

# **CI Games S.A.**

Independent Statutory Auditor's Opinion and Report  
Financial year ended  
December 31, 2013

## **INDEPENDENT STATUTORY AUDITOR'S OPINION**

To the Shareholders and Supervisory Board of CI Games S.A.

We reviewed the enclosed financial statements of CI Games S.A., having its registered office in Warsaw, ul. Puławska 182 (the Company), which consist of the balance sheet drawn up as at December 31, 2013, statement of profit and loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the period from January 1, 2013 to December 31, 2013, together with notes to the financial statements.

The Company's management is responsible for drawing up the financial statements and report on the Company's operations in accordance with legal regulations.

The Company's Management Board and members of the Supervisory Board or other supervisory body are required to ensure that the financial statements and report on the Company's operations fulfill the requirements provided for in the Accounting Act of September 29, 1994 (Polish Journal of Laws of 2009, no. 152, item 1223 as amended), hereinafter referred to as the "Polish Accounting Act".

Our objective was to audit and express an opinion on whether the financial statements are compliant with the Company's required accounting principles (policy), whether they reliably and clearly present all significant aspects of the financial situation, asset position and financial result of the Company.

We audited the financial statements in accordance with the following:

- 1) Section 7 of the Polish Accounting Act;
- 2) National financial audit standards issued by the National Chamber of Statutory Auditors in Poland.

We planned and carried out the audit of the financial statements in such manner as to gain the rational certainty necessary for us to express an opinion on the statements. In particular, the audit covered verification of the accounting principles (policies) and significant estimates applied by the Company and examination, primarily on a test basis, of evidence supporting the figures and disclosures in the financial statements, together with an overview of the financial statements.

We consider that the audit provided us with sufficient basis to provide an opinion.

In our opinion, the audited financial statements, in all significant aspects:

- a) give a true and accurate view of all information significant for assessment of the Company's financial situation and asset position as at December 31, 2013, as well as its financial result for the financial year January 1 to December 31, 2013,
- b) were drawn up in accordance with International Accounting Standards, International Financial Reporting Standards and associated interpretations published in the form of European Commission regulations, and where not governed by such standards then appropriate to the requirements of the Polish Accounting Act and secondary legislation issued on its basis, and also pursuant to correctly maintained accounts,

- c) are compliant with the provisions of law binding on the Company which impact the content of financial statements.

Without raising reservations as to the correctness and accuracy of the audited financial statements, we point out the Management Board's assumptions regarding the Company's status as a going concern, as presented in point 2 c) of the introduction to the financial statements.

The management report on the Company's operations is complete in the meaning of art. 49, sec. 2 of the Polish Accounting Act and complies with the Ordinance of the Minister of Finance of February 19, 2009 on current and periodic information provided by issuers of securities and the conditions for recognizing information required by the law of a non-member state as equivalent (Polish Journal of Laws of 2009, no. 33, item 259), and the information contained in it, as sourced from the audited financial statements, is compliant therewith.

[signature]

Statutory Auditor no. 11505

Jędrzej Szalacha

Lead Statutory Auditor

conducting the audit

CSWP Audyt Spółka z ograniczoną odpowiedzialnością Sp. k.

Entity authorized to audit financial statements, entered into the list of authorized entities, no. 3767, held by the National Chamber of Statutory Auditors.

Warsaw, March 21, 2014

# **CI Games S.A.**

Report on Audit of the Financial Statements  
Financial year ended  
December 31, 2013

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## **I. GENERAL PART OF THE REPORT**

### **1. Identification data and basic information on the Company**

#### **1.1. Name, legal form and registered address of the Company**

CI Games S.A. (formerly City Interactive S.A.)  
ul. Puławska 182  
03-821 Warsaw, Poland

#### **1.2. Objects of the Company**

In accordance with the Company's articles of incorporation, its principal objects are:

- manufacture of electronic games, including computer games,
- manufacture of computer media;
- production of audio recordings, video recordings and reproduction of computer media;
- retail sale of computer games, audio recordings, video recordings and computer media;
- computer hardware and software advisory;
- software distribution;
- advertising;
- wholesale of electronic games, audio recordings, video recordings and computer media;
- publishing activity;
- printing activity;
- retail sale of books, newspapers and written material;
- retail sale outside of a network of stores;
- data processing;
- database activity;
- activity connected with film and the video industry;
- other forms of education not elsewhere classified;
- recruitment and provision of personnel;
- commercial activity not elsewhere classified;
- research and development work in technical sciences.

