CITY INTERACTIVE GROUP

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 31, 2012

GAMES

Warsaw, March 7, 2013

Contents

I. Introduction to the consolidated financial statements for the period from January 1 to December 31, 2012

1. Information on the Group

Parent:

a) City Interactive S.A. was registered on June 1, 2007 as a result of transforming City Interactive Sp. z o.o. through a notarial deed, Notary's Register A 2682/2007, dated May 16, 2007. Its registered office is located in Warsaw at ul. Żupnicza 17.

b) The Company is entered into the Register of Companies under entry no. KRS 0000282076. The entry was made by the District Court for the Capital City of Warsaw in Warsaw, 13th Commercial Division of the National Court Register.

c) The main subject of the Parent’s and Group’s operations is the development, release and distribution of computer games.

d) In accordance with the articles of association, the duration of the Company's operations is unlimited.

e) During 2012 the Company's Management Board comprised:

- Marek Tymiński President from January 1 to December 31, 2012
- Andreas Jaeger Member from March 14 to December 31, 2012
- Michał Sokolski Member from January 1 to March 14, 2012

f) During 2012 the composition of the Company's Supervisory Board remained unchanged:

- Krzysztof Sroczyński Chairman from January 1 to December 31, 2012
- Lech Tymiński Member from January 1 to December 31, 2012
- Marek Dworak Member from January 1 to December 31, 2012
- Grzegorz Leszczyński Member from January 1 to December 31, 2012
- Tomasz Litwiniuk Member from October 1 to December 31, 2012

g) City Interactive is the parent of the Group and draws up consolidated financial statements. The following subsidiaries belong to the Group:

As at December 31, 2012 the City Interactive Group comprised the following entities:

- City Interactive S.A., having its registered office in Warsaw. Share capital of PLN 1 265 000. Group parent.
- 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 City Interactive S.A. Company subject to consolidation as of the second quarter of 2008.
- City Interactive USA Inc. – a company having its registered office in Delaware, USA. Share capital USD 50 000. 100% of shares held by City Interactive S.A. Company subject to consolidation as of the second quarter of 2008.
- 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 City Interactive S.A.

- City Interactive Studio S.R.L. – a company having its registered office in Bucharest, Romania. 100% of shares held by City Interactive S.A. This company is subject to consolidation from Q4 2011.
- 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 City Interactive 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 Spain S.L. – company having its registered office in Madrid, Spain. Share capital of EUR 3 600. 100% of shares held by City Interactive S.A. The Issuer sold its interest in the company on February 6, 2013.

On August 21, 2012 the Issuer disposed of 100% of shares (share capital amounted to GBP 100) in subsidiary City Interactive Studio Ltd, headquartered in London, UK. The company was formed in December 2010.

On February 4, 2013 City Interactive S.A. (general partner) acquired shares in Business Area Sp. z o.o. S.K.A. in Warsaw. Its share capital is PLN 50 000 (nominal value per share is PLN 1). The sole general partner is a subsidiary of the Issuer - Business Area Sp. z o.o.

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.

- 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.

2. Basis for presentation and preparation of the financial statements

a) These consolidated financial statements cover the period from January 1 to December 31, 2012. Comparative data covers the period from January 1 to December 31, 2011
b) The consolidated financial statements were drawn up in accordance with the International Accounting Standards and International Financial Reporting Standards (IAS/IFRS).
c) The consolidated financial statements were drawn up on the assumption that the business will continue as a going concern in the foreseeable future and that no events will occur posing a threat to its status as a going concern.

   The Group generates positive cash flows from operating activities. Protection against customer insolvency is ensured through analyzing customers' financial condition and on-going monitoring of receivables payment. It should additionally be emphasized that the Parent is able to raise capital through bank debt or the issue of bonds on highly favorable terms.

   According to the Parent's management, despite a net loss of PLN 19.8 million and a PLN 5.1 million surplus of current liabilities over current assets reported in 2012, no circumstances exist which could indicate a threat to the Group's continuing as a going concern or a threat of losing liquidity and thus not being able to service assets and meet liabilities in a normal course of doing business. In connection with the release of *Sniper: Ghost Warrior 2*, scheduled for March 12, 2013, the Group expects to post unprecedented financial results and a surplus allowing it to cover all of the Group's liabilities.

3. Adopted accounting principles

a) Application of the International Accounting Standards

The annual consolidated financial statements are drawn up in accordance with the International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) adopted by the European Union and interpretations adopted by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) applicable in the business conducted by the Company and binding in annual reporting periods commencing January 1, 2007, together with the requirements of the Ordinance of the Minister of Finance of February 19, 2009 concerning current and periodical information provided by issuers of securities and the terms and conditions for information required by the provisions of law of a non-member state being recognized as equivalent (Polish Journal of Laws no. 33, item 259).

The financial statements for the period from January 1 to December 31, 2012 are subsequent financial statements prepared in accordance with IAS/IFRS. Comparative data covers the period from January 1 to December 31, 2011 and is sourced from the financial statements prepared in accordance with IAS/IFRS. IAS/IFRS were adopted on January 1, 2007.

b) Basis for preparing the consolidated financial statements

Figures in the financial statements are given in PLN thousands. Figures in the notes to the financial statements are given in full PLN. Figures of less than PLN 499 and 49 groszy respectively were rounded down, while in other instances figures were rounded up.

The consolidated financial statements were drawn up on historical cost basis. Preparation of consolidated financial statements in accordance with IAS/IFRS requires that the Management Board provide professional judgments, estimates and assumptions which have an impact on the adopted principles and the value of assets, liabilities, revenues and costs presented. Estimates and associated assumptions are based on previous experience and other factors which are acknowledged as rational in given circumstances and their results provide a basis for professional judgment concerning the carrying amount of assets and liabilities which does not directly result from their sources. Actual values may differ from estimates.

Estimates and associated assumptions are subject to systematic verification. Changes in assumptions are recognized in the period in which these were made.

The principles of the accounting policy presented below were applied in relation to all periods presented in the submitted consolidated financial statements as well as in drawing up an opening balance sheet in accordance with IAS/IFRS as at January 1, 2007 for the purposes of implementing the transition from Polish accounting standards to IAS/IFRS-compliant reporting.

c) Principles of consolidation

(i) Subsidiaries

The City Interactive Group consolidated financial statements were drawn up applying the acquisition method as the means of settlement adopted on the date of the share purchase transaction (fully consolidated). In drawing up the financial statements, the parent combines the financial statements of the parent and subsidiaries through summarizing individual items of assets, liabilities, shares in equity, revenues and costs.

In order to ensure presentation of financial information concerning the Group in the consolidated financial statements as if it constituted a single commercial entity, only the carrying amount of the parent's investments in subsidiaries and such part of the subsidiary's equity as corresponds to the parent's share is presented.

The method applied for translation of the financial statements of foreign operations depends on the means by which they are financed and the type of business activity conducted in relation to the entity drawing up the financial statements. For this reason, in accordance with IAS 21, entities operating abroad are broken down into: "entities operating abroad, whose operations constitute an integral part of the operations of the entity drawing up the financial statements" and "foreign operations".

For translation of the financial statements of subsidiaries operating abroad, the aforementioned entities were classified as "foreign operations" in accordance with IAS 21. After converting the financial statements of foreign operations, in order for these to be included in the financial statements of the entity drawing up the financial statements, the following principles were applied:

- assets and liabilities, both monetary and non-monetary, were converted at the closing rate;
- revenues and costs of foreign operations were converted at the exchange rate as at the date of executing transactions, with the exception of situations where the foreign operation is drawing up reports in hyper-inflationary economic conditions. In this situation items would be converted at the closing rate;
- all exchange rate differences are recognized in equity until disposal of the net investment.

The financial results of entities acquired or disposed of during the year are included in the consolidated financial statements from / to the moment of their acquisition or disposal, respectively, if this constitutes significant value for the presented financial statements.

Where necessary, adjustments are made in the financial statements of subsidiaries or associates in order to unify the accounting principles applied by the entity with the principles applied by the parent. All transactions, balances, revenues and costs between related entities covered by consolidation are subject to exclusion.

(ii) Associates, joint ventures

Associates are business entities where the Group exerts significant influence, although does not control their operational and financial policies.

The Group’s joint ventures are entities where the Group exercises joint control over their operations pursuant to contractual arrangements.

The consolidated financial statements contain the Group's share of profits and losses of associates / joint ventures using the equity method, from the moment of acquiring significant influence / joint control until the expiry of such influence / control. The Group also measures the loss in value of shares in the net assets of associates / joint ventures and makes the appropriate revaluation decreases. In the event of the Group's participation in losses exceeding the carrying amount of the associate / joint venture, such amount is reduced to zero and ceases to be recognized in further losses in as far as there is no legal obligation to cover losses or payment had not already been made to cover such liabilities.

Goodwill arising during consolidation results from the occurrence as at the acquisition date of a surplus of the cost of acquiring the entity over the fair value of identifiable assets and liabilities of the subsidiary, associate or joint venture as at the acquisition date.
Goodwill acquired through a merger of commercial entities is not amortized. Goodwill is subject to impairment testing at least once per year. Any impairment is immediately recognized in the statement of profit and loss. In disposal of a subsidiary, associate or joint venture, the appropriate part of goodwill is taken into consideration in calculating the profit or loss on disposal.

(iii) Consolidation adjustments

The balance of intragroup settlements, transactions executed within the Group and all unrealized profits or losses resulting thereunder, together with Group revenues and costs, are excluded during the preparation of the consolidated financial statements. Unrealized gains resulting from transactions with associates and joint ventures are excluded from the consolidated financial statements proportionally to the level of the Group's participation in such entities. Unrealized losses are excluded from the consolidated financial statements on the same principles as profits, until the moment when evidence indicating impairment arises.

d) Property, plant and equipment

(i) Own property, plant and equipment

Costs borne at a later time are included in the carrying amount of an asset or are indicated as a separate asset only if it is probable that the Group will achieve future economic benefit connected with such asset and the purchase price for a given item may be measured reliably. Expenses for repair and maintenance are recognized in the statement of profit and loss in the period in which they were borne. The cost of production is augmented by fees and for defined assets by the costs of external finance capitalized in accordance with the principles defined in the Group's accounting policy.

Depreciation concerning such property, plant and equipment commences at the moment they are commissioned. Each new fixed asset must, in as far as possible, be broken down into separate components and depreciated as a separate asset.

Property, plant and equipment under construction intended for production, lease or administrative purposes, as well as for undefined purposes, are presented in the balance sheet at cost of manufacture less impairment.

