# CI GAMES GROUP

CONSOLIDATED QUARTERLY REPORT
FOR THE FIRST QUARTER OF 2014

WARSAW, MAY 15, 2014

**CONTENTS**

# I. CONSOLIDATED DATA FOR THE CI GAMES GROUP

CONSOLIDATED BALANCE SHEET

as at March 31, 2014

PLN thousands

| | ASSETS | As at Mar 31, 2014 | As at Mar 31, 2013 | As at Dec 31, 2013 |
|---|---|---|---|---|
| **A.** | **NON-CURRENT ASSETS** | **74 377** | **43 773** | **68 237** |
| | Property, plant and equipment | 1 872 | 1 548 | 1 967 |
| | Intangible assets | 50 250 | 37 919 | 43 784 |
| | Interests in subsidiaries, associates and jointly controlled entities | 5 | 18 | 5 |
| | Deferred income tax assets | 22 250 | 4 255 | 22 479 |
| | Other non-current assets | - | 34 | - |
| **B.** | **CURRENT ASSETS** | **21 242** | **84 276** | **29 760** |
| | Inventory | 2 405 | 3 822 | 3 336 |
| | Current investments | 19 | 32 | 27 |
| | Advance payments | 408 | 1 353 | 473 |
| | Trade receivables | 7 485 | 59 515 | 9 527 |
| | Income tax receivables | 3 418 | - | 3 125 |
| | Cash and cash equivalents | 5 080 | 18 051 | 11 208 |
| | Other current assets | 2 427 | 1 504 | 2 064 |
| | **TOTAL ASSETS** | **95 620** | **128 049** | **97 997** |

# CONSOLIDATED BALANCE SHEET

## as at March 31, 2014 (continued)

PLN thousands

| | EQUITY AND LIABILITIES | As at Mar 31, 2014 | As at Mar 31, 2013 | As at Dec 31, 2013 |
|---|---|---|---|---|
| **A.** | **EQUITY** | **79 073** | **63 563** | **80 547** |
| | Share capital | 1 391 | 1 265 | 1 391 |
| | Share premium | 15 530 | 4 556 | 15 530 |
| | Exchange differences on translation of foreign operations | 5 | 664 | - |
| | Revaluation reserve | - | -987 | - |
| | Exchange differences on net investments in foreign operations | - | -26 | 22 |
| | Buy-back provision | 16 000 | 16 000 | 16 000 |
| | Retained earnings | 46 148 | 42 092 | 47 604 |
| | including profit (loss) for the period | -1 455 | 24 201 | 29 713 |
| | **Equity attributable to owners of the Parent** | **79 073** | **63 563** | **80 547** |
| | **Equity attributable to non-controlling interests** | **-** | **-** | **-** |
| **B.** | **LIABILITIES** | **16 547** | **64 486** | **17 450** |
| | **Non-current liabilities** | **781** | **1 838** | **1 122** |
| | Employee benefit provisions | 33 | 67 | 33 |
| | Finance lease liabilities | - | 33 | 13 |
| | Deferred income tax provision | 747 | 1 738 | 1 075 |
| | **Current liabilities** | **15 766** | **62 648** | **16 328** |
| | Borrowings including credits, loans and other debt instruments | 5 703 | 21 120 | 5 720 |
| | Tax payables | 251 | 2 698 | 492 |
| | Trade payables | 7 986 | 19 126 | 8 290 |
| | Finance lease liabilities | 33 | 45 | 25 |
| | Other financial liabilities | - | 12 768 | - |
| | Other liabilities | 457 | 480 | 302 |
| | Other current provisions | 1 337 | 6 147 | 1 499 |
| | Deferred revenue | - | 264 | - |
| | **TOTAL EQUITY AND LIABILITIES** | **95 620** | **128 049** | **97 997** |

| | | | |
|---|---|---|---|
| Book value (in PLN thousands) | 79 073 | 63 563 | 80 547 |
| Number of shares (in thousands) | 13 914 | 12 650 | 13 914 |
| Book value per share (in PLN) | 5.68 | 5.02 | 5.79 |

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

for the period from January 1 to March 31, 2014

(multiple-step format)

PLN thousands

| | for the period Jan 1 - Mar 31, 2014 | for the period Jan 1 - Mar 31, 2013 | for the period Jan 1 - Dec 31, 2013 |
|---|---|---|---|
| **Continuing operations** | | | |
| **Net revenue from sales** | **6 673** | **79 395** | **107 290** |
| Revenue from sale of products and services | 6 496 | 79 705 | 66 188 |
| Revenue from sale of goods for resale and materials | 177 | -310 | 41 102 |
| **Cost of products, goods for resale and services sold** | **5 794** | **35 207** | **57 590** |
| Cost of manufacture of products sold | 5 625 | 34 966 | 56 984 |
| Value of goods for resale and materials sold | 169 | 241 | 606 |
| **Gross profit (loss) on sales** | **880** | **44 188** | **49 700** |
| Other operating revenue | 241 | 79 | 1 175 |
| Distribution costs | 1 158 | 10 835 | 18 269 |
| Administrative expenses | 1 266 | 1 829 | 6 612 |
| Other operating expenses | 158 | 705 | 10 236 |
| **Profit (loss) on operating activities** | **-1 460** | **30 897** | **15 757** |
| Finance income | 74 | 68 | 107 |
| Finance costs | 154 | 533 | 1 827 |
| **Profit (loss) before tax** | **-1 540** | **30 432** | **14 038** |
| Income tax | -84 | 6 231 | - 15 675 |
| **Profit (loss) on continuing operations** | **-1 455** | **24 201** | **29 713** |
| **Discontinued operations** | **-** | **-** | **-** |
| Loss on discontinued operations | - | - | - |
| **NET PROFIT (LOSS)** | **-1 455** | **24 201** | **29 713** |

| | | | |
|---|---|---|---|
| Net profit (loss) (in PLN thousands) | -1 455 | 24 201 | 29 713 |
| Number of shares (in thousands) | 13 914 | 12 650 | 13 914 |
| Profit (loss) per ordinary share (in PLN) | -0.10 | 1.91 | 2.14 |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the period from January 1 to March 31, 2014 PLN thousands

| | for the period Jan 1 - Mar 31, 2014 | for the period Jan 1 - Mar 31, 2013 | for the period Jan 1 - Dec 31, 2013 |
|---|---|---|---|
| | | | |
| **Net profit (loss)** | **-1 455** | **24 201** | **29 713** |
| **Total other comprehensive income** | 5 | -295 | 76 |
| Effect of translation of foreign operations | - | 28 | 76 |
| Effect of hedging instrument measurements | - | -987 | - |
| Exchange differences on translation of foreign operations | 5 | 664 | - |
| **Total comprehensive income** | **-1 451** | **23 906** | **29 789** |
| **Total comprehensive income attributable to:** | | | |
| *% share attributable to the parent* | *100%* | *100%* | *100%* |
| owners of the parent | -1 451 | 23 906 | 29 789 |
| non-controlling interests | - | - | - |
| **Total** | **-1 451** | **23 906** | **29 789** |

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the period from January 1 to March 31, 2014

