

CI GAMES S.A.

DECLARATION ON APPLICATION OF
CORPORATE GOVERNANCE PRINCIPLES
IN 2013



Warsaw, March 21, 2014

DECLARATION ON APPLICATION OF CORPORATE GOVERNANCE PRINCIPLES BY CI GAMES S.A. IN 2013

I. Indication of the corporate governance principles to which CI Games S.A. is subject, together with the location where the text concerning such principles is publically available

During 2013, CI Games S.A. applied the corporate governance principles published in the document "Best Practices of WSE Listed Companies" in the wording constituting an appendix to Resolution no. 19/1307/2012 of the WSE Council dated November 21, 2012. The principles are publicly available on the website of the Warsaw Stock Exchange (Giełda Papierów Wartościowych w Warszawie S.A.) at <http://www.corp-gov.gpw.pl>.

II. Indication of the extent to which the Company has withdrawn from the principles referred to above; indication of the specific principles concerned and explanation of the reasons for withdrawal

In 2013, the Issuer applied the majority of corporate governance principles referred to above with the exception of the principles and recommendations described below which were not applied or were applied with limitations:

- Recommendation 5, presented in part I of "Best practices for WSE-listed companies" concerning remuneration policies and the methodology for determining thereof, in particular specifying the form, structure and level of remuneration of management and supervisory bodies.

Justification:

The level of remuneration of supervisory board members is approved exclusively by the general meeting. The Company's supervisory board approves the level of remuneration of the Company's management board. Still, both the management board and supervisory board continuously monitor the level of remuneration of supervisory and management personnel so as to ensure the Company's long-term stability and tie it to the Company's current financial situation. One example would be the fact that in H2 2013, when the Company was seeking outside capital necessary to finance on-going game production, the Company's CEO submitted a motion to the supervisory board to decrease his monthly salary from PLN 42 000 to PLN 2 000, and the supervisory board approved his motion.

- Recommendation 9, contained in Part I of the "Best Practices of WSE Listed Companies" concerning equal participation of women and men fulfilling corporate management and supervision roles.

Justification:

This recommendation is not observed. It should be noted that the composition of the Supervisory Board is determined by a decision taken by shareholders, over which the Company has no influence. There are currently no women among the five members of the Supervisory Board. The principal criteria for selecting management personnel within the Company are their competences, skills and professional experience – a candidate's gender is not an applicable determinant. Currently, the Company has a one-person management board.

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- Recommendation 12, contained in part I of the “Best Practices of WSE Listed Companies” concerning the possibility for shareholders to take part in the general meeting using electronic means of communication.

Justification:

The Company does not broadcast the general meeting in real time, meaning that there is no possibility for real-time two-way communication enabling shareholders present at a location other than the location of the general meeting to speak during discussions.

- The principle specified in part II of the “Best Practices of WSE Listed Companies”, sec. 1, point 2a, stating that the Company’s website contains annual and quarterly information on the participation of women and men respectively in the Company’s management and supervisory boards over the previous two years.

Justification:

All of the Company’s annual reports since its IPO on the Warsaw Stock Exchange are available in the Investor Relations section of the Company’s website www.cigames.com. This includes information concerning the composition of and potential changes in the personnel participating in the Company’s management and supervisory bodies and covers each financial year respectively. Furthermore, all changes in the composition of the Company’s supervisory and management bodies are immediately published under observance of the Company’s disclosure requirements. In connection with the above, the Company does not publish separate information on its website.

- The principle specified in part II of the “Best Practices of WSE Listed Companies”, sec. 1 point 9a stating that the Company provides recordings, in audio or video format, of general meetings on its website.

Justification:

The Company has not been recording its general meetings in either audio or video format, with a view that the current information policy as regards general meetings is sufficient. However, considering the previous year’s experiences, the management board will attempt to record the next general meeting in either audio or video format and publish the recording on the Company’s website.