Profit or loss arising from disposal / liquidation or suspension of the use of fixed assets is defined as the difference between revenues from disposal and the net value of such fixed assets and are included in the statement of profit and loss.

Land – the right of perpetual usufruct of plots of land is presented at purchase price.

The Group does not amortize rights to perpetual usufruct of land. Depreciation rates were established with consideration to the period of economic usefulness of fixed assets.

Property, plant and equipment items are depreciated using the straight-line method with the following rates:

- technical equipment and machinery: 20-60%
- other fixed assets: 20%

(ii) Property, plant and equipment used pursuant to lease agreements

Leases are classified as finance leases if in principle the terms and conditions of the agreement transfer all potential ownership benefits and risk to the lessee. All other types of leases are treated as operating leases.

Assets used pursuant to a finance lease agreement are treated as the Group's assets and are measured at fair value as of the moment of their acquisition, although at a level not exceeding the value of their current minimum lease payments.

Lessor liabilities arising on this account are recognized in the balance sheet under finance lease liabilities.

Lease payments are divided into interest and principal. Finance costs are recognized in the statement of profit and loss.

(iii) Deferred expenses

Costs aimed at exchange of separate components of an element of property, plant and equipment borne in a subsequent period are capitalized. Other costs are capitalized only if they can reliably be measured and increase future economic benefits connected with a fixed asset. Other expenses are systematically recognized in the statement of profit and loss.

e) Intangible assets

(i) Intangible assets

The Group recognizes intangible assets only when:

a) it is probable that the future economic benefits that are attributable to the assets will flow to the Group, and
b) the purchase price or cost of production of a given asset may be measured reliably.

An intangible asset is initially valued at purchase price or cost of production. Intangible assets are subject to amortization. Amortization rates were established with consideration to the period of economic usefulness of intangible assets.

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

- licenses: 20%-90%
- computer software: 50%

Development expenditures are recognized as costs at the moment they are borne.

Costs of development work borne before the commencement of production or application of new technological solutions are classified as intangible assets if the Company can prove the following:

- the possibility, from a technical point of view, to complete an intangible asset so that it is suitable for use or sale,
- the intent to complete an intangible asset and to use or sell it,
- the capacity to use or sell an intangible asset,
- the means in which an intangible asset will create potential economic benefits. Amongst others, the Group should prove the existence of a market for products arising due to the intangible asset or the asset itself or – if the asset is to be used by the entity – the usefulness of the intangible asset,
- the availability of appropriate technical, financial and other resources which are to serve completion of development work and the use or sale of the intangible asset,
- the possibility to establish outlays borne during development work which may be assigned to such intangible asset.

The costs of development work with a useful life assumed in advance are subject to amortization. Amortization write-offs commence as of the date when a given asset is ready for use, whereas they end at the moment when a given asset is allocated for sale or ceases to be included in the accounts.

The amortization period is equal to the period of economic usefulness of a resource held. The adopted amortization period and method for the costs of development work are verified at least as at the end of the financial year. The costs of development work are amortized during the anticipated period of achieving revenues from sale of a product, however not longer than three years.

The Group does not amortize the costs of development work with an undefined useful life. Intangible assets with undefined useful life are subject to an annual impairment test, in application of the guidelines of IAS 36 "Impairment of Assets".

External financing costs (e.g. interest on loans and borrowings and exchange differences on loans and borrowings denominated in foreign currencies) which may be directly assigned to the purchase or production of assets increase the purchase or production cost of such item. Net financing costs include interest payable on debt established based on the effective interest rate, interest receivables on funds invested by the Group, due dividends, gains and losses on foreign exchange differences and gains and losses on hedging instruments, which are recognized in the statement of profit and loss.

(ii) Impairment

At the end of each reporting period the Group reviews assets in order to confirm that there were no circumstances indicating the possibility of their impairment.
In the event of such circumstance existing, the recoverable amount of a given asset is estimated in order to establish a potential impairment loss.
In a situation where an asset does not generate cash flows which are to a large extent independent of cash flows generated by other assets, analysis is carried out for the group of assets generating cash flows to which a given asset belongs.
In the case of intangible assets with a defined useful life, the impairment test is carried out both annually and in the event of circumstances indicating the possibility of impairment. The recoverable amount is established as the higher of two values: fair value less costs to sell, or its value in use. This final amount corresponds to the current value of estimated future discounted cash flows using a discount rate taking into consideration the present value of money and asset-specific risk.
If the recoverable amount is lower than the net book value of an asset (or group of assets), the book value is decreased to the recoverable amount.
Impairment loss is recognized as a cost in the period it occurred, with the exception of a situation where an asset was recognized at restated value (in this case the impairment is treated as a decrease in the previous restatement).
At the moment where the impairment is subject to subsequent reversal, the net value of the asset (or group of assets) is increased to the new estimated recoverable amount, however not higher than the net value of such asset as it would have been established had impairment not been identified in previous years.
Reversal of impairment is recognized in revenues in as far as the asset was not subject to prior estimation – in this event reversal of impairment is recorded in the revaluation reserve.

f) Investments

Investments other than property, intangible and financial assets are recognized at purchase price, less impairment.
Investments recognized at historical cost expressed in a foreign currency as at the end of the reporting period are valued using the average exchange rate announced by the National Bank of Poland as at the end of the reporting period.

g) Financial instruments

Financial assets and liabilities are recognized in the balance sheet at the moment when the Group becomes a party to a binding agreement.

The Group classifies each agreement which results in simultaneous occurrence of a financial asset with one party and a financial liability or equity instrument with the other party as a financial instrument, on condition that unambiguous economic effects result from a contract executed between two or more parties.

In accordance with IAS 39, the Group classifies financial instruments as:

- instruments held for trading (at fair value through profit or loss) – financial assets or liabilities which were acquired or arose in order to generate profit achieved due to short-time price fluctuations,
- financial instruments held to maturity – financial assets with fixed or determinable payments or fixed maturity dates, which the Group has the intent and capability to hold to maturity, carried at amortized cost with application of the effective interest rate method, with the exception of loans granted by associates and own debt claims, valued using the effective interest method,
- available-for-sale financial instruments – financial assets other than loans granted and own receivables, assets held to maturity or financial assets not held for trading. Carried at fair value,
- borrowings and receivables – non-derivative financial assets with fixed or determinable payments which are not quoted in an active market. At initial recognition, the Group values financial assets and liabilities at purchase cost (price), i.e. according to the fair value of the payment made in the case of assets, or the amount received in the case of liabilities.

The Group includes transaction costs in the initial value of all financial assets and liabilities.

Differences in restatement and revenues achieved or costs borne appropriate to classification of a financial asset are recognized in profit or loss or the revaluation reserve as available-for-sale financial assets, respectively.

Principles for measurement of financial instruments as at the end of the reporting period. The Group measures financial assets at amortized costs, with consideration of the effective interest rate of:

- assets held to maturity,
- borrowings granted and receivables, and
- other financial liabilities not classified as held for trading.

Measurement may also take place:

- at the amount requiring payment if the discount effect is not significant;
- at the amount requiring payment: receivables and liabilities with short maturity period;
- at fair value: financial assets and liabilities held for trading and available-for-sale financial assets.

Changes in the fair value of financial assets held for trading not being part of hedges are recognized as finance income or costs when they arise.

Interests in other entities are valued at purchase price less impairment.

h) Trade and other receivables

Current trade and other receivables are valued at repayment value in as far as the effect of charging interest is not significant. Otherwise receivables are initially recognized at fair value and subsequently valued at amortized cost in application of the effective interest rate. In accordance with the principle adopted by the Group, receivables with maturity of longer than 180 days are subject to discounting.

i) Financial liabilities

Financial liabilities held for trading, including in particular derivatives with negative fair value, which are not classified as hedging instruments are recognized at fair value, whereas gains and losses from their measurement are recognized directly through profit or loss.

Other financial liabilities are measured at amortized costs with application of the effective interest rate.

All financial liabilities are included in the accounts under the contract execution date.

The principles for measurement and presentation of financial instruments in the financial statements are as follows:

Asset or liability group	Measurement principles	Principles for recognition in the financial statements
Assets carried at fair value through profit or loss	At fair value (with the exception of assets for which fair value cannot be established)	Measurement difference recognized in profit or loss for the current reporting period in the finance income or finance costs item.
Liabilities held for trading	At fair value (with the exception of assets for which fair value cannot be established)	Measurement difference recognized in profit or loss for the current reporting period in the finance income or finance costs item.
Other financial liabilities	At amortized purchase cost in application of the internal rate of return	The measurement difference adjusts the value of the asset and is recognized in profit or loss for the current reporting period.
Borrowings granted and own receivables	At amortized purchase price in application of the internal rate of return, and in a situation where the payment deadline is not known then at purchase price (e.g. in the case of loans without an established repayment date)	The measurement difference adjusts the value of the asset and is recognized in profit or loss for the current reporting period.
Assets held to maturity	At amortized purchase cost in application of the internal rate of return	The measurement difference adjusts the value of the asset and is recognized in profit or loss for the current reporting period.
Available-for-sale financial assets	At fair value (with the exception of assets for which fair value cannot be established)	The difference between measurement and fair value is included in the revaluation reserve. In the case of debt instruments, interest is recognized directly in profit or loss.
Financial assets and liabilities held for trading and available-for-sale financial assets, the fair value of which cannot be established.	At purchase price less impairment.	An asset or liability item is recognized at purchase price until the moment such item is used (e.g. sold). Impairment is recognized in finance costs.

j) Inventory

The initial value (cost) of inventories includes all costs (acquisition, production, etc.) borne in connection with bringing inventories to their current location and condition.

The purchase price of inventories includes the purchase price increased by import duty and other taxes (not subject to subsequent refund from tax authorities), costs of transport, loading, unloading and other costs directly connected with the acquisition of inventories, decreased by discounts, rebates and other similar reductions.

Inventories are measured at initial value (purchase price or cost of production) or at net sale price depending on which is lower.

In relation to other inventories, costs are established using the first in, first out (FIFO) method.

Impairment losses on inventory

Impairment losses on current property, plant and equipment connected with their impairment or valuation as at the end of the reporting period correspond to their own cost of purchase (IAS 2).

The Group creates impairment losses equity to net recoverable values of inventory. The net recoverable value is the sale price established in normal operations less finishing costs and estimated costs necessary for sale to be effected.

Reversal of an impairment loss on inventory resulting from an increase in the net recoverable value is recognized as a decrease in inventory recognized as cost of sales which the impairment reversal concerns.

As at the end of the reporting period inventory is valued at acquisition or purchase price, while such price may not exceed the net sales price for a given inventory item.