#### **1.3. Legal basis for the Company's operations**

The Company was formed through transformation from City Interactive Sp. z o.o. The resolution on transformation was adopted by the general meeting of City Interactive Sp. z o.o. on May 16, 2007. The duration of the Company is unlimited. The Company is registered at the District Court for the Capital City of Warsaw in Warsaw, 13<sup>th</sup> Commercial Division of the National Court Register, entry number KRS 0000282076.

Pursuant to a resolution of the Ordinary General Meeting of Shareholders of April 23, 2013, the Company's name was changed to CI Games S.A. Change of the Company's name was registered by the District Court for the Capital City of Warsaw in Warsaw, 13<sup>th</sup> Commercial Division, on August 7, 2013.

#### 1.4. Company's registration for tax and statistical purposes

NIP (taxpayer identification number): 1181585759  
REGON (statistical identification number): 017186320

#### 1.5. Company's share capital

As at December 31, 2013, the Company's share capital (registered and unregistered) was PLN 1 391 499.90, divided into 13 914 999 shares with a nominal value of PLN 0.10 each. Shares are not preferred shares.

Pursuant to a resolution of the Management Board of CI Games S.A. of December 4, 2013, the Company's share capital was increased by PLN 126 499.90 through the issue of 1 264 999 ordinary shares (not preferred) with a nominal value of PLN 0.10 each. The issue price per share was PLN 9. The subscription was private. The Management Board was authorized to increase the Company's share capital under issued capital pursuant to a resolution of the Extraordinary General Meeting of Shareholders of November 14, 2013. The share capital increase was registered by the District Court for the Capital City of Warsaw in Warsaw, 13<sup>th</sup> Commercial Division, on January 8, 2014. Pursuant to resolution 122/2014 of the Management Board of Giełda Papierów Wartościowych w Warszawie S.A., said board decided to introduce the shares, in a standard manner, to trading on the parallel market on February 6, 2014.

The Company's shareholding structure as at December 31, 2013 was as follows (registered capital as at December 31, 2013, together with capital paid-up and taken-up as at December 31, 2013, but registered on January 8, 2014):

Shareholder name	Number of shares	Nominal value of shares (PLN thousands)	Number of votes held (%)	Type of shares
Marek Tymiński	6 356 357	635.6	45.7%	Ordinary
Quercus Parasolowy SFIO	846 962	84.7	6.1%	Ordinary
Others	6 711 680	671.2	48.2%	Ordinary
	13 914 999	1 391.5	100%	

CI Games S.A. is parent of the CI Games Group, and draws up financial statements.

#### 1.6. Company's Management Board

The Company's Management Board performs management functions.

As at December 31, 2013, the Company's Management Board comprised:

- Marek Tymiński – President of the Management Board

Andreas Jaeger resigned as Member of the Management Board on March 13, 2013.

## **2. Information on the financial statements for the preceding year**

The Company's financial statements for the preceding financial year, i.e. the year ended December 31, 2012, were audited by CSWP Audyt Sp. z o.o. Sp. k., and the independent statutory auditor's opinion, dated March 7, 2013, did not contain reservations but included the following supplementary explanation:

"Without raising reservations as to the correctness and accuracy of the audited financial statements, we point out that:

- As at the end of the reporting period the Company maintained low liquidity ratios and generated a loss for the financial year. The Management Board believes that this does not constitute a threat to the Company's status as a going concern, as described in point 2 c) of the introduction to the financial statements,
- The Company did not publish the financial statements for the preceding year in the *Monitor Polski B* official gazette."

On April 23, 2013, the Company's general meeting approved the financial statements for the preceding year.

The financial statements for the preceding year were submitted to the National Court Register on July 12, 2013.

The closing balance as at the end of the preceding financial year was correctly introduced into the accounts as the opening balance for the audited year.

