



CD PROJEKT®



MANAGEMENT BOARD REPORT ON
CD PROJEKT CAPITAL GROUP ACTIVITIES
IN THE FISCAL YEAR 2014

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General information

I. Key factors affecting Group performance and other important events occurring in 2014 and up until the publication date of this report

1. The Witcher 3: Wild Hunt preorder campaign launched on 5 June 2014. This was the largest such event in the Company's history, covering three hardware platforms (PC, PlayStation 4 and Xbox One) and involving numerous retailers in 10 language zones.
2. Both CD PROJEKT RED and The Witcher 3: Wild Hunt were showcased at the Xbox One conference preceding the E3 fair. The Microsoft press conference, dedicated to presenting key upcoming releases for the Xbox One console, included a six-minute gameplay trailer of The Witcher 3: Wild Hunt.
3. Throughout 2014 CD PROJEKT RED enjoyed a strong presence at key international trade fairs. The game was showcased at E3 in Los Angeles, at Gamescom in Cologne and at Comic Con in San Diego, The Witcher 3: Wild Hunt was also presented at the British EGX2014 videogame fair, at Games 14 in Saudi Arabia, at Pax Prime in Seattle, at Igromir in Moscow (Russia's largest videogame and comic book fair) and at Brasil Game Show 2014 in Sao Paulo.
4. At the beginning of 2015 The Witcher 3: Wild Hunt received two Most Anticipated Game of 2015 awards, respectively from readers of the well-known American Gamespot portal and participants of The Game Awards survey whose results were announced at a gala event in Las Vegas.
5. Up until the publication date of this report The Witcher 3: Wild Hunt has received over 200 awards from the world's top gaming media and online services. In addition to the awards mentioned above, The Witcher 3 was also named the Most Anticipated Game by IGN (readers' poll), Eurogamer (readers' poll), GameTrailers, The Escapist and The Angry Joe Show. The game has been featured on more than 75 printed magazine covers.
6. By the end of 2014 the Company concluded the publisher selection process in all markets where retail editions of The Witcher 3 will be sold. The game is slated for release in 109 countries.
7. On 8 December 2014 the Company announced that it had postponed the release of The Witcher 3: Wild Hunt until 19 May 2015.
8. In January 2015, after the close of the reporting period, the Company held the first of several hands-on preview sessions where Polish and foreign journalists were given several hours to play The Witcher 3 beta on Xbox One, PlayStation 4 and the PC. Altogether more than 300 journalists from 23 countries gained first-hand experience with the game. The event resulted in several hundred publications.
9. The first issue of "The Witcher - House of Glass", published by Dark Horse Comics in collaboration with CD PROJEKT RED, was released on 19 March 2014 in American bookstores and digital distribution channels. The entire cycle, comprising five issues, was published in the USA, Poland, Russia, Germany, the Czech Republic, Spain, Turkey and Italy.
10. On 22 May 2014 the Studio released The Witcher 2: Assassins of Kings for the Linux OS.
11. November 2014 marked the release of The Witcher Adventure Game, developed in collaboration with Fantasy Flight Games - a global leader in the development and distribution of board games. Physical and digital editions of the game were released simultaneously.
12. On 22 January 2015 the Company debuted on the mobile gaming market with The Witcher Battle Arena, developed in collaboration with an external development studio. The Witcher Battle Arena is an online multiplayer F2P title available for iOS and Android devices. In February 2015 the Company announced that during the first three weeks following release the game had been downloaded over 1 million times.
13. In 2014 the GOG.com digital distribution platform released over 230 new products, expanding its catalogue to nearly 900 items.
14. In 2014 the global digital videogame distribution segment signed agreements with new business partners, including Deep Silver, XSEED Games, Warner Bros. Interactive Entertainment and ©Disney Interactive/Lucasfilm Ltd. GOG Ltd. currently collaborates with over 300 partners from around the world.
15. On 6 June 2014 at a press conference held in Los Angeles and streamed online via webcast GOG.com announced the launch of beta tests of its proprietary GOG Galaxy technology stack, which permits - among others - unhindered online gaming. The first game to make use of GOG Galaxy was The Witcher Adventure Game.

16. During the summer sale campaign which lasted from 13 to 30 June GOG.com offered limited-time discounts on over 700 items from its catalogue. In terms of sales, this year's event surpassed the previous edition held in 2013.
17. In June 2014 GOG Ltd. paid out a dividend in the amount of 2.7 million USD to its sole shareholder - CD PROJEKT S.A. GOG Ltd. is not currently in debt due to outstanding credits and loans. As of 31 December 2014 the Company held 21 213 thousand PLN in cash assets.
18. On 27 August 2014 GOG.com began distributing motion pictures. In line with the Company mission statement all motion pictures offered on GOG.com are free of DRM restrictions.
19. In August 2014 GOG.com rolled out support for payments in GBP, EUR, RUB and AUD, as well as for popular e-payment services including Sofort, Yandex and Webmoney.
20. In November 2014 the French edition of the GOG.com portal was released as the first such language localization. Over 270 French-language editions of items from the GOG.com catalogue were made available upon launch. By offering its website, products and client support services in French GOG Ltd. strives to address the requirements of not only French nationals but also of a significant portion of customers from Switzerland, Belgium, Canada and many African states.
21. In Q1 2015 the GOG.com portal was made available in German, coinciding with a special sale on German-language products. The event was widely reported in German media. As a result, the GOG.com service - as well as a broad range of the products it offers - is now available in three languages: English, French and German.
22. In just over 24 hours following the launch of The Witcher 3: Wild Hunt preorder campaign cdp.pl collected 10 thousand preorders of the game's Collector's Edition from Polish customers alone. The Witcher 3: Wild Hunt is the first game in the Company's lineup to be offered in both physical and digital versions.
23. In late November 2014 CD PROJEKT S.A. sold the controlling stake in its cdp.pl subsidiary, reducing its capital share in cdp.pl to 8.29%. As a result effective control over cdp.pl was transferred to long-time employees and current members of the company's management board.
24. The consolidated revenues of the CD PROJEKT Capital Group in 2014 (excluding discontinued activities relating to the above-mentioned sale of the controlling stake in cdp.pl) amounted to 96 194 thousand PLN. Revenues obtained in each of the Group's activity segments through sales to external clients were as follows:
 - Videogame development: 31 093 thousand PLN;
 - Global digital videogame distribution: 63 936 thousand PLN;
 - Other activities: 1 165 thousand PLN.
25. EBITDA of the CD PROJEKT Capital Group in 2014 was 9 312 thousand PLN.
26. The consolidated net profit of the CD PROJEKT Capital Group from continuing activities in 2014 was 9 517 thousand PLN.
27. As of 31 December 2014 the Group held cash assets valued at 34 395 thousand PLN (including cash equivalents), in addition to other financial assets valued at 2 745 thousand PLN. The latter group comprises PKO investment fund shares purchased as a means of temporary allocation of surplus cash.

■ Summary of business activities in the 2014 fiscal year

The operations of the CD PROJEKT Capital Group are divided into four activity segments:

- Distribution and publishing in Poland (discontinued activity; carried out beyond the Group since 26 November 2014),
- Videogame development,
- Global digital videogame distribution,
- Other activities.

■ Distribution and publishing in Poland - summary

Up until 26 November 2014 the CD PROJEKT Capital Group had engaged in distribution and publishing of videogames, DVD and Blu-ray motion pictures as well as card and board games through its cdp.pl sp. z o.o. subsidiary. This segment also involved the operation of the Polish digital distribution platform at www.cdp.pl. As a result of a sale transaction effected on 26 November 2014 the CD PROJEKT Capital Group sold 457 shares in cdp.pl back to the company for redemption, reducing its own share in the cdp.pl sp. z o.o. capital to 8.29%. Accordingly, cdp.pl sp z o.o. ceased to operate as a subsidiary of CD PROJEKT S.A. and its activities are now reported as discontinued from the perspective of the Capital Group.

■ Distribution and publishing in Poland - key events

Digital distribution

The beginning of the year is traditionally a period of sales and clearances. Accordingly, the highlight of Q1 2014 in the domestic digital distribution segment was an event called Wielki Giermasz Cyfrowy (*Grand Digital Game Sale*), an online counterpart to a hugely popular live event organized in collaboration with the Biedronka retail store chain.

In February cdp.pl signed a new digital distribution agreement with Warner Bros. Home Entertainment - the world's largest publisher of motion pictures. An initial batch of 30 movies was prepared for inclusion in the cdp.pl catalogue, including such cult classics as Matrix, Batman, Lord of the Rings, Harry Potter and the recent blockbuster Gravity (7 Academy Awards; available prior to its official release on the home entertainment market).

In the second quarter of 2014 the service was expanded with games for Apple computers. The "Mac Zone" debuted with over 150 titles, including CD PROJEKT RED's own products (*The Witcher* and *The Witcher 2: Assassins of Kings*), as well as releases by Electronic Arts, Warner Bros. and Paradox Interactive.

The most important event in the domestic distribution segment was the launch of the preorder campaign associated with the upcoming release of *The Witcher 3: Wild Hunt*. In just over 24 hours the Company accepted 10 thousand preorders of the collector's edition (which was made available solely through cdp.pl). *The Witcher 3* is the first item in the cdp.pl catalogue to be offered in both physical (box) and digital editions.

September typically marks the beginning of the new release season, both with respect to videogames and e-books. The cdp.pl platform carried all of this season's hottest releases, including *The Sims 4*, *FIFA 15*, *The Vanishing of Ethan Carter*, *Assassin's Creed Unity*, *Call of Duty: Advanced Warfare*, *Farming Simulator 15* and *Pro Evolution Soccer 2015*.

In collaboration with Artur Kurasinski and Michal Śledziński, authors of the upcoming comic book series titled *Strange Years*, cdp.pl was able to offer digital editions of the first issue in the series to all registered platform users. In support of this event the Company extended its cdp.pl platform with a new Comic Zone, currently comprising nearly 100 titles, most of which are released under exclusive publishing agreements.

In mid-October cdp.pl celebrated its second birthday. This was marked by a five-day sale on games, e-books, motion pictures and audiobooks.

Physical distribution

Early on in 2014 the cdp.pl catalogue was expanded with further releases by Konami (*Castlevania: Lords of Shadow 2* and *Metal Gear: Ground Zeroes*). The Company also began distributing games by Focus Home Interactive (including *Wargame: Red Dragon*, *Bound by*

Flame and Styx Master of Shadows) and Milestone (Moto GP and MXGP). In October 2014 cdp.pl initiated collaboration with Daedalic Entertainment (Blackguards 1 and Blackguards 2).

On 19 August the Company released Diablo III: Ultimate Evil Edition for PS3, PS4, Xbox 360 and Xbox One, marking the first time a Blizzard game was released for eighth-generation consoles.

September saw the release of Disney Infinity 2.0: Marvel Super Heroes - an arcade game which transports the player into fantasy worlds created by Marvel and Disney, enabling them to unlock various types of content, including interactive scenarios ("worlds"). During the same month cdp.pl also released three adventure/mystery games and organized an event called "Gramy w kryminaty" (Let's play mysteries), featuring Broken Sword 5: The Serpent's Curse, Sherlock Holmes: Crimes and Punishments, and The Vanishing of Ethan Carter.

In October the cdp.pl catalogue was expanded with Fantasia: Music Evolved and Farming Simulator 15 by Giants Software. In November the Company released Konami's Pro Evolution Soccer 2015 and Blizzard's newest addition to its popular World of Warcraft MMO - the Warlords of Draenor expansion pack. The former release was preceded by a gaming competition for media representatives held at the National Stadium in Warsaw.

The Company carried out a range of marketing activities in 2014, including two editions of its Giermasz and Filmasz sales, held in cooperation with the Biedronka retail store chain. In October cdp.pl showcased its Giermasz sale at Poznań Game Arena 2014. The Company's 3000-sq.ft. stand featured newly released promos of The Witcher 3: Wild Hunt in addition to a wide range of videogames and products from the "Games Unplugged" catalogue.

Games unplugged

In the third quarter of 2014 the Games Unplugged division focused on expanding its direct distribution links with specialty stores and large bulk retailers throughout the EU, particularly in Germany, Spain, Denmark, the Czech Republic, Lithuania and France. cdp.pl is among the eleven authorized European distributors of Magic: The Gathering card games, published by Wizards of the Coast, a subsidiary of Hasbro. The company has recently reported record sales of new deck releases: Magic 2015 Core Set and Khans of Tarkir.

In July 2014 cdp.pl initiated open-ended collaboration with Warlord Games, a renowned British developer of tabletop games which reenact historical conflicts using popular 28mm miniatures. The Company also signed an agreement with Prodos Games concerning exclusive distribution of the new edition of the WarZone tabletop game, the previous edition of which generated record sales in Poland.

In late 2014 the Company released The Witcher Adventure Game - a board game developed by CD PROJEKT and Fantasy Flight Games, a global leader in board game development. cdp.pl is the exclusive distributor of the game's Polish language edition.

Other information

In late November 2014 CD PROJEKT S.A. sold its controlling stake in cdp.pl sp. z o.o. As a result of this transaction CD PROJEKT S.A.'s share in cdp.pl capital was reduced to 8.29%. Previously, on 12 May 2014, the Company disclosed that it had sold 9 thousand shares back to cdp.pl sp. z o.o. for redemption, retaining 50.2% of cdp.pl's share capital. Control over cdp.pl was thus transferred to its long-term employees and current members of its management board, responsible for formulating the business strategy of cdp.pl sp. z o.o.

The agreement between the parties sets forth conditions for potential future reduction of CD PROJEKT S.A.'s share in cdp.pl capital, predicated on (among others) future financial results of cdp.pl.

■ Videogame development - summary

Videogame development is the main area of activity of the CD PROJEKT RED Studio, a subsidiary of CD PROJEKT S.A. The activity covers creation of videogames, licensing the associated distribution rights and producing tie-in products which exploit the commercial appeal of brands owned by the Company. Videogame development commenced in 2002 and initially focused on the studio's RPG debut: The Witcher. This game, set in Andrzej Sapkowski's fantasy world, was released in 2007 to global acclaim. The Studio followed up in May 2011 with its second release - The Witcher 2: Assassins of Kings for the PC. In April 2012 an extended edition of The Witcher 2 was released on the PC and Xbox 360. Both parts of The Witcher series are now also available for Apple and Linux machines.

The Company carries out active distribution of its earlier games (The Witcher and The Witcher 2) for a number of hardware platforms, using traditional and digital distribution channels. Taken together, both installments of the series have received over 200 awards and sold more than 8 million copies.

The Studio is currently working on two triple-A RPG releases: The Witcher 3: Wild Hunt and Cyberpunk 2077. Each of these games is slated for simultaneous release on the PC and current-generation gaming consoles: Sony PlayStation 4 and Xbox One.

In July 2013 the Studio established a presence in Kraków, with a dedicated branch set up on the premises of the Kraków Technology Park to carry out work on additional videogame projects.

In addition to ongoing work on The Witcher 3 and Cyberpunk 2077 the Company is expanding its core franchise with additional tie-in products set in The Witcher universe. Throughout 2014 CD PROJEKT RED focused on two tie-in products developed in collaboration with external partners. In November 2014 CD PROJEKT RED released The Witcher Adventure Game in both physical (board) and digital editions (for PCs and tablets). On 22 January 2015, after the close of the reporting period, the Company released its pioneering mobile online game - The Witcher Battle Arena, available for tablet devices and advanced smartphones running the iOS and Android operating systems.

■ Videogame development - key events

By the end of 2014 all distribution contracts covering physical editions of The Witcher 3: Wild Hunt had been concluded. In January the Company announced that it had reached an agreement with Namco Bandai Games concerning exclusive distribution rights for The Witcher 3 in Australia and New Zealand. In February the Company signed a contract with Agora S.A., making Agora a co-publisher of The Witcher 3 in Poland. Domestic distribution rights were retained by cdp.pl Sp. z o.o., a subsidiary of the Group. In March 2014 the Company confirmed that marketing and distribution activities in the Middle East would be handled by LS2 Pluto, a leader in videogame distribution in this region. LS2 Pluto has a presence in the United Arab Emirates, Saudi Arabia, Qatar, Kuwait, Liban, Bahrain, Jordan and Egypt, among others. In South Africa the game will be distributed by Megarom Interactive - a key importer and distributor of videogames on the South African market. In addition, the Company signed agreements with 1C-SoftClub concerning distribution and promotion of the game in Russia and the CIS countries. Distribution rights in the Czech Republic, Slovakia and Hungary were licensed to CENEGA, while Brazil and Latin America will be handled by NC Games. In Q3 2014 contracts were concluded with Best Distribution (covering marketing and sales of the game in Romania), Edlee (Israel), Express Games (India), Epic Soft (Taiwan, Hong Kong and Singapore), Bilkom (Turkey) and Computerland/Iris Mega DOO (the Balkans). It should be noted that none of these contracts cover high-markup digital sales, the sole rights to which were retained by CD PROJEKT.

