CI GAMES Capital Group

Annual consolidated financial statements for 2020

Warsaw, April 19th, 2021

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SELECTED FINANCIAL INFORMATION

Profit and Loss Accounts	for the period from 1.01 to 31.12.2020		for the period from 1.01 to 31.12.2019	
	PLN'000	EUR'000	PLN'000	EUR'000
Net revenue from sales	46,010	10,283	47,478	11,037
Profit (loss) from operating activities	8,729	1,951	1,047	243
Gross profit (loss)	8,532	1,907	219	51
Net profit (loss)	**7,097**	**1,586**	**(2,877)**	**(669)**
Weighted average number of shares (in thousands)	167,754	167,754	155,414	155,414
Net profit (loss) per ordinary share attributable to equity owners of the Parent (in PLN)	0.04	0.01	(0.02)	0.00

Statement of cash flow	for the period from 1.01 to 31.12.2020		for the period from 1.01 to 31.12.2019	
	PLN'000	EUR'000	PLN'000	EUR'000
Net cash flows from operating activities	40,609	9,076	(1,494)	(347)
Net cash flows from investing activities	(22,892)	(5,116)	(20,314)	(4,722)
Net cash flows from financing activities	3,847	860	15,855	3,686
Net cash flows	**21,564**	**4,820**	**(5,953)**	**(1,384)**

Balance sheet	as of 31.12.2020		as of 31.12.2019	
	PLN'000	EUR'000	PLN'000	EUR'000
Non-current assets	69,137	14,982	62,297	14,629
Current assets	41,150	8,917	34,803	8,173
Total assets	**110,287**	**23,899**	**97,100**	**22,801**
Equity	96,544	20,921	60,318	14,164
Initial capital	1,829	396	1,619	380
Liabilities	**13,743**	**2,978**	**36,782**	**8,637**
Non-current liabilities	8,173	1,771	6,474	1,520
Current liabilities	5,570	1,207	30,308	7,117
Total equity and liabilities	**110,287**	**23,899**	**97,100**	**22,801**

I. Key financial data of CI Games Capital Group

CONSOLIDATED STATEMENT OF FINANCIAL CONDITIONS

ASSETS		as of 31.12.2020 PLN'000	as of 31.12.2019 PLN'000
A. **Non-current assets**		**69,137**	**62,297**
Property, plant and equipment	1	437	376
Intangible assets	2	55,749	52,885
Advances for intangible assets		3,238	1,943
Right-to-use asset	3	6,484	1,133
Deferred tax asset	4	3,229	5,949
Other non-current assets		-	11
B. **Current assets**		**41,150**	**34,803**
Inventory	5	1,576	3,118
Current investments	6	431	-
Advances granted		67	25
Trade receivables	7	6,833	19,921
Tax receivables		432	-
Cash and cash equivalents	8	28,207	6,659
Other current assets	9	3,604	5,080
Total assets		**110,287**	**97,100**

LIABILITIES & EQUITY		as of 31.12.2020 PLN'000	as of 31.12.2019 PLN'000
A.		**96,544**	**60,318**
Share capital	10	1,829	1,619
Share premium	11	78,653	49,759
Reserve capital for the acquisition of shares	12	16,000	16,000
Dividend capital		1,017	1,017
Reserve capital		(5)	-
Exchange differences from converting version units		412	413
Retained earnings		(1,531)	(8,490)
including profit for the period		6,959	(2,877)
Equity attributable to owners of the Parent		96,375	60,318
Equity attributable to non-controlling interests		169	-
B. **LIABILITIES**		**13,743**	**36,782**
Non-current liabilities		**8,173**	**6,474**
Loans, credit and other debt intsruments	14	-	-
Finance lease liabilities	14	5,867	269
Deferred income tax provision	4	2,306	6,205
Current liabilities		**5,570**	**30,308**
Borrowings including credits, loans and other debt instruments	14	33	24,051
Income tax liabilities		-	-
Trade liabilities	15	3,169	4,675
Finance lease liabilities	14	324	634
Other liabilities	16	586	176
Other current provisions	17	862	682
Deferred revenues		596	90
Total equity and liabilities		**110,287**	**97,100**

CONSOLIDATED PROFIT AND LOSS ACCOUNT AND COMPREHENSIVE INCOME

Statement of comprehensive income		for the period from 1.01 to 31.12.2020 PLN'000	for the period from 1.01 to 31.12.2019 PLN'000
Continuing operations			
Net revenue from sales	**21**	**46,010**	**47,478**
Revenue from sale of products and services		46,010	47,478
Revenue from sale of goods and materials		-	-
Costs of products, goods and services sold	**22**	**(26,683)**	**(29,013)**
Manufacturing cost of products sold		(26,683)	(29,013)
Value of goods and materials sold		-	-
Gross profit (loss) on sales		**19,327**	**18,465**
Other operating revenues	23	1,332	4,729
Selling costs		(5,777)	(13,551)
General and administrative costs		(5,479)	(5,806)
Other operating expenses	24	(674)	(2,790)
Profit (loss) on operating activities		**8,729**	**1,047**
Financial revenues	25	141	10
Financial expenses	25	(338)	(838)
Profit (loss) before tax		**8,532**	**219**
Income tax		(1,435)	(3,096)
current tax due		(2,614)	(137)
deferred tax		1,179	(2,959)
Profit (loss) on continuing operations		**7,097**	**(2,877)**
Discontinued operations		-	-
Loss from discontinued operations		-	-
Net profit (loss)		**7,097**	**(2,877)**
- net profit (loss) attributable to equity owners of the Parent		6,959	(2,877)
- net profit (loss) attributable to non-controlling interest		138	-
Total other comprehensive income, including:			
Foreign exchange differences from translation of foreign entities		(1)	46
Total income for the financial year		**7,096**	**(2,831)**
- total net comprehensive income attributable to equity owners of the Parent		**6,958**	**(2,831)**
- total net comprehensive income attributable to non-controlling interest		**138**	**-**
Net profit (loss) attributable to euity owners of the Parent		6,959	(2,877)
Weighted average number of shares in the period (in thousands)		167,754	155,414
Net profit (loss) per ordinary share attributable to equity owners of the Parent (in PLN)		**0.04**	**(0.02)**

