tax assets	23,566	23,035
	Advances granted	14,265	663
	Trade receivables	3,399	2,690

	Cash and cash equivalents	8,842	25,424
	Other current assets	2,485	2,021
TOTAL ASSETS		**124,434**	**117,842**

	LIABILITIES	**3/31/2017**	**12/31/2016**
A.	**EQUITY**	**77,709**	**83,643**
B.	**LIABILITIES, including:**	**46,725**	**34,199**
	Borrowings including credits, loans and other debt instruments	34,512	23,917
	Trade liabilities	8,477	6,507
TOTAL EQUITY AND LIABILITIES		**124,434**	**117,842**

The CI Games Capital Group’s carrying amount as at Friday, March 31, 2017 was PLN 124 M and grew by 6% when compared to Saturday, December 31, 2016. Trade receivables increased – to the level of PLN 3 million, advance payments (prepayments) paid to contractors, including SONY DADC and Microsoft – to PLN 14 million (the majority of which concerned financing the CD pressing for the purpose of “Sniper Ghost Warrior 3” game production) and intangible assets – to the amount of PLN 67 million.

The Group’s equity as at Friday, March 31, 2017 was PLN 77 M, a PLN 6 M decrease in relation to Saturday, December 31, 2016. The Group liabilities increased when compared to the end of 2016 which results primarily from overdraft contracted in PKO BP.

	for the period from 1/01 to 3/31/2017
Net cash flows from operating activities	**-19,206**
Net cash from investing activities	**-7,828**
Net cash from financing activities	**10,452**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	**25,424**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**8,842**

As at March 31, 2017, the Group held PLN 8.8 M in cash and cash equivalents (a decrease by ca. PLN 16.5 M in comparison to December 31, 2016). In the first quarter of 2017, the Group generated negative cash flows from operating activities in the amount of PLN 19 million, which resulted from the increase of advance payments amounts by more than PLN 14 million and from the promotional costs of “Sniper Ghost Warrior 3” game (classified as sales costs). The Group also incurred PLN 7.8 M in capital expenditure, comprising finance for new game development.

In the reporting period, the share of PC games sale in the total revenue from sale increased and reached 30%. Console games continue to account for the largest share of the Group’s sales, reaching 70%.

Sales structure	**Q1 2017**	**Q1 2016**
Console games	70%	83%
PC games	30%	17%

The greatest share in the Group sales, given the territorial division, in Q1 2017 was taken by North America (71% of the aggregate Group sales). The sales share in Europe in Q1 2017 increased to about 29% when compared to the previous year.

Data in PLN thousand

Geographical structure	Q1 2017		Q1 2016		FY 2016	
	Revenue	% share	Revenue	% share	Revenue	% share
Europe	947	29	3,063	40	5,987	25
North America	2,327	71	4,653	60	15,909	65
Asia and Australia	6	0	8	0	2,335	10
TOTAL	**3,290**	**100**	**7,724**	**100**	**24,231**	**100**

Revenue from sale and margins in specific product segments during the reporting periods are presented below.

Data in PLN thousand

Product segment	Q1 2017				Q1 2016			
	Revenue	% share	Result	% margin	Revenue	% share	Result	% margin
Own products	298	9%	248	83%	3,334	43%	985	30%
Licenses (digital sale)	2762	84%	2,492	90%	4,274	55%	1,363	32%
Other sales	221	7%	85	38%	115	1%	36	31%
TOTAL	**3,281**	**100%**	**2,825**	**86%**	**7,724**	**100%**	**2,383**	**31%**

The margin, calculated as gross profit on sales over total sales revenue, was 86% in Q1 2017, compared to 31% in Q1 2016. The margin increase results from the higher share of the digital sales.

