

CI GAMES GROUP

INTERIM MANAGEMENT REPORT FOR THE FIRST HALF OF 2013



Warsaw, August 26, 2013

CI Games S.A. Management Board Declaration

Pursuant to the Ordinance of the Minister of Finance of 19 February 2009 (Polish Journal of Laws no. 33, item 259 as amended) *on current and periodic information provided by the issuers of securities and the conditions for recognizing information required by the provisions of law of a non-member state as equivalent*, the Management Board of CI Games S.A. declares that to the best of its knowledge the condensed consolidated interim financial statements and comparative data have been drawn up in accordance with binding accounting principles and correctly, reliably and clearly reflect the Group's financial and asset position together with its financial performance, and that the interim report on the Company's operations contains a true depiction of the development, achievements and situation of the Group, including a description of principal hazards and risk.

The Management Board of CI Games S.A. declares that the entity authorized to audit financial statements performing audit of the Group's condensed consolidated interim financial statements was selected in accordance with the provisions of law and that such entity and the statutory auditors conducting the audit fulfilled the conditions for issue of an impartial and independent report on audit of the financial statements in accordance with binding regulations and professional standards.

Management Board of CI Games S.A.

Marek Tymiński

President of the Management Board

Warsaw, August 26, 2013

I. General description of CI Games Group operations

The CI Games Group operates in the global video game development and publishing market. The parent company, CI Games S.A., is the first publicly traded company in this sector in Central and Eastern Europe and the first to emerge as an international player and generate outstanding market and financial performance. The Group is focused on developing high quality products across a wide spectrum of game genres, thus strengthening its status in the industry.

In the gaming market, the Group operates as:

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

Through combining these three functions, the Group can effectively control the process of creating and distributing games without needing to involve a large number of third parties in the process of introducing its products to the market.

The CI Games Group effectively manages its main assets: an experienced team, global distribution network, cost advantage and higher margins compared to other developers. The Issuer has executed agreements on game development and independent distribution with owners of the most popular gaming consoles, i.e. Sony and Microsoft. The games developed for PlayStation®3, Xbox360® and PC have high commercial potential and are competitive in relation to others present in the market. Intensive work is on-going with respect to products for next-gen consoles which will be released at the end of 2013 and start of 2014 and which will gradually replace the current portfolio. The Group is also working on supplementing the product range with games from new segments, including RPGs and games for iOS.

II. Share capital

2.1. Share capital of the Parent – CI Games S.A.

CI Games S.A.'s share capital amounts to PLN 1 265 000 and is divided into 12 650 000 shares with a nominal value of PLN 0.10 each:

- 10 000 000 series A shares,
- 40 000 series B shares,
- 2 500 000 series C shares,
- 110 000 series D shares.

Series A shares were subscribed for by then-current shareholders in City Interactive Sp. z o.o. at the moment the company was transformed into a public limited company (*spółka akcyjna*).

Series B shares were issued under an incentive scheme and were subscribed for by the Parent's employees and partners. The District Court made registration of the increase in share capital as a result of issuing series B shares on 10 August 2007.

Series C shares were subject to a public offering in November 2007, which was a complete success. All shares on offer have been subscribed for and are paid up. On 17 December 2007 the District Court in Warsaw made registration of the increase in the Parent's share capital as a result of issuing series C shares.

Series D shares were issued under an incentive scheme and were subscribed for by the Parent's employees and partners. The District Court made registration of the increase in share capital as a result of issuing series D shares on 9 October 2009.

There are no securities carrying special control entitlements in relation to the Issuer, since in accordance with the Parent's articles of association all shares issued are ordinary bearer shares with equal nominal value carrying the same rights and obligations for each shareholder.

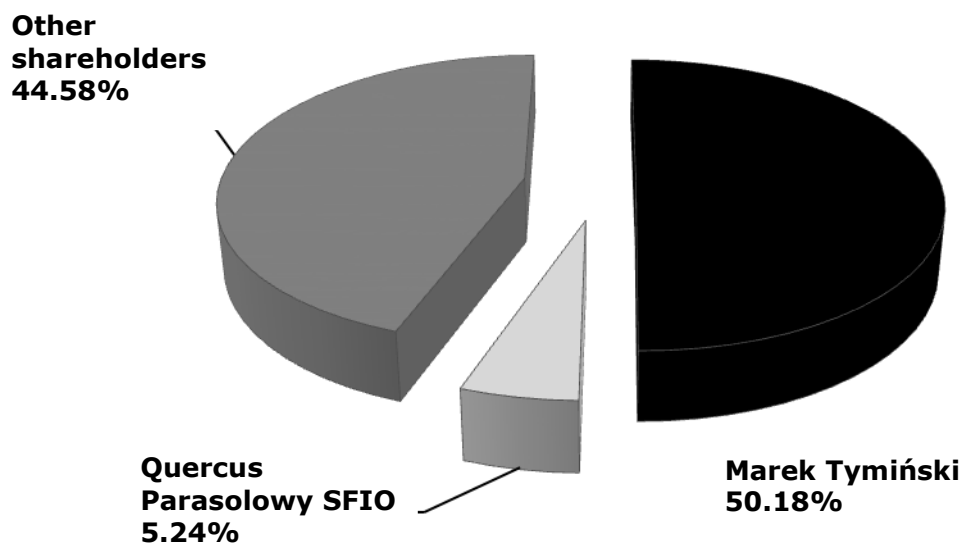
2.2 Indication of shareholders directly or indirectly through subsidiaries holding at least 5% of total votes at the Parent's general meeting as at the date of publishing the interim report, with indication of the number of shares held by such entities, their percentage in share capital, the number of votes carried thereby and their percentage 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 12 650 000.

