ANNUAL FINANCIAL STATEMENT

FOR THE PERIOD BETWEEN JANUARY 1ST, 2019 AND DECEMBER 31ST, 2019

GAMES

Warsaw, March, 27th 2020

Disclaimer

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I. Introduction to the financial statement for the period between 01.01.2019 and 12.31.2019

1. Information on the Company

- CI Games S.A. („The Parent Entity", "the Issuer", „the Company") was registered on 06.01.2007 as City Interactive S.A. It resulted from conversion of City Interactive Sp. z o.o. (confirmed by a notarial deed with repertory number A 2682/2007 of 05.16.2007).
  On August 7th, 2013, the District Court for the Capital City of Warsaw in Warsaw, 13th Commercial Division of the National Court Register, recorded a change in the name of the Company from the previous name to CI Games S.A. The registered office of the Company is located in Warsaw at 18 Twarda Street.
- The Company is entered in the Register of Entrepreneurs under the number KRS 0000282076. The entry was made by the District Court for the Capital City of Warsaw in Warsaw, 13th Commercial Division of the National Court Register. The share capital is PLN 1,619,430.15.
- Tax identification number (NIP): 118-15-85-759.
- Statistical identification number (REGON): 017186320.
- The Company has been established for an unlimited period of time.
- Business activity of the Company consists of production, publishing and distribution of video games.
- The Company is the parent entity of the Capital Group, which prepares the consolidated financial statements.

2. Shares in other entities

As of 12.31.2019, CI Games S.A. had shares and stocks in the following entities:

- CI Games S.A. (formerly City Interactive S.A.) with a registered office in Warsaw. Share capital: PLN 1,619,430.15 Parent entity.
- United Label S.A. with a registered office in Warsaw. Share capital: PLN 100,000 100% shares held by CI Games S.A.
- CI Games USA Inc. with a registered office in the state of Delaware, United States of America. Share capital: USD 50,000. 100% shares held by CI Games S.A.
- Business Area sp. z o.o. with a registered office in Warsaw. Share capital: PLN 5,000 100% shares held by CI Games S.A.
- Business Area sp. z o.o. sp. j. with a registered office in Warsaw. 99.99% shares held by CI Games S.A.; the remaining 0.01% held by Business Area sp. z o.o.
- CI Games S.A. sp.j. with a registered office in Warsaw (converted from CI Games IP sp. z o.o. as of September 19th, 2015). 99.99% shares held by Business Area sp. z o.o.; the remaining 0.01% shares held by CI Games S.A.
- CI Games UK Ltd. with a registered office in Uxbridge, United Kingdom. 100% shares held by CI Games S.A.
- Year 2019 saw liquidation of CI Games Cyprus Ltd. in liquidation with a registered office in Nicosia, Cyprus. 100% shares had been held by CI Games S.A.

3. Composition of governing bodies of the Issuer

In the course of year 2019, Members of the Management Board of the Company were:

Marek Tymiński	President of the Management Board.	throughout the entire year 2019
Monika Rumianek	Member of the Management Board	throughout the entire year 2019

Composition of the Supervisory Board of the Company in year 2019 was as follows:

Ryszard Bartkowiak	Chairman of the Supervisory Board	throughout the entire year 2019
Grzegorz Leszczyński	Member of the Supervisory Board	throughout the entire year 2019
Tomasz Litwiniuk	Member of the Supervisory Board	throughout the entire year 2019
Norbert Biedrzycki	Member of the Supervisory Board	throughout the entire year 2019
Marcin Garliński	Member of the Supervisory Board	throughout the entire year 2019

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

The financial statement of CI Games encompasses the period from 01.01.2019 to 12.31.2019. The comparative data has been provided for the period from 01.01.2019 to 12.31.2019, and the balance sheet data has been presented as of 12.31.2019 and 12.31.2018.

The scope of the financial statements is consistent with the International Financial Reporting Standards and interpretations issued by the International Accounting Standards Board approved by the European Union, as well as the Regulation of the Minister of Finance of 29 March 2018 on current and periodic information delivered by issuers of securities and on requirements for recognition of information required by law of countries other than member states as equivalent (Journal of Laws of 2018 item 757 ("the Regulation").

5. Assumption of going concern

The individual financial statement was prepared with the assumption of going concern in the foreseeable future. The Management Board of CI Games S.A. is of opinion that the Company is able to:

- conduct its ongoing activity and settle its liabilities,
- continue production of subsequent games titles.

In association with the situation related to the epidemic of COVID-19 (the coronavirus) and economic uncertainty in Poland and over the world, the Management is of opinion that the current situation does not constitute an event that would require an adjustment of the financial statement for year 2019. As of the date of publication of this financial statement, the situation is subject to constant changes, and the Management Board of the entity is of opinion that it is not possible to present any estimates of the potential impact of this situation on the Company. The Management Board is monitoring the potential impact and will take all steps to mitigate any negative consequences for the Company.

6. Statement of conformity

This financial statement for the financial year ended on 12.31.2019 has been prepared in accordance with the International Financial Reporting Standards approved by the European Union (EU IFRS). The Company prepared the financial statements for the year ended on 12.31.2019 on the basis of accounting principles consistent with the principles applied in preparation of the financial statements for year 2018 with the exception of Standards and Interpretations approved by the European Union, which are applicable to reporting periods starting from 01.01.2019. The standards and interpretation that came into force from 01.01.2019 have been presented in Chapter I clause 11.

This financial statement presents reliably the results and financial position of the Company as of 12.31.2019, the results of its activity, as well as financial flows for the period of 12 months, ended on 12.31.2019.

7. Functional currency and presentation currency

Data in the financial statement and notes to the financial statement has been provided in thousands of zlotys, which is the presentation currency and the functional currency.

The balance sheet data has been converted using the average rate of exchange published by the President of the National Bank of Poland as of the date of presentation of the financial statements, which, as of the balance sheet date, amounted to:

- as of 12.31.2018 - 4.3000 PLN/EUR
- as of 12.31.2019 - 4.2585 PLN/EUR

Data in the profit and loss account and the cash flow statement has been converted to EUR according to the exchange rate determined as the arithmetic mean of exchange rates published by the President of the National Bank of Poland as of the last day of each month of the year:

- 2018 - 4.2669 PLN/EUR
- 2019 - 4.3018 PLN/EUR

8. Professional judgment, assumptions and estimates

Preparation of the financial statement in accordance with the EU IFRS requires the Management Board to make judgments, estimates and assumptions, which influence the accounting principles applied, as well as the value of assets, liabilities, revenues and expenses. The estimates and the associated assumptions are based on factors, which are considered to be reliable under the given circumstances, and their results provide a basis for judgment on balance sheet value of assets and liabilities, which is not based directly on other sources.

The Management Board verifies the estimates and assumptions on an ongoing basis and records any changes in these in the period, in which they were made. The real value may differ from the estimated value.

Key areas, which have been subject to professional judgments, estimates and assumptions:

Amortization of R&D expenses - the basis for calculation of natural amortization of finished R&D projects is the assumption concerning the expected number of games sold in the future. The Company verifies the amortization rate applied on an annual basis.

Deferred tax asset - the Company recognizes the deferred tax asset on the basis of assumption that in the future, a tax profit would be achieved, allowing for its use. The Management Board of the Company analyzes and verifies the estimates made with regard to probability of utilization of the deferred tax assets on the bases of changes in factors taken into account in the estimation.

Impairment of cash generating units and individual fixed assets and intangible assets Determination of impairment requires estimation of recoverable value of assets or cash generating units. The significant assumptions taken into account in estimation of this value include such variables as the discount rate and the estimated number of games sold. As of 12.31.2019, upon analysis of cash flows for individual cash generating units and completion of appropriate impairment tests for assets that required these.

The lessee's discount rate - the discount rate applied in the lease agreement, defined as the ease percentage rate recorded as a risk-free rate and a credit risk premium.

Impairment loss on receivables - estimated as the expected credit losses for trade and other receivables.

Impairment loss on inventories - estimated on the basis of aging of inventories and net recoverable value as the estimated sale price.

Uncertainty associated with tax settlement - regulations on goods and services tax, corporate income tax and charges associated with social insurance are subject to frequent changes.

Tax settlements and other areas of activity of the Company may be subject to inspection by authorities entitled to impose penalties and fines. The Company recognizes and valuates assets and liabilities due to current and deferred income tax in accordance with requires of IAS 12 Income tax and IFRIC 23 on the basis of tax profit (loss), basis for taxation, unsettled tax losses and tax rates, taking into account the assessment of uncertainty associated with tax settlements. When there is uncertainty as to whether and to what extent the tax authority will accept the individual tax settlements for transactions, the Company recognizes such settlements, including the uncertainty assessment.

9. Adjustment of errors

In the reporting period, adjustments of significant errors were made with regard to financial statements from previous periods. Such assessment pertained to a part of the asset due to deferred income tax calculated on the basis of tax losses for years 2013-2017 (described in Note 6).

According to IAS 8 standard, the Company adjusted the errors for the previous period by adjusting the comparative information presented in financial statements for the later period, in which the error was detected, that is, it adjusted the asset balances for deferred task and the balance of equity for previous periods.

ASSETS	as of 12.31.2018 PLN thousand		
	before	**adjustment**	**after adjustment**
FIXED ASSETS	**77,157**	**(12,494)**	**64,663**
Deferred income tax asset	19,151	(12,494)	**6,657**
CURRENT ASSETS	**17,283**	-	**17,283**
ASSETS TOTAL	**94,440**	**(12,494)**	**81,946**

LIABILITIES	as of 12.31.2018 PLN thousand		
	before	**adjustment**	**after adjustment**
EQUITY	**68,416**	**(12,944)**	**55,472**
Retained earnings	9,300	(12,944)	**(3,644)**
LIABILITIES	**26,024**	**450**	**26,474**
Income tax liabilities	-	450	450
TOTAL LIABILITIES	**94,440**	**(12,494)**	**81,946**
Accounting value (in PLN thousand)	68,416	(12,944)	55,472
Number of shares (in thousands)	151,110	151,110	151,110
Accounting value per share (in PLN)	**0.45**	**(0.09)**	**0.37**

	Statement item		Impact on retained earnings 12.31.2018
	(-)	**(-)**	**PLN thousand**
The error was related to recognition of tax losses for year 2013-2017 (based on trademark transactions) for calculation of the x deferred tax asset	Deferred tax asset	Profit (loss) from previous years	**(12,944)**

The adjustment of errors for the previous periods exerted no impact on the net profit/loss per share indicator in 2018.

	for period from 1.01 to 12.31.2018 PLN thousand
Net profit (loss) (in PLN thousand)	(21,508)
Number of shares (in thousands)	151,110
Profit (loss) per ordinary share (in PLN)	**(0.14)**

10. The accounting principles applied

a) Application of the International Accounting Standards

The annual financial statement is prepared in accordance with the International Accounting Standards (IAS) and the International Financial Reporting Standards (IFRS) adopted by the European Union ("EU") and interpretations approved by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) applicable to activity of the Company, which were in force in the annual reporting periods starting from January 1st, 2007 and the requirements of the Regulation of the Minister of Finance of 19 February 2019 on current and periodic information delivered by issuers of securities and on requirements for recognition of information required by law of countries other than member states as equivalent (Journal of Laws no. 33 item 259).

The financial statement for the period from 01.01.2019 to 12.31.2019 is a subsequent consolidated annual financial statement prepared in accordance with the IAS/ IFRS. The comparable data for the period from 01.01.2018 to 12.31.2018 comes from the consolidated financial statements prepared in accordance with the IAS/ IFRS. The date of transition to the IAS/ IFRS was 01.01.2007.

b) The basis of preparation of the consolidated financial statement

Data in the financial statement and notes to the financial statement has been provided in thousands of zlotys, which is the presentation currency and the functional currency.

The accounting principles presented below were applied to all periods presented in the consolidated financial statements provided, as well as in preparation in accordance with the IAS/IFRS of the opening balance as of 01.01.2007 for the purpose of transition from the Polish accounting principles to reporting in accordance with the IAS/IFRS.

Financial statements of the Company for the financial year starting on January 1st, 2019 are subject to the following new standards and amendments to existing standards, approved by the European Union:

- The IFRS 16 Leases;
- Interpretation, IFRIC 23 Uncertainty over Income Tax Treatments;
- Amendments to IFRS 9 Financial Instruments;
- Amendments to IAS 28 Investments in associates and joint ventures;
- Amendments to IAS 19 Employee benefits;
- Amendments to IFRS - Improvements 2015-2017.

Application of the above amendments to standards exerted no significant influence on the consolidated financial statements of the Company except for changes resulting from implementation of IFRS 16(described in subclause e) below).

c) Tangible fixed assets

Property, plant and equipment are fixed assets held for the purpose of being used in the production process or in delivery of goods and rendering of services, in order to be handed over to other entities for use on the basis of lease agreements, which are expected to be used for longer than a single period.

