

Current report No. 19/2014

Subject: *Disclosure of negotiations and conclusion of an agreement concerning disposal of interest in subsidiary company*

Legal basis: *Art. 56 section 1 item 1 – confidential information*

In accordance with Art. 57 item 3 of the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading and Public Companies of 29 July 2005 the Management Board of CD PROJEKT S.A., headquartered in Warsaw, Jagiellońska 74, 03-301 (hereafter referred to as “the Company” or “the Issuer”) hereby discloses information which it had heretofore withheld under §2 section 1 item 1 of the Finance Minister’s ordinance of 13 April 2006 concerning information which may violate the rightful interest of the issuer and the issuer’s conduct in connection with the delay in disclosing confidential information.

Notice of the delay in executing the disclosure obligation was delivered to the Financial Supervision Authority on 17 October 2014 and addressed ongoing negotiations as a result of which, on 26 November 2014, an agreement (hereafter referred to as “the Agreement”) was concluded between the current shareholders of cdp.pl sp. z o.o., headquartered in Warsaw (hereafter referred to as “cdp.pl”), i.e. the Issuer, and members of the management board of cdp.pl, as well as with cdp.pl itself, concerning disposal of the Issuer’s interest in its cdp.pl subsidiary.

In line with the Agreement existing shareholders of cdp.pl identified the mutual obligations of both parties with respect to the transfer of control over cdp.pl to current members of its management board, including the Issuer’s due compensation in return for facilitating this action.

The Agreement stipulates that immediately upon its signing 457 (four hundred and fifty seven) shares of cdp.pl share capital held by the Issuer, with a nominal value of 1,007.55 (one thousand seven and 55/100) PLN per share, would be redeemed from cdp.pl net profit (i.e. without lowering the company’s share capital). These shares jointly constitute 45.7% of cdp.pl share capital. The Issuer’s compensation was set at 4,943,646 (four million nine hundred and forty three thousand six hundred and forty six) PLN. As a result of this transaction and pursuant to §199 of the Commercial Company Code the shareholder structure of cdp.pl changed as follows: the Issuer now holds 45 shares of cdp.pl, i.e. 8.29% of its share capital, with the remaining shares evenly distributed among members of the management board of cdp.pl. Consequently, having fulfilled the above obligation, the Issuer has relinquished control over its former subsidiary and has, as of the day of redemption of the Issuer’s shares, excluded the financial results of cdp.pl from consolidation within the CD PROJEKT Capital Group.

In addition to the above, the Agreement specifies the conditions for potential further reduction of the Issuer’s interest in cdp.pl, predicating this decision on future financial results of cdp.pl, and contains provisions which enable cdp.pl to publish and distribute

certain future products developed by the Issuer throughout Poland. The compensation due to the Issuer in return for potential disposal of each further share in cdp.pl was set at 35,556 (thirty five thousand five hundred and fifty six) PLN (this figure will hereafter be referred to as “Compensation Cost”), yielding 1,600,020 (one million six hundred thousand twenty) PLN for all shares currently held by the Issuer. Furthermore, all parties have formally declared that throughout the five-year period following the conclusion of the Agreement no further pledges, agreements or preliminary agreements would be concluded by any party to the Agreement concerning transfer of shares in cdp.pl to any third party, and that as long as the Issuer remains a shareholder of cdp.pl, the entry of any new shareholder must be preceded by the buyback or redemption of all cdp.pl shares belonging to the Issuer at the per-share Compensation Cost.

In addition to compensation due to the Issuer in return for redemption of cdp.pl shares, the Agreement also stipulates that the Issuer is entitled to further compensation dependent on the redress obtained by cdp.pl as a result of its lawsuit filed on 26 November 2014 against EMPIK sp. z o.o., headquartered in Warsaw, regardless of whether such redress would occur voluntarily or under a court-issued writ of enforcement and irrespective of the manner in which it would be awarded (by way of a binding judgment or an out-of-court settlement). Any amount recovered by cdp.pl in this matter would be reduced by the costs borne by cdp.pl in association with pursuing its legal claims.

cdp.pl operates on the domestic market and has been a publisher and distributor of videogames for 20 years. The implementation of a process by which the company ultimately falls under the control of members of its management board – who are also its long-time employees, responsible i.a. for formulating the company’s business strategy (which includes rebranding measures) and introducing a nationwide digital distribution platform carrying videogames, motion pictures, audiobooks and other publications – is an element of the business strategy adopted by the Issuer and by the Issuer’s capital group. In line with this strategy, as set forth by the Issuer’s Management Board, the Issuer and its capital group focus on global market segments and sales channels. Accordingly, cdp.pl activities, which specifically serve the domestic market and follow a different set of goals, have ceased to play an important role in the scope of the Issuer’s capital group.

Disclaimer:

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