Foreign-currency advance payments are recognized at the ask rate of the bank used by the company.

The Group measures advance payments for inventory at nominal value and presents these in the financial statements at the historic rate less impairment. The Group inventories prepayments through the provision by contracting parties of confirmation that prepayments included in auxiliary ledgers to general ledger "supplier accounts", and provides explanations and settlement of potential variance.

k) Cash and cash equivalents

Cash and cash equivalents include cash on hand and demand deposits. Current investments which are not subject to significant change in value, which may be easily exchanged for a defined amount of cash and which constitute a part of the Group’s liquidity management policy are recognized as cash and cash equivalents for the purposes of the statement of cash flows.

l) Share capital

Share capital is recognized at the nominal value of issued and registered shares.

(i) Buy-back

In a purchase of own shares, the payment amount, together with direct transaction costs, is recognized as a change in equity. Purchased shares are recorded as a decrease in equity.

(ii) Dividends

Dividends are recognized as a liability in the period in which they are authorized.

m) Provisions

Provisions are liabilities of uncertain time and amount. Group companies create provisions when all of the following conditions are met simultaneously:

- the companies are burdened with an existing obligation (legal or constructive) resulting from future events,
- it is probable that fulfillment of an obligation will result in necessary outflow of resources (payment),
- the amount of such obligation can be reliably estimated.

The Group creates the following provisions for liabilities:

- deferred income tax provision created in connection with the occurrence of positive differences between the book value of assets and liabilities and their tax value,
- provisions for employee benefits – provisions for pension gratuities are calculated based on own estimates, however with regard to the low average age of employees and the insignificant value of the provision resulting from this, there is currently no provision created,
- other provisions.

Release of unused provisions occurs as at the date on which they are acknowledged as unnecessary.

n) Trade and other payables

Trade and other payables are divided into current and non-current payables through application of the following criteria:

- maturing in under 12 months from the end of the reporting period – classified as current payables,
- payables not classified as trade payables and which do not fulfill the criteria for classification as current constitute non-current payables.

Trade payables with maturity of up to 180 days are valued as at the end of the reporting period at repayment value increased by potential interest for delay due as at the valuation date.

Trade payables within maturity of over 180 days are valued as at the end of the reporting period at amortized cost (i.e. discounted in application of the effective interest rate).

All trade and account balances should be reconciled, and potential adjustments should be included in the accounts, including in the financial statements of the entity. In the event of disagreements in agreeing a balance between the entity and the contracting party, the seller's position prevails and, after closing the year, potential adjustments are entered in the accounts for the current year.

Payables denominated in foreign currencies are valued at the current average exchange rate for a given currency on a given date established by the National Bank of Poland.

Interest for late payment of payables is not charged if the authorized entity submits a written declaration on opt-out of such interest. In other instances interest is calculated and recorded as per the principles below:

- systematically, pursuant to interest notes received,

- at estimated value, where estimation is based on historical data reflecting the amount of interest charged by specific contracting parties in relation to the level of debt.

In each instance other significant risks meaning that such interest may be charged should be taken into consideration when calculating interest.

The notes to the financial statements should include this fact, the occurrence of due payables and the associated risk that interest will be charged by a creditor.

o) Revenue

Revenue from sale of products and services includes sale of products manufactured by the Group to which it has exclusive license rights for their production or it purchased a license for release and distribution, together with services provided by the Group to other entities.

Revenue from sale of goods for resale and materials includes sale of products which were purchased and are held for further sale in a non-processed form, together with sale of materials for manufacture.

Revenue from sale of products and goods for resale is recognized if the following conditions are met:

– the Group has transferred significant risk and benefits resulting from the right of ownership of goods for resale and products to the purchaser,
– the Group ceases to be permanently involved in managing the sale of goods for resale or products to the extent that such function is usually exercised in relation to goods for resale and products to which there is right of ownership, and it does not exercise effective control over them,
– the revenue amounts may be measured reliably,
– it is probable that the Group will achieve economic benefits from the transaction,
– costs borne and those which will be borne by the Group in connection with the transaction may be valued in a reliable manner.

Revenue is recognized if achievement by the Group of economic benefits connected with the executed transaction is probable.

If there is uncertainty regarding the collectability of an amount due which is already counted as revenue, then the uncollectible amount in relation to which achievement ceased to be probable is recognized as costs and not as a correction of the initially recognized revenue amount.

Revenue from sale is recognized at the fair value of payments received or due and represents receivables for products, goods for resale and services supplied under normal business activity after decrease by discounts, VAT and other sales-related taxes.

Revenue from interest is recognized cumulatively in relation to the principal amount, in accordance with the effective interest rate method on lease.

p) Costs

The Group draws up a consolidated statement of profit and loss in multiple-step format. Costs are classified in accordance with their function.

(i) Finance lease payments

Lease payments are divided into a part constituting the cost of finance and a part decreasing the liability. The part constituting the cost of finance is allocated to specific periods during the term of the lease applying the effective interest rate method.

(ii) Net financing costs

Net financing costs include interest payable on debt, established on the basis of the effective interest rate, interest due on funds invested by the Group, dividends due, foreign exchange gains and losses and profit and loss concerning collateralized instruments which are recognized in the statement of profit and loss.

Interest income is recognized in the statement of profit and loss on an accrual basis applying the effective interest rate. Income from dividends is recognized in the statement of profit and loss at the moment when the Group acquires the right to receipt thereof. The part constituting the cost of finance arising in connection with finance lease fees is indicated in the statement of profit and loss applying the effective interest rate method.

q) Tax

Obligatory encumbrances on the result include current tax and deferred tax.

The current tax obligation is calculated on the basis of the tax result (basis for taxation) for a given financial year. Tax for the current and previous periods is recognized as a liability in the amount which had not been paid.

Tax profit (loss) differs from net book profit (loss) in connection with the exclusion of revenues subject to taxation and tax-deductible expenses in subsequent years and items of cost and revenue which will never be subject to taxation.

Deferred tax is calculated using the balance sheet method as tax subject to payment or refund in the future on the difference between the carrying amounts of assets and liabilities and the corresponding tax values used to calculate the basis for taxation.

Deferred income tax assets and provisions for deferred income tax are valued with application of tax rates which will be applied, according to predictions, if an asset is realized or a provision liquidated, adopting the basis as the tax rates (and tax regulations) legally in force or actually binding as at the end of the reporting period.

A deferred tax asset is subject to analysis as at the end of the reporting period, and in the event of it being expected that future tax profits will be insufficient to realize an asset or part thereof, it is written off. Deferred income tax assets and provisions for deferred income tax are not discounted.

Deferred tax is recognized in the statement of profit and loss, aside from a situation where it concerns items directly recognized in equity. In this last instance deferred tax is also settled directly in equity. The Group offsets deferred income tax assets with provisions for deferred income tax exclusively when it has an enforceable legal title to offset deferred income tax assets with provisions for deferred income tax.

r) Transactions expressed in foreign currencies

Transactions executed in foreign currencies are translated into the functional currency in application of exchange rates in force on the date of executing such transactions, in the following manner:

- in the case of selling foreign currencies and receivable repayment transactions – using the bid rate applied by the bank used by the Group;
- in the case of purchasing foreign currencies and liability repayment transactions – using the ask rate applied by the bank used by the Group;
- in the case of other transactions – according to the average exchange rate announced for a given currency by the National Bank of Poland in as far as customs documents do not give another exchange rate.

Cash items recognized at historical cost expressed in a foreign currency are recorded at the end of the reporting period using the average exchange rate announced by the National Bank of Poland as at the end of the reporting period. Non-monetary balance sheet items recorded at historical cost expressed in a foreign currency are recorded in application of the exchange rate as at the date the transaction is executed. Non-monetary balance sheet items recorded at fair value in a foreign currency are recorded in application of the exchange rate in force during establishment of fair value.

Foreign exchange gains and losses resulting from settlement of transactions in foreign currencies and from translation of cash assets and liabilities according to average National Bank of Poland exchange rates as at the end of the year are indicated in the statement of profit and loss, with the exception of settlement in equity fulfilling the criteria for recognition of cash flow hedges.

s) Segment reporting

A business segment is a separate part of the Group which deals with the supply of defined products or services (business segment) or supply of products or services in a defined economic environment (geographical segment), which is subject to risks and derives benefits differently to other segments.

City Interactive S.A. presents revenue from sales broken down into the following segments:

- business – covering sales divided into products, goods for resale and services,
- geographical – covering sales divided into the following areas: Europe, America and Asia and Australia.

Revenue from sale of products covers sale of products manufactured by the Group to which it has exclusive licensing rights for their production or it purchased a license for release and distribution.

Revenue from sale of services covers revenues for services provided by the Group to other entities.

Revenue from sale of goods for resale covers sale of products were purchased and are held for further sale in a non-processed form, together with sale of materials for manufacture.

Operating costs are divided as follows:

- direct costs, which may be assigned to a given product or service, or the value of goods for resale or materials sold at purchase price,
- indirect costs, i.e. costs which cannot be directly assigned to a defined product, e.g. administrative, sales and other operating costs.

Segmentation – assignment to specific business segments – concerns direct costs and such part of indirect costs as can be assigned to a given segment. The Group has one business segment.

t) Operations being discontinued and fixed assets held for sale

Immediately before reclassification to assets held for sale, valuation of assets (or all assets and liabilities constituting an asset group held for sale) is updated in accordance with the appropriate IFRS. Subsequently, as at the day of initial recognition as held for sale, fixed assets or the group held for disposal are recognized according to the lower value: carrying amount or fair value less cost to sell.

Impairment identified at initial classification as held for sale is recognized in the statement of profit and loss even in the event of value restatement. This also concerns profit and loss resulting from subsequent change in value.

Discontinued operation is a part of the Group's activity which constitutes a separate main business line or geographic segment or is a subsidiary acquired exclusively for further sale.

Classification as discontinued operation takes place as a result of disposal or at the moment when the operation fulfills the criteria for classification to the asset group held for sale.

4. Changes in the accounting principles

In the event that the Group's accounting principles are altered, the solutions included in IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" are applied.

The City Interactive Group consolidated financial statements for the period from January 1 to December 31, 2012 retain comparability to data from the financial statements for the period from January 1 to December 31, 2011, which were drawn up in accordance with IAS/IFRS.

New standards, interpretations and changes to the standards in force.