Costs incurred at a later date are recognized in the balance sheet value of such asset or recognized as a separate asset only if it is probable that the Company would in the future acquire economic benefits associated with this asset, and the price of purchase of a given item can be reliably measured. Expenditures for repair and maintenance are recognized in the profit and loss account for the financial period, in which they were incurred. The production cost is increased by charges and, for some assets, by costs of external financing capitalized in accordance with the accounting principles of the Company.

Property, plant and equipment is valuated as of the balance sheet date according to the price of purchase or cost of production, reduced by depreciation up to date and impairment allowances made.

Depreciation of such property, plant and equipment starts upon commencement of their use. For every new fixed asset, technical services are obliged, if possible, to identify its substantial components and determine the amortization method.

Fixed assets in progress, created for the purpose of production, lease or administrative purposes, as well as for purposes, which have not yet been defined, are presented in the balance sheet according to their production cost reduced by impairment allowances.

Profits or losses on sale/ liquidation or withdrawal from use of fixed assets are recognized as the difference between profits from sale and net value of such fixed assets and are recognized in the profit and loss account.

Property, plant and equipment is amortized using the straight-line method at the following rates:

- technical equipment and machines 20 - 60%,
- other fixed assets 20%.

Starting from 01.01.2020, the Company increased the value of its fixed assets recognized in the balance sheet of initial value from PLN 1,000 to PLN 5,000.

Subject to activation are expenses incurred in the later period, aimed at replacement of the separately recognized part of a fixed asset. Other costs are capitalized only if they can be reliably measured and increase the future economic benefits associated with a fixed asset. Other expenditures are recognized on an ongoing basis in the profit and loss account as costs.

d) Intangible assets

(i) Intangible assets

An intangible asset is recognized by the Company only if:

a) it is probable that the Company will achieve future economic benefits, which can be assigned to a given asset and

b) it is possible to reliably determine the purchase price or cost of production of a given asset.

Intangible assets include intangible assets of initial value of at least PLN 1,000. Starting from 01.01.2020, this amount has been increased to PLN 5,000. The value of assets that can be recognized as intangible assets up to PLN 5,000 is included in day-to-day running costs.

Intangible assets are amortized using the straight-line method at the following rates:

- licenses 20%-90%,
- computer software 50%.

(ii) Development projects

Expenditures for research and development projects are recognized as costs when incurred.

The company includes expenditures for development of games as Development projects.

The costs of development projects incurred prior to commencement of production or application of new technologies are included in intangible assets, if the Company is able to prove:

- the possibility, from a technical point of view, of completing of an intangible asset so that it becomes fit for use or sale,
- the intention of completing a given intangible asset or its use or sale,
- the ability to use or sell the intangible asset,
- the manner, in which such intangible asset will generate the potential economic benefits. Among other things, the Company should prove existence of a market for products developed thanks to such intangible asset or for the asset itself or - if the asset is to be used by the entity - usability of a given intangible asset,
- availability of the proper technical, financial and other measures, which are to be used for completion of development projects and use or sale of an intangible asset,
- the possibility of reliable determination of expenditures incurred in the course of development projects, which can be assigned to such intangible asset.

The costs of development projects with a pre-determined usable life, for which it is possible to determine the sale estimates, are subject to amortization using the activity depreciation method proportionally to sales executed. Amortization allowances cease to be made when a given asset is classified for sale or is no longer recognized in the books.

The amortization period is equal to the economic life of a resource possessed. The costs of development projects are amortized during the expected period of generation of revenues from sales, however, not longer than 5 years.

The Company does not apply amortization of costs of development projects with an unlimited period of use.

Intangible assets with an unlimited period of use are subject to annual tests for impairment in accordance with guidelines of IAS 36 “Impairment of assets”.

The costs of external financing (e.g. interest rates on credits and loans and exchange rates on credits and loans in foreign currencies), which can be assigned directly to purchase or production of an asset, increase the purchase price or production cost of such asset.

The net financing costs include payable interest on debt, determined on the basis of the effective interest rate, interests payable on cash invested by the Company, dividends due, profits and losses on exchange differences and profits and losses on hedging instruments, which are recognized in the profit and loss account.

(iii) Impairment

As of the balance sheet date, the Company conducts a review of assets to identify any evidence of their potential impairment.

If such evidence is found, the recoverable value of a given asset is established in order to determine the potential allowance in this regard.

If an asset generates no cash flows, which are largely independent of cash flows generated by other assets, the analysis is conducted for the group of assets generating cash flows, to which a given asset belongs.

In the case of intangible assets with unlimited period of use, the impairment test is conducted annually and additionally if evidence suggests the possibility of their impairment. The recoverable value is determined as the higher of the following: fair value reduced by costs of sale or value in use. The latter corresponds with the current value of the estimated future cash flows discounted using the discount rate, taking into account the current market estimates of time value of money and the risk specific for a given asset.

If the recoverable value is lower than the net book value of an asset (or group of assets), the book value is reduced to the recoverable value.

Impairment loss is recognized as a cost in the period, in which it occurs, except for situations, in which an asset was recognized according to its revalued amount (in such case, impairment is treated as a reduction of previous revaluation).

If impairment is later reversed, the net value of an asset (or group of assets) is increased to the new revalued recoverable value, however, not higher than the net value of this asset, which would have been determined should no impairment have been recognized in the previous years.

Reversal of impairment is recognized in revenues, if the asset has not been subject to revaluation - in such case, reversal of impairment is recognized in the revaluation reserve.

e) The right to use assets and lease liabilities – IFRS 16

IFRS 16 "Lease" was published by the International Accounting Standards Board on January 13th, 2016, and it was approved in the European Union on October 31st, 2017. It is applicable to annual periods commencing on January 1st, 2019 or after this date. The Company decided to implement the IFRS 16 standard as of January 1st, 2019, retrospectively (the so-called modified retrospective approach, Schedule C par. C5 IFRS 16). As a result, comparative data for year 2018 will not be translated.

The new standard establishes the rules of recognition, valuation, presentation and disclosures related to lease. According to IFRS 16, a contract is a lease or contains a lease, if it transfers the right to control the use of an identified asset for a given period in exchange for consideration. All lease transactions result in the right to use the asset and a payment liability arising on the part of the lessee. Thus IFRS 16 eliminates the operating lease and financial lease qualification based on IAS 17, introducing a single model for booking of lease by the lessee.

<u>Recognition of assets due to the right to use of assets</u>

As a result of analysis of its contracts, the Company identified and recognized the right to use office space as an asset and a liability based on lease.
The Company recognized the outstanding lease payments valuated according to their current value, using the incremental interest rate of the Company as of January 1st, 2019.

The Company applied the following practical solutions and estimates:

- Determination of contracts subject to IFRS 16;
- Determination of the interest rate used to discount the future cash flows;
- Determination of the amortization rate;
- Operating lease contracts for the period of less than 12 months from the date of first application were recognized as short-term lease;
- Non-recognition of contracts for low-value assets;
- The Company excluded the preliminary direct costs from valuation of an asset due to the right of use on the date of first application;
- The Company did not identify lease and non-lease components.

Assets due to the right to use are initially recognized at their cost and then reduced by amortization allowances and potential impairment losses and properly adjusted by translations of lease liabilities.

The cost of an asset constituting the right of use includes the initial valuation of the lease liability, all lease charges paid up to the commencement date, reduced by any lease incentives received, the initial direct costs incurred by the lessee and the estimate of costs to be incurred by the lessee in association with disassembly and removal of the underlying asset.

Reclassification of financial lease components took place as well, from Property, plant and equipment to Right to use assets in the amount of PLN 705 thousand, which until December 31st, 2018 had been recognized as assets used within the framework of financial lease in accordance with IAS 17.

Any variable lease charges, including service and maintenance fees for the leased office space and car rental, are recognized in the profit and loss account and other total revenues in the period, in which they were incurred.

Recognition of lease liabilities

After adapting of IFRS 16, on the first date of application, the Company recognized a lease liability for leases previously classified as operating lease in accordance with IAS 17, valuated as the current value of outstanding lease charges. Lease charges are discounted using the incremental interest rate.

Impact of IFRS 16 on the financial statements

Application of IFRS 16 influences the balance sheet structure and the balance sheet total and the structure of costs presented in the statement of profit/loss and other comprehensive income. Some of the costs, which were presented in costs of sale and management, will be presented in financial costs (the interest component).

As a result of implementation of IFRS 16, as of January 1st, 2019, an increase in the value of assets was recorded in the amount of PLN 4,457 thousand and increase in the value of liabilities in the amount of PLN 4,457 thousand. In addition, financial lease components were reclassified from Property, plant and equipment to Right to use assets in the amount of PLN 705 thousand, which until December 31st, 2018 had been recognized as assets used within the framework of financial lease according to IAS 17.

The table below presents the impact of IFRS 16 on balance sheet items of the Company:

Items of the financial condition statement	**State as of 12.31.2018**	**Reclassification as of 01.01.2019**	**Impact of IFRS 16 on 01.01.2019**	**State as of 01.01.2019**
Assets				
Fixed assets				
Tangible fixed assets	1,083	(705)	-	378
Right to use an asset	-	705	4,457	5,162
Liabilities				
Long-term liabilities				
Long-term lease liabilities	303	-	4,146	4,449
Short-term liabilities				
Short-term lease liabilities	224	-	311	535

In the period from January 1st until December 31st, 2019, as a result of application of IFRS 16, the total costs of amortization for assets due to the right to use recognized in year 2019 amounted to PLN 952 thousand for the Capital Group.

In December 2019, the Company withdrew entirely from the lease contract with EP Office 1 Sp. z o.o., EP Office 2 Sp. z o.o., EP Apartments Sp. z o.o. EP Retail Sp. z o.o. and commenced court proceedings (details of the case have been described in Chapter IV, Note 36). The reason for withdrawal from the contract was a failure of the lessor to keep the deadlines for adaptation and making the remaining part of the lease space available to the Company. From the perspective of business activity conducted by the Company, only lease of the entire space is economically reasonable. As a result of the above, the Company derecognized the right to use of assets and liabilities due to lease contract as of 11.12.2019. The difference between the liability and the asset based on the lease contract amounted to PLN 956 thousand and increased the other operating revenues.

The Company recognized the new contract for lease of office space, the provisions of which meet the criteria of its recognition in accordance with IFRS 16. The initial value of the right to use the premises and the associated liabilities booked amounted to PLN 634 thousand.

The table of movements presenting increase and decrease in the right to use the assets has been presented in Chapter IV, Note 3.

Presented below is allocation of the amortization of the right to use assets in 2019:

Allocation of amortization of the right to use assets	State as of 12.31.2019 PLN thousand
Selling costs	40
Costs of management	861
Production costs	6
Development projects (capitalized cost)	217
Total	**1,124**

Application of IFRS 16 also resulted in increase in financial costs, that is, interest due to recognition of the lease liability. The interest rates in 2019 amounted to PLN 303 thousand.

f) Investments

Investments other than real estate property, intangible assets and financial assets are recognized according to their purchase price reduced by impairment allowances.

Investments recognized according to their historic cost expressed in a foreign currency as of the balance sheet date are valuated using the average exchange rate published by the National Bank of Poland as of the balance sheet date.

g) Financial instruments

Starting from January 1st, 2018, the Company qualifies its financial assets and liabilities according to the following categories:

- valuated according to amortized cost,
- valuated according to fair value through other comprehensive income,
- valuated according to fair value through financial profit or loss,
- valuation of hedging financial instruments. The Company does not apply hedge accounting, and thus regulations of IFRS 9 in this regard are not applicable.

The Company qualifies financial assets as belonging to specific categories depending on the business model of management of financial assets and characteristics of contractual cash flows for a given financial asset.

The Company classifies trade liabilities, credits, loans and bonds as liabilities valuated according to their amortized cost.

The table below presents the impact of implementation of IFRS 9 on classification and valuation of financial assets of the Company:

Classes of financial instruments	IFRS 9
Non-quoted shares and stocks	Valuated according to fair value through other comprehensive income
Trade receivables	Financial assets valuated according to amortized cost
Loans granted	Financial assets valuated according to amortized cost
Cash and cash equivalents	Financial assets valuated according to amortized cost
Trade liabilities	Financial liabilities valuated according to amortized cost
Financial liabilities	Financial liabilities valuated according to amortized cost

Financial assets valuated according to amortized cost

The Company classifies trade receivables, loans granted, other financial receivables and cash and cash equivalents as assets valuated according to amortized costs.

The Company valuates financial assets according to amortized cost using the effective interest rate method. Trade receivables, upon their initial recognition, are valuated in the amount of their amortized cost using the effective interest rate method, taking into account impairment allowances, provided that trade receivables with maturity period of less than 6 months from the date of their emergence (that is, containing no financing component), not submitted for factoring, are not subject to discounting and are measured according to their nominal value.