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	6 347 285	50.18%	6 347 285	50.18%
Quercus Parasolowy SFIO	663 307	5.24%	663 307	5.24%
Other shareholders	5 639 408	44.58%	5 639 408	44.58%

CI Games S.A. shareholding structure



During the period from publication of the Issuer's last quarterly report (i.e. during the period from May 10, 2013 to August 26, 2013), the following changes in the Issuer's shareholding structure took place:

- On May 29, 2013 the Company received a notification from Quercus Towarzystwo Funduszy Inwestycyjnych S.A., acting on behalf of QUERCUS Parasolowy SFIO, QUERCUS Absolute Return FIZ and QUERCUS Absolutnego Zwrotu FIZ (the "Funds"), concerning an increase by the Funds of their joint share in the total number of CI Games S.A. votes and exceeding of the 5% threshold of total CI Games S.A. votes. The Funds exceeded the 5% threshold of total votes in the Company as a result of a regulated market transaction on May 27, 2013. As at

May 27, 2013 the Funds held 726 451 shares in the Issuer, which constituted 5.74% of the Issuer's share capital and 5.74% of total votes at the general meeting.

- On June 10, 2013 the Company received a notification from Quercus Towarzystwo Funduszy Inwestycyjnych S.A., acting on behalf of QUERCUS Parasolowy SFIO (the "Fund"), concerning an increase by the Fund of its share in the total number of CI Games S.A. votes and exceeding of the 5% threshold of total CI Games S.A. votes. The Fund exceeded the 5% threshold of total votes in the Company as a result of a regulated market transaction on June 6, 2013. As at June 10, 2013 QUERCUS Parasolowy SFIO held 663 307 shares in the Issuer, which constituted 5.24% of the Issuer's share capital and 5.24% of total votes at the general meeting.

2.3. Shares or rights to shares in CI Games S.A. held by the Issuer's management or supervisory personnel as at the date of publishing the interim report, together with indication of shareholding changes during the period from publication of the last quarterly report, presented individually for each person

Person	Position	As at May 5, 2013	Increase in shareholding during the period from May 10, 2013 to Aug 26, 2013	Decrease in shareholding during the period from May 10, 2013 to Aug 26, 2013	As at Aug 26, 2013 (report publication date)
Marek Tymiński	President of the Management Board	6 347 285	-	-	6 347 285
Andreas Jaeger*	Member of the Management Board	5 000	n/a	n/a	n/a
Lech Tymiński	Member of the Supervisory Board	9 565	-	-	9 565

* Andreas Jaeger was member of the Management Board until March 13, 2013.

2.4. Information on agreements known to the Issuer, pursuant to which there may be a change in the proportions of shares held by current shareholders. Indication of limitations concerning transfer of ownership to securities in the Parent

The Parent has no information concerning other agreements (including agreements entered into after the end of the reporting period) under which proportions of shares held by existing shareholders might change in the future.

There are also no limitations on exercise of the right to vote carried by the Issuer's shares.

2.5. Information on employee share program control system

All shareholders whose stake in the Issuer's share capital as at the date of approving the prospectus exceeded 2% undertook towards the Parent, CI Games S.A., that during the 12-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 CI Games 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 Parent 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 CI Games 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, certain 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 CI Games 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 subsequent period of two 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.

III. CI Games Group organizational structure, including consolidated entities

Composition of the CI Games Group as at June 30, 2013:

- **CI Games S.A.** (previously City Interactive S.A.), having its registered office in Warsaw. Share capital of PLN 1 265 000. Group parent.
- **CI Games USA Inc.** (previously City Interactive USA Inc.) – a company having its registered office in Delaware, USA. Share capital USD 50 000. 100% of shares held by CI Games S.A. Company subject to consolidation from Q2 2008.
- **CI Games Germany GmbH** (previously City Interactive Germany GmbH) – a company having its registered office in Frankfurt am Main, Germany. Share capital of EUR 25 000. 100% of shares held by CI Games S.A. Company subject to consolidation from Q2 2008.
- **City Interactive Studio S.R.L.** – a company having its registered office in Bucharest, Romania. 100% of shares held by CI Games S.A. This company is subject to consolidation from Q4 2011.