During the reporting period the following new or altered standards and interpretations were issued by the International Accounting Standards Board or the IFRS Interpretations Committee:

- First phase of standard IFRS 9 Financial Instruments: Classification and Measurement - applicable to annual periods beginning on or after January 1, 2015 – not yet endorsed by the EU at the date that the financial statements are approved. In subsequent phases the International Accounting Standards Board is addressing hedge accounting and impairment methodology. The application of IFRS 9 phase 1 will have an effect on the classification and measurement of financial assets. The effect will be evaluated in connection with the other phases, once they are published, in order to present a consistent picture,

- Amendments to IAS 19 Employee benefits - applicable to annual periods beginning on or after January 1, 2013,

- Amendments to IAS 1 Presentation of Financial Statements: Presentation of other comprehensive income - applicable to annual periods beginning on or after July 1, 2012,

- Amendments to IAS 12 Income taxes: Deferred Tax: Recovery of Underlying Assets - applicable to annual periods beginning on or after January 1, 2012, and in the EU applicable to annual periods beginning at the latest on or after January 1, 2013,

- Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards: Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters - applicable to annual periods beginning on or after July 1, 2011, and in the EU applicable to annual periods beginning at the latest on or after January 1, 2013,

- IFRS 10 Consolidated financial statements - applicable to annual reporting periods beginning on or after January 1, 2013, and in the EU applicable to annual periods beginning at the latest on or after January 1, 2014,

- IRS 11 Joint ventures - applicable to annual reporting periods beginning on or after January 1, 2013, and in the EU applicable to annual periods beginning at the latest on or after January 1, 2014,

- IFRS 12 Disclosure of Interests in Other Entities - applicable to annual reporting periods beginning on or after January 1, 2013, and in the EU applicable to annual periods beginning at the latest on or after January 1, 2014,

- Amendments to IFRS 10, IFRS 11 and IFRS 12 Other Entities: Transition Guidance - applicable to annual reporting periods beginning on or after January 1, 2013 - not yet endorsed by the EU at the date that the financial statements are approved,

- IFRS 13 Fair Value Measurement - applicable to annual reporting periods beginning on or after January 1, 2013,

- IAS 27 Separate Financial Statements - applicable to annual reporting periods beginning on or after January 1, 2013, and in the EU applicable to annual periods beginning at the latest on or after January 1, 2014,

- IAS 28 Investments in Associates and Joint Ventures - applicable to annual reporting periods beginning on or after January 1, 2013, and in the EU applicable to annual periods beginning at the latest on or after January 1, 2014,

- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine - applicable to annual reporting periods beginning on or after January 1, 2013,

- Amendments to IFRS 7 Financial Instruments: Disclosures: Offsetting Financial Assets and Financial Liabilities - applicable to annual reporting periods beginning on or after January 1, 2013,

- Amendments to IAS 32 Financial instruments: Presentation: Offsetting Financial Assets and Financial Liabilities - applicable to annual reporting periods beginning on or after January 1, 2014,

- Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards: Government Loans - applicable to annual reporting periods beginning on or after January 1, 2013, not yet endorsed by the EU at the date that the financial statements are approved,

- Amendments resulting from annual improvements to IFRS (issued in May 2012) - applicable to annual reporting periods beginning on or after January 1, 2013, not yet endorsed by the EU at the date that the financial statements are approved,

- Amendments to IFRS 10, IFRS 12 and IAS 27 Investment entities (issued on October 31, 2012) - applicable to annual reporting periods beginning on or after January 1, 2014, not yet endorsed by the EU at the date that the financial statements are approved,

The Management does not expect the introduction of the above standards and interpretations to have a significant impact on the adopted accounting principles.

II. Selected financial data

Balance sheet data was converted according to the average exchange rate published by the National Bank of Poland as at the date of drawing up the financial statements, which as at the end of the reporting period amounted to:

as at December 31, 2012 – 4.0882
as at December 31, 2011 – 4.4168

Data in the profit and loss statement and statement of cash flows was converted into EUR according to the exchange rate established as an average of the exchange rates published by the National Bank of Poland as at the last day of each month of the year:

for 2012 EURPLN - 4.1736
for 2011 EURPLN - 4.1401

STATEMENT OF PROFIT AND LOSS	2012		2011	
	PLN thousands	EUR thousands	PLN thousands	EUR thousan
Net revenue from sales	**41 205**	**9 873**	**81 718**	**19 738**
Gain (loss) on operating activities	-21 431	-5 135	21 120	5 101
Gross profit (loss)	-23 372	-5 600	22 308	5 388
Net profit (loss)	**-19 794**	**-4 743**	**16 923**	**4 088**
Number of shares (in thousands)	12 650	12 650	12 650	12 650
Profit (loss) per ordinary share	-1,56	-0,37	1,34	0,32

STATEMENT OF CASH FLOWS	2012		2011	
	PLN thousands	EUR thousands	PLN thousands	EUR thousands
Cash flows from operating activities	9 073	2 174	25 492	6 157
Cash flows from investing activities	- 28 963	- 6 940	-19 064	-4 605
Cash flows from financing activities	19 669	4 713	-5 248	-1 268
Net cash flows	**-221**	**-53**	**1 179**	**285**

Balance sheet	Dec 31, 2012		Dec 31, 2011	
	PLN thousands	EUR thousands	PLN thousands	EUR thousands
Non-current assets	44 883	10 979	28 779	6 516
Current assets	27 574	6 745	41 875	9 481
Total assets	**72 457**	**17 723**	**70 654**	**15 997**
Equity	39 657	9 700	57 772	13 080
Share capital	1 265	309	1 265	286
Liabilities	**32 799**	**8 023**	**12 882**	**2 917**
Non-current liabilities	114	28	342	77
Current liabilities	32 685	7 995	12 540	2 839
Total equity and liabilities	**72 457**	**17 723**	**70 654**	**15 997**

III. City Interactive Group consolidated financial data for the period from January 1 to December 31, 2012

CONSOLIDATED BALANCE SHEET

as at 31 December 2012

PLN thousands

	ASSETS	note	As at Dec 31, 2012	As at Dec 31, 2011
A.	**NON-CURRENT ASSETS**		**44 883**	**28 779**
	Property, plant and equipment	1	1 425	1 385
	Intangible assets	2	38 108	25 062
	Goodwill		9	9
	Interests in subsidiaries, associates and jointly controlled entities	3	18	18
	Deferred tax assets	4	5 291	2 269
	Other non-current assets		33	36
B.	**CURRENT ASSETS**		**27 574**	**41 875**
	Inventory	5	2 357	4 945
	Current investments	6	43	403
	Advance payments	7	100	1 361
	Trade receivables	7	6 108	14 517
	Deferred tax receivables	8	-	858
	Cash and cash equivalents	9	16 474	16 700
	Other current assets	10	2 492	3 089
	TOTAL ASSETS		**72 457**	**70 654**

CONSOLIDATED BALANCE SHEET

as at 31 December 2012 continued

PLN thousands

	EQUITY AND LIABILITIES	note	As at Dec 31, 2012	As at Dec 31, 2011
A.	**EQUITY**		**39 657**	**57 772**
	Share capital	11	1 265	1 265
	Share premium	12	4 556	4 556
	Revaluation reserve	14	-	-2 098
	Exchange differences on net investments in foreign operations		-54	-10
	Buy-back provision	13	16 000	16 000
	Retained earnings		17 891	38 061
	including profit (loss) for the period		-19 794	16 923
	Equity attributable to owners of the Parent		**39 657**	**57 772**
	Equity attributable to non-controlling interests		**-**	**-**
B.	**LIABILITIES**		**32 799**	**12 882**
	Non-current liabilities		**114**	**342**
	Employee benefit provisions	18	32	15
	Finance lease liabilities	15,16	39	29
	Deferred income tax provision	4	44	298
	Current liabilities		**32 685**	**12 540**
	Borrowings, including credits, loans and debt instruments	15,17	20 602	-
	Income tax liabilities	8	-	46
	Trade payables	19,20	8 030	8 327
	Finance lease liabilities	15,16	51	26
	Financial liabilities	15	-	2 954
	Other liabilities	21	286	298
	Other current provisions	22	988	890
	Deferred revenue	22a	2 728	-
	TOTAL EQUITY AND LIABILITIES		**72 457**	**70 654**

Book value (in PLN thousands)	39 657	57 772
Number of shares (in thousands)	12 650	12 650
Book value per share (in PLN)	3.13	4.57

CONSOLIDATED STATEMENT OF PROFIT AND LOSS
for the period from January 1 to December 31, 2012

(multiple-step format)

PLN thousands

	note	For the period Jan 1 – Dec 31, 2012	For the period Jan 1 – Dec 31, 2011
Continuing operations			
Revenue from sales	23	**41 205**	**81 718**
Revenue from sale of products and services		40 151	80 350
Revenue from sale of goods for resale and materials		1 055	1 368
Cost of products, goods for resale and services sold	24	**30 227**	**43 210**
Cost of manufacture of products sold		29 585	42 192
Value of goods for resale and materials sold		641	1 018
Gross profit (loss) on sales		**10 979**	**38 508**
Other operating revenues	26	329	669
Distribution costs	24	9 691	10 540
Administrative expenses	24	5 973	5 900
Other operating expenses	27	17 074	1 617
Profit (loss) on operating activities		**- 21 431**	**21 120**
Finance income	28	442	1 546
Finance costs	28	2 383	358
Profit (loss) before tax		**- 23 372**	**22 308**
Income tax	29	- 3 577	5 385
Profit (loss) on continuing operations		**- 19 794**	**16 923**
Discontinued operations		**-**	**-**
Loss on discontinued operations		-	**-**
NET PROFIT (LOSS)		**-19 794**	**16 923**

Net profit (loss) (in PLN thousands)	-19 794	16 923
Number of shares (in thousands)	12 650	12 650
Profit (loss) per ordinary share (in PLN)	-1.56	1.34

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the period from January 1 to December 31, 2012 PLN thousands

	For the period Jan 1 – Dec 31, 2012	For the period Jan 1 – Dec 31, 2011
Profit (loss) for the period	**-19 794**	**16 923**
Other comprehensive income:	2 054	-2 112
Effect of translation of foreign operations	-44	-14
Effect of hedging instrument measurements	2 098	-2 098
Other comprehensive income for the period	**-17 740**	**14 811**
Other comprehensive income attributable to:		
% share of the Parent:	*100%*	*100%*
Owners of the Parent	-17 740	14 811
Non-controlling interests	-	-
Total	**-17 740**	**14 811**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the period from January 1 to December 31, 2012