PLN thousands

| For the period Jan 1 - Mar 31, 2014 | Share capital | Share premium | Buy-back provision | Translation of foreign operations | Revaluation reserve | Exchange differences on translation of foreign operations | Retained earnings | Total equity |
|---|---|---|---|---|---|---|---|---|
| **Balance as at January 1, 2014** | **1 391** | **15 530** | **16 000** | **22** | **-** | **-** | **47 604** | **80 547** |
| Changes in accounting principles | - | - | - | - | - | - | - | **-** |
| **Balance as at January 1, 2014, after restatement** | **1 391** | **15 530** | **16 000** | **22** | **-** | **-** | **47 604** | **80 547** |
| Changes in equity during the first quarter of 2014 | | | | | | | | |
| Profit (loss) for the period | - | - | - | - | - | - | -1 455 | **-1 455** |
| Exchange differences on translation of foreign operations | - | - | - | - | - | 5 | - | **5** |
| Translation of foreign operations | - | - | - | -22 | - | - | - | **-22** |
| **Balance as at March 31, 2014** | **1 391** | **15 530** | **16 000** | **-** | **-** | **5** | **46 148** | **79 073** |

| For the period Jan 1 - Mar 31, 2013 | Share capital | Share premium | Buy-back provision | Translation of foreign operations | Revaluation reserve | Exchange differences on translation of foreign operations | Retained earnings | Total equity |
|---|---|---|---|---|---|---|---|---|
| **Balance as at January 1, 2013** | **1 265** | **4 556** | **16 000** | **-54** | **-** | **-** | **17 891** | **39 657** |
| Changes in accounting principles | - | - | - | - | - | - | - | **-** |
| **Balance as at January 1, 2013, after restatement** | **1 265** | **4 556** | **16 000** | **-54** | **-** | **-** | **17 891** | **39 657** |
| Changes in equity during the first quarter of 2013 | | | | | | | | |
| Profit (loss) for the period | - | - | - | - | - | - | 24 201 | **24 201** |
| Exchange differences on translation of foreign operations | - | - | - | - | - | 664 | - | **664** |
| Translation of foreign operations | - | - | - | 28 | - | - | - | **28** |
| Measurement of hedging instruments | - | - | - | - | - 987 | - | - | **-987** |
| **Balance as at March 31, 2013** | **1 265** | **4 556** | **16 000** | **-26** | **-987** | **664** | **42 092** | **63 563** |

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the period from January 1 to March 31, 2014 (continued)

PLN thousands

| For the period Jan 1 - Dec 31, 2013 | Share capital | Share premium | Buy-back provision | Translation of foreign operations | Revaluation reserve | Exchange differences on translation of foreign operations | Retained earnings | Total equity |
|---|---|---|---|---|---|---|---|---|
| **Balance as at January 1, 2013** | **1 265** | **4 556** | **16 000** | **-54** | **-** | **-** | **17 891** | **39 657** |
| Changes in accounting principles | - | - | - | - | - | - | - | **-** |
| **Balance as at January 1, 2013, after restatement** | **1 265** | **4 556** | **16 000** | **-54** | **-** | **-** | **17 891** | **39 567** |
| Changes in equity in 2013 | | | | | | | | |
| Profit (loss) for the period | - | - | - | - | - | - | 29 713 | **29 713** |
| Share issue | 126 | 11 259 | - | - | - | - | - | **11 385** |
| Share issue costs | - | -285 | - | - | - | - | - | **-285** |
| Translation of foreign operations | - | - | - | 76 | - | - | - | **76** |
| **Balance as at December 31, 2013** | **1 391** | **15 530** | **16 000** | **22** | **-** | **-** | **47 604** | **80 547** |

# CONSOLIDATED STATEMENT OF CASH FLOWS

for the period from January 1 to March 31, 2014 (indirect method)

PLN thousands

| | for the period Jan 1 - Mar 31, 2014 | for the period Jan 1 - Mar 31, 2013 | for the period Jan 1 - Dec 31, 2013 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| **Gross profit (loss)** | **-1 540** | **30 432** | **14 038** |
| **Total adjustments** | **3 920** | **- 35 549** | **16 421** |
| Depreciation | 2 065 | 6 653 | 16 750 |
| Impairment loss (reversal) | - | - | 8 000 |
| Gain (loss) on exchange differences | - | 804 | 18 |
| Interest | 34 | 379 | 665 |
| Commission on bonds | - | - | 43 |
| Gain (loss) on sale of non-current assets | - | -3 | -5 |
| Change in receivables | 2 058 | -43 104 | -3 419 |
| Change in inventory | 930 | -1 463 | -1 351 |
| Change in trade and other payables | -390 | 3 132 | 1 279 |
| Change in employee benefit provisions and liabilities | -162 | 35 | 2 |
| Change in other current assets | -362 | 869 | 460 |
| Exclusion of financial asset measurements | - | 182 | - |
| Income taxes paid | -284 | -568 | -3 354 |
| Deferred revenue | - | -2 465 | -2 728 |
| Commission on bonds | 30 | - | - |
| Other adjustments | - | - | 64 |
| **Net cash flows from operating activities** | **2 380** | **-5 117** | **30 459** |

CONSOLIDATED STATEMENT OF CASH FLOWS

for the period from January 1 to March 31, 2014 (continued)

(indirect method)

PLN thousands

| | for the period Jan 1 - Mar 31, 2014 | for the period Jan 1 - Mar 31, 2013 | for the period Jan 1 - Dec 31, 2013 |
|---|---|---|---|
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Proceeds from sale of property, plant and equipment and intangible assets | - | 3 | 5 |
| Proceeds from sale of financial assets | - | - | - |
| Repayment of borrowings | 5 | - | 43 |
| Interest received | - | 10 | 131 |
| Other proceeds (sale of a company) | - | - | - |
| Cash outflows on acquisition of property, plant and equipment and intangible assets | -8 362 | -6 561 | -31 205 |
| Cash outflows on acquisition of subsidiaries | - | -14 | - |
| **Net cash from investing activities** | **-8 357** | **-6 562** | **-31 025** |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Net proceeds from issue of shares and other equity instruments | - | - | 11 100 |
| Incurrence of borrowings | - | - | - |
| Issuance of debt securities | - | - | 5 720 |
| Commission on bonds | -30 | - | -43 |
| Borrowings granted | - | - | -27 |
| Other financial inflows | - | 13 268 | 13 417 |
| Repayment of finance lease liabilities | -6 | -12 | -51 |
| Buy-back of debt securities | - | - | -20 602 |
| Other financial outflows (factoring) | - | - | -13 417 |
| Interest | -115 | - | -796 |
| **Net cash flows from financing activities** | **-150** | **13 256** | **-4 699** |
| **TOTAL NET CASH FLOWS** | **-6 128** | **1 577** | **-5 266** |
| **BALANCE SHEET CHANGES IN CASH AND CASH EQUIVALENTS, of which:** | **-6 128** | **1 577** | **-5 266** |
| **CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD** | **11 208** | **16 474** | **16 474** |
| **CASH AND CASH EQUIVALENTS AT THE END OF PERIOD** | **5 080** | **18 051** | **11 208** |