The closing days of Q1 2014 saw the debut of the first installment in The Witcher House of Glass comic book series, published by the American company Dark Horse Comics in collaboration with CD PROJEKT RED. Dark Horse Comics is among the largest and most highly regarded publishers of comic books worldwide, managing such notable series as Star Wars, Alien and Predator. It also has substantial experience with videogame adaptations, having collaborated on franchises such as Halo and Mass Effect. Many Dark Horse projects have been spun off into successful motion pictures - The Mask, Virus, TimeCop and Mystery Men to name just a few. As of the publication date of this report The Witcher House of Glass has appeared in the USA, Poland, Russia, Germany, the Czech Republic, Spain, Turkey and Italy. Following positive reception by fans, the Company, together with Dark Horse Comics, have decided to extend the project into its second season in 2015.

On 14 May 2014 CD PROJEKT RED announced a rebranding of the Studio. Its new logo, inspired by the mythical Slavic Rarog firebird, features the northern cardinal and corresponds to the Studio's passion for videogame development. The Company also changed the official logo of The Witcher 3: Wild Hunt - the game's new logo features the fearsome faceplate of Eredin, one of the generals of the Wild Hunt.

On 22 May 2014 CD PROJEKT RED responded to the increased popularity of the Linux platform by releasing its flagship game - The Witcher 2: Assassins of Kings - for Linux and SteamOS. Like all other releases, the Linux version of The Witcher 2 will be actively supported to ensure customer satisfaction and long-term playability.

On 5 June 2014 the Studio began accepting preorders for The Witcher 3: Wild Hunt. This preorder campaign is the largest such effort for the Studio to-date, with the game being offered for three hardware platforms (PC, PlayStation 4 and Xbox One) and 10 distinct language versions in all key territories. Both the basic and collector's editions of the game have proven enormously popular - in some countries the limited collector's edition was sold out in the first several days following the launch of the preorder campaign. The event was accompanied by the release of a new trailer, which has so far been viewed more than 2.2 million times.

CD PROJEKT RED enjoyed a strong presence at key trade fairs. The game was showcased in the public zone at the E3 fair in Los Angeles. At Gamescom in Cologne The Witcher 3 stand was visited by more than 1000 media representatives and fifteen thousand fans. The Studio also took part in Comic Con in San Diego, carrying out its first-ever public (i.e. not restricted to media

representatives) presentation of gameplay footage from The Witcher 3. Presentations of the game were also organized in conjunction with EGX 2014 (the largest videogame fair in the UK), Games 14 (Saudi Arabia), Pax Prime (Seattle), Igromir (Moscow; the largest videogame and comic book fair in Russia) and Brasil Game Show 2014 (Sao Paulo).

The Witcher 3: Wild Hunt received numerous awards and nominations at 2014 trade fairs, including recognition from GameSpot, Destructoid and IGN. For the second time in a row IGN presented the game with its E3 People's Choice award, based on a popular vote among 100 thousand fans. As of the publication date of this report The Witcher 3 has amassed over 200 accolades from respected gaming media and online portals, as well as numerous community awards. The game has also been featured on the covers of global gaming magazines more than 75 times.

During his 2014 state visit to Poland US President Barack Obama singled out The Witcher 3 as an example of the skill and work ethic of Polish entrepreneurs.

CD PROJEKT RED was also highly praised for its decision to extend a special offer to its customers: everyone who purchases The Witcher 3: Wild Hunt will receive - entirely free of charge - 16 DLC packs expanding the game with new quests, features and items. These packs will be released on a weekly basis in order to actively engage the user community following the game's official release and improve the long-term appeal of The Witcher 3, both for new and existing consumers.

On 27 November 2014 CD PROJEKT RED rolled out The Witcher Adventure Game - a board game created in collaboration with Ignacy Trzewiczek and Fantasy Flight Games. Separate physical and digital editions of the game were released, the latter of which was co-developed with the Can Explode studio. This event marked CD PROJEKT's first foray into the board game market as well as the first time a Witcher-themed product would be released for mobile devices via Google Play and Appstore (in addition to GOG.com, cdp.pl and Steam).

On 9 December the Studio announced that the official release date of The Witcher 3: Wild Hunt had been postponed until 19 May 2015. In justifying its decision the Management Board underscored the Company's focus on ensuring the highest possible quality of its RPG releases, both in technical and artistic terms, as a prerequisite of commercial success.

The scope and complexity of The Witcher 3: Wild Hunt, slated for simultaneous release for the Xbox One, PlayStation 4 and PC, has a decisive impact on the game's development process. Having reviewed the current progress and overall workload associated with ongoing adjustments and fine-tuning of the game, the Management Board decided to postpone the global release of The Witcher 3: Wild Hunt by 12 weeks beyond its previously announced release date.

In December the Company began accepting preorders for The Witcher 3: Wild Hunt directly on the Playstation Network. The game can be purchased in the European, American and Asian PlayStation Stores.

In early 2015 The Witcher 3: Wild Hunt received two Most Anticipated Game of 2015 awards, respectively from readers of the well-known American Gamespot portal and from participants of The Game Awards survey whose results were announced at a gala event in Las Vegas.

On 22 January 2015 CD PROJEKT RED released its first-ever mobile online multiplayer game: The Witcher Battle Arena, developed in collaboration with Fuero Games. The Game, which was designed from the ground up with tablets and advanced smartphones in mind, is available for iOS and Android devices. The project follows the F2P (free to play) model and does not require upfront purchases or subscription fees. Particular attention was devoted to ensuring that the game remains free of "pay to win" elements and that all of its content can be unlocked by participating in gameplay. The official release was preceded by a series of beta tests held in Sweden and Canada. In February, less than 3 weeks after the release date, the Studio announced that the game had already been downloaded more than 1 million times.

Following the close of the reporting period, in January 2015, the Studio organized the first of a series of hands-on sessions where invited media representatives could try their own hand at playing beta versions of The Witcher 3 on all target platforms - Xbox One, PlayStation 4 and PC. CD PROJEKT RED hosted journalists from Poland, Germany, France, Slovakia, Russia, the Czech Republic, Italy and Spain. Similar sneak preview sessions were organized at the Stirling Castle in Scotland, in Los Angeles and in Sydney. Altogether the game was showcased to more than 300 journalists from 23 countries. The opportunity was greatly appreciated by the media and resulted in several hundred press articles and publications.

The following excerpts are taken from international online gaming portals:

„It's the kind of large scale RPG players always image in their heads, and it's one of the most beautifully-rendered games I've seen.” - Coming Soon

„There's blood, and there's horror. The world of The Witcher 3 will punch you in your face and give you gout.” - Eurogamer

„What I am mostly remembering, however, is what a strong identity The Witcher 3 possesses. You couldn't mistake this role-playing game for another.” - Gamespot

In conjunction with the previously discussed preview sessions CD PROJEKT RED also released a new 15-minute gameplay footage trailer.

The second round of hands-on preview sessions was held in March 2015, in Germany, France and Scandinavia. Similarly to the preceding event, invited participants could play the game for several hours on Xbox One, PlayStation 4 and PC. Another round is scheduled to take place after the publication date of this report, with gaming sessions held in Brazil, Russia, Japan, Hong Kong and the United Arab Emirates.

■ Global digital videogame distribution - summary

Global digital videogame distribution (i.e. distribution via online channels to purchasers from around the world, allowing clients to purchase games, remit payment and download products to their personal computers) is carried out by GOG Ltd., proprietor of the GOG.com digital distribution platform.

The platform was launched in September 2008. The initial mission of GOG.com was to revitalize major PC cult classics and offer them for sale to international clients with particular focus on English-speaking countries, i.e. United States, Canada, United Kingdom and Australia.

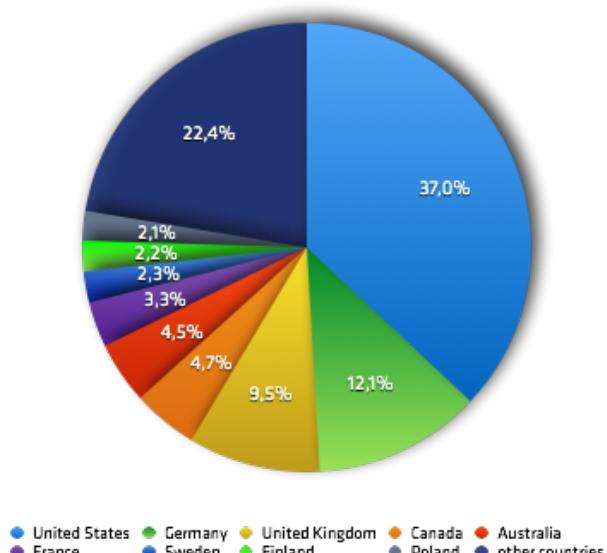


Fig. 1 GOG.com sales by territory between 1 January and 31 December 2014.

Source: GOG Ltd.

During its startup period products were offered in two price categories - 5.99 and 9.99 USD. Over time the platform began adding more recent games along with entirely new releases from independent developers. In 2012 the company introduced additional price categories: 14.99 USD, 19.99 USD, 29.99 USD and 34.99 USD. Since October 2012 GOG.com also carries games for Apple computers. In 2014 the Company catalogue was expanded with over 100 releases for the Linux OS.

As of the publication date of this report the Company catalogue comprises over 900 items licensed from over 300 publishers and developers, including such well-known brands as Electronic Arts, Disney, Activision, Ubisoft and Atari-Hasbro.

The key difference between GOG.com and its competitors (i.e. other independent platforms - Steam, Gamersgate, Humble Bundle etc.) is its set of core principles. As a rule, the Company ensures that all of its games are free of cumbersome DRM measures. In addition, products offered on GOG.com are richly featured and usually include bonus content such as soundtracks, maps, wallpapers etc. GOG Ltd. also ensures full compatibility of its games with popular versions of the MS Windows, Mac OS and Linux operating systems, and provides technical support in case of installation problems. If a game cannot be made to run on the user's computer it can be returned within 30 days of purchase for a full refund.

Owing to the values described above GOG.com is experiencing steady growth and has become one of the most popular digital videogame distribution platforms in the world - a fact reflected by the Company's financial result.

The Group uses GOG.com to market its own products, such as The Witcher and The Witcher 2: Assassins of Kings for the PC directly to end users. In June 2014 the service also began accepting preorders for The Witcher 3: Wild Hunt.

■ Global digital videogame distribution - key events

The year 2014 marked a period of steady expansion of the GOG.com catalogue, assisted by deployment of the previously announced technological features. During this period the Company's catalogue expanded by 230 items, representing a 35% year-to-year increase. As of the date of publication of this report nearly one thousand items from 310 business partners are available for purchase on GOG.com.

On 6 June 2014, at a press conference held in Los Angeles and broadcast online throughout the world, GOG.com announced its new proprietary technology stack - GOG Galaxy. This technology is available to GOG.com clients on an opt-in basis. Going beyond online multiplayer features, it enables offline single-player gaming with no need for an Internet connection, supports achievements and provides chat functionality for players. It remains consistent with the Company's "no DRM" policy and is provided as a cross-platform service. The service is initially offered to users of GOG.com and Steam, with the list of supported services expected to grow over time. The first game interfacing with this new technology was the closed beta of The Witcher Adventure Game. All users who preordered The Witcher 3: Wild Hunt on GOG.com were also given two beta keys for The Witcher Adventure Game. A further 300 thousand players were invited to participate in GOG Galaxy testing, with gratuitous access to the classic FPS - Alien vs Predator Classic 2000.

Another highlight of June 2014 was the launch of the preorder campaign for The Witcher 3: Wild Hunt. In keeping with the Company's tradition of providing customers with access to unique content the GOG.com edition features custom wallpapers, player avatars and foldable paper figurines. Customers who preorder the game on GOG.com also receive the classic RPG Neverwinter Nights free of charge.

In July 2014 GOG.com expanded its catalogue with releases for the Linux operating system. By the end of the year more than 100 games had been released, many of them under exclusive distribution agreements. Over 40 of these games had never before been ported to the Linux OS - their publication is the fruit of work of a dedicated team of GOG Ltd. developers and testers. As of the publication date of this report GOG.com carries over 160 Linux releases, with official support for two popular distributions of Linux: Ubuntu and Mint. Users of other distributions may still play their favorite games by downloading universal installation packages.

In parallel with expanding its game catalogue, GOG carried out work on enhancing its online platform. In August a redesigned version of the GOG.com website was rolled out. In addition to an entirely new graphical layout and support for mobile devices (smartphones and tablets) the Company also introduced support for payments in four additional currencies: EUR, GBP, AUD and RUB. In line with the GOG.com business philosophy, customers are free to switch between their local currencies and USD. The "Fair Price Package" policy, introduced earlier on in 2014 and reflecting the Company's core values, enables customers to purchase items at a fixed price regardless of their location and preferred currency. Users are now also able to render payment using convenient and locally popular e-payment systems such as Sofort, Yandex or Webmoney. These changes are intended to enhance the service's usability and attract players who have previously avoided GOG.com due to the requirement to remit payment in USD.

Near the end of August 2014 GOG.com began distributing motion pictures - documentaries devoted to videogames and the gaming culture at large. All motion pictures are distributed in accordance with the "no DRM" philosophy espoused by GOG Ltd. Having purchased a motion picture, the user is free to download it to his/her personal device for later playback, or view it online using a dedicated player built into the GOG.com platform.

Since its inception GOG.com had only been available in English. In November 2014 the Company launched the French edition of the platform - the first such localization project. This rollout was accompanied by an expansion of the French catalogue to over 270 items, as well as by a French-themed sale (called "Vive la France!"), offering discounts on more than 30 games by French development studios, one of which - the critically acclaimed Little Big Adventure - could be downloaded free of charge over a 24-hour period. By offering its website, products and client support services in French GOG Ltd. strives to address the requirements of not only French nationals, but also of a significant portion of customers from Switzerland, Belgium, Canada and many African states.

One of the commercial highlights of 2014 was the distribution agreement concluded by GOG.com with Disney Interactive/Lucasfilm and concerning over 20 titles owned by the latter. On 28 October 2014 an initial batch of 6 games was added to the GOG.com catalogue. Three of these (Star Wars®: X-Wing Special Edition, Star Wars®: TIE Fighter Special Edition, Sam & Max Hit the Road) had never previously been released in digital form. Between 20 and 27 January 2015 GOG.com added 12 more classic games by Disney Interactive/Lucasfilm, including five additional digital premieres (Star Wars™: X-Wing vs. TIE Fighter, Star Wars™: X-Wing Alliance, Star Wars™: Galactic Battlegrounds, Star Wars™: Rogue Squadron 3D, Star Wars™: Empire at War Gold Pack).

The fall/winter sale campaign organized in late November and early December 2014 broke previous records both in terms of sales volume and the number of simultaneous GOG.com portal visits.

An important event occurring in Q1 2015 was the launch of the German edition of GOG.com - the second such localization project following the French edition, which launched in November 2014. This event coincided with a special sale on German-language games and was widely covered in German media.

In early March GOG.com held another edition of its Insomnia sale during which limited batches of products can be picked up at bargain prices. The Insomnia event is always warmly received and again proved very popular with customers. This time around GOG decided to alter the formula, offering two products in parallel (each in limited numbers). This approach resulted in increased sales and contributed to the overall success of the campaign.

On 25 July 2015, in accordance with the previously adopted resolution, GOG Ltd. paid out a dividend in the amount of 2.7 million USD to its sole shareholder - CD PROJEKT S.A. GOG Ltd. currently has no outstanding credits or loans. As of 31 December 2014 the Company held cash assets valued at 21 213 thousand PLN.

