

City Interactive S.A.

Independent Statutory Auditor's Opinion and Report
Financial year ended
December 31, 2011

INDEPENDENT STATUTORY AUDITOR'S OPINION

To the Shareholders and Supervisory Board of City Interactive S.A.

We audited the enclosed financial statements of City Interactive S.A., having its registered office in Warsaw, ul. Żupnicza 17 (the "Company"), which consist of the balance sheet drawn up as at December 31, 2011, statement of profit and loss, statement of comprehensive income, statement of changes in equity, statement of cash flows for the financial year January 1 to December 31, 2011 and notes to the financial statements.

The Company's Management Board is responsible for drafting the financial statements and report on the Company's operations in accordance with legal regulations.

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

Our task was to audit and express an opinion on whether the financial statements are compliant with the adopted accounting principles (policy), whether they reliably and clearly present all significant aspects of the financial situation, asset position and financial result of the Company and whether the accounts constituting the basis for their preparation are maintained correctly.

We audited the financial statements in accordance with the following:

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

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

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

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

- a) give a true and fair view of all information significant for assessment of the financial situation and asset position of the audited Company as at December 31, 2011, as well as its financial result for the financial year January 1 to December 31, 2011,
- b) were drawn up in accordance with International Accounting Standards, International Financial Reporting Standards and associated interpretations published in the form of European Commission regulations, and where not governed by such standards then appropriate to the requirements of the Polish Accounting Act and secondary legislation issued on its basis, and also pursuant to correctly maintained accounts,

- c) are compliant with the provisions of law and of the Company's articles of association which impact the content of financial statements.

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

Statutory Auditor no. 11505

Jędrzej Szalacha

Lead Statutory Auditor
conducting the audit

CSWP Audyt Sp. z o.o.

Entity authorized to audit financial statements, entered into the list of authorized entities, no. 3632, held by the National Chamber of Statutory Auditors.

Warsaw, April 13, 2012

City Interactive S.A.

Report on Audit of the Financial Statements
Financial year ended
December 31, 2011

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I. GENERAL PART OF THE REPORT

1. Identification data and basic information on the Company

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

City Interactive S.A.
ul. Żupnica 17
03-821 Warsaw, Poland

1.2. Objects of the Company

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

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

1.3. Legal basis for the Company's operations

City Interactive S.A. (a publicly traded company) was formed through transformation from City Interactive Sp. z o.o. (a limited liability company). The resolution on transformation was adopted by the general meeting of shareholders of City Interactive Sp. z o.o. on May 16, 2007. The duration of the Company is unlimited. The Company is registered at the District Court for the Capital City of Warsaw in Warsaw, 13th Commercial Division of the National Court Register, entry number KRS 0000282076.

1.4. Company registration for tax and statistical purposes

NIP (taxpayer identification number): 1181585759

REGON (statistical identification number): 017186320

1.5. Company share capital

As at December 31, 2011 the Company's registered share capital was PLN 1 265 000 and was divided into 12 650 000 shares at a nominal value of PLN 0.10 each. Shares are not preferred shares.

The Company's shareholding structure as at December 31, 2011 was as follows:

Shareholder name	Number of shares	Nominal value of shares (PLN thousand)	Number of votes held (%)	Type of shares
Marek Tymiński	6 475 794	647.6	51.19%	Ordinary
Aviva Investors Poland S.A.	683 104	68.3	5.4%	Ordinary
Others < 5%	5 491 102	549.1	43.41%	Ordinary
	12 650 000	1 265	100%	

City Interactive S.A. is part of the City Interactive S.A. Group, of which it is the parent, and drafts consolidated financial statements.

1.6. Company Management Board

As at December 31, 2011 the Company's Management Board comprised:

- Marek Tymiński – president of the board
- Michał Sokolski – member of the board

From January 1, 2011 to March 10, 2011 Artur Winiarski was a member of the board, and from March 10, 2011 to May 17, 2011 Wojciech Kutak was a member of the board.

On August 22, 2011 Michał Sokolski was appointed to the board. On March 14, 2012 Michał Sokolski resigned from the board. On the same day Andreas Jaeger was appointed board member.

2. Information on the financial statements for the preceding year

The Company's financial statements for the preceding financial year, i.e. the year ended December 31, 2010 were audited by Mistery Audytor Sp. z o.o. and the independent auditor's opinion, dated April 30, 2011, contains neither reservations nor comments.