Short-term trade and other receivables are valuated in the amount payable, unless the effect of interest charged is material. Otherwise, such receivables are initially recognized according to their fair value, and then valuated according to the amortized cost using the effective interest rate. In accordance with the principle followed by the Company, receivables with maturity longer than 180 days are subject to discounting.

Cash and cash equivalents include cash in bank and bank deposits on demand. Short-term investments, which are not subject to material changes in value and can be easily transformed into a specific cash amount and constitute a part of the Company's policy of liquidity management, are recognized as cash and cash equivalent for the purpose of the cash flow statement.

Financial assets valuated at fair value through other comprehensive income

Profits and losses from a financial asset constituting an equity instrument, which has been subject to valuation at fair value through other comprehensive income, are recognized in other comprehensive income, except for revenues from dividends received.

Financial assets valuated at fair value through financial profit or loss

Profits or losses resulting from valuation of a financial asset qualified as valuated according to its fair value through financial profit or loss are recognized in the financial result in the period, in which they emerged. Profits and losses from valuation of items at fair value through financial profit or loss include revenues from interest and dividends.

Impairment of financial assets

IFRS 9 changes the mode of determination of impairment allowances from the incurred loss model to the expected loss model. The most significant financial assets in the financial statement of the Company, which are subject to amended principles of calculation of the expected credit losses, are trade receivables. As of each balance sheet date, the Company assesses the expected credit losses regardless of existence or lack of evidence suggesting impairment. The Company applies a simplified approach, consisting of assessment of probability of non-repayment of receivables on the basis of historic data, taking into account the balance of outstanding receivables. The Company also allows for individual possibility of determination of expected credit losses, taking into account the legal status of the debtor (liquidation, bankruptcy) and other factors. The allowance for expected credit losses is updated on each reporting date.

Impairment (losses) / reversal of losses for financial instruments include mainly impairment (losses)/ reversal of losses for trade receivables and impairment (losses)/ reversal of losses for loans granted.

Financial liabilities

Financial liabilities include financial liabilities valuated initially according to their amortized cost and include loan and credit liabilities, trade liabilities, bond liabilities, other and lease liabilities. Costs due to interest on the above liabilities are recognized using the effective interest rate method and recognized in the financial costs item.

Financial liabilities valuated after their initial recognition according to fair value through financial result include derivatives not included in the hedge accounting policy.

Records of liabilities are made in the manner that allows for separation of settlements between related and other entities and according to maturity periods as follows:

- within 12 months,
- above 12 months.

Liabilities associated with construction of fixed assets and fixed assets, as well as commenced development projects are included in “trade liabilities”. The value of services, which have been provided on behalf of the Company, for which no invoices have been received until the balance sheet date, are presented as “trade liabilities”.

h) Inventories

The initial value (cost) of inventories includes all costs (of purchase, production and other) incurred in association with bringing inventories to their current location and balance.

The price of purchase of inventories includes the purchase price increased by import tariffs or other taxes (which cannot be recovered later from tax authorities), costs of transport, loading, unloading and other costs directly associated with obtaining of inventories, reduced by discounts, rebates and other similar reductions.

Inventories are recognized in their initial value (price of purchase or cost of production) or at their net sale price, whichever is lower.

As for the remaining inventories, the cost is determined using the “first in first out” (FIFO) method.

Impairment losses on inventories

Allowances on tangible current assets associated with their impairment or valuation as of the balance sheet date are made in correspondence with other operating costs (IAS 2).

The Company makes impairment losses on inventories up to attainable net value. Attainable net value is the sale price established in the course of ordinary business activity, reduced by costs of finishing and estimated costs necessary for effecting sale.

Reversal of impairment losses on inventories, resulting from increase in their attainable net value, is recognized as a decrease in the amount of inventories recognized as other operating revenues, in which the impairment loss was reversed.

As of the balance sheet date, inventories are valuated at their acquisition or purchase price, provided that such price cannot be lower than the net sale price of a given inventory component.

Advances for deliveries made in foreign currencies are booked at the currency sale rate used by the bank rendering services on behalf of the Company.

The Company valuates advances for deliveries according to their nominal value and presents them in the statement at the historic rate, reduced by any impairment losses on advances. The Company classifies the advances paid through confirmations of the balance of advance payments received from business partners as shown in the auxiliary accounts, to the general ledger accounts "Settlements with suppliers" and clarifies and settles any differences.

i) Share capital

Share capital has been recognized according to nominal value of shares issued and paid.

(i) Acquisition of treasury shares

In the case of acquisition of treasury shares, the associated payment amount along with direct costs of the transaction are recognized as a change in equity. The acquired treasury shares are recognized as decrease in equity.

(ii) Costs related to issue and public offering of shares

Costs associated with issue of new shares are recognized in equity, and costs associated with public offering of existing shares are recognized directly in costs.

(iii) Share premium

This capital includes share premium reduced by costs of issue of shares and is recognized in supplementary capital.

(iv) Dividends

Dividends are recognized as liabilities in the period, in which they are approved by a resolution.

j) Provisions

Provisions are liabilities with uncertain maturity date or amount. The Company establishes provisions, if all of the following prerequisites have been met:

- companies are subject to existing obligations (legal or customary) due to past events,
- it is probable that fulfillment of the obligation will result in the necessity of outflow of assets constituting economic benefits,
- the amount of such obligation can be reliably estimated.

The Company establishes provisions for liabilities as follows:

- provisions for deferred income tax, established in association with positive differences between the book value of assets and liabilities and their tax value,
- provisions for employee benefits - provisions for severance payments are calculated on the basis of own estimates, however, due to low average employee age and the resulting immaterial value of provisions, it is not being established at present,
- other provisions.

Reversal of unused provisions takes place on the date of their recognition as unnecessary.

k) Liabilities, including trade liabilities

Trade and other liabilities are divided into long- and short-term liabilities using the following criteria:

- liabilities maturing within 12 months from the balance sheet date are recognized as short-term liabilities,
- all liabilities other than trade liabilities and short-term liabilities are long-term liabilities.

Trade liabilities with maturity periods up to 180 days are valuated as of the balance sheet date
in the amount of the payment required, increased by interest for delay, payable as of the valuation date, if any.

Trade liabilities with maturity periods of more than 180 days are valuated as of the balance sheet date according to their amortized cost (that is, discounted using the effective interest rate).

Any turnover and balances of booking accounts should be reconciled and all adjustments recorded in the books, and thus recognized in the financial statements of the entity. In the case of a difference of opinions with regard to balance reconciliation between the entity and any business partner, it is assumed that the seller is right, and after the year has been closed, adjustments, if any, are made in the books for the current year.

Liabilities expressed in foreign currencies are valuated at the average rate of exchange, published for a given currency by the National Bank of Poland.

Interests for delay in timely settlement of liabilities are not charged, if the entitled entity has submitted a written statement of withdrawal from charging interest. In other cases, interest is charged and recorded as follows:

- on an ongoing basis, on the basis of interest notes received,
- at the estimated value, where the estimate is based on historic data reflecting the amounts of interests charged by individual business partners, in relation to the amount of debt to these business partners.

In each case, in calculation of interest, it is necessary to take into account other significant risks that allow for charging of such interest.

In the additional information, it is necessary to disclose the fact of occurrence of overdue liabilities and the associated risk of interest charged by creditors.

l) Revenues - IFRS 15 “Revenue from contracts with customers” and notes to IFRS 15.

This standard specifies the manner of settlement of revenues from sale of goods and rendering of services on behalf of customers, based on the principle that the entity recognizes revenues in the manner that reflects the transaction of transfer of promised goods and services to the customer in the amount reflecting the value of consideration that the entity expects in exchange for these goods and services. The new standard has established the “Five Step Model” for recognition of revenue from contracts with customers.

Revenue from sales of products and services include sales of products manufactured by the Company, subject to its exclusive license rights on the basis of their development or licenses purchased for publishing and distribution of such products, as well as services rendered by the Company on behalf of other entities.

Revenues from sales of goods and materials include sales of products that have been purchased and have been designated for resale without further processing, as well as sales of materials designated for production.

Revenues from sales of products and goods are recognized, if the following prerequisites have been met:

- The Company has transferred to the purchaser the significant risk and benefits resulting from rights of ownership of such goods or products,
- The Company has retained neither continuing managerial involvement in the goods or products sold to the degree usually associated with ownership nor effective control over the goods sold,
- the revenue amount can be reliably valuated,
- it is probable that the Company will attain economic benefits due to the transaction,
- the costs incurred and the costs to be incurred by the Company in association with the transaction can be reliably valuated.

The parent entity analyzed contracts concluded with customers from the perspective of application of IFRS 15 in the following categories:

Sales of royalties from sales of licenses for distribution of games

According to the new standard, an entity granting licenses to its intellectual rights must determine whether the entity has the right to a license in a specific time interval or once, when the license is granted. In the case of the Company, recognition of revenues takes place upon transfer of intellectual rights by the distributor in a given reporting period. This means that revenues from sales of licenses are recognized in the sales period not earlier than after commencement of actual distribution of the game. Therefore, there is no difference in recognition of revenues from royalties according to the previous standard IAS 18 and the new standard IFRS 15.

Sales with a right of return

The IFRS 15 standard also contains guidelines for sales with a right of return in situations, in which the customer has taken over control of the product, but is also entitled to return the product. The right of return pertains to some contracts with distributors of physical products, thus influencing variability of revenues, as the receipts from sales may change. As a result, the Company recognizes revenues from sale in the probable amount, taking into account the historic data. Recognition of effects of a contract including the right of return or expectations with regard to exercising of this right by the customer includes the following records:

- revenues from products transferred in the amount of the consideration that the entity expects to be entitled to (that is, upon adjustment in the part pertaining to revenues from products, which, in accordance with the expectations, may be returned);
- liabilities due to reimbursement in whole or in part of the amount received or amount receivable in the future, with regard to which the entity expects not to be authorized due to return;
- the asset due to the right of return according to the primary balance sheet value of this asset (product, good) reduced by the expected costs of return and possible impairment.

The Company has analyzed the effects of application of IFRS 15 and the amount of assets and liabilities do not differ materially from amounts of allowances reducing sales in year 2018. The Company has withdrawn from adjustment of the opening balance of retained earnings of the Company due to implementation of IFRS 15.

Advances received from customers

The Company receives short-term advances from customers for future sales of boxed games. The Company has booked these advances as a reduction in receivables and, upon issue of a pro forma sales invoice, recognized the revenues from sales. With reference to such short-term advances, the Company has applied the simplification provided for in IFRS 15 and shall not recognize the financing component.

m) Costs

The Company prepares a profit and loss account in the functional variant. Costs are classified according to function. The net financing costs include payable interest on debt, determined on the basis of the effective interest rate, interests payable on cash invested by the Company, dividends due, profits and losses on exchange differences and profits and losses on hedging instruments, which are recognized in the profit and loss account.

Revenues from interest are recognized in the profit and loss account on accrual basis, using the effective interest rate method. Revenues from dividends are recognized in the profit and loss account as the Company acquires the right to receive it. The component constituting the financing cost arising from financial lease charges is recognized in the profit and loss account using the effective interest rate method.

n) Tax

The obligatory tax charges include: the current tax (CIT) and the deferred tax.

A current tax charge is calculated on the basis of the tax result (taxation basis) for a given financial year. Tax for the current period and the previous periods is recognized as a liability in the amount, in which it was not paid.

Tax profit (loss) differs from booked net profit (loss) due to an exclusion of revenues subject to taxation and costs constituting tax deductible expenses in future years and expense and revenue items, which will never be subject to taxation.

Deferred tax is calculated using the balance sheet method as tax to be paid or returned in the future on differences between the balance sheet value of assets and liabilities and the corresponding tax values used for calculation of taxation basis.

Deferred income tax assets and deferred income tax provisions are valuated using taxation rates, which are expected to be applicable, when a given asset is realized or a provision is reversed, on the basis of tax rates (and tax regulations) that are legally or actually obligatory as of the balance sheet date.

The value of asset due to deferred tax is subject to analysis on each balance sheet date, and if the estimated future tax profits are not sufficient for realization of an asset or its part, a write-off is made. Deferred income tax assets and deferred income tax provisions are not discounted.

Deferred tax is recognized in the profit and loss account, unless it is applicable to items recognized directly in equity. In the latter case, deferred tax is also settled directly as equity. The Group Companies compensate assets due to deferred income tax with provisions for deferred income tax only when they have executable legal titles to conduct compensation of deferred income tax assets with deferred income tax provisions.

o) Transactions in foreign currencies

Transactions executed in foreign currencies are translated to the functional currency using exchange rates applicable on the date of execution of these transactions in the following manner:

- in the case of sale of foreign currencies and repayment of receivables - at the exchange rate of purchase, applied by the bank rendering services on behalf of the Company,
- in the case of purchase of foreign currencies and repayment of liabilities - at the exchange rate of sale, applied by the bank rendering services on behalf of the Company,
- in the case of other transactions - according to the average exchange rate provided for a given currency by the National Bank of Poland, unless the customs documents provide for a different exchange rate.