GOG.com - 2014 in numbers:

- more than 300 videogame suppliers,
- more than 900 games on offer,
- support for three operating systems: MS Windows, MacOS and Linux,
- record turnover achieved during the 2014 fall/winter sale campaign (compared to all previous sales on GOG.com),
- more than 380 thousand viewers watching the GOG Ltd./CD PROJEKT RED press conference.

■ Other activities - summary

CD PROJEKT S.A., which is the holding company of the CD PROJEKT Capital Group, strives to achieve maximum efficiency and synergy in the scope of actions carried out by the Group. To this end, the internal Investment department assists other operating segments of the Group in matters related to corporate and financial oversight, accounting, HR, legal advice (particularly concerning taxation) and investor relations.

■ Other activities - key events occurring in 2014

On 6 June 2014 the Company concluded the sale of the office and storage space at 118 Nawojowska street in Nowy Sącz - the Company's former headquarters.

On 26 November 2014 the Company sold its controlling stake in cdp.pl sp. z o.o. Previously, on 12 May 2014, the Company disclosed that it had sold 9 thousand shares back to cdp.pl sp. z o.o. for redemption, retaining 50.2% of cdp.pl's share capital.

As a result of the November transaction CD PROJEKT S.A.'s share in cdp.pl sp. z o.o. capital decreased to 8.29% and cdp.pl was excluded from consolidation within the CD PROJEKT Capital Group. Control over cdp.pl sp. z o.o. fell to its long-term employees and current members of its management board.

The agreement between the parties sets forth conditions for potential future reduction of CD PROJEKT S.A.'s share in cdp.pl capital, predicated on (among others) future financial results of cdp.pl.

Both companies intend to continue long-term cooperation. cdp.pl remains responsible, among others, for domestic distribution of Polish-language editions of The Witcher, The Witcher 2: Assassins of Kings, The Witcher 3: Wild Hunt, as well as various tie-in products.

In the second half of 2014 the Company began deployment of a novel ERP system which will be used by members of the CD PROJEKT Capital Group. The basic components of the system are briefly described below.

IFS Application (Sweden) is among the world's foremost ERP solutions, covering all fundamental aspects of commercial activity: finances, accounting, HR, payroll, production, distribution, inventory management and project management. Deployment of IFS Application at the CD PROJEKT Capital Group will ensure better cohesiveness, reliability and accuracy of data required by the Company's executive staff. This task coincides with further optimization of the Group's business processes. Initial deployment of the system occurred in January 2015.

Tagetik (Italy) is one of the most advanced CPM (Corporate Performance Management) systems available on the market. The purpose of CPM systems is to support the corporate decisionmaking process. The Company has decided to deploy the following Tagetik modules: Budgeting, Financial Consolidation, Liquidity Management, Reporting and Managerial Analyses. This deployment should provide the Company's executive staff with easier and faster access to accurate financial data, enabling them to make correct business decisions. Initial deployment of the system is scheduled for the beginning of the second half of 2015.

Plus Workflow (Poland) is a document digitization system which streamlines the document flow at commercial enterprises. CD PROJEKT will make use of its invoicing, incoming/outgoing mail registration and contract management components. The goal is to institute a fully electronic document flow augmented by a digital archive. Paper documents will be superseded by electronic ones whenever possible, enhancing management, improving control and enabling financial data to be fed into ERP software without undue delays. Initial deployment of the system is scheduled for the second quarter of 2015.

II. Information concerning the Group's core products and services in 2014

In the scope of the above described activity segments the CD PROJEKT Capital Group achieved the following sales revenues throughout 2014:

PLN thousands	Videogame development	Global digital videogame distribution	Other activities	Consolidation adjustments (incl. from business combinations)	Total	Discontinued activities
Sales revenues	32 765	73 623	6 023	(16 217)	96 194	64 093
<i>Revenues from sales of products</i>	22 298	-	-	(785)	21 513	-
<i>Revenues from sales of services</i>	880	9 678	6 023	(15 425)	1 156	4 859
<i>Revenues from sales of goods and materials</i>	9 587	63 945	-	(7)	73 525	59 234

The subdivision of core products and services marketed by the Group in 2014 into activity segments is as follows.

■ Distribution and publishing in Poland - discontinued activities

cdp.pl sp. z o.o., a former subsidiary of the CD PROJEKT Capital Group, publishes and distributes videogames for the PC and gaming consoles, DVD and Blu-ray motion picture releases, non-electronic games as well as digital editions of videogames and motion pictures via its proprietary online platform at www.cdp.pl. As a result of a sale transaction effected on 26 November 2014 (cf. Current Report no. 19/2014 of 26 November 2014) CD PROJEKT S.A. reduced its share in cdp.pl capital to 8.29%. Consequently, cdp.pl was excluded from consolidation within the CD PROJEKT Capital Group and the "distribution and publishing in Poland" activity segment is now reported by the Group as a discontinued activity.

■ Videogame development

In 2014 the bulk of the Group's revenues in the videogame development segment comprised licensing fees associated with distribution of The Witcher 2: Assassins of Kings for the PC, Apple and Xbox 360. Additionally, the Company continued to distribute the first game in The Witcher franchise (originally published in 2007), which still attracts players' attention.

In Q4 2014 the Company released The Witcher Adventure Game - both as a board game and as a digital application available for the iOS, Android, PC and Apple platforms.

The Company also obtained revenues from distributing tie-in products set in The Witcher universe, including comic books published in collaboration with Dark Horse Comics.

Throughout 2014 and up until the publication date of this report the Company collected advance licensing fees from future distributors of The Witcher 3. These payments are not reported as Group revenues in 2014.

Since June 2014 the Group's retail partners (including its GOG Ltd. subsidiary) have been accepting preorders for The Witcher 3: Wild Hunt.

■ Global digital videogame distribution

In the global digital videogame distribution segment GOG Ltd. markets DRM-free videogames through its proprietary online platform at www.gog.com. Customers are free to download and play purchased games on stationary and mobile devices with no need for a persistent Internet connection. The GOG Ltd. business model underscores the global availability of all products in its catalogue to customers with no territorial restrictions.

GOG Ltd. markets classic videogames at budget prices, as well as newer games in higher price brackets. In 2014 the Company has fostered development of the increasingly popular indie game sector. The gog.com platform carries releases for Apple computers as well as Linux releases (since July 2014).

As of the publication date of this report the GOG Ltd. catalogue comprised nearly 1000 games licensed from a broad range of business partners - from large corporations to independent developers.

Near the end of August 2014 GOG.com began offering DRM-free motion pictures. This pilot project initially launched with a batch of motion pictures devoted to videogames and the gaming culture in general. As of the publication date of this report more than 50 motion pictures are available on GOG.com.

■ Other activities

The "other activities" segment primarily includes intragroup services which are procured from the holding company by its subsidiaries. Prior to the sale of the Company's immovable property in Nowy Sącz the Company had also obtained revenues from renting out the office and storage space comprising said property.

III. Sales markets, clients and suppliers of the Capital Group

The geographical breakdown of the Capital Group's sales revenues is as follows:

PLN thousands	01.01.2014 - 31.12.2014		01.01.2013 - 31.12.2013	
	PLN	%	PLN	%
Domestic sales	4 155	4.32%	62 072	43.7%
Exports:	92 039	95.68%	80 100	56.3%
EU member states	33 154	34.47%	25 188	17.7%
Former USSR	588	0.6%	828	0.6%
USA	46 045	47.87%	43 135	30.3%
Asia	2 058	2.14%	2 093	1.5%
Others	10 194	10.6%	8 856	6.2%
Total	96 194	100.0%	142 172	100.0%

■ Videogame development

Sales of CD PROJEKT S.A. products are carried out on the basis of long-term licensing and distribution agreements with publishers and distributors worldwide (e.g. Warner Bros. Home Entertainment, Valve Corporation, GOG Ltd., Namco Bandai Partners SAS) as well as domestic partners (cdp.pl Sp. z o.o., Agora S.A.)

In the videogame development segment the largest net purchaser of Company products was Valve Corporation which accounted for over 10% of the consolidated sales revenues of the Capital Group in 2014. Altogether, sales to Valve Corporation amounted to 17 560 thousand PLN which constitutes 18.3% of the consolidated sales revenues of the CD PROJEKT Group.

Valve Corporation is not affiliated with CD PROJEKT S.A. or its subsidiaries.

The videogame development process relies on external tools and solutions; this, however does not translate into significant concentrations of supplier dependence.

In conjunction with the run-up to the release of The Witcher 3: Wild Hunt, the largest supplier in the "videogame development" segment in 2014 was DARK HORSE COMICS, Inc. which provides, among others, physical components of the game's collector's edition. Purchases from DARK HORSE COMICS, Inc. exceeded 10% of the Group's consolidated sales revenues in 2014 - the total value of said purchases was 13 868 thousand PLN which is equivalent to 14.4% of the consolidated sales revenues of the CD PROJEKT Capital Group in 2014.

DARK HORSE COMICS, Inc. is not affiliated with CD PROJEKT S.A. or its subsidiaries.

■ Global digital videogame distribution

Since its founding GOG Ltd. has strived to secure a strong position on the global digital distribution market and is now counted among the foremost digital distribution platforms in the world. GOG Ltd. distributes games using online channels directly to end users throughout the world. This process does not result in any significant concentrations of customer dependence.

In 2014 games sold by GOG Ltd. were licensed from a number of partners. No single partner provided goods whose value would exceed 10% of the Group's consolidated sales revenues.

IV. Disclosure of significant agreements affecting the Group (except credit and loan agreements) concluded in 2014 and up until the publication date of this report

In Current Report no. 2/2014 of 7 February 2014 roku the Management Board of the Company announced the conclusion of an agreement with Agora S.A., headquartered in Warsaw, concerning distribution of The Witcher 3: Wild Hunt.

According to the contract the Company grants Agora a license to use the Polish language release of the Game for the PC, Microsoft Xbox One and Sony PlayStation 4 insofar as it is necessary to ensure distribution of the boxed and digital versions of the game throughout the Republic of Poland. The contract broadly specifies how the game should be distributed, including a provision for sublicensing distribution rights to cdp.pl z o.o., and contains provisions governing the game's promotional campaign.

The Company's compensation due to the license grant will be estimated on the basis of Agora's net revenues less the agreed-upon distribution fees and promotional expenses. Financial obligations will be settled on a quarterly basis, according to sales reports prepared by cdp.pl.

In addition to the above, a separate distribution contract was concluded between Agora and cdp.pl, which is a former subsidiary of CD PROJEKT S.A., concerning an exclusive sublicense grant to cdp.pl insofar as it is necessary to ensure distribution of the game within the Republic of Poland by cdp.pl. The sublicensing agreement broadly specifies the manner in which physical and digital releases of the game should be distributed for the PC, Microsoft Xbox One and Sony PlayStation 4.

Agora's compensation due to the sublicense grant will be estimated on the basis of cdp.pl revenues attributable to distribution of the game in each of its distribution channels.

Both contracts will remain in force throughout an 18-month period following the game's initial release.

As collateral for financial liabilities associated with the above mentioned contracts, the Company issued a blank promissory note and filed a notarized declaration of submission to enforcement.

In the Management Board's opinion both contracts, which are substantially similar to other agreements previously concluded with Agora and concerning distribution of The Witcher 2: Assassins of Kings within Poland, position Agora as a co-distributor of the game and should result in a marked improvement in the effectiveness of the game's promotional campaign, contributing to its ultimate market success.

V. Disclosure of significant achievements in the scope of research and development activities

Each subsidiary of the CD PROJEKT group performs ongoing assessment of the development opportunities concerning its products and services, and undertakes R&D activities as appropriate.

Since 2008 the CD Projekt RED Studio has carried out work on its proprietary game engine named REDEngine, created in order to support development of next-generation RPGs for the PC, Mac and gaming consoles. The engine provides a specialized set of tools and supports cutting-edge visuals together with advanced physics. As a result, games based on REDEngine transport the player into a pervasive and mature fantasy world, pushing the envelope of modern video RPGs.

The first game based on REDEngine was The Witcher 2 for the PC. The game received international praise for its graphics and storytelling. Earlier on the Group's development studio had relied on bought-in resources. Finalizing work on The Witcher 2: Assassins of Kings for the Xbox 360 marked an important milestone in the development of REDEngine as the engine was made compatible with additional hardware platforms. These activities continued following the release of The Witcher 2 for the Xbox 360.

Throughout 2014 CD Projekt RED carried out intensive development work on REDEngine 3 in order to fully exploit the capabilities of the newest generation of gaming consoles (Sony PlayStation 4 and Microsoft Xbox One). Milestones achieved during this period include full compliance with XR and TRC (sets of technical requirements which must be met in order for the game to be legally published for a given platform). Much attention was also devoted to further optimization of engine features. A model dismemberment algorithm was devised to support immersive combat visualization. Support was added for Screen Space Reflection (realistic reflections in liquid surfaces such as water) and Bokeh DoF (depth-of-field manipulation used in cutscene rendering). In collaboration with Nvidia - leading manufacturer of graphics adapters - the Studio also integrated a realistic hair simulation library called HairWorks. Owing to the progress achieved in 2014 the game's visual appeal on current-generation consoles will not lag behind the PC, which the Company views as a major technological breakthrough.

With regard to the global videogame distribution segment which is the primary area of activity of GOG Ltd., development work focused on improving the performance of the GOG.com platform and extending its set of end-user features. Platform upgrades are periodically rolled out as part of the Company's ongoing activities.

In 2014 the GOG.com added support for payments in four additional currencies and was integrated with several popular e-payment channels. The graphics layout and basic feature set of the platform were both rehashed and updated to match the latest trends, particularly concerning the growing demand for mobile interaction.

The largest R&D project pursued in 2014 in the global digital videogame distribution segment involvement ongoing development of GOG Galaxy - an optional client which facilitates online multiplayer gaming, automatic installation of games and management of updates. Selected features of GOG Galaxy are already being exploited by products offered on GOG.com.

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Financial status of the CD PROJEKT Capital Group - overview

I. Overview of key economic and financial indicators disclosed in the Company's financial statement

■ Consolidated statement of financial position

PLN thousands	Note	31 Dec 2014	31 Dec 2013*
FIXED ASSETS	-	93 254	95 047
<i>Tangible assets</i>	12	5 499	11 187
<i>Intangible assets</i>	13	39 602	36 403
<i>Goodwill</i>	14	46 417	46 417
<i>Other financial assets</i>	-	547	-
<i>Deferred income tax assets</i>	6	912	755
<i>Other fixed assets</i>	18	277	285
CURRENT ASSETS	-	155 683	122 588
<i>Inventories</i>	22	96 511	51 966
<i>Trade receivables</i>	24	6 389	17 064
<i>Current income tax receivables</i>	-	-	901
<i>Other receivables</i>	25	10 989	3 856
<i>Other financial assets</i>	-	2 745	805
<i>Prepaid expenses</i>	26	4 654	8 312
<i>Cash and cash equivalents</i>	27	34 395	39 684
TOTAL ASSETS	-	248 937	217 635

*adjusted

PLN thousands	Note	31 Dec 2014	31 Dec 2013*
EQUITY	-	168 018	166 987
<i>Equity attributable to shareholders of the Parent Company</i>	-	168 018	166 119
<i>Share capital</i>	28	94 950	94 950
<i>Supplementary capital, incl. sales of shares above nominal price</i>	29	119 730	112 438
<i>Other reserve capital</i>	30	1 716	989
<i>Exchange rate differences</i>	-	924	(790)
<i>Retained earnings</i>	31	(54 514)	(55 987)
<i>Net profit (loss) for the reporting period</i>	-	5 212	14 519
<i>Minority share capital</i>		-	868
LONG-TERM LIABILITIES	-	2 137	5 187
<i>Credits and loans</i>	33	-	-
<i>Other financial liabilities</i>	34,40	260	177
<i>Deferred income tax liabilities</i>	6	874	3 597
<i>Deferred revenues</i>	41	976	1 376
<i>Provisions for employee benefits and similar liabilities</i>	42	27	37
<i>Other provisions</i>	43	-	-
SHORT-TERM LIABILITIES	-	78 782	45 461
<i>Credits and loans</i>	33	4	21
<i>Other financial liabilities</i>	34	397	260
<i>Trade liabilities</i>	36	20 532	24 738
<i>Liabilities from current income tax</i>	-	655	1 270
<i>Other liabilities</i>	37,38	51 808	18 688

<i>Deferred revenues</i>	41	5 086	211
<i>Provisions for employee benefits and similar liabilities</i>	42	205	145
<i>Other provisions</i>	43	95	128
TOTAL LIABILITIES	-	248 937	217 635

*adjusted

The consolidated report of financial position for 31 December 2014 does not include the “distribution and publishing in Poland” activity segment which represents the activities of cdp.pl sp. z o.o. On 26 November 2014 CD PROJEKT S.A. sold its controlling stake in this company and thus relinquished control over its activities. The “distribution and publishing in Poland” segment is included in comparative figures for 31 December 2013 as cdp.pl sp. z o.o. was subject to consolidation at that time.