CONSOLIDATED CASH FLOW STATEMENT

(indirect method)

	for the period from 1.01 to 31.12.2020 PLN'000	for the period from 1.01 to 31.12.2019 PLN'000
Cash flows from operating activities		
Gross profit (loss)	**8,532**	**219**
Total adjustments	**32,077**	**(1,713)**
Depreciation	19,100	19,467
Impairment loss (reversal)	181	(22)
Profit (loss) on foreign exchange differerences	28	(13)
Interest	114	476
Comission on loans	201	-
Profit (loss) on sale of non-current assets	-	(956)
Profit (loss) on investment activity	11	-
Change in receivables	12,680	(16,816)
Change in inventory and prepayments	1,301	(404)
Change in trade and other payables	(2,163)	717
Change in employee benefit provisions and liabilities	180	(107)
Change in other current assets	1,487	(4,055)
Tax paid	(1,547)	(136)
Deferred revenues	506	90
Other adjustments	(2)	46
Net cash flows from operating activities	**40,609**	**(1,494)**
Cash flows from investing activities		
Repayment of loans granted	-	-
Cash inflows on disposal of property, plant and equipment and intangible assets	-	41
Cash outflows on acquisition of property, plant and equipment and intangible assets	(2,597)	(2,100)
Cash outflows on development works	(19,864)	(18,255)
Cash outflows on acquisition of financial assets	-	-
Cash outflows on loans granted	(431)	-
Net cash from investing activities	**(22,892)**	**(20,314)**
Cash flows from financing activities		
Net proceeds from the issue of shares and other capital instruments	29,124	9,279
Incurrence of borrowings	3,809	9,403
Repayment of borrowings	(27,827)	(1,700)
Repayment of finance lease liabilities	(667)	(517)
Interest	(391)	(574)
Other financial outflows	(201)	(36)
Net cash from financing activities	**3,847**	**15,855**
Total net cash flows	**21,564**	**(5,953)**
Exchange differences on cash	16	-
Balance sheet changes in cash and cash equivalents	21,548	(5,953)
Cash and cash equivalents at the beginning of the period	**6,659**	**12,612**
Cash and cash equivalents at the end of the period	**28,207**	**6,659**

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

For the period from 01.01. to 31.12.2020	Share capital PLN'000	Share premium PLN'000	Reserve capital for buyback of own shares PLN'000	Share dividend PLN'000	Differences from translation PLN'000	Reserve capital PLN'000	Retained earnings PLN'000	Own equity of the Parent PLN'000	Own equity of non controlling interest PLN'000	Equity PLN'000
As of 01.01.2020	**1,619**	**49,759**	**16,000**	**1,017**	**413**	**-**	**(8,490)**	**60,318**	**-**	**60,318**
As of 01.01.2020, upon coversation	**1,619**	**49,759**	**16,000**	**1,017**	**413**	**-**	**(8,490)**	**60,318**	**-**	**60,318**
CHANGES IN EQUITY										
Profits and losses in the period	-	-	-	-	-	-	6,959	6,959	138	**7,097**
Other	-	-	-	-	-	(5)	-	(5)	31	**26**
Issue of shares	210	28,894	-	-	-	-	-	29,104	-	**29,104**
Translation differences	-	-	-	-	(1)	-	-	-	-	**-**
As of 31.12.2020	**1,829**	**78,653**	**16,000**	**1,017**	**412**	**(5)**	**(1,531)**	**96,375**	**169**	**96,544**

For the period from 01.01. to 31.12.2019	Share capital PLN'000	Share premium PLN'000	Reserve capital for buyback of own shares PLN'000	Share dividend PLN'000	Differences from translation PLN'000	Reserve capital PLN'000	Retained earnings PLN'000	Own equity of the Parent PLN'000	Own equity of non controlling interest PLN'000	Equity PLN'000
As of 01.01.2019, upon coversation	**1,511**	**40,588**	**16,000**	**-**	**367**	**-**	**8,348**	**66,814**	**-**	**66,814**
Adjustment of result for previous years	-	-	-	-	-	-	(12,944)	(12,944)	-	(12,944)
Change in presentation	-	-	-	1,017	-	-	(1,017)	-	-	-
As of 01.01.2019, upon coversation	**1,511**	**40,588**	**16,000**	**1,017**	**367**	**-**	**(5,613)**	**53,870**	**-**	**53,870**
CHANGES IN EQUITY										
Profits and losses in the period	-	-	-	-	-	-	(2,877)	(2,877)	-	(2,877)
Issue of shares	108	9,171	-	-	-	-	-	9,279	-	9,279
Translation differences	-	-	-	-	46	-	-	46	-	46
As of 31.12.2019	**1,619**	**49,759**	**16,000**	**1,017**	**413**	**-**	**(8,490)**	**60,318**	**-**	**60,318**

II. Key information about CI Games Capital Group

1. General information: name, headquarters and principal activity of CI Games

- CI Games S.A. ("the Issuer", "the Dominant Entity", „the Company") was registered on June 1st, 2007 as City Interactive S.A. On August 7, 2013, at the District Court for the Capital City of Warsaw in Warsaw, 13th Commercial Division of the National Court Register which recorded the change of Company's name from the previous name to CI Games S.A. The registered office of the Company is located in Warsaw at Twarda 18.
- The Company is entered in the Register of Entrepreneurs under the number KRS 0000282076 at the District Court for the Capital City of Warsaw in Warsaw, 12th Commercial Division. 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 court of registration of the Company is currently the District Court for the Capital City of Warsaw in Warsaw, 12th Commercial Division of the National Court Register.
- The core business activity of the Company consists of production, publishing and distribution of video games
- Tax identification number (NIP): 1181585759.
- Statistical identification number (REGON): 017186320.
- The Company has been established for an unlimited period of time.

2. Structure of the Capital Group and consolidation principles

As of December 31, 2020, CI Games Capital Group consisted of the following entities:

- CI Games S.A. with a registered office in Warsaw. Share capital: PLN 1,829,430.15. Dominant Entity. The Company is listed on the regulated market conducted by the Warsaw Stock Exchange in Warsaw S.A.
- United Label S.A. with a registered office in Warsaw. Share capital: PLN 127,500. 78.43% shares held by CI Games S.A., with the remaining shares owned by private individuals. The Company is listed on New Connect market (Alternative Trading System – ATS) conducted by the Warsaw Stock Exchange in Warsaw 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. 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 London, the United Kingdom. Share capital GBP 100; 100% shares held by CI Games S.A.
- CI Games Mediterranean Projects S.L. with a registered office in Barcelona, Spain. Share capital: EUR 3,000. 75% shares held directly by CI Games S.A.; the remaining 25% shares owned by Mclex Trust sp. z o.o. with the seat in Warsaw.

- CI Games Bucharest Studio S.R.L. with a registered office in Bucharest, Romania. Share capital: LEI 200. 100% shares owned directly by CI Games S.A.

The Dominant Entity consolidates its subsidiaries which, as long as they meet the materiality threshold – are subject to full consolidation. Subsidiaries consist of entities controlled by the dominant entity. Such relationship exists whenever the dominant entity:

- holds the authority over the entity in question;
- is exposed to or has the right to variable returns generated as a result of its involvement in the entity in question;
- has the ability to influence the amount of returns generated by the entity in question by exercising its authority over such entity.

As of December 31, 2020, the following companies are excluded from consolidation due to materiality level:

- CI Games UK Ltd.;
- CI Games Bucharest Studio S.R.L.

3. Basis of preparation of the annual consolidated financial statements

The consolidated financial statements of CI Games Capital Group ("the Group", "CI Games Group", "the Capital Group CI Games") encompasses the period from 01.01.2020 to 31.12.2020. 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 12.31.2020 and 31.12.2019.

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 March 29, 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").

4. Going concern assumption

The consolidated financial statements were prepared with the assumption of going concern in the foreseeable future. The Management Board of the Issuer. is of opinion that the Group 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 SARS-CoV 2) and economic uncertainty in Poland and over the world, and their implications - neither jointly nor individually – the Management Board is of opinion that the current situation does not constitute an event that would require an adjustment of the consolidated financial statements for year 2020. As of the date of publication of these financial statements, the situation is subject to constant changes. The Management

Board is monitoring the potential impact and will take all steps to mitigate any negative consequences for the Group.