- **Business Area Spółka z o.o.** – a company with registered office in Warsaw, subject to consolidation as of Q3 2010. Share capital of PLN 5 000. 100% interest held by CI Games S.A.
- **Business Area Spółka z ograniczoną odpowiedzialnością S.K.A.** – a company having its registered office in Warsaw. Share capital of PLN 1 050 000. The sole limited partner is the parent, CI Games S.A., and the sole general partner is subsidiary Business Area Sp. z o.o. The company is subject to consolidation from Q1 2013.
- **CI Games Cyprus Ltd.** – a company headquartered in Nicosia, Cyprus. Share capital of EUR 1 200. 100% of shares held by CI Games S.A. Company subject to consolidation from Q1 2013.
- **CI Games IP Sp. z o.o.** – a Warsaw-based company with share capital of PLN 114 092 350. On May 13, 2013, pursuant to an agreement between CI Games Cyprus Ltd. and Business Area Spółka z ograniczoną odpowiedzialnością S.K.A., a 99.99% stake in CI Games IP Sp. z o.o. was transferred from CI Games Cyprus Ltd. to Business Area Spółka z ograniczoną odpowiedzialnością S.K.A.; a 0.01% stake is held by the Group's parent. The company is subject to consolidation from Q1 2013. On August 12, 2013 an extraordinary general meeting of CI Games IP Sp. z o.o. adopted a resolution on transformation from a limited company (*sp. z o.o.*) to a general partnership (*spółka jawna*). Existing shareholders in the limited company decided to participate in the general partnership. The new name of the company is CI Games S.A. spółka jawna.
- **City Interactive Canada Inc.** – a company based in Ontario, Canada, established in October 2010. Share capital of CAD 10.00. 100% of shares held by CI Games S.A. The company is not subject to consolidation with regard to the fact that its financial results are not significant for assessment of the Issuer's situation.
- **City Interactive UK Ltd.** – a company based in Manchester, UK. Share capital of GBP 100. 100% of shares held by CI Games S.A. The company is not subject to consolidation with regard to the fact that its financial results are not significant for assessment of the Issuer's situation.

On February 6, 2013 the Issuer disposed of 100% of shares in City Interactive Spain S.L. based in Madrid, Spain.

Furthermore, throughout 2008 the parent acquired shares in the following entities operating in South America and subsequently in 2009 opted out of their further development. Currently these entities are not subject to consolidation, as their operations have been discontinued and the Parent has created appropriate provisions.

- City Interactive Peru SAC (formerly UCRONICS SAC) – a company having its registered office in Lima, Peru. 99% interest. Share capital of 2 436 650 Sol. The company was subject to consolidation from the date of acquisition of a controlling block of shares to the end of 2008.
- City Interactive Jogos Electronicos LTDA – a company having its registered office in Sao Paulo, Brazil. Founding capital of BRL 100 000. 90% interest, remaining 10% held by City Interactive USA, Inc.
- City Interactive Mexico S.A. de C.V. – company having its registered office in Mexico City, Mexico. Founding capital of MXN 50 000. 95% interest, remaining 5% held by City Interactive USA, Inc.

IV. Description of the Group's significant achievements or set-backs in H1 2013 and events impacting its financial results

- **Release of *Sniper: Ghost Warrior 2***

On January 18, 2013 Microsoft® certification for the Xbox360® version of *Sniper: Ghost Warrior 2* was received on first attempt. Certification for the PlayStation®3 version of the game was received from Sony Computer Entertainment America LLC on January 30, 2013 and from Sony Computer Entertainment Europe Ltd. on February 13, 2013. Therefore the game was certified for Xbox360® and Sony PlayStation®3 including in North America, Europe and Australia.

The release of *Sniper: Ghost Warrior 2* for PlayStation®3, Xbox360® and PC in North America occurred on March 12, 2013, while the European release took place on March 15, 2013.

- **Impairment of intangible assets**

On February 14, 2013 the Issuer announced the following:

- 1) after analyzing the commercial potential of *World of Mercenaries*, the Company's Management Board decided to discontinue development. In connection with the above, the Group's consolidated financial statements for 2012 show a PLN 5.4 million impairment loss on the unfinished development of the game.
- 2) after performing an impairment test on the completed development of *Dogfight 1942* based on planned future revenue from sale of the game, the Management Board of Parent City Interactive S.A. decided to adjust its value as at the end of 2012 by PLN 5.2 million.
- 3) after exhaustive analysis of expenses incurred to develop the *Sniper: Ghost Warrior* mobile version for iOS and assessment of the potential to use completed game elements for further development of the title, the management board of Business Area Sp. z o.o. decided to recognize a PLN 0.7 million impairment loss in 2012 profit.

- **FX hedging transactions**

On February 19, 2013 the Parent terminated the framework agreement on futures and derivatives contracts and the additional foreign exchange transaction agreement executed with Raiffeisen Bank Polska S.A., and on the same day received a treasury transaction framework agreement signed by Alior Bank S.A. On March 6, 2013 the Company executed forward contracts hedging the Company's currency surplus.

During the reporting period the Parent implemented a hedging policy, due to which the effect of measurement of the principal constituting effective hedging was assigned to a PLN 794 000 revaluation reserve (adjusted for deferred tax). Liabilities resulting from measurement of hedging transactions were presented in the balance sheet under "financial liabilities".

The table below presents all open forward contracts as at the end of the reporting period.

	Open contracts in foreign currency	Forward initial recognition in PLN	Entry price	Contract settlement date
EUR	1 000 000	4 131 000	4.1310	August 30, 2013
EUR	1 000 000	4 140 000	4.1400	December 30, 2013
USD	2 000 000	6 333 600	3.1668	August 30, 2013
USD	2 000 000	6 345 400	3.1727	December 30, 2013
		20 950 000		

- **Reverse factoring agreement**

On February 20, 2013 the Parent's Management Board announced that it had received a reverse factoring agreement executed with Warsaw-based Alior Bank S.A. The bank granted a EUR 3.2 million limit to the Parent for use in EUR and USD, allocated to finance the purchase of goods, licenses and contract work. The final repayment deadline was established as July 31, 2013. The product carries interest at the EURIBOR 1M rate for EUR and LIBOR 1M rate for USD plus the bank's annualized margin of 2.2%; origination commission (calculated for unused amounts) - none. Collateral for the product is provided in the form of confirmed assignment of CI Games USA Inc.'s receivables, a declaration on submission for enforcement proceedings and power of attorney for the Issuer's bank accounts at Alior Bank S.A. Other provisions in the agreement do not differ from conditions commonly applied to this type of agreement.