Cash items recognized according to their historic cost expressed in a foreign currency are recognized as of the balance sheet date using the average exchange rate published by the National Bank of Poland as of the balance sheet date. Non-cash items recognized according to historic cost, expressed in a foreign currency, are presented at their exchange rate on the transaction execution date. Non-cash items recognized in their fair value, expressed in a foreign currency, are presented at their exchange rate, which were applicable on the date of determination of their fair value.

Positive and negative exchange rate differences based on settlement of transactions in foreign currencies and from conversion of cash assets and liabilities according to average exchange rates of the National Bank of Poland at the end of the year are recognized in the profit and loss account, except for cases of settlement in equity meeting the criteria for recognition of cash flow hedges.

p) Reporting of operating segments

According to IFRS 8, an operating segment is a separate component of the Company that delivers specific products or services (business segment) or delivery of products or services in a specific economic environment (geographic segment), which is subject to risks and obtains benefits different from those of other segments.

In accordance with IFRS 8, the Company discloses separate information on segments, if the revenues, financial result or assets of a given segment constitute 10% or more of the total value for all segments. Segment reporting encompasses at least 75% of all revenues of the entity.

CI Games S.A. identifies operating segments if all of the following prerequisites are met:

- a given component of the Entity engages in business activity, in association with which it may earn revenues and generate expenses;
- the results of operation of this component are reviewed on a regular basis by the key operating decision-maker of the Company to make decisions on resources allocated to the segment and assessment of results of operation of the segment;
- separate financial information is available for the component under analysis.

The Company has identified the following segments:

- Game production and sales;
- Publishing activity - conducted by subsidiary United Label S.A>

In addition, CI Games S.A. presents revenues from sales as divided into the following segments:

- business segment - division into sales of products, goods and services
- geographic segment - division of sales into areas: Europe, North and South America and Asia and Africa.

Revenues from sales of products include sales of products manufactured by the Group and subject to its exclusive license rights due to their production, or subject to licenses acquired for their publishing and distribution.

Revenues from sales of services include revenues from services rendered by the Company on behalf of other entities.

Revenues from sales of goods include sales of products that have been purchased and designated for resale without further processing, as well as sales of materials designated for production.

The operating expenses are divided into:

- direct costs, which can be assigned to a given product or service or the value of goods or materials sold at their purchase price,
- indirect costs, which cannot be assigned directly to a specific product, such as general management costs, costs of sales, other operating expenses.

q) Discontinuing operations and fixed assets for sale

Directly prior to reclassification of assets for sale, valuation of assets (or all assets and liabilities designated for sale) is updated in accordance with the appropriate IFRS. Then, on the date of their initial classification as designated for sale, fixed assets or group for sale are recognized according to the lower of the following: their balance sheet value or fair value reduced by costs of effecting the sale.

Impairment recognized upon initial classification as held for sale is recognized in the profit and loss account, also in the case of revaluation. The same applies to profits and losses due to subsequent changes in value.

Discontinued operations are a part of activity of the Company, which constitutes a separate line of activity or a geographic segment or a subsidiary purchased exclusively for the purpose of resale.

Classification as discontinued operations takes place as a result of sale or as the operations fulfill the criteria for qualification in the group held for sale.

11. Changes in the accounting principles (restatement of financial statements)

The accounting principles (policy) applied to preparation of these financial statements are consistent with those applied in preparation of the financial statements of the Company for the year ended on December 31st, 2018, except for the change in the accounting policy of the Company, pertaining to the following amendments to standards and new interpretations applicable to annual periods starting on January 1st, 2018, with the exception of application of the following amendments to standards and new interpretations applicable to annual periods starting on January 1st, 2018:

<u>**Other and amended standards applicable to annual periods commencing on January 1st, 2019**</u>

- **IFRS 16 - Lease**- the impact on the financial statements of the Company has been presented in subclause f) of the Accounting policy.

- **Amendments to IFRS 9 "Financial Instruments"** - the right to early repayment with a negative consideration. This standard exerted no material impact on the current financial statements of the Company.

- **Amendments to IAS 19 "Employee Benefits"** - changes to the defined benefit plan. This standard has no impact on the current financial statements of the Company.

- **Amendments to IAS 28 "Investments in associates and joint ventures"** - valuation of long-term investments. This standard exerted no material impact on the current financial statements of the Company.

- **Adjustments based on review of IFRS 2015-2017 (IFRS 3 "Business Combinations", IFRS 11 "Joint arrangements", IAS 12 "Income Taxes", IAS 23 "Borrowing Costs") -** are applicable to annual periods starting from January 1st, 2017 or later. These changes are aimed mainly at resolving discrepancies and clarification of wording.

  This standard exerted no material impact on the current financial statements of the Company.

- **IFRIC 23 "Uncertainty over Income Tax Treatments"** - applicable to annual periods commencing on January 1st, 2019 or later. The aim of the interpretation is to clarify issues associated with recognition in the financial statements of uncertainty with regard to approval by tax authorities of a specific tax settlement, applied by the entity in its income statement.

This standard exerted no material impact on the current financial statements of the Company.

<u>**Presentation changes – comparability of data**</u>

There were no presentation changes in year 2019.

<u>**New standards and interpretations published, which have not come into force**</u>

In this financial statement, the Company did not decide to introduce early the standards published or their interpretations prior to their entry into force.

The standards and interpretations approved by the International Accounting Standards Board (IASB) to be applied after January 1st, 2020 and after January 1st, 2021 (but not approved yet by the European Union):

- **Changes with regard to references to Conceptual Framework in IFRS** (applicable to annual periods starting on January 1st, 2020 or later).
- **Amendments to IFRS 3 "Business Combinations".** the definition of a business (applicable to combinations, for which the takeover date falls on the beginning of the first annual period commencing on January 1st, 2020 or later and with reference to acquisition of assets on the date of commencement of this annual period or later).

- **Adjustments to IAS 1 "Presentation of financial statements" and IAS 8 "Accounting policies, changes in accounting estimates and errors ".** The changes pertain to definition of materiality (applicable to annual periods starting on January 1st, 2020 or later).
- **IFRS 17 "Insurance contracts".** The standard is applicable to annual periods starting on January 1st, 2018 or later.
- **IFRS 14 "Regulatory Deferral Accounts"** (applicable to annual periods commencing on January 1st, 2016 or later) - the European Commission has decided not to commence the process of approval of this provisional standard to be used within the territory of the EU until the date of publication of the final version of the proper full standard IFRS 14.
- **Amendments to IFRS 10 "Investments in Associates and Joint Ventures"** - Sales or contribution of assets between an investor and their associate or joint venture and subsequent amendments (the date of entry into force of these amendments has been postponed until completion of research projects on the equity method).

The dates of entry into force, indicated above, are based on the content of standards announced by the Council for International Financial Reporting. The dates of entry into force of standards in the European Union may differ from dates of entry into force based on the content of the standards and are announced as the standard has been approved for application by the European Union. The Company has decided not to introduce early any of the standards, interpretations or amendments, listed above, which have been published but have not come into force. According to estimates of the Company, the standards, interpretations and amendments to standards listed above shall have no significant impact upon the financial statements of the Company.

The dates of entry into force are based on the content of standards announced by the Council for International Financial Reporting. The dates of entry into force of standards in the European Union may differ from dates of entry into force based on the content of the standards and are announced as the standard has been approved for application by the European Union. The Company is in the course of analysis of estimates of importance of impact of the standards listed above on financial statements of the Company.

II. The selected financial data

The balance sheet data has been converted using the average rate of exchange published by the President of the National Bank of Poland as of the date of presentation of the financial statements, which, as of the balance sheet date, amounted to:

- as of 12.31.2018 - 4.3000 PLN/EUR,
- as of 12.31.2019 - 4.2585 PLN/EUR.

Data in the profit and loss account and the cash flow statement has been converted to EUR according to the exchange rate determined as the arithmetic mean of exchange rates published by the President of the National Bank of Poland as of the last day of each month of the year:

- for year 2018 - 4.2669 PLN/EUR
- for year 2019 - 4.3018 PLN/EUR.

Individual profit and loss account

for period from 1.01 to	PLN thousand	thousand EUR	PLN thousand	thousand EUR
Net revenues from sales	**47,045**	**10,936**	**21,003**	**4,922**
Operating profit (loss)	**5,643**	**1,312**	**(21,018)**	**(4,926)**
Gross profit (loss)	**4,631**	**1,077**	**(20,563)**	**(4,819)**
Net profit (loss)	**2,007**	**467**	**(21,508)**	**(5,041)**
Number of shares (in thousands)*	**155,414**	**155,414**	**151,110**	**151,110**
Profit (loss) per ordinary share (in PLN/share)	**0.01**	**0.00**	**(0.14)**	**(0.03)**

***average weighted number of shares in a given year*

Individual cash flow statement for period from 1.01 to 12.31.2019

Individual balance sheet	**state as of 12.31.2019**		**state as of 12.31.2018***	
	PLN thousand	thousand EUR	PLN thousand	thousand EUR
Fixed assets	67,713	15,901	64,663	15,038
Current assets	34,031	7,991	17,283	4,020
Assets total	**101,744**	**23,892**	**81,946**	**19,058**
Equity	66,758	15,676	55,472	12,900
The share capital	1,619	380	1,511	351
Liabilities	**34,986**	**8,216**	**26,474**	**6,157**
Long-term liabilities	6,474	1,520	17,209	4,002
Short-term liabilities	28,512	6,695	9,265	2,155
Total liabilities	**101,744**	**23,892**	**81,946**	**19,058**

** Changed data*

III. Financial data of CI Games for the period from 01.01.2019 to 11.15.2019

Financial condition statement

ASSETS	Note	as of 12.31.2019 PLN thousand	as of 12.31.2018* PLN thousand
A. **FIXED ASSETS**		**67,713**	**64,663**
Tangible fixed assets	1	376	1,083
Intangible assets	2	52,885	52,161
Right to use assets	3	1,133	-
Shares and stocks in subordinate entities	4	4,495	4,604
Long-term investments	5	2,599	121
Deferred income tax asset	6	6,214	6,657
Other fixed assets		11	37
B. **CURRENT ASSETS**		**34,031**	**17,283**
Inventories	7	3,118	2,687
Short-term investments		-	-
Advance payments granted		-	13
Trade receivables	8	21,894	8,772
Income tax receivables		-	-
Cash and cash equivalents	9	4,306	4,991
Other current assets	10	4,713	820
ASSETS TOTAL		**101,744**	**81,946**

** Changed data*

LIABILITIES		as of 12.31.2019 PLN thousand	as of 12.31.2018* PLN thousand
A. **EQUITY**		**66,758**	**55,472**
Share capital	11	1,619	1,511
Share premium account	12	49,759	40,588
Reserve capital for purchase of shares	13	16,000	16,000
Dividend capital		1,017	1,017
Retained earnings		(1,637)	(3,644)
including profit/loss for period		2,007	(21,508)
Capital of the parent entity		66,758	55,472
Minority capital		-	-
B. **LIABILITIES**		**34,986**	**26,474**
Long-term liabilities		**6,474**	**17,209**
Liabilities on account of loans, credits, and other debt instruments	15	-	12,744
Liabilities due to financial lease	15	269	303
Deferred income tax provisions	6	6,205	4,162
Short-term liabilities		**28,512**	**9,265**
Liabilities on account of loans, credits, and other debt instruments	15	24,053	3,468
Income tax liabilities	16	-	450
Trade liabilities	20	3,365	4,340
Liabilities due to financial lease	15	634	224
Other liabilities	22	144	303
Other short-term provisions	23	316	480
Deferred income		-	-
TOTAL LIABILITIES		**101,744**	**81,946**
Accounting value (in PLN thousand)		66,758	55,472
Number of shares (in thousands)		161,943	151,110
Average weighted annual number of shares (in thousands)		155,414	151,110
Accounting value per share (in PLN)**		**0.43**	**0.37**