5. Statement of conformity

These consolidated financial statements for the financial year ended on 31.12.2020 have been prepared in accordance with the International Financial Reporting Standards approved by the European Union (EU IFRS). The Group prepared the financial statements for the year ended on 12.31.2020 on the basis of accounting principles consistent with the principles applied in preparation of the financial statements for year 2019. The standards and interpretations, which came into force on 01.01.2020, have been presented in Chapter I, point 11.

These consolidated financial statements present reliably the results and financial position of the Group as of 31.12.2020, the results of its activity, as well as financial flows for the period of 12 months, ended on 31.12.2020.

6. Functional currency and presentation currency

Data in the consolidated financial statement and notes to the financial statement have been presented 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 31/12/2020 - 4.6148 PLN/ EUR
- as of 31/12/2019 - 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:

- 2020 - 4.4742 PLN/ EUR
- 2019 - 4.2880 PLN/ EUR

7. Professional judgment, assumptions and estimates

Preparation of the consolidated financial statements in accordance with the EU IFRS requires the Management Board of the Company 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 Group verifies the amortization rate applied on an annual basis.
- **Deferred tax asset** - the Group recognizes the asset due to deferred tax 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 recovery of assets due to deferred income tax 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 12.31.2020, upon analysis of cash flows for individual cash generating units and completion of appropriate impairment tests for assets that required these, no impairment has been identified.
- **The lessee's discount rate** - the discount rate applied in the lease agreement, defined as the lease 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 Group may be subject to inspection by authorities entitled to impose penalties and fines. The Group recognizes and valuates assets or liabilities due to current and deferred income tax in accordance with requirements 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

8. Adjustment of errors and presentation changes

In the reporting period, there were no adjustments of significant errors related to financial statements from previous periods.

Since 01.01.2020 the Group has been presenting Dividend capital as the separate line in the equity while in the previous periods it has been included in the retained earnings.

This change did not have impact on the financial result nor equity of the Group.

9. Impact of COVID-19 on the financial results of the Group

The impact of COVID-19 pandemic outbreak had no material impact on the Group's Financial Statement in the course of the reporting period.

The Group did not identified requirement for impairment of the fixed assets, nor expected credit losses and the related writes-off. There was no need for inventories to be written down.

As of the date of this consolidated financial statements report, the Group remains liquidity and has financing available for its operating and investing activities.

The Company did not use public assistance as part of crisis mitigation and assistance programs prepared by the government of the Republic of Poland.

CI Games USA Inc., a subsidiary, has received a subsidy financing totaling USD 37,102 in May 2020 as part of Paycheck Protection Program, a jobs protection program. As part of this program, the subsidiary was required to finance at least 75% of wage and salary expenses from assistance funding. CI Games USA Inc. used the entire amount to finance wages and salaries. As of 31.12.2020, this amount is presented as a deferred income in line with IFRS 20 and it would be recognized as income in the following financial year.

As a consequences of CARES ACT [the Coronavirus Aid, Relief, and Economic Security Act (H.R. 748)], CI Games USA Inc. received a tax relief related to corporate income taxes paid in the past in the amount of USD 178 thousand. The company received cash which was included in other operating income in the consolidated profit and loss account.

10. Applied accounting principles

a) Application of the International Accounting Standards

The annual consolidated 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.

The consolidated financial statements for the period from 01.01.2020 to 31.12.2020 is a subsequent consolidated annual financial statement prepared in accordance with the IAS/ IFRS. The comparable data for the period from 01.01.2019 to 31.12.2019 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 for preparation of the consolidated financial statements

Data in the consolidated financial statements and notes to the financial statements have 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.

c) Consolidation principles

(i) Subsidiaries

In accordance with IFRS 10, the Parent Entity controls the investment, if it controls it, when it is exposed to variable financial results from its involvement with this investment or has the right to variable returns from its involvement in this investment.

The consolidated financial statements of CI Games Capital Group were prepared using the acquisition method as the mode of settlement of acquisition as of the date of the transaction of purchase of shares (the full consolidation method). In preparation of consolidated financial statements, the parent entity combines the financial statements of the parent entity and its subsidies by summing up individual items of assets, liabilities, shares in equity, revenues and expenses.

To ensure presentation in the consolidated financial statements of financial information on the Capital Group as if it constituted a single business entity, the balance sheet value of investments of the parent company in a subsidiary is excluded, as well as the part of equity of such subsidy, which is equivalent to the share of the dominant entity.

The method used to translate financial statements of entities operating abroad depends on the mode of their financing, as well as the type of activity conducted in relation to the entity preparing the consolidated financial statements. Therefore, entities operating abroad, according to IAS 21, are divided as follows: "entities operating abroad, with operations constituting an integral part of operations of the entity preparing the consolidated financial statements" and "foreign entities".

For the purpose of translation of financial statements of subsidiaries operating abroad, these entities, in accordance with IAS 21, have been classified as "foreign entities". In translation of financial statements of foreign entities, for the purpose of their inclusion in own financial statement, the entity preparing the consolidated financial statements applied the following principles:

- both monetary and non-monetary assets and liabilities were translated according to their closing price,
- items of revenues and expenses of foreign entities were translated at the currency exchange rate as of the date of execution of the transaction, except for situations, in which foreign entities prepare their statements under the conditions of hyperinflationary economy. In such cases, the items were translated at the closing price,
- all exchange rate differences were recognized in equity until disposal of the net investment.

Financial results of entities purchased or sold during the year are recognized in the consolidated financial statements from/to the moment of their purchase or sale, respectively, if they constitute material values for the presented financial statements.

When necessary, adjustments are made in financial statements of subsidies or affiliates to standardize the accounting principles applied by such entity with the principles applied by the parent entity. Any transactions, balances, revenues and expenses between related entities subject to consolidation are subject to consolidation exclusions.

(ii) Consolidation adjustments

Balances of internal settlements between the Group entities, transactions executed within the Group and all of the associated unrealized gains or losses, as well as revenues and costs of the Group are eliminated in preparation of the consolidated financial statements. Unrealized gains due to transactions with affiliates and jointly controlled entities are excluded from the consolidated statements proportionally to the share of the Group in these entities. Unrealized losses are excluded from the consolidated financial statements on the same basis as unrealized gains, until emergence of conditions indicating impairment.

d) Property, plant and equipment

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 under construction, 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 Group 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.

e) Intangible assets

(i) Intangible assets

An intangible asset is recognized by the Group only if:

- it is probable that the Group will achieve future economic benefits, which can be assigned to a given asset and
- 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 current 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 Group classifies 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 Group 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 Group 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) Distribution licenses

Costs related to publishing activity (game distribution licenses) are capitalized on the balance sheet line "Advances for intangible assets". After the release date, they are presented as intangibles as distribution licenses and they are amortized linearly in three years period.

(iv) Impairment

As of the balance sheet date, the Group 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.

f) The right to use assets and lease liabilities

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. On 21.12.2020, the Company signed a lease agreement for a new office with Ghelamco GP 11 spółka z ograniczoną odpowiedzialnością THE HUB spółka komandytowo-akcyjna with the seat in Warsaw for the rental period of 60 months – amortization of this assets starts on office rental commencement.

