CONSOLIDATED FINANCIAL STATEMENT OF CD PROJEKT CAPITAL GROUP FOR THE FISCAL YEAR 2013

This English language translation has been prepared solely for the convenience of English speaking readers. Despite all the efforts devoted to this translation, certain discrepancies, omissions or approximations may exist. In case of any differences between the Polish and the English versions, the Polish version shall prevail. CD PROJEKT, its representatives and employees decline all responsibility in this regard.

1 General Information

I. Parent entity

Name:	CD PROJEKT S.A.
Legal status:	Joint-stock company
Headquarters:	Jagiellońska 74, 03-301 Warsaw
Country of registration:	Poland
Principal scope of activity:	CD PROJEKT S.A. is the holding company of the CD PROJEKT Capital Group which focuses on videogame development as well as videogame and motion picture distribution
Keeper of records:	District Court for the City of Warsaw in Warsaw – Poland; 13th Commercial Department of the National Court Register (Sąd Rejonowy dla m.st. Warszawy w Warszawie, XIII Wydział Gospodarczy Krajowego Rejestru Sądowego)
Statistical Identification Number (REGON):	492707333

II. Duration of the Capital Group

The duration of the parent entity CD PROJEKT S.A. and all remaining members of the Capital Group is indefinite.

III. Reporting period

The consolidated financial statement covers the period between 1 January and 31 December 2013 inclusive. Comparative data is valid for 31 December 2012 in the consolidated statement of financial position and for the period between 1 January 2012 and 31 December 2012 in the consolidated profit and loss account, consolidated statement of comprehensive income, consolidated statement of cash flows and statement of changes in consolidated equity.

IV. Composition of the governing bodies of the parent entity as of 31 December 2013

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

In Current Report No. 12/2013 of 7 May 2013 the parent entity disclosed that, as a result of a meeting held on 7 May 2013 in conjunction with the expiration of the term of the Management Board which occurred on the day the Company’s Consolidated Financial Statement for the year 2012 was approved by the Ordinary General Meeting of Shareholders, the Supervisory Board decided to reappoint existing members of the Management Board to the following positions:

- Mr. Adam Kiciński – as President of the Board,
- Mr. Marcin Iwiński – as Vice President of the Board in charge of international affairs,
- Mr. Piotr Nielubowicz – as Vice President of the Board in charge of financial affairs,

(all amounts listed in PLN thousands unless otherwise stated)

- Mr. Adam Badowski – as Board Member,
- Mr. Michał Nowakowski – as Board Member.

The current term of the Management Board began on the day the Company's Consolidated Financial Statement for the year 2012 was approved by the Ordinary General Meeting of Shareholders, i.e. on 7 May 2013, and will expire on the day the Company's Consolidated Financial Statement for the year 2013 is approved by the Ordinary General Meeting of Shareholders.

Supervisory Board

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

Changes in Supervisory Board Composition

As disclosed in Current Report No. 10/2013 of 7 May 2013, following expiration of the Supervisory Board's term the Ordinary General Meeting of Shareholders decided to grant a vote of acceptance to all Supervisory Board members on account of the performance of their duties, and to reappoint them to another two-year term which will expire on the day the Company's Consolidated Financial Statement for the year 2014 is approved by the Ordinary General Meeting of Shareholders.

No personal changes in the composition of the Supervisory Board occurred in the reporting period although the responsibilities of Mr. Piotr Pągowski and Mr. Cezary Iwański have changed as follows: Mr. Piotr Pągowski, former Deputy Chairman of the Board, was reappointed as Board Member while Mr. Cezary Iwański, former Board Member, was reappointed as Deputy Chairman of the Board.

V. Licensed auditors

PKF Consult Sp. z o.o.

Orzycka 6/1B

02-695 Warsaw

In Current Report No. 13/2013 of 17 May 2013 the Management Board of CD PROJEKT S.A. disclosed that in accordance with the applicable legislation and the professional code of conduct the responsible body, i.e. the Supervisory Board, selected a licensed auditor to perform an audit of individual and consolidated financial statements of CD PROJEKT S.A. for the year 2013. The entity selected for this purpose is PKF Audyt Sp. z o.o. (currently using the name PKF Consult Sp. z o.o.), headquartered in Warsaw.

VI. Regulated market listing

General information

Stock exchange	Warsaw Stock Exchange (Giełda Papierów Wartościowych w Warszawie S.A.) Książęca 4 Street 00-498 Warsaw – Poland
Ticker symbol	CDR
Sector	IT

(all amounts listed in PLN thousands unless otherwise stated)

Depository and settlement system

National Depository for Securities (Krajowy Depozyt Papierów Wartościowych S.A.; KDPW)	National Deposit for Securities (Krajowy Depozyt Papierów Wartościowych S.A.; KDPW) Książęca 4 00-498 Warsaw – Poland

Investor relations

Investor relations	gielda@cdprojekt.com

VII. Shareholders who control, directly or through subsidiaries, 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 statement

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 statement 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
In concert(1)	33 997 794	35.81%	33 997 794	35.81%
Marcin Iwiński	*12 607 501*	*13.28%*	*12 607 501*	*13.28%*
Michał Kiciński	*12 282 615*	*12.94%*	*12 282 615*	*12.94%*
Piotr Nielubowicz	*5 985 197*	*6.30%*	*5 985 197*	*6.30%*
Adam Kiciński	*3 122 481*	*3.29%*	*3 122 481*	*3.29%*
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%
Other shareholders	42 008 487	44.24%	42 008 487	44.24%

(1) Pursuant to art. 87 par. 1 item 5 of the Offerings Act, Mr. Michał Kiciński, Mr. Marcin Iwiński, Mr. Piotr Nielubowicz and Mr. Adam Kiciński are recognized as acting in concert.
(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.

Changes in shareholder structure of the parent entity

In Current Report No. 17/2013 of 29 May 2013 the Management Board of CD PROJEKT S.A. disclosed that on 29 May 2013 it had received notice from Mr. Piotr Nielubowicz, acting on his own behalf as well as on behalf of Mr. Michał Kiciński, Mr. Marcin Iwiński and Mr. Adam Kiciński who are jointly recognized as shareholders acting in concert, of a set of stock sale transactions effected on 28 May 2013 by Mr. Michał Kiciński and Mr. Marcin Iwiński:

- In a set of transactions carried out on 28 May 2013 Mr. Michał Kiciński sold 2,750,000 Company shares,
- In a set of transactions carried out on 28 May 2013 Mr. Marcin Iwiński sold 1,900,000 Company shares.

(all amounts listed in PLN thousands unless otherwise stated)

In Current Report No. 20/2013 of 11 September 2013 the Management Board of CD PROJEKT S.A. disclosed that on 11 September 2013 it had received notice from Amplico PTE S.A. stating that as a result of stock purchase transactions two retirement funds controlled by Amplico PTE S.A., namely AMPLICO Otwarty Fundusz Emerytalny and Metlife Amplico Dobrowolny Fundusz Emerytalny, jointly increased their share in the total number of votes at the General Meeting of Shareholders of CD PROJEKT S.A. to more than 5%.

VIII. Changes in stock ownership by members of the Management Board and the Supervisory Board of the parent entity throughout 2013 and up until the publication date of this statement

Changes in stock ownership by members of the Management Board

	as of 31 Dec 2013	reduction	increase	as of 01 Jan 2013
Marcin Iwiński	*12 607 501*	*1 900 000*	-	*14 507 501*
Piotr Nielubowicz	*5 985 197*	-	-	*5 985 197*
Adam Kiciński	*3 122 481*	-	-	*3 122 481*
Michał Nowakowski	*1 149*	-	-	*1 149*
Adam Badowski	-	-	-	-

	as of 18 Mar 2014	reduction	increase	as of 01 Jan 2013
Marcin Iwiński	*12 607 501*	*1 900 000*	-	*14 507 501*
Piotr Nielubowicz	*5 985 197*	-	-	*5 985 197*
Adam Kiciński	*3 122 481*	-	-	*3 122 481*
Michał Nowakowski	*1 149*	-	-	*1 149*
Adam Badowski	-	-	-	-

In Current Report No. 16/2013 of 29 May 2013 the Management Board of CD PROJEKT S.A. that on 29 May 2013 it had been notified of a sale of Company stock carried out by a party with access to confidential information, namely Mr. Marcin Iwiński (member of the Management Board), as a result of which 1,900,000 shares of CD PROJEKT S.A. stock were sold on the regulated market of the Warsaw Stock Exchange on 28 May 2013 at an average price of 8.60 PLN per share.

Changes in stock ownership by members of the Supervisory Board

	as of 31 Dec 2013	reduction	increase	as of 01 Jan 2013
Katarzyna Szwarc	*10*	-	-	*10*
Cezary Iwański	-	-	-	-
Grzegorz Kujawski	-	-	-	-
Maciej Majewski	-	-	-	-
Piotr Pągowski	-	-	-	-

	as of 18 Mar 2014	reduction	increase	as of 01 Jan 2013

(all amounts listed in PLN thousands unless otherwise stated)

Katarzyna Szwarc	*10*	-	-	*10*
Cezary Iwański	-	-	-	-
Grzegorz Kujawski	-	-	-	-
Maciej Majewski	-	-	-	-
Piotr Pągowski	-	-	-	-

IX. Subsidiaries – structure of the Capital Group

In Current Report No. 2/2013 the Management Board of CD PROJEKT S.A. disclosed that on 15 January 2013, it had received a notice issued on 14 January 2013 by the District Court for the City of Warsaw, 13th Commercial Department of the National Court Register, certifying the change in status of one of the subsidiaries of CD PROJEKT S.A. by changing its name from Porting House Sp. z o.o. to GOG Poland Sp. z o.o.