** Changed data*

***average weighted number of shares in a given year*

Statement of comprehensive income

		for period from 1.01 to 12.31.2019 PLN thousand	for period from 1.01 to 12.31.2018 PLN thousand
Continuing operations			
Net revenues from sales	24	**47,045**	**21,003**
Revenues from sales of products and services		47,045	21,003
Revenues from sales of goods and materials		-	-
Costs of production, goods and services sold		**(29,083)**	**(17,217)**
Cost of products sold	25	(29,083)	(17,217)
Value of goods and materials sold	25	-	-
Gross profit (loss) on sales		**17,962**	**3,786**
Other operating revenues	27	4,779	420
Selling costs	25	(8,961)	(2,610)
General and administration costs	25	(5,374)	(4,633)
Other operating expenses	28	(2,763)	(17,981)
Operating profit (loss)		**5,643**	**(21,018)**
Financial revenue	29	65	844
Financial costs	29	(1,077)	(389)
Profit (loss) before tax		**4,631**	**(20,563)**
Income tax	30	(2,624)	(945)
Profit (loss) on continued operations		**2,007**	**(21,508)**
Discontinued operations		-	-
Loss on discontinued operations		-	-
NET PROFIT (LOSS)		**2,007**	**(21,508)**
Total other comprehensive income, including:			
TOTAL INCOME FOR FINANCIAL YEAR		**2,007**	**(21,508)**
Net profit (loss) (in PLN thousand)		2,007	(21,508)
Number of shares (in thousands)*		155,414	151,110
Profit (loss) per ordinary share (in PLN)		**0.01**	**(0.14)**

**average weighted number of shares*

Statement of changes in equity

for period from 1.01 to 12.31.2018	Share capital PLN thousand	Share premium PLN thousand	Reserve capital for buyback of shares PLN thousand	Other reserve capital PLN thousand	Dividend capital PLN thousand	Retained earnings PLN thousand	Equity total PLN thousand
AS OF 12.31.2019	**1,511**	**40,588**	**16,000**	**-**	**1,017**	**9,300**	**68,416**
Adjustment of result for previous years	-	-	-	-	-	(12,944)	**(12,944)**
STATE AS OF 12.31.2019, UPON CONVERSION	**1,511**	**40,588**	**16,000**	**-**	**1,017**	**(3,644)**	**55,472**
CHANGES IN EQUITY							
Profits and losses in the period	-	-	-	-	-	2,007	2,007
Issue of shares	108	9,171	-	-	-	-	9,279
AS OF 12.31.2019	**1,619**	**49,759**	**16,000**	**-**	**1,017**	**(1,637)**	**66,758**

for period from 1.01 to 12.31.2018	Share capital PLN thousand	Share premium PLN thousand	Reserve capital for buyback of shares PLN thousand	Other reserve capital PLN thousand	Dividend capital PLN thousand	Retained Earnings PLN thousand	Equity total PLN thousand
AS OF 1.01.2018	**1,511**	**40,568**	**16,000**	**-**	**1,017**	**30,808**	**89,904**
Adjustment of result for previous years	-	-	-	-	-	(12,944)	**(12,944)**
STATE AS OF 12.31.2019, UPON CONVERSION	**1,511**	**40,568**	**16,000**	**-**	**1,017**	**17,864**	**76,960**
CHANGES IN EQUITY							
Profits and losses in the period	-	-	-	-	-	(21,508)	(21,508)
Issue of shares	-	20	-	-	-	-	20
AS OF 12.31.2018	**1,511**	**40,588**	**16,000**	**-**	**1,017**	**(3,644)**	**55,472**

Cash flow statement

	for period from 1.01 to 12.31.2019 PLN thousand	for period from 1.01 to 12.31.2018 PLN thousand
CASH FLOW FROM OPERATIONS		
Gross profit (loss)	**4,631**	**(20,563)**
Total adjustments	**(247)**	**27,391**
Amortization and depreciation	19,467	11,506
Establishment (reversal) of impairment allowances	85	15,231
Profit (loss) on exchange rates	(6)	8
Interest rates	426	33
Commissions on loans	-	37
Profit (loss) on sale of fixed assets	(956)	320
Change in receivables	(13,858)	(1,075)
Change in inventories and advance payments	(405)	2,388
Change in balance of trade and other receivables	(1,577)	1,626
Change in balance of liabilities and provisions for employee benefits	(164)	(3,356)
Change in balance of other current assets	(3,122)	1,882
Tax paid	(137)	-
Deferred income	-	(1,209)
Other adjustments	-	-
Net cash flows from operations	**4,384**	**6,828**
CASH FLOWS FROM INVESTMENTS		
Repayment of loans granted	-	16
Proceeds from sale of intangible assets and property, plant and equipment	41	87
Expenditures for purchase of intangible assets and property, plant and equipment	(278)	(1,107)
Expenses for development projects	(18,255)	(24,265)
Expenses for purchase of financial assets	-	(109)
Expenses due to loans granted	(2,432)	(167)
Net cash from investments	**(20,924)**	**(25,545)**
CASH FLOW FROM FINANCIAL OPERATIONS		
Net proceeds from issue of stocks and other equity instruments and contributions to equity	9,279	20
Proceeds from credits and loans incurred	9,403	16,212
Expenses due to repayment of credits and loans incurred	(1,700)	-
Expenses due to repayment of liabilities due to financial lease contracts	(517)	(230)
Expenses due to interest	(574)	(151)
Other financial expenditures	(36)	(112)
Net cash from financial operations	**15,855**	**15,739**
TOTAL NET CASH FLOWS	**(685)**	**(2,978)**
EXCHANGE DIFFERENCES ON CASH	-	-
BALANCE SHEET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS	(685)	(2,978)
OPENING BALANCE OF CASH AND CASH EQUIVALENTS	**4,991**	**7,969**
CLOSING BALANCE OF CASH AND CASH EQUIVALENTS	**4,306**	**4,991**

IV. Notes to the financial statement of CI Games S.A

Note I Changes in fixed assets by type group

FOR PERIOD FROM 1.01 TO 12.31.2019	Buildings, premises and civil and water engineering structures	Technical equipment and machines	Vehicles	Other fixed assets	Fixed assets in progress	Total
Gross value as of 01.01.2019	**-**	**1,678**	**999**	**48**	**1**	**2,726**
Reclassification according to IFRS 16	**-**	**-**	**(856)**	**-**	**-**	**(856)**
increases:	**-**	**263**	**-**	**4**	**6**	**273**
- acquisition	-	263	-	4		26 7
- transfer	-	-	-	-	-	-
- other	-	-	-	-	-	-
decreases:	**-**	**(10)**	**(143)**	**-**	**-**	**(153)**
- liquidation, sale	-	(10)	(143)	-	-	(153)
- transfer	-	-	-	-	-	-
- other	-	-	-	-	-	-
Gross value as of 12.31.2019	**-**	**1,931**	**-**	**52**	**7**	**1,990**
Redemption as of 01.01.2019	**-**	**1,368**	**249**	**26**	**-**	**1,643**
Reclassification according to IFRS 16			**(151)**			**(151)**
increases:	**-**	**217**	**3**	**13**	**-**	**233**
- amortization	-	217	3	13	-	23 3
decreases:	**-**	**(10)**	**(101)**	**-**	**-**	**(111)**
- liquidation, sale	-	(10)	(101)	-	-	(111)
- other	-	-	-	-	-	-
Redemption as of 12.31.2019	**-**	**1,575**	**-**	**39**	**-**	**1,614**
Net value						
As of 12.31.2019	**-**	**310**	**750**	**22**	**1**	**1,0 83**
As of 01.01.2019 after reclassification according to IFRS 16	**-**	**310**	**45**	**22**	**-**	**378**
State as of 12.31.2019	**-**	**356**	**-**	**13**	**7**	**376**

FOR PERIOD FROM 1.01 TO 12.31.2018	Buildings, premises and civil and water engineering structures	Technical equipment and machines	Vehicles	Other fixed assets	Fixed assets in progress	Total
Gross value as of 01.01.2018	**999**	**2,436**	**391**	**167**	**22**	**4,015**
increases:	**-**	**91**	**633**	**3**	**769**	**1,496**
- acquisition	-	-	-	-	769	769
- transfer	-	91	633	3	-	727
decreases:	**(999)**	**(845)**	**-**	**(101)**	**(791)**	**(2,736)**
- liquidation	(999)	(845)	-	(95)	-	(1,939)
- transfer	-	-	-	(6)	(721)	(727)
- other	-	-	-	-	(70)	(70)
Gross value as of 12.31.2018	**-**	**1,682**	**1,024**	**69**	**-**	**2,775**
Redemption as of 01.01.2018	**908**	**1,963**	**114**	**117**	**-**	**3,102**
increases:	**85**	**232**	**153**	**17**	**-**	**487**
- amortization	85	232	153	17	-	487
decreases:	**(993)**	**(817)**	**-**	**(87)**	**-**	**(1,897)**
- liquidation	(993)	(817)	-	(87)	-	(1,897)
Redemption as of 12.31.2018	**-**	**1,378**	**267**	**47**	**-**	**1,692**
Net value						
As of 1.01.2018	**91**	**473**	**277**	**50**	**22**	**913**
As of 12.31.2018	**-**	**304**	**757**	**22**	**-**	**1,083**

Note 2 Changes in value of intangible assets by type group

All intangible assets of the Issuer are characterized by a specific period of use and are subject to amortization. The recoverable value of intangible assets used as of the balance sheet date is higher than their value not subjected to redemption. Development projects conducted, recognized as an intangible asset, in the opinion of the Management Board, will be completed and will bring the expected economic effects, except for those, for which impairment allowances have been established.

FOR THE PERIOD FROM 1.01 UNTIL 12.31.2019	Costs of development projects	Copyrights, licenses, concessions	Rights to press titles	Other intangible assets	Total
Gross value as of 01.01.2019	**192,773**	**200**	**51**	**2,074**	**195,098**
increases:	**19,042**	**-**	**-**	**3**	**19,045**
- acquisition	-	-	-	3	3
- produced internally	19,042	-	-	-	19,042
decreases:	**-**	**-**	**-**	**-**	**-**
- liquidation	-	-	-	-	-
- impairment allowance	-	-	-	-	-
Gross value as of 12.31.2019	**211,815**	**200**	**51**	**2,077**	**214,143**
Redemption as of 01.01.2019	**141,780**	**200**	**51**	**906**	**142,937**
increases:	**17,903**	**-**	**-**	**418**	**18,321**
- amortization	17,903	-	-	418	18,321
decreases:	**-**	**-**	**-**	**-**	**-**
- liquidation	-	-	-	-	-
Redemption as of 12.31.2019	**159,683**	**200**	**51**	**1,324**	**161,258**
Net value					
As of 12.31.2019	**50,993**	**-**	**-**	**1,168**	**52,161**
State as of 12.31.2019	**52,132**	**-**	**-**	**753**	**52,885**

FOR THE PERIOD FROM 1.01 TO 12.31.2018	Costs of development projects	Copyrights, licenses, concessions	Rights to press titles	Other intangible assets	Total
Gross value as of 01.01.2018	**183,690**	**200**	**51**	**2,442**	**186,383**
increases:	**24,127**	**-**	**-**	**973**	**25,100**
- acquisition	-	-	-	973	973
- produced internally	24,127	-	-	-	24,127
decreases:	**(15,044)**	**-**	**-**	**(1,341)**	**(16,385)**
- liquidation	-	-	-	(1,341)	(1,341)
- impairment allowance	(15,044)	-	-	-	(15,044)
Gross value as of 12.31.2018	**192,773**	**200**	**51**	**2,074**	**195,098**
Redemption as of 01.01.2018	**131,101**	**200**	**51**	**2,237**	**133,593**
increases:	**10,679**	**-**	**-**	**339**	**11,018**
- amortization	10,679	-	-	339	11,018
decreases:	**-**	**-**	**-**	**(1,670)**	**(1,670)**
- liquidation	-	-	-	(1,670)	(1,670)
Redemption as of 12.31.2018	**141,780**	**200**	**51**	**906**	**142,937**
Net value					
As of 1.01.2018	**52,589**	**-**	**-**	**205**	**52,790**
As of 12.31.2018	**50,993**	**-**	**-**	**1,168**	**52,161**

The value of expenditures for development projects in the current period amounted to PLN 19 million and was related to expenditures for production of “Lords of the Fallen 2” and “Sniper Ghost Warrior Contracts”.

In 2019, the Company included in Intangible assets the finished development projects associated with completion of production of the “Sniper Ghost Warrior Contracts” game.

As of 12.31.2019, the Company performed an impairment test for development projects. In estimation of value in use, the forecast cash flows were discounted to their current value using the discount rate before taking into account the effects of taxation, which reflected the current market estimation of time value of money and the risk typical for each asset.