On July 15, 2013 the Company made a full and timely repayment of the reverse factoring facility.

- **IP management optimization within the Group**

On March 11, 2013, CI Games S.A. acquired 1 000 000 shares in subsidiary Business Area Spółka z ograniczoną odpowiedzialnością Spółka komandytowo - akcyjna valued at PLN 128.9 million. Purchase of the new share issue, a result of increasing the share capital of Business Area Sp. z o.o. S.K.A., took place in exchange for the Issuer's transfer of a non-cash (in-kind) contribution valued at PLN 128.9 million, constituting a separate and organized part of the Issuer's business designated for the performance of specific business tasks, i.e. management of intellectual property, and domestic sales and marketing, forming a separate Branch of the Company. The above transaction is aimed at separating intellectual property, in particular trademarks, and is an element of the project to streamline intellectual property management within the Group. The Company's extraordinary general meeting granted its consent to the transaction on March 6, 2013.

The Branch comprises assets including:

- movables and rights to movables constituting the Branch's equipment, with market value of PLN 30 000;
- Branch assets other than those referred to in the point above, including intangible assets connected with the Branch's operations - PLN 124.5 million assessed market value of the Company's trademarks;
- PLN 4.3 million in receivables attributable to the Branch;
- PLN 126 000 in Branch liabilities under payment settlements with contracting parties;
- all rights and obligations under agreements and other legal relationships connected with the Branch;
- employees assigned to the Branch undertaking work-related duties within the Branch's operations;
- PLN 110 000 in cash and cash equivalents held by the Branch.

Subsidiary Business Ares Sp. z o.o. S.K.A. is fully controlled by the Issuer and in this regard the Issuer is fully protected from further trade in the rights constituting the in-kind contribution outside of the Issuer's Group without the Company's consent.

The following two agreements were signed on March 12, 2013 as implementation of subsequent phases under the project to streamline intellectual property management within the Group:

1) sales agreement for trademarks executed between the Issuer's subsidiaries Business Area Spółka z ograniczoną odpowiedzialnością S.K.A. as seller and CI Games Cyprus Ltd. as purchaser. The trademarks were sold as per the assessment of market value carried out by a valuation expert and adopted pursuant to an opinion issued by an independent statutory auditor.

2) license agreement for use of the trademarks, executed between the Issuer's subsidiary CI Games Cyprus Limited as licensor and City Interactive S.A. as licensee. The agreement covers an exclusive license for use by City Interactive S.A. of the trademarks.

On March 27, 2013 an agreement was executed selling trademarks valued at a total of PLN 114 million between the Issuer's subsidiaries CI Games Cyprus Ltd. (seller) and CI Games IP Sp. z o.o. (purchaser), and the trademarks in question were transferred as a non-cash (in-kind) contribution to cover subscription by CI Games Cyprus Ltd. for 2 281 747 shares valued at PLN 114 087 350 in the share capital of CI Games IP Sp. z o.o.

Therefore, on March 28, 2013, a license agreement for use of the trademarks was executed between the Issuer's subsidiary CI Games IP Sp. z o.o. as licensor and CI Games S.A. as licensee. The agreement covers an exclusive license for use by City Interactive S.A. of the trademarks.

On August 12, 2013 an extraordinary general meeting of CI Games IP Sp. z o.o. adopted a resolution on transformation from a limited company (*sp. z o.o.*) to a general partnership (*spółka jawna*). Existing shareholders in the limited company decided to participate in the general partnership. The new name of the company is CI Games S.A. *spółka jawna*.

The above project to streamline intellectual property management will bring a range of benefits for management of trademark licensing-related cash flows.

- **Conclusion of an office lease agreement**

On April 10, 2013 the Company received a signed lease agreement with IO-1 Building Spółka z o.o. The agreement concerns the Issuer's lease of almost 1 300m² in office space located in Warsaw at ul. Puławska 182 (building IO-1 next to the Wilanowska metro station), designated as the Company's new registered office and the Issuer's Warsaw studio. Rent for the lease was negotiated at a level not diverging from the current market levels currently in force for buildings with similar standard and location. The lease term is five years.

- **General meeting of CI Games S.A.**

An ordinary general meeting of CI Games S.A. took place on April 23, 2013, at which:

- a decision was adopted changing the Company's name from City Interactive S.A. to CI Games S.A.,
- the financial statements and management report on Company and Group operations for 2012 were approved,
- a decision was taken to cover the 2012 loss with future profits,
- a vote of approval was granted to the Issuer's Management Board and Supervisory Board for performance of their duties in 2012,
- a chairperson and members of the Supervisory Board were elected for a subsequent five-year term.

- **Series C and D bond buy-back**

On May 28, 2013 the Issuer announced that it completed a full and timely buy-back of CI Games S.A.'s series C bonds. The total value of the buy-back The total value of the series C buy-back was: PLN 15 577 500.

On June 26, 2013 the Issuer completed a full and timely buy-back of series D bonds. The total value of the series D buy-back was: PLN 6 000 000.

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

V. Selected financial data

Balance sheet assets and liabilities are translated according to the average exchange rate announced by the National Bank of Poland as at the end of the reporting period.