PLN thousands

For the period Jan 1 – Dec 31, 2012	Share capital	Share premium	Buy-back provision	Translation of foreign operations	Revaluation reserve	Incentive scheme provision.	Retained earnings	Total equity
Balance as at January 1, 2012	**1 265**	**4 556**	**16 000**	**-10**	**-2 098**	**-**	**38 061**	**57 772**
Change in accounting policies	-	-	-	-	-	-	-	**-**
Correction of prior-period profit	-	-	-	-	-	-	- 374	**- 374**
Balance as at January 1, 2012, after restatement	**1 265**	**4 556**	**16 000**	**-10**	**-2 098**	**-**	**37 686**	**57 398**
Changes in equity during 2012								
Profit (loss) for the period	-	-	-	-	-	-	-19 794	**-19 794**
Translation of foreign operations	-	-	-	- 44	-	-	-	**-44**
Measurement of hedging instruments	-	-	-	-	2 098	-	-	**2 098**
Balance as at December 31, 2012	**1 265**	**4 556**	**16 000**	**-54**	**-**	**-**	**17 891**	**39 657**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the period from January 1 to December 31, 2012

PLN thousands

For the period Jan 1 – Dec 31, 2012	Share capital	Share premium	Buy-back provision	Translation of foreign operations	Revaluation reserve	Incentive scheme provision	Retained earnings	Total equity
Balance as at January 1, 2012	**1 265**	**4 556**	**16 000**	**3**	**-**	**283**	**20 855**	**42 962**
Changes in accounting policies	-	-	-	-	-	-	-	**-**
Balance as at January 1, 2012, after restatement	**1 265**	**4 556**	**16 000**	**3**	**-**	**283**	**20 855**	**42 962**
Changes in equity during 2011								
Profit (loss) for the period	-	-	-	-	-	-	16 923	**16 923**
Incentive scheme provision	-	-	-	-	-	-283	283	**-**
Translation of foreign operations	-	-	-	-14	-	-	-	**-14**
Measurement of hedging instruments	-	-	-	-	-2 098	-	-	**-2 098**
As at December 31, 2012	**1 265**	**4 556**	**16 000**	**-10**	**-2 098**	**-**	**38 061**	**57 772**

CONSOLIDATED STATEMENT OF CASH FLOWS

for the period from January 1 to December 31, 2012 (indirect method)

PLN thousands

	For the period Jan 1 – Dec 31, 2012	For the period Jan 1 – Dec 31, 2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Gross profit (loss)	**-23 372**	**22 308**
Total adjustments	**32 444**	**3 184**
Depreciation / amortization	2 534	6 194
Creation (reversal) of impairment losses	14 003	157
Gain (loss) on exchange differences	277	96
Interest	749	85
Gain (loss) on sale of non-current assets	599	261
Change in receivables	9 726	3 072
Change in inventory	2 127	437
Change in trade and other payables	-600	-2 529
Change in employee benefit provisions and liabilities	17	2
Change in other current assets	648	-
Exclusion of financial asset measurements	-363	723
Tax paid	-	-5 312
Deferred revenue	2 728	-
Net cash flows from operating activities	**9 073**	**25 492**

CONSOLIDATED STATEMENT OF CASH FLOWS

for the period from January 1 to December 31, 2012

(indirect method)

PLN thousands

	For the period Jan 1 – Dec 31, 2012	For the period Jan 1 – Dec 31, 2011
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of property, plant and equipment and intangible assets	-	145
Proceeds from sale of financial assets	20	-
Repayment of borrowings	300	100
Interest received	22	4
Other proceeds (sale of a company)	-70	-
Cash outflows on acquisition of property, plant and equipment and intangible assets	-1 774	-2 080
Cash outflows on acquisition of financial assets	-	-10
Expenditures on development work	-27 461	-17 223
Net cash from investing activities	**-28 963**	**-19 064**
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of debt instruments	20 113	-
Commission on bonds	-395	-
Repayment of borrowings	-	-5 000
Repayment of finance lease liabilities	-42	-111
Interest	-7	-138
Net cash flows from financing activities	**19 669**	**-5 248**
TOTAL NET CASH FLOWS	**-221**	**1 179**
Exchange differences on cash and cash equivalents	**-6**	**-**
BALANCE SHEET CHANGES IN CASH AND CASH EQUIVALENTS, of which:	**-227**	**1 179**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD	**16 700**	**15 521**
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	**16 474**	**16 700**

IV. Notes to City Interactive Group's consolidated financial statements for the period from January 1 to December 31, 2012

Note 1
Changes in property, plant and equipment by type

in PLN

	Land	Buildings, premises and civil and water engineering structures	Technical equipment and machinery	Means of transport	Other PP&E,	PP&E under construction	Advances for PP&E under construction	Total
Gross value as at January 1, 2012	-	-	**1 774 577**	**839 155**	**150 894**	**36 038**	-	**2 800 665**
Increases:	-	-	1 009 316	76 829	29 341	11 260	-	1 126 746
- acquisition	-	-	1 009 316	-	29 341	11 260	-	1 049 917
- lease	-	-	-	76 829	-	-	-	76 829
Decreases:	-	-	111 939	23 800	4 878	47 298	-	187 915
- sale	-	-	103 478	23 800	-	-	-	127 278
- liquidation	-	-	8 462	-	4 878	47 298	-	60 638
Gross value as at December 31, 2012	-	-	**2 671 954**	**892 184**	**175 357**	-	-	**3 739 495**
Depreciation as at January 1, 2012	-	-	**1 120 994**	**183 112**	**111 345**	-	-	**1 415 451**
Increases:	-	-	770 071	163 103	21 408	-	-	954 583
- depreciation	-	-	723 454	163 103	21 408	-	-	907 966
- other	-	-	46 617	-	-	-	-	46 617
Decreases:	-	-	42 537	12 693	732	-	-	55 962
- sale	-	-	34 846	12 693	-	-	-	47 539
- liquidation	-	-	7 692	-	732		-	8 423
Depreciation as at December 31, 2012	-	-	**1 848 528**	**333 522**	**132 022**	-	-	**2 314 071**
Net value								
As at January 1, 2012	-	-	**653 583**	**656 043**	**39 549**	**36 038**	-	**1 385 214**
As at December 31, 2012	-	-	**823 426**	**558 662**	**43 335**	-	-	**1 425 425**

Note 1
Changes in plant, property and equipment by type continued

in PLN

	Land	Buildings, premises and civil and water engineering structures	Technical equipment and machinery	Means of transport	Other PP&E	PP&E under construction	Advances for PP&E under construction	Total
Gross value as at January 1, 2011	-	-	**1 638 032**	**521 098**	**226 160**	-	-	**2 385 290**
Increases:	-	-	741 458	655 109	18 915	36 038	-	1 451 520
- acquisition	-	-	741 458	655 109	18 915	36 038	-	1 451 520
Decreases:	-	-	604 913	337 052	94 180	-	-	1 036 145
- sale	-	-	3 605	337 052	-	-	-	340 657
- liquidation	-	-	601 308	-	94 180	-	-	695 488
Gross value as at December 31, 2011	-	-	**1 774 577**	**839 155**	**150 894**	**36 038**	-	**2 800 665**
Depreciation as at January 1, 2011	-	-	**1 382 996**	**374 993**	**186 143**	-	-	**1 944 133**
Increases:	-	-	334 819	128 094	18 849	-	-	481 763
- revaluation	-	-	83 743	-	-	-	-	83 743
- depreciation	-	-	251 077	128 094	18 849	-	-	398 020
Decreases:	-	-	596 821	319 976	93 648	-	-	1 010 445
- sale	-	-	3 605	319 976	-	-	-	323 581
- liquidation	-	-	593 216	-	93 648	-	-	686 864
- transfer	-	-	-	-	-	-	-	-
Depreciation as at December 31, 2011	-	-	**1 120 994**	**183 112**	**111 345**	-	-	**1 415 451**
Net value								
As at January 1, 2011	-	-	**255 036**	**146 105**	**40 016**	-	-	**441 157**
As at December 31, 2011	-	-	**653 584**	**656 043**	**39 549**	**36 038**	-	**1 385 214**

Note 2
Changes in intangible assets by type in PLN

All of the Group’s intangible assets have a defined period of use and are subject to amortization.
As at the end of the reporting period, the recoverable value of used intangible assets is higher than their non-depreciated value.
In the Management’s assessment, development work recognized as intangible assets will be completed and bring the anticipated economic effects.

	Development work	Goodwill	Author’s copyrights related rights, licenses	Rights to inventions patents, trademarks	Rights to press titles	Other intangible assets	Advances for intangible assets	Total
Gross value as at January 1, 2012	**45 266 508**	-	**6 892 719**	-	**51 000**	**1 291 607**	**274 658**	**53 776 492**
Increases:	30 012 133	-	240 440	-	-	512 945	31 272	30 796 790
- acquisition	17 367 441	-	175 849	-	-	512 945	31 272	18 087 508
- own production	12 644 692	-	-	-	-	-	-	12 644 692
- transfer	-	-	64 590	-	-	-	-	64 590
Decreases:	15 002 222	-	169 228	-	-	71 853	305 931	15 549 234
- capitalized margin	1 175 761	-	-	-	-	-	-	1 175 761
- sale	-	-	169 228	-	-	71 853	-	241 081
- liquidation	-	-	-	-	-	-	241 340	241 340
- transfer	-	-	-	-	-	-	64 590	64 590
- impairment losses	13 826 462	-	-	-	-	-	-	13 826 462
Gross value as at December 31, 2012	**60 276 418**	-	**6 963 931**	-	**51 000**	**1 732 698**	**-**	**69 024 048**
Amortization as at January 1, 2012	**21 478 431**	-	**6 448 382**	-	**47 600**	**740 414**	-	**28 714 827**
Increases:	1 631 673	-	390 013	-	3 400	249 314	-	2 274 401
- amortization	1 631 673	-	390 013	-	3 400	249 314	-	2 274 401
Decreases:	-	-	51 180	-	-	21 753	-	72 933
- sale	-	-	51 180	-	-	21 753	-	72 933
Amortization as at December 31, 2012	**23 110 104**	-	**6 787 215**	-	**51 000**	**967 975**	-	**30 916 294**
Net value				-				
As at January 1, 2012	**23 788 077**	-	**444 337**	-	**3 400**	**551 193**	**274 658**	**25 061 665**
As at December 31, 2012	**37 166 314**	-	**176 716**	-	**-**	**764 723**	**-**	**38 107 754**

Note 2
Changes in intangible assets by type continued in PLN

Completed development work as at December 31, 2012 amounted to PLN 111 930, while work in progress was PLN 37 054 384.