This change is associated with unification of the Issuer's Capital Group members' names and reflects the scope of activities of the subsidiary in support of the dynamically expanding GOG.com platform, itself managed by another subsidiary of the Issuer's Capital Group, namely GOG Ltd.

The Group has ceased to report Optibox Sp. z o.o. in liquidation bankruptcy as a subsidiary due to lack of control.

Brand Projekt Sp. z o.o. was entered in the National Court Register on 22 July 2013.

X. Validation of published estimates

The Group did not publish any estimates referring to the reporting period.

XI. Financial highlights

The official PLN/EUR exchange rates published by the National Bank of Poland and valid for the reporting period are as follows:

Reporting period	Average rate *	Minimum rate	Peak rate	Rate as of the final day of the reporting period
01 Jan 2013 - 31 Dec 2013	*4.2110*	*4.0671*	*4.3432*	*4.1472*
01 Dec 2012 - 31 Dec 2012	*4.1736*	*4.0465*	*4.5135*	*4.0882*

** Average value of exchange rates on the final day of each month belonging to the reporting period.*

Selected items from the consolidated statement of financial position, consolidated profit and loss account and consolidated statement of cash flows for the reporting period, as well as the corresponding comparative data have been converted into EUR.

(all amounts listed in PLN thousands unless otherwise stated)

Assets and liabilities listed in the consolidated statement of financial position were converted into EUR by applying the exchange rate for the final day of the reporting period, as published by the National Bank of Poland.

Assets and liabilities listed in the consolidated profit and loss account and consolidated statement of cash flows were converted into EUR by applying the average value of exchange rates for the final day of each month belonging to the reporting period, as published by NBP.

thousands	PLN		EUR	
	01 Jan 2013 - 31 Dec 2013	01 Jan 2012 - 31 Dec 2012	01 Jan 2013 - 31 Dec 2013	01 Jan 2012 - 31 Dec 2012
Net income from sales of products, goods and materials	*142 172*	*164 040*	*33 762*	*39 304*
Sales costs	*88 827*	*93 264*	*21 094*	*22 346*
Profit (loss) from continuing operations	*14 874*	*28 367*	*3 532*	*6 797*
Gross profit (loss)	*17 190*	*28 287*	*4 082*	*6 778*
Net profit (loss) attributable to equity holders of parent entity	*14 900*	*28 125*	*3 538*	*6 739*
Net cash flows from continuing operations	*22 054*	*26 695*	*5 237*	*6 396*
Net cash flows from investment activities	*(4 127)*	*(125)*	*(980)*	*(30)*
Net cash flows from financial activities	*(5 109)*	*(9 523)*	*(1 213)*	*(2 282)*
Aggregate net cash flows	*12 818*	*17 047*	*3 044*	*4 084*
Stock volume (in thousands)	*94 950*	*94 950*	*94 950*	*94 950*
Net profit (loss) per ordinary share (PLN/EUR)	*0.16*	*0.30*	*0.04*	*0.07*
Diluted profit (loss) per ordinary share (PLN/EUR)	*0.16*	*0.30*	*0.04*	*0.07*
Book value per share (PLN/EUR)	*1.76*	*1.60*	*0.43*	*0.39*
Diluted book value per share (PLN/EUR)	*1.76*	*1.60*	*0.43*	*0.39*
Declared or paid out divident per share (PLN/EUR)	-	-	-	-

thousands	PLN		EUR	
	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012
Total assets	*217 635*	*202 892*	*52 478*	*49 629*
Liabilities and provisions for liabilities (less accrued charges)	*48 680*	*50 486*	*11 738*	*12 349*
Long-term liabilities	*5 276*	*7 604*	*1 272*	*1 860*
Short-term liabilities	*44 991*	*43 758*	*10 849*	*10 703*
Equity	*167 368*	*151 530*	*40 357*	*37 065*
Share capital	*94 950*	*94 950*	*22 895*	*23 225*

XII. Statement of the Management Board of the parent entity

Pursuant to the directive of the Finance Minister of 19 February 2009 regarding the publication of periodic and current reports by issuers of securities, the Management Board of the parent entity hereby states that, to the best of its knowledge, this consolidated financial statement and comparative data contained herein have been prepared in accordance with all accounting regulations applicable to the CD PROJEKT Capital Group and that they constitute a true, unbiased and clear description of the finances and assets of the Capital Group as well as its current profit and los s balance.

This consolidated financial statement has been prepared in accordance with accounting practices consistent with the International Financial Reporting Standards as legislated by the European Union. Where such practices are not applicable the statement conforms to the Accounting Act of 29 September 1994 (Journal of Laws of the Republic of Poland, 2013, item no. 330 with subsequent changes) and to any secondary legislation based on said Act, as well as to the directive of the Finance Minister of 19 February 2009 regarding the publication of periodic and current reports by issuers of securities (Journal of Laws of the Republic of Poland, No. 33, item no. 259).

XIII. Approval of financial statement

This consolidated financial statement of the CD PROJEKT Capital Group was approved for publication by the Management Board of the parent entity on 18 March 2014.

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Consolidated Financial Statement of the CD PROJEKT Capital Group

I. Consolidated Profit and Loss Account

PLN thousands	Note	01 Jan 2013 - 31 Dec 2013	01 Jan 2012 - 31 Dec 2012
Sales revenues	**1,2**	**142 172**	**164 040**
Revenues from sales of products	-	*21 989*	*41 641*
Revenues from sales of services	-	*62 220*	*46 756*
Revenues from sales of goods and materials	-	*57 963*	*75 643*
Cost of products, goods and materials sold	**3**	**88 827**	**93 264**
Cost of products and services sold	-	*46 029*	*40 954*
Value of goods and materials sold	-	*42 798*	*52 310*
Gross profit (loss) from sales	**-**	**53 345**	**70 776**
Other operating revenues	*4*	*3 420*	*3 056*
Selling costs	*3*	*22 377*	*21 597*
General and administrative costs	*3*	*12 856*	*13 063*
Other operating expenses	*4*	*6 658*	*10 805*
Operating profit (loss)	**-**	**14 874**	**28 367**
Financial revenues	*5*	*2 995*	*1 887*
Financial expenses	*5*	*679*	*1 967*
Profit (loss) before tax	**-**	**17 190**	**28 287**
Income tax	*6*	*2 339*	*162*
Net profit (loss) from continuing operations	**-**	**14 851**	**28 125**
Net profit (loss)	**-**	**14 851**	**28 125**
Net profit (loss) attributable to minority interests	-	*(49)*	-
Net profit (loss) attributable to equity holders of parent entity	-	*14 900*	*28 125*
Net earnings per share (in PLN)			
Basic for the reporting period	*8*	*0.16*	*0.30*
Diluted for the reporting period	*8*	*0.16*	*0.30*
Net earnings per share from continuing operations (in PLN)			
Basic for the reporting period	*8*	*0.16*	*0.30*
Diluted for the reporting period	*8*	*0.16*	*0.30*

Warsaw, 18 March 2014

Adam Kiciński	Marcin Iwiński	Piotr Nielubowicz	Adam Badowski	Michał Nowakowski	Katarzyna Janaszkiewicz
President of the Board	Vice President of the Board	Vice President of the Board	Board Member	Board Member	Deputy Accounting Officer

II. Consolidated Statement of Comprehensive Income

PLN thousands	Note	01 Jan 2013 - 31 Dec 2013	01 Jan 2012 - 31 Dec 2012
Net profit (loss)	**10**	**14 851**	**28 125**
Other comprehensive income which will be entered as profit (loss) following fulfillment of specific criteria	-	-	-
Exchange rate differences on valuation of foreign entities	-	*47*	*(559)*
Differences from rounding to PLN thousands	-	*(1)*	*1*
Other comprehensive income which will not be entered as profit (loss)	**-**	**-**	**-**
Total comprehensive income	**-**	**14 897**	**27 567**
Total comprehensive income attributable to minority interests	**-**	**(49)**	**-**
Total comprehensive income attributable to equity holders of parent entity	**-**	**14 946**	**27 567**

Warsaw, 18 March 2014

Adam Kiciński	Marcin Iwiński	Piotr Nielubowicz	Adam Badowski	Michał Nowakowski	Katarzyna Janaszkiewicz
President of the Board	Vice President of the Board	Vice President of the Board	Board Member	Board Member	Deputy Accounting Officer

III. Consolidated Statement of Financial Position

PLN thousands	Note	31 Dec 2013	31 Dec 2012
FIXED ASSETS	-	**95 047**	**94 202**
Tangible assets	*12*	*11 187*	*10 755*
Intangible assets	*13*	*36 403*	*34 801*
Goodwill	*14*	*46 417*	*46 417*
Deferred income tax assets	*6*	*755*	*1 980*
Other fixed assets	*18*	*285*	*249*
CURRENT ASSETS	-	**122 588**	**108 690**
Inventories	*22*	*51 966*	*33 367*
Trade receivables	*24*	*17 064*	*31 247*
Current income tax receivables	-	*901*	-
Other receivables	*25*	*3 856*	*4 635*
Other financial assets	-	*805*	*855*
Prepaid expenses	*26*	*8 312*	*11 720*
Cash and cash equivalents	*27*	*39 684*	*26 866*
TOTAL ASSETS	-	**217 635**	**202 892**