The largest component of the Company’s fixed assets is its goodwill, valued at 46 417 thousand PLN. Goodwill is defined as the positive difference between the cost of establishing a business combination (also known as acquisition or takeover cost) and the parent company’s share in the net fair value of all assets and liabilities (including conditional liabilities) of the controlled entity on the date of acquisition. The reported figure results from the merger between the Group’s controlling entity and the CDP Investment Capital Group (effective on 30 April 2010) and did not change throughout the reporting period.

Regarding intangible assets, key components were the CD PROJEKT brand name, valued at 17 095 thousand PLN, and The Witcher trademark, valued at 15 104 thousand PLN. Intangible assets also included computer software owned or licensed by the Group.

The significant reduction in the value of tangible fixed assets (by 51% compared to 31 December 2013) is a result of the sale of office and storage space comprising the immovable property at Nawojowska 118 in Nowy Sącz.

The total value of inventories at the close of 2014 was 96 511 thousand PLN which represents an 86% increase compared to the end of the preceding year and results from ongoing development of games. This figure is entirely associated with inventories held by CD PROJEKT S.A. (valued at 96 511 thousand PLN) and includes half-finished goods and videogames under development (book value: 88 461 thousand PLN, most of which is attributable to the Studio’s major upcoming releases, i.e. The Witcher 3: Wild Hunt and Cyberpunk 2077), as well as production inventories valued at 6 918 thousand PLN. Of note is the significant decrease in the value of finished products in the videogame development segment (from 4 193 thousand PLN to 50 thousand PLN). This figure covers production costs of The Witcher 2 for the PC and Xbox 360, previously reported as finished goods and entirely discounted throughout 2014. Accordingly, future financial reports will no longer include the game’s development expenses discounted in proportion to current sales.

The Group’s aggregate trade receivables - 6 389 thousand PLN at the close of the reporting period - consist of receivables attributable to the videogame development segment (5 696 thousand PLN) and to the global digital videogame distribution segment (2 346 thousand PLN). The reported value of videogame development receivables at the end of 2014 was mostly due to licensing fees covering the fourth quarter of 2014 and collected after the close of the reporting period - particularly fees associated with distribution of The Witcher and The Witcher 2: Assassins of Kings. Trade receivables in the global digital videogame distribution segment are mostly attributable to GOG Ltd. (1 300 thousand PLN in trade receivables). The main reason behind the reduction in the Group’s consolidated trade receivables at the end of 2014 was exclusion of cdp.pl sp. z o.o. trade receivables from consolidation.

Other receivables were jointly valued at 10 989 thousand PLN. This figure was largely comprised by CD PROJEKT S.A. tax receivables (excluding income tax), i.e. 3 979 thousand PLN, as well as advances paid out to manufacturers of components of The Witcher 3 box sets - 3 030 thousand PLN. The total consolidated value of other receivables increased by 7 133 thousand PLN compared to the end of 2013.

The “Other financial assets” line item consists mostly of PKO retirement fund shares purchased as a temporary means of allocating surplus cash. As of 31 December 2014 these shares were valued at 2 745 thousand PLN. The total value of other financial assets increased by 1 940 thousand PLN throughout 2014.

The consolidated value of prepaid expenses, i.e. 4 654 thousand PLN, represents a 44% decrease compared to the end of the preceding year (i.e. by 3 658 thousand PLN). The bulk of this item was made up of GOG Ltd. prepaid expenses, valued at 4 414 thousand PLN (increase of 1 776 thousand PLN). The majority of prepaid expenses reported by the Company are due to license payments for published products discounted over time.

The value of cash and cash equivalents decreased by 5 289 thousand PLN compared to the end of the preceding year. The total value of the Group’s cash assets at the end of 2014 was 34 395 thousand PLN of which 21 213 thousand PLN was held by GOG Ltd., 12 947 thousand PLN was held by CD PROJEKT S.A., 35 thousand PLN was held by GOG Poland sp. z o.o. while 200 thousand PLN was held by CD PROJEKT Inc.

The aggregate value of fixed assets decreased by 1 793 thousand PLN, i.e. by 2%. During the same period current assets increased in value by 33 095 thousand PLN, i.e. by 27%. At the end of 2014 fixed assets accounted for 37% of the Company's total assets, with the remaining 63% representing current assets.

The equity of CD PROJEKT Capital Group member companies accounted for 67% of the Group's total liabilities. The remaining 33% was comprised by short- and long-term liabilities. Changes in retained earnings and minority share capital resulted from sale of cdp.pl sp. z o.o. shares back to the company for redemption.

Deferred income tax liabilities, estimated at 874 thousand PLN as of 31 December 2014, decreased by 2 723 thousand PLN compared to the end of 2013. This change is mostly due to dissolution of provisions for deferred income tax in conjunction with the sale of The Witcher trademark to CD PROJEKT Brands S.A. for 15 104 thousand PLN. A detailed report on positive temporary differences requiring creation of deferred income tax provisions can be found in the Consolidated Financial Report of the CD PROJEKT Capital Group for the period between 1 January and 31 December 2014.

Trade liabilities of the CD PROJEKT Capital Group were estimated at 20 532 thousand PLN at the end of December 2014. The bulk of this figure was made up of GOG Ltd. trade liabilities (12 781 thousand PLN) and liabilities attributable to the videogame development segment (9 086 thousand PLN). Consolidated trade liabilities decreased by 4 206 (17%) compared to the end of 2013, primarily as a result of exclusion of cdp.pl sp. z o.o. trade liabilities from consolidation within the Capital Group.

Other liabilities of the CD PROJEKT Capital Group increased by 33 120 thousand PLN throughout the reporting period, reaching 51 808 thousand PLN. This increase is mostly due to activities of the videogame development segment (69 568 thousand PLN, including cash pool debt in the amount of 14 807 which was subject to consolidation eliminations). In 2014 CD PROJEKT S.A. continued to enlist prospective distributors and licensees of The Witcher 3: Wild Hunt representing key territories. Commercial interest in the upcoming release enabled the Company to conclude agreements on more favorable terms than had previously been the case. Licensing and distribution agreements typically contain provisions for minimum guarantees, i.e. minimum amounts payable to the Company in exchange for distribution rights. A portion of these guarantees is often remitted before the game's release (usually as soon as the agreement is signed), which means that the Company collected some payments before the end of the reporting period. Any advance revenues obtained in this manner are aggregated in the "other liabilities" line item. The historical high water mark for this figure is due to great interest in The Witcher 3: Wild Hunt on the part of the Company's business partners.

Short-term deferred revenues increased from 211 thousand PLN at the end of 2013 to the reported value of 5 086 thousand PLN. The bulk of this figure is attributable to the global digital videogame distribution segment. Payments associated with preorders of games on GOG.com are not reported as revenues until the year in which the given game is officially released.

■ Consolidated profit and loss account

PLN thousands	Note	01 Jan 2014 - 31 Dec 2014	01 Jan 2013 - 31 Dec 2013*
Sales revenues	1,2	96 194	142 172
<i>Revenues from sales of products</i>	-	21 513	21 989
<i>Revenues from sales of services</i>	-	1 156	4 586
<i>Revenues from sales of goods and materials</i>	-	73 525	115 597
Cost of products, goods and materials sold	3	63 491	89 297
<i>Cost of products and services sold</i>	-	14 667	12 335
<i>Value of goods and materials sold</i>	-	48 824	76 962
Gross profit (loss) from sales	-	32 703	52 875
<i>Other operating revenues</i>	4	4 570	3 420
<i>Selling costs</i>	3	18 484	22 377
<i>General and administrative costs</i>	3	11 352	12 856
<i>Other operating expenses</i>	4	1 287	6 658
Operating profit (loss)	-	6 150	14 404
<i>Financial revenues</i>	5	3 235	2 995
<i>Financial expenses</i>	5	45	679
Profit (loss) before taxation	-	9 340	16 720
<i>Income tax</i>	6	(177)	2 250
Net profit (loss) from continuing operations	-	9 517	14 470
Net profit (loss) from discontinued operations		(4 838)	-
Net profit (loss)	-	4 679	14 470
<i>Net profit (loss) attributable to minority interests</i>	-	(533)	(49)
<i>Net profit (loss) attributable to equity holders of parent entity</i>	-	5 212	14 519
Net earnings per share (in PLN)			
<i>Basic for the reporting period</i>	8	0,05	0,15
<i>Diluted for the reporting period</i>	8	0,05	0,15
Net earnings per share from continuing operations (in PLN)			
<i>Basic for the reporting period</i>	8	0,10	0,15
<i>Diluted for the reporting period</i>	8	0,10	0,15
Net earnings per share from discontinued operations (in PLN)			
<i>Basic for the reporting period</i>	8	(0,04)	-
<i>Diluted for the reporting period</i>	8	(0,04)	-

*adjusted

■ Consolidated statement of comprehensive income

PLN thousands	Note	01 Jan 2014 - 31 Dec 2014	01 Jan 2013 - 31 Dec 2013
Net profit (loss)	10	4 679	14 470
<i>Other comprehensive income which will be entered as profit (loss) following fulfillment of specific criteria</i>	-	-	-
<i>Exchange rate differences on valuation of foreign entities</i>	-	1 714	47
<i>Differences from rounding to PLN thousands</i>	-	-	(1)

<i>Other comprehensive income which will not be entered as profit (loss)</i>	-	-	-
Total comprehensive income	-	6 393	14 516
Total comprehensive income attributable to minority interests	-	(533)	(49)
Total comprehensive income attributable to equity holders of parent entity	-	6 926	14 565

The consolidated profit and loss account for 31 December 2014 does not include the “distribution and publishing in Poland” activity segment which represents the activities of cdp.pl sp. z o.o. On 26 November 2014 CD PROJEKT S.A. sold its controlling stake in this company and thus relinquished control over its activities. The “distribution and publishing in Poland” segment is included in comparative figures for 31 December 2013 as cdp.pl sp. z o.o. was subject to consolidation at that time.

In 2013 the greatest contribution to CD PROJEKT Capital Group sales was provided by cdp.pl, which reported 61 255 in sales revenues. Due to the above mentioned sale of cdp.pl shares in November 2014 the financial results of cdp.pl are currently reported as a discontinued activity and its sales revenues are excluded from consolidation within the CD PROJEKT Capital Group. Accordingly, the reported groupwide sales revenues in 2014 decreased by 45 978 thousand PLN, i.e. by 32% compared to the preceding year. The bulk of these revenues was attributable to the global digital videogame distribution segment (73 623 thousand PLN before consolidation exclusions) and the videogame development segment (32 765 thousand PLN before consolidation exclusions).

In 2014 both the videogame development and global digital videogame distribution segments reported increased revenues compared to 2013. The revenues of CD PROJEKT S.A. and GOG Ltd. increased by 7 384 thousand PLN and 6 311 thousand PLN respectively. It should be noted that the fourth-quarter sales revenues of GOG Ltd. were higher by 5 837 thousand PLN compared to the analogous period in 2013 (38% increase).

It should also be noted that 2014 revenues from sales of products in the videogame development segments (mostly The Witcher and The Witcher 2) were only 4% lower than the corresponding revenues in the preceding year, with 22 298 thousand PLN reported in 2014. In June 2014 the Group’s business partners (including its own GOG Ltd. subsidiary) launched large-scale preorder campaigns for The Witcher 3: Wild Hunt. These sales are not included in the consolidated revenues for the reporting period and will instead be listed in the corresponding reports after the official release of the game. Revenues from sales of goods and materials in the videogame development segment are chiefly associated with sales of physical components of box editions of The Witcher 3 to foreign distributors and publishers in anticipation of the game’s release.

A detailed breakdown of revenues into activity segments is included later on in this report.

Regarding expenses, the greatest single item was the cost of products, goods and materials sold, reported as 63 491 thousand PLN. Most of this figure is attributable to the global digital videogame distribution segment which reported expenses of 48 156 thousand PLN (mostly license fees). The videogame development segment reported 16 897 thousand PLN in expenses.

The relation between the cost of products, goods and materials sold and the consolidated sales revenues of the CD PROJEKT Capital Group increased from 62% in 2013 (56% when excluding cdp.pl sp. z o.o.) to 66% in 2014. This change is primarily attributable to CD PROJEKT S.A. (increase from 26% to 51%), which took over control over the manufacturing process of certain physical components of future The Witcher 3 box sets. The goal is to maximize product quality, implement consistent QA procedures for materials manufactured by business partners from around the world, and oversee physical manufacturing costs which affect royalty payments received by the Company. Physical manufacturing is financed by royalty advances collected from future distributors of the game. As a result, the margin on sales of such materials is low - the bulk of revenues associated with The Witcher 3: Wild Hunt will be produced by licensing agreements governing the game’s distribution in individual territories. Sales of physical components of The Witcher 3 box editions should therefore be viewed as a technical activity, part of the preparations for the upcoming release of the game and resulting from the Company’s decision to act as the global publisher of The Witcher 3: Wild Hunt.

Selling costs comprise the costs of advertising and promotional activities incurred in each activity segment as well as the costs of other bought-in services related to sales of products. These costs were reported as 18 484 thousand PLN (17% year-to-year decrease). This change is mostly due to elimination of costs incurred by cdp.pl sp. z o.o. (11 161 thousand PLN in 2013). When excluding the “distribution and publishing in Poland” activity segment the Group as a whole reported increased selling costs (18 484 thousand PLN compared to 11 216 thousand PLN in 2013). The bulk of this figure is attributable to intensive marketing activities surrounding the upcoming release of The Witcher 3 which are reported as costs in 2014, as well as to a general increase in costs in the global digital videogame distribution segment. It is worth noting that the presented marketing activities resulted in The Witcher 3: Wild Hunt having already received over 200 awards despite not yet having been released. This figure is substantially higher than the total number of awards and accolades received by previous games in The Witcher series, both before and after their respective releases.

General administrative costs were reported as 11 352 thousand PLN and comprise bought-in services and employee salaries at CD PROJEKT Capital Group member companies. The reported decrease (by 1 504 thousand PLN) compared to 2013 results from exclusion of cdp.pl sp. z o.o. administrative costs from consolidation.

Other operating expenses of the CD PROJEKT Capital Group were reported as 1 287 thousand PLN, of which 1 479 thousand PLN was incurred by CD PROJEKT S.A. and results primarily from reinvoicing and write-offs on nonrecoverable receivables in correspondence with the “Other operating revenues” line item. The value of other operating expenses in 2014 decreased by 81%, mostly due to exclusion of cdp.pl sp. z o.o. financial results from consolidation.

Other operating revenues, valued at 4 570 thousand PLN, were 1 150 thousand PLN higher than in the preceding year. This change is mostly caused by sale of CD PROJEKT S.A.’s immovable property in Nowy Sącz, civil law transaction tax reimbursements, receipt of subsidies and dissolution of write-downs on receivables which have been written off.

Financial revenues increased by 8%, reaching 2 235 thousand PLN. The reported increase was, again, principally due to exclusion of cdp.pl sp. z o.o. financial results from consolidation. The reported revenues are comprised (among others) by valuation of forward contracts, interest on monetary assets obtained by CD PROJEKT Capital Group member companies and positive exchange rate differences.

Financial expenses decreased by 93%, to 45 thousand PLN. This figure is chiefly made up of bank fees and leasing fees. The reported decrease was caused by a reduction of bank fees and by exclusion of cdp.pl sp. z o.o. financial results from consolidation.