## II. SEPARATE FINANCIAL DATA - CI GAMES S.A.

SEPARATE BALANCE SHEET

as at March 31, 2014

PLN thousands

| | ASSETS | As at Mar 31, 2014 | As at Mar 31, 2013 | As at Dec 31, 2013 |
|---|---|---|---|---|
| **A.** | **NON-CURRENT ASSETS** | **78 647** | **47 469** | **72 087** |
| | Property, plant and equipment | 1 375 | 853 | 1 428 |
| | Intangible assets | 50 229 | 38 091 | 43 728 |
| | Interests in subsidiaries, associates and jointly controlled entities | 4 603 | 4 562 | 4 603 |
| | Non-current investments | 340 | - | - |
| | Deferred income tax assets | 22 100 | 3 963 | 22 329 |
| **B.** | **CURRENT ASSETS** | **18 810** | **80 216** | **27 135** |
| | Inventory | 2 405 | 3 822 | 3 336 |
| | Current investments | 19 | 938 | 364 |
| | Advance payments | 369 | 1 125 | 408 |
| | Trade receivables | 6 503 | 58 154 | 7 985 |
| | Income tax receivables | 3 409 | - | 3 125 |
| | Cash and cash equivalents | 4 040 | 14 970 | 9 918 |
| | Other current assets | 2 064 | 1 206 | 1 999 |
| | **TOTAL ASSETS** | **97 457** | **127 685** | **99 222** |

SEPARATE BALANCE SHEET

as at March 31, 2014 (continued)

PLN thousands

| | EQUITY AND LIABILITIES | As at Mar 31, 2014 | As at Mar 31, 2013 | As at Dec 31, 2013 |
|---|---|---|---|---|
| **A.** | **EQUITY** | **77 854** | **62 789** | **79 399** |
| | Share capital | 1 391 | 1 265 | 1 391 |
| | Share premium | 15 530 | 4 556 | 15 530 |
| | Revaluation reserve | - | -987 | - |
| | Buy-back provision | 16 000 | 16 000 | 16 000 |
| | Retained earnings | 44 933 | 41 955 | 46 478 |
| | including profit (loss) for the period | -1 544 | 22 154 | 26 677 |
| **B.** | **LIABILITIES** | **19 602** | **64 896** | **19 823** |
| | **Non-current liabilities** | **781** | **1 837** | **1 122** |
| | Employee benefit provisions | 33 | 67 | 33 |
| | Finance lease liabilities | - | 33 | 13 |
| | Deferred income tax provision | 747 | 1 738 | 1 075 |
| | **Current liabilities** | **18 822** | **63 059** | **18 701** |
| | Borrowings including credits, loans and other debt instruments | 5 703 | 21 120 | 5 720 |
| | Income tax liabilities | - | 2 114 | - |
| | Trade payables | 11 557 | 20 856 | 11 411 |
| | Finance lease liabilities | 33 | 45 | 25 |
| | Financial liabilities | - | 12 768 | - |
| | Other liabilities | 431 | 340 | 286 |
| | Other current provisions | 1 098 | 5 554 | 1 258 |
| | Deferred revenue | - | 264 | - |
| | **TOTAL EQUITY AND LIABILITIES** | **97 457** | **127 685** | **99 222** |

| | | | |
|---|---|---|---|
| Book value (in PLN thousands) | 77 854 | 62 789 | 79 399 |
| Number of shares (in thousands) | 13 914 | 12 650 | 13 914 |
| Book value per share (in PLN) | 5.60 | 4.96 | 5.71 |

SEPARATE PROFIT AND LOSS STATEMENT

for the period from January 1 to March 31, 2014

(multiple-step format)

PLN thousands

| | For the period Jan 1 - Mar 31, 2013 | For the period Jan 1 - Mar 31, 2013 | For the period Jan 1 - Mar 31, 2013 |
|---|---|---|---|
| **Continuing operations** | | | |
| **Net revenue from sales** | **5 946** | **77 375** | **100 971** |
| Revenue from sale of products and services | 5 929 | 77 185 | 100 318 |
| Revenue from sale of goods for resale and materials | 17 | 190 | 654 |
| **Cost of products, goods for resale and services sold** | **5 911** | **37 054** | **60 138** |
| Cost of manufacture of products sold | 5 899 | 36 813 | 59 533 |
| Value of goods for resale and materials sold | 12 | 241 | 606 |
| **Gross profit (loss) on sales** | **34** | **40 320** | **40 833** |
| Other operating revenue | 137 | 399 | 1 609 |
| Distribution costs | 547 | 8 557 | 12 717 |
| Administrative expenses | 1 028 | 1 322 | 5 433 |
| Other operating expenses | 158 | 457 | 10 115 |
| **Profit (loss) on operating activities** | **-1 561** | **30 383** | **14 177** |
| Finance income | 70 | 65 | 123 |
| Finance costs | 153 | 2 526 | 3 798 |
| **Profit (loss) before tax** | **-1 643** | **27 921** | **10 502** |
| Income tax | -99 | 5 767 | -16 175 |
| **Profit (loss) on continuing operations** | **-1 544** | **22 154** | **26 677** |
| **Discontinued operations** | **-** | **-** | **-** |
| Loss on discontinued operations | - | - | - |
| **NET PROFIT (LOSS)** | **-1 544** | **22 154** | **26 677** |

| | | | |
|---|---|---|---|
| Net profit (loss) (in PLN thousands) | -1 544 | 22 154 | 26 677 |
| Number of shares (in thousands) | 13 914 | 12 650 | 13 914 |
| Profit (loss) per ordinary share (in PLN) | -0.11 | 1.75 | 1.92 |

SEPARATE STATEMENT OF COMPREHENSIVE INCOME

for the period from January 1 to March 31, 2014

PLN thousands

| | for the period Jan 1 - Mar 31, 2014 | for the period Jan 1 - Mar 31, 2013 | for the period Jan 1 - Dec 31, 2013 |
|---|---|---|---|
| | | | |
| **Net profit (loss)** | **-1 544** | **22 154** | **26 677** |
| **Total other comprehensive income** | - | -987 | - |
| Effect of financial asset measurements | - | - | - |
| Effect of hedging instrument measurements | - | -987 | - |
| **Total comprehensive income** | **-1 544** | **21 167** | **26 677** |

SEPARATE STATEMENT OF CHANGES IN EQUITY

for the period from January 1 to March 31, 2014

PLN thousands

| For the period Jan 1 - Mar 31, 2014 | Share capital | Share premium | Buy-back provision | Revaluation reserve | Retained earnings | Total equity |
|---|---|---|---|---|---|---|
| **Balance as at January 1, 2014** | **1 391** | **15 530** | **16 000** | - | **46 478** | **79 399** |
| Changes in accounting principles | - | - | - | - | - | **-** |
| **Balance as at January 1, 2014, after restatement** | **1 391** | **15 530** | **16 000** | - | **46 478** | **79 399** |
| Changes in equity during the first quarter of 2014 | | | | | | |
| Profit (loss) for the period | - | - | - | - | -1 544 | **-1 544** |
| **Balance as at March 31, 2014** | **1 391** | **15 530** | **16 000** | **-** | **44 933** | **77 854** |

| For the period Jan 1 - Mar 31, 2013 | Share capital | Share premium | Buy-back provision | Revaluation reserve | Retained earnings | Total equity |
|---|---|---|---|---|---|---|
| **Balance as at January 1, 2013** | **1 265** | **4 556** | **16 000** | - | **19 801** | **41 622** |
| Changes in accounting principles | - | - | - | - | - | **-** |
| **Balance as at January 1, 2013, after restatement** | **1 265** | **4 556** | **16 000** | - | **19 801** | **41 622** |
| Changes in equity during the first quarter of 2013 | | | | | | |
| Profit (loss) for the period | - | - | - | - | 22 154 | **22 154** |
| Measurement of hedging instruments | - | - | - | - 987 | - | **- 987** |
| **Balance as at March 31, 2013** | **1 265** | **4 556** | **16 000** | **- 987** | **41 955** | **62 789** |