## **3. Data identifying the authorized entity and lead statutory auditor**

### **3.1. Entity authorized to audit the financial statements**

CSWP Audyt Spółka z ograniczoną odpowiedzialnością Sp. k.  
ul. Kopernika 34  
00-336 Warsaw, Poland

NIP: 525-25-23-102  
REGON: 145894054  
KRS: 0000402544

Company registered at the District Court for the Capital City of Warsaw in Warsaw, 12<sup>th</sup> Commercial Division of the National Court Register.

Entry into the list of entities authorized to audit financial statements: no. 3767.

### **3.2. Lead statutory auditor**

Jędrzej Szalacha, statutory auditor no. 11505.



### **3.3. Information on the agreement on provision of assurance services, audit dates and independence**

The basis for performance of the audit is the agreement of June 19, 2013. The decision on selection of statutory auditor was taken through the resolution of the Company's Supervisory Board of June 19, 2013.

The time frame for audit of the financial statements at the Company's registered office was as follows:

- From July 24 to August 1, 2013 – initial audit,
- From January 27 to January 31, 2014 and from February 17 to February 21, 2014 – final audit.

CSWP Audyt Spółka z ograniczoną odpowiedzialnością Sp. k., the lead statutory auditor and persons participating in the audit of the Company's financial statements fulfill the requirements for independence in relation to all Company entities in the meaning of art. 56, sections 3 and 4 of the act on statutory auditors and their self-regulation, entities authorized to audit financial statements and public oversight.

## II. ANALYTICAL PART OF THE REPORT

### 1. Company financial data

#### 1.1. Balance sheet – assets

ASSETS	Dec. 31, 2013 (PLN thousands)	% share in carrying value	Dec. 31, 2012 (PLN thousands)	% share in carrying value
<b>Non-current assets</b>				
Property, plant and equipment	1 428	1.5	1 048	1.4
Intangible assets	43 727	44.1	38 214	51.9
Interests in subsidiaries, associates and jointly controlled entities	4 603	4.6	223	0.3
Deferred income tax assets	22 329	22.5	5 122	7.0
<b>Total non-current assets</b>	<b>72 087</b>	<b>72.7</b>	<b>44 607</b>	<b>60.6</b>
<b>Current assets</b>				
Inventories	3 336	3.4	2 024	2.7
Current investments	364	0.4	1 717	2.3
Advances paid	408	0.4	78	0.1
Trade and other receivables	7 985	8.0	8 778	11.9
Income tax receivables	3 125	3.1	-	-
Cash and cash equivalents	9 918	10.0	14 398	19.6
Other current assets	1 999	2.0	2 051	2.8
<b>Total current assets</b>	<b>27 135</b>	<b>27.3</b>	<b>29 046</b>	<b>39.4</b>
<b>TOTAL ASSETS</b>	<b>99 222</b>	<b>100.0</b>	<b>73 653</b>	<b>100.0</b>

In 2013, the Company, as a partner in a civil partnership, became an income tax payer on behalf of subsidiary CI Games Spółka Akcyjna Spółka Jawna. The principle assets of CI Games Spółka Akcyjna Spółka Jawna are trademarks.

In connection with this, a deferred income tax asset was recognized, resulting in an increase in non-current assets.

## 1.2. Balance sheet – equity and liabilities

EQUITY AND LIABILITIES	Dec. 31, 2013 (PLN thousands)	% share in carrying amount	Dec. 31, 2012 (PLN thousands)	% share in carrying amount
<b>Equity</b>				
Share capital	1 391	1.4	1 265	1.7
Share premium	15 530	15.7	4 556	6.2
Buy-back provision	16 000	16.1	16 000	21.7
Retained earnings	46 478	46.8	19 801	26.8
<b>Total equity</b>	<b>79 399</b>	<b>80.0</b>	<b>41 622</b>	<b>56.4</b>
<b>Non-current liabilities</b>				
Provision for pensions and similar	33	0.1	32	0.1
Finance lease liabilities	13	0.0	39	0.1
Deferred income tax provision	1 076	1.1	43	0.1
<b>Total non-current liabilities</b>	<b>1 122</b>	<b>1.2</b>	<b>114</b>	<b>0.3</b>
<b>Current liabilities</b>				
Borrowings including credits, loans and debt instruments	5 720	5.7	20 602	28.0
Trade payables	11 412	11.5	7 266	9.8
Finance lease liabilities	25	0.0	51	0.1
Other liabilities	286	0.3	285	0.4
Other current provisions	1 258	1.3	985	1.3
Deferred income	-	-	2 728	3.7
<b>Total current liabilities</b>	<b>18 701</b>	<b>18.8</b>	<b>31 917</b>	<b>43.3</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>99 222</b>	<b>100.0</b>	<b>73 653</b>	<b>100.0</b>