Asset and liabilities related to this contract was recognized as of 31.12.2020 in the line the right to use asset and finance liability. Amortization of this assets will start at the moment of commencement the office space rental.

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 respective asset is amortized in line with the estimated time of asset's economic usage.

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.

g) 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.

h) Financial instruments

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

The table below presents classification and valuation of financial assets of the Group in accordance with the IFRS 9:

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

The Group 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 Group'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

The most significant financial assets in the consolidated financial statements of the Group, which are subject to amended principles of calculation of the expected credit losses, are trade receivables. As of each balance sheet date, the Group assesses the expected credit losses regardless of existence or lack of evidence suggesting impairment. The Group 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 Group 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”.

i) 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 Group.

The Group 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 Group 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

j) Share capital

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

(i) Acquistion of own 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.

k) Provisions

Provisions are liabilities with uncertain maturity date or amount. The companies from the Group establish 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 Group 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.

l) 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.

m) Revenues

Revenues from sale of goods and rendered services to its customers are recognized based on the principle that the entity recognizes revenues in the manner that reflects the transaction of transfer of ownership 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.

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 Group 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 Group has transferred to the purchaser the significant risk and benefits resulting from rights of ownership of such goods or products,
- The Group 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 Group will attain economic benefits due to the transaction,
- the costs incurred and the costs to be incurred by the Group 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 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 Group, 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.

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 Group 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.

Advances received from customers

The Group receives short-term advances from customers for future sales of boxed games. The Group 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 Group has applied the simplification provided for in IFRS 15 and shall not recognize the financing component

n) Costs

The Group 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 Group 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.

o) 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 a 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

p) Transactions expressed 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.

q) 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.

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 Group has identified the following segments:

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

In accordance with the par. 13, IFRS 8, the Group discloses results per segments when at least one of the below conditions is met: i.e. (i) revenues from the operational segment exceeds 10% of joint revenues, including external clients and transfers between the segments, (ii) financial result of the segment, expressed in absolute values, accounts for at least 10% of sum of absolute results of all segments which posted no losses or the combined loss all operational segments which recorded losses, (iii) assets of the segment accounts for 10% or more of total assets of all operational segments.

In addition, CI Games Capital Group 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 Group 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.

r) 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 Group, 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. New standards and interpretations

New standards, changes in the binding standards and interpretations, approved by the European Union ("EU"):

- Changes with regard to references to **Conceptual Framework in IFRS** (applicable to annual periods starting on January 1, 2020 or thereafter).
- **Amendments to IAS 1 "Presentation of financial statements" and IAS 8 "Accounting policies, changes in accounting estimates and errors".** The changes pertain to the definition of materiality (applicable to annual periods starting on January 1, 2020 or thereafter).
- **Amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments: Disclosures** – Interest Rate Benchmark Reform (effective for annual periods beginning on or after January 1st 2020)
- **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 1, 2020 or thereafter and with reference to acquisition of assets on the date of commencement of this annual period or later).
- **Amendments to IFRS 16 Leases: Covid-19-Related Rent Concessions** (effective for annual periods beginning on or after June 1st 2020);
- **Amendments to IFRS 4 Insurance Contracts**, deferral of IFRS 9 Financial Instruments (effective for annual periods beginning on or after January 1st 2021).

New standards, amendments to existing standards and interpretations which have not been approved by the European Union:

- **IFRS 17 "Insurance contracts".** The standard is applicable to annual periods starting on January 1, 2023 or thereafter.
- **IFRS 14 "Regulatory Deferral Accounts** – the European Commission has decided not to commence the process of approval of this provisional standard to be used within the territory of the European Union until the date of publication of the final version of the proper full standard IFRS 14.
- **Amendments to IFRS 10 "Consolidated financial statements" and IAS 28 "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 work on the equity method).
- **IAS 1 Presentation of Financial Statements: classification of liabilities as current or non-current and classification of liabilities as current or non-current** – deferral of effective date (effective for annual periods beginning on or after January 1st 2023)
- **Amendments to IFRS 3 Business Combinations, IAS 16 Property, Plant and Equipment, IAS 37 Provisions, Contingent Liabilities and Contingent Assets,** amendments to various standards as part of IFRS Annual Improvements cycle 2018–2020 (effective for annual **periods beginning on or after January 1st 2022),**
- **Amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments: Disclosures, IFRS 4 Insurance Contracts and IFRS 16 Leases – Interest Rate Benchmark Reform** – Phase 2 (effective for annual periods beginning on or after January 1st 2021).

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 Group 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 and the Group.

12. Information about seasonality

Information about seasonality of the business is further described in the Management Report on the activities of CI Games Group in 2020 (Chapter I, point 5).

Note 1: Changes in the fixed assets by type group

For ther period from 1.01 to 31.12.2020	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 01.01.2020	**-**	**1,931**	**-**	**52**	**7**	**1,990**
increases:	**-**	**302**	**-**	**-**	**3**	**305**
- acquisition	-	302	-	-	**3**	305
- transfer	-	-	-	-	-	-
- other	-	-	-	-	-	-
Decreases:	**-**	**(116)**	**-**	**(20)**	**(7)**	**(143)**
- liquidation	-	(116)	-	(20)	-	(136)
- transfer	-	-	-	-	(7)	(7)
- other	-	-	-	-	-	-
Gross value as of 31.12.2020	**-**	**2,117**	**-**	**32**	**3**	**2,152**
Cumulated depreciation	**-**	**1,575**	**-**	**39**	**-**	**1,614**
Increases:	**-**	**217**	**-**	**9**	**-**	**226**
- depreciation	-	217	-	9	-	226
Decreases:	**-**	**(105)**	**-**	**(20)**	**-**	**(125)**
- liquidation, sale	-	(105)	-	(20)	-	(125)
- other	-	-	-	-	-	-
Cumulated depreciation as of 31.12.2020	**-**	**1,687**	**-**	**28**	**-**	**1,715**
Net value						
As of 01.01.2020	**-**	**356**	**-**	**13**	**7**	**376**
As of 31.12.2020	**-**	**430**	**-**	**4**	**3**	**437**

In 2020, the Group did not spend significant amounts on fixed assets; increases related mainly to computers' purchases for new employees.

For ther period from 1.01 to 31.12.2019	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 from MSSF 16	-	-	(856)	-	-	(856)
Increases:	-	263	-	4	6	273
- acquisition	-	263	-	4	6	273
- transfer	-	-	-	-	-	-
- other	-	-	-	-	-	-
Decreases:	-	(10)	(143)	-	-	(153)
- liquidation	-	(10)	(143)	-	-	(153)
- transfer	-	-	-	-	-	-
- other	-	-	-	-	-	-
Gross value as of 31.12.2019	-	1,931	-	52	7	1,990
Cumulated depreciation as of 01.01.2019	-	1,368	249	26	-	1,643
Reclassification from MSSF 16	-	-	(150)	-	-	(150)
Increases:	-	217	3	13	-	233
- depreciation	-	217	3	13	-	233
Decreases:	-	(10)	(102)	-	-	(112)
- liquidation, sale	-	(10)	(102)	-	-	(112)
- other	-	-	-	-	-	-
Cumulated depreciation as of 31.12.2019	-	1,575	-	39	-	1,614
Net value						
As of 01.01.2019	-	310	750	22	1	1,083
As of 01.01.2019 after reclassification from MSSF 16	-	310	44	22	1	377
As of 31.12.2019	-	356	-	13	7	376