SEPARATE STATEMENT OF CHANGES IN EQUITY

for the period from January 1 to March 31, 2014 (continued)

PLN thousands

| COMPARATIVE DATA for the period from Jan 1 to Dec 31, 2013 | Share capital | Share premium | Buy-back provision | Revaluation reserve | Retained earnings | Total equity |
|---|---|---|---|---|---|---|
| **Balance as at January 1, 2013** | **1 265** | **4 556** | **16 000** | **-** | **19 801** | **41 622** |
| Changes in accounting principles | - | - | - | - | - | **-** |
| **Balance as at January 1, 2013, after restatement** | **1 265** | **4 556** | **16 000** | **-** | **19 801** | **41 622** |
| Changes in equity in 2013 | | | | | | |
| Profit (loss) for the period | - | - | - | - | 26 677 | **26 677** |
| Share issue | 126 | 11 259 | - | - | - | **11 385** |
| Share issue costs | - | -285 | - | - | - | **-285** |
| **Balance as at December 31, 2013** | **1 391** | **15 530** | **16 000** | **-** | **46 478** | **79 399** |

SEPARATE STATEMENT OF CASH FLOWS

for the period from January 1 to March 31, 2014

(indirect method)

PLN thousands

| | For the period Jan 1 - Mar 31, 2014 | For the period Jan 1 - Mar 31, 2013 | For the period Jan 1 - Dec 31, 2013 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| **Gross profit (loss)** | **-1 643** | **27 921** | **10 502** |
| **Total adjustments** | **4 460** | **-33 157** | **20 644** |
| Depreciation | 2 019 | 6 610 | 16 564 |
| Commission on bonds | 30 | - | - |
| Interest | 34 | 303 | 665 |
| Gain (loss) on sale of non-current assets | - | -3 | -5 |
| Change in employee benefit provisions and liabilities | 130 | 35 | 2 |
| Change in inventory | 930 | -1 798 | -1 641 |
| Change in receivables | 1 521 | -50 423 | 789 |
| Change in current liabilities, excluding borrowings and taxes | 145 | 12 126 | 4 420 |
| Change in prepayments and accruals | - | -2 465 | -2 728 |
| Exclusion of investing activity costs | - | 2 000 | 2 043 |
| In-kind contribution of an organized part of a business | - | - | -4 392 |
| Exclusion of financial asset measurements | - | 182 | - |
| Impairment losses | - | - | 8 000 |
| Income taxes paid | -284 | -568 | -3 125 |
| Change in other current assets | -65 | 845 | 52 |
| **Net cash flows from operating activities** | **2 817** | **-5 235** | **31 145** |

SEPARATE STATEMENT OF CASH FLOWS

for the period from January 1 to March 31, 2014 (continued)

(indirect method)

PLN thousands

| | For the period Jan 1 - Mar 31, 2014 | For the period Jan 1 - Mar 31, 2013 | For the period Jan 1 - Dec 31, 2013 |
|---|---|---|---|
| **Cash flows from investing activities** | | | |
| **Proceeds from investing activities** | **5** | **1 762** | **715** |
| Proceeds from sale of property, plant and equipment and intangible assets | - | 3 | 12 |
| Repayment of borrowings | 5 | 1 673 | 572 |
| Interest received | - | 85 | 131 |
| **Expenditures on investing activities** | **-8 549** | **-8 306** | **-31 669** |
| Acquisition of property, plant and equipment and intangible assets | -8 549 | -6 292 | -30 406 |
| Acquisition of financial assets | - | -2 000 | -329 |
| Cash outflows on acquisition of subsidiaries | - | -14 | - |
| Expenditures connected with borrowings granted | - | - | -934 |
| **Net cash from investing activities** | **-8 544** | **-6 544** | **-30 954** |
| **Cash flows from financing activities** | | | |
| **Proceeds from financing activities** | **-30** | **13 273** | **30 194** |
| Net proceeds from issue of shares and other equity instruments | - | - | 11 100 |
| Issuance of debt securities | - | - | 5 720 |
| Commission on bonds | -30 | - | -43 |
| Other financial inflows | - | 13 273 | 13 417 |
| **Expenditures on financing activities** | **-120** | **-921** | **-34 866** |
| Buy-back of debt securities | - | - | -20 602 |
| Borrowings granted | - | -906 | - |
| Repayment of finance lease liabilities | -6 | -12 | -51 |
| Interest | -115 | - | -796 |
| Other financial outflows (factoring) | - | -3 | -13 417 |
| **Net cash flows from financing activities** | **-150** | **12 352** | **-4 672** |
| **Change in net cash and cash equivalents** | **-5 878** | **573** | **-4 480** |
| **Cash and cash equivalents as at the beginning of period** | **9 918** | **14 398** | **14 398** |
| **Cash and cash equivalents as at the end of period** | **4 040** | **14 970** | **9 918** |

## III. FINANCIAL HIGHLIGHTS

Selected consolidated and separate financial information contained in this report were translated into EUR according to the following principles.

Balance sheet data was translated using the average exchange rate published by the National Bank of Poland as at the end of the reporting period:

- as at March 31, 2014 – 4.1713
- as at March 31, 2013 – 4.1774
- as at December 31, 2013 – 4.1472

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

- for Q1 2014 - 4.1894
- for Q1 2013 - 4.1738
- for FY 2013 - 4.2110

CONSOLIDATED DATA

| **CONSOLIDATED BALANCE SHEET** | **Mar 31, 2014** | | **Mar 31, 2013** | | **Dec 31, 2013** | |
|---|---|---|---|---|---|---|
| | **PLN thousands** | **EUR thousands** | **PLN thousands** | **EUR thousands** | **PLN thousands** | **EUR thousands** |
| Non-current assets | 74 377 | 17 831 | 43 773 | 10 479 | 68 237 | 16 454 |
| Current assets | 21 242 | 5 093 | 84 276 | 20 174 | 29 760 | 7 176 |
| **Total assets** | **95 620** | **22 923** | **128 049** | **30 653** | **97 997** | **23 630** |
| **Equity** | **79 073** | **18 956** | **63 563** | **15 216** | **80 547** | **19 422** |
| Share capital | 1 391 | 334 | 1 265 | 303 | 1 391 | 336 |
| **Liabilities and liability provisions** | **16 547** | **3 967** | **64 486** | **15 437** | **17 450** | **4 208** |
| Non-current liabilities | 781 | 187 | 1 838 | 440 | 1 122 | 271 |
| Current liabilities | 15 766 | 3 780 | 62 648 | 14 997 | 16 328 | 3 937 |
| **Total equity and liabilities** | **95 620** | **22 923** | **128 049** | **30 653** | **97 997** | **23 630** |

