

CITY INTERACTIVE S.A.

SEPARATE FINANCIAL STATEMENTS FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 31, 2012



Warsaw, March 7, 2013

Contents

I. Introduction to the financial statements for the period from January 1 to December 31, 2012.....	2
1. Information on the Company	2
2. Basis for presentation and preparation of the financial statements.....	3
3. Adopted accounting principles.....	3
4. Changes in the accounting principles (restatement of financial statements)	15
II. Selected financial data	17
III. City Interactive S.A. financial data for the period from January 1 to December 31, 2012..	18
IV. Notes to City Interactive S.A. financial statements for the period from January 1 to December 31, 2012	26

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

1. Information on the Company

- 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. The Company's 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 Company'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 Company of the Company and draws up financial statements. The following subsidiaries belong to the Company:

City Interactive S.A. subsidiaries as at December 31, 2012:

- 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.
- 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.
- 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. Share capital of RON 200.

- 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.
- 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 Company 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.
- 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 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 financial statements were drawn up in accordance with the International Accounting Standards and International Financial Reporting Standards (IAS/IFRS).
- c) The 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 Company generates positive cash flows from operating activities. Protection against customer insolvency risk is ensured through analyzing their financial condition and constantly monitoring payment of receivables. It should additionally be emphasized that the Company is able to raise capital through bank debt or the issue of bonds on highly favorable terms.

According to the Company's management, despite a net loss of PLN 19.0 million and a PLN 2.9 million surplus of current liabilities over current assets reported in 2012, no circumstances exist which could indicate a threat to the Company'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, scheduled for March 12, 2013, the Company expects to post unprecedented financial results and a surplus allowing it to cover all of the Company's liabilities.

3. Adopted accounting principles

- a) Application of the International Accounting Standards

The annual 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 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 financial statements were drawn up on historical cost basis. Preparation of 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 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) 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 Company 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 Company'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 Company 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 Company'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.

d) Intangible assets

(i) Intangible assets

The Company recognizes intangible assets only when:

- a) it is probable that the future economic benefits that are attributable to the assets will flow to the Company, 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 Company 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 Company 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 Company, 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 Company 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 write-down.

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 Company 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.

e) 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.

f) Financial instruments

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

The Company 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 Company 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 Company 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 Company 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 Company 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 Company 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.

g) 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 Company, receivables with maturity of longer than 180 days are subject to discounting.

h) 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.

i) 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 measurement as at the end of the reporting period correspond to their own cost of purchase (IAS 2).

The Company creates impairment losses equal 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 Company measures advance payments for inventory at nominal value and presents these in the financial statements at the historic rate less impairment. The Company 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.

j) 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 Company's liquidity management policy are recognized as cash and cash equivalents for the purposes of the statement of cash flows.

k) 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.

l) 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 Company 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.

m) 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.

n) Revenue

Revenue from sale of products and services includes sale of products manufactured by the Company 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 Company 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 Company has transferred significant risk and benefits resulting from the right of ownership of goods for resale and products to the purchaser,
- the Company 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 Company will achieve economic benefits from the transaction,
- costs borne and those which will be borne by the Company in connection with the transaction may be valued in a reliable manner.

Revenue is recognized if achievement by the Company 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.

o) Costs

The Company draws up a 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 Company, 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 Company 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.

p) 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 Company 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.

q) 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 Company;
- in the case of purchasing foreign currencies and liability repayment transactions – using the ask rate applied by the bank used by the Company;
- 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.

r) Segment reporting

A business segment is a separate part of the Company 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 Company 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 Company 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 Company has one business segment.

s) 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 Company 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 Company'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 (restatement of financial statements)

In the event that the Company'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 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,
- IFRS 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 thousands
	Net revenue from sales	30 982	7 423	69 933
Gain (loss) on operating activities	-20 807	-4 985	20 585	4 972
Gross profit (loss)	-22 608	-5 417	21 806	5 267
Net profit (loss)	-18 996	-4 551	17 103	4 131
Number of shares (in thousands)	12 650	12 650	12 650	12 650
Profit (loss) per ordinary share	-1.50	-0.36	1.35	0.33