	Development work	Goodwill	Author's copyrights, related rights, licenses	Rights to inventions, patents, trademarks	Rights to press titles	Other intangible assets	Advances for intangible assets	Total
Gross value as at January 1, 2011	**27 726 265**	**-**	**6 578 389**	**-**	**51 000**	**1 510 856**	**418 182**	**36 284 692**
Increases:	17 609 557	-	314 330	-	-	376 431	227 711	18 528 030
- acquisition	17 609 557	-	314 330	-	-	376 431	227 711	18 528 030
Decreases:	69 314	-	-	-	-	595 681	371 235	1 036 230
- capitalized margin	69 314	-	-	-	-	-	-	69 314
- liquidation	-	-	-	-	-	595 681	-	595 681
- transfer	-	-	-	-	-	-	371 235	371 235
Gross value as at December 31, 2011	**45 266 508**	**-**	**6 892 719**	**-**	**51 000**	**1 291 607**	**274 658**	**53 776 492**
Amortization as at January 1, 2011	**16 397 971**	**-**	**5 599 275**	**-**	**37 400**	**1 138 934**	**-**	**23 173 580**
Increases:	5 080 460	-	849 108	-	10 200	171 833	-	6 111 600
- amortization	5 080 460	-	849 108	-	10 200	171 833	-	6 111 600
Decreases:	-	-	-	-	-	570 353	-	570 353
- liquidation	-	-	-	-	-	570 353	-	570 353
Amortization as at December 31, 2011	**21 478 431**	**-**	**6 448 382**	**-**	**47 600**	**740 414**	**-**	**28 714 827**
Net value								
As at January 1, 2011	**11 328 294**	**-**	**979 114**	**-**	**13 600**	**371 922**	**418 182**	**13 111 112**
As at December 31, 2011	**23 788 077**	**-**	**444 337**	**-**	**3 400**	**551 193**	**274 658**	**25 061 665**

Note 3
Interests in subsidiaries, associates and jointly controlled entities in PLN

	As at Dec 31, 2012	As at Dec 31, 2011
City Interactive Peru (PEN 5940)	2 489 175	2 489 175
City Interactive Spain (EUR 3600)	12 092	12 092
City Interactive Brazil (BRL 90 000)	105 751	105 751
City Interactive Mexico (MXN 47 500)	10 621	10 621
City Interactive Canada (CAD 10)	33	33
Business Area S. kom.	5 434	5 434
Gross non-current financial assets:	**2 623 105**	**2 623 105**
Impairment loss	**2 605 546**	**2 605 546**
including: City Interactive Peru	2 489 175	2 489 175
City Interactive Brazil	105 751	105 751
City Interactive Mexico	10 621	10 621
Net non-current financial assets:	**17 559**	**17 559**

Note 4
Deferred tax assets and liabilities in PLN

Deferred tax assets	As at Dec 31, 2012	As at Dec 31, 2011
Deferred income tax assets at the beginning of period	**2 269 333**	**3 220 703**
recognized in profit or loss	2 269 333	3 220 703
Increases recognized in profit or loss	5 290 703	1 777 094
Negative exchange differences	43 699	-
Provision for expenses	133 240	171 845
Impairment loss on receivables	709 168	940 523
Impairment loss on interests	495 054	495 054
Impairment loss on inventory	116 732	-
Difference between non-current asset balance sheet depreciation and tax-purposes depreciation	891 240	-
Interest	70 083	450
Impairment loss on development work	1 225 216	-
Tax loss	1 466 329	22 922
Compensation	59 810	13 300
Privision for returns	80 132	133 000
Increases recognized in equity	-492 239	492 239
Measurement of hedging instruments	-492 239	492 239
Decreases recognized in equity	1 777 095	3 220 703
Deferred income tax assets at the end of period	**5 290 702**	**2 269 333**

Deferred tax provision	As at Dec 31, 2012	As at Dec 31, 2011
Deferred income tax provision at the beginning of period	**298 397**	**133 887**
Recognized in profit or loss	298 397	133 887
Increases recognized in profit or loss	43 722	298 397
Interest on borrowings	22 188	8 217
Interest on deposits	3 814	3 435
Positive exchange differences	17 325	78 098
Other	-	7 468
Difference between non-current asset balance sheet depreciation and tax-purposes depreciation	395	201 179
Decreases recognized in profit or loss	298 397	133 887
Deferred income tax provision at the end of period	**43 722**	**298 397**

Note 5
Inventory in PLN

	As at Dec 31, 2012	As at Dec 31, 2011
Materials	1 119 642	346 228
Finished products	1 691 605	4 588 100
Goods for resale	160 540	103 983
Total gross inventory	**2 971 786**	**5 038 312**
Impairment loss	-614 377	-92 851
Total net inventory	**2 357 409**	**4 945 461**

In the Management's assessment all inventory items not subject to impairment have a recoverable amount higher than their book value.

Note 5a
Aging of inventory in PLN

	As at Dec 31, 2012	As at Dec 31, 2011
0-90 days	2 414 213	1 994 951
91-180 days	128 108	608 787
180-360 days	33 811	938 592
Over 360 days	395 654	1 495 982
Impairment loss	-614 377	-92 851
Total	**2 357 409**	**4 945 461**

Note 6
Current investments in PLN

	As at Dec 31, 2012	As at Dec 31, 2011
Borrowings granted	43 278	403 337
Total	**43 278**	**403 337**

Borrower	Total contractual amount	Repayment deadline	Principal and interest	Principal and interest in PLN
CITY INTERACTIVE Studio LTD (EMBO East Europe)	GBP 220 000	Jan 2, 2013	GBP 6528	32 718
MARCIN KWAŚNICA	PLN 300 000	Dec 31, 2012	PLN 10 560	10 560
Total				**43 278**

Note 7
Trade and other receivables, advance payments in PLN

	As at Dec 31, 2012	As at Dec 31, 2011
Trade receivables from related parties	1 482 393	1 482 393
Trade receivables from other entities	8 936 009	17 697 158
Under 12 months	8 936 009	17 697 158
Over 12 months	-	-
Trade receivables	**10 418 402**	**19 179 550**
Impairment losses on trade receivables	-4 310 806	-4 662 181
Net trade receivables	**6 107 596**	**14 517 369**

Advances paid	99 802	1 361 402

Trade receivables from related parties include fully written down receivables from non-consolidated subsidiaries.

Note 7a
Aging of trade receivables in PLN

	As at Dec 31, 2012	As at Dec 31, 2011
Not overdue	2 372 734	8 967 975
Overdue	8 045 668	10 211 575
including:		
1-30 days	3 231 549	2 133 207
31-90 days	193 355	2 472 942
91-180 days	160 690	252 747
> 180 days	4 460 074	5 352 679
Impairment losses	-4 310 806	-4 662 181
Total	**6 107 596**	**14 517 369**

Note 7b
Currency structure of trade receivables in PLN

	Currency	As at Dec 31, 2012	As at Dec 31, 2011
in PLN	PLN	721 660	1 688 754
in foreign currencies	JPY	20 848	-
	RON	118 049	-
	CZK	-	204 768
	EUR	251 359	1 059 493
	GBP	71 790	458 168
	HUF	-	512 861
	USD	1 254 746	1 665 726

Note 8
Income tax receivables in PLN

	As at Dec 31, 2012	As at Dec 31, 2011
- from legal entities	-	857 847
Total	**-**	**857 847**

Income tax liabilities

	As at Dec 31, 2012	As at Dec 31, 2011
- from legal entities	-	45 544
- from natural persons	39 430	43 143
Total	**39 430**	**88 687**

Note 9
Cash and cash equivalents in PLN

	As at Dec 31, 2012	As at Dec 31, 2011
Bank accounts (current accounts)	2 922 271	8 499 115
Short-term deposits	13 547 642	5 978 622
Cash at hand	3 836	1 712
Forward contract margins	-	2 221 008
Cash and cash equivalents recognized in the statement of cash flows	**16 473 749**	**16 700 457**

Note 9a
Cash and cash equivalents – currency structure

	Currency	As at Dec 31, 2012	As at Dec 31, 2011
in PLN	PLN	11 603 240	6 501 030
in foreign currencies	EUR	466 723	362 777
	GBP	134 745	689 946
	RON	109 498	779 898
	USD	705 386	1 218 528

Note 10
Other current assets

in PLN

	As at Dec 31, 2012	As at Dec 31, 2011
tax receivables (including VAT, excluding corporate income tax)	1 995 995	2 608 177
other settlements with employees	11 079	88 273
settlements with shareholders	25 250	25 250
deposits	97 030	84 340
other settlements	192 955	38 413
prepaid expenses	169 750	244 788
including:		
property and personal insurance	99 950	110 544
subscriptions	24 821	19 087
other	44 979	115 157
Total	**2 492 058**	**3 089 240**

Note 11
Share capital

As at 31 December 2012 share capital comprised four share series as follows:

Series	Type of shares	Number of shares	Nominal amount of series (in PLN)	Method of payment for shares	Registration date	Right to dividend (ex-date)
A	ordinary bearer shares	10 000 000	1 000 000	paid-in	Jun 1, 2007	Jan 1, 2007
B	ordinary bearer shares	40 000	4 000	paid-in	Aug 10, 2008	Jan 1, 2007
C	ordinary bearer shares	2 500 000	250 000	paid-in	Dec 17, 2008	Jan 1, 2007
D	ordinary bearer shares	110 000	11 000	paid-in	Oct 9, 2009	Jan 1, 2009
	total	12 650 000	1 265 000			

Total number of shares	12 650 000
Total share capital	1 265 000
Nominal amount of one share (in PLN)	0.10

Shareholders holding at least 5% of votes at the general meeting as at 31 December 2012 and other shareholders:

Description	number of shares	number of votes at GM	% in share capital
Marek Tymiński	6 347 285	50.18%	50.18%
QUERCUS TFI	663 734	5.25%	5.25%
Others	5 638 981	44.58%	44.58%

Authorization for a conditional increase in equity

On November 8, 2010 the Parent's general meeting passed a resolution concerning conditional increase in share capital through the issue of series E shares and the exclusion of the subscription right for series E shares.

The conditional increase in share capital by PLN 15 000.00 will be executed through issue of not more than 150 000 series E ordinary bearer shares of a nominal value of PLN 0.10.

Resolution no. 4 was adopted in connection with resolution no. 3 of the Parent's Extraordinary General Meeting of Shareholders of November 8, 2010 concerning adoption of an incentive scheme for City Interactive Group executives.

The incentive scheme is divided into two annual tranches covering 2011-2012, with 75 000 shares to be allocated per year.

The condition necessary for acquisition of rights to shares under the first part of the incentive scheme was not fulfilled during the reporting period – i.e. achievement of consolidated net profit per share exceeding PLN 2.77 and PLN 3.16 for acquisition of rights to the entire pool of shares within the first year of the scheme.