PLN thousands	Note	31 Dec 2013	31 Dec 2012
EQUITY	-	**167 368**	**151 530**
Equity attributable to shareholders of the Parent Company	-	**166 500**	***151 530***
Share capital	*28*	*94 950*	*94 950*
Supplementary capital, incl. sales of shares above nominal price	*29*	*112 438*	*105 200*
Other reserve capital	*30*	*989*	*551*
Exchange rate differences	-	*(790)*	*(837)*
Retained earnings	*31*	*(55 987)*	*(76 459)*
Net profit (loss) for the reporting period	-	*14 900*	*28 125*
Minority share capital		***868***	**-**
LONG-TERM LIABILITIES	-	**5 276**	**7 604**
Credits and loans	*33*	-	-
Other financial liabilities	*34,40*	*177*	*235*
Deferred income tax liabilities	*6*	*3 686*	*6 658*
Deferred revenues	*41*	*1 376*	*679*
Provisions for employee benefits and similar liabilities	*42*	*37*	*26*
Other provisions	*43*	-	*6*
SHORT-TERM LIABILITIES	-	**44 991**	**43 758**
Credits and loans	*33*	*21*	*4 745*
Other financial liabilities	*34*	*260*	*277*
Trade liabilities	*36*	*24 738*	*33 930*
Liabilities from current income tax	-	*1 270*	*184*
Other liabilities	*37,38*	*18 218*	*4 020*
Deferred revenues	*41*	*211*	*197*
Provisions for employee benefits and similar liabilities	*42*	*145*	*238*
Other provisions	*43*	*128*	*167*
TOTAL LIABILITIES	-	**217 635**	**202 892**

Warsaw, 18 March 2014

Adam Kiciński	Marcin Iwiński	Piotr Nielubowicz	Adam Badowski	Michał Nowakowski	Katarzyna Janaszkiewicz
President of the Board	Vice President of the Board	Vice President of the Board	Board Member	Board Member	Deputy Accounting Officer

IV. Statement of Changes in Consolidated Equity

PLN thousands	Share capital	Supplementary capital from sales of shares above nominal price	Other reserve capital	Exchange rate differences	Retained earnings	Net profit (loss) for the reporting period	**Equity attributable to shareholders of the Parent Company**	**Minority share capital**	**Total equity**
01 Jan 2013 – 31 Dec 2013									
Equity as of 01 Jan 2013	**94 950**	**105 200**	**551**	**(837)**	**(48 334)**	**-**	**151 530**	**-**	**151 530**
Equity after adjustments	**94 950**	**105 200**	**551**	**(837)**	**(48 334)**	**-**	**151 530**	**-**	**151 530**
Cost of incentive program	*-*	*-*	*438*	*-*	*-*	*-*	*438*	*-*	*438*
Distribution of net profit	*-*	*7 238*	*-*	*-*	*(7 238)*	*-*	*-*	*-*	*-*
Differences from changes in ownership structure of subsidiary stock	*-*	*-*	*-*	*-*	*(414)*	*-*	*(414)*	*917*	*503*
Total comprehensive income	*-*	*-*	*-*	*47*	*(1)*	*14 900*	*14 946*	*(49)*	*14 897*
Equity as of 31 Dec 2013	**94 950**	**112 438**	**989**	**(790)**	**(55 987)**	**14 900**	**166 500**	**868**	**167 368**
01 Jan 2012 – 31 Dec 2012									
Equity as of 01 Jan 2012	**94 950**	**106 705**	**-**	**(278)**	**(77 965)**	**-**	**123 412**	**-**	**123 412**
Equity after adjustments	**94 950**	**106 705**	**-**	**(278)**	**(77 965)**	**-**	**123 412**	**-**	**123 412**
Distribution of net profit	*-*	*(1 506)*	*-*	*-*	*1 506*	*-*	*-*	*-*	*-*
Cost of incentive program	*-*	*-*	*551*	*-*	*-*	*-*	*551*	*-*	*551*
Total comprehensive income	*-*	*1*	*-*	*(559)*	*-*	*28 125*	*27 567*	*-*	*27 567*
Equity as of 31 Dec 2012	**94 950**	**105 200**	**551**	**(837)**	**(76 459)**	**28 125**	**151 530**	**-**	**151 530**

Warsaw, 18 March 2014

Adam Kiciński	Marcin Iwiński	Piotr Nielubowicz	Adam Badowski	Michał Nowakowski	Katarzyna Janaszkiewicz
President of the Board	Vice President of the Board	Vice President of the Board	Board Member	Board Member	Deputy Accounting Officer

V. Consolidated Statement of Cash Flows

PLN thousands	01 Jan 2013 - 31 Dec 2013	01 Jan 2012 - 31 Dec 2012
OPERATING ACTIVIES		
Net profit (loss)	**14 851**	**28 125**
Total adjustments:	**8 096**	**(2 170)**
Depreciation	*3 139*	*2 617*
Interest and profit sharing	*(262)*	*602*
Profit (loss) on investment activities	*(43)*	*(570)*
Change in provisions	*(127)*	*(509)*
Change in inventories	*(18 600)*	*(2 255)*
Change in receivables	*14 264*	*(2 586)*
Change in liabilities excluding credits and loans	*4 990*	*(2 436)*
Change in other assets and liabilities	*4 047*	*2 985*
Other adjustments	*688*	*(18)*
Cash flow from continuing operations	**22 947**	**25 955**
Income tax on profit (loss) before taxation	*2 339*	*162*
Income tax (paid) / reimbursed	*(3 232)*	*578*
A. Net cash flow from operating activities	**22 054**	**26 695**
INVESTMENT ACTIVITIES		
Inflows	**880**	**4 418**
Disposal of intangible and tangible fixed assets	*67*	*206*
Disposal of financial assets	*143*	*3 512*
Other inflows from investment activities	*670*	*700*
Outflows	**5 007**	**4 543**
Purchases of intangible and tangible fixed assets	*4 175*	*4 145*
Other outflows from investment activities	*832*	*398*
B. Net cash flow from investment activities	**(4 127)**	**(125)**
FINANCIAL ACTIVITIES		
Inflows	**71**	**1 674**
Credits and loans	*1*	*1 250*
Other inflows from financial activities	*70*	*424*
Outflows	**5 180**	**11 197**
Repayments of credits and loans	*4 725*	*9 909*
Payments of liabilities under financial lease agreements	*299*	*289*
Interest paid	*156*	*999*
C. Net cash flows from financial activities	**(5 109)**	**(9 523)**
D. Total net cash flow	**12 818**	**17 047**
E. Change in cash and cash equivalents on balance sheet	**12 818**	**17 047**
F. Cash and cash equivalents at beginning of period	**26 866**	**9 819**
G. Cash and cash equivalents at end of period	**39 684**	**26 866**

Warsaw, 18 March 2014

Adam Kiciński	Marcin Iwiński	Piotr Nielubowicz	Adam Badowski	Michał Nowakowski	Katarzyna Janaszkiewicz
President of the Board	Vice President of the Board	Vice President of the Board	Board Member	Board Member	Deputy Accounting Officer

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Clarifications regarding the consolidated financial statement

I. Compliance with International Financial Reporting Standards

This consolidated financial statement has been prepared in accordance with International Financial Reporting Standards (hereafter referred to as "IFRS") and with the IFRS approved by the EU. As of the date of approval of this statement for publication the EU is continuing with its IFRS implementation plan. In the scope of the Group's activity there is no discrepancy between the IFRS already in force and those approved by the EU.

IFRS comprise standards and interpretations endorsed by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC).

II. Assumption of going concern and comparability of financial statements

The consolidated financial statement is prepared under the assumption that the Group and Company intend to continue as a going concern throughout the 12-month period following the end of the reporting period (i.e. 31 December 2013). At the moment of signing this financial statement the Management Board of the parent entity is not aware of any facts or circumstances which would jeopardize the assumption of going concern within said 12-month period, by way of intentional or forced cessation or significant reduction of continuing operations.

As of the day of preparation of this financial statement covering the period between 1 January and 31 December 2013 no events have occurred which should have been reflected in the accounts for that period but have not been reflected therein. Additionally, no important events have occurred in relation to the preceding years.

The following presentation changes have been applied in order to ensure comparability of financial data:

- For the period between 1 January and 31 December 2012 the Group changed the presentation of exchange rate differences in the amount of 2 144 thousand PLN which has been expressed as financial revenues. This change affects presentation of data only and has no bearing on the Company's financial result or equity.
- For the period between 1 January and 31 December 2012 the Group performed a presentation change in the consolidated statement of cash flows: the breakdown of cash flows from continuing operations in the amount of 162 thousand PLN now commences with a line item expressing net profit (loss). Additionally, a separate line item has been added, expressing income tax on profit (loss) before taxation. This change has no bearing on the Company's financial result or equity.
- For the period between 1 January and 31 December 2012 the amount of 3 646 thousand PLN was deducted from the sales costs line item and added to the cost of products, goods and materials sold line item. This change is due to a change in the presentation of costs incurred by GOG Poland Sp. z o.o., a subsidiary of CD PROJEKT S.A., effective since 1 January 2013, and has no bearing on the Company's financial result or equity.
- For the period between 1 January and 31 December 2012 the amount of 42 250 thousand PLN was deducted from the revenues from sales of products line item and added to the revenues from sales of services line item. This change is due to a change in the presentation of revenues obtained by GOG Ltd., a subsidiary of CD PROJEKT S.A. in accordance with the definition of electronic services, and has no bearing on the Company's financial result or equity.
- In order to harmonize the policies of subsidiaries with those of the parent company the following presentation changes were applied in the consolidated statement of cash flows for the period between 1 January and 31 December 2012:
  - deferred income tax in the amount of 1 thousand PLN was deducted from the Income tax paid/reimbursed line item and added to the change in liabilities excluding credits and loans line item,
  - balance changes in provisions in the amount of 86 thousand PLN were deducted from the change in liabilities line item and added to the change in provisions line item.

The above mentioned changes in the consolidated statement of cash flows have no bearing on the Company's financial result or equity.