STATEMENT OF CASH FLOWS	2012		2011	
	PLN thousands	EUR thousands	PLN thousands	EUR thousands
	Cash flows from operating activities	6 956	1 667	26 228
Cash flows from investing activities	- 26 284	- 6 298	-21 558	-5 207
Cash flows from financing activities	19 669	4 713	-5 248	-1 268
Net cash flows	342	82	-578	-140

BALANCE SHEET	Dec 31, 2012		Dec 31, 2011	
	PLN thousands	EUR thousands	PLN thousands	EUR thousands
	Non-current assets	44 607	10 911	27 661
Current assets	29 046	7 105	43 469	9 842
Total assets	73 653	18 016	71 130	16 105
Equity	41 622	10 181	58 596	13 267
Share capital	1 265	309	1 265	286
Liabilities	32 031	7 835	12 534	2 838
Non-current liabilities	114	28	334	76
Current liabilities	31 917	7 807	12 200	2 762
Total equity and liabilities	73 653	18 016	71 130	16 105

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

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		44 607	27 661
	Property, plant and equipment	1	1 048	957
	Intangible assets	2	38 214	24 149
	Interests in subsidiaries, associates and jointly controlled entities	3	223	308
	Deferred tax assets	4	5 122	2 246
B.	CURRENT ASSETS		29 046	43 469
	Inventory	5	2 024	3 909
	Current investments	6	1 717	4 078
	Advance payments	7	78	1 049
	Trade receivables	7	8 778	16 857
	Income tax receivables	8	-	855
	Cash and cash equivalents	9	14 398	14 062
	Other current assets	10	2 051	2 660
TOTAL ASSETS			73 653	71 130

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			41 622	58 596
	Share capital	11	1 265	1 265
	Share premium	12	4 556	4 556
	Revaluation reserve	14	-	-2 021
	Buy-back provision	13	16 000	16 000
	Retained earnings		19 801	38 797
	including profit (loss) for the period		-18 996	17 103
B. LIABILITIES			32 031	12 534
	Non-current liabilities		114	334
	Employee benefit provisions	18	32	15
	Finance lease liabilities	16	39	29
	Deferred income tax liabilities	4	43	290
	Current liabilities		31 917	12 200
	Borrowings, including credits, loan and debt instruments	15,17	20 602	-
	Trade payables	19,20	7 266	8 033
	Finance lease liabilities	16	51	26
	Financial liabilities		-	2 954
	Other liabilities	21	285	298
	Other current provisions	22	984	889
	Deferred revenue	22a	2 728	-
TOTAL EQUITY AND LIABILITIES			73 653	71 130

Book value (in PLN thousands)	41 622	58 596
Number of shares (in thousands)	12 650	12 650
Book value per share (in PLN)	3.29	4.63

PROFIT AND LOSS STATEMENT
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	30 982	69 933
Revenue from sale of products and services		29 927	68 566
Revenue from sale of goods for resale and materials		1 055	1 367
Cost of products, goods for resale and services sold	24	24 915	37 449
Cost of manufacture of products sold		24 274	36 446
Value of goods for resale and materials sold		641	1 003
Gross profit (loss) on sales		6 067	32 483
Other operating revenues	26	329	670
Distribution costs	24	5 849	6 554
Administrative expenses	24	4 898	4 510
Other operating expenses	27	16 457	1 504
Profit (loss) on operating activities		- 20 807	20 585
Finance income	28	456	1 566
Finance costs	28	2 257	345
Profit (loss) before tax		- 22 608	21 806
Income tax	29	- 3 612	4 703
Profit (loss) on continuing operations		- 18 996	17 103
Discontinued operations			
Loss on discontinued operations		-	-
NET PROFIT (LOSS)		-18 996	17 103

Net profit (loss) (in PLN thousands)	-18 996	17 103
Number of shares (in thousands)	12 650	12 650
Profit (loss) per ordinary share (in PLN)	-1.50	1.35