- EURPLN as at December 31, 2012 - 4.0882
- EURPLN as at June 30, 2013 - 4.3292

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

- - H1 2012 – EURPLN 4.2246
- - Q2 2012 – EURPLN 4.2741
- - H1 2013 – EURPLN 4.2140
- - Q2 2013 – EURPLN 4.2541

Selected separate financial data translated into EUR

STATEMENT OF PROFIT AND LOSS	H1 2013		H1 2012	
	PLN thousands	EUR thousands	PLN thousands	EUR thousands
Net revenue from sales	92 348	21 915	18 008	4 263
Profit (loss) from operating activities	32 386	7 685	- 3 301	- 781
Gross profit (loss)	31 438	7 460	- 5 326	- 1 261
Net profit (loss)	44 660	10 598	- 4 635	- 1 097
Number of shares (in thousands)	12 650	12 650	12 650	12 650
Profit (loss) per ordinary share	3.53	0.84	- 0.37	- 0.09

STATEMENT OF PROFIT AND LOSS	Q2 2013		Q2 2012	
	PLN thousands	EUR thousands	PLN thousands	EUR thousands
Net revenue from sales	12 953	3 045	8 369	1 958
Profit (loss) from operating activities	1 490	350	- 2 512	- 588
Gross profit (loss)	1 006	236	- 3 196	- 748
Net profit (loss)	20 460	4 809	- 2 587	- 605
Number of shares (in thousands)	12 650	12 650	12 650	12 650
Profit (loss) per ordinary share	1.62	0.38	- 0.20	- 0.05

STATEMENT OF CASH FLOWS	H1 2013		H1 2012	
	PLN thousands	EUR thousands	PLN thousands	EUR thousands
Net cash flows from operating activities	24 966	5 925	7 393	1 750
Net cash flows from investing activities	- 13 397	- 3 179	- 15 465	- 3 661
Net cash flows from financing activities	- 19 677	- 4 669	- 15	- 4
Net cash flows	- 8 108	- 1 924	- 8 087	- 1 914

BALANCE SHEET	30.06.2013		31.12.2012	
	PLN	EUR	PLN	EUR
	thousands	thousands	thousands	thousands
Non-current assets	66 396	15 337	44 883	10 979
Current assets	34 044	7 864	27 574	6 745
Total assets	100 440	23 201	72 457	17 723
Equity	83 532	19 295	39 657	9 700
Share capital	1 265	292	1 265	309
Liabilities	16 908	3 906	32 799	8 023
Non-current payables	1 631	377	114	28
Current liabilities	15 277	3 529	32 685	7 995
Total equity and liabilities	100 440	23 201	72 457	17 723

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

In H1 2013, revenue from sales reached PLN 92.3 million. The principal factor contributing to the results achieved during the period was the release of *Sniper: Ghost Warrior 2*, which took place in the North American market on March 12, 2013 and in Europe on March 15, 2013. The game was released simultaneously for all platforms - PlayStation®3, Xbox360® and PC.

During the reporting period the share of console games in the Group's sales structure did not change in comparison with the same period last year and reached 91%.

Sales structure	H1 2013	Q2 2013	H1 2012	Q2 2012
Console games	91%	97%	91%	94%
PC games	9%	3%	9%	6%

Europe accounted for the largest share in Group sales in H1 2013 (49% of total Group sales). The second key market within the Group's geographical sales structure was North America with 39%. Asia and Australia constituted 12% of Group revenues, which mainly resulted from the sale of licenses for *Sniper: Ghost Warrior 2* in the Russian and Japanese markets.

Data in PLN thousands

Geographical structure	H1 2013		Q2 2013		H1 2012		Q2 2012	
	Revenue	% share	Revenue	% share	Revenue	% share	Revenue	% share
Europe	45 728	49%	5 667	44%	8 217	46%	3 695	44%
North America	35 599	39%	6 280	48%	8 709	48%	4 297	51%
Asia and Australia	11 021	12%	1 006	8%	1 082	6%	377	5%
TOTAL	92 348	100%	12 953	100%	18 008	100%	8 369	100%

The Group's margin, calculated as gross profit on sales over revenue from sales, hit 54% in H1 2013 compared to 26% in H1 2012. The higher margin in H1 2013 was due to the release of *Sniper: Ghost Warrior 2* and sales at standard prices, while other games (mainly the first installment of *Sniper: Ghost Warrior*) were sold at discounted prices in all markets over the same period in 2012.

In the reporting period administrative expenses totaled PLN 3.3 million, a PLN 0.3 million increase in relation to H1 2012, which results from the Group's growth. Distribution costs amounted to PLN 13.7 million. During the reporting period the biggest impact on

distribution costs came from marketing and advertising connected with promoting the release of *Sniper: Ghost Warrior 2*.

During the reporting period finance costs reached PLN 1.0 million, consisting mainly of bond interest not recognized in the balance sheet as development work and the costs of financing comprising reverse factoring.

The H1 2013 net profit of PLN 44.7 million was significantly impacted by the recognition of a deferred tax asset resulting from acquisition of trademarks valued at PLN 19.5 million.

CI Games Group's carrying amount as at June 30, 2013 was PLN 100.4 million, a PLN 28 million increase on the 2012 year-end figure. The growth in assets resulted from the recognition by the Company of a deferred tax asset, together with a higher level of trade receivables as at the end of H1 2013 (a PLN 13.5 million increase from 2012 year-end), which is due to higher sales during the period in connection with the March release of *Sniper: Ghost Warrior 2*.