On June 20, 2011 the general meeting of shareholders approved the financial statements for the preceding year and allocated the PLN 25 823 050.62 in net profit for the preceding year to the dividend fund.

The financial statements for the preceding year were submitted to the National Court Register on April 10, 2012 and were submitted for announcement in official gazette *Monitor Polski B* on April 11, 2012. Up to the date on which this report was drafted, the financial statements had not been published in *Monitor Polski B*.

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

3. Data identifying the authorized entity and lead statutory auditor

3.1. Entity authorized to audit the financial statements

CSWP Audyt Sp. z o.o.
ul. Nowy Świat 49
00-042 Warsaw, Poland

NIP: 521-35-80-455
REGON: 142579725
KRS: 0000365953

Company registered at the District Court for the Capital City of Warsaw in Warsaw, 13th Commercial Division of the National Court Register. Share capital amounts to PLN 30 000.

Entry into the list of entities authorized to audit financial statements: no. 3632.

3.2. Lead statutory auditor

Jędrzej Szalacha, statutory auditor no. 11505.

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

The basis for performance of the audit is the agreement of June 30, 2011. The decision on selection of statutory auditor was taken through the resolution of the Supervisory Board of June 29, 2011.

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

- From August 8 to 12 and from August 15 to 19, 2011 – initial audit,
- From January 30 to February 3, 2012 – final audit,
- From March 12 to 16, 2012 – final audit.

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

II. ANALYTICAL PART OF THE REPORT

1. Company financial data

1.1. Balance sheet

ASSETS	Dec. 31, 2011 (PLN thousands)	% share in carrying value	Dec. 31, 2010 (PLN thousands)	% share in carrying value
Property, plant and equipment	957	1.3	428	0.7
Intangible assets	24 149	34.0	13 110	22.0
Interests in subsidiaries, associates and jointly controlled entities	308	0.4	268	0.4
Deferred income tax assets	2 246	3.2	2 565	4.3
Total non-current assets	27 660	38.9	16 371	27.5
Inventories	3 909	5.5	4 286	7.2
Current investments	4 078	5.7	1 026	1.7
Advances paid	1 049	1.5	1 240	2.1
Trade and other receivables	16 857	23.7	19 477	32.7
Income tax receivables	855	1.2	-	-
Cash and cash equivalents	14 062	19.8	14 640	24.6
Other current assets	2 660	3.7	2 561	4.3
Total current assets	43 470	61.1	43 230	72.5
TOTAL ASSETS	71 130	100.0	59 601	100.0

The increase in the carrying value results chiefly from an increase in intangible assets, including the costs of development work connected with the production of software. The release of main titles is planned for 2012.

EQUITY AND LIABILITIES	Dec. 31, 2011 (PLN thousands)	% share in carrying amount	Dec. 31, 2010 (PLN thousands)	% share in carrying amount
Share capital	1 265	1.8	1 265	2.1
Share premium	4 556	6.4	4 556	7.6
Revaluation reserve	(2 021)	(2.8)	42	0.1
Incentive scheme provision	-	-	283	0.5
Buy-back provision	16 000	22.5	16 000	26.9
Retained earnings	38 797	54.4	21 411	35.9
Total equity	58 597	82.3	43 557	73.1
Provision for pensions and similar	15	-	14	-
Finance lease liabilities	29	0.1	54	0.1
Deferred income tax provision	290	0.4	134	0.2
Total non-current liabilities	334	0.5	202	0.3
Borrowings including credits, loans and other debt instruments	-	-	5 023	8.4
Income tax liabilities	-	-	730	1.2
Trade and other payables	8 032	11.3	8 701	14.7
Finance lease liabilities	26	0.0	111	0.2
Financial liabilities	2 954	4.2	-	-
Other liabilities	298	0.4	500	0.8
Other current provisions	889	1.2	777	1.3
Total current liabilities	12 199	17.2	15 842	26.6
TOTAL EQUITY AND LIABILITIES	71 130	100.0	59 601	100.0