Note 2: Changes in value of intangible assets according to type group and advances for intangible assets

For the period from 01.01 to 31.12.2020	Costs of development projects	Copyrights, licenses, concessions	Rights to press titles, Rights to distribution	Other intangible assets	Advances for intangible assets	Total
Gross value as of 01.01.2020	211,691	200	51	2,207	1,943	216,092
increases:	20,577	-	915	90	2,209	23,791
- acquisition	-	-	915	90	2,209	3,214
- produced internally	20,577	-	-	-	-	20,577
decreases:	-	-	-	(2)	(915)	(917)
- liquidation	-	-	-	(2)	-	(2)
- transfer	-	-	-	-	(915)	(915)
- impairment allowance	-	-	-	-	-	-
Gross value as of 31.12.2020	232,268	200	966	2,295	3,237	238,966
Cumulated amortization as of 01.01.2020	159,682	200	51	1,331	-	161,264
increases:	18,208	-	127	382	-	18,717
- amortization	18,208	-	127	382	-	18,717
decreases:	-	-	-	2	-	2
- liquidation	-	-	-	2	-	2
Cumulated amortization as of 12.31.2020	177,890	200	178	1,711	-	179,979
Net value						
As of 12.31.2020	52,009	-	-	876	1,943	54,828
State as of 31.12.2020	54,378	-	788	584	3,237	58,987

In 2020, the increases on the Development projects amounted to PLN 20,577 thousand and related mainly to investments on the games *Sniper Ghost Warrior Contracts 2* and *Lords of the Fallen 2*.

For the period from 01.01 to 31.12.2019	Costs of development projects	Copyrights, licenses, concessions	Rights to press titles	Other intangible assets	Advances for intangible assets	Total
Gross value as of 01.01.2019	192,649	200	51	2,204	121	195,225
increases:	19,042	-	-	3	1,822	20,867
- acquisition	-	-	-	3	1,822	1,825
- produced internally	19,042	-	-	-	-	19,042
decreases:	-	-	-	-	-	-
- liquidation	-	-	-	-	-	-
- impairment allowance	-	-	-	-	-	-
Gross value as of 12.31.2019	211,691	200	51	2,207	1,943	216,092
Cumulated amortization as of 01.01.2019	141,779	200	51	913	-	142,943
increases:	17,903	-	-	418	-	18,321
- amortization	17,903	-	-	418	-	18,321
decreases:	-	-	-	-	-	-
- liquidation	-	-	-	-	-	-
Cumulated amortization as of 31.12.2019	159,682	200	51	1,331	-	161,264
Net value						
As of 12.31.2019	50,870	-	-	1,291	121	52,282
State as of 12.31.2019	52,009	-	-	876	1,943	54,828

Note 3: Right to use assets

The tables below present movements in the fixed assets classified in accordance with IFRS 16.

For the period from 01.01 to 31.12.2020	Contract for lease of office space	Vehicles	Total
Gross value as of 01.01.2020	634	856	1,490
increases:	5,945	-	5,945
- conclusion of a new contract	5,945	-	-
decreases:	-	-	-
- end of contract	-	-	-
Gross value as of 31.12.2020	6,579	856	7,435
Cumulated amortization as of 01.01.2020	35	322	357
increases:	423	171	594
- amortization	423	171	594
decreases:	-	-	-
- end of contract	-	-	-
Cumulated amortization as of 31.12.2020	458	493	951
Net value			
As of 01.01.2020	599	534	1,133
As of 31.12.2020	6,121	363	6,484

As of 31.12.2020 an increase in Right to use assets related to the contract concluded between the Company and Ghelamco GP 11 spółka z ograniczoną odpowiedzialnością THE HUB spółka komandytowo-akcyjna with the seat in Warsaw for a new office space rental for 60 months. Amortization of this asset will start at the rental's commencement.

For the period from 01.01 to 31.12.2019	Contract for lease of office space	Vehicles	Total
Gross value as of 01.01.2020	**4,456**	**856**	**5,312**
increases:	**634**	-	**634**
- conclusion of a new contract	634	-	634
decreases:	**(4,456)**	-	**(4,456)**
- end of contract	(4,456)	-	(4,456)
Gross value as of 31.12.2019	**634**	**856**	**1,490**
Cumulated amortization as of 01.01.2019	**-**	**150**	**150**
increases:	**952**	**172**	**1,124**
- amortization	952	172	1,124
decreases:	**(917)**	**-**	**(917)**
- end of contract	(917)	-	(917)
Cumulated amortization as of 31.12.2019	**35**	**322**	**357**
Net value			
As of 01.01.2019	**4,456**	**706**	**5,162**
As of 31.12.2019	**599**	**534**	**1,133**

Note 4: Deferred tax asset and liability

Deferred tax assets are determined in the amount to be deducted in the future from income tax amount as a result of temporary exchange losses, which result in reduction of the income tax base in the future. The balance sheet value of the deferred income tax asset is verified on each balance sheet date and subject to writing off, if economic benefits to be achieved by the Company due to utilization of deferred tax assets are doubtful.

The deferred income tax provision is established on the basis of temporary exchange gains between the tax value of assets and liabilities and their balance sheet value in the financial statements.

The Company monitors revenues' forecasts including taxable income, which enables to utilize tax losses in the future.

DEFERRED TAX	as of 31.12.2020 PLN'000	as of 31.12.2019 PLN'000
Deferred tax assets		
Opening value	**5,949**	**6,859**
Including assets compared to the financial result	**5,949**	**6,859**
Increases recognised in financial result	**3,229**	**5,949**
cost provision	20	60
receivables valuation allowances	48	-
provision for returns	59	516
inventory impairment	-	3
valuation of liabilities	21	-
valuation of receivables	84	103
valuation of short-term investments	3	5
tax loss	2,994	5,261
leasing of fixed assets	-	1
Decreases compared to the financial result	**5,949**	**6,859**
Closing value	**3,229**	**5,949**

Deferred tax provisions		
Opening value	**6,205**	**4,162**
Including assets compared to the financial result	**6,205**	**4,162**
Increases compared to the financial result	**2,306**	**6,205**
reserve valuation for returns	6	27
leasing	52	44
valuation of other receivables	12	-
valuation of deposit	3	-
accrued interest on the loan	24	10
compensation	61	523
difference between the balance-sheet and tax value of tangible fixed assets	2,148	5,600
other	-	1
Decreases compared to the result	**6,205**	**4,162**
Closing value	**2,306**	**6,205**

Note 5: Inventory – structure and ageing

INVENTORIES	as of 31.12.2020 PLN'000	as of 31.12.2019 PLN'000
Materials	393	215
Finished products	1,403	3,061
Goods	-	-
Total gross inventories	**1,796**	**3,276**
Impairment allowance	**(220)**	**(158)**
Total net inventories	**1,576**	**3,118**

INVENTORIES - AGING	as of 31.12.2020 PLN'000	as of 31.12.2019 PLN'000
0 - 90 days	592	2155
91 - 180 days	128	2
181 - 360 days	288	221
above 360 days	788	898
Impairment allowance	**(220)**	**(158)**
Total net inventories	**1,576**	**3,118**

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 6: Short-term investments

On 29.09.2020, CI Games S.A. concluded a loan agreement with its subsidiary CI Games Bucharest Studio S.R.L. up to amount of EUR 170 thousand. The repayment term is 30.04.2021r. The interest rate equals 3M EURIBOR increased by margin. As of 31.12.2020 the loan balance (including interest) amounted to PLN 431 thousand.