As at June 30, 2013 the Group's equity amounted to PLN 83.5 million, denoting PLN 43.9 million growth in comparison to the end of 2012, which mainly resulted from the net profit generated during the first half-year. During the reporting period, the Company also completed a buy-back of series C and series D bonds with a total nominal value of PLN 21.5 million. This had the largest impact on lowering current liabilities as compared with 2012 year-end. As at the end of H1 2013, financial liabilities comprised a reverse factoring facility for financing the production of media for *Sniper: Ghost Warrior 2* in the amount of PLN 1.7 million and measurement of forward contracts as at the end of the report period.

As at June 30, 2013, the Group held PLN 8.4 million in cash and cash equivalents (a decrease of PLN 8.1 million in comparison to December 31, 2012). In H1 2013 the Group generated PLN 25.0 million in positive cash flows from operating activities, mainly due to proceeds from the sale of *Sniper: Ghost Warrior 2*. The Group also incurred investment expenditures related to the financing of new game development in the amount of PLN 13.0 million and completed a PLN 20.6 million repayment of the Company's series C and series D bonds. During the reporting period the Company received financing in the form of a PLN 13.3 million reverse factoring facility, of which PLN 11.5 million was repaid during the period.

VII. Explanations concerning the seasonal or cyclical nature of the Issuer's business in the presented period

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

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

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

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

As at June 30, 2013 the parent had no contingent liabilities except promissory notes issued by CI Games S.A. for lessor Raiffeisen Leasing Polska in order to secure payments under concluded leasing agreements.

X. Information on sureties granted by the Issuer or any of its subsidiaries for credit or loans, or guarantees – to one entity or a subsidiary of such entity, if the total value of existing sureties or guarantees constitutes the equivalent of at least 10% of the Company's equity

During the period from January 1 to June 30, 2013, neither the Issuer nor any of its subsidiaries issued loan sureties or guarantees, the value of which would constitute at least 10% of the Issuer's equity.

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

During 2012 the Parent conducted two bond issues - series C and D, with a total nominal value of PLN 15.5 million and PLN 6 million. The series C redemption date was set as May 28, 2013, while series D bonds were redeemed on June 26, 2013.

On February 21, 2013, after receiving consent from all bondholders, parent CI Games S.A.'s Management Board adopted a resolution on amendment to the Issuer's series C bonds issued on September 28, 2012, consisting of a bonus for bondholders amounting to 0.5% of par value per bond, payable on maturity, and amendment to one covenant entitling bondholders to request early redemption, i.e. change of the final deadline for releasing *Sniper: Ghost Warrior 2* to March 12, 2013.

During the reporting period the parent, CI Games S.A., carried out a full and timely redemption of series C and series D bonds. Details can be found in section IV of this report.

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

XII. Effects of changes in corporate structure, including as a result of merging economic entities, acquisition or disposal of group entities, long-term investments, carve-outs, restructuring and discontinuation of activity

The following changes in CI Games Group's structure occurred during the reporting period:

- On January 31, 2013 the parent, CI Games S.A. (limited partner) acquired shares in Warsaw-based **Business Area Spółka z ograniczoną odpowiedzialnością S.K.A.** in the amount of PLN 50 000 . On March 11, 2013, CI Games S.A. acquired 1 000 000 shares in subsidiary Business Area Spółka z ograniczoną odpowiedzialnością S.K.A., with a total nominal value of PLN 128.9 million. Purchase of the new share issue, a result of increasing the share capital of Business Area Sp. z o.o. S.K.A., took place in return for the Issuer's submission of a non-cash (in-kind) contribution valued at PLN 128.9 million, constituting a separate and organized part of the Issuer's business designated for the performance of specific business tasks, i.e. management of intellectual property, and domestic sales and marketing, forming a separate Branch of the Company. Share capital amounts to PLN 1 050 000 (nominal value of one share is PLN 1). The sole general partner is a subsidiary of the Issuer - Business Area Sp. z o.o.

- On February 6, 2013 the Issuer sold a 100% stake in **City Interactive Spain S.L.**, a company based in Madrid, Spain.
- On March 11, 2013 Parent City Interactive S.A. acquired a 100% stake in **CI Games Cyprus Ltd.**, headquartered in Nicosia, Cyprus. Share capital of EUR 1 200.
- On March 27, 2013 Group company CI Games Cyprus Ltd. acquired 99.99% of shares in Warsaw-based **CI Games IP Sp. z o.o.** The remaining shares were acquired by Parent CI Games S.A. Share capital amounts to PLN 114 092 350. On May 13, 2013, pursuant to an agreement between CI Games Cyprus Ltd. and Business Area Spółka z ograniczoną odpowiedzialnością S.K.A., shares held by CI Games Cyprus Ltd. were transferred to Business Area Spółka z ograniczoną odpowiedzialnością S.K.A. On August 12, 2013 an extraordinary general meeting of CI Games IP Sp. z o.o. adopted a resolution on transformation from a limited company (*sp. z o.o.*) to a general partnership (*spółka jawna*). Existing shareholders in the limited company decided to participate in the general partnership. The new name of the company is CI Games S.A. spółka jawna.

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

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

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

During the reporting period the parent, CI Games S.A., did not pay out dividends, nor did it declare their payment.