III. Rules of consolidation

Subsidiaries

Subsidiaries are defined as all companies which fall under the Group's financial and operational control, typically by way of a majority share of votes in their statutory organs. When assessing whether or not the Group controls an entity, the existence and impact of the potential voting rights, which can be exercised or replaced at the given moment, are taken into consideration.

Subsidiaries are subject to full consolidation from the date of acquisition of control by the Group and cease to be reported as such on the day control is lost. Acquisition of subsidiaries by the Group follows acquisition accounting rules. The cost of acquisition is defined as the fair value of all assets, issued securities and liabilities incurred or transferred on the date of acquisition. Identifiable assets and liabilities (including conditional liabilities) acquired as a result of a business combination are estimated on the basis of their fair value on the day of acquisition, regardless of any applicable non controlling interests. Any positive difference between the cost of acquisition and the fair value of the Group's share in the identifiable net assets acquired is interpreted as goodwill. If the cost of acquisition is lower than the fair value of the identifiable net assets acquired, the difference is expressed directly in the profit and loss account.

Differences caused by changes in the ownership structure of subsidiary stock are reflected in the financial result for the preceding years.

Any revenues, expenses, settlements and unrealized gains on transactions between companies belonging to the Group are eliminated in full. Unrealized losses are also eliminated unless the nature of the transaction indicates impairment on any of the transferred assets. Accounting practices in use at subsidiary companies are altered whenever necessary to ensure compliance with accounting practices adopted by the Group.

Entities covered by the consolidated financial statement

This consolidated financial statement for the period ending 31 December 2013 applies to the following Group members:

	capital share	voting share	consolidation method
CD PROJEKT S.A.	parent entity	-	**Full**
cdp.pl Sp. z o.o.	95%	95%	Full
GOG Poland Sp. z o.o.	100%	100%	Full
GOG Ltd.	100%	100%	Full
Brand Projekt Sp. z o.o.	100%	100%	Full

The Group has ceased to report Optibox Sp. z o.o. (in liquidation bankruptcy) as a subsidiary due to loss of control.

IV. Description of applicable accounting practices

Presentation of results by activity segments

The scope of financial information reported in relation to each of the Group's activity segments is determined by IFRS 8. For each segment the result is based on net profit.

Revenues and expenses from continuing operations

Revenues are defined as the gross receipts on any economic benefits from the reported period resulting from (ordinary) economic activities of the Group and leading to an increase in its equity other than from capital increases obtained through shareholder contributions.

(all amounts listed in PLN thousands unless otherwise stated)

Revenues only cover receipts on economic benefits allocated to the Group, whether received or receivable. Revenues from sales are defined as received or receivable payments on sales of material assets and services less the applicable sales and services tax. Revenues are determined on the basis of fair payment, whether received or receivable, adjusted for any trade discounts granted by the Group. Sales revenues are recognized on the date of transfer of the relevant goods and rights of use. Where services are concerned, revenues are valid for the period a given service was performed, depending on the progression of the underlying transaction, i.e. the relationship between the current state of work and the totality of work required to render a given service.

In accordance with the principle of matching revenues and expenses, expenses associated with consumption of materials, goods and finished products are reported in the same period as their corresponding sales revenues.

Revenues and expenses from financial activities

Financial revenues consists mainly of interest on bank deposits of monetary assets, commissions and interest on loans granted, penalty interest on overdue receivables, liabilities, released provisions associated with financial activities, revenues from sales of securities, gains from exchange rate differences, reversal of impairment of investment assets and credit/loan write-offs.

Financial expenses consist mainly of interest on outstanding credits and loans, penalty interest on overdue liabilities, provisions set aside to cover certain or probable losses from financial operations, purchase value of any securities sold, commissions and handling charges, write-downs on interest owed and short-term investment valuations, discounts, exchange rate differences and, in the case of financial lease agreements, any other payments except capital payments.

State subsidies

Subsidies are not recognized until there is a reasonable certainty that a given Group member will fulfill the necessary criteria and receive the subsidy. State subsidies predicated on the condition that the recipient purchases or produces certain fixed assets are recognized in the consolidated statement of financial position in the deferred revenue line item and charged to the financial result systematically throughout the anticipate economic life of such assets.

Current and deferred income tax

The reported revenue is subject to compulsory taxation, whether current or deferred. Current tax is calculated on the basis of taxable income in a given financial year. Tax gain (or loss) differs from net accounting gain (or loss) due to exclusion of taxable deferred revenues and acquisition costs, as well as tax-exempt revenues and expenses. Tax burden is calculated on the basis of tax rates valid for a given financial year. Current tax on items included directly in the equity capital is reported in the equity statement, as opposed to the profit and loss account.

Deferred tax is calculated using the balance sheet method as the amount payable or receivable as a result of the difference between the carrying amount of assets and liabilities and their corresponding tax base amounts.

Deferred income tax liabilities are created for any taxable positive temporary differences. Assets associated with deferred tax are recognized up to the amount of probable reduction in future tax gains by any recognized negative temporary differences. A tax asset or liability is not recognized if the underlying temporary difference is due to goodwill or prior inclusion of another asset or liability in a transaction which does not affect the company’s taxable or accounting revenues.

Deferred income tax liabilities are applied to temporary tax differences resulting from investments in associates and joint ventures unless the Group is capable of controlling the moment of reversal of the temporary difference and the temporary difference is unlikely to reverse in the foreseeable future.

The value of the asset associated with deferred tax is subject to analysis for each balance sheet date. If the expected future tax gains are insufficient to cover the asset or part thereof, it is written off.

Deferred tax is calculated by applying rates which will be in force on the date the corresponding gain is realized or the liability becomes due. Deferred tax is reported in the profit and loss account unless it applies to assets included directly in the equity capital in which case it is also reported in the equity capital.

Value added tax

All revenues, expenses and assets are recorded following deduction of the applicable value added tax, except for:

- cases where value added tax paid when purchasing assets or services cannot be recovered from state institutions in which case it is reported as part of the purchase cost of a given asset or as an expense;
- receivables and liabilities reported as inclusive of value added tax.

The net amount of value added tax recoverable from or payable to tax authorities is reported in the statement as part of the Group's receivables or liabilities.

Tangible assets

Tangible assets are recognized on the basis of their cost (purchase price or production cost) following deduction of depreciation and impairment for each reporting period. Borrowing costs associated directly with the purchase or construction of assets which require a long time to become usable or resaleable are added to the cost of construction of such fixed assets up until the beginning of their useful economic life. Revenues from short-term investment of borrowings related to construction of fixed assets is deducted from the borrowing costs following capitalization. Other borrowing costs are reported as expenses in the period during which they were incurred.

Depreciation is calculated for all fixed assets except land holdings and fixed assets being built, throughout their expected useful economic life, using the straight-line method.

Assets held under a financial lease agreement are depreciated throughout their useful economic life in the same way as proprietary assets.

Profits or losses on sales/liquidation or cessation of use of fixed assets are defined as the difference between their sales revenues and net value, and are reported in the profit and loss account.

Intangible assets

Intangible assets are recognized according to their historical cost of purchase or production, following deduction of depreciation and impairment costs. Depreciation is calculated using the straight-line method. Costs of research and development activities are not subject to activation and are reported in the profit and loss account for the period when they were incurred. Costs of development activities can only be capitalized under the following conditions:

- the project is well defined (e.g. development of new software or procedures);
- the asset being built is likely to yield economic benefits;
- project costs can be reliably estimated.

Development costs are depreciated using the straight-line method throughout their expected useful economic life, or reported in proportion to the quantity of products sold.

In this consolidated financial statement the Capital Group considers the CD PROJEKT brand name and The Witcher trademark to be its intangible assets. The value of trademarks is calculated using the relief from royalty method, which is one of the basic valuation methods for trademarks and other intangible assets in the context of business combinations, in line with IFRS 3 *Business combinations*. Trademark valuation is subject to yearly impairment tests.

Goodwill

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 contingent liabilities) of the controlled entity on the date of acquisition.

Goodwill may be created either as a result of acquisition of a corporate entity, or through acquisition of an enterprise, i.e. an organized part of an entity, which is defined as a set of assets and corresponding liabilities (including contingent liabilities).

Combinations between the parent entity and other entities are accounted for using the purchase method according to which the takeover cost, calculated as the fair value of payment incurred for acquiring control over a corporate entity or part thereof (i.e. an enterprise), is allocated to identifiable assets and liabilities (including contingent liabilities) of the entity being acquired. Any surplus resulting from this allocation procedure is assumed to represent goodwill. Any negative difference between the acquisition cost and the Company's share in the net fair value of identifiable assets and liabilities (including contingent liabilities) on the date of acquisition is treated as revenues and duly reported in the profit and loss account as Other operating revenues (disaggregated).

Goodwill may be created through acquisition of a corporate entity via a court-registered merger or by acquisition of capital shares of the subsidiary. In the former case goodwill is reported in the parent company's accounts and its individual financial statement; in the latter case it is reported in the consolidation documents and in the consolidated financial statement of the Capital Group.

Goodwill is also estimated following purchase of shares in a jointly controlled entity or affiliate. If shares in a jointly controlled entity are acquired by applying the proportional consolidation method, goodwill is accounted and reported as for a controlled entity. If shares are acquired by applying the equity method (whether for a jointly controlled entity or affiliate) goodwill assessment follows the same procedure as for a controlled entity, with the exception that the equity method does not permit the acquired goodwill to be reported in the financial statement.

Impairment of non-financial assets

For each balance sheet date Group members perform an inventory of the net value of all their fixed assets in order to determine whether impairment of assets may have occurred.

If asset impairment is suspected the recoverable amount of each asset is calculated to determine the potential write-down. If a given asset does not produce a cash flow that is substantially separate from cash flows produced by other assets, analysis is performed for the whole group of cash producing assets to which the given asset belongs.