A condition for acquiring rights to shares under the second phase of the incentive scheme - reporting a consolidated net profit per share of over PLN 3.14, and PLN 3.54 for the entire pool of shares in the scheme's second year - was not met during the settlement period.

Note 12
Share capital

Equity covers the level of issue price excess above the nominal value for series B, C and D shares:

Series	Number of shares	Nominal value (in PLN)	Price (in PLN)	Series premium (in PLN)
B	40 000	0.10	1.00	36 000
C	2 500 000	0.10	9.00	22 250 000
D	110 000	0.10	1.00	99 000

Share premium		22 385 000
Decrease due to C series share issue costs		- 1 829 311
Transfer to reserve capital		- 16 000 000
	as at January 1, 2012	**4 555 689**
Changes during the reporting period:		-
	as at December 31, 2012	**4 555 689**

Note 13
Buy-back provision

Created through the resolution of the Extraordinary General Meeting of City Interactive S.A. of November 8, 2010 in connection with a resolution of the same date concerning authorization for purchase by the Company of its own shares. The provision was created through transfer from the Company's capital reserve, i.e. from amounts which, in accordance with art. 348, par. 1 of the Polish Commercial Companies Code, which may be allocated for distribution between shareholders.

Value of the buy-back provision as at December 31, 2012: PLN 16 000 000.

As at the date of drafting these financial statements the Issuer did not execute any buy-back transactions.

Note 14
Revaluation reserve

The Issuer used hedge accounting during the reporting period. The aim was to eliminate foreign exchange risk connected with anticipated foreign exchange surpluses.
Forward contracts were executed (for currency sales), constituting a hedge position in relation to the hedge position for surplus expected by the Company in the principle currencies for the Group’s revenues (USD, EUR, GBP). This surplus will arise during the settlement period for specific forward contracts.
The Issuer values hedge positions with the exception of interest.
Forward contracts are valued through comparison of the spot rate for the currency hedging the contract.
The interest was transferred to costs for the period.
The effective part of the hedge was transferred to the revaluation reserve.

in PLN

	As at Dec 31, 2012	As at Dec 31, 2011
Hedging instrument measurement	-	-2 953 690
Interest component	-	362 959
Effective hedge	**-**	**-2 590 732**
Deferred tax	-	492 239
Total revaluation reserve	**-**	**-2 098 493**

On October 18, 2012 all forward contracts had been closed as a result of a decision to discontinue hedge accounting.

Note 15
Borrowings including credits, loans and debt instruments in PLN

Non-current liabilities	As at Dec 31, 2012	As at Dec 31, 2011
Finance lease liabilities - non-current part	38 809	28 602
Total	**38 809**	**28 602**

Current liabilities	As at Dec 31, 2012	As at Dec 31, 2011
Debt instruments	20 601 976	-
Financial instruments	-	2 953 690
Finance lease liabilities – current part	51 092	26 034
Total	**20 653 068**	**2 979 725**

Note 16
Finance lease liabilities in PLN

	As at Dec 31, 2012	As at Dec 31, 2011
up to 1 month	3 995	2 098
1-3 months	8 086	4 235
3-6 months	12 374	6 449
6-12 months	26 638	13 253
1-5 years	38 809	28 602
Total	**89 902**	**54 637**

Note 17
Information on borrowings and debt instrument liabilities

The Issuer did not recognize any liabilities under bank loans during the reporting period.

The issue of City Interactive S.A. series C bonds took place on September 28, 2012. The issue objective was to use the capital raised to finance expenditures connected with the release of Sniper: Ghost Warrior 2. In addition, the Issuer intends to use the bond issue proceeds to finance further development work and marketing and advertising expenses connected with new games. The Company issued 15 500 bearer shares (dematerialized, unsecured, zero-coupon) with a total par value of PLN 15.5 million. The issue price per bond was PLN 935.50. The bonds will be redeemed at par value on May 28, 2013.

On October 30, 2012 City Interactive S.A. issued series D bonds as a follow-on to the series C issue of September 28, 2012. The series D issue's objective, like the series C, was primarily raising capital to finance expenditures connected with the release of Sniper: Ghost Warrior 2. In addition, the Issuer intends to use the proceeds raised from the bond issue to finance new game development, together with marketing and advertising. The Parent has issued 6000 ordinary bearer bonds (zero-coupon, dematerialized, non-interest bearing) with a total par value of PLN 6 million. The issue price per bond was PLN 935.50. The bonds will be redeemed at par value on June 26, 2013.

Note 18
Employee benefit provisions

Provisions for employee benefits cover costs of equivalents connected with unused annual leave as at December 31, 2012.
With regard to the low average employee age, pension provisions and the resulting insignificant level of the provision was not amortized.

Note 19
Trade payables in PLN

Trade payables	As at Dec 31, 2012	As at Dec 31, 2011
Trade payables to related parties	504 543	556 274
Trade payables to other entities	7 525 214	7 770 403
under 12 months	7 525 214	7 770 403
over 12 months	-	-
Total	**8 029 757**	**8 326 677**

Note 20
Aging of trade payables in PLN

	As at Dec 31, 2012	As at Dec 31, 2011
Not overdue	2 624 632	4 516 379
Overdue	5 405 125	3 810 298
including:		
1-30 days	3 270 530	1 064 430
31-60 days	337 753	991 017
61-90 days	212 597	228 827
91-180 days	329 454	614 569
> 180 days	1 254 792	911 456
Total	**8 029 757**	**8 326 677**

Note 21
Other liabilities in PLN

Other payables	As at Dec 31, 2012	As at Dec 31, 2011
Tax liabilities (excluding corporate income tax)	123 950	139 826
Other payables	107 695	93 125
Special reserves (Workplace Social Benefits Fund)	54 115	64 647
Total	**285 760**	**297 598**

Note 22
Estimates, including other current provisions

in PLN

	As at Dec 31, 2012	As at Dec 31, 2011
Provision for audit of financial statements	25 000	15 000
Provision for remuneration	-	200 000
Provision for non-invoiced expenses	963 089	675 108
Total	**988 089**	**890 108**

	As at Dec 31, 2012	As at Dec 31, 2011
Provision for returns - revenue and receivables decrease	623 223	993 896
Total	**623 223**	**993 896**

Note 22a
Deferred revenue

in PLN

	For the period Jan 1 – Dec 31 2012	For the period Jan 1 – Dec 31 2011
Japanese market	2 060 000	-
Russian market	505 750	-
Chinese market	162 515	-
Total	**2 728 265**	**-**

Deferred revenue is recognized when advance licensing payments are received for *Sniper: Ghost Warrior 2.*

Note 23
Net revenue from sales of products – geographical structure

in PLN

	For the period Jan 1 – Dec 31 2012	For the period Jan 1 – Dec 31 2011
Domestic	1 909 777	3 296 359
Export	39 295 639	78 421 858
Total	**41 205 416**	**81 718 217**

	For the period Jan 1 – Dec 31 2012	For the period Jan 1 – Dec 31 2011
Europe	17 277 306	44 876 483
North America	21 154 857	28 369 045
Asia and Australia	2 773 253	8 472 689
Total	**41 205 416**	**81 718 217**

Note 24
Costs by nature in PLN

	For the period Jan 1 – Dec 31 2012	For the period Jan 1 – Dec 31 2011
Depreciation / amortization	2 568 093	6 193 677
Use of materials and	576 501	724 432
Third-party services	8 981 163	16 055 127
Taxes and fees	167 216	142 342
Remuneration and employee benefits	4 011 918	4 456 382
Other costs	6 759 919	8 214 403
Total costs by nature	**23 064 809**	**35 786 362**

Distribution costs	- 9 691 034	- 10 540 485
Administrative expenses	- 5 973 349	- 5 899 610
Value of products sold	22 185 071	22 846 110
Cost of products sold	**29 585 498**	**42 192 377**

Note 25
Employee benefits in PLN

	For the period Jan 1 – Dec 31 2012	For the period Jan 1 – Dec 31 2011
Remuneration	3 309 571	3 804 310
Social security	230 453	275 789
Other benefits	471 894	376 284
Total	**4 011 918**	**4 456 382**

Note 26
Other operating revenue in PLN

	For the period Jan 1 – Dec 31 2012	For the period Jan 1 – Dec 31 2011
Reversal of impairment loss on receivables	11 381	300 540
Damages received	7 455	145 425
Inventory differences	4 010	7 735
Gain on disposal of non-financial non-current assets	-	138 880
Liabilities written-off	40 545	2 218
Re-invoicing	107 015	-
Other	158 672	74 447
Total	**329 078**	**669 246**

Note 27
Other operating expenses in PLN

	For the period Jan 1 – Dec 31 2012	For the period Jan 1 – Dec 31 2011
Impairment loss on receivables	934 598	429 188
Impairment loss on inventory	614 377	-
Inventory differences	89 175	41 590
Liquidation of sub-quality materials (returns)	763 786	512 585
Settlements, contractual penalties, sanctions	389 551	90 784
Loss on disposal of non-financial non-current assets	13 452	-
Receivables written-off	213 206	66 964
Legal fees	892	-
Impairment loss on intangible assets	13 513 824	-
Other	541 434	475 830
Total	**17 074 295**	**1 616 942**

Note 28
Finance income / costs

in PLN

	For the period Jan 1 – Dec 31 2012	For the period Jan 1 – Dec 31 2011
Interest	330 209	351 420
Net positive exchange differences	111 881	1 194 386
Net gain on sale of financial assets	43	-
Total finance income	**442 133**	**1 545 806**
Interest	375 236	344 679
Net negative exchange differences	1 589 407	13 430
Other	418 151	-
Total finance costs	**2 382 793**	**358 109**

Net finance income (costs)	- **1 940 660**	**1 187 697**

Note 29
Income tax

in PLN

	For the period Jan 1 – Dec 31 2012	For the period Jan 1 – Dec 31 2011
Current tax	183 491	3 813 818
Current-period income tax	180 581	3 484 301
Income tax brought forward	2 910	329 517
Deferred tax	-3 760 815	1 571 074
Income tax through profit or loss	**-3 577 324**	**5 384 892**

Note 30
Effective tax rate

in PLN

	For the period Jan 1 – Dec 31 2012	For the period Jan 1 – Dec 31 2011
Profit (loss) before tax	-23 371 516	22 307 712
Tax at 19%	-4 440 588	4 238 465
Difference resulting from application of tax rates in force in different tax regimes*	-36 905	-22 056
Non-taxed revenue, tax value	-20 707	-170 997
Costs not constituting tax-deductible expenses, tax value	917 966	1 009 964
Current income tax	-3 580 234	5 055 375
Prior-period tax	2 910	329 517
Effective tax rate	15.3%	22.7%