- The principle specified in part II of the “Best Practices of WSE Listed Companies”, sec. 1, point 14, stating that information on the wording of the rule in force at the Company relating to change of the entity authorized to audit the financial statements, or information on the lack of such rule, should be published on the Company’s website.

Justification:

In compliance with the Company’s Articles of Association and the provisions of the Polish Commercial Companies Code, the Company’s Supervisory Board selects an auditor on an annual basis to review the interim financial statements and audit the Company’s and Group’s annual financial statements. There is no rule in force at the Company concerning change of the entity authorized to audit the financial statements, a fact the Company did not disclose on its website.

- The principle specified in part III of the “Best Practices of Supervisory Board Members”, sec. 8, stating that within the tasks and operations of committees functioning within the Supervisory Board, Annex I to the European Commission Recommendation of February 15, 2005 on the role of non-executive or supervisory directors (...) should be applied.

Justification:

In 2011 an Audit Committee was organized within the Supervisory Board, with the following composition:

Marek Dworak - Chairperson of the Audit Committee

Tomasz Litwiniuk - Deputy Chairperson of the Audit Committee

Krzysztof Sroczyński - Member of the Audit Committee

The Audit Committee's tasks include in particular:

- a) monitoring the financial reporting process,
- b) monitoring the effectiveness of internal control, internal audit and risk management systems,
- c) monitoring financial audit,
- d) monitoring the independence of the statutory auditor and entity authorised to audit financial statements,

No other committees were organized within the Supervisory Board since remaining tasks are undertaken by the Supervisory Board as a whole, operating in its five-person composition.

- The principle specified in part IV of the "Best Practices of Supervisory Board Members", sec. 8, stating that the Company should enable shareholders to participate in general meetings using electronic means of communication, i.e.:
 - 1) real-time broadcast of general meetings,
 - 2) two-way communication in real time, by way of which shareholders can make verbal statements during general meetings without being physically present at the meeting location.

Justification:

Following an analysis of all technical, organizational, financial and legal aspects, in 2013 the management board decided against broadcasting general meetings in real time and providing two-way communications in real time. However, the Company's management board declares that it will update the above analysis for future general meetings and will rationally consider allowing the use of electronic communications during the meetings.

III. Description of the principal features of internal control and risk management systems applied at the Company with regard to the process of drawing up financial statements

The Company has a system of internal control relating to accounting and the preparation of financial statements which ensures reliable and clear presentation of CI Games S.A.'s financial situation. The Company's Management Board oversees the system of control. Where applicable to the financial statements, the system of internal control covers in particular control of purchase and sales processes and turnover in cash and cash equivalents. The Company has implemented and applies appropriate methods for securing access to data and the computer systems used for data processing, including the storage and protection of accounting documentation and account books. The Company's annual financial statements are subject to audit, while interim reporting is subjected to review by an entity holding the appropriate authorizations, which is selected in each instance by the Supervisory Board.

The Company's financial statements are published in accordance with the applicable legal regulations. Risk management is conducted on the basis of an effective system of internal control in financial reporting, the objective of which it to ensure the adequacy and correctness of the financial information contained in the financial statements and periodic reports.

During the process of drawing up the Company's financial statements, one of the principal elements of control is verification of the financial statements by an independent

auditor whose tasks include in particular: review of the interim and audit of the annual financial statements – both separate and consolidated. Selection of an independent statutory auditor is made by the Supervisory Board through adoption of an appropriate Resolution. Once per year the Board assesses the Company's previously audited financial statements with regard to their compliance with the accounts, documents and the actual state of affairs. The Supervisory Board informs shareholders of the results of its assessment in its annual report.