Estimated amounts as at March 31, 2017 (data in PLN thousand)

Estimates	CI Games S.A.	Capital Group
	As at 3/31/2017	As at 3/31/2017
Receivables impairment	1,469	2,436
Inventory impairment	99	99
Provision for retirement and similar benefits	-	-
Deferred income tax provision	2,759	2,759
Provision for costs and liabilities	513	871
TOTAL	**4,840**	**6,165**
Net revenue provision for returns and adjustments	-	-

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

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

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

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

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

As at Friday, March 31, 2017, the Parent held the following contingent liabilities:

- a bank guarantee issued by PKO Bank Polski 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 December 25, 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 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 revolving working capital facility credit granted by PKO Bank Polski S.A. in the amount of PLN 20,000,000.00;
- in-blanco promissory note, together with the promissory note declaration, issued on February 22, 2017, to secure repayment of non-revolving working capital facility credit in convertible currency granted by PKO Bank Polski S.A. in the amount of USD 2.500.000,00;
- in-blanco promissory note, together with the promissory note declaration, issued on March 8, 2017, to secure the performance of obligations based on a financing agreement for the GAMEINN project no. POIR.01.02.00-00-0119/16 of March 30, 2017, funded by Operational Programme Smart Growth 2014-2020, co-financed by European Regional Development Fund concluded with National Centre for Research and Development in Poland;
- in-blanco promissory note, together with the promissory note declaration, to secure the performance of obligations based on a financing agreement for the GAMEINN project no. POIR.01.02.00-00-0106/16, funded by Operational Programme Smart Growth 2014-2020, co-financed by European Regional Development Fund concluded with National Centre for Research and Development in Poland (the agreement has not been concluded yet).

The Group does not have any other contingent liabilities.

12. Information on grant by the Issuer or one of its subsidiaries of sureties for credit or loans or grant of guarantees – to one entity or subsidiary from such entity if the total value of existing sureties or guarantees constitutes the equivalent of at least 10% of the Issuer's equity

During the period from January 1, 2017, to March 31, 2017, neither the Issuer nor any of its subsidiaries issued loan sureties or guarantees, the value of which could constitute at least 10% of the Issuer's equity.

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

In the reporting period, that is at the turn of March and April 2017, the Issuer carried out a private shares subscription and issued 550,000 ordinary bearer series F shares of nominal value PLN 0.01 each share. The series F shares issue took place in relation to the conditional initial capital increase, due to the implementation of the Incentive Programme addressed to key employees and associates, including the Members of the Board of CI Games S.A. with its registered seat in Warsaw.

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

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

The CI Games Capital Group's organizational structure did not change during the reporting period.

15. Information on conclusion by the Issuer or one of its subsidiaries of one or more transactions with related entities, if these are individually or jointly significant and were executed on conditions other than market conditions, with indication of their values

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

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

During the reporting period, the parent, CI Games S.A., neither paid out nor declared any dividends.

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

On January 31, 2017, the Extraordinary General Meeting of Shareholders of the company adopted a resolution on Company's share split in the ratio 1:10. As a result of this split, the nominal value of one Company's share changed from PLN 0.10 to PLN 0.01.

On February 22, 2017, the Company entered into an agreement with Polska Kasa Oszczędności Bank Polski S.A. with its seat in Warsaw and pursuant to the agreement, the Bank shall grant a non-revolving working capital facility credit amounting to USD 2,500,000.00 (say: two million five hundred thousand 00/100 U.S. dollars) to be appropriated for financing the costs of pressing the game "Sniper Ghost Warrior 3". The credit was awarded for the period from February 23, 2017 to May 26, 2017 (crediting period). On May 8, 2017, the crediting period was extended till June 30, 2017.

On February 22-23, 2017, the then Member of the Management Board of CI Games S.A. – Mr. Adam Pieniacki – sold at regulated market the Company's shares in the total amount of 150,000 (after taking into account the exchange due to the Company's shares split). This was motivated by the intention to acquire shares in the Incentive Programme addressed to key employees and associates, including the Members of the Board of CI Games S.A.

On March 30, 2017, CI Games S.A. concluded a financing agreement for the GAMEINN project no. POIR.01.02.00-00-0119/16, funded by Operational Programme Smart Growth 2014-2020 and co-financed by European Regional Development Fund concluded in National Centre for Research and Development in Poland.