Note 3 Right to use assets

FOR THE PERIOD FROM 1.01 UNTIL 12.31.2019	Buildings, premises and civil and water engineering structures	Vehicles	Total
Gross value as of 01.01.2019	**4,456**	**856**	**5,312**
increases:	**634**	-	**634**
- conclusion of a new contract	634	-	634
decreases:	**(4,456)**	-	**(4,456)**
- contract termination	(4,456)	-	(4,456)
Gross value as of 12.31.2019	**634**	**856**	**1,490**
Redemption as of 01.01.2019		**150**	**150**
increases:	**952**	**172**	**1,124**
- amortization	952	172	1,124
decreases:	**(917)**	**0**	**(917)**
- contract termination, breach	(917)	-	(917)
Redemption as of 12.31.2019	**35**	**322**	**357**
Net value			
As of 12.31.2019	**4,456**	**706**	**5,162**
State as of 12.31.2019	**599**	**534**	**1,133**

Note 4 Shares and stocks in entities

SHARES AND STOCKS	as of 12.31.2019 PLN thousand	as of 12.31.2018 PLN thousand
City Interactive PERU	2,489	2,489
City Interactive USA	109	109
City Interactive BRAZIL	106	106
City Interactive MEXICO	11	11
CI Games Cyprus	5	5
Business Area Sp. z o.o.	9	9
Business Area Sp. z o.o. Sp. j.	4,384	4,384
CI Games S.A. Sp. j.	2	2
United Label	100	100
Gross investments in subsidiaries	**7,215**	**7,215**
Impairment allowances	(2,720)	(2,611)
Net investments	**4,495**	**4,604**

As of 12.31.2019, the Company established an impairment allowances in the amount of PLN 109 thousand for the value of shares in the subsidiary CI Games USA, Inc.

Note 5 Long-term investments

Long-term investments are associated with a loan granted to subsidiary United Label S.A. The balance as of 12.31.2019 amounted to PLN 2,599 thousand.
The loan has been described in the Report on activity of CI Games S.A. (clause 3.6).

Note 6 Assets and deferred income tax provision

DEFERRED TAX	as of 12.31.2019 PLN thousand	as of 12.31.2018* PLN thousand
Asset due to deferred income tax		
Opening balance	**6,657**	**12,704**
Including assets recognized in financial result	**6,657**	**12,704**
Increases recognized in financial result	**6,214**	**6,657**
provisions for costs	60	105
impairment allowances for receivables	-	249
provisions for returns	780	-
impairment allowances for inventories	3	36
valuation of inventories	-	-
valuation of receivables	104	-
valuation of bank accounts	5	
taxation loss	5,261	6,265
value of trademarks acquired	-	-
lease of fixed assets	1	2
Decreases recognized in financial result	**6,657**	**12,704**
Closing balance	**6,214**	**6,657**
Provisions due to deferred tax		
Opening balance	**4,162**	**9,263**
Including assets recognized in financial result	**4,162**	**9,263**
Increases recognized in financial result	**6,205**	**4,162**
valuation of provisions for returns	27	-
lease of vehicles	44	-
valuation of receivables	-	46
valuation of liabilities	1	6
Other	10	-
Compensations	523	-
difference between balance sheet value and tax value of fixed assets	5,600	4,110
Decreases recognized in result	**4,162**	**9,263**
Closing balance	**6,205**	**4,162**

As a result of decision of the Head of Mazowiecki Customs and Revenue Office in Warsaw based on the customs and taxation inspection of 10.21.2019, the Company submitted an adjusted income statement CIT-8 for year 2013, adjusting recognition of revenues and expenses associated with settlement of trademark transactions, that is, reduced the tax expenses by the amount of amortization write-offs for trademarks in the amount of PLN 6,464 thousand and license fees in the amount of PLN 718 thousand and reduced tax revenues by license charges in the amount of PLN 172 thousand. As a result of this decision, the Company adjusted the value of tax losses for years 2013-2017, which resulted in reduction of the value of the asset due to deferred tax by the amount of PLN 12,494 thousand. This adjustment was recognized as an error for previous periods (described in Chapter I clause 9). In December 2019, the Company paid tax in the amount of PLN 450 thousand with interest (PLN 133 thousand) as a result of the adjusted income statement CIT-8 submitted for years 2013-2017.

Note 7 Inventories - structure and aging

INVENTORY	as of 12.31.2019 PLN thousand	as of 12.31.2018 PLN thousand
Materials	215	687
Finished products	3,061	2,186
Goods	-	-
Total gross inventories	**3,276**	**2,873**
Impairment allowance	**(158)**	**(186)**
Total net inventories	**3,118**	**2,687**

INVENTORIES – AGING	as of 12.31.2019 PLN thousand	as of 12.31.2018 PLN thousand
0 - 90 days	2155	360
91 - 180 days	2	131
181 - 360 days	221	824
above 360 days	898	1,558
Impairment allowance	**(158)**	**(186)**
Total net inventories	**3,118**	**2,687**

Increase in the balance of inventories as of 12.31.2019 in comparison with the balance at the end of year 2018 is due to increase in SGWC finished products.

In the opinion of the Management Board of the Issuer, all provisions that are not subject to an impairment allowance represent a recoverable value higher than their book value.

Note 8 Trade receivables and advances paid

RECEIVABLES - STRUCTURE	as of 12.31.2019 PLN thousand	as of 12.31.2018 PLN thousand
Trade receivables from related entities	7,456	6,177
Trade receivables from other entities	16,172	4,326
up to 12 months	16,172	4,326
above 12 months	-	-
Trade receivables	**23,628**	**10,503**
Impairment allowance for trade receivables	**(1,734)**	**(1,731)**
Net trade receivables	**21,894**	**8,772**
Advance payments granted	**-**	**13**

RECEIVABLES - AGING	as of 12.31.2019 PLN thousand	as of 12.31.2018 PLN thousand
on schedule	9,970	3,244
overdue:	13,658	7,259
1 - 30 days	11,125	283
31 - 90 days	149	404
91 - 180 days	297	445
above 180 days	2,087	6,127
Impairment allowance	(1,734)	(1,731)
Net trade receivables	**21,894**	**8,772**

(NET) RECEIVABLES CURRENCY STRUCTURE	as of 12.31.2019	as of 12.31.2018
PLN	321	281
EUR	2,387	243
GBP	19	9

Trade receivables are recognized and presented according to previously invoiced amounts, taking into account the allowance for expected credit losses throughout their useful life. Allowances for doubtful receivables are estimated when collection of the full amount receivable is no longer probable.

The Company valuates its trade receivables that lack a material financing component according to their transaction price. The Issuer applies simplified methods of valuation of receivables according to amortized cost, if this does not lead to distortion of information contained in the statement on financial condition, particularly if the period remaining until repayment of receivables is not long.

Receivables valuated according to amortized cost, which are subject to simplification by the company, are valuated upon their initial recognition in the amount of payment required, and in the later period, including at the end of the reporting period, in the amount of the required payment reduced by impairment allowances.

For the purpose of estimation of the expected credit loss, the Company uses a matrix of provisions estimated on the basis of historic levels of debt sustainability and recovery of receivables from business partners.

Increase in the balance of receivables as of 12.31.2019 in comparison with the balance at the end of year 2019 is a result of the November game premiere of 11.22.2019 and contains mainly receivables from digital sales in December and partial sales of physical products. Most of these receivables were converted to cash in January and February 2020.

Note 9 Cash and cash equivalents

CASH AND CASH EQUIVALENTS	as of 12.31.2019 PLN thousand	as of 12.31.2018 PLN thousand
Bank accounts	4,298	4,977
Short-term deposits	-	-
Cash in hand	8	14
Total cash and cash equivalents	**4,306**	**4,991**

Note 10 Other assets

OTHER ASSETS	as of 12.31.2019 PLN thousand	as of 12.31.2018 PLN thousand
Tax receivables (excluding income tax)	385	403
Other settlements with employees	29	94
Securities and deposits	464	1
Other settlements	3,488	-
Prepayments	**358**	**359**
Insurance	128	129
Licenses	195	158
Other prepayments	35	72
Other assets total	**4,724**	**857**
including long-term assets:	**11**	**37**
Other	11	37

Tax receivables include VAT to be returned.

Securities and deposits pertain mainly to deposits for lease of office space.

As of 12.31.2019, Other settlements include mainly:

- balance with EP Office 1 Sp. z o.o. concerning unduly collected bank guarantees (described in Note 35) for the total amount of PLN 735 thousand (EUR 172 thousand). The Management Board is of opinion that the evidence gathered, procedural documentation and legal arguments make it possible to assume that probability of winning of this case is high, and thus establishment of an allowance for these receivables is not justified.
- Balance in the amount of PLN 2,753 thousand (USD 725 thousand) with Original Force, Ltd. A description of the case can be found in Note 27.

Note 11 Share capital

As of 12.31.2019, the share capital consisted of eight series of shares with the following parameters:

SHARE SERIES		NUMBER	NOMINAL VALUE (PLN)	REGISTRATION
A - ordinary	bearer shares / paid	100,000,000	1,000	01.06.2007
B - ordinary	bearer shares / paid	400,000	4	10.08.2008
C - ordinary	bearer shares / paid	25,000,000	250	17.12.2008
D - ordinary	bearer shares / paid	1,100,000	11	09.10.2009
E - ordinary	bearer shares / paid	12,649,990	126	09.01.2014
G - ordinary	bearer shares / paid	11,000,000	110	06.12.2016
F - ordinary	bearer shares / paid	960,000	10	30.11.2017
H - ordinary	bearer shares / paid	10,833,025	108	09.08.2019
Total		**161,943,015**	**1,619**	

In the reporting period, CI Games S.A. issued 10,833,025 ordinary bearer shares of series H to raise the share capital of the Company within the limits of the authorized capital. Series H shares were issued (acquired) at the price of PLN 0.90 each. All of the issued series H shares in the total number of 10,833,025, were fully paid. The gross value of this issue amounted to PLN 9,750 thousand, and net proceeds amounted to PLN 9,280 thousand. Surplus over the nominal value of shares in the amount of PLN 9,641 thousand was recognized as supplementary capital.

The structure of ownership of share capital as of the date of signing of this financial statement was as follows:

SHARE CAPITAL - STRUCTURE	Number of shares	% of votes
Marek Tymiński	52,663,570	32.52
Other shareholders	109,279,445	67.48
All shareholders in total	**161,943,015**	**100%**

Note 12 Share premium account

SHARE SERIES	NUMBER	SURPLUS
B - ordinary bearer shares/ paid	400,000	36
C - ordinary bearer shares/ paid	25,000,000	22,250
D - ordinary bearer shares/ paid	1,100,000	99
E - ordinary bearer shares/ paid	12,649,990	11,259
G - ordinary bearer shares/ paid	11,000,000	24,860
F - ordinary bearer shares/ paid	960,000	663
H - ordinary bearer shares/ paid	10,833,025	9,641
MASS	**61,943,015**	**68,808**
Decrease due to costs of issue of series C		(1,829)
Decrease due to costs of issue of series E		(285)
Transfer to reserve capital		(16,000)
Decrease due to costs of issue of series G		(416)
Decrease due to costs of issue of series F		(49)
Decrease due to costs of issue of series H		(470)
State as of December 31st, 2019		**49,759**

Note 12 Reserve capital for purchase of shares

Established by resolution of the Extraordinary General Meeting of CI Games S.A. of 11.08.2010 in association with a resolution passed on the same day on approval of purchase by the Company of treasury shares. The capital was established by transfer from supplementary capital of the Company of amounts, which in accordance with art. 348 par. 1 of the Code of Commercial Companies may be distributed among the shareholders.

The amount of reserve capital for purchase of treasury shares as of 12.31.2019: PLN 16,000,000 (12.31.2018: PLN 16,000,000)

Until the date of preparation of the financial statements, no acquisition of treasury shares by the Issuer has taken place.

Note 14 Revaluation reserve

In the settlement period, the Company had no Revaluation reserve or open forward contract positions.

Note 15 Credit, loan and financial lease liabilities

LOAN LIABILITIES	as of 12.31.2019 PLN thousand	as of 12.31.2018 PLN thousand
Liabilities due to financial lease - the short-term component	634	224
Liabilities due to financial lease - the long-term component	269	303
Liabilities due to credits, including overdraft facilities	24,053	16,212
MASS	**24,956**	**16,739**

Liabilities due to financial lease pertain to contracts for lease of 3 vehicles (PLN 300 thousand) and the contract for lease of office space (PLN 603 thousand), for which the future discounted installments are presented as a lease liability.

Note 16 Income tax liabilities

SETTLEMENTS DUE TO INCOME TAX	as of 12.31.2019 PLN thousand	as of 12.31.2018* PLN thousand
Income tax liabilities	-	450
- corporate income tax	-	450

** changed data*

The income tax liability as of 12.31.2018 pertains to the income statement CIT adjustment for years 2013-2017. This tax was paid in December 2019.

Note 17 Information on incurred credits and liabilities due to debt securities

On 09.01.2018, CI Games S.A. concluded two credit agreements with mBank S.A.:

1) The overdraft agreement has been concluded for a limited period of time until 29.01.2020 up to PLN 5 million.