Note 7: Trade receivables and prepayments

RECEIVABLES - STRUCTURE	as of 31.12.2020 PLN'000	as of 31.12.2019 PLN'000
Trade receivables from related entities	119	13
Trade receivables from other entities	6,969	21,882
up to 12 months	6,969	21,882
above 12 months	-	-
Trade receivables	**7,088**	**21,895**
Impairment allowance for trade receivables	**(255)**	**(1,974)**
Net trade receivables	**6,833**	**19,921**
Advance payments granted	**67**	**25**

RECEIVABLES - AGING	as of 31.12.2020 PLN'000	as of 31.12.2019 PLN'000
current	4,738	10,913
overdue:	2,350	10,982
1 - 30 days	67	7,888
31 - 90 days	191	578
91 - 180 days	149	116
above 180 days	1,943	2,400
Impairment allowance	(255)	(1,974)
Net trade receivables	**6,833**	**19,921**

(NET) RECEIVABLES - CURRENCY STRUCTURE	as of 31.12.2020	as of 31.12.2019
PLN	1,109	1,842
EUR	538	2,387
GBP	24	19
USD	830	2,059

Note 8: Cash and cash equivalent

CASH AND CASH EQUIVALENTS	as of 31.12.2020 PLN'000	as of 31.12.2019 PLN'000
Bank accounts	28,205	6,651
Short-term deposits	-	-
Cash in hand	2	8
Total cash and cash equivalents	**28,207**	**6,659**

Note 9: Other assets

OTHER ASSETS	as of 31.12.2020 PLN'000	as of 31.12.2019 PLN'000
Tax receivables (excluding income tax)	1,834	747
Other settlements with employees	1	31
Securities and deposits	228	467
Other settlements	1,126	3,488
Prepayments	**415**	**358**
Insurance	132	128
Licenses	224	195
Costs of adapting to the game platform	36	-
Other prepayments	23	35
Other assets total	**3,604**	**5,091**
including long-term assets:	-	**11**
Other	-	11

As of 31.12.2020 r. Other assets comprised of the following items:

- Tax receivables (PLN 1,169 thousand) includes mainly VAT receivables;
- Other settlements (PLN 1,126 thousand) including mainly:
    - balance with EP Office 1 Sp. z o.o. concerning unduly collected bank guarantees (for the total amount of PLN 798 thousand (EUR 173 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 319 thousand (USD 85 thousand) with Original Force Ltd. A description of the case can be found in Management Report on CI Games Group activity in 2020 (Chapter IV, point 12). The Company has received all the payments by February 2021 in accordance with the signed agreement with Original Force Ltd. and consequently, the case is closed.

Note 10: Share capital of Dominant entity

As of 31.12.2020, share capital comprised of nine series of shares issued at the following terms:

SHARE SERIES	NOMINAL VALUE (PLN)	NOMINAL VALUE (PLN)	REGISTRATION
A - ordinary bearer / paid	100,000,000	1,000	01.06.2007
B - ordinary bearer / paid	400,000	4	10.08.2008
C - ordinary bearer / paid	25,000,000	250	17.12.2008
D - ordinary bearer / paid	1,100,000	11	09.10.2009
E - ordinary bearer / paid	12,649,990	126	09.01.2014
G - ordinary bearer / paid	11,000,000	110	06.12.2016
F - ordinary bearer / paid	960,000	10	30.11.2017
H - ordinary bearer / paid	10,833,025	108	09.08.2019
I - ordinary bearer / paid	21,000,000	210	21.09.2020
TOTAL	**182,943,015**	**1,829**	

The share capital structure as of the date of the release of this report, is the following:

SHARE CAPITAL - STRUCTURE	Number of shares	% of votes
Marek Tymiński	53,083,570	29.02%
Rockbridge Towarzystwo Funduszy Inwestycyjnych S.A.	15,718,357	8.59%
Other shareholders	114,141,088	62.39%
All shareholders in total	**182,943,015**	**100%**

Note 11: Share premium account of the Dominant Entity

SHARE SERIES	NUMBER	SURPLUS
B - ordinary bearer / paid	400,000	36
C - ordinary bearer / paid	25,000,000	22,250
D - ordinary bearer / paid	1,100,000	99
E - ordinary bearer / paid	12,649,990	11,259
G - ordinary bearer / paid	11,000,000	24,860
F - ordinary bearer / paid	960,000	663
H - ordinary bearer / paid	10,833,025	9,641
I - ordinary bearer / paid	21,000,000	24,990
TOTAL	**82,943,015**	**93,798**
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)
Decrease due to costs of issue of series I		(265)
State as of December 31st, 2020		**74,484**

Note 12: Reserve capital for purchase of own shares

Established by resolution of the Extraordinary General Meeting of CI Games S.A. of 08.11.2010 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 31.12.2020: PLN 16,000,000 (31.12.2019: 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 13: Revaluation reserve

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

Note 14: Credit, loan and financial lease liabilities

LOAN LIABILITIES	as of 31.12.2020 PLN'000	as of 31.12.2019 PLN'000
Liabilities due to financial lease - the short-term component	324	634
Liabilities due to financial lease - the long-term component	5,867	269
Liabilities due to credits, including overdraft facilities	33	24,051
TOTAL	**6,224**	**24,954**

Finance lease liability related mainly to IFRS 16 implementation and recognition of the respective asset and liability resulting from the office space rental.

In 2020, all the loans from overdraft and revolving loan facility were repaid.

A of 31.12.2020, the Group did not have any loan liabilities nor debt securities. As of the end of 2020, the loan liabilities balance related to business credit cards.

Note 15: Trade liabilities

LIABILITIES - STRUCTURE	as of 31.12.2020 PLN'000	as of 31.12.2019 PLN'000
Trade liabilities to related entities	-	-
Trade liabilities to other entities	3,169	4,675
up to 12 months	3,169	4,675
above 12 months	-	-
Trade liabilities	**3,169**	**4,675**

LIABILITIES - CURRENCY STRUCTURE	as of 31.12.2020 PLN'000	as of 31.12.2019 PLN'000
PLN	602	583
EUR	235	319
GBP	48	94
USD	329	596

LIABILITIES - AGING	as of 31.12.2020 PLN'000	as of 31.12.2019 PLN'000
Current	**3,223**	**3,908**
Overdue:	**(54)**	**767**
1 - 30 days	(371)	164
31 - 90 days	92	60
91 - 180 days	165	-
above 180 days	60	543
Trade liabilities	**3,169**	**4,675**

Note: 16 Other liabilities

OTHER LIABILITIES	as of 31.12.2020 PLN'000	as of 31.12.2019 PLN'000
Tax liabilities excluding corporate income tax	504	174
Other liabilities	82	2
Trade liabilities	**586**	**176**

Note 17: Other short term provisions

OTHER PROVISIONS	as of 31.12.2020 PLN'000	as of 31.12.2019 PLN'000
Provisions for audit of balance sheet	119	84
Provisions for non-invoiced costs	460	209
Provisions for marketing costs	-	92
Provisions for unused holidays	103	118
Other short term provisions	180	180
Total other short-term provisions	**862**	**682**

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

Note 18: 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 31.12.2020 and 31.12.2019.