For intangible assets with an indefinite useful economic life this impairment test is performed on a yearly basis and, additionally, whenever impairment is suspected.

Recoverable amount is defined as the greater of the following two values: fair value of the asset less the cost of sale, and the asset's value in use. The latter value is defined as the balance of expected future cash flows produced by the asset, discounted using discount rates which acknowledge the market value of the relevant currency and a risk factor specific to the given asset.

If the recoverable amount of a given asset is lower than its net book value, the book value is lowered to match the recoverable amount. The loss resulting from this operation is accounted as cost in the period during which it was incurred, unless the asset had previously been carried at a revalued amount in which case the impairment is reflected by adjusting the revalued amount.

At the moment of reversal of asset impairment the net value of the asset (or group of assets) is increased to match the newly estimated recoverable amount; it cannot, however, exceed the net value of the asset which would have been reported had the impairment not been recognized during previous financial years. Reversal of asset impairment is recognized as revenues unless the asset had previously been carried at a revalued amount in which case the impairment reversal is reflected by adjusting the revaluation capital.

Investment properties

Investment properties are defined as all properties held for the expected revenues from rent, increase in value, or both. As such, cash flows produced by investment properties are largely independent from those produced by other assets belonging to Group members.

Investment properties may be estimated using the fair value or purchase cost method.

Leasing

Lease agreements are considered to be financial in nature if the agreement transfers the totality of potential benefits and risks associated with the lease to the lessee. All other forms of lease agreements are considered operating.

Assets utilized on the basis of financial lease agreements are considered to belong to the relevant Group member and are accounted by their fair value on the date of acquisition. The reported value cannot, however, exceed the current minimum total of lease payments. The lease agreement establishes a liability due to the lessor, which is represented in the account sheet as a financial lease liability. Lease payments are divided into capital and interest payments in such a way that the interest rate for the remaining portion of the liability remains fixed. Financial costs are reported in the profit and loss account. In the context of operating lease agreements, payments are allocated to costs throughout the duration of lease using the straight line method.

Investments in affiliates

Investments in affiliates are accounted on their effective date and at cost, pursuant to IAS 27. Assessment of such investments for a given balance sheet date is performed on the basis of initial cost minus the write-down associated with any permanent impairment of assets.

Financial assets

On initial recognition each member of the Group classifies each of its financial assets as:

- financial assets estimated at fair value through financial result,
- investments held to maturity,
- loans or liabilities,
- saleable financial assets.

Assets are reported in the Group member's balance sheet at the moment the member enters into a binding agreement. On initial recognition each asset is estimated at fair value, which is increased – if the given asset or financial liability is not qualified for estimation at fair value through profit or loss – by the cost of transactions directly attributable to acquisition or issuance of the financial asset or liability.

Financial liabilities

A financial liability is defined as any liability which:

- is associated with a contractual obligation to transfer monetary or other financial assets to another entity, or exchange financial assets or liabilities with another entity under potentially disadvantageous conditions;
- is associated with a contract that will or may be settled in the entity's own equity instruments and is a non-derivative for which the entity is or may be obliged to deliver a variable number of the entity's own equity instruments; or a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments. For this purpose, rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency are equity instruments if the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments.

On initial recognition each member of the Group classifies each of its financial liabilities as:

- financial liabilities estimated at fair value through financial result,
- other financial liabilities.

On initial recognition a financial liability is estimated at fair value, which is increased – if the given liability is not qualified for estimation at fair value through financial result – by the cost of transactions directly related to said liability.

Inventories

The initial value (cost) of an inventory is the sum of all costs (related to purchase, production etc.) incurred in bringing the inventory to its current level and location. The cost of inventories is defined as the original purchase price increased by import duties and other taxes (which cannot be recovered from tax authorities), transport, loading and unloading costs, and any other costs associated with construction of inventories, and reduced by any discounts, rebates and similar deductions. Inventories are valued at initial cost (purchase price or production cost) or at net sale price, whichever is lower. The net sale price is defined as the estimated sale price reduced by any costs involved in finalizing production, facilitating the sale and finding a buyer (this includes sales and marketing expenses, etc.) In relation to inventories cost is always determined on the “first in, first out” (FIFO) basis.

Current production involves development of games. The carrying amount is determined on the basis of all development costs directly attributable to a given project and a justifiable portion of costs not directly attributable to any given project.

At the moment of finalizing development and recognizing costs incurred by a given project said costs are transferred from Ongoing development to Finished products.

In the case of projects for which a reliable estimate of sales revenues can be provided, a coefficient is derived to enable allocation of costs at the moment of sale. This coefficient bases on the total value of expenses for the finished project (reported as Finished products) in relation to the expected sales revenues.

In the case of projects for which no reliable estimate of sales revenues can be provided and no suitable cost allocation coefficient can be derived the revenues and costs are reported 1:1.

Trade and other receivables

Receivables associated with deliveries and services rendered are entered in the accounts at their nominal value, adjusted for write-downs reflecting any doubtful debts.

Accrued and deferred charges

Each member of the Group includes in its statement of deferred and accrued charges any prepayments and charges related in part or in full to subsequent reporting periods.

Deferred charges are recognized by the Group as allocated to future reporting periods, depending on when the relevant revenue is realized.

Claims related to sale of products which have been produced and accounted for in the reporting period but reported following the end of this period (in accordance with contractual obligations) are reported as trade receivables until the relevant invoices have been received.

Accrued charges are charges associated with payment for products or services which have been received or performed, but which have not been paid for, invoiced or formally agreed upon with the supplier.

CDP.pl Sp. z o.o. (formerly CD Projekt Sp. z o.o.) and GOG Ltd. purchase licensing rights which are recognized as deferred revenues. Contractual payments associated with Minimal Guarantees are debited and the corresponding sales costs are credited following commencement of sales.

Licensing allowances (accrued charges) are recognized once Minimal Guarantee thresholds are exceeded. The basis for calculating said allowances is the quantity of products sold or the amount of realized revenues.

Cash and cash equivalents

Cash assets are defined as cash on hand and any deposits payable on demand. Cash equivalents represent highly liquid short-term investments easily exchangeable for a known quantity of cash and subject to low depreciation risk.

Assets held for sale and discontinuing operations

Tangible assets held for sale (as well as net disposal groups) are valued at either their carrying amount or their fair value less the cost of sale, whichever is lower.

Tangible assets and disposal groups are classified as held for sale if their carrying amount is expected to be retrieved by way of sale rather than continued use. This condition is only considered fulfilled if the sale transaction is highly likely to occur and the given asset (or disposal group) is available for immediate sale in its present form. Designating a given asset as held for sale conveys the company management's intention to conclude the sale transaction within one year of such a designation being made.

Equity

Equity is treated in accounting practice with distinction to its type and in accordance with the applicable legal constraints, as well as any statutory requirements and conditions expressed in the contracts to which the Group member is a party.

Share capital is reported at nominal value, in the amount consistent with the parent company's statute and its record in the court register.

Supplementary capital is derived from:

- the positive difference between the issue price of shares and their corresponding nominal value less the cost of issuance. Said costs, incurred while establishing a joint-stock company or increasing its share capital, limit the capital to the excess of issue price over the nominal value of shares;
- profit earned and reported as Other capital contributions.

Provisions for liabilities

Provisions are made whenever a Group member faces a liability (whether legal or customary) resulting from past events, it is likely that discharging said liability will reduce the Group member's economic advantage and the liability can be reliably estimated. No provisions are made for future operating losses.

Restructuring cost allowances are made only when the Group member has revealed a detailed and formalized restructuring plan to all interested parties.

Provisions for expected repair costs of Optimus hardware and hardware components covered by warranties

Warranty repair provisions – services related to warranty repairs of Optimus hardware and hardware components have been subcontracted to an external entity. The allowance covers the entire duration of the service agreement, adequate to the duration of warranties provided.

Provisions for marketing bonuses

CDP.pl Sp. z o.o. has concluded cooperation contracts/agreements with bulk purchasers, i.e. supermarkets and retail chains. Under these agreements allowances for marketing bonuses are allocated on a monthly basis. Provisions are contractually established as a percentage value and typically depend on achieving the predetermined sales threshold. Monthly turnover, treated as the basis for calculating provisions, includes any returns accepted in the month for which provisions are made.

Employee benefits

The costs of short-term employee benefits other than those stemming from termination of employment and equity compensation are recognized as liabilities following adjustment for any payments already made and, at the same time, as expenses during the period, unless a given benefit is includable in the cost of construction of an asset. The Group does not provide any employee benefit programs following termination of employment.

On 16 December 2011 the Extraordinary General Meeting of Shareholders of CD Projekt RED S.A. voted to institute an incentive program for personnel viewed as crucially important for the Capital Group as a whole and having a decisive influence upon the development of individual activity branches of the Group. A set of targets were established and the Management Board and Supervisory Board of the Company selected a number of persons who, assuming these profit and marketing goals are met, are rewarded with warrants entitling them to acquire company shares by way of a conditional increase in the Company's equity capital. Details are presented in Current Report No. 73/2011 of 17 December 2011 and further described in Note 47.

Bank credits and loans

Any bank credits on which interest is charged (including overdraft facilities) are recognized in the amount of acquired revenues less the cost of acquisition. Financial costs, including commissions charged upon repayment or waivers, as well as direct costs of obtaining credit are reported in the profit and loss account using the accrual accounting method and included in the book value of the instrument adjusted for any repayments made in the reporting period. Accounting practices related to credits are also applied to loans. Loans granted are estimated at their acquisition cost adjusted by applying the effective interest rate.