   The overdraft agreement referred to above is secured by: i) a loan repayment guarantee granted as a part of the de minimis portfolio guarantee line; ii) a blank promissory note issued by the Company with a blank promissory note agreement; iii) global assignment on behalf of the Bank of receivables based on contracts with selected business partners of the Company; iv) registered pledge on shares of the Company in the total amount of 15,000,000 shares, owned by Mr. Marek Tymiński - stockholder of the Company.

   As of 12.31.2019, the credit balance amounted to PLN 4,971 thousand. The credit was fully paid in January of 2020.

2) The overdraft agreement in the Polish currency of the total value of PLN 30 million. The purpose of this credit was to finance the production and costs of marketing of games.

   The agreement has been concluded for a limited period of time until 30.06.2020.

   The overdraft agreement referred to above is secured by: i) registered pledge on shares of the Company in the total amount of 15,000,000 shares, owned by Mr. Marek Tymiński - stockholder of the Company; ii) a blank promissory note issued by the Company with a blank promissory note agreement; iii) global assignment on behalf of the Bank of receivables based on contracts with selected business partners of the Company.

   In association with the notice of termination of the contract with Defiant for production of the game "Lords of the Fallen 2", which was financed by a bank loan on the basis of the agreement referred to above, on 28.06.2019, in accordance with the Annex, the Company undertook to withdraw from 26.06.2019 from further drawdowns on the basis of the Overdraft Agreement. The reason for conclusion of the Annex is the notice of termination given by the Company for the contract with Defiant, as one of the main purposes of the Overdraft Agreement was financing of cooperation of the Company with Defiant.

   As of 21.12.2019, the overdraft balance amounted to PLN 19,077 thousand. The Management Board of the Bank has commenced negotiations with mBank, concerning a significant extension of financing of the Company by the Bank within the framework of two out of the three projects, which were the target of financing based on the Overdraft.

Note 18 Provisions for employee benefits

Provisions for employee benefits include the payments in lieu of leaves unused as of 12.31.2019.

Provisions for severance payments have not been established due to low average age of employees and the resulting immaterial value of provisions.

Note 19 Financial assets and liabilities - classification and valuation

Upon analysis of individual classes of financial instruments, the Management Board decided that the balance sheet value of instruments did not depart significantly from their fair value both on 12.31.2019 and on 12.31.2018.

The company is exposed to the following types of risk due to use of financial instruments:

Credit risk, cash flow risk

Credit risk is associated with a risk of financial loss in a situation, when the other party to the contract for a financial instrument has failed to meet the obligations based on the contract. This risk is related mainly to trade receivables and loans granted.

At present, the Company applies no insurance for trade receivables. The risk of impairment of these financial instruments is secured by cooperation with business partners in a stable financial condition and ongoing monitoring of this cooperation. Moreover, there are no substantial delays in settlement of receivables of the Company.

The currency risk

Liabilities and receivables resulting from current operations have emerged mainly in currencies other than Polish zloty, which is the functional currency and the presentation currency. The Issuer uses liabilities in currencies other than the functional currency as a security for the exchange rate risk due to receivables in foreign currencies. The Company does not secure the foreign currency risk by entering into FX forward contracts.

In 2019, most revenues of the Company were generated mainly in two currencies: Euro and American dollars. The Company secures itself against the foreign currency risk by incurring liabilities in these currencies.

Interest rate risk

The Company is a party to a bank loan with a variable interest rate, based on WIBOR ON rate plus the Bank's margin, and it has granted a loan based on WIBOR 3M increased by a margin, and thus it is exposed to the risk of changing interest rates.

Financial assets and liabilities - classification and valuation	**as of 12.31.2019 PLN thousand**	**as of 12.31.2018 PLN thousand**
Financial assets valuated according to amortized cost		
Trade receivables	21,894	8,772
Cash and cash equivalents	4,306	4,991
Financial assets valuated according to fair value		
Non-quoted shares and stocks	4,495	4,604
Total financial assets	**30,695**	**18,367**
Financial liabilities valuated according to amortized cost		
Trade liabilities	3,365	4,340
Financial liabilities	24,956	16,739
Total financial liabilities	**28,321 21,079**	

Sensitivity analysis

The table below presents the impact of a change by 10% of the exchange rates of EUR and USD on the balance of receivables, liabilities and cash as of 12.31.2019.

SENSITIVITY	as of 12.31.2019	+/- 10% PLN/EUR	+/- 10% PLN/USD
Receivables	21,894	1,017	1,131
Liabilities	3,365	136	105
Cash	4,305	146	283

** impact on balances of current capital and cash balance in the case of a change in exchange rates by +/- 10* %

Interest rate risk

The interest rates depended on LIBOR and WIBOR interbank rates and thus on the risk of interest rates of the entire economic systems. The Company applies no hedging instruments with regard to this type of risk.

Price risk

The Company secures itself against a drop in value of financial instruments and the risk of decrease in associated cash flows by conducting sales in many countries and economic systems. This secures the Company against economic fluctuations on a single market. The Company enhances its product range by introducing new and better products and products for new consoles, develops it products range and strengthens its competitive advantage. Careful selection of distributors and assessment of their financial standing also allows for reduction of the price risk.

Risk of new game titles

Activity of the Company is focused on production of computer games. Production of video games requires substantial expenditures for costs of development projects and significant marketing expenses, which limits the possibility of diversification of risk and its distribution over various products (titles). As a result, there is risk concentration in the relatively few game titles that are awaiting its debut at a given time. As a result of this risk concentration, in the case of insufficient sales of a game, the company is exposed to the risk of a significant decrease in revenues from sales, net results and liquidity problems.

Note 20 Trade liabilities

LIABILITIES - STRUCTURE	as of 12.31.2019 PLN thousand	as of 12.31.2018 PLN thousand
Trade liabilities to related entities	66	966
Trade liabilities to other entities	3,299	3,374
up to 12 months	3,299	3,374
above 12 months	-	-
Trade liabilities	**3,365**	**4,340**

LIABILITIES - CURRENCY STRUCTURE*	as of 12.31.2019	as of 12.31.2018
PLN	625	1,531
EUR	319	242
GBP	66	5
USD	277	464

**currency liabilities presented in the original currency*

Note 21 Aging of trade liabilities

LIABILITIES - AGING	as of 12.31.2019 PLN thousand	as of 12.31.2018 PLN thousand
on schedule	**2,824**	**2,178**
overdue:	**541**	**2,162**
1 - 30 days	71	572
31 - 90 days	52	283
91 - 180 days	-	-
above 180 days	418	1,307
Trade liabilities	**3,365**	**4,340**

Note 22 Other Liabilities

OTHER LIABILITIES	as of 12.31.2019 PLN thousand	as of 12.31.2018 PLN thousand
Tax liabilities excluding corporate income tax	143	298
Other liabilities	1	4
Trade liabilities	**144**	**302**

Note 23 Other short-term provisions

OTHER PROVISIONS	as of 12.31.2019 PLN thousand	as of 12.31.2018 PLN thousand
Provisions for audit of balance sheet	-	23
Provisions for non-invoiced costs	106	267
Provisions for marketing costs	92	-
Provisions for unused holidays	118	190
Total	**316**	**480**

Note 24 Net revenues from sales of products

Structure of sales	2019	2018
Console games	75%	65%
PC games	25%	35%

The structure of sales in terms of value shows an increase in the share of console games from 65% in 2018 to 74% in 2019 in total sales as a result of increase in the level of sales of console games in the physical distribution channel, where the unit prices of console games are higher in comparison with PC games.

Geographic structure

Share of export in sales revenue in terms of value (in PLN thousand).

Revenues	2019	2018
Abroad	45,311	21,332
share (%)	96	102
Domestic	1,735	(329)
share (%)	4	-2
Total	**47,045**	**21,003**

Share of export in sales revenue in terms of value (in numbers).

Revenues	2019	2018
Export	2,037,254	1,709,217
share (%)	97	99
Domestic	68,613	18,987
share (%)	3	1
TOTAL	**2,105,867**	**1,728,204**

Structure of sales revenue in terms of value (in PLN thousand)

Revenues	2019	% share	2018	% share
Sales of physical products	25,270	55	2,592	12
Licenses	-	-	-	-
Digital sales	21,159	45	18,410	88
Other sales	616	-	1	-
Total	**47,045**	**100%**	**21,003**	**100%**

Increase in the share of sales of physical products from 12% in 2018 to 55% in 2019 is due to release of the SGWC game in November 2019 where the biggest game sales in stores are recorded several months after the game launch.

Structure of revenues from sale by quantity (numbers).

Revenues	2019	% share	2018	% share
Sales of physical products	465,266	22	145,929	8
Licenses	-	-	-	-
Digital sales	1,640,601	78	1,582,275	92
Other sales	-	-	-	-
Total	**2,105,867**	**100%**	**1,728,204**	**100%**

The increase in quantity of physical products sold is also related to the new game launch. At the same time, the increase in percentage share of quantity of sales from 2018 to 2019 is lower in comparison with sales in terms of value due to substantial sales of older games, for which the unit sale price is lower.

Geographic structure of sales revenues (in PLN thousand)

Revenues	2019	2018
Europe	18,969	3,462
% Share	40%	16%
North and South America	24,132	16,028
% Share	51%	76%
Asia and Africa	3,945	1,512
% Share	8%	7%
MASS	**47,045**	**21,003**

The majority of sales is still generated by the markets of North and South America. At the same time, increase in the share generated by Europe, mainly at the expense of America, is mainly due to substantial sales of physical copies of SGWC in most European countries.

Note 25 Costs according to type

COSTS ACCORDING TO TYPE	2019. PLN thousand	2018. PLN thousand
Amortization	19,467	11,506
Consumption of materials and energy	242	401
External services	7,335	5,626
Taxes and charges	78	27
Employee benefits	1,998	2,430
Other costs	5,456	1,063
Costs according to type	**34,576**	**21,053**
Selling costs	(8,961)	(2,610)
General and administration costs	(5,374)	(4,633)
Value of products sold	8,842	3,407
Cost of products sold	**29,083**	**17,217**

The amortization costs increased substantially mainly due to amortization of the new game ("SGWC") and implementation of IFRS 16 (the cost of lease is recognized as amortization cost).

External services increased by PLN 1.7 million in 2019 (30%) in comparison with year 2018 due to recognition in this category partially of marketing services and services associated with organization of trade fairs.

Employee benefits were at a lower level in 2019, as the costs in 2018 pertained to a higher number of employees, particularly in the 1st quarter of year 2018.

Increase in Other costs in 2019 is due to launch of the SGWC - this item includes, among others, the costs of advertising, trailer production, game soundtrack, SGWC business travel.

Note 26 Employee benefits

COSTS ACCORDING TO TYPE	2019. PLN thousand	2018. PLN thousand
Payroll	1,443	1,868
Social insurance	296	290
Other employee benefits	259	272
Total employee benefits	**1,998**	**2,430**

Note 27 Other operating revenue

OTHER OPERATING REVENUE	2019. PLN thousand	2018. PLN thousand
Reversal of impairment allowance for receivables	1	7
Reversal of impairment allowance for inventories	29	-
Compensations	2,764	6
Profit from sale of non-financial fixed assets	-	39
Written-off liabilities	697	7
Re-invoicing	150	296
Stocktaking differences	16	-
Lease	161	65
Other	961	-
Total other operating revenues	**4,779**	**420**

The item "Compensations" pertains to recognition of revenue from a case won at the arbitration court in the United States with Original Force, Ltd. in 2018. The compensation amount awarded amounted to USD 1,023 thousand plus interest of 10% p.a. The Company negotiated a settlement with Original Force, Ltd., aimed at reaching agreement with regard to repayment amounts and deadlines. The Management Board of the Company is of opinion that in association with negotiations between the parties, it will recover a greater part of the above amount as a compensation, and in accordance with IAS 37 par. 35. based on communication between the parties of December 2019, the Company has recognized the amount of USD 725 thousand as an asset (item "Other settlements") and as a revenue recognized in the item Other operating revenues in 2019.

The item "Other" in 2019 is related to recognition of termination of the lease contract for 2B Zajęcza Street (details have been presented in Note 3).

Note 28 Other operating expenses

OTHER OPERATING EXPENSES	2019. PLN thousand	2018. PLN thousand
Impairment loss on receivables	15	283
Impairment loss on inventories	-	123
Liquidation of inventories and fixed assets	1,000	33
Impairment loss on intangible assets	-	15,044
Written-off receivables	200	21
Re-invoicing	140	308
Stocktaking differences	33	-
Legal costs	789	24
Withholding tax as a cost	534	792
Other	52	1,353
Total other operating costs	**2,763**	**17,981**

Note 29 Financial Revenues/ expenses

FINANCIAL REVENUES AND EXPENSES	2019. PLN thousand	2018. PLN thousand
Interest received	65	4
Positive net exchange rate differences	-	824
Other	-	16
Total financial revenue	**65**	**844**
Interest charged	626	42
Negative net exchange rate differences	300	-
Impairment loss on financial assets	109	292
Commission fees and other charges	42	55
Total financial expenses	**1,077**	**389**

Note 30 Income tax

INCOME TAX	2019. PLN thousand	2018. PLN thousand
Current income tax	137	-
Deferred tax	2,487	945
Total income tax	**2,624**	**945**

The deferred tax is the non-cash difference between the closing balances of deferred tax provisions and assets at the end of year 2019 and 2018.