| **CONSOLIDATED STATEMENT OF PROFIT AND LOSS** | **Q1 2014** | | **Q1 2013** | |
|---|---|---|---|---|
| | **PLN thousands** | **EUR thousands** | **PLN thousands** | **EUR thousands** |
| **Net revenue from sales** | **6 673** | **1 593** | **79 395** | **19 022** |
| Profit (loss) from operating activities | -1 460 | -348 | 30 897 | 7 403 |
| Gross profit (loss) | -1 540 | -367 | 30 432 | 7 291 |
| **Net profit (loss)** | **-1 455** | **-347** | **24 201** | **5 798** |
| Number of shares (in thousands) | 13 914 | 13 914 | 12 650 | 12 650 |
| Profit (loss) per ordinary share | -0.10 | -0.02 | 1.91 | 0.46 |

| CONSOLIDATED STATEMENT OF CASH FLOWS | Q1 2014 | | Q1 2013 | |
|---|---|---|---|---|
| | PLN thousands | EUR thousands | PLN thousands | EUR thousands |
| Net cash flows from operating activities | 2 380 | 568 | -5 117 | -1 226 |
| Net cash flows from investing activities | -8 357 | -1 995 | -6 562 | -1 572 |
| Net cash flows from financing activities | -150 | -36 | 13 256 | 3 176 |
| **Net cash flows** | **-6 128** | **-1 463** | **1 577** | **378** |

SEPARATE DATA

| BALANCE SHEET | Mar 31, 2014 | | Mar 31, 2013 | | Dec 31, 2013 | |
|---|---|---|---|---|---|---|
| | PLN thousands | EUR thousands | PLN thousands | PLN thousands | EUR thousands | PLN thousands |
| Non-current assets | 78 647 | 18 854 | 47 469 | 11 363 | 72 087 | 17 382 |
| Current assets | 18 810 | 4 509 | 80 216 | 19 202 | 27 135 | 6 543 |
| **Total assets** | **97 457** | **23 363** | **127 685** | **30 566** | **99 222** | **23 925** |
| **Equity** | **77 854** | **18 664** | **62 789** | **15 031** | **79 399** | **19 145** |
| Share capital | 1 391 | 334 | 1 265 | 303 | 1 391 | 336 |
| **Liabilities and liability provisions** | **19 603** | **4 699** | **64 896** | **15 535** | **19 823** | **4 780** |
| Non-current liabilities | 781 | 187 | 1 837 | 440 | 1 122 | 271 |
| Current liabilities | 18 822 | 4 512 | 63 059 | 15 095 | 18 701 | 4 509 |
| **Total equity and liabilities** | **97 457** | **23 363** | **127 685** | **30 566** | **99 222** | **23 925** |

| STATEMENT OF PROFIT AND LOSS | Q1 2014 | | Q1 2013 | |
|---|---|---|---|---|
| | PLN thousands | EUR thousands | PLN thousands | EUR thousands |
| **Net revenue from sales** | **5 946** | **1 419** | **77 375** | **18 538** |
| Profit (loss) from operating activities | -1 561 | -372 | 30 383 | 7 279 |
| Gross profit (loss) | -1 643 | -392 | 27 921 | 6 690 |
| **Net profit (loss)** | **-1 544** | **-369** | **22 154** | **5 308** |
| Number of shares (in thousands) | 13 914 | 13 914 | 12 650 | 12 650 |
| Profit (loss) per ordinary share | -0.11 | -0.03 | 1.75 | 0.42 |

| STATEMENT OF CASH FLOWS | Q1 2014 | | Q1 2013 | |
|---|---|---|---|---|
| | PLN thousands | EUR thousands | PLN thousands | EUR thousands |
| Net cash flows from operating activities | 2 817 | 672 | -5 235 | -1 254 |
| Net cash flows from investing activities | -8 544 | -2 040 | -6 544 | -1 568 |
| Net cash flows from financing activities | -150 | -36 | 12 352 | 2 960 |
| **Net cash flows** | **-5 878** | **-1 403** | **573** | **137** |

# IV. NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM JANUARY 1 TO MARCH 31, 2014

## 1. Basis for presentation and preparation of the financial statements

a) The financial statements cover the period from January 1 to March 31, 2014. Comparative data covers the period from January 1 to March 31, 2013 and from January 1 to December 31, 2013.

b) The financial statements were drawn up in accordance with 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.

## 2. Adopted accounting principles

### a) Application of International Accounting Standards

The financial statements are drawn up in accordance with 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 March 31, 2014 are subsequent financial statements prepared in accordance with IAS/IFRS. Comparative data 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 consolidated financial statements are given in Polish zloty, which is the presentation currency and functional currency.

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 they 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 CI Games 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 summing up individual assets, liabilities, shares in equity, revenues and costs.

In order to ensure appropriate 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 conversion of the financial statements of subsidiaries operating abroad, the aforementioned entities have been 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 translated at the closing rate;
- revenue and cost items of foreign operations were translated 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 recognized in the consolidated financial statements from / to the moment of their acquisition / 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 parties covered by consolidation are subject to exclusion.

*(ii) Associates, joint ventures*

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

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

The consolidated financial statements contain the Group's share of the 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 profit and loss statement. 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 internal settlements between Group entities, 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 profits 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*

Property, plant and equipment are fixed assets which are retained to be used in the production process or in supplying goods and providing services, in order for them to be handed over to other entities for use pursuant to a rental agreement and where there is expectation that they will not be used for longer than one period.

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 profit and loss statement 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.

Property, plant and equipment is measured at purchase price or manufacture cost less depreciation and impairment at the end of the reporting period.

Depreciation concerning such fixed assets 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.

Fixed assets 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 profit and loss statement.

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 have been established with consideration to the period of economic usefulness of fixed assets.

Property, plant and equipment is 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.

Liability towards the lessor arising on this account is presented in the balance sheet under finance lease liabilities.

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

*(iii) Subsequent 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 profit and loss statement.

## e) Intangible assets

*(i) Intangible assets*

The Group recognizes intangible assets only when:

- it is probable that the future economic benefits that are attributable to the assets will flow to the Group, and
- 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 have been 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%

Expenses on development work are recognized as costs at the moment they are borne.

Costs of development works 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 works and the use or sale of the intangible asset,
- the possibility to establish outlays borne during development works which may be assigned to such intangible asset.

The costs of development works with a useful life assumed in advance are subject to amortization. Amortization charges 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 works are verified at least as at the end of the financial year. Costs of development works 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 works 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 fixed assets in order to confirm that there have been 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 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 has been 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 revenue in as far as the asset has not been subject to prior restatement – 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 have been acquired or have arisen 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,
- loans 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 provision as available-for-sale financial assets, respectively.

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

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

Valuation 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) **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 Group.

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.

j) **Cash and cash equivalents**

Cash and cash equivalents include cash on hand and demand deposits. Short-term 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) Purchase of own shares*

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

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 discrepancies 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.

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

## n) **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 has 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 Group draws up a consolidated profit and loss statement 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.

p) **Tax**

Mandatory 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 has 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 profit and loss statement, 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.

q) **Foreign-currency transactions**

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.

r) **Segment reporting**

A reportable segment is a separate part of the Group which deals with the supply of defined products or services (operating 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.