Trade and other liabilities

Liabilities pertaining to supplies and services are reported in their nominal amount. Financial liabilities and equity instruments are classified according to their commercial substance which depends on contractual obligations. Equity instruments are defined as contracts granting a share in the Group's equity less any applicable liabilities.

Licenses

The value of acquired licenses is reported on the basis of received invoices as the balance of prepaid expenses, increased by contractual uninvoiced minimum guarantees. The cost of acquired licensing rights is entered in the accounts in proportion to sales volume. Once the balance of prepaid expenses is exceeded, the remaining amount is reported in the trade liabilities line item.

Borrowing costs

Borrowing costs associated with the purchase, construction or creation of a qualifying asset are recognized as a component of its acquisition or construction cost (IAS 23).

Payment of dividends

Dividends are recognized at the moment the Company shareholders become entitled to receive them.

V. Functional currency and presentation currency

Functional currency and presentation currency

All items in the financial statement are expressed in the currency of the primary economic environment in which the Group operates (functional currency). The financial statement is presented in Polish Zlotys (PLN), which is the functional and presentation currency of the Group and the Company.

Transactions and balances

Transactions expressed in foreign currencies are converted to the functional currency according to the exchange rate on the date of the transaction. Exchange rate losses and gains on settlement of transactions and on valuation of assets and liabilities expressed in foreign currencies are reported in the profit and loss statement unless deferred in the equity capital as a cash flow hedges and hedges of net investments.

VI. Important values based on professional judgment and estimates

Professional judgment

In applying accounting practices (policies) to the issues listed below, a key aspect – in addition to accounting estimates – is the professional judgment of Company management.

Classification of lease agreements

Group members classify lease agreements as either operating or financial based on their assessment of the degree to which the risk and benefits from possessing the leased asset accrue to the lessee as opposed to the lessor. This assessment is based on the commercial substance of each agreement.

Uncertainty of estimation

This section presents key assumptions regarding future conditions and other fundamental sources of uncertainty, as of the balance sheet date, which may pose a serious risk of significant adjustments in asset and liability valuation during the coming financial year.

Impairment of assets

Goodwill and trademark value impairment tests require an assessment of the value in use of each cash generating unit to which Group members belong. This assessment is based on a projection of future cash flows generated by individual cash generating units and requires an estimate of the discount rate applied when conducting pending assessment of the value of said flows. The last tests of the CD PROJEKT brand name and the The Witcher trademark were conducted on 31 October 2012. As of 31 December 2012 no circumstances were identified which would suggest impairment of these assets. Asset impairment tests in individual subsidiaries were last conducted on 31 December 2012.

Valuation of provisions

Provisions for employee pensions and the incentive program were estimated on the basis of actuarial gains and losses.

Work in progress

In the case of projects for which a reliable estimate of sales revenues can be provided, a coefficient is derived to enable allocation of costs at the moment of sale. This coefficient bases on the total value of expenses for the finished project (reported as Finished products) in relation to the expected sales revenues.

In the case of projects for which no reliable estimate of sales revenues can be provided and no suitable cost allocation coefficient can be derived the revenues and costs are reported 1:1.

Deferred tax assets

Group members recognize deferred tax assets by anticipating future taxable revenues which may require recognition of such assets. A drop in future economic performance might render such assumptions invalid.

Deferred tax liabilities

In its current financial condition the Group recognizes deferred income tax liabilities by assuming future tax liabilities arising from positive temporary differences, enabling the given liability to be consumed.

Fair value of financial instruments

Financial instruments for which there is no active market are estimated using appropriate methods. In selecting the suitable methods and assumptions each Group member applies its professional judgment.

Depreciation rates

Depreciation rates are determined on the basis of the expected useful economic life of tangible equity assets and intangible assets. Each Group member performs yearly validations of the assumed useful economic life of its assets, based on current estimates.

VII. Changes in accounting practices (policies)

The accounting practices (policies) applied in preparing this consolidated financial statement are consistent with those applied in preparing the consolidated financial statement for the year ending 31 December 2011, with the exception of the presentation-related change described in section 3 part II regarding assumption of going concern and comparability of financial statements.

VIII. New standards awaiting implementation by the Group

Standards and interpretations applicable to yearly reporting period starting on or after 1 January 2014

- IFRS 10 Consolidated financial statements
- IFRS 11 Joint arrangements
- IFRS 12 Disclosure of interests in other entities
- IAS 27 (amended) Separate financial statements
- IAS 28 (amended) Investments in associates and joint ventures
- IAS 32 (amended) Financial instruments: presentation – offsetting financial instruments and liabilities
- Amendments to IFRS 10 Consolidated financial statements, IFRS 12 Disclosure of interests in other entities and IAS 27 Separate financial statements – investment entities
- Amendment to IAS 36 – Impairment of assets – Recoverable amount disclosures for non-financial assets
- Amentment to IAS 39 – Financial instruments: recognition and measurement – Novation of derivatives and continuation of hedge accounting

Standards and interpretations adopted by the IASB but not yet approved by the EU

- IFRS 9 Financial instruments (of 12 November 2009 with subsequent changes to IFRS 9 and IFRS 7 adopted on 16 December 2011).

  The new standard replaces the guidelines contained in IAS 39 Financial Instruments: recognition and measurement with regard to classification and measurement of financial assets. It eliminates the distinction between assets held to maturity, assets held for sale and loans/payables, as listed in IAS 39. On initial recognition financial assets are instead grouped into:

  - financial assets masured using the amortised cost method,
  - financial assets measured at fair value.

- A financial asset is measured using the amortised cost method if the following two conditions are fulfilled: the objective of the entity's business model is to hold the financial asset to collect the contractual cash flows (rather than to sell the instrument prior to its contractual maturity to realise its fair value changes), and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

  Gains and losses on financial assets measured at fair value are to be entered into the accounts for the current period unless the investment is not held for trading. IFRS 9 enables financial assets to be measured at fair value on initial recognition and entered into the accounts as Other comprehensive income. This decision is irreversible and can be taken for each asset separately. Assets recognized in this manner cannot be transferred to profit or loss at a later date.

- Changes to IAS 19 Employee benefits – applicable to reporting periods beginning on or after 1 July 2014.

  The proposed change stipulates that contributions from employees or third parties related to a given period of service should be deducted from employment costs and entered into the accounts for that period.

  Other contributions should be attributed to periods of service in the same manner as gross benefits covered by a given program.

- Amendments to IFRS (2010-2012) – procedural changes concerning yearly updates to IFRS standards, applicable to reporting periods beginning on or after 1 July 2014.
- Amendments to IFRS (2011-2013) – procedural changes concerning yearly updates to IFRS standards, applicable to reporting periods beginning on or after 1 July 2014.
- IFRIC 21: Levies (of 20 May 2013) – applicable to reporting periods beginning on or after 1 January 2014.

This interpretation concerns IAS 37 Provisions, contingent liabilities and contingent assets. One of the criteria for recognizing a liability under IAS 37 is the required existence of a pending obligation arising from a past event (referred to as the obligating event).

The interpretation states that in the case of any duties levied by the government the corresponding obligating event is the performance of actions to which such duties are applicable under existing law. This interpretation does not cover penalties arising from unlawful actions or duties regulated by other IFRS/IAS standards (such as IAS 12 Income taxes).

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Additional notes and explanations regarding the consolidated financial statement

Note 1. Sales revenues

Pursuant to IAS 18 income from sales of products, goods and services less the applicable sales and services tax, rebates and discounts, is recognized when the seller has transferred to the buyer the significant risks and rewards of ownership.

PLN thousands	01 Jan 2013 - 31 Dec 2013	01 Jan 2012 - 31 Dec 2012
Continuing operations	***142 172***	***164 040***
Sales of goods and materials	*57 963*	*75 643*
Sales of products	*21 989*	*41 641*
Sales of services	*62 220*	*46 756*
Total sales revenues	***142 172***	***164 040***
Other operating revenues	*3 420*	*3 056*
Financial revenues	*2 995*	*1 887*
Revenues from continuing operations	**148 587**	**168 983**
Revenues from discontinued operations	**-**	**-**
Total revenues	**148 587**	**168 983**

Note 2. Operating segments

Geographical distribution

PLN thousands	Poland	Other countries jointly	UE	USA	Other
01 Jan 2013 - 31 Dec 2013					
Sales to external clients	*62 072*	*80 100*	*25 188*	*43 135*	*11 777*
01 Jan 2012 - 31 Dec 2012					
Sales to external clients	*76 180*	*87 860*	*26 058*	*51 183*	*10 619*

Sales revenues – detailed geographical breakdown

PLN thousands	01 Jan 2013 - 31 Dec 2013		01 Jan 2012 - 31 Dec 2012	
	PLN thousands	percentage	PLN thousands	percentage
Country	**62 072**	**43.7%**	***75 567**	**46.1%**
Exports, including:	**80 100**	**56.3%**	**88 473**	**53.9%**
EU member states	*25 188*	*17.7%*	*26 684*	*16.3%*
Former USSR countries	*828*	*0.6%*	*1 392*	*0.8%*
USA	*43 135*	*30.3%*	*51 183*	*31.2%*
Asia	*2 093*	*1.5%*	*2 277*	*1.4%*
Other	*8 856*	*6.2%*	*6 937*	*4.2%*
Total	**142 172**	**100.0%**	**164 040**	**100.0%**

* the difference in the amount of 768 thousand PLN represents the revenues of GOG Ltd. (incorporated in Cyprus) achieved in Poland

Overview of operations carried out during the 2013 fiscal year

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

- Distribution and publishing in Poland;
- Videogame development;
- Global digital distribution of games;
- Other activities.