Note 31 Effective tax rate

EFFECTIVE TAX RATE	2019. PLN thousand	2018. PLN thousand
Profit/ loss before tax	4,631	(20,563)
Tax based on tax rate 19%	880	-
Revenues not subject to taxation, tax value	(1,097)	(1,998)
Revenues/ expenses of registered partnerships, where CI GAMES S.A. / Business Area Sp. z o.o. is the taxpayer	5	(278)
Non-deductible expenses, tax value	4,490	5,368
Tax deductible expenses not included in balance-sheet costs	(3,225)	-
Withholding tax	(137)	-
Income tax	917 3,092	
Effective tax rate	**20%-15%**	

Note 32 Operating segments

The basic segments in activity of the Company are production and sales of own games and publishing activity commenced in the 2nd half of year 2018. Due to the fact that in 2019 there were no sales in this segment, but only costs were recorded (mainly consideration, search for new projects, external services and travel costs), which amounted to PLN 1,076 thousand, the Company failed to meet the requirement of IFRS 8 and thus does not present its results according to these segments.

Division of sales into physical products and digital distribution, as well as geographical structure have been presented in Note 24.

Note 33 Profit/ loss per share

The net loss per 1 share outstanding as of 12.31.2019 is PLN 0.01 (the number of shares was calculated as the average weighted number of shares outstanding in year 2019).

Note 34 Coverage of loss for year 2019 and settlement of loss for year 2018

On 28.06.2019, the Ordinary General Meeting of Stockholders, on the basis of resolution no. 8/1/2019 of the Ordinary General Meeting of CI Games S.A. decided to cover the loss in financial year 2018 in the net amount of - PLN 21,507,852.38 with profits of the Company for future years.

Recommendations for coverage of loss for year 2019.

The Management Board of the Issuer recommends to cover the loss for the current year with profits generated in the future years.

Note 35 Conditional liabilities and receivables

As of 12.31.2019, the Company had the following conditional liabilities:

- a blank promissory note with a blank promissory note agreement, issued on 01.09.2018 to secure receivables of mBank S.A. due to loan agreements (overdraft and open-end credit in the total amount of PLN 35 million);
- a bank guarantee issued by mBank S.A. on 10.23.2019 up to the amount of EUR 58 thousand on behalf of EP Office 1 Sp. z o.o., EP Office 2 Sp. z o.o., EP Apartments Sp. z o.o., EP Retail Sp. z o.o. due to lease of office space at ul. Zajęcza 2B. The guarantee is valid until 10.14.2020;
- a blank promissory note issued by the Company with a blank promissory note agreement of 10.15.2018 to secure receivables of mBank S.A. due to execution of the bank guarantee referred to above;
- a Framework Agreement for financial market transactions entered into with mBank on 08.09.2018;
- a blank promissory note issued by the Company with a blank promissory note agreement of 08.09.2018 to

secure receivables of mBank S.A. due to securing of the Framework Agreement for financial market transactions, referred to above.

- on 06.26.2019, mBank received a request for payment on the basis of the bank guarantee issued by mBank S.A. up to the amount of EUR 113,762.72 on behalf of EP Office 1 Sp. z o. o., EP Office 2 Sp. z o.o., EP Apartments Sp. z o.o. and EP Retail sp. z o.o., securing repayment of receivables based on the lease contract for real estate property at ul. Zajęcza 2B. The Company has questioned the payment made by mBank S.A. and has taken legal steps aimed, among other things, at reimbursement of funds unduly paid from the bank guarantee, referred to above.
- on 08.01.2019, mBank S.A. issued a bank guarantee up to the amount of EUR 58,023.48 on behalf of EP Office 1 Sp. z o.o., EP Office 2 Sp. z o.o., EP Apartments Sp. z o.o., EP Retail Sp. z o.o. due to lease of office space at ul. Zajęcza 2B in Warsaw. On 09.02.2019, a demand for payment on the basis of this guarantee was received by mBank S.A., and on 08.09.2019, the Bank paid the amount based on the guarantee. The Company has questioned the payment made by mBank S.A. and has taken legal steps aimed, among other things, at reimbursement of funds unduly paid from the bank guarantee, referred to above.

As of 12.31.2019, the Company had no other conditional liabilities.

Note 36 Ongoing court proceedings

As of the date of the statement, there are no disputes of total value constituting at least 10% of issuer's equity.

On 10.17.2019, CI Games S.A. filed a suit at the District Court in Warsaw against EP Retail Sp. z o.o., EP Office 2 Sp. z o.o., EP Office 1 Sp. z o.o. and EP Apartments Sp. z o.o. (hereinafter referred to jointly as "Respondents") for payment due to unduly collected funds from a bank guarantee, overpaid operating costs and overpaid rent. The value of the object of litigation is PLN 823 thousand (EUR 180 thousand and PLN 48 thousand).

CI Games entered into a contract with the Respondents for lease of office space at 2B Zajęcza Street in Warsaw, which was later amended by Annex 1, so that CI Games could conditionally reduce the lease space. In accordance with provisions of the lease contract, CI Games submitted to the lessor (the Respondents) a deposit as a security for proper performance of the lease contract.

On 20.04.2019, CI Games submitted, in accordance with Annex 1 to the lease contract, a statement of exercise of its right to lease the entire office space subject to the lease contract. The Respondents are of opinion that the statement of CI Games of 04.30.2019 was ineffective, and CI Games should incur the costs of adaptation work. Upon refusal to pay these costs by CI Games, the Respondents withdrew the bank guarantee amount.

In the opinion of CI Games, the statement of 30.04.2019 was effective, and drawing on the bank guarantee by the Respondents was unlawful. As the litigation could not be solved out of court, it turned out to be necessary to file a lawsuit to defend the rights of the Company. As of the date of this report, the court litigation has not been resolved and the result is unknown. In the opinion of the Management Board, the chances for positive outcome of the case are high.

Note 37 Transactions with related entities

All transactions were executed on market conditions.

Transactions in 2019 and balances as of 12.31.2019 Entity	COSTS PLN thousand	REVENUES PLN thousand	RECEIVABLES PLN thousand	LIABILITIES PLN thousand
CI Games USA Inc.	-	8,232	1,909	-
Business Area Sp. z o.o.	-	2	-	-
Business Area Sp. z o.o. Sp.J.	-	962	-	521
CI Games S.A. Sp. J.	102	2	-	66
United Label S.A.	-	639	3,313	-
MASS	**102**	**9,837**	**5,222**	**587**

Transactions with entities related personally to Mr. Marek Tymiński - the majority stockholder of the Company, who exerts direct or indirect control over the following entities:

Transactions in 2019 and balances as of 12.31.2019 Entity	COSTS PLN thousand	REVENUES PLN thousand	RECEIVABLES PLN thousand	LIABILITIES PLN thousand
Onimedia Sp. z o.o.	-	2	-	-
Premium Restaurants Sp. z o.o.	-	-	-	9
Premium Food Restaurants S.A.	1	-	85	1
Fine Dining Sp. z o.o.	2	4	2	176
Total	**3**	**6**	**87**	**186**

Transactions with Members of the Supervisory Board and Members of the Management Board including entities related to them personally:

Transactions in 2019 and balances as of 12.31.2019 Entity	COSTS PLN thousand	REVENUES PLN thousand	RECEIVABLES PLN thousand	LIABILITIES PLN thousand
Marek Tymiński	60	5	-	15
BWHS Bartkowiak Wojciechowski Hałupczak Springer SPÓŁKA JAWNA	115	-	-	17
Total	**175**	**5**	**-**	**32**

Note 38 Cash structure

CASH STRUCTURE	as of 12.31.2019 PLN thousand	as of 12.31.2018 PLN thousand
Cash in hand	8	14
Cash in bank	4,298	4,977
Total	4,306	4,991
Total cash for the purpose of the cash flow statement	**4,306**	**4,991**

Note 39 Information on employment

STRUCTURE OF EMPLOYMENT	as of 12.31.2019	as of 12.31.2018
Production employees	41*	37*
Administration and sales	15	11
Total employment	**56**	**48**

*The data provided includes long-term collaborators of the Company, who directly and personally contribute to its functioning regardless of the legal basis for their employment (contract of employment, contract to perform a specified task, contract of mandate, service contract, other legal relationships of similar nature) and the length of the planned period of cooperation (unlimited period, limited period, trial period).

Note 40 Remuneration of Members of the Management Board and the Board of Supervisors

Remuneration paid to Members of the Management Board in year 2019:

Marek Tymiński - President of the Management Board.		1,002,000
Monika Rumianek - Member of the Management Board		162,641
	Total	**1,164,641**

Remuneration paid to Members of the Supervisory Board in year 2019:

Ryszard Bartkowiak - Chairman of the Supervisory Board		8,000
Grzegorz Leszczyński - Member of the Supervisory Board		6,000
Tomasz Litwiniuk - Member of the Supervisory Board		6,000
Norbert Biedrzycki - Member of the Supervisory Board		6,000
Marcin Garliński - Member of the Supervisory Board		6,000
	Total	**32,000**

Note 41 Number of shares held by Members of the Management Board and the Supervisory Board

Person	Function	As of 12.31.2018	Increase in the number of shares held from 01.01.2019 to 12.31.2019	Decrease in the number of shares held from 01.01.2019 to 12.31.2019	As of 12.31.2018 (report publication date)
Marek Tymiński	President of the Management Board of CI Games S.A.	59,663,570		7,000,000	52,663,570
Monika Rumianek	Member of the Management Board of CI Games S.A.	150,000			150,000

As of 12.31.2019, Members of the Supervisory Board held no shares of the Company.

Note 42 Events after the balance sheet date

The Company has repaid in full its overdraft facility - the details have been described in Chapter IV, Note 17. The Management Board of the Company has commenced negotiations with mBank, concerning a significant extension of financing of the Company by the Bank within the framework of two out of the three projects, which were the target of financing based on the Overdraft.

In the first months of 2020, the COVID-19 epidemic (the coronavirus) spread around the world, creating a negative impact in many countries. In order to ensure the safety of the staff and continuity of projects, the Management Board decided that employees begin working remotely on 03.16.2020. Employees have been provided with the infrastructure and rules of communication between teams have been established. The Management Board considers this situation to be an event, which does not cause adjustments in the financial statement for year 2019, but an event after the balance sheet date, which requires additional disclosures. In the opinion of the Management Board, it is not possible to present estimates of the potential long-term impact of the situation on the Company, although positive impact on sales in the first quarter has been recorded through increase in sales in China, in particular, in January and February of this year through the Steam platform. The Management Board expects that the virus epidemic in Europe and the USA will translate to increased sales through digital channels on these markets in the second quarter, particularly in April and May. The Management Board is monitoring the potential impact and will take all steps to mitigate any negative consequences for the Company.

In the first quarter of year 2020, the Company significantly limited the operating costs of its subsidiary in the USA, which is responsible for physical distribution of games on the markets of North and South America.

In early January, the Company commissioned significant development projects to one of its partners with regard to further development of the SGW series beyond SGWC2.

Statement of the Management Board of CI Games S.A.

On reliability of preparation of the annual financial statement

Accordingly with provisions of art. 70 section 1 clause 6 of the Regulation of the Minister of Finance of 03.29.2018 (Journal of Laws of 2018 item 757) on current and periodical information provided by issuers of securities and the prerequisites for recognition of information required by the law of a non-Member State as equivalent , the Management Board of CI Games S.A. hereby states that according to its best knowledge, the annual financial statement and comparative data have been prepared in accordance with the applicable accounting principles and they reflect truly, reliably and clearly the results and financial position of CI Games S.A., as well as its financial result, and that the annual report on the activities of CI Games S.A. contains a true reflection of its development and achievements, as well as the situation of CI Games S.A., including a description of the basic threats and risk.

On the entity authorized to audit the individual financial statement of CI Games S.A. and the consolidated annual financial statements of CI Games Capital Group

On May 16th, 2019, the Board of Supervisors of CI Games S.A., acting on the basis of the recommendation of the Audit Committee, selected UHY ECA Audyt Sp. z o.o. Sp. k. with a registered office in Krakow as the auditor conducting a review of semi-annual and an audit of annual financial statements of the Company for years 2019 and 2020. The selected entity has been entered on the list of entities authorized to audit financial statements of the National Chamber of Statutory Auditors under no. 3115.

The Management Board of CI Games S.A.

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

Warsaw, March 27th, 2020

CI GAMES