Equity increased in comparison with the preceding year as a result of the net profit generated for 2013 and a share issue.

The decrease in liabilities results from repayment of bonds which were issued by the Company to finance the Sniper: Ghost Warrior 2 release that took place in March 2013.

### 1.3. Statement of profit and loss

	Jan. 1, 2013 – Dec. 31, 2013 (PLN thousands)	% share in revenue from sales	Jan. 1, 2012 – Dec. 31, 2012 (PLN thousands)	% share in revenue from sales
<b>CONTINUING OPERATIONS</b>				
<b>Net revenue from sales</b>				
Net revenue from sale of products and services	100 318	99.4	29 927	96.6
Net revenue from sale of goods for resale and materials	654	0.6	1 055	3.4
	<b>100 972</b>	<b>100.0</b>	<b>30 982</b>	<b>100.0</b>
<b>Cost of products, goods for resale and services sold</b>				
Cost of manufacture of products sold	(59 533)	59.0	(24 274)	78.3
Value of goods for resale and materials sold	(606)	0.6	(641)	2.1
	<b>(60 139)</b>	<b>59.6</b>	<b>(24 915)</b>	<b>80.4</b>
<b>Gross profit/(loss) on sales</b>	<b>40 833</b>	<b>40.4</b>	<b>6 067</b>	<b>19.6</b>
Other operating revenue	1 609	1.6	329	1.1
Distribution costs	(12 717)	12.7	(5 849)	19.0
Administrative expenses	(5 433)	5.5	(4 897)	15.9
Other operating costs	(10 115)	10.0	(16 457)	53.1
<b>Profit/(loss) on operating activities</b>	<b>14 177</b>	<b>14.0</b>	<b>(20 807)</b>	<b>67.2</b>
Finance income	123	0.1	456	1.5
Finance costs	(3 798)	3.7	(2 257)	7.3
<b>Profit/(loss) before tax</b>	<b>10 502</b>	<b>10.4</b>	<b>(22 608)</b>	<b>73.0</b>
<b>Income tax</b>	<b>16 175</b>	<b>16.0</b>	<b>3 612</b>	<b>11.7</b>
<b>Profit/(loss) on continuing operations</b>	<b>26 677</b>	<b>26.4</b>	<b>(18 996)</b>	<b>61.3</b>
<b>Net profit/(loss)</b>	<b>26 677</b>	<b>26.4</b>	<b>(18 996)</b>	<b>61.3</b>

The increase in revenue and profitability results primarily from the March 2013 release of Sniper: Ghost Warrior 2.

The 2013 result was also substantially affected by the recognition of a deferred income tax asset concerning a temporary difference between the book value and tax value of trademarks belonging to the Company.

**1.4. Statement of comprehensive income**

	Jan. 1, 2013 – Dec. 31, 2013 (PLN thousands)	% share in revenue from sales	Jan. 1, 2012 – Dec. 31, 2012 (PLN thousands)	% share in revenue from sales
<b>Net profit</b>	<b>26 677</b>	<b>26.4</b>	<b>(18 996)</b>	<b>(61.3)</b>
<b>Total other comprehensive income</b>				
Result of financial instrument measurement	-	-	(77)	0.2
Result of hedging instrument measurement	-	-	2 098	6.8
	-	-	<b>2 021</b>	<b>6.5</b>
<b>Total comprehensive income for the financial year</b>	<b>26 677</b>	<b>26.4</b>	<b>(16 975)</b>	<b>54.8</b>

In 2012, other comprehensive income mainly concerned reversal of hedging instrument measurement which was done as at December 31, 2011.