Financial assets and liabilities - classification and valuation	as of 31.12.2020 PLN'000	as of 31.12.2019 PLN'000
Financial assets valued according to amortized cost		
Trade receivables	6,833	19,921
Cash and cash equivalents	28,207	6,659
Financial assets valued according to fair value		
Unlisted stocks and shares	-	-
Total financial assets	**35,040**	**26,580**
Financial liabilities are measured at amortized cost		
Trade liabilities	3,169	4,675
Financial liabilities	6,224	24,954
Total financial liabilities	**9,393**	**29,629**

The Group 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 Group 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 Group.

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.

In 2020, most revenues of the Capital Group were generated mainly in two currencies: Euro and American dollars. The parent entity secures itself against the foreign currency risk by incurring liabilities in these currencies. On March 29th, 2021, the Company entered into five forward USD/PLN contracts for total amount of USD 1,5m with the realization terms August-December 2021.

Interest rate risk

Currently, the Group does not have any loans.

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 31.12.2020.

FINANCIAL INSTRUMENTS - SENSITIVITY	as of 31.12.2020 PLN'000	+/- 10% PLN/EUR PLN'000	+/- 10% PLN/USD PLN'000
Receivables	6,833	248	312
Liabilities	3,169	108	124
Cash	28,207	215	1,696

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 Group does not 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 Group 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. Computer game production requires substantial expenditures for development projects and marketing costs, which limits the Group's ability to diversify the risk and distribute it among different products (titles). As a result, there is risk concentration in the relatively few game titles that are scheduled to release at a given time. As a result of such 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 19: Information about operational segments

The basic segments of Group's activity are the production and sales of own games and publishing activity commenced in the second half of year 2018. Due to the fact that in 2019 and in 2020, the materiality levels were not met in accordance with IFRS 8, i.e. (i) revenues from the operational segment did not exceed 10% of joint revenues, including external clients and transfers between the segments, (ii) financial result of the segment, expressed in absolute values, did not account for at least 10% of sum of absolute results of all segments which posted no losses or the combined loss all operational segments which recorded losses, (iii) assets of the segment did not account for 10% or more of total assets of all operational segments; therefore the Group did not present results related to the publishing segment.

Note 20: Net revenues from sales of products

The breakdowns of the Group's revenues into sales of physical products and digital one, and geographical are presented below:

The structure of the Groups' sales in value terms:

Sales structure	2020	2019
Console games	70%	75%
PC Games	30%	25%

The structure of the Group's net revenues from products in value terms (data in thousand PLN):

	2020		2019		2020/2019
Revenues	PLN'000	Share (%)	PLN'000	Share (%)	
Sales of physical products	11,617	25%	26,143	55%	-56%
Licenses	-	-	2	-	(1)
Digital sales	34,365	75%	21,159	45%	62%
Other sales	29	-	174	-	(1)
Total	**46,010**	**100%**	**47,478**	**100%**	**-3%**

The structure of the Group's net revenues from products in volume terms (data in units):

	2020		2019		2020/2019
Revenues	Units	Share (%)	Units	Share (%)	
Sales of physical products	183,250	11%	454,131	22%	-60%
Licenses	-	-	-	-	
Digital sales	1,507,571	89%	1,640,601	78%	-8%
Other sales	-	-	-	-	
Total	**1,690,821**	**100%**	**2,094,732**	**100%**	**-19%**

Share of export in the Group's revenues (data in thousand PLN):

Revenues	2020	2019
	PLN'000	PLN'000
Export	45,800	46,234
share (%)	*100%*	*97%*
Domestic	210	1,244
udział (%)	0%	3%
Total	**46,010**	**47,478**

Share of export in the Group's revenues (in units):

Sales (units)	2020	2019
Export	1,673,967	2,026,511
share (%)	*99%*	*97%*
Domestic	16,854	68,221
share (%)	*1%*	*3%*
Total	**1,690,821**	**2,094,732**

Note 21: Costs by type

COSTS BY TYPE	for the period from 1.01 to 31.12.2020 PLN'000	for the period from 1.01 to 31.12.2019 PLN'000
Depreciation and amortization	19,090	19,467
Consumption of materials and energy	242	255
External services	8,945	7,931
Taxes and charges	55	110
Employee benefits	3,118	3,107
Other costs	2,114	8,626
Costs by type	**33,564**	**39,496**
Selling costs	(5,777)	(13,551)
General and administration costs	(5,479)	(5,806)
Value of products sold	4,375	8,874
Cost of products sold	**26,683**	**29,013**

EMPLOYEES BENEFITS	for the period from 1.01 to 31.12.2020 PLN'000	for the period from 1.01 to 31.12.2019 PLN'000
Payroll	2,580	2,549
Social insurance	299	299
Other employee benefits	239	259
Total employee benefits	**3,118**	**3,107**

Note 22: Other operating revenues

OTHER OPERATING REVENUES	for the period from 1.01 to 31.12.2020 PLN'000	for the period from 1.01 to 31.12.2019 PLN'000
Reversal of impairment allowance for receivables	18	1
Reversal of impairment allowance for inventories	-	29
Compensations	-	2,764
Profit from sale of non-financial fixed assets	-	-
Written-off liabilities	412	697
Re-invoicing	49	127
Stocktaking differences	-	16
Lease	112	134
Other	741	961
Total other operating revenues	**1,332**	**4,729**

Note 23: Other operating expenses

OTHER OPERATING EXPENSES	for the period from 1.01 to 31.12.2020 PLN'000	for the period from 1.01 to 31.12.2019 PLN'000
Impairment loss on receivables	-	19
Impairment loss on inventories	199	-
Liquidation of inventories and fixed assets	23	1,000
Impairment loss on intangible assets	-	-
Written-off receivables	30	200
Re-invoicing	81	117
Stocktaking differences	-	33
Legal costs	254	789
Withholding tax as a cost	29	543
Other	58	89
Total other operating costs	**674**	**2,790**

Note 24: Finance revenues and costs

FINANCIAL REVENUES AND COSTS	for the period from 1.01 to 31.12.2020 PLN'000	for the period from 1.01 to 31.12.2019 PLN'000
Interest	2	10
Positive foreign exchange differences	139	-
Other	-	-
Total financial revenue	**141**	**10**
Interest	127	622
Negative foreign exchange differences	-	174
Impairment loss on financial assets	-	-
Commission fees and other charges	201	42
Other financial expenses	10	-
Total financial expenses	**338**	**838**

Note 25: Income tax

Income tax charges on the financial result consist of current tax and deferred tax (non-cash item):

- A current tax charge is calculated on the basis of the tax result (taxation basis) for a given financial year. Tax profit (loss) differs from net accounting profit (loss) due to exclusion of revenues subject to taxation and expenses constituting costs of earning profit in the subsequent years and those revenue and expense items, which will never be subject to taxation. Tax charges are calculated on the basis of tax rates applicable in a given financial year.
- 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.