The reported gross profit from continuing activities (9 340 thousand PLN) was subject to taxation. The resulting tax (-177 thousand PLN) is comprised by deferred income tax (3 332 thousand PLN) and current income tax (3 155 thousand PLN).

The consolidated net profit from continuing activities is reported as 9 517 thousand PLN.

Discontinued activities produced a loss of 4 838 thousand PLN of which 533 thousand PLN is attributable to minority interests for the period between 1 January and 26 November 2014. Loss on discontinued activities includes net loss of cdp.pl sp. z o.o. for the period between 1 January and 26 November 2014 (3 645 thousand PLN) as well as loss from sales of company shares (1 193 thousand PLN). The controlling entity’s aggregate net profit from both continuing and discontinued activities was 5 212 thousand PLN.

The net financial result of the CD PROJEKT Capital Group in 2014 was influenced by a ramp-up of activities related to development projects which are expected to yield economic benefits in future reporting periods. These activities either did not occur or were carried out on a limited scale in 2013. Examples include:

- development and global promotion of The Witcher 3: Wild Hunt,
- development of Cyberpunk 2077,
- expenses borne in conjunction with development of The Witcher Adventure Game and The Witcher Battle Arena,
- development of GOG Galaxy,
- development activities associated with expansion of the GOG.com product catalogue with DRM-free motion pictures,
- preparation of new language editions of GOG.com (including the previously described French and German editions); adding support for local currencies (EUR, GBP, AUD, RUB) and popular e-payment platforms.

The following table presents the breakdown of sales revenues, costs and financial results into activity segments.

PLN thousands	Videogame development	Global digital videogame distribution	Other activities	Consolidation adjustments (incl. eliminations from business combinations)	Total	Discontinued activities
Sales revenues	32 765	73 623	6 023	(16 217)	96 194	64 093
<i>Revenues from sales of products</i>	22 298	-	-	(785)	21 513	-
<i>Revenues from sales of services</i>	880	9 678	6 023	(15 425)	1 156	4 859
<i>Revenues from sales of goods and materials</i>	9 587	63 945	-	(7)	73 525	59 234
Cost of products, goods and materials sold	16 897	48 156	787	(2 349)	63 491	55 174
<i>Cost of products and services sold</i>	7 954	8 268	787	(2 342)	14 667	2 781
<i>Value of goods and materials sold</i>	8 943	39 888	-	(7)	48 824	52 393
Gross profit (loss) from sales	15 868	25 467	5 236	(13 868)	32 703	8 919
<i>Other operating revenues</i>	2 022	53	2 727	(232)	4 570	318
<i>Selling costs</i>	13 049	13 651	1 612	(9 828)	18 484	9 694
<i>General and administrative costs</i>	7 039	2 584	5 777	(4 048)	11 352	3 548
<i>Other operating expenses</i>	1 281	34	198	(226)	1 287	847
Operating profit (loss)	(3 479)	9 251	376	2	6 150	(4 852)
<i>Financial revenues</i>	2 841	53	9 337	(7 848)	3 235	1 203
<i>Financial expenses</i>	158	961	8 402	(8 328)	45	103
Profit (loss) before taxation	(796)	8 343	1 311	482	9 340	(3 752)
<i>Income tax</i>	631	1 238	1 177	(3 223)	(177)	(107)
Net profit (loss) from continuing activities	(1 427)	7 105	134	3 705	9 517	(3 645)
Net profit (loss) from discontinued activities	-	-	-	(4 838)	(4 838)	-
Net profit (loss)	(1 427)	7 105	134	(1 133)	4 679	(3 645)
<i>Net profit (loss) attributable to minority interests</i>	-	-	-	(533)	(533)	-
Net profit (loss) attributable to equity holders of parent entity	(1 427)	7 105	134	(600)	5 212	(3 645)

*The global digital videogame distribution segment includes revenues from sales of GOG Poland sp. z o.o. services to GOG Ltd. These revenues, valued at 9 678 thousand PLN (most of which is reported as costs by GOG Ltd.) were subject to consolidation eliminations. The above mentioned revenues obtained by GOG Poland sp. z o.o. are offset by costs of sales in the amount of 8 268 thousand PLN.

The most important contribution to the net profit of the CD PROJEKT Capital Group in 2014 comes from the global digital videogame distribution segment which reported 7 105 thousand PLN in net profit (with 15 777 thousand PLN in cash flows from operating activities). The videogame development segment sustained a loss of 1 427 thousand PLN due to ongoing development work on two large-scale projects, the intensifying promotional campaign surrounding the upcoming release of The Witcher 3: Wild Hunt and several other projects described elsewhere in this report. The “other activities” segment brought 134 thousand PLN in net profit. This figure includes the dividend obtained from the GOG Ltd. subsidiary (which is subject to consolidation eliminations) as well as the sale of cdp.pl sp. z o.o. shares back to cdp.pl sp. z o.o. for redemption.

■ Consolidated statement of cash flows

	PLN thousands	01 Jan 2014 - 31 Dec 2014	01 Jan 2013 - 31 Dec 2013**
OPERATING ACTIVIES			
Net profit (loss)	4 679	14 470	
Total adjustments:	(8 581)	8 566	
Depreciation	3 162	3 139	
Interest and profit sharing	(652)	(262)	
Profit (loss) from investment activities	(2 172)	(43)	
Change in provisions	17	(127)	
Change in inventories	(44 545)	(18 600)	
Change in receivables	9 778	14 264	
Change in liabilities excluding credits and loans	29 384	5 460	
Change in other assets and liabilities	8 133	4 047	
Other adjustments	(11 686)	688	
Cash flow from continuing operations	(3 902)	23 036	
Income tax on profit (loss) before taxation	(177)	2 250	
Income tax (paid) / reimbursed	(538)	(3 232)	
A. Net cash flow from continuing operations	(4 617)	22 054	
INVESTMENT ACTIVITIES			
Inflows	9 577	880	
Disposal of intangible and tangible fixed assets	6 635	67	
Disposal of financial assets	2 827	143	
Other inflows from investment activities	115	670	
Outflows	8 684	5 007	
Purchases of intangible and tangible fixed assets	5 505	4 175	
Other outflows from investment activities	1 902	-	
Other investment expenses	1 277	832	
B. Net cash flow from investment activities	893	(4 127)	
FINANCIAL ACTIVITIES			
Inflows	2 010	71	
Credits and loans	3	1	
Other inflows from financial activities	2 007	70	
Outflows	383	5 180	
Repayments of credits and loans	-	4 725	
Payments of liabilities under financial lease agreements	383	299	
Interest paid	-	156	
C. Net cash flows from financial activities	1 627	(5 109)	
D. Total net cash flow	(2 097)	12 818	
E. Change in cash and cash equivalents on balance sheet	(2 097)	12 818	
F. Cash and cash equivalents at beginning of period	36 492*	26 866	
G. Cash and cash equivalents at end of period	34 395	39 684	

* The reported value of cash assets at the beginning of 2014 differs from the corresponding value for the end of 2013 by 3 192 thousand PLN. This difference corresponds to the cash assets held by cdp.pl sp. z o.o. as of 31 December 2013.

** adjusted

In the scope of its operating activities, the CD PROJEKT Capital Group reported negative net cash flows in the amount of 4 617 thousand PLN. This result is primarily caused by two ongoing large-scale development projects in the videogame development segment (The Witcher 3: Wild Hunt and Cyberpunk 2077) and the corresponding change in inventories, as well as to promotional activities surrounding the upcoming release of The Witcher 3: Wild Hunt, which directly affects expenses and the financial result in the reporting period. The 2014 increase in the estimated value of ongoing production at CD PROJEKT S.A. (by 48 193 thousand PLN) was the primary reason behind the reported adjustment of inventory value by 44 545 thousand PLN.

Another important adjustment, in the amount of 29 384 thousand PLN, concerned current liabilities except credits and loans. The overall increase in CD PROJEKT Capital Group liabilities is primarily affected by the “other liabilities” line item which increased by 33 120 thousand PLN mostly as a result of videogame development and the advance royalty fees collected by CD PROJEKT S.A. in conjunction with global distribution and licensing contracts concerning The Witcher 3: Wild Hunt.

The Group's receivables were estimated at 9 778 thousand PLN, as a result of a decrease (by 10 675 thousand PLN) in the value of trade receivables, an increase (by 7 133 thousand PLN) in the value of other receivables and changes associated with loss of control over cdp.pl sp. z o.o.

The figure of 11 686 thousand PLN listed in the “other adjustments” line item is due to adjustments associated with loss of control over one of the Group's subsidiaries (13 094 thousand PLN), cost adjustments related to the Group's incentive program (727 thousand PLN) and other adjustments with an aggregate value of 681 thousand PLN.

The CD PROJEKT Capital Group generated positive cash flows from investment activities in the amount of 893 thousand PLN. In this scope the most important factors were the sale of immovable property in Nowy Sącz by CD PROJEKT S.A., expenses borne in conjunction with purchases of fixed assets (e.g. computer software) in each of the Group's activity segments and other investment-related expenses.

The Group reported positive net cash flows from financial activities in the amount of 1 627 thousand PLN, principally due to the repayment of cash-pool liabilities by cdp.pl sp. z o.o. over which CD PROJEKT S.A. lost control on 26 November 2014.

In summary, despite ongoing development of two new videogames and a number of other projects described in the commentary section attached to the consolidated profit and loss account, at the end of 2014 the Group held cash assets valued at 34 395 thousand PLN, as well as other financial assets (investment fund shares) valued at 2 745 thousand PLN. The Group was also not in debt due to any outstanding credits and loans. In relation to the beginning of the reporting period cash assets decreased by only 5 289 thousand PLN as the Group continued to finance its key R&D projects, i.e. The Witcher 3: Wild Hunt, Cyberpunk 2077 and GOG Galaxy.

■ Disclosure of credits and loans in the 2014 fiscal year

Throughout 2014 the CD PROJEKT Capital Group did not draw upon the available sources of credit. The Group's outstanding debt in the scope of credit and loan agreements concluded with external parties is described in the following table.

Name of bank/lender and type of credit/loan	Contractual credit/loan amount as of 31 Dec 2014	Amount outstanding as of 31 Dec 2014	Amount outstanding as of 31 Dec 2013
mBank S.A. - revolving credit	19 000	-	-
mBank S.A. - overdraft facility	2 000	-	-
mBank S.A. - credit agreement	11 000	-	-
TOTAL *	32 000	-	-

* The aggregate value of credits and loans listed above differs from the sum of short- and long-term liabilities due to credits and loans reported in the consolidated statement of financial position by 4 thousand PLN at the end of 2014 and by 21 thousand PLN at the end of 2013. These differences are due to liabilities associated with cash pool interest, negative current account balance and outstanding credit card charges.

It should be noted that while incurring significant expenses associated with videogame development, the Group was able to finance all of its operations with its own financial resources and from advances from clients, without having to draw upon any of the available credit facilities. High liquidity coupled with the availability of long-term credit options is essential for unhindered development of videogames and other R&D undertakings.

In Current Report No. 10/2014 of 16 May 2014 the Management Board of CD PROJEKT S.A. disclosed that it had concluded a set of amendments to the following credit agreements previously signed with mBank S.A., headquartered in Warsaw:

- agreement of 24 August 2011 concerning an overdraft facility in an amount not exceeding 10 000 thousand PLN, granted to CD PROJEKT S.A. and to cdp.pl sp. z o.o.;
- agreement of 18 April 2012 concerning a revolving credit facility in an amount not exceeding 19 000 thousand PLN, granted to CD PROJEKT S.A.;
- agreement of 23 April 2013 concerning open-end credit in an amount not exceeding 11 000 thousand PLN, granted to CD PROJEKT S.A.

In line with the amendments the collateral pledged in relation to the above mentioned credit agreements was altered by excluding the contractual mortgage on immovable property owned by the Issuer in Nowy Sącz at Nawojowska 118 as well as the corresponding contractual assignment of receivables from insurance agreements covering this property.

■ Disclosure of loans granted in the 2014 fiscal year

In 2014 no loans were granted by any company belonging to the CD PROJEKT Capital Group. The Group implements a cash pooling policy consolidating its members' bank accounts in order to ensure optimal use of the available financial resources.

■ Disclosure of guarantees and sureties granted in the 2014 fiscal year, and other off-balance sheet items

Information on guarantees and sureties granted, and of other important items recorded off-balance sheet, can be found in the Consolidated Financial Statement of the CD PROJEKT Capital Group for the period between 1 January and 31 December 2014.

■ Disclosure of the current economic and financial position of the Capital Group and assessment of the management of financial resources

In 2014 the global digital videogame distribution segment experienced further dynamic growth and was responsible for a major share of the Group's overall financial result and cash flows. The second most important segment (from the point of view of sales profits) was the videogame development segment.

The Group's current economic and financial status is stable. The Management Board perceives no threats to the Group's liquidity or solvency.

In 2014 the Group's equity increased by 1 031 thousand PLN, which represents a 1% increase compared to the end of 2013. The aggregate value of long- and short-term liabilities increased by 30 271 thousand PLN, which represents a 61% increase compared to the end of 2013. This change is primarily attributable to receipt of advance royalty fees in conjunction with distribution agreements concerning The Witcher 3: Wild Hunt, which are reported as "other liabilities" in the current reporting period.

At the end of 2014 the aggregate credit available to the Group under credit agreements was 32 million PLN. As of 31 December 2014 the Group was not in debt due to any outstanding credits or loans. Detailed information concerning the Group's debt management, changes in debt status and any credit agreements concluded by the Company can be found elsewhere in this report.

At the end of 2014 the total value of cash assets and other financial assets (PKO retirement fund shares) held by the Group was 37 140 thousand PLN, which represents 24% of the Group's working assets.

Surplus financial assets are made available to members of the Capital Group under a cash pooling agreement. Assets not subject to cash pooling are typically placed in overnight or longer-term deposits. A portion of surplus cash assets is invested in PKO retirement fund shares.

At the end of 2014 trade receivables in the global digital videogame distribution segment were nearly 50% lower than at the end of the preceding year. Trade receivables in the videogame development segment increased by 63% as a result of a substantial increase in 4th quarter sales compared to the corresponding period in 2013. Aggregate trade receivables of the CD PROJEKT Capital Group

decreased by 10 675 thousand PLN (63% decrease), primarily due to the sale of the cdp.pl sp. z o.o. subsidiary and exclusion of its trade receivables from consolidation within the CD PROJEKT Capital Group.

■ Description and assessment of unusual circumstances and other factors affecting the Group's performance in 2014

On 12 May 2014 the Company effected the sale of 9,000 shares in its subsidiary company cdp.pl sp. z o.o. back to cdp.pl sp. z o.o. for redemption. On the same day the General Meeting of Shareholders of cdp.pl sp. z o.o. voted to redeem the purchased shares from the company's net profit, without lowering its share capital, as regulated by Art. 199 of the Commercial Company Code. As a result of the above described redemption the breakdown of cdp.pl sp. z o.o.'s share capital changed as follows:

- 50.2% of shares were held by CD PROJEKT S.A.
- the remaining 49.8% of shares were evenly distributed among current members of the management board of cdp.pl sp. z o.o.

In Current Report no. 15/2014 of 1 October 2014 dnia the Management Board disclosed that on 1 October 2014 a sale transaction had been concluded between the Issuer and its subsidiary, CD PROJEKT Brands S.A., headquartered in Warsaw, concerning ownership of "The Witcher" trademark. In line with the agreement on the day of its signature the Company ceded ownership of the trademark to CD PROJEKT Brands S.A. in exchange for payment in the amount of 17 622 thousand PLN which represents the value of the trademark as reported by an independent valuation.

The sale of The Witcher trademark is an element of the CD PROJEKT Capital Group's strategy of optimizing its internal policies and links between its subsidiaries. In accordance with this strategy, a separate subsidiary - CD PROJEKT Brands S.A. - has been established to manage the Group's intangible assets, including the Trademark, and to sublicense their use to external parties.