Distribution and publishing in Poland – overview

The CD PROJEKT Capital Group is a leading publisher and distributor of PC and console videogames, as well as DVD and Blu-ray motion picture releases, carried out by its cdp.pl Sp z o.o, subsidiary (formerly CD Projekt Sp. z o.o.) In January 2012 it became the exclusive sales representative of Wizard of The Coast, distributing collector's editions of card and board games. Since October 2012 cdp.pl has been operating its proprietary local distribution platform www.cdp.pl, which is available in Polish.

Videogame development – overview

Videogame development is carried out by the CD Projekt RED studio which is a subunit of CD PROJET S.A. This activity comprises creation of videogames and licensing the associated distribution rights, as well as developing and distributing tie-in products based on the Company's brands and trademarks. Videogame development commenced in 2002 when work began on the studio's debut RPG title – The Witcher. This game, based on a series of novels by Andrzej Sapkowski, was released in 2007 and became a resounding global success. In May 2011 the studio released the sequel – The Witcher 2: Assassins of Kings for the PC, followed in April 2012 by The Witcher 2 Extended Edition for Xbox 360 and the PC. Since 2012 both parts of the series (The Witcher and The Witcher 2: Assassings of Kings – Extended Edition) are also available for Apple computers.

The Company continues to distribute its earlier titles – The Witcher and The Witcher 2 – for various hardware platforms, utilizing traditional distribution channels as well as leading digital distribution platforms throughout the world. Taken together, both games have garnered approximately 200 awards and sold over 7 million copies.

The studio is currently working on two triple-A RPG titles: The Witcher 3: Wild Hunt and Cyberpun 2077. Each of these games will be released concurrently for the PC and for the current generation of consoles – Sony PlayStation 4 and Microsoft Xbox One. Since July 2013 the studio has also had a presence in the city of Kraków, where a separate team (based in the Kraków Technology Park) carries out work on the studio's upcoming releases.

Global digital distribution of games – overview

Global digital distribution of games (i.e. distribution of computer games over the Internet to clients from all over the world, facilitating purchase, payment and download to the client's personal computer) is carried out by GOG Ltd., which operates its proprietary digital distribution platform and Web portal named GOG.com.

The platform was launched in September 2008. The initial mission of GOG.com was to revitalize memorable PC cult classics and offer them for sale to clients from all over the world, with particular focus on English-speaking countries, i.e. the United States, Canada, Great Britain, Australia and New Zealand. Since October 2012 GOG.com has also been distributing releases for Apple computers.

Currently the platform carries over 700 titles from over 180 publishers and developers of computer games, including such well-known brands as Electronic Arts, Activision, Ubisoft and Atari-Hasbro.

One of the key aspects of GOG.com's competitive advantage (compared to other independent platforms such as Steam, Gamersgate, Gamestop etc.) is its set of core values. The company has pledged to release all games in a DRM-free model, i.e. with no cumbersome antipiracy measures built in. Products offered through the GOG.com platform are as fully featured as possible and often include bonus content such as soundtracks, maps, wallpapers etc. Finally, games released by GOG Ltd. are guaranteed to be compatible with all popular versions of the MS Windows operating system. The company extends technical support to users who have problems running the purchased games. In its pursuit of client satisfaction in December 2013 the company instituted a groundbreaking returns policy.

The Group also uses the GOG.com platform as a sales channel for its own PC and Apple games: The Witcher and The Witcher 2: Assassins of Kings.

Others

CD PROJEKT S.A. is the proprietor of immovable property located in Nowy Sącz at Nawojowskka 118, which is rented out to local businesses. Additionally, as the holding company of the CD PROJEKT Capital Group it coordinates the activities of the group with a view towards maximizing efficiency and exploiting synergies. In this scope the company offers services to its subsidiaries and facilitates intragroup communication.

A detailed description of activities carried out in each of the Group's activity segments can be found in a separate report by the Management Board of the CD PROJEKT Capital Group covering the period between 1 January and 31 December 2013.

Breakdown of individual operating segments for the period between 01 Jan 2013 and 31 Dec 2013

PLN thousands	Sales revenues	Sales to external clients	Sales between segments and internal turnover	Profit/loss per segment	Total assets per segment
CONTINUING OPERATIONS	**142 172**	**142 172**	**-**	**14 851**	**217 635**
Distribution and publishing in Poland	*61 255*	*61 235*	*20*	*7 255*	*37 904*
Videogame development	*23 579*	*22 286*	*1 293*	*5 096*	*63 473*
Global digital distribution of games	*63 806*	*57 634*	*6 172*	*9 515*	*25 112*
*Other activities**	*6 473*	*1 017*	*5 456*	*13 582*	*130 573*
Consolidation adjustments (incl. adjustments from business combinations)	(12 941)	-	(12 941)	(20 597)	(39 427)
DISCONTINUED OPERATIONS	-	-	-	-	-
TOTAL	**142 172**	**142 172**	**-**	**14 851**	**217 635**

* The *Other activities* segment comprises the individual profit of CD PROJEKT S.A. in the amount of 13,582 thousand PLN representing the activity of its investment branch.

Segmented consolidated statement of financial position as of 31 Dec 2013

PLN thousands	Distribution and publishing in Poland	Videogame development	Global digital distribution of games	Other activities	Consolidation eliminations (incl. adjustments from business combinations)	Total
FIXED ASSETS	**2 451**	**6 161**	**1 237**	**111 767**	**(26 569)**	**95 047**
Tangible fixed assets	*1 059*	*3 114*	*924*	*6 090*		*11 187*
Intangible assets	*872*	*3 017*	*300*	*57 949*	*(25 735)*	*36 403*
Goodwill	-	-	-	-	*46 417*	*46 417*
Investments in subsidiaries	-	-	-	*47 251*	*(47 251)*	-
Deferred income tax assets	*493*	*13*	*13*	*236*	-	*755*
Other fixed assets	*27*	*17*	-	*241*	-	*285*
CURRENT ASSETS	**35 454**	**57 312**	**23 876**	**18 805**	**(12 859)**	**122 588**
Inventories	*7 452*	*44 514*	-	-	-	*51 966*
Trade receivables	*19 117*	*3 487*	*4 547*	*69*	*(10 156)*	*17 064*
Receivables due to current income tax	-	*900*		*1*		*901*
Other receivables	*432*	*3 035*	*174*	*2 918*	*(2 703)*	*3 856*
Other financial assets	-	-	-	*805*	-	*805*
Prepaid expenses	*5 261*	*346*	*2 668*	*37*	-	*8 312*
Cash and cash equivalents	*3 192*	*5 030*	*16 487*	*14 975*	-	*39 684*
TOTAL ASSETS	**37 905**	**63 473**	**25 113**	**130 572**	**(39 428)**	**217 635**

PLN thousands	Distribution and publishing in Poland	Videogame development	Global digital distribution of games	Other activities	Consolidation eliminations (incl. adjustments from business combinations)	Total
EQUITY	**17 369**	**44 883**	**14 243**	**120 060**	**(29 187)**	**167 368**
Equity attributable to shareholders of the parent company	***17 369***	***44 883***	***14 243***	***120 060***	***(30 055)***	***166 500***
Share capital	*10 076*	*7 050*	*86*	*94 955*	*(17 217)*	*94 950*
Supplementary capital from sales of shares above their nominal value	*38*	-	*1 152*	*110 936*	*312*	*112 438*
Other reserve capital	-	-	-	*989*	-	*989*
Exchange rate differences	-	-	*(329)*	-	*(461)*	*(790)*
Retained earnings	-	*32 737*	*3 819*	*(100 402)*	*7 859*	*(55 987)*
Net profit (loss) for the reporting period	*7 255*	*5 096*	*9 515*	*13 582*	*(20 548)*	*14 900*
Noncontrolling interest equity	-	-	-	-	***868***	***868***
LONG-TERM LIABILITIES	**480**	**1 280**	**24**	**874**	**2 618**	**5 276**
Other financial liabilities	*77*	*65*	-	*35*	-	*177*
Deferred income tax liabilities	*41*	*708*	-	*319*	*2 618*	*3 686*
Deferred revenues	*353*	*501*	*19*	*503*	-	*1 376*
Provisions for employee benefits and similar liabilities	*9*	*6*	*5*	*17*	-	*37*
SHORT-TERM LIABILITIES	**20 056**	**17 310**	**10 846**	**9 638**	**(12 859)**	**44 991**
Credits and loans	*19*	-	*1*	*1*	-	*21*
Other financial liabilities	*132*	*69*	-	*59*	-	*260*
Trade liabilities	*16 124*	*963*	*8 512*	*9 295*	*(10 156)*	*24 738*
Liabilities from current income tax	*1 074*	-	*196*	-	-	*1 270*
Other liabilities	*2 597*	*16 180*	*2 063*	*81*	*(2 703)*	*18 218*
Deferred revenues	*87*	*71*	*17*	*36*	-	*211*
Provisions for retirement benefits and similar liabilities	*1*	*20*	*57*	*67*	-	*145*
Other provisions	*22*	*7*	-	*99*	-	*128*

TOTAL LIABILITIES	37 905	63 473	25 113	130 572	(39 428)	217 635

Segmented consolidated profit and loss account for the period between 01 Jan 2013 and 31 Dec 2013