Note 31
Segment information for the period from January 1 to December 31, 2012 in PLN

	Own products	Licenses	Other sales	Total
	87%	**10%**	**4%**	**100%**
Total segment revenue	**35 698 920**	**3 945 122**	**1 561 375**	**41 205 416**
Direct segment expenses, including:	**-28 664 829**	**-392 133**	**-1 169 709**	**-30 226 672**
Depreciation	-1 513 952	-162 374	-443 607	**-2 119 932**
Finance income / costs	-1 681 320	-185 804	-73 536	**-1 940 660**
Income tax	-3 099 267	-342 503	-135 554	**-3 577 324**
Net profit (loss) for the period	**-17 148 990**	**-1 895 151**	**-750 051**	**-19 794 192**
Total assets	**62 773 944**	**6 937 209**	**2 745 563**	**72 456 716**
Intangible assets	34 315 513	3 792 240	-	**38 107 754**
Liabilities	28 416 142	3 140 295	1 242 845	**32 799 283**
Investment expenditures	28 748 511	3 177 025	-	**31 925 536**

Note 31
Segment information for the period from January 1 to December 31, 2011 in PLN

	Own products	Licenses	Other sales	Total
	86%	**9%**	**5%**	**100%**
Total segment revenue	**70 108 716**	**7 328 643**	**4 280 857**	**81 718 217**
Direct segment expenses, including:	**-39 664 161**	**-634 556**	**-2 911 693**	**-43 210 410**
Depreciation	-4 482 166	-634 556	-858 404	**-5 975 126**
Finance income / costs	1 018 964	106 515	62 218	**1 187 697**
Income tax	4 619 874	482 927	282 091	**5 384 892**
Net profit (loss) for the period	**14 518 638**	**1 517 670**	**886 512**	**16 922 820**
Total assets, including:	**60 616 745**	**6 336 423**	**3 701 275**	**70 654 444**
Intangible assets	22 689 838	2 371 827	-	**25 061 665**
Liabilities	11 051 933	1 155 287	674 834	**12 882 053**
Investment expenditures	18 088 693	1 890 857	-	**19 979 550**

Note 32
Loss per share

Net loss per share outstanding as at December 31, 2012 was PLN 1.56. Diluted loss per share is equal to the net loss per registered share.

Note 33
2011 profit distribution
2012 loss coverage

On June 28, 2012 the Issuer's general meeting decided to allocate all of the 2011 profit (PLN 17 103 339.23) to a dividend fund.

Recommendation on 2012 loss coverage

The Issuer's Management recommends covering the current-year loss with future-period earnings.

Note 34
Contingent liabilities and receivables

As at December 31, 2012 Group companies had no contingent payables except promissory notes issued by City Interactive S.A. for lessors in order to secure finance lease liabilities.

Note 35
On-going judicial proceedings

As at the date of drafting these financial statements the Issuer's Management was not aware of any significant on-going judicial proceedings involving the Issuer or its subsidiaries.

Note 36
Transactions with related parties

in PLN

Transactions with City Interactive Group companies (non-consolidated):

	Costs	Revenue from sales and finance income	Receivables and borrowings on date of incurrence	Valuation as at Dec 31, 2012	Carrying amount of receivables and borrowings as at	Payables on date of incurrence	Valuation as at Dec 31, 2012	Carrying amount of payables as at Dec 31, 2012
City Interactive Peru	-	-	-	-	-	467 495	-37 048	504 543
TOTAL	**-**	**-**	**-**	**-**	**-**	**467 495**	**-37 048**	**504 543**

Transactions with companies linked to Marek Tymiński – majority shareholder in the Company, who directly or indirectly controls the following entities:

	Costs	Revenues	Receivables	Payables
ATS Sp. z o.o.	5 890 923	49 089	11 892	422 213
Premium Food Sp. z o.o.	123	-	-	-
Premium Food Restaurants S.A.	13 145	3 094	3 464	13 691
Tech Marek Tymiński	81 934	81 934	-	-
MT Golf	886	5 460	19 678	-
TOTAL	**5 987 011**	**139 576**	**35 033**	**435 904**

Transactions with companies personally linked to Supervisory Board and Management Board members:

	Costs	Revenues	Receivables	Payables
KS Konsulting Krzysztof Sroczyński	5 000	-	-	-
Michał Sokolski 3AFX	169 649	-	-	-
Andreas Jaeger Consulting	442 678	-	-	1
TOTAL	**617 327**	**-**	**-**	**1**

Note 37
Cash and cash equivalents structure in PLN

	Dec 31, 2012	Dec 31, 2011	Change
Cash at hand	3 836	1 712	2 124
Cash instruments in bank accounts	2 922 271	8 499 115	-5 576 844
Other cash instruments	13 547 642	8 199 629	5 348 013
Other cash assets	-	-	-
	16 473 749	**16 700 457**	**-226 708**
Current financial assets classified for purposes of the statement of cash flows as cash instruments	-	-	-
Total cash instruments for purposes of the statement of cash flows	**16 473 749**	**16 700 457**	**-226 708**

Note 38
Employment information

	As at Dec 31, 2012	As at Dec 31, 2011
Development staff	161	178
Sales and administration staff	20	26
Total employment	**181**	**204**

Note 39
Management Board and Supervisory Board Member remuneration in PLN

Remuneration paid to Management Board members during the period Jan 1 – Dec 31, 2012:

Marek Tymiński - President	647 892
Andreas Jaeger - Member	101 531
Michał Sokolski - Member	3

Remuneration paid to Supervisory Board members during the period Jan 1 – Dec 31, 2012:

Krzysztof Sroczyński - Chairman	42 000
Marek Dworak - Member	30 000
Grzegorz Leszczyński - Member	30 000
Lech Tymiński - Member	30 000
Tomasz Litwiniuk - Member	30 000

Note 40
Shares held by Management Board and Supervisory Board members in PLN

As at December 31, 2012, Management Board members held the following number of shares in the Issuer:

Marek Tymiński - President	6 347 285
Andreas Jaeger - Member	5 000

As at December 31, 2012, Supervisory Board members held the following number of shares in the Issuer:

Lech Tymiński - Member	9 565

Note 41
Financial instruments in PLN

Financial instrument classification	Carrying amount as at Dec 31, 2012	Carrying amount as at Dec 31, 2011
Borrowings	43 278	403 337
Receivables	6 107 596	17 361 822
Debt instruments	-20 601 976	-
Financial liabilities due to hedging instruments measurement	-	-2 953 691
Cash and cash equivalents	16 473 749	16 700 457

The fair value of all financial instruments as at the end of the reporting period did not differ from their respective carrying amounts.

Risks affecting financial instruments, hedging methods

Credit and cash flow risk

The Group companies do not currently insure trade receivables. Cooperation with contracting parties which are in a stable financial situation and constant monitoring of this situation provides security against the risk of these financial instruments being impaired. There was no significant loss of value in receivables during the settlement period. There is also no significant delay in payment of the Group's receivables.

Foreign exchange risk

Payables and receivables resulting from current operations mainly occurred in currencies other than Polish zloty, which is the functional and presentational currency. The Issuer uses payables in currencies other than the functional currency as currency risk collateral under foreign exchange receivables. The value of the net financial surplus in specific currencies is hedged through forward contracts under the hedge accounting policy.

Forward contracts (for selling currencies) constitute a hedge position in relation to the hedge position for surplus expected by the Issuer in the principle currencies for its revenues (USD, EUR, GBP). This surplus arises during the settlement period for specific forward contracts. As at the end of the reporting period the Issuer values hedge positions with the exception of interest. Forward contracts are valued through comparison of the spot rate for the currency hedging the contract. The interest was transferred to costs for the period. The effective part of the hedge was transferred to the revaluation reserve.

During 2012 the Parent entered into forward contracts, which did not remain open as at the end of the reporting period.

Sensitivity analysis in PLN

Financial instrument classification	Carrying amount as at Dec 31, 2012	+/- 10% change in exchange rate including income tax
Receivables	5 385 936	436 261
Payables	-5 741 541	-465 065
Cash and cash equivalents	4 870 508	394 511
Total	4 514 903	365 707

Interest rate risk

Interest rates are dependent on the Libor and Wibor interbank rates and at the same time on interest rate risk within the economy as a whole. Group companies do not use hedging instruments for this type of risk.

As at the end of the reporting period, the Group has issued fixed-rate bonds. Therefore exposure to interest rate risk is limited.

Pricing risk

The Group is protected against potential drops in the value of financial instruments and against the risk of cash flows connected with them decreasing, by operating in many countries and economies. This protects the company against fluctuations in the economic situation in one market. The group is introducing new products to its expanding portfolio – games for new consoles – thereby building its competitive advantage. Careful selection of distributors and assessment of their financial conditions has the effect of lowering pricing risk.

Nota 42
Events after the end of the reporting period

On February 4, 2013 Parent City Interactive S.A. (general partner) acquired shares in Business Area Sp. z o.o. in Warsaw. Its share capital is PLN 50 000 (nominal value per share is PLN 1). The sole general partner is a subsidiary of the Issuer - Business Area Sp. z o.o.

On February 19, 2013 the Issuer signed a reverse factoring agreement with Alior Bank S.A., having its registered office at Al. Jerozolimskie 94 in Warsaw (the "Bank") under the following conditions:
1) Limit: EUR 3.2 million available in EUR and USD;
2) Purpose: financing for goods / licenses / contract work;
3) Final repayment deadline: July 31, 2013;
4) Interest: EURIBOR 1M for EUR and LIBOR 1 M for USD plus the Bank's margin of 2.2% annualized; origination commission (calculated from unused amounts) - none;
5) Collateral: Notarized assignment of City Interactive USA Inc.'s receivables; declaration on submission for enforcement proceedings; 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 agreements.

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

2013 inclusive. The Issuer received consent for the above amendment from all bondholders. Other issue conditions for the above bonds remain unchanged.

On February 22, 2013 an extraordinary general meeting of subsidiary Business Area Sp. z o.o. adopted a resolution requiring one of the shareholders (City Interactive S.A.) to provide an additional PLN 2 000 000. This additional payment will be covered through the conversion of existing borrowings (including interest) in the amount of PLN 1 673 372 and PLN 326 628 in cash.

Jerzy Litwiniuk

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Person preparing the consolidated financial statements

Marek Tymiński

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President of the Management Board

Andreas Jaeger

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Member of the Management Board

Warsaw, March 7, 2013