## 2. Analysis of the Company's financial data

	<b>2013</b>	<b>2012</b>	<b>2011</b>
<b>1. Net sales margin</b>			
$\frac{\text{Net profit} \times 100\%}{\text{Net revenue}}$	26.4%	Negative value	24.5%
<b>2. Return on equity</b>			
$\frac{\text{Net profit} \times 100\%}{\text{Equity} - \text{net profit}}$	50.6%	Negative value	41.2%
<b>3. Receivables turnover</b>			
$\frac{\text{Net trade receivables} \times 365 \text{ days}}{\text{Net revenue from sales}}$	29 days	103 days	88 days
<b>4. Debt ratio</b>			
$\frac{\text{Liabilities and provisions for liabilities} \times 100\%}{\text{Total equity and liabilities}}$	20.0%	43.5%	17.6%
<b>5. Current ratio</b>			
$\frac{\text{Current assets}}{\text{Current liabilities}}$	1.5	0.9	3.6

The Company's FY results are substantially dependent on game releases due to the fact that the majority of sales take place in the initial post-release period, i.e. "day one." Once a game is released, it is fairly easy to predict whether it will be a success or will impairment losses need to be recognized.

Due to the above, ratios are incomparable from year to year, and are thus not subject to interpretation.

2013 saw the release of Sniper: Ghost Warrior 2, however other unprofitable game projects resulted in the recognition of a PLN 8 million impairment loss.

The Company intends to release two important games in 2014, works on which are currently being finalized.

### **III. DETAILED PART OF THE REPORT**

#### **1. Extent of the audit**

The audit was carried out for the shareholders and Supervisory Board of CI Games S.A., having its registered office in Warsaw at ul. Puławska 182.

The financial statements comprise a balance sheet drawn up as at December 31, 2013, statement of profit and loss, statement of comprehensive income, statement of changes in equity, statement of cash flows for the financial year January 1 to December 31, 2013, and notes to the financial statements.

There was no limitation in the extent of the audit and the Company's Management Board submitted and provided access to all declarations, explanations, documents and information requested by the auditor.

#### **2. Company accounting system**

Pursuant to the completed audit we can state that, in all aspects significant to the financial statements, the Company:

- holds the documentation required pursuant to art. 10 of the Polish Accounting Act;
- consistently and diligently applies the adopted accounting principles (policy) approved by the Company's Management Board;
- holds correct documentation relating to commercial transactions;
- maintains its accounts in a reliable, correct and verifiable manner, and the entries made in the accounts are linked to invoices and other source documents, as well as the financial statements;
- takes adequate steps to limit access to data and the computer systems used for data processing;
- completed an inventory of assets and equity and liabilities in accordance with the requirements of the Polish Accounting Act, the results of which were correctly included in the accounts;
- ensures appropriate protection of accounting documentation, accounting records and the financial statements.

The aim of our audit was not to express a comprehensive opinion on the accounting system, although on the basis of procedures applied we did not discover significant irregularities concerning this system which were not subsequently rectified and which could have a significant impact on the audited financial statements as a whole.

#### **3. Notes to the financial statements and report on the Company's operations**

On the basis of the audit we found that, in all significant aspects, the notes to the financial statements, forming an integral part of these statements, and the management report on the Company's operations, were drafted by the Company in a comprehensive and correct manner.

#### **4. Information on the statutory auditor's opinion**

As a result of the audit carried out on the Company's financial statements drafted as at and for the period ended December 31, 2013, we have issued an unqualified opinion with the following supplementary explanation:

"Without raising reservations as to the correctness and accuracy of the audited financial statements, we point out the Management Board's assumptions regarding the Company's status as a going concern, as presented in point 2 c) of the introduction to the financial statements."

[signature]

Statutory Auditor no. 11505

Jędrzej Szalacha

Lead Statutory Auditor

conducting the audit

CSWP Audyt Spółka z ograniczoną odpowiedzialnością Sp. k.

Entity authorized to audit financial statements, entered into the list of authorized entities, no. 3767, held by the National Chamber of Statutory Auditors.

Warsaw, March 21, 2014