The Group presents revenue from sales broken down into the following segments:

- operating – 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 which have been 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.

Segment reporting – assignment to specific operating segments – concerns direct costs and such part of indirect costs as can be assigned to a given segment.

s) **Operations being discontinued and non-current assets held for sale**

Immediately before reclassification to the group of assets held for sale, valuation of assets (or all assets and liabilities constituting a group held for sale) is updated in accordance with the appropriate IFRS. Subsequently, as at the day of initial classification as held for sale, a fixed asset or group of assets 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 profit and loss statement 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 fulfils the criteria for classification to the group held for sale.

## 3. General description of CI Games Group operations

The CI Games Group operates in the global video game development and publishing market. The parent company, CI Games S.A., is the first publicly traded company in this sector in Central and Eastern Europe and the first to emerge as an international player and generate outstanding market and financial performance. The Group's strategic goal is to build a portfolio of recognizable brands in the most popular video-game genres using its advanced know-how and experienced team.

In the gaming market, the Group operates as:

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

The Group is investing in expanding its management and creative talent through hiring developers with years of experience in managing projects at well-respected studios throughout the world. The Group also works with leading technology providers and makes use of the latest equipment and software. The Issuer has executed agreements on game development and independent distribution with owners of the most popular gaming consoles, i.e. Sony and Microsoft. The Group produces games for current-generation platforms (PlayStation®3 and Xbox360®), next-gen (Xbox One® and PlayStation®4), as well as for PCs. In order to maximize sales performance and marketing potential, CI Games collaborates with international distributors who operate in specific regional markets and are responsible for implementing promotional plans.

Through combining the above three functions, the Group may effectively control the process of game development and distribution.

## 4. Organizational structure of the Issuer's Group, including consolidated entities

Composition of the CI Games Group as at March 31, 2014:

- **CI Games S.A.** (formerly City Interactive S.A.) – a Warsaw-based company. Share capital of PLN 1 391 449.90. Group parent.
- **CI Games USA Inc**. (formerly City Interactive USA Inc.) – a company having its registered office in Delaware, USA. Share capital USD 50 000. 100% of shares held by CI Games S.A. Company subject to consolidation from Q2 2008.
- **CI Games Germany GmbH** (formerly City Interactive Germany GmbH) – a company having its registered office in Frankfurt am Main, Germany. Share capital of EUR 25 000. 100% of shares held by CI Games S.A. Company subject to consolidation from Q2 2008.
- **City Interactive S.R.L.** – a company having its registered office in Bucharest, Romania. 100% of shares held by CI Games S.A. This company is subject to consolidation from Q4 2011. On November 7, 2013, the company filed for bankruptcy at the VII Civil Division, Court in Bucharest.
- **Business Area Sp. z o.o.** – a company having its registered office in Warsaw, subject to consolidation from Q3 2010. Share capital PLN 5 000. 100% of shares held by CI Games S.A.
- **Business Area Sp. z o.o. Spółka Jawna** (transformed from Business Area Sp. z o.o. S.K.A.) – a Warsaw-based company. Share capital of PLN 1 050 000. The company is subject to consolidation from Q1 2013. On September 26, 2013, Business Area Spółka z ograniczoną odpowiedzialnością S.K.A. was transformed into Business Area Spółka z ograniczoną odpowiedzialnością Spółka Jawna.
- **CI Games Spółka Akcyjna Spółka Jawna** (transformed from CI Games IP Sp. z o.o.) – a Warsaw-based company. Share capital of PLN 114 092 350. On May 13, 2013, pursuant to an agreement between CI Games Cyprus Ltd. and Business Area Spółka z ograniczoną odpowiedzialnością S.K.A., a 99.99% stake held by CI Games Cyprus Ltd. was transferred to Business Area Spółka z ograniczoną odpowiedzialnością S.K.A.; a 0.01% stake is held by the Group's parent. The company is subject to consolidation from Q1 2013. On September 19, 2013, CI Games IP Sp. z o.o. was transformed into CI Games Spółka Akcyjna Spółka Jawna.
- **CI Games Cyprus Ltd.** – a company headquartered in Nicosia, Cyprus. Share capital of EUR 1 200. 100% of shares held by CI Games S.A. Company subject to consolidation from Q1 2013.
- **City Interactive Canada Inc.** – a company based in Ontario, Canada, established in October 2010. Share capital CAD 10.00. 100% of shares held by CI Games S.A. The company is not subject to consolidation with regard to the fact that its financial results are not significant for assessment of the Issuer's situation.

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

- City Interactive Peru SAC (formerly UCRONICS SAC) – a company having its registered office in Lima, Peru. 99% share. Share capital SOL 2 436 650. 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% share, remaining 10% held by CI Games 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% share, remaining 5% held by CI Games USA, Inc.

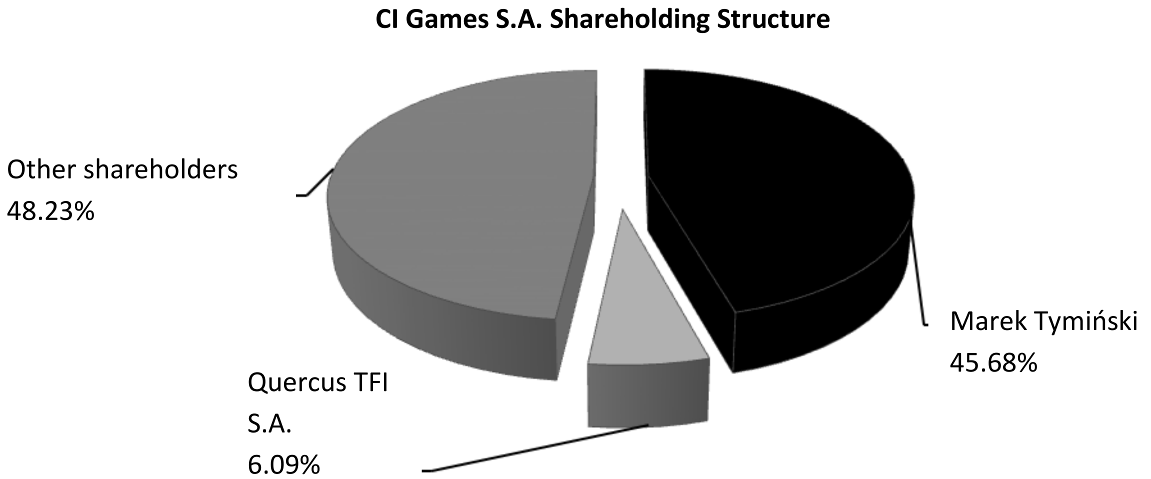
## 5. Indication of shareholders directly or indirectly through subsidiaries holding at least 5% of total votes at the Parent's General Meeting as at the date of publishing the quarterly report, with indication of the number of shares held by such entities, their percentage in share capital, the number of votes carried thereby and their percentage share in the total number of votes at the General Meeting, together with indication of changes in the ownership structure of significant blocks of the Issuer's shares during the period from publication of the previous annual report

The total number of votes at the general meeting of the parent, CI Games S.A., is 13 914 999.

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

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

During the period from publication of the Issuer's preceding report (i.e. during the period from March 21, 2014 to May 15, 2014), there were no changes in ownership of significant interests in the Issuer.