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	-18 996	17 103
Other comprehensive income:	2 021	-2 064
Effect of translation of foreign operations	-77	35
Effect of hedging instrument measurements	2 098	-2 098
Other comprehensive income for the period	-16 975	15 040
Other comprehensive income attributable to:		
<i>% share of the Parent:</i>	<i>100%</i>	<i>100%</i>
Owners of the Parent	-16 975	15 040
Non-controlling interests	-	-
Total	-16 975	15 040

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	Revaluation reserve	Incentive scheme provision	Retained earnings	Total equity
Balance as at January 1, 2012	1 265	4 556	16 000	-2 021	-	38 797	58 596
Change in accounting policies	-	-	-	-	-	-	-
Balance as at January 1, 2012, after restatement	1 265	4 556	16 000	-2 021	-	38 797	58 596
Changes in equity during 2012							
Profit (loss) for the period	-	-	-	-	-	-18 996	-18 996
Revaluation of financial instruments	-	-	-	-77	-	-	-77
Revaluation of hedging instruments	-	-	-	2 098	-	-	2 098
As at December 31, 2012	1 265	4 556	16 000	-	-	19 801	41 622

STATEMENT OF CHANGES IN EQUITY
for the period from January 1 to December 31, 2012

COMPARATIVE DATA For the period Jan 1 – Dec 31, 2011	Share capital	Share premium	Buy-back provision	Revaluation provision	Incentive scheme provision	Retained earnings	Total equity
Balance as at January 1, 2011	1 265	4 556	16 000	42	283	21 411	43 557
Change in accounting policies	-	-	-	-	-	-	-
Balance as at January 1, 2011, after restatement	1 265	4 556	16 000	42	283	21 411	43 557
Changes in equity during 2011							
Profit (loss) for the period	-	-	-	-	-	17 103	17 103
Incentive scheme provision	-	-	-	-	-283	283	-
Revaluation of financial assets	-	-	-	35	-	-	35
Revaluation of hedging instruments	-	-	-	-2 098	-	-	-2 098
As at December 31, 2011	1 265	4 556	16 000	-2 021	-	38 797	58 596

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)	-22 608	21 806
Total adjustments	29 564	4 422
Depreciation / amortization	2 308	6 120
Gain (loss) on exchange differences	200	-45
Interest	749	64
Gain (loss) on sale of non-current assets	-8	271
Change in employee benefit provisions and liabilities	17	2
Change in inventory	1 885	376
Change in receivables	9 741	2 714
Change in current liabilities, excluding borrowings and taxes	-1 609	-648
Change in prepayments	2 728	-
Tax paid	-	-5 312
Exclusion of financial asset measurements	-363	723
Impairment losses	13 303	-
Change in other current assets	614	157
Net cash flows from operating activities	6 956	26 228

STATEMENT OF CASH FLOWS

for the period from January 1 to December 31, 2012

PLN
thousands

(indirect method)

	For the period Jan 1 – Dec 31, 2012	For the period Jan 1 – Dec 31, 2011
Cash flows from investing activities		
Proceeds from investing activities	9 519	352
Proceeds from sale of property, plant and equipment and intangible assets	20	145
Repayment of long-term borrowings	9 430	186
Interest received	68	20
Outflows on investing activities	-35 802	-21 909
Acquisition of property, plant and equipment and intangible assets	-1 296	-1 424
Development work	-27 423	-16 957
Acquisition of financial assets	-	-6
Expenditures connected with borrowings granted	-7 084	-3 523
Net cash flows from investing activities	-26 284	-21 558
Cash flows from financing activities		
Proceeds from financing activities	19 718	-
Issuance of debt instruments	20 113	-
Commission on bonds	-395	-
Outflows on financing activities	-49	-5 248
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
Change in net cash and cash equivalents	342	-578
Exchange differences on cash and cash equivalents	-6	-
Cash and cash equivalents as at the beginning of period	14 062	14 640
Cash and cash equivalents as at the end of period	14 398	14 062