In 2020, the Company generated taxable income, and therefore it was able to utilize tax losses from the previous years.

Deferred tax comprised of the following items:

- reduction of the deferred tax asset balance by the amount of PLN 2,721 thousand mainly due to utilization of tax losses from previous years; and
- reduction of the deferred tax provision balance by the amount of PLN 3,900 thousand, resulting mainly from the decreasing difference between the tax and book value of development works.

Calculation of deferred tax and liability is presented in the Note 4.

Note 26: Effective tax rate

EFFECTIVE TAX RATE	for the period from 1.01 to 31.12.2020 PLN'000	for the period from 1.01 to 31.12.2019 PLN'000
Profit/ loss before tax	8,532	219
Tax based on tax rate 19%	1,621	-
Revenues not subject to taxation, tax value	171	(1,097)
Revenues/ expenses of registered partnerships, where CI GAMES S.A.	(25)	5
Revenues increasing tax base	10	
Non-deductible expenses, tax value	3,719	4,490
Tax deductible expenses not included in balance-sheet costs	(76)	(3,225)
Withholding tax	(1,499)	(137)
Income tax	1,437	37
Effective tax rate	**17%**	**17%**

Note 27: Transactions with related parties

All the transactions are set on the arm-length principles.

Transactions in 2020 and balances as of 31.12.2020 Entity	COSTS PLN'000	REVENUES PLN'000	RECEIVABLES PLN'000	LIABILITIES PLN'000
CI Games USA Inc.	-	8,329	9,748	-
Business Area Sp. z o.o.	-	2	-	-
Business Area Sp. z o.o. Sp.J.	49	22	-	680
CI Games S.A. Sp. J.	104	2	-	193
United Label S.A.	912	230	4,791	584
CI Games UK Limited	56	-	119	-
CI Games BUCHAREST STUDIO SRL	-	2	431	
CI Games Mediterranean Projects	-	21	2,750	-
TOTAL	**1,121**	**8,608**	**17,839**	**1,457**

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

Transactions in 2020 and balances as of 31.12.2020 Entity	COSTS PLN'000	REVENUES PLN'000	RECEIVABLES PLN'000	LIABILITIES PLN'000
Onimedia Sp. z o.o.	-	2	-	-
Premium Restaurants Sp. z o.o.	-	-	-	9
Premium Food Restaurants S.A.	-	-	84	-
Fine Dining Sp. z o.o.	-	-	174	-
TOTAL	**-**	**2**	**258**	**9**

Transactions of the Issuer with entities related personally to Members of the Supervisory Board and Members of the Management Board of the Parent Entity:

Transactions in 2020 and balances as of 31.12.2020 Entity	COSTS PLN'000	REVENUES PLN'000	RECEIVABLES PLN'000	LIABILITIES PLN'000
Marek Tymiński	60	-	-	-
ADVISOR Rafał Berliński	87	-	-	-
BWHS Bartkowiak Wojciechowski Hałupczak Springer SPÓŁKA JAWNA	143	-	-	-
TOTAL	**290**	-	-	-

Note 29: Information about employment in CI Games Group

STRUCTURE OF EMPLOYMENT	as of 31.12.2020	as of 31.12.2019
Production employees*	76	41
Administration and sales	24	21
Total employment	**100**	**62**

*The data provided includes long-term collaborators of the Group, 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 30: Remuneration of the Management Board Members and Supervisory Board Members

Remuneration of the Management Board (in the Group) in 2020:

Name	Position	Annual gross remunaration in the Group (PLN)
Marek Tymiński	President of the Board	1,300,444
Monika Rumanianek	Board member	242,600

Remuneration of the Supervisory Board members in 2020:

Name	Position	Annual gross remunaration (PLN)
Ryszard Bartkowiak	President of the Supervisory Board	20,000
Norbert Biedrzycki	Member of the Supervisory Board until 14.10.2020	9,000
Marcin Garliński	Member of the Supervisory Board	15,000
Grzegorz Leszczyński	Member of the Supervisory Board	15,000
Tomasz Litwiniuk	Member of the Supervisory Board until 25.05.2020	3,000
Krzysztof Kaczmarczyk	Member of the Supervisory Board from 09.10.2020	6,000
Rafał Berliński	Member of the Supervisory Board from 27.07.2020	12,000
Total		**80,000**

Note 31: Events after the balance sheet date

On March 29, 2021, the Company purchased forward contracts for sale of USD 1.5 million at an exchange rate of PLN / USD 3.94 with an execution period August-December 2021.

After the balance sheet date, the Management Board of CI Games S.A. signed:

- a declaration of submission to enforcement pursuant to Art. 777 § 1 point 5 of the Polish Code of Civil Procedure of 9th March,2021, pursuant to the contract for the coverage of costs and expenses related to the so-called relocation of the Company's office, concluded with Ghelamco GP 11 spółka z ograniczoną odpowiedzialnością THE HUB spółka komandytowo-akcyjna with its registered office in Warsaw, concluded on December 21, 2020.
- a declaration of submission to enforcement pursuant to Art. 777 § 1 point 4 of the Polish Code of Civil Procedure of 23th March, 2021, pursuant to the short-term rental agreement of an office space concluded with Spektrum Tower spółka z ograniczoną odpowiedzialnością with its registered office in Warsaw, concluded on 17th March, 2021.

Note 32: Profit/loss per share

The consolidated net profit of CIG Games S.A. per one share outstanding as of 31.12.2020 (number of shares was calculated as weighted average number of shares being traded in 2020) is PLN 0.04.

Note 33: Distribution of net profit for 2020 and net profit for 2019

The Ordinary General Meeting of Shareholders dated July 27, 2020 passed a resolution to allocate profit earned in 2019 in the amount of PLN 2,007,435.33 towards the loss in the previous years.

Recommendations for net profit distribution for 2020: The Management Board of the Issuer recommends to use current year profits to cover historical losses.

Note 34: Contingent liabilities or conditional assets

As of 31.12.2020 the Group did not have any contingent liabilities.

Note 35: Information on significant settlements due to court cases

As of the date of publication of this report, the Management Board of the Issuer has no information on any pending proceedings involving the Parent Entity or its subsidiaries, the value of which would (jointly or individually) represent at least 10% of equity of the Parent Entity.

In the Annual Report published on March 27, 2020, the Company has disclosed the initiation of court proceedings on October 17, 2019 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. CI Games S.A. filed a suit at the District Court in Warsaw against these entities due to the unlawful drawing of funds from a bank guarantee, overpaid operating costs and overpaid rent. The total value of the object of litigation is PLN 879,000 (EUR 180,000 and PLN 48,000). As of the report publication date, the case remains pending.

Note 36: Opinion of the Management Board of the Company with regard to capability of achieving the forecast results for the financial year, in the context of results presented in the quarterly report in relation to the forecast results

The Managing Board has not published forecasts of the financial results of CI Games Capital Group or CI Games S.A. in the financial reports for the year 2020.

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

On reliability of preparation of the annual consolidated financial statements

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 consolidated 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 Capital Group, as well as its financial result, and that the Management Report on the activities of CI Games Group in 2020 contains a true reflection of its development and achievements, as well as the situation of CI Games Capital Group, including a description of the basic threats and risk.

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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 Supervisory Board 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, April 19th, 2021

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