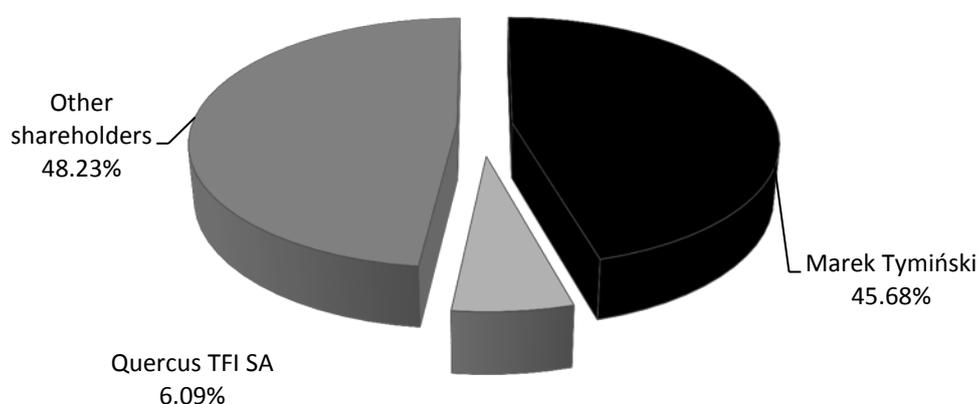
IV. Indication of shareholders directly or indirectly holding significant stakes together with indication of the number of shares held by such entities, their share in capital, the number of votes carried by such shares and their share in the total number of votes at the general meeting

The total number of votes at the general meeting of the parent, CI Games S.A., is 1 391 499.90.

CI Games S.A. shareholding structure as at the publication date of this report:

Shareholder	Number of shares	% in share capital	Number of votes at GM	% of votes at GM
Marek Tymiński	6 356 357	45.68%	6 356 357	45.68%
Quercus TFI S.A.	846 962	6.09%	846 962	6.09%
Other shareholders	6 711 680	48.23%	6 711 680	48.23%

CI Games S.A. shareholding structure



V. Indication of the holders of any securities which carry special control entitlements

The Company does not have any securities which carry special entitlements for their holders.

VI. Indication of all limitations relating to exercise of the right to vote, such as a limitation concerning exercise of voting rights by holders of a specified share or number of votes, time limitations concerning exercise of the right to vote - pursuant to which and with the Company's support the entitlements attached to securities are separated from ownership of such securities.

There are no limitations relating to exercise of the right to vote in the scope indicated above.

VII. Indication of all limitations concerning transfer of ownership to securities

All shareholders whose stake in the Issuer's share capital as at the date of approving the prospectus exceeded 2% undertook towards the Parent that during the twelve-month period from the date of the first listing of rights to the Issuer's shares on the Warsaw Stock Exchange they would not encumber or pledge – with the exception of the possibility to establish a pledge for a bank in order to provide collateral for loans, nor dispose nor in any other manner transfer ownership, nor undertake to perform such action in relation to the entirety or part of shares, in any manner for the benefit of any person or entity unless consent for such action is expressed by the Parent's Supervisory Board. The obligation was intended to cease being binding in the event that City Interactive S.A.'s share price (closing rate on the WSE) exceeded the issue price by at least 20%.

The above obligation concerned a total of 8 987 265 series A shares held by the above-mentioned shareholders, which constituted 90% of shares held by them as at the date on which the prospectus was approved.

All shares which were subject to agreements on limitation of their assignability were deposited in brokerage accounts held by DM IDMSA.

In July 2007, the Company issued 40 000 series B shares at an issue price of PLN 1 under a motivational program for its employees and significant associates. Persons subscribing for series B shares entered into a lock-up agreement with the Parent, limiting the assignability of shares for a period of either two or three years. In this manner the Issuer's employees and associates holding a total of 40 000 series B shares in City Interactive S.A., constituting in total 100% of series B shares in the Issuer, entered into an agreement with the Parent pursuant to which they undertook not to dispose of any of series B shares held for a period of one year and:

- 70% of series B shares held for a period of one subsequent year for a total of 20 150 shares,
- 90% of series B shares held for a period of one subsequent year for a total of 19 850 shares,

Furthermore some persons under the aforementioned motivational program also became the holders of series A shares at a price of PLN 1. Employees and associates holding a total of 35 650 series A shares in City Interactive S.A. submitted an official obligation not to dispose of any of the shares held for a period of 1 year and 90% of shares held for a period of two subsequent years.