IV. Notes to City Interactive S.A. 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 and 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	-	-	1 750 497	295 174	95 695	36 038	-	2 177 404
Increases:	-	-	807 928	76 829	29 341	11 260	-	925 358
- acquisition	-	-	807 928	-	29 341	11 260	-	848 529
- lease	-	-	-	76 829	-	-	-	76 829
Decreases:	-	-	13 109	23 800	4 878	47 298	-	89 085
- sale	-	-	4 648	23 800	-	-	-	28 448
- liquidation	-	-	8 462	-	4 878	47 298	-	60 638
Gross value as at December 31, 2012	-	-	2 545 316	384 204	120 158	-	-	3 013 677
Depreciation as at January 1, 2012	-	-	1 033 312	125 567	61 667	-	-	1 220 545
Increases:	-	-	662 942	92 091	16 287	-	-	771 321
- depreciation	-	-	662 942	92 091	16 287	-	-	771 321
-	-	-	-	-	-	-	-	-
Decreases:	-	-	12 339	12 693	732	-	-	25 764
- sale	-	-	4 648	12 693	-	-	-	17 341
- liquidation	-	-	7 692	-	732	-	-	8 423
Depreciation as at December 31, 2012	-	-	1 683 915	204 964	77 222	-	-	1 966 102
Net value								
As at January 1, 2012	-	-	717 185	169 608	34 028	36 038	-	956 859
As at December 31, 2012	-	-	861 401	143 239	42 935	-	-	1 047 575

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	Advance for PP&E under construction	Total
Gross value as at January 1, 2011	-	-	1 638 032	521 098	170 961	-	-	2 330 090
Increases:	-	-	717 377	111 128	18 915	36 038	-	883 458
- acquisition	-	-	717 377	111 128	18 915	36 038	-	883 458
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	-	-	1 750 497	295 174	95 695	36 038	-	2 177 404
Depreciation as at January 1, 2011	-	-	1 382 996	374 993	144 040	-	-	1 902 030
Increases:	-	-	247 137	70 549	11 275	-	-	328 961
- depreciation	-	-	247 137	70 549	11 275	-	-	328 961
Decreases:	-	-	596 821	319 976	93 648	-	-	1 010 445
- sale	-	-	3 605	319 976	-	-	-	323 581
- liquidation	-	-	593 216	-	93 648	-	-	686 864
Depreciation as at December 31, 2011	-	-	1 033 312	125 567	61 667	-	-	1 220 545
Net value								
As at January 1, 2011	-	-	255 036	146 105	26 921	-	-	428 061
As at December 31, 2011	-	-	717 185	169 608	34 028	36 038	-	956 859

Note 2**Changes in intangible assets by type**

in PLN

All of the Company'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	44 360 367	-	6 879 598	-	51 000	1 291 607	274 658	52 857 230
Increases:	28 967 224	-	64 590	-	-	421 145	31 272	29 484 232
- acquisition	16 356 177	-	-	-	-	421 145	31 272	16 808 595
- own production	12 611 047	-	-	-	-	-	-	12 611 047
- transfer	-	-	64 590	-	-	-	-	64 590
Decreases:	12 921 028	-	-	-	-	-	305 931	13 226 958
- liquidation	-	-	-	-	-	-	241 340	241 340
- transfer	-	-	-	-	-	-	64 590	64 590
- impairment losses	12 921 028	-	-	-	-	-	-	12 921 028
Gross value as at December 31, 2012	60 406 564	-	6 944 189	-	51 000	1 712 752	-	69 114 504
Amortization as at January 1, 2012	21 478 431	-	6 441 705	-	47 600	740 414	-	28 708 149
Increases:	1 631 673	-	336 809	-	3 400	220 428	-	2 192 310
- amortization	1 631 673	-	336 809	-	3 400	220 428	-	2 192 310
Decreases:	-	-	-	-	-	-	-	-
Amortization as at December 31, 2012	23 110 104	-	6 778 513	-	51 000	960 842	-	30 900 459
Net value								
As at January 1, 2012	22 881 936	-	437 894	-	3 400	551 193	274 658	24 149 081
As at December 31, 2012	37 296 460	-	165 675	-	-	751 910	-	38 214 045

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 37 184 530.