XV. Other information which the Company's management believes is essential for assessment of its HR, asset or financial position, financial result and change thereto, as well as information essential for assessing the Issuer's ability to meet its liabilities

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

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

On April 8, 2013 the Issuer published the Company's preliminary estimates for consolidated net revenue and consolidated net profit generated by the CI Games Group in Q1 2013, with the estimated figures exceeding PLN 75 million and PLN 23 million respectively. The management confirms that the above forecasts were achieved (106% in relation to revenue, while 105% in relation to net profit).

On July 10, 2013 CI Games S.A. announced that, according to preliminary estimates, the CI Games Group exceeded PLN 12 million in Q2 2013 consolidated net revenue. The management confirms that the above guidance has been met.

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

XVII. Events which occurred after the date as of which the interim financial statements were drawn up such as were not recognized in the statements and which may have a significant impact on the Group's future financial results

- **Change of the Issuer's name from City Interactive S.A. to CI Games S.A.**

On August 22, 2013 the Parent's Management Board announced that it received a copy of a decision by the District Court for the Capital City of Warsaw, 13th Commercial Division of the National Court Register, regarding registration of an amendment in the Company's articles of association consisting especially of a change in the Company's name from City Interactive Spółka Akcyjna to CI Games Spółka Akcyjna. Pursuant to the updated articles of association, the Company may use the abbreviated form CI Games S.A.

The Issuer also requested the Warsaw Stock Exchange management to make the appropriate change to the name under which the Issuer's shares are traded on the stock market.

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

XVIII. Description of key risks and threats facing the Group

The most significant external risks from the Issuer's point of view are as follows:

Macroeconomic risk

The video game market in which the CI Games Group operates is highly competitive, and technology and consumer interests change rapidly. A significant factor which exerts a negative impact on operational efficiency are the macroeconomic fluctuations in specific markets. In order to minimize risk, the Group develops its operations on a global scale, independently releasing products in all of the most significant markets around the world. In recent years the entertainment industry has developed dynamically and it is estimated that the value of the video gaming market will exceed that of the film industry.

Competition risk

The Group conducts operations in a market where the leading position is held by companies with strong, established positions. The CI Games Group successfully competes with them by using its key advantages: an experienced team, global distribution network and cost efficiency which results in a lower breakeven point compared to other, much larger developers. A horizontal organizational structure enables flexibility and short reaction time. Its products are included in all price ranges. Games created for Sony PlayStation®3, Xbox360® and PC have high commercial potential and are competitive against others present in the market. The Group has initiated intense activities to supplement its portfolio by entering a new gaming segment: games for iOS.

Risk of change in trends

The Group operates in the new technology and virtual entertainment fields where a product's life cycle is relatively short. What cannot be counted out is the risk of new solutions appearing which mean that the products offered by the Group cease to be attractive and do not ensure the desired inflows. In order to minimize this risk a strategy has been adopted to follow trends and offer a range on the market which is proven and enjoys success amongst customers, rather than setting trends, a strategy which is a lot more expensive and risky.

The CI Games Group's principal activities in this field are based on constant monitoring of the market with regard to the development of new technologies (e.g. 3D) and managing new segments created by new consoles, mobile devices and online.

The current project pipeline ensures diversification of CI Games' product range and reduces market risk.

Risk of change in legal and tax regulations

Frequent changes in legal and tax regulations in Poland and other markets constitute a threat to the Issuer's operations. This concerns the regulation and interpretation of regulations connected with intellectual property, capital market, labor law and social security, tax law and regulations concerning commercial law. In some countries the issue of banning video games containing elements of violence is frequently raised. There is thus a risk of changes in regulations in a country where the Group sells its products which could have a negative impact on the Group's financial performance.

At the same time the Group undertakes activities aimed at eliminating risk through cooperating with specialist law firms around the world as well as insuring its entire catalog against product liability.

Foreign exchange risk

During H1 2013, 97% of the Group's revenues were generated in two currencies: EUR and USD. The Parent hedges against currency risk through incurring liabilities in these currencies.

Cash surpluses in specific currencies are hedged through forward FX contracts in the principal foreign currencies.

The risk factors directly connected with the CI Games Group's operations include:

Risk associated with loss of key employees

The Group's success is to a large extent dependent on the knowledge and experience of employees. This is a characteristic feature of video game developers in a business where the key assets are intangible. In this market it is difficult to seek out qualified industry specialists. The recruitment of new employees is furthermore combined with the period of their introduction to work, resulting in a temporary decrease in productivity.

The Group places particular emphasis on the following:

- a motivational salary scheme which builds links between the organization and the employee, together with medical care and a social package,
- a working environment which encourages communication and sharing of experience,
- management training for key employees,
- an incentive scheme for executives which is conditional on the financial results achieved.

Risk associated with loss of key customers

Sales operations are conducted on the basis of a developed retail network in Poland and on close cooperation with international distributors from around the world. This is a risk associated with the termination of distribution agreements or the bankruptcy of entities engaged in distribution which are formal purchasers of goods and for which the Group is a creditor. In order to minimize the possibility of incurring losses, the Parent has subsidiaries in the most operationally significant markets such as the United States, the United Kingdom and Germany, whose task is to constantly expand distribution opportunities and to work closely with distributors.

During H1 2013:

- the largest customer accounted for 13% of the CI Games Group's total sales,
- the three largest customers accounted for 35% of the Group's sales.