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

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

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

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

- On April 25, 2017, the "Sniper Ghost Warrior 3" ("SGW3") game had its global release date. Currently, the game is being sold at approx. 30 markets. CI Games S.A. is not only a developer but also a direct publisher of SGW3, which translates significantly into the level of margins generated by the Company and by the Group. Thanks to the agreements concluded with Sony and Microsoft, the Company may publish SGW3 also on consoles – PS4 and XboxOne. It needs to be emphasized, that the sole SGW3 distribution in Western, Northern and Southern Europe is carried out by Koch Media GmbH – one of the largest companies in Europe dealing in video games distribution.

In America, the release and distribution of SGW3 is being carried out by CI Games USA Inc. – subsidiary of CI Games S.A. On this territory, the Group cooperates directly with key retailers of video games, partially also with agents ("logistics distributors"). In view of the Management Board of CI Games S.A., the publication of SGW3 in North and South America has been definitely efficient, which confirms the Management conviction that in 2015 it made a good decision on reintroducing the model of direct game release in North America and abstaining from distribution carried out by one exclusive distributor on this market.

The Company's Management is aware of certain underdeveloped elements of SGW3, including technical issues. The Company is still actively developing new SGW3 patches and regularly releases them for particular platforms. First patches were available already one day after the release of SGW3. So far, six SGW3 patches for PC, two patches for XboxOne and two patches for PS4 were released. The patches concerned most important changes: they improved map loading time and optimization, they corrected many technical bugs and introduced graphic and animation changes.

The maximization of sale during the whole SGW3 life cycle is of key importance for the Company. The Company, making use of its team, competences and experience, will do its best to generate the highest revenue from the sale of SGW3 in the coming years and coming quarters. An important goal of the Management is to translate the effects of the completed global promotional campaign of the game into its sale in the upcoming period.

- On April 3, 2017, Member of the Management Board – Mrs. Monika Rumianek – acquired 150,000 ordinary bearer series F shares within the Company's Incentive Programme addressed to key employees and associates, including the Members of the Board of the Company.

- On April 4, 2017, the then Member of the Management Board – Mr. Adam Pieniacki – acquired 100,000 ordinary bearer series F shares within the Company's Incentive Programme addressed to key employees and associates, including the Members of the Board of the Company.

- On May 8, 2017, the Company concluded two Annexes to the agreements made with Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna bank with its seat in Warsaw. The said annexes concern: a) agreement concerning revolving working capital credit facility in Polish zlotys dated May 27, 2015, later changed on February 10, 2016.; b) agreement concerning non-revolving working capital credit facility in convertible currency concluded on February 22, 2017, concluded between the Company and the Bank. Pursuant to the abovementioned annexes, the deadline till which the Company may pay the Bank the amounts due was extended till June 30, 2017.

- On May 16, 2017, the Member of the Management Board of CI Games S.A. – Mr. Adam Pieniacki – notified of his resignation from the position of the Member of the Management

Board, taking effect as at the day it was submitted, without stating the reasons for his resignation.

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

The CI Games Capital Group consistently implements its growth strategy aimed at regular releasing high quality video games. The quality is the decisive factor impacting product planning and development activities in the production, promotion and sales process. The Group produces games for PCs and new-generation consoles (Xbox One® and PlayStation®4), as well as for iOS and Android platforms.

The success of the game "Lords of the Fallen" induced the Group to release in 2017 this title on tablets and mobile phones, thus gaining valuable experience in launching mobile games on global market.

On April 25, 2017, the "Sniper Ghost Warrior 3" game had its release date; it is a game in the most popular genre – First Person Shooter – available on PC and consoles. "Sniper Ghost Warrior" brand is, together with "Lords of the Fallen", the most recognizable brand of the Group. So far, "Sniper Ghost Warrior" and "Sniper Ghost Warrior 2" sold in total 6.7 million copies.

The Issuer's Management Board believes that the current strategy will allow the CI Games Capital Group to achieve financial success and strengthen its position in global markets. The Parent's Management Board believes that the Group has the necessary competences and technical capabilities to develop, release and distribute high quality games.

MANAGEMENT BOARD:

Marek Tymiński	**Monika Rumianek**
President of the Management Board	Member of the Management Board

Warsaw, May 24, 2017