	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	-	6 571 921	-	51 000	1 510 856	418 182	36 278 224
Increases:	16 634 103	-	307 677	-	-	376 431	227 711	17 545 922
- acquisition	16 634 103	-	-	-	-	376 431	227 711	17 238 245
- transfer	-	-	307 677	-	-	-	-	307 677
Decreases:	-	-	-	-	-	595 681	371 235	966 916
- sale	-	-	-	-	-	-	-	-
- liquidation	-	-	-	-	-	595 681	-	595 681
- transfer	-	-	-	-	-	-	371 235	371 235
Gross value as at December 31, 2011	44 360 367	-	6 879 598	-	51 000	1 291 607	274 658	52 857 230
Amortization as at January 1, 2011	16 397 971	-	5 593 501	-	37 400	1 138 934	-	23 167 806
Increases	5 080 460	-	848 204	-	10 200	171 833	-	6 110 696
- amortization	5 080 460	-	848 204	-	10 200	171 833	-	6 110 696
Decreases:	-	-	-	-	-	570 353	-	570 353
- liquidation	-	-	-	-	-	570 353	-	570 353
Amortization as at December 31, 2011	21 478 431	-	6 441 705	-	47 600	740 414	-	28 708 149
Net value								
As at January 1, 2011	11 328 294	-	978 421	-	13 600	371 922	418 182	13 110 418
As at December 31, 2011	22 881 936	-	437 894	-	3 400	551 193	274 658	24 149 081

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 Germany (EUR 25 000)	88 340	110 420
City Interactive USA (USD 50 000)	108 579	170 870
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 UK (GBP 100)	-	527
City Interactive Romania (RON 200; EUR 1241.29)	5 166	5 687
City Interactive Canada (CAD 10)	30	33
Business Area Sp. z o.o.	8 794	8 794
Gross non-current financial assets:	2 828 546	2 913 970
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:	223 000	308 423

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	2 246 411	2 564 976
recognized in profit or loss	1 754 172	2 564 976
Increases recognized in profit or loss	5 121 897	1 754 172
including:		
Interest	70 043	-
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	-
Impairment loss on development work	1 092 216	-
Exchange differences	43 699	-
Difference between non-current asset balance sheet depreciation and tax-purposes depreciation	891 240	-
Tax loss	1 430 563	-
Compensation	59 810	13 750
Provision for returns	80 132	133 000
Increases / decreases recognized in equity	-492 239	492 239
Measurement of hedging instruments	-492 239	492 239
Decreases recognized in profit or loss	1 754 172	2 564 976
Deferred income tax assets at the end of period	5 121 897	2 246 411

Deferred tax provision	As at Dec 31, 2012	As at Dec 31, 2011
Deferred income tax provision at the beginning of period	290 194	133 881
Recognized in profit or loss	290 194	133 881
Increases recognized in profit or loss	43 478	290 194
including:		
Interest charged	26 002	11 652
Positive exchange differences	17 195	77 363
Tangible asset leasing	281	-
Difference between non-current asset balance sheet depreciation and tax-purposes depreciation	-	201 179
Decreases recognized in profit or loss	290 194	133 881
Deferred income tax provision at the end of period	43 478	290 194

Note 5
Inventory

in PLN

	As at Dec 31, 2012	As at Dec 31, 2011
Materials	1 119 642	346 228
Finished products	1 358 178	3 551 729
Goods for resale	160 540	103 983
Total gross inventory	2 638 359	4 001 940
Impairment loss	-614 377	-92 851
Total net inventory	2 023 982	3 909 089

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	2 246 116	1 608 521
91-180 days	128 108	508 955
180-360 days	33 811	646 268
Over 360 days	230 324	1 238 197
Impairment loss	-614 377	-92 851
Total	2 023 982	3 909 089

Note 6
Current investments

in PLN

	As at Dec 31, 2012	As at Dec 31, 2011
Borrowings granted	2 089 653	4 365 456
Revaluation	-372 944	-287 944
Total	1 716 709	4 077 512