## 6. Presentation of shareholdings in CI Games S.A. or right to shares by the Issuer's management or supervisory personnel as at the date of publishing the quarterly report, together with indication of change in shareholding during the period from publication of the previous interim report, presented individually for each person

| Person | Position | As at March 21, 2014 (2013 annual report publication date) | Increase in shareholding during the period from March 21, 2014 to May 15, 2014 | Decrease in shareholding during the period from March 21, 2014 to May 15, 2014 | As at May 15, 2014 (Q1 2014 report publication date) |
|---|---|---|---|---|---|
| Marek Tymiński | President of the Management Board | 6 356 357 | - | - | 6 356 357 |
| Lech Tymiński | Member of the Supervisory Board | 9 565 | - | - | 9 565 |

## 7. Description of the Group's significant achievements or set-backs in Q1 2014 and events impacting its financial results

- **Admission of series E shares to trading**

On February 4, 2014, the Company's Management Board received resolution no. 122/2014 of the management board of the Warsaw Stock Exchange concerning the admission and introduction to trading on the Warsaw Stock Exchange main market of series E ordinary bearer shares in CI Games S.A. In accordance with the resolution, 1 264 999 series E ordinary bearer shares in CI Games S.A., with a nominal value of PLN 0.10 each, were admitted to stock exchange trading on the parallel market.

On February 6, 2014, the series E shares were registered and admitted to trading on the parallel market via a regular procedure.

- **Distribution agreements concerning Enemy Front and Lords of the Fallen for North America and key European markets**

On January 16, 2014, the Management Board of CI Games S.A. received a signed distribution agreement with Namco Bandai Games America Inc. concerning Enemy Front (Sony Playstation®3, Xbox®360) and Lords of the Fallen (Sony Playstation®4, Xbox®One) sales in North America, Latin America (including the Caribbean) and South America.

On March 27, 2014 the Company entered into a distribution agreement with Koch Media GmbH concerning the sale of Enemy Front for the Sony Playstation®3, Xbox®360 and PC, and Lords of the Fallen for the Sony Playstation®4, Xbox®One, and PC in Germany, Austria and Switzerland.

On April 7, 2014 the Issuer's Management Board received a signed distribution agreement from UK-based Square Enix Limited concerning the sale of Enemy Front for the Sony Playstation®3, Xbox®360 and PC, and Lords of the Fallen for the Sony Playstation®4, Xbox®One, and PC in the UK and Ireland.

On the same day, the Management Board of CI Games S.A. received a signed distribution agreement from France-based Square Enix France SARL, concerning the sale of the above games in France.

- **New credit agreement**

On February 21, 2014, the Parent signed a current-account loan agreement with Bank Spółdzielczy, having its registered office in Ostrów Mazowiecka, ul. 3-go Maja 32. The Parent received a PLN 5 million limit to be used for general corporate purposes, including Enemy Front and Lords of the Fallen development and marketing. Interest: variable-rate WIBOR 1M for the preceding month plus a 2.99% bank margin. Commitment fee (calculated annually based on unused balance): 0.7%; origination commission - 1.3% of the loan amount. The loan is secured by a registered pledge of CI Games S.A. shares held by Marek Tymiński - president of the management board and principal shareholder of the Issuer, up to 2.5x the loan amount, alongside a loan repayment guarantee from BGK under a PLD de minimis portfolio guarantee line in the amount of 60% of the loan, i.e. PLN 3 million for the loan term plus three months, i.e. until June 30, 2015; together with a power of attorney for use of funds in the current account maintained by the Bank.

The final repayment date is March 31, 2015.

A description of events which could have a significant impact on the Issuer's future financial results may be found in points 19 and 20 of this report.

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

First-quarter revenue was PLN 6.7 million. The principal factors contributing to the results achieved during the period were as follows: sales of Sniper: Ghost Warrior 2, which was released in Q1 2013.

Console games continue to account for the largest share of the Group's sales. During the reporting period, the share of PC games in total revenue increased to 17%, resulting mainly from a larger share of PC games in online distribution.

| Sales structure | Q1 2014 | Q1 2013 | FY 2013 |
|---|---|---|---|
| Console games | 83% | 90% | 85% |
| PC games | 17% | 10% | 15% |

Just as in the previous year, Europe accounted for the largest share in Group sales in Q1 2014 (56% of total Group sales). The second key market within the Group's geographical sales structure was North America with 44%. During the reporting period, the Group did not record revenue in the Asia and Australia region, which constituted 13% of Group sales in Q1 2013, resulting mainly from licensing sales of Sniper: Ghost Warrior 2.

Data in PLN thousands

| Geographical structure | Q1 2014 | | Q1 2013 | | FY 2013 | |
|---|---|---|---|---|---|---|
| | Revenue | % share | Revenue | % share | Revenue | % share |
| Europe | 3 724 | 56% | 40 061 | 50% | 50 416 | 47% |
| North America | 2 950 | 44% | 29 319 | 37% | 44 999 | 42% |
| Asia and Australia | 0 | 0% | 10 015 | 13% | 11 875 | 11% |
| **TOTAL** | **6 673** | **100%** | **79 395** | **100%** | **107 290** | **100%** |

Revenue from sale and margins in specific product segments during the reporting periods are presented below.

Data in PLN thousands

| Product segment | Q1 2014 | | | | Q1 2013 | | | |
|---|---|---|---|---|---|---|---|---|
| | Revenue | % share | Result | % margin | Revenue | % share | Result | % margin |
| Own products | 5 838 | 87% | 438 | 7% | 69 601 | 87% | 35 573 | 51% |
| Licenses | 653 | 10% | 431 | 66% | 9 311 | 12% | 8 477 | 91% |
| Other sales | 183 | 3% | 11 | 6% | 483 | 1% | 138 | 28% |
| **TOTAL** | **6 673** | **100%** | **880** | **13%** | **79 395** | **100%** | **44 188** | **56%** |

The Group's margin, calculated as gross profit on sales over revenue, was 13% in Q1 2014, compared to 56% in Q1 2013. The high level of margin in Q1 2013 resulted from the release of Sniper: Ghost Warrior 2 during that period, where sales were at discount prices, and high-margin revenue from this game's licensing was recognized.

During the past quarter, administrative expenses were PLN 1.3 million, down by PLN 0.6 million from Q1 2013. Distribution costs amounted to PLN 1.2 million. A substantial decrease in distribution costs results mostly from marketing expenditure in Q1 2013, incurred in connection with the release of Sniper: Ghost Warrior 2.

The CI Games Group's carrying amount as at March 31, 2014 was PLN 95.6 million and did not substantially change from December 31, 2013 (a 2% decrease). Current assets decreased (trade receivables fell to PLN 7.5 million, and cash and cash equivalents decreased to PLN 5.1 million), while development costs grew (a PLN 6.5 million increase in intangible assets, as compared with December 31, 2013).

The Group's equity as at March 31, 2014 was PLN 79.1 million, a PLN 1.5 million decrease in relation to December 31, 2013, resulting mostly from a net loss generated in the first quarter. Also lower in comparison with the 2013 year-end were the Group's liabilities, mostly due to a lower level of provisions and trade payables.