In Current Report no. 19/2014 of 26 November 2014 the Management Board of CD PROJEKT S.A. disclosed that an agreement had been concluded between the current shareholders of cdp.pl sp. z o.o., headquartered in Warsaw (hereafter referred to as "cdp.pl"), i.e. CD PROJEKT S.A., and members of the management board of cdp.pl, as well as with cdp.pl itself, concerning disposal of CD PROJEKT S.A.'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 CD PROJEKT S.A.'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 CD PROJEKT S.A., with a nominal value of 1 007.55 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. CD PROJEKT S.A.'s compensation was set at 4 943 646 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: CD PROJEKT S.A. 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, CD PROJEKT S.A. has relinquished control over its former subsidiary.

In addition to the above, the agreement specifies the conditions for potential further reduction of CD PROJEKT S.A.'s interest in cdp.pl, predicated 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 CD PROJEKT S.A. throughout Poland. The compensation due to CD PROJEKT S.A. in return for potential disposal of each further share in cdp.pl was set at 35 556 PLN (this figure will hereafter be referred to as "Compensation Cost"), yielding 1 600 020 PLN for all shares currently held by CD PROJEKT S.A. 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 CD PROJEKT S.A. 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 CD PROJEKT S.A. at the per-share Compensation Cost.

In addition to compensation due to CD PROJEKT S.A. in return for redemption of cdp.pl shares, the agreement also stipulates that the Company 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.

The above mentioned transaction as a result of which CD PROJEKT S.A. relinquished control over cdp.pl sp. z o.o. is an element of the business strategy adopted by CD PROJEKT S.A. and its Capital Group. In line with this strategy, as set forth by the Management Board of CD PROJEKT S.A., the Company 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, ceased to play an important role in the scope of the CD PROJEKT Capital Group.

In Current Report no. 21/2014 of 19 December 2014 the Management Board of CD PROJEKT S.A. disclosed on 19 December 2014 shares of CD PROJEKT Brands S.A. belonging to the Issuer were sold to Brand Projekt Sp. z o.o., which is wholly owned by the Issuer. The transaction concerned 200 000 (two hundred thousand) ordinary shares with a nominal unit price of 1 PLN each, representing the entirety of CD PROJEKT Brands S.A. share capital. The sale price was set at 9.50 PLN per share.

II. Assessment of differences between earlier estimates and reported financial results for 2014

The CD PROJEKT Capital Group had not published any estimates referring to 2014.

III. Disclosure of allocation of funds obtained via issuance of securities until the publication date of this report

CD PROJEKT S.A. did not issue any securities between 1 January 2014 and the publication date of this report.

3

Growth outlook of the CD PROJEKT Capital Group

I. Potential growth opportunities for the CD PROJEKT Capital Group - overview

With regard to further expansion of business activities, the policies implemented by the CD PROJEKT Capital Group remain in line with the Group's strategy document adopted on 17 November 2011 and subsequently amended on 21 March 2013.

■ CD PROJEKT Group mission statement

The mission of the CD PROJEKT Group is to develop cutting-edge innovative products and services sought after by clients worldwide. In doing so the Group emphasizes direct, open and honest communication as a means of building trust and long-term relationships with our clients.

The Group seeks to firmly establish itself as one of the foremost videogame developers in the world, whose products are frequently ranked among the best by gamers and critics alike. In addition to achieving global acclaim we aim to ensure excellent financial results and shareholder satisfaction.

In our view, by going from strength to strength CD PROJEKT is fast becoming one of the most widely recognized Polish companies; a global emissary of the modern face of Poland and the aspirations of a new generation of young Poles.

■ CD PROJEKT Group business objectives

To be counted among the foremost videogame developers in the world operating one of the world's most popular digital distribution platforms. In addition, the Group aims to expand its activities to other branches of digital entertainment.

II. Capital Group growth outlook

The Group regards the following areas as crucial to its further growth in 2015 and onwards:

■ Videogame development

Through its CD Projekt RED Studio subsidiary, CD PROJEKT S.A. carries out videogame development on a world-class level. In particular, it is the producer of the widely acclaimed set of The Witcher video RPGs, the first of which debuted in 2007. The second game in the series was released for the PC on 17 May 2011. Xbox 360 and PC releases of The Witcher 2 Extended Edition followed on 17 April 2012. Both releases met with resounding market success, with sales of The Witcher 2 forming the backbone of the Group's revenue stream in 2011 and in subsequent years. The games are still being marketed and continue to generate revenues.

As part of its work on The Witcher 2 the Company has developed a proprietary cutting-edge videogame engine named REDEngine. The third iteration of this engine, completed in February 2013, supports never-before-seen nonlinear storytelling in an open sandbox. The engine also comprises a new animation subsystem, capable of rendering realistic emotions, cinematic sceneries and character interactions. In 2014 work on the engine focused on further optimization and improvements to existing mechanisms. REDEngine 3 supports three separate hardware platforms: PC, Sony PlayStation 4 and Microsoft Xbox One. In the future the engine itself may be licensed to third parties, thus generating additional revenues not directly associated with in-house development of videogames.

Key projects currently carried out at CD PROJEKT with the use of the above mentioned technologies include the widely anticipated third game in The Witcher series (The Witcher 3: Wild Hunt) as well as an entirely new franchise - Cyberpunk 2077. The Witcher 3 is scheduled for release on 19 May 2015. Additionally, CD Projekt RED is working on two smaller high-quality products supporting its major franchises.

In line with the presented strategy, the Company seeks to expand its activities to the mobile gaming market. Working towards this goal, in 2014 the Company published the digital edition of The Witcher Adventure Game for iPads and Android tablets. This was followed in January 2015 with the release of The Witcher Battle Arena - CD PROJEKT's first online multiplatform mobile game which follows the F2P (free to play) business model. The Witcher Battle Arena is available for modern smartphones and tablet devices running the iOS or Android systems. In parallel with its work of the above mentioned videogames, the Company set up a dedicated

team tasked with maintenance of existing products (The Witcher Battle Arena bases on the so-called microtransaction model) and with preparing the ground for future development projects.

■ Global digital videogame distribution

Global digital videogame distribution is among the youngest and most rapidly developing segments of the digital entertainment market. Its continuing growth can be observed as more and more clients migrate away from traditional retail distribution channels and instead purchase and download games directly from online services.

In 2014 development of the gog.com platform focused on expanding the product catalogue and adding new features. The French edition of the platform was rolled out as the first in a series of language ports. The German edition followed on 26 February 2015. Work is currently underway on porting gog.com to additional languages.

Since mid-2014 the Company has been conducting tests of its new technology stack called GOG Galaxy, which permits - among others - unhindered multiplayer online gaming. GOG Galaxy is designed as a cross-platform offering. Initially it will support GOG.com and Steam, with support for additional services added over time.

In the Company's opinion the planned extensions to GOG.com, expansion of its product catalogue and actions aimed at attracting new customers will significantly affect future growth prospects of its GOG Ltd. subsidiary.

■ External and internal factors affecting growth of the Capital Group - summary

The activities of CD PROJEKT Capital Group members are affected by external factors such as the global macroeconomic condition, legal reforms and changes in taxation. In this sense CD PROJEKT is in a similar position to many other companies conducting business on domestic or international markets. Key internal and external factors which may prove detrimental to the Group's activities and growth prospects are described in a separate section on risk assessment later on in this report.

The most important factors which may affect the Group's performance in the upcoming period are briefly outlined below.

One of the factors directly related to the nature of the activities carried out by the Capital Group and having the potential to affect its performance is technological progress which influences development as well as distribution of videogames.

The favorable reception of CD Projekt RED Studio's upcoming games - The Witcher 3: Wild Hunt and Cyberpunk 2077 - by the international media and gaming community may also positively affect future sales. Both games have been very well received and the intensive promotional campaign currently underway is also benefitting the Studio's earlier releases. The Company maintains active contacts with the media and carries out broad dissemination and marketing activities.

Managing two separate franchises - The Witcher and Cyberpunk - enables CD Projekt RED to carry out two large-scale development projects in parallel, which serves to stabilize and smoothen out the Company's publishing schedule. Adopting a business model based on two alternating franchises optimizes development, simplifies financial management and contributes to mitigation of potential risk factors.

In the global digital videogame distribution segment maintaining the current high sales volume should be supported by the clients' increasing tendency to turn to online channels for purchases. In the near term GOG.com growth will depend on expanding its catalogue. The company will seek access to newer products, including entirely new releases and games by indie developers offered in higher price brackets (above 9.99 USD). Since June 2014 GOG Ltd. has been testing its GOG Galaxy technology stack which permits unhindered online multiplayer gaming and will enable the Company to add multiplayer games to its product catalogue.

GOG Ltd. is in talks with leading global videogame publishers and continues to expand its portfolio. Each new release on gog.com contributes to the platform's popularity and drives up sales. In addition to adding new products, GOG Ltd. also seeks to increase its user base by attracting new players - those who have not yet set up a gog.com account. The Company has been successful in this regard throughout 2014, owing chiefly to its PR activities and synergies stemming from cooperation with CD PROJEKT S.A.

Activities grouped in the "other" segment comprise mainly intragroup services which exploit synergies between individual subsidiaries of CD PROJEKT. As such, any external or internal factors affecting the segments described above also indirectly affect the "other" segment.

Another specific factor which may affect the financial position of CD PROJEKT S.A. is the outcome of pending litigation affecting the company, particularly its lawsuit against the State Treasury. A favorable judgment in this case would entitle the Company to collect substantial damages.

III. Evaluation of investment plans

As of 31 December 2014 the Group held cash and cash equivalents valued at 34 395 thousand PLN. Additionally, CD PROJEKT S.A. held PKO retirement fund investment shares purchased as a means of temporary allocation of surplus cash and valued at 2 745 thousand PLN.

Future Group activities will be financed with the Group's own resources and with bank credit, as required. As of 31 December 2014 the Group had access to 32 000 thousand PLN in unused bank credit.

Videogame development may also be partly financed with advance royalty payments from distributors with whom the Company concludes licensing and distribution agreements concerning The Witcher 3: Wild Hunt.

4

Corporate management and supervision

I. Composition of the Management Board and Supervisory Board

■ Management Board

President of the Board	Adam Kiciński
Vice President of the Board	Marcin Iwiński
Vice President of the Board	Piotr Nielubowicz
Board Member	Adam Badowski
Board Member	Michał Nowakowski

■ Changes in Management Board composition

No changes in the composition of the Management Board occurred in the reporting period.

■ Supervisory Board

Chairwoman of the Supervisory Board	Katarzyna Szwarc
Deputy Chairman of the Supervisory Board	Cezary Iwański
Supervisory Board Member	Grzegorz Kujawski
Supervisory Board Member	Maciej Majewski
Supervisory Board Member	Piotr Pągowski

■ Changes in Supervisory Board composition

No changes in the composition of the Supervisory Board occurred in the reporting period.

II. Compensation, bonuses and other benefits received by members of the Management Board and Supervisory Board from the Issuer and its subsidiaries

Compensation paid out to members of the Management Board and Supervisory Board of CD PROJEKT S.A. in 2014:

Full name	Position	01 Jan 2014 - 31 Dec 2014	01 Jan 2013 - 31 Dec 2013
Members of the Management Board			
Adam Kiciński	President of the Board	420	404
Marcin Iwiński	Vice President of the Board	312	286
Piotr Nielubowicz	Vice President of the Board	312	312
Adam Badowski	Board member	572	1 042
Michał Nowakowski	Board member	536	500

Members of the Supervisory Board

<i>Katarzyna Szwarc</i>	<i>Chairwoman of the Supervisory Board</i>	72	72
<i>Cezary Iwański</i>	<i>Deputy Chairman of the Supervisory Board</i>	18	18
<i>Grzegorz Kujawski</i>	<i>Supervisory Board member</i>	-	-
<i>Maciej Majewski</i>	<i>Supervisory Board member</i>	18	18
<i>Piotr Pągowski</i>	<i>Supervisory Board member</i>	18	18

Compensation paid out in 2014 to members of the Management Board and Supervisory Board of CD PROJEKT S.A. by CD PROJEKT S.A. subsidiaries including cdp.pl:

Full name	01 Jan 2014 - 31 Dec 2014	01 Jan 2013 - 31 Dec 2013
<i>Adam Kiciński</i>	-	17
<i>Marcin Iwiński</i>	26	21
<i>Piotr Nielubowicz</i>	22	20
<i>Michał Nowakowski</i>	1	-

On 16 December 2011 the Extraordinary General Meeting of Shareholders voted to institute an incentive program under which persons regarded as having a key influence on the performance of the Company and its subsidiaries may be rewarded with warrants entitling them to acquire Company shares. Eligibility criteria are set forth in the Terms and Conditions document adopted by the General Meeting on 16 December 2011 and in the relevant Management Board and Supervisory Board regulations. The value and quantity of warrants which may be issued to members of the Management Board in conjunction with their participation in the incentive program is listed below:

Value of potential benefits associated with participation in the incentive program:

Full name	Position	Warrants granted (quantity)	01 Jan 2014 - 31 Dec 2014	01 Jan 2013 - 31 Dec 2013
<i>Adam Kiciński</i>	<i>President of the Board</i>	<i>200 000 warrants</i>	93	93
<i>Piotr Nielubowicz</i>	<i>Vice President of the Board</i>	<i>150 000 warrants</i>	69	69
<i>Adam Badowski</i>	<i>Board member</i>	<i>150 000 warrants</i>	69	69
<i>Michał Nowakowski</i>	<i>Board member</i>	<i>100 000 warrants</i>	46	46

The fair value of warrants issued under the Incentive Program to members of the Management Board has been assessed by a licensed actuary and is included in the 2014 financial statement as a company liability (in the same way as in 2013).

As of the day of publication of this report none of the long-term performance criteria set forth in the Terms and Conditions document governing acquisition of warrants have been met.

III. Agreements between the Issuer and members of its managing and supervisory bodies concerning compensation in the event of their resignation or dismissal

As of 31 December 2014 and as of the preparation date of this report all members of the Company's managing and supervisory bodies discharged their functions on the basis of General Meeting appointments and there were no provisions in existence regulating compensation in the event of their resignation or dismissal.

IV. Transactions between the Issuer and members of its managing and supervisory bodies not otherwise reported

In 2014 there were no notable transactions between the Issuer and members of its managing and supervisory bodies. This does not include medical insurance premiums, reimbursement of official expenses and minor purchases of Capital Group products by members of the Management Board and Supervisory Board.

V. Company stock held by members of its managing and supervisory bodies

As of the publication date of this report the following quantities of CD PROJEKT S.A. stock were held by members of its Management Board and Supervisory Board:

<i>Full name</i>	<i>Position</i>	<i>No. of shares held on publication date</i>	<i>Nominal value</i>
Adam Kiciński	<i>President of the Board</i>	3 122 481	3 122 481
Marcin Iwiński	<i>Vice President of the Board</i>	12 607 501	12 607 501
Piotr Nielubowicz	<i>Vice President of the Board</i>	5 985 197	5 985 197
Michał Nowakowski	<i>Board member</i>	1 149	1 149
Katarzyna Szwarc	<i>Chairwoman of the Supervisory Board</i>	10	10

According to declarations filed with the Issuer no other members of the Management Board and Supervisory Board hold CD PROJEKT S.A. stock.

Members of the Management Board and Supervisory Board of CD PROJEKT S.A. do not directly hold any shares of CD PROJEKT S.A. subsidiaries or affiliates.

VI. Changes in basic management policies affecting the Company and its Capital Group

On 4 August 2014 a company named CD PROJEKT Inc. was incorporated under US law in Venice, California. This company is wholly owned by CD PROJEKT S.A.

On 27 August 2014 the District Court for the City of Warsaw, 13th Commercial Department of the National Court Registry performed registration of CD PROJEKT Brands S.A. with a share capital of 200 thousand PLN. This company is wholly owned by CD PROJEKT S.A.

As disclosed in Current Report no. 19/2014 of 26 November 2014 CD PROJEKT S.A. reduced its share in the share capital of cdp.pl sp. z o.o. to 8.29% and consequently excluded this company from consolidation within the CD PROJEKT Capital Group. CD PROJEKT is thereby discontinuing its previously reported involvement in the “distribution and publishing in Poland” activity segment.

On 19 December 2014 CD PROJEKT S.A. carried out the sale of all 200 thousand shares of CD PROJEKT Brands S.A. to Brand Projekt sp. z o.o., which is wholly owned by the Issuer.

No other important changes in basic management policies affecting the Company and its Capital Group occurred in 2014.