Borrower	Total contractual amount	Repayment deadline	Amount of loan and interest in foreign currency	Amount of loan and interest in PLN
CITY INTERACTIVE GERMANY GmbH	EUR 130 000	28.03.2012	EUR 14	59
CITY INTERACTIVE Studio LTD (EMBO East Europe)	GBP 220 000	02.01.2013	GBP 6 528	32 718
BUSINESS AREA Sp. z o.o.	PLN 1 600 000	31.12.2013	PLN 1 673 372	1 673 372
MARCIN KWAŚNICA	PLN 300 000	31.12.2012	PLN 10 560	10 560
Total				1 716 709

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	7 617 459	9 285 571
Trade receivables from other entities	5 471 676	12 234 009
Under 12 months	5 471 676	12 234 009
Over 12 months	-	-
Trade receivables	13 089 135	21 519 580
Impairment losses on trade receivables	-4 310 806	-4 662 181
Net trade receivables	8 778 330	16 857 398

Advances paid	78 366	1 048 556
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Note 7a
Aging of trade and other receivables

in PLN

	As at Dec 31, 2012	As at Dec 31, 2011
Not overdue	4 606 827	7 772 174
Overdue	8 482 309	13 747 406
including:		
1-30 days	1 917 689	1 117 092
31-90 days	513 234	6 640 306
91-180 days	1 591 312	254 961
> 180 days	4 460 074	5 735 047
Impairment losses	-4 310 806	-4 662 181
Total	8 778 330	16 857 398

Note 7b
Currency structure of trade receivables

in PLN

	currency	As at Dec 31, 2012	As at Dec 31, 2011
in PLN	PLN	1 293 064	2 595 196
in foreign currencies	JPY	20 848	-
	CZK	-	204 768
	EUR	241 359	1 059 493
	GBP	71 790	458 168
	HUF	-	512 861
	USD	1 980 253	2 085 265

Note 8
Income tax receivables

in PLN

	As at Dec 31, 2012	As at Dec 31, 2011
- from legal entities	-	854 815
Total	-	854 815

Income tax liabilities

	As at Dec 31, 2012	As at Dec 31, 2011
- from legal entities	39 040	43 143
Total	39 040	43 143

Note 9
Cash and cash equivalents

in PLN

	As at Dec 31, 2012	As at Dec 31, 2011
Bank accounts (current accounts)	846 684	5 860 756
Short-term deposits	13 547 642	5 978 622
Cash at hand	3 831	1 712
Forward contract margins	-	2 221 008
Total	14 398 157	14 062 098

Note 9a
Cash and cash equivalents – currency structure

	currency	As at Dec 31, 2012	As at Dec 31, 2011
in PLN	PLN	11 579 230	6 444 979
in foreign currencies	EUR	466 237	331 132
	GBP	134 745	681 549
	USD	76 631	750 110

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)	1 746 570	2 215 124
other settlements with employees	11 079	88 273
settlements with shareholders	25 250	25 250
deposits	97 030	84 340
other settlements	1 108	1 849
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	2 050 787	2 659 624

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 of Shareholders 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 Company'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 Company'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 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 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 Company'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
1. Net hedging instrument measurement	-	-2 098 493
Hedging instrument measurement	-	-2 953 690
Interest component	-	362 959
Effective hedge	-	-2 590 732
Deferred tax	-	492 239
2. Measurement of other assets	-	77 067
3. Total revaluation reserve	-	-2 021 426

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

Note 15
Borrowings including credits, loans and other 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	-
Finance lease liabilities - current part	51 092	26 034
Financial instruments	-	2 953 690
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 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 Company 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	654 398	1 783 260
Trade payables to other entities	6 611 946	6 249 708
under 12 months	6 611 946	6 249 708
over 12 months	-	-
Total	7 266 344	8 032 968

Note 20
Aging of trade payables

in PLN

	As at Dec 31, 2012	As at Dec 31, 2011
Not overdue	2 186 869	4 387 458
Overdue	5 079 475	3 645 510
including:		
1-30 days	3 201 721	899 641
31-60 days	328 454	991 017
61-90 days	198 015	228 827
91-180 days	96 493	614 569
> 180 days	1 254 792	911 456
Total	7 266 344	8 032 968

Note 21
Other payables

in PLN

Other payables	As at Dec 31, 2012	As at Dec 31, 2011
Tax liabilities (excluding corporate income tax)	123 360	139 826
Other payables	107 695	93 125
Special reserves (Workplace Social Benefits Fund)	54 115	64 647
Total	285 170	297 598