As at March 31, 2014, the Group held PLN 5.1 million in cash and cash equivalents (a decrease of PLN 6.1 million in comparison to December 31, 2013). During Q1 2014, the Group generated positive cash flows from operating activities, amounting to PLN 2.4 million, resulting mostly from a decrease in trade receivables. The Group also incurred PLN 8.4 million in capital expenditure, comprising finance for new game development.

Estimated amounts as at March 31, 2014

Data in PLN thousands

| Estimates | CI Games S.A. | Group |
|---|---|---|
| | As at March 31, 2014 | As at March 31, 2014 |
| Receivables impairment | 1 733 | 1 733 |
| Inventory impairment | 80 | 80 |
| Employee benefit provisions | 33 | 33 |
| Deferred income tax provision | 747 | 747 |
| Provision for costs and liabilities | 1 098 | 1 337 |
| **TOTAL** | **3 692** | **3 931** |
| Net revenue provision for returns and adjustments | 240 | 500 |

## 9. Explanations concerning the seasonal or cyclical nature of the Issuer's business in the reporting period

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

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

The Issuer's Management Board has no information concerning any proceedings in progress against it or its subsidiaries the value of which (separately or jointly) exceeds 10% of the Issuer's equity.

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

As at 31 March, 2014, the Parent held the following contingent liabilities:

- an in-blanco promissory note issued by CI Games S.A. to secure a guarantee issued by BGK, which constitutes collateral for repayment of a credit facility issued by Bank Spółdzielczy in Ostrów Mazowiecka.
- a bank guarantee issued by Alior Bank S.A. on April 23, 2013 up to the amount of PLN 420 000 for Bertie Investment Sp. z o.o. concerning the lease of office space at ul. Puławska 182. The guarantee is valid until April 22, 2015.

The Group does not have any other contingent liabilities.

## 12. Information on grant by the Issuer or one of its subsidiaries of sureties for credit or loans or grant of guarantees – to one entity or subsidiary from such entity if the total value of existing sureties or guarantees constitutes the equivalent of at least 10% of the Issuer's equity

During the period from January 1 to March 31, 2014, neither the Issuer nor any of its subsidiaries issued loan sureties or guarantees, the value of which could constitute at least 10% of the Issuer's equity.

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

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

As at March 31, 2014, the debt to equity ratio, defined as consolidated net financial debt over equity, was a negative 0.01. Net financial debt is understood as the Group’s liabilities relating to credits, loans and other interest-bearing or discounted financial instruments, less any related derivative hedges, cash and cash equivalents, available-for-sale marketable securities and restricted cash, calculated using figures from the Group’s consolidated financial statements.

## 14. Effects of changes in organizational structure of the economic entity, including as a result of merging economic entities, acquisition or disposal of group entities, non-current investments, divisions, restructuring and discontinuation of activity

The CI Games Group's organizational structure did not change during the reporting period.

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

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

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

During the reporting period the parent, CI Games S.A., neither paid out nor declared any dividends.

## 17. Other information which the Issuer's management believes is essential for assessment of its HR, asset or financial situations, financial result and change thereto, as well as information essential for assessing the Issuer's ability to satisfy its liabilities

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

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

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

## 19. Indication of events which occurred after the date as of which the quarterly financial statements were drawn up such as were not recognized in the statements and which may have a significant impact on the Issuer's future financial results

- **HR restructuring at the Group**

On April 25, 2014, the Issuer's Management Board announced a human resources restructuring at the CI Games Group. The Management Board decided to base game development operations in Warsaw, so as to ensure better management over the production process. As a result, the studio in Bydgoszcz was closed, staff in Rzeszów was reduced (to about 20 people), and several people in Warsaw were laid off. The studio in Bucharest, Romania was also closed for good.

- **Enemy Front certified for Sony PlayStation®3 in North America, Europe and Australia**

On May 7, 2014, CI Games S.A.'s Management Board received confirmation from Sony Computer Entertainment America LLC that Enemy Front for Sony PlayStation®3 successfully completed the certification process. This will mean that the product is approved by Sony Computer Entertainment America LLC for a Sony PlayStation®3 release in North America.

On May 8, 2014, CI Games S.A.'s Management Board received confirmation from Sony Computer Entertainment Europe Ltd. that Enemy Front for Sony PlayStation®3 successfully completed the certification process. Therefore, Enemy Front was also approved by Sony Computer Entertainment Europe Ltd for a Sony PlayStation®3 release in Europe and Australia.

- **Reverse factoring agreement**

On May 13, 2014, CI Games S.A.'s Management Board executed a reverse factoring agreement with Warsaw-based Alior Bank S.A., under which the bank issued a EUR 2 million limit to the Issuer for financing products/licenses/production work concerning Enemy Front and Lords of the Fallen. Final repayment date: February 28, 2015. Factoring interest: EURIBOR 1M + a bank margin of 2% annualized, a 0.8% origination fee and no commitment fee. The product was secured as follows: a notarized assignment of CI Games USA Inc.'s receivables, transfer of funds to a dedicated bank account, declaration on submission to enforcement proceedings, power of attorney to the Issuer's accounts maintained by Alior Bank S.A.

At the same time, the Issuer's Management Board executed an annex with Alior Bank S.A. to a treasury services framework agreement, under which forward contracts may be executed, which extended the framework agreement to May 12, 2015.

- **Enemy Front certified for Xbox360®**

On May 15, 2014, the Management Board of CI Games S.A. received confirmation from Microsoft® that Enemy Front successfully passed the certification process for Xbox360®. This will mean that the product is approved by Microsoft® for a Xbox360® release in North America, Europe and Australia.

A description of events which could have a significant impact on the Issuer's future financial results may be found in point 20 of this report.

## 20. Indication of factors which, in the opinion of the Issuer's management, may have an impact on achievement by the company of financial results in the perspective of at least the subsequent quarter

The CI Games Group consistently implements its growth strategy aimed at regular releasing high quality video games. Currently, the quality of the game development, marketing and sales process is the decisive factor impacting product planning and development activities. The Group produces games for PCs and consoles, including next-gen - which began selling in Q4 2013 and are gradually replacing the existing platforms. By releasing games for users of both new- and older-generation consoles, the Issuer aims to reach a larger target group.

In March last year, the long-awaited release of Sniper: Ghost Warrior 2 took place, and the game has since sold in over 1.7 million copies. Total sales of the Sniper: Ghost Warrior series exceeded 5.2 million copies.

Work on the Issuer's newest title - Enemy Front - took over three years. This WWII FPS is scheduled for release in mid-June 2014. It will be available for Xbox360®, PlayStation®3 and PC.

The Issuer's next significant project, an RPG called Lords of the Fallen, is currently under development by an experienced team at Deck13 of Germany. The game, set to be released in H2 2014, will be available on Xbox One®, PlayStation®4 and PCs.

The Group's products will be distributed in regional markets by leading players in the given area, some of them being branches of the largest global video gaming companies.

The Issuer's management believes that the current strategy will allow the CI Games Group to continue delivering strong financial performance and to strengthen its position in global markets. The management believes that the company has the necessary competences and technical capabilities to develop, release and distribute high quality games.

**MANAGEMENT BOARD:**

Marek Tymiński

President of the Management Board

Warsaw, May 15, 2014