5

Supplementary information

I. Shareholders who control at least 5% of the total number of votes at the General Meeting

The shareholder structure is determined on the basis of formal notices issued by shareholders who control at least 5% of the total number of votes at the General Meeting of Shareholders of the parent entity. As of the publication date of this report the following shareholders controlled at least 5% of votes at the General Meeting:

	No. of shares	Percentage share in share capital	No. of votes at the GM	Percentage share in total number of votes at the GM
Marcin Iwiński	12 607 501	13.28%	12 607 501	13.28%
Michał Kiciński ⁽¹⁾	12 281 616	12.93%	12 281 616	12.93%
Piotr Nielubowicz	5 985 197	6.30%	5 985 197	6.30%
PKO TFI S.A. ⁽²⁾	9 000 000	9.48%	9 000 000	9.48%
AVIVA OFE ⁽³⁾	4 940 000	5.20%	4 940 000	5.20%
Amplico PTE S.A. ⁽⁴⁾	5 003 719	5.27%	5 003 719	5.27%
Pozostały akcjonariat	45 131 967	47.53%	45 131 967	47.53%

(1) As disclosed in Current Report No. 2/2015 of 23 February 2015.

(2) As disclosed in Current Report No. 19/2011 of 25 February 2011.

(3) As disclosed in Current Report No. 25/2012 of 6 September 2012.

(4) As disclosed in Current Report No. 20/2013 of 11 September 2013.

The percentage shares in the Company's share capital and in the total number of votes at the General Meeting have been calculated on the basis of the most recent notices received from each major shareholder and in relation to the Company's share capital on the date of publication of this report.

Recent changes in shareholder structure are described in the Consolidated Financial Statement of the CD PROJEKT Capital Group for the period between 1 January and 31 December 2014.

Following the close of the reporting period, in Current Report No. 2/2015 of 23 February 2015 the Company disclosed that it had received notice from Mr. Piotr Nielubowicz, acting on behalf of himself as well as the remaining parties to the agreement disclosed in Current Report No. 54/2010 of 2 September 2010, namely Mr. Marcin Iwiński, Mr. Michał Kiciński and Mr. Adam Kiciński, to the effect that the agreement existing between the parties and concerning joint purchases of Company shares and acting in concert at General Meetings of Shareholders of the Company had been dissolved on 23 February 2015. As stated by parties to the dissolved agreement, the agreement itself was a consequence of the merger between the CDP Investment Capital Group and OPTIMUS S.A. carried out in 2009-2010, whereas the current overriding concern of those parties who retain executive positions at the Company is to jointly act in the best interests of the Company and its Capital Group by discharging their executive duties.

II. Agreements which may result in changes in the proportions of shares held by shareholders and bondholders

The Company has instituted an incentive program for its key employees and collaborators. Implementation of this program may result in future changes in the proportion of shares held by the Company's shareholders.

III. Information regarding the control system of employee share programs

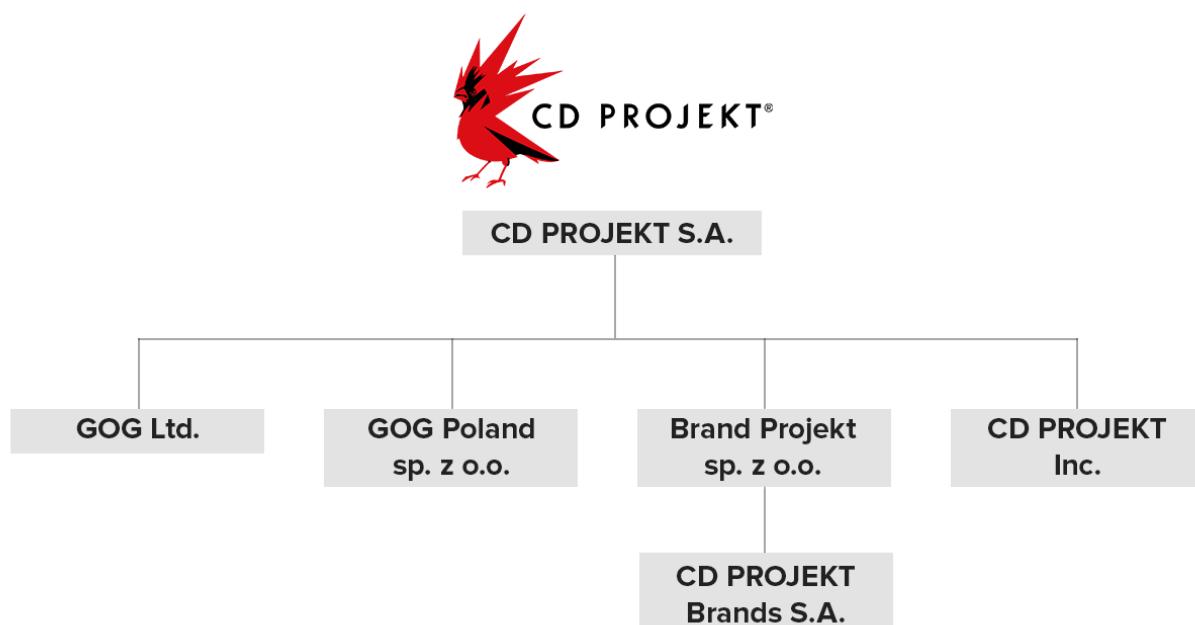
The incentive program under which Company shares may be awarded was approved by the General Meeting of Shareholders on 16 December 2011. A detailed set of terms and conditions was endorsed by the Supervisory Board and subsequently approved by the

Management Board on 30 January 2012. Implementation of the program is directly overseen by the Supervisory Board and Management Board of CD PROJEKT S.A.

IV. Information regarding the purchase of own shares

The Company has never held its own shares.

V. Information regarding capital and organizational affiliations between the parent company and other entities



On 4 August 2014 a company named CD PROJEKT Inc. was incorporated under US law in Venice, California. This company is wholly owned by CD PROJEKT S.A.

On 27 August 2014 the District Court for the City of Warsaw, 13th Commercial Department of the National Court Registry performed registration of CD PROJEKT Brands S.A. with a share capital of 200 thousand PLN. On the day of its incorporation CD PROJEKT Brands S.A. was wholly owned by CD PROJEKT S.A. As disclosed in Current Report No. 21/2014, on 19 December 2014 all shares of CD PROJEKT Brands S.A. were sold to Brand Projekt sp. z o.o., which is directly owned by CD PROJEKT S.A.

VI. Companies subjected to consolidated financial reporting

The Consolidated Financial Report of the CD PROJEKT Capital Group for the period between 1 January and 31 December 2014 applies to the following companies, each of which is a member of the Group:

	capital share	voting share	consolidation method
CD PROJEKT S.A.	parent entity	-	full
GOG Poland sp. z o.o.	100%	100%	full
GOG Ltd.	100%	100%	full
Brand Projekt sp. z o.o.	100%	100%	full
CD PROJEKT Brands S.A. *	100%	100%	full
CD PROJEKT INC	100%	100%	full

* indirect control

VII. Disclosure of transactions with affiliates

The following types of transactions between the parent company and its affiliates have occurred as part of the activities of the CD PROJEKT Group:

- purchases of licenses from CD PROJEKT S.A. by cdp.pl Sp. z o.o. and GOG Ltd. as required by these subsidiaries' business profiles,
- groupwide consolidation of bank account under a cash pooling agreement,
- procurement of accounting, HR, legal, financial, administrative and managerial services from CD PROJEKT S.A. by its subsidiaries,
- subletting of office space,
- procurement of GOG Poland sp. z o.o. services by GOG Ltd. in the scope of maintenance of the GOG.com platform,
- other minor transactions associated with day-to-day activities (e.g. reinvoicing joint expenses).

Transactions between affiliates are concluded on market terms as required by the business profiles of each member of the CD PROJEKT Capital Group. A detailed description of procedures which govern transactions between affiliates is included in the Consolidated Financial Report of the CD PROJEKT Capital Group for the period between 1 January and 31 December 2014.

Additionally, the following one-time transactions between CD PROJEKT Capital Group member companies occurred in 2014:

- on 21 May 2014 the Company sold 9 thousand shares of cdp.pl sp. z o.o. back to cdp.pl sp. z o.o. for redemption;
- on 1 October 2014 the Company sold "The Witcher" trademark to its CD PROJEKT Branks S.A. subsidiary;
- On 26 November 2014 the Company sold 457 shares of cdp.pl sp. z o.o. back to cdp.pl sp. z o.o. for redemption;
- On 19 December 2014, in the framework of its tax capital group, the Company sold all 200 thousand shares of CD PROJEKT Brands S.A. shares to Brand Projekt sp. z o.o., which is wholly owned by the Company.

VIII. Disclosure of key domestic and foreign investments and of the structure of key capital investments

The Capital Group does not pursue direct large-scale investment activities in the traditional sense. Nevertheless, the operations of the Capital Group and particularly the development of videogames require access to significant financial assets as described below.

Assets disclosed in the consolidated statement of financial position of the CD PROJEKT Capital Group of 31 December 2014 in the "Intangible assets" line item (39 602 thousand PLN) comprise mainly the CD PROJEKT brand name and The Witcher trademark. Additionally, the goodwill of the Group, which is defined as the positive difference between the cost of establishing a business combination and the parent company's share in the net fair value of all assets and liabilities of the controlled entities, is valued at 46 417 thousand PLN.

As of 31 December 2014 the Group held tangible fixed assets valued at 5 499 thousand PLN. This line item chiefly comprises the cost of conversion projects at office premises leased by Group member companies reported in the "Buildings and structures" line item and valued at 2 245 thousand PLN, as well as office equipment and supplies with a reported net value of 2 082 thousand PLN.

Throughout 2014 surplus cash was invested into overnight and longer-term deposits. The total value of cash and cash equivalents held by the Group on 31 December 2014 was 34 395 thousand PLN. Since 25 January 2011 some surplus cash is also invested in PKO retirement fund shares (PKO Skarbowy - FIO and PKO Płynnościowy). As of 31 December 2014 the Group held PKO fund shares valued at 2 745 thousand PLN. These shares are aggregated in the "Other financial assets" line item.

Major expenses on long-term projects carried out by the Group between 1 January 2014 and the publication date of this reports were mostly associated with videogame development. Assets generated by these projects include (among others) intermediates and ongoing production, in addition to existing trade inventories. As of 31 December 2014 the inventories of the videogame development segment were valued at 96 511 thousand PLN, of which 50 thousand PLN represented the value of finished products (mostly yet-to-be-settled expenditures associated with the development of The Witcher 2 for the Linux OS), while 88 460 thousand PLN was disclosed in the "Intermediates and ongoing production" line item and comprised the development costs of The Witcher 3: Wild Hunt and Cyberpunk 2077.

Members of the CD PROJEKT Group financed their operating and investment activities with their own assets as well as with advance licensing fees received from distributors of the Group's future releases.

The CD PROJEKT Capital Group wholly owns two foreign companies: GOG Ltd. and CD PROJEKT Inc., the latter of which was incorporated on 4 August 2014 under US law in Venice, California. The following domestic entities are wholly owned by the Company: GOG Poland sp. z o.o. and Brand Projekt Inc., which in turns wholly owns CD PROJEKT Brands S.A.

IX. Risk Management in the Capital Group

■ Risk factors specific to the activities carried out by the Group (the description omits risk factors specific to cdp.pl over which the Group relinquished control on 26 November 2014)

Risk associated with customers

In the videogame development activity segment the pool of customers consists of distributors and publishers who purchase licenses to publish and distribute Company products. Efficient cooperation with customers is dependent on a number of factors, including the appeal of the product, customers' own publishing plans, customers' preferences in specific countries and the financial terms offered by each customer. CD PROJEKT S.A. makes every effort to ensure high quality of its products, rendering them more desirable and attractive to final customers and increasing licensee and distributor retention.

In the scope of products and services offered by the Group the final customers are natural persons with access to the retail market. Demand for products and services may fluctuate depending on market trends or sudden changes in perception among key demographics. Internet discussion forums and other social media provide customers with the ability to easily communicate with one another and influence one another's opinions. Unforeseen changes in perception among final customers and trendsetters are beyond the Group's control. Group members strive to maintain open channels of communication with final customers. In line with the Group's mission statement, the Company and its subsidiaries emphasize open, honest and diligent communications as a foundation for mutual trust and long-term customer relations.

Risk of losing key suppliers

The operations of GOG Ltd. depend on cooperation with developers, producers and publishers who supply final products and with whom publishing, distribution and retail sale agreements are negotiated. The company mitigates the risk of losing suppliers by maintaining good trade relations and by working to diversify its supply chains and attract new suppliers.

In the videogame development segment CD PROJEKT S.A. relies on external suppliers for certain components required in the development of games, such as physics systems, audio libraries and other specialized software. Given that a wide range of commercial development tools is available the Company actively monitors the market and may take steps to replace selected components or tools used in the production process, should such changes become necessary.

Risk of incorrectly estimating demand and future sales

Developing, publishing and distributing videogames and motion pictures, whether proprietary or licensed, requires that their sales volume be estimated before the given product is released. In practice, individual products differ greatly with respect to their revenue generation potential. Group members draw upon their experience to determine the commercial potential of each product they release; however the risk of incorrectly estimating demand and sales volume cannot be entirely eliminated.

Risk of delays in videogame development

Postponed releases are a commonplace occurrence in the videogame industry. Developing games is a highly complex and costly activity, based - to a large extent - on creative effort. This raises the likelihood of incorrect estimation of the required workload, delays due to technical issues in the programming layer (e.g. failure to meet quality assurance criteria or technical glitches), or problems caused by insufficient funding.

With respect to products purchased by GOG Ltd. Group members have no control over delays arising on the supplier side. With respect to development of proprietary products by CD PROJEKT S.A. the company actively manages its development schedule in order to minimize the likelihood of delays.

Risks associated with development of games for gaming consoles and iOS devices

Development of console and iOS games requires direct cooperation with the proprietors of each hardware platform. Before a game can be released on the open market it must first undergo certification. Termination of cooperation between the developer and the platform proprietor is a significant risk, as are delays in the certification process or denial of certification. Each of those events may adversely impact the revenue stream for a given game. CD PROJEKT S.A. devotes substantial effort to meeting its contractual obligations due to platform proprietors and consistently prioritizes the quality of its videogames.

Risks associated with employee retention

Losing key employees may significantly impact the operations and financial status of the Capital Group. The activities of Group members and their growth outlook are greatly dependent on the skill, experience and knowledge of key Management Board members, middle managers, employees and collaborators. Group members offer competitive employment conditions and benefits to their employees. In 2012 the Capital Group instituted a long-term incentive program through which persons regarded as crucial for the Capital Group and its individual members may be rewarded with Company stock options.

Risk of insolvency and credit risk

The Group compares its results to annual plans which include liquidity goals. Such evaluation is performed on a monthly basis and subdivided into weekly cycles.

In order to minimize the risk of customer insolvency the Company performs ongoing monitoring of the collection of receivables. Debt collection is subcontracted to specialized third parties. The Group identifies key customers whose total share in the Group's revenue stream exceeds 10%.

The Group actively manages its liquid assets and monitors its debt in relation to the Group's equity and financial results, both current and anticipated.

As of the publication date of this report CD PROJEKT has access to external financing sources, i.e. bank credit agreements, and has set aside provisions in cash and shares in PKO retirement funds which invest in low-risk debt instruments and can be liquidated on short notice. Cash management on the level of the Group is performed in such a way that excess cash in one subsidiary may be loaned to other subsidiaries. The Group relies on this mechanism to perform day-to-day management of its liquid assets, ensure sufficient liquidity, meet any liabilities arising from its ordinary activities and permit unhindered continuation of videogame development projects.

Risks associated with credit agreements and interest rate risks

In order to carry out ordinary activities, Group members require access to sources of financing. As of the date of publication of this report these sources include credit and lease agreements. Termination of credit and lease agreements may necessitate finding other sources of financing. Credit and lease agreements concluded by Group members are based on variable interest rates. Increases in the cost of capital acquisition may negatively affect the Group's financial standing.

Group members perform day-to-day monitoring of financing costs and analyze their impact on the Group's financial condition. Refinancing, prolongation of existing agreements and acquisition of additional financing sources are all taken into account when considering the mitigation of financing and collateral risks. Interest rate hikes may impose an additional financial burden on the Group.