Note 22**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 bonuses	-	200 000
Provision for non-invoiced expenses	959 238	674 300
Total	984 238	889 300

	As at Dec 31, 2012	As at Dec 31, 2011
Provision for returns - revenue and receivables decrease	421 749	700 000
Total	421 749	700 000

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	2 576 012	3 296 359
- including to related parties	666 235	-2 356
Export	28 405 882	66 636 300
- including to related parties	8 930 810	14 737 288
Total	30 981 893	69 932 659

	For the period Jan 1 – Dec 31, 2012	For the period Jan 1 – Dec 31, 2011
North America	17 945 708	44 876 483
Asia and Australia	10 262 932	16 583 487
Europe	2 773 253	8 472 689
Total	30 981 893	69 932 659

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	2 307 923	6 119 979
Use of materials and	569 489	722 807
Third-party services	8 064 186	10 010 537
Taxes and fees	133 641	93 981
Remuneration and employee benefits	2 385 438	2 411 178
Other costs	4 868 438	5 097 501
Total costs by nature	18 329 115	24 455 983

Distribution costs	- 5 848 594	- 6 554 440
Administrative expenses	- 4 897 536	- 4 510 064
Value of products sold	16 690 747	23 054 777
Cost of products sold	24 273 732	36 446 255

Note 25
Employee benefits

in PLN

	For the period Jan 1 – Dec 31 2012	For the period Jan 1 – Dec 31 2011
Remuneration	1 761 904	1 874 256
Social security	194 701	176 647
Other benefits	428 833	360 276
Total	2 385 438	2 411 178

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
Compensation received	7 455	145 425
Gain on disposal of non-financial non-current assets	4 010	128 414
Liabilities written-off	40 545	2 218
Re-invoicing	107 304	-
Other	158 670	93 288
Total	329 365	669 885

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	328 791
Impairment loss on inventory	614 377	-
Inventory differences	89 175	41 590
Liquidation of sub-quality materials (returns)	760 643	512 585
Settlements, contractual penalties, sanctions	389 551	90 784
Loss on disposal of non-financial non-current assets	-	66 964
Receivables written-off	213 206	-
Legal fees	892	-
Impairment loss on intangible assets	12 921 028	-
Other	533 620	462 820
Total	16 457 089	1 503 535

Note 28**Finance income / costs**

in PLN

	For the period Jan 1 – Dec 31 2012	For the period Jan 1 – Dec 31 2011
Interest	456 008	384 678
Net positive exchange differences	-	1 181 234
Net gain on sale of financial assets	43	-
Total finance income	456 052	1 565 912
Interest	420 760	344 800
Net negative exchange differences	1 418 149	-
Other	417 729	-
Total finance costs	2 256 639	344 800

Net finance income (costs)	- 1 800 587	1 221 112
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Note 29**Income tax**

in PLN

	For the period Jan 1 – Dec 31 2012	For the period Jan 1 – Dec 31 2011
Current tax	2 910	3 735 877
Current-period income tax	-	3 406 360
Income tax brought forward	2 910	329 517
Deferred tax	-3 614 440	967 117
Income tax through profit or loss	-3 611 530	4 702 994

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	-22 607 629	21 806 333
Tax at 19%	-4 295 449	4 143 203
Non-taxed revenue, tax value	-3 934	-170 997
Costs not constituting tax-deductible expenses, tax value	684 944	401 271
Current income tax	-3 614 440	4 373 477
Prior-period tax	2 910	329 517
Effective tax rate	-16.0%	20.1%

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

in PLN

	Own products	Licenses	Other sales	Total
	82%	13%	5%	100%
Total segment revenue	25 475 397	3 945 122	1 561 375	30 981 893
Direct segment expenses, including:	-22 747 383	-524 375	-1 643 322	-24 915 080
Depreciation	-1 457 527	-218 798	-443 607	-2 119 932
Finance income / costs	-1 480 564	-229 280	-90 743	-1 800 587
Income tax	-2 969 643	-459 879	-182 008	-3 611 530
Net profit (loss) for the period	-15 619 870	-2 418 894	-957 334	-18 996 099
Total assets	62 229 929	9 636 931	1 785 986	73 652 847
Intangible assets	33 089 762	5 124 283	-	38 214 045
Liabilities	26 338 195	4 078 735	1 614 255	32 031 185
Investment expenditures	26 331 840	4 077 751	-	30 409 590