Supplier risk

One of the risk categories connected with suppliers is the introduction of titles on specific consoles and cooperation with their owners during the certification process. Non-acquisition of certification and the potential for termination of release agreements for consoles are two main elements of risk which exist in reality and may have an impact on the Group's financial results. It should however be emphasized that the Group makes specific efforts to meticulously fulfill and perform all obligations under agreements entered into between such entities and the Issuer or its subsidiaries. Payments connected with the release of games for consoles formed the main part of the Group's commercial liabilities during the reporting period and are always paid on time.

Corporate growth risk

The CI Games Group has a cash surplus from operating activities, which is used to finance the Group's game releases. The Parent has the capability to raise bank and capital-market financing in the event of this becoming necessary to finance additional projects.

Product portfolio risk

The video game market is driven by expectations connected with the release of new products. There is a risk that some products are finished later than planned, which as a consequence has a negative impact on cash flows generated and the financial result in specific periods.

Internal factors which can cause the delay of a release include difficulties in specifying the time needed to finish production and inspect the quality of a game in order for it to fulfill all expectations relating to quality. The release of a game which does not fulfill the high standards adopted by the Group could have a negative impact not just on the anticipated revenues from sale of this specific product but could also weaken the Company's image.

An external factor capable of resulting in the decision to postpone a release is the market situation, since an important element of the decision-making process is release of a game when competition from other products is at its lowest. Amongst other external factors a significant element is supplier delays in timely preparation of ordered game components.

In many instances rescheduling of a release is connected with an element of marketing known as the "long-awaited game", which is beneficial in creating a product image.

An additional aspect is the risk of companies or external persons threatening Group companies with legal action concerning copyrights to games, their elements, trademarks or reserved names for specific products. Operations in the United States are particularly exposed to this risk since this jurisdiction is characterized by strict legislation. In order to avoid losses here, the Group hires law firms specializing in intellectual property law and registers the trademarks of its products. In submitting such an application to protect trademarks in the European Union and in other countries around the world, availability in specific markets is verified and the risk of violating third party trademarks is estimated.

Liquidity risk

The CI Games Group generates a cash surplus from operating activities. Protection against the risk of customer default is ensured through analyzing their financial condition and monitoring payment of receivables on an on-going basis. The Parent is also able to raise capital through bank debt or debt issuance.

XIX. Factors which, in the opinion of the Issuer's management, may have an impact on the company's financial results in the perspective of at least the next half-year

The CI Games Group is unwavering in pursuing its development strategy aimed at consistently releasing high quality video games. Currently, the quality of the game development, marketing and sales process is the decisive factor impacting product planning and development activities. The Group produces games for existing consoles and is steadily expanding game development for next-generation consoles which should become available in 2013-2014 and will gradually replace the existing platforms. This is a clear move in the direction of the most important global market, where sales are based on console products, while at the same time following the latest gaming trends. The management is expanding operations by venturing into new genres and gaming models (e.g. RPGs) and new distribution channels (games for iOS systems, i.e. iPad®, iPhone®), which constitutes a further step in the Group's development. The Issuer's management believes that this will yield a further improvement in the Issuer's financial performance in subsequent quarters and years.

For almost three years intensive work has been underway to produce the second game in the *Sniper: Ghost Warrior* franchise using the latest CryENGINE®3 technology. The release of *Sniper: Ghost Warrior 2* took place on March 12, 2013 in North America and March 15, 2013 in Europe. Additional content was introduced after the game's release, including add-ons. 1.3 million units have been sold up to date.

The second half of 2013 will see the release of *Alien Rage*, a game being developed using the latest version of Unreal® Engine3, intended to be distributed online for PCs, Xbox360® and PlayStation®3.

Another one of the Issuer's key projects in the production phase with high commercial potential is *Enemy Front*, a first person shooter set during the Second World War. The game's release for Xbox360®, Sony PlayStation®3 and PC is planned for 2014. CI Games S.A. is counting on an equally impressive reception for the game as was the case with *Sniper: Ghost Warrior*.

Work is currently underway on the development of RPG *Lords of the Fallen*, primarily in Germany where an experienced team at Deck13 Interactive GmbH is working alongside the game's executive producer Tomasz Gop (one of the principal producers of *The Witcher® 2 Assassins of Kings*). Its release on Xbox360®, Sony Playstation®3 and PC is planned for 2014.

The Group is also working on a mobile version of *Sniper: Ghost Warrior* for iOS (iPad® and iPhone®), which will be based on Unreal® Engine3 from Epic Games Inc.

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

XX. Information regarding agreements with an entity authorized to audit financial statements

- a) Name of the entity: CSWP Audyt Spółka z o.o. Sp. k.
- b) Date of entering into the agreement on audit of the separate and consolidated financial statements for 2013 – June 19, 2013. The agreement concerns audit of the financial statements of the Parent and Group for 2013 (semi-annual review and annual audit).
- c) Total remuneration due for review and audit of the Parent's and Group's financial statements in 2013 – PLN 42 000 net.
- d) The entity auditing the 2012 financial statements of the Parent and Group (semi-annual review and annual audit) was CSWP Audyt Sp. z o.o. Sp. k. Total remuneration due for review and audit of the Parent's and Group's financial statements in 2012 was PLN 40 000 net.

Marek Tymiński

President of the Management Board

Warsaw, August 26, 2013