The Group invests its surplus cash in short-term bank deposits and shares in low-risk PKO retirement funds which can be liquidated on short notice. In this context lower interest rates may have a negative impact on the financial revenue from investing in retirement fund shares and bank deposits.

Risks associated with sureties

The credit and cash-pooling agreements concluded within the CD PROJEKT Capital Group involve CD PROJEKT S.A., GOG Ltd., GOG Poland sp. z o.o., cdp.pl sp. z o.o., Brand Projekt sp. z o.o., CD PROJEKT Brands S.A. and CD PROJEKT Inc. acting as guarantors. These provisions may potentially compel each guarantor to cover the liabilities of other parties to whom guarantees have been contractually provided.

Risks associated with market consolidation trends

There is a notable global tendency for developers and publishers of videogames and motion pictures to consolidate. These trends may ultimately strengthen the market position of several global suppliers, publishers and distributors. Consolidation trends may

cause the Company to lose key suppliers due to decisions imposed by the acquiree, or reduce the number of publishers/distributors who carry Company products.

The Group mitigates this risk by implementing an active publishing policy and maintaining good relations with its business partners. Additionally, Group members work to diversify their suppliers and sales channels.

Risks associated with illegal distribution of CD PROJEKT Capital Group products

Group revenues are negatively affected by the actions of parties who distribute its products - either directly or over the Internet - without the owner's consent, thus violating intellectual property laws. Group members have no direct control over the scale of such illegal distribution. Insofar as it is possible, Group members try to attract customers by releasing products in various price brackets, published in an appealing manner and therefore providing good value for money - both on the domestic market and via services operated by GOG Ltd. This policy also applies to Company products offered directly on foreign markets.

Risks associated with the emergence of new technologies

The digital entertainment segment which is the Group's primary area of activity is characterized by dynamic changes in the applied technologies and IT solutions. This rapid pace of development necessitates frequent corrective actions, development of novel systems and increasing sophistication of the products offered. Technological changes may also influence the means by which games and other products are delivered to the final customer, as well as the capabilities of gaming platforms.

The eighth generation of gaming consoles was unveiled in late 2013, approximately 8 years after the debut of the preceding generation. CD PROJEKT S.A. has announced that The Witcher 3: Wild Hunt and Cyberpunk 2077 (currently under development) will be released for the PC and for the newest generation of consoles. Developing games for new consoles carries clear advantages but also introduces certain risks due to the relative immaturity of the underlying technologies and the time it may take to fully exploit their commercial potential. Of note is the fact that early sales of the new generation of consoles compare favorably to the previous generation over an equivalent period.

Group members monitor technological changes which may affect their operations and take steps to adapt their strategy to such changes.

Asset impairment tests

In accordance with the International Financial Reporting Standards the Company performs asset impairment tests. Positive results of future tests cannot be guaranteed.

Exchange rate risks:

Risks associated with PLN strengthening against EUR and USD

Due to the global character of its activities the Capital Group is subject to risks associated with sudden exchange rate changes involving PLN and foreign currencies, particularly EUR and USD. A significant portion of publishing and distribution agreements to which CD PROJEKT S.A. is party (as a videogame developer) is denominated in foreign currencies. Accordingly, the strengthening of PLN against foreign currencies is viewed as an unfavorable circumstance by the Group, reducing its revenues from distribution and licensing contracts.

GOG Ltd. revenues are denominated primarily in USD while costs are borne in USD, EUR and PLN. Accordingly, the strengthening of PLN or EUR against USD is viewed as an unfavorable circumstance by the Group, reducing the profitability of GOG Ltd.

Risks associated with PLN weakening against EUR and USD

The licensing and distribution agreements to which the Company is party stipulate that the Company shall receive advance payments for future royalties. These advances, denominated in foreign currencies, are listed in the "Other liabilities" line item in the Company's financial statement. Any weakening of PLN against foreign currencies may result in additional negative exchange rate differences associated with these liabilities.

In order to mitigate exchange rate risks CD PROJEKT S.A. performs hedging as part of its ordinary activities.

Risks associated with major shareholders' actions

As of the date of preparation of this report CD PROJEKT S.A. has several major shareholders as specified elsewhere in this report. Owing to their share in the Company share capital and the total number of votes at the General Meeting the major shareholders,

when acting in concert, exercise effective control over the Company. They may use their majority at the General Meeting to effect significant decisions - for example introduce changes in the Company statute, issue new stock, reduce the Company share capital, issue convertible bonds, pay out dividends and perform other actions which, according to the Commercial Company Code, require a majority or supermajority of votes at the General Meeting. The major shareholders acting in concert also possess a sufficient number of votes to exercise de facto control over the composition of the Supervisory Board by directly appointing all or most of its members (depending on whether group voting is instituted). In turn, the Supervisory Board may appoint the President of the Management Board as well as other members of the Management Board in accordance with the major shareholders' wishes. Due to the above listed prerogatives investors should not assume that the major shareholders will always act in the interest of other shareholders of the Company.

■ Risk factors specific to the Group's market environment

Risks associated with changes in macroeconomic conditions

The overall condition of the global economy, including global crises and deterioration of economic conditions both in Poland and worldwide, may have a negative impact on the Group's financial standing.

A negative macroeconomic outlook may force consumers to adopt a conservative stance and therefore negatively affect product sales through official distribution channels. Additionally, negative macroeconomic conditions may hinder access to sources of financing, reducing the scope of game development projects. Group members monitor the impact of global economic conditions on their respective markets and adjust their actions accordingly.

Risks associated with legislative changes and conflicts of jurisdiction

Legal regulations, both in Poland and abroad, are subject to frequent changes. These changes, as well as the variability in the interpretation of existing law, constitute a risk which manifests itself e.g. with regard to taxation, trade regulations, intellectual property law, labor law and capital market law. Any change in legislation has the potential to negatively impact Group activities, either by increasing their costs or invalidating projections concerning future events. Legislative changes may also impact the legal environment in which the Group conducts its operations. Introduction of new regulations may be associated with inconsistent case law and conflicting or outright unfavorable interpretations by public administration bodies (including tax authorities).

Members of the CD PROJEKT Capital Group are subject to legal regulations in countries where they distribute their products as well as - to some extent - in countries in which they purchase or license products for publication, or acquire technologies used in the game development process. Large portions of sale, purchase and licensing agreements concluded with foreign parties are governed by foreign law. This creates the risk of incorrect interpretations by Group members. In order to mitigate this risk Group members employ the services of foreign legal consultants who specialize in the relevant fields.

The CD PROJEKT Capital Group has no control over the legislative process either in Poland or abroad.

Risks associated with competitors' actions

The Group's business performance is affected by its competition's strategy, financial standing and the ability to procure financing on favorable terms. The Group encounters competition when negotiating game publishing and distribution agreements, conducting marketing campaigns and introducing its own products to external distribution channels. The Group mitigates this risk by implementing an active publishing policy and maintaining good relations with its business partners. Additionally, Group members work to diversify their suppliers and sales channels.

X. Disclosure of significant proceedings pending before courts, authorities competent for arbitration proceedings or public administration authorities

The following proceedings were carried out during the reporting period (the reported status is valid for the publication date of this report):

■ Litigation in which CD PROJEKT S.A. is the plaintiff or claimant

1. CD PROJEKT S.A. (formerly Optimus S.A.) vs. State Treasury

On 15 February 2006 the Management Board of Optimus S.A. filed a complaint in the District Court for the City of Kraków, 1st Civil Department seeking monetary damages from the State Treasury in the amount of 35 650.6 thousand PLN in relation to the decision issued by the Inspector of Treasury Control on 27 December 2001 in which the VAT liabilities of the Company were estimated at 16 367.4 thousand PLN. This decision was upheld by the Treasury Chamber in Kraków on 3 April 2002, and by the Treasury Office on 21 November 2002, which applied the universal succession principle to hold the Company responsible for tax liabilities incurred by its legal predecessor. On 24 November 2003 the Supreme Administrative Court in Warsaw vacated these decisions as unlawful.

On 9 December 2008 the District Court for the City of Kraków issued an interlocutory judgment holding the Optimus claim valid in rem. This judgment concerned the validity of the Company's claim for monetary damages. On 19 May 2009 this judgment was vacated by the Appellate Court for the City of Kraków, 1st Civil Department, which remanded the case to the District Court for further proceedings.

On 1 August 2014 the District Court for the City of Kraków issued a final judgment closing the proceedings in the court of first instance. The District Court's judgment awarded the Company 1 090.5 thousand PLN plus statutory interest for the period between 15 November 2005 and the remittance date, dismissing the lawsuit on all other counts.

On 9 October 2014 the Company filed an appeal against the District Court's judgment with regard to those sections in which the District Court dismissed the Company's claims, and also the section concerning the cost of legal proceedings associated with the case. Additionally, an appeal against the section in which the District Court affirms the Company's claims was filed by the State Treasury. The first hearing before the Appellate Court in Kraków was held on 18 March 2015. Following statements by the plenipotentiaries of each side the Court adjourned the proceedings until such time as additional testimony could be obtained from an expert witness. No further hearings have been scheduled as of the publication date of this report.

2. CD PROJEKT S.A. (formerly Optimus S.A.) vs. Michał Lorenc

On 10 April 2009 Optimus S.A. filed a lawsuit in the District Court for the City of Warsaw against Mr. Michał Lorenc - its former President of the Board. The Company seeks damages in the amount of 507.3 thousand PLN for losses incurred as a result of violation of disclosure obligations associated with the Company's listing on the Warsaw Stock Exchange regarding the issuance of D series shares and purchase of Zatra S.A. stock during Mr. Michał Lorenc's tenure as President of the Management Board. The hearing scheduled by the Court for 2 June 2010 was cancelled.

In mid-February 2011 the Company filed a request to schedule another hearing and it currently awaits the Court's decision in this regard. This case is tied to case no. XVIII K 126/09 described below.

3. Motion to recognize overpayment of civil law transaction tax associated with capital contributions

On 12 April 2011 Optimus S.A. filed a legal complaint in the District Administrative Court in Warsaw regarding an erroneous (in the Company's opinion) individual interpretation of tax law applied by the Director of the Treasury Chamber in Warsaw acting on behalf of the Finance Minister. This decision concerned civil law transaction tax which, in the Company's opinion, was unjustly levied in conjunction with non-monetary capital contributions to CD Projekt Kiciński i Wspólnicy Sp. k. of which CD PROJEKT S.A. is the legal successor. On 15 March 2012 the Court issued a judgment affirming the Company's claim and declaring that the civil law transaction tax levied upon incorporation of CD Projekt Kiciński i Wspólnicy Sp. k. in the amount of 1 118 thousand PLN was unlawful.

On 4 July 2012, the Company received a transcript of the appeal in cassation filed in the Supreme Administrative Court via the District Administrative Court in Warsaw by the Director of the Treasury Chamber in Warsaw acting on behalf of the Finance Minister, which contests the judgment of 15 March 2012 in its entirety. On 4 July 2014 the Supreme Administrative Court dismissed the appeal on formal grounds.

Following issuance of the above described judgment the Company applied to tax authorities for recognition of tax overpayment. On 3 July 2012 the application was denied. On 17 July 2012 the Company filed an appeal and subsequently, on 6 November 2012, filed a complaint in the District Administrative Court in Warsaw against the decision of the Director of the Treasury Chamber in Warsaw upholding the decision of the Head of the 2nd Mazovian Tax Office which denies recognition of overpayment of civil law transaction tax. On 13 May 2013 the District Administrative Court concurred with the Company's claim and issued a judgement overturning the decision of the Director of the Treasury Chamber on the grounds that the Director had not availed himself of the option to file an appeal in cassation having been notified of the legal basis for the previously described judgement. On 31 January 2014, pursuant to the decision of the Director of the Treasury Chamber of 24 January 2014, the Company recovered the overpaid civil law transaction tax plus interest in the amount of 1 361.3 thousand PLN.

4. Motion to recognize overpayment of civil law transaction tax associated with increases in the Company's share capital

On 22 May 2012 CD Projekt RED S.A. filed two legal complaints in the District Administrative Court in Warsaw seeking reimbursement of civil law transaction tax which, in the Company's opinion, was unjustly levied in conjunction with increases in the Company's share capital. The complaints concern two decisions by the Director of the Treasury Chamber in Warsaw of 20 April 2012 upholding the corresponding decisions issued on 26 January 2012 by the Head of the 2nd Mazovian Tax Office in Warsaw, denying recognition of overpayment of civil law transaction tax in the amounts of 158.9 thousand PLN plus interest and 113.2 thousand PLN plus interest respectively.

At a joint hearing on 14 February 2013 the District Administrative Court rejected both complaints against the decisions of the Director of the Treasury Chamber in Warsaw of 20 April 2012. Having been notified by the District Administrative Court of the legal basis for its judgement the Company filed two appeals in cassation in the Supreme Administrative Court. On 7 August 2014 the Company moved to withdraw both appeals in cassation and on 28 August 2014 the District Administrative Court issued a decision terminating the relevant proceedings.

5. Complaint against individual interpretation of tax law

On 18 March 2014, having previously issued a written request to the Director of the Treasury Chamber in Warsaw to rectify an unlawful situation, CD PROJEKT S.A. filed a complaint in the District Administrative Court in Warsaw against an erroneous (in the Company's opinion) individual interpretation of tax law by the Director of the Treasury Chamber in Warsaw acting on behalf of the Finance Minister, concerning the time of deduction of withholding tax at source from the income tax owed by the Company. A hearing was held on 4 February 2015 and subsequently, on 18 February 2015, the District Administrative Court issued a judgment dismissing the Company's claim on the grounds that the contested interpretation does not constitute a breach of tax law.

6. Complaint against individual interpretation of tax law

On 19 August 2014, having previously issued a written request to the Director of the Treasury Chamber in Warsaw to rectify an unlawful situation, CD PROJEKT S.A. filed a complaint with the District Administrative Court in Warsaw against the erroneous (in the Company's opinion) individual interpretation of tax law by the Director of the Treasury Chamber in Warsaw acting on behalf of the Finance Minister. The decision concerned the deduction of expenses borne in association with purchasing new technologies from the Tax Capital Group's tax base, and the duty to reimburse any relief obtained in this manner by increasing the applicable tax base in the event of the dissolution of the Tax Capital Group within three fiscal years following the close of the fiscal year in which the newly acquired technology is entered into the Company's register of tangible, intangible and legal assets. On 20 January 2015 the District Administrative Court dismissed the Company's complaint on formal grounds.

■ Criminal proceedings in which CD PROJEKT S.A. is recognized as the victim

Case against Michał Lorenc, Piotr Lewandowski and Michał Dębski

On 27 April 2009 the District Attorney's Office filed an indictment in the District Court for the City of Warsaw against Michał Lorenc, Piotr Lewandowski and Michał Dębski charged with violating sections 296 §1, 296 §3 and others of the Penal Code. The corresponding neutral citation number is XVIII K 126/09. The Company is acting as an auxiliary prosecutor. As of the date of preparation of this statement a number of hearings have been held, the defendants and a majority of witnesses have testified and partial testimony has been obtained from the expert witness.

In the course of the above-mentioned proceedings the Company filed a claim for total damages in the amount of 4 397 thousand PLN.

XI. Information concerning audits of financial statements

On 6 May 2014 the Supervisory Board of the Company selected PKF Consult sp. z o.o. as the licensed auditor responsible for performing audits of the semiannual and annual consolidated financial statements of the Company and its Capital Group for 2014. The corresponding agreement was signed on 1 July 2014.

The GOG Ltd. financial statement was audited by MGI Gregoriou & CO Ltd.

Detailed information regarding the compensation of licensed auditors charged with performing audits of the Company's financial statement for 2014 can be found in the Consolidated Financial Statement of the CD PROJEKT Capital Group for the period

between 1 January and 31 December 2014 (see note 60: Disclosure of transactions with entities charged with performing audits of financial statements).

Signatures attached to the Management Board report on CD PROJEKT Capital Group activities

Warsaw, 19 March 2015

Adam Kiciński
President of the Board

Marcin Iwiński
Board Member

Piotr Nielubowicz
Board Member

Adam Badowski
Board Member

Michał Nowakowski
Board Member



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