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

in PLN

	Own products	Licenses	Other sales	Total
	83%	10%	6%	100%
Total segment revenue	58 323 157	7 328 643	4 280 858	69 932 659
Direct segment expenses, including:	-33 903 308	-634 556	-2 911 420	-37 449 284
Depreciation	-4 493 953	-634 556	-858 404	-5 986 913
Finance income / costs	1 018 396	127 967	74 749	1 221 112
Income tax	3 922 251	492 854	287 889	4 702 994
Net profit (loss) for the period	14 264 019	1 792 357	1 046 964	17 103 339
Total assets, including:	60 634 862	7 619 123	2 875 882	71 129 867
Intangible assets	21 453 344	2 695 737	-	24 149 081
Liabilities	10 452 843	1 313 460	767 228	12 533 531
Investment expenditures	16 372 127	2 057 253	-	18 429 380

Note 32
Loss per share

Net loss per share outstanding as at December 31, 2012 is PLN 1.50. 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 Company'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 the Company 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 Company's Management was not aware of any significant on-going judicial proceedings involving City Interactive S.A.

Note 36
Transactions with related parties

in PLN

All transactions executed on market terms.

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

	Costs	Revenue from sales and finance income	Receivables and borrowings at date of incurrence	Valuation as at Dec 31, 2012	as	Receivables and borrowings valued on Dec 31, 2012	Payables at date of incurrence	Valuation as At Dec 31, 2012	Payables as valued on Dec 31, 2012
City Interactive Germany GmbH	552 929	5 884	60	-1		59	41 064	182	40 882
City Interactive USA Inc.	8 386 449	8 930 810	5 701 842	-138 866		5 562 976			
City Interactive Studio LTD	3 970	20 072	32 790	-72		32 718			
City Interactive Studio S.R.L.	13 502	30 109	-	-		-	108 608	-365	108 973
Business Area	622 020	738 190	2 245 463	-		2 245 463		-	
City Interactive Peru	-	-	-	-		-	467 495	-37 048	504 543
TOTAL	9 578 870	9 725 065	7 980 155	-138 939		7 841 216	617 167	-37 231	654 398

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	3 831	1 712	2 119
Cash instruments in bank accounts	14 394 326	5 860 756	8 533 570
Other cash instruments	-	8 199 629	-8 199 629
Other cash assets	-	-	-
Total	14 398 157	14 062 098	336 060
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	14 398 157	14 062 098	336 060

Note 38
Employment information (headcount)

	As at Dec 31, 2012	As at Dec 31, 2011
Development staff	142	144
Sales and administration staff	16	21
Total employment	158	165

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 Company:

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 Company:

Lech Tymiński - Member	9 565
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Note 41

Financial instruments

in PLN

Financial instrument classification	Carrying amount as at Dec 31, 2012	Carrying amount as at Dec 31, 2011
Borrowings	1 716 709	4 077 512
Receivables	8 778 330	19 372 235
Debt instruments	-20 601 976	-
Financial liabilities due to hedging instruments measurement	-	-2 953 691
Cash and cash equivalents	14 398 157	14 062 098

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 Company does 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 Company'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 company used 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 Company in the principle currencies for the Company's 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 Company 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	7 485 266	606 307
Payables	-4 887 354	-395 876
Cash and cash equivalents	2 818 927	228 333
Total	5 416 839	438 764

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. The Company do not use hedging instruments for this type of risk.

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

Pricing risk

The Company 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 Company 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 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 City Interactive S.A. 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 Company'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, 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 Company 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 Company 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

.....
Person preparing the financial statements

Marek Tymiński

Andreas Jaeger

.....
President of the Management Board

.....
Member of the Management Board

Warsaw, March 7, 2013