1.2. Statement of profit and loss

	Jan. 1, 2011 – Dec. 31, 2011 (PLN thousands)	% share in revenue from sales	Jan. 1, 2010 – Dec. 31, 2010 (PLN thousands)	% share in revenue from sales
CONTINUING OPERATIONS				
Net revenue from sales				
Revenue from sale of products and services	68 566	98.0	71 903	99.1
Revenue from sale of goods for resale and materials	1 367	2.0	670	0.9
	69 933	100.0	72 573	100.0
Cost of products, goods for resale and services sold				
Cost of manufacture of products sold	36 447	52.1	26 112	36.0
Value of goods for resale and materials sold	1 003	1.5	708	1.0
	37 450	53.6	26 820	37.0
Gross profit on sales	32 483	46.4	45 753	63.0
Other operating revenue	670	1.0	1 049	1.4
Distribution costs	6 554	9.4	5 305	7.3
Administrative expenses	4 510	6.4	3 850	5.3
Other operating costs	1 504	2.2	4 781	6.6
Profit on operating activities	20 585	29.4	32 866	45.3
Finance income	1 566	2.2	54	0.1
Finance costs	345	0.5	1 230	1.7
Profit before tax	21 806	31.2	31 690	43.7
Income tax	4 703	6.7	5 867	8.1
Profit on continuing operations	17 103	24.5	25 823	35.6
Net profit	17 103	24.5	25 823	35.6

1.3. Statement of comprehensive income

	Jan. 1, 2011 – Dec. 31, 2011 (PLN thousands)	% share in revenue from sales	Jan. 1, 2010 – Dec. 31, 2010 (PLN thousands)	% share in revenue from sales
Net profit	17 103	24.5	25 823	35.6
Total other comprehensive income				
Result of financial asset measurement	35	0.1	(10)	-
Result of hedging instrument measurement	(2 098)	3.0	-	-
	(2 063)	2.9	(10)	-
Total comprehensive income for the financial year	15 040	21.5	25 813	35.6

2. Analysis of the Company's financial data

	2011	2010	2009
1. Net sales margin			
$\frac{\text{Net profit} \times 100\%}{\text{Net revenue}}$	24.5%	35.6%	Negative value
2. Return on equity			
$\frac{\text{Net profit} \times 100\%}{\text{Equity} - \text{net profit}}$	41.2%	145.6%	Negative value
3. Receivables turnover			
$\frac{\text{Net trade receivables} \times 365 \text{ days}}{\text{Net revenue}}$	88 days	98 days	161 days
4. Debt ratio			
$\frac{\text{Liabilities and provisions for liabilities} \times 100\%}{\text{Total equity and liabilities}}$	17.6%	26.9%	49.2%
5. Current ratio			
$\frac{\text{Current assets}}{\text{Current liabilities}}$	3.6	2.7	1.2

The increase in profitability ratios in 2010 and 2011 results from the generation of significant net profit. Profitability ratios were negative in 2009 due to the loss incurred. Growth in revenue and margins in 2010 and 2011 was chiefly caused by the success of Sniper: Ghost Warrior. Along with marketing new titles, the Company intends to continue selling this game in 2012.

Receivables turnover was subject to improvement in 2011 and 2010 compared to 2009. This results from the generation of significantly higher revenues with a simultaneous shortening in the payment period for receivables.

The Company's debt ratio is consistently decreasing in connection with the increase in equity caused by the net profit generated in 2010 and 2011.

In connection with improvement in the Company's financial situation and positive cash flows in 2011 and 2010, the current ratio was also subject to improvement.

III. DETAILED PART OF THE REPORT

1. Extent of the audit

The audit was carried out for the shareholders and Supervisory Board of City Interactive S.A., having its registered office in Warsaw at ul. Żupnica 17.

The financial statements comprise a balance sheet drawn up as at December 31, 2011, statement of profit and loss, statement of comprehensive income, statement of changes in equity, statement of cash flows for the financial year January 1 to December 31, 2011 and notes to the financial statements.

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

2. Company accounting system

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

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

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

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

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

4. Information on the statutory auditor's opinion

As a result of the audit carried out on the Company's financial statements drafted as at and for the period ended December 31, 2011, we have issued an unqualified opinion.

Statutory Auditor no. 11505

Jędrzej Szalacha

Lead Statutory Auditor

conducting the audit

CSWP Audyt Sp. z o.o.

Entity authorized to audit financial statements, entered into the list of authorized entities, no. 3632, held by the National Chamber of Statutory Auditors.

Warsaw, April 13, 2012