All shares which were subject to agreements on limitation of their assignability were deposited in brokerage accounts held by DM IDMSA.

In the event of employment or cooperation being terminated with a shareholder holding shares covered by the motivational program, his/her shares were or are transferred to another person designated by the Company's Management Board.

110 000 ordinary series D shares in the Parent were issued on 30 June 2009. These shares were subscribed for by the Parent's employees at the issue price – PLN 1 per share.

There are no limitations on exercising voting rights carried by shares in the Issuer under the employee scheme.

VIII. Description of principles concerning the appointment and dismissal of management personnel and their entitlements, in particular the right to take decisions on the issue or buy-back of shares

The principles concerning the appointment and dismissal of management personnel within the Company are specified in the provisions of the Polish Commercial Companies Code and the Articles of Association of CI Games S.A.

The most significant principles in force in this area are as follows:

- the number of Management Board members is established by the Company's Supervisory Board – between 1 and 5 members;
- members of the Management Board are appointed and dismissed by the Supervisory Board; a 5-year term of office is in force;
- the Management Board represents the Company externally and manages the Company's business, with the exception of issues reserved for the general meeting or Supervisory Board.

Resolutions concerning the issue or buyback of shares are adopted by the general meeting. Resolutions of the general meeting concerning the issue of convertible bonds and bonds with a priority right concerning subscription for shares, amendment to the Articles of Association, redemption of shares and increase or decrease of share capital are passed with a 3/4 majority of votes, as per the Polish Code of Commercial Companies.

IX. Description of the principles for amending the Company's articles of association

The principles concerning amendment to the Company's Articles of Association are specified in the Polish Commercial Companies Code and the Articles of Association of City Interactive S.A. The Articles of Association are available on the Company's website: www.cigames.com in the Investor Relations section.

X. Description of the means by which the general meeting operates and its principal entitlements together with shareholder rights and the means by which these are exercised

The Company's general meeting takes place in accordance with the principles specified in the Polish Commercial Companies Code, the Company's Articles of Association and the Bylaws of the general meeting.

The Articles of Association and Bylaws of the general meeting are available on the Company's website: www.cigames.com in the Investor Relations section.

The rights and obligations of Company shareholders concerning participation in general meetings and exercise of the right to vote are specified in the Polish Commercial Companies Code, the Company's Articles of Association and other legal regulations concerning the operation of the capital market.

XI. Composition and means of operation for management and supervisory authorities at the Company and their committees

Management Board of CI Games S.A.

Marek Tyimiński President of the Company's Management Board throughout 2013
Andreas Jaeger Member of the Company's Management Board until March 13, 2013

Andreas Jaeger resigned from the Management Board during 2013.

Supervisory Board of CI Games S.A.

Krzysztof Sroczyński	Chairman of the Supervisory Board throughout 2013
Marek Dworak	Member of the Supervisory Board throughout 2013
Lech Tyimiński	Member of the Supervisory Board throughout 2013
Grzegorz Leszczyński	Member of the Supervisory Board throughout 2013

Tomasz Litwiniuk

Member of the Supervisory Board throughout 2013

The principles for the operation of the Company's management and supervisory authorities are specified in the Polish Commercial Companies Code, the Company's Articles of Association, the Bylaws of the Management Board and the Bylaws of the Supervisory Board. The Articles of Association, Bylaws of the Management Board and Bylaws of the Supervisory Board are available on the Company's website: www.cigames.com in the Investor Relations section.

No committees were organized within the Supervisory Board in 2013.

Marek Tymiński

President of the Management Board

Warsaw, March 21, 2014