PLN thousands	Distribution and publishing in Poland	Videogame development	Global digital distribution of games	Other activities	Consolidation eliminations (incl. adjustments from business combinations)	Total
Sales revenues	**61 255**	**23 579**	**63 806**	**6 473**	**(12 941)**	**142 172**
Revenues from sales of products	*-*	*23 208*	*-*	*-*	*(1 219)*	*21 989*
Revenues from sales of services	*3 571*	*-*	*63 806*	*6 471*	*(11 628)*	*62 220*
Revenues from sales of goods and materials	*57 684*	*371*	*-*	*2*	*(94)*	*57 963*
Cost of products, goods and materials sold	**43 690**	**6 337**	**45 501**	**654**	**(7 355)**	**88 827**
Cost of products and services sold	*940*	*6 133*	*45 501*	*651*	*(7 196)*	*46 029*
Value of goods and services sold	*42 750*	*204*	*-*	*3*	*(159)*	*42 798*
Gross profit (loss) from sales	**17 565**	**17 242**	**18 305**	**5 819**	**(5 586)**	**53 345**
Other operating revenues	*11 156*	*525*	*64*	*1 085*	*(9 410)*	*3 420*
Selling costs	*11 161*	*6 419*	*4 594*	*1 356*	*(1 153)*	*22 377*
General and adminitrative costs	*3 943*	*6 779*	*1 966*	*4 601*	*(4 433)*	*12 856*
Other operating expenses	*5 748*	*133*	*370*	*635*	*(228)*	*6 658*
Operating profit (loss)	**7 869**	**4 436**	**11 439**	**312**	**(9 182)**	**14 874**
Financial revenues	*1 271*	*2 017*	*156*	*13 868*	*(14 317)*	*2 995*
Financial expenses	*471*	*385*	*623*	*345*	*(1 145)*	*679*
Profit (loss) before taxation	**8 669**	**6 068**	**10 972**	**13 835**	**(22 354)**	**17 190**
Income tax	*1 414*	*972*	*1 457*	*253*	*(1 757)*	*2 339*
Profit (loss) from continuing operations	**7 255**	**5 096**	**9 515**	**13 582**	**(20 597)**	**14 851**
Net profit (loss)	**7 255**	**5 096**	**9 515**	**13 582**	**(20 597)**	**14 851**

Net profit (loss) attributable to noncontrolling interests	-	-	-	-	(49)	(49)
Net profit (loss) attributable to equity holders of the parent entity	7 255	5 096	9 515	13 582	(20 548)	14 900

(all amounts listed in PLN thousands unless otherwise stated)

Description of significant achievements and shortcomings of the Group in the reporting period, and of important events

Important achievements and shortcomings of the Group have been described in the Management Report on the activities of the CD PROJEKT Capital Group for the year 2013.

Description of changes in the differentiation of activity segments, or of the assessment of per-segment profit or loss compared to the previous consolidated financial statement

No changes regarding the presentation of activity segments have occurred in relation to the previous Consolidated Financial Statement of the CD PROJEKT Capital Group for the period 1 January – 31 December 2012.

Key clients

The CD PROJEKT Capital Group cooperates with external customers whose individual share in the Group's consolidated revenue exceeds 10%, as described below.

In the videogame development segment the trade partnership between CD PROJEKT S.A. and one of its clients generated sales revenue in the amount of 17 143 thousand PLN in 2013, which represents 12.06% of the consolidated sales revenue of the CD PROJEKT Capital Group.

In the distribution and publishing activities in Poland segment the trade partnership between cdp.pl Sp. z o.o. and its largest client generated sales revenue in the amount of 15 486 thousand PLN, which represents 10.89% of the consolidated sales revenue of the CD PROJEKT Capital Group.

The above mentioned clients are not affiliated with CD PROJEKT S.A. or its subsidiaries.

In other operating segments no single external entity accounted for more than 10% of the consolidated sales revenue of the CD PROJEKT Capital Group.

Note 3. Operating costs

PLN thousands	01 Jan 2013 - 31 Dec 2013	01 Jan 2012 - 31 Dec 2012
Depreciation	*2 991*	*2 569*
Consumption of materials and energy	*1 373*	*1 140*
External services	*22 486*	*18 104*
Taxes and fees	*516*	*396*
Employee compensation, social security and other benefits	*22 966*	*20 338*
Business travel	*786*	*677*
Other costs, including:	***7 430***	***6 762***
- recruitment costs	*516*	*329*
- participation in fairs, exhibitions and conferences	*1 801*	*679*
- use of company cars	*292*	*415*
- licensing fees	*-*	*32*
- representation and advertising	*4 408*	*4 716*
- provisions for tax non-deductible expenses	*-*	*62*
- insurance	*161*	*314*
- other expenses	*252*	*215*
Changes in inventories	*(23 315)*	*(15 327)*

Value of goods and materials sold	*41 643*	*55 886*
Exchange rate differences from continuing operations	*2 579*	*1 957*
Cost of products and services sold	*44 605*	*35 422*
Total	**124 060**	**127 924**
Selling costs	*22 377*	*21 597*
General and administrative costs	*12 856*	*13 063*
Cost of sales	*88 827*	*93 264*
Total	**124 060**	**127 924**

Note 4. Other operating revenues and expenses

Other operating revenues

PLN thousands	01 Jan 2013 - 31 Dec 2013	01 Jan 2012 - 31 Dec 2012
Elimination of write-downs for receivables	*320*	*90*
Dissolution of provisions for liabilities	*60*	*-*
Subsidies	*252*	*348*
Write-downs on expired liabilities	*1 124*	*93*
Offset on damages, penalties and fines received	*418*	*232*
Reinvoicing revenues	*322*	*392*
Profit from sales of fixed assets	*43*	*43*
Dissolution of provisions for employee benefits	*27*	*11*
Dissolution of unused provisions for expenses	*82*	*1 039*
Dissolution of provisions for marketing bonuses	*207*	*205*
Dissolution of provisions (write-offs on unsettled private contracts)	*1*	*26*
Dissolution of provisions for licenses	*276*	*334*
Other operating revenues, including:	***288***	***243***
- repossession gains received	*9*	*8*
- policies terminated prematurely	*5*	*4*
- goods and materials received free of charge	*58*	*182*
- other sales	*181*	*-*
- other miscalleneous operating revenus	*35*	*49*
Total	**3 420**	**3 056**

Other operating expenses

PLN thousands	01 Jan 2013 - 31 Dec 2013	01 Jan 2012 - 31 Dec 2012
Trade liability revaluations	*25*	*767*
Other liability revaluations	*33*	*12*
Inventory revaluations	*920*	*291*
Inventories written off	*-*	*3*
Write-downs on expired liabilities	*272*	*73*
Enforcement costs associated with liabilities	*2*	*-*
Donations	*347*	*-*
Reinvoicing costs	*269*	*225*
Licenses written off	*1 728*	*4 750*
Unrecoverable withholding tax	*4*	*642*
Other expenses, including:	***3 057***	***4 042***
- court proceedings	*168*	*-*
- withholding tax costs incurred by the Group	*12*	*11*
- lease buyouts	*47*	*37*
- disposal costs of goods and materials	*758*	*570*
- nonculpable shortages in working assets	*1*	*304*
- product adjustments (markdowns)	*2 053*	*3 061*
- other	*18*	*59*
Total	**6 658**	**10 805**

Note 5. Financial revenues and expenses

Financial revenues

PLN thousands	01 Jan 2013 - 31 Dec 2013	01 Jan 2012 - 31 Dec 2012
Revenues from interests:	***306***	***121***
- on bank deposits	*249*	*80*
- on trade receivables	*57*	*41*
Other financial revenues, including:	***2 689***	***1 766***
- gains from exchange rate differences	*1 981*	*1 186*
- revenues from investment fund shares	*18*	*7*
- net revenues from sales of financial assets designated at fair value through financial result	*279*	*570*
- other	*411*	*3*
Total financial revenues	**2 995**	**1 887**

Financial expenses

PLN thousands	01 Jan 2013 - 31 Dec 2013	01 Jan 2012 - 31 Dec 2012
Interest payments:	***217***	***1 107***
- on bank credits	*156*	*465*
- on loans	*-*	*83*
- on trade settlements	*-*	*69*
- on lease agreements	*30*	*53*
- on factoring agreements	*31*	*434*
- other	*-*	*3*
Other financial expenses, including:	***529***	***860***
- bank fees	*515*	*656*
- prolongation fees	*-*	*28*
- interest on liabilities owed to the state	*2*	*8*
- investment revaluations	*3*	*166*
- other	*9*	*2*
Net loss on sales of assets and liabilities designated at fair value through financial result	***(67)***	***-***
Net profit and loss from exchange rate differences associated with financial activities	***-***	***-***
Total financial expenses	679	1 967

Disclosure of revenues, expenses, profits and losses by financial instrument category

PLN thousands	Financial assets designated at fair value through financial result	Loans granted and receivables	Trade and other liabilities*	Total estimation of financial instruments
01 Jan 2013 - 31 Dec 2013				
Revenues/expenses from interest	*18*	*308*	*(187)*	*139*
Revaluation write-downs	*-*	*(58)*	*-*	*(58)*
Release of revaluation write-downs	*-*	*320*	*-*	*320*
Profit (loss) on sales of financial instruments	*212*	*-*	*-*	*212*
Total profit/loss	**230**	**570**	**(187)**	**613**
01 Jan 2012 - 31 Dec 2012				
Revenues/expenses from interest	*7*	*124*	*(1 054)*	*(923)*
Revaluation write-downs	*-*	*(777)*	*-*	*(777)*
Release of revaluation write-downs	*-*	*90*	*-*	*90*
Profit (loss) on sales of financial instruments	*562*	*-*	*-*	*562*
Total profit/loss	**569**	**(563)**	**(1 054)**	**(1 048)**

**including credits and loans*

Note 6. Current and deferred income tax

The main tax burden components for the years ending 31 December 2013 and 31 December 2012 are as follows:

PLN thousands	01 Jan 2013 - 31 Dec 2013	01 Jan 2012 - 31 Dec 2012
Current income tax	**4 089**	**1 737**
For the fiscal year	*5 042*	*1 737*
Adjustments from preceding years	*(953)*	*-*
Deferred income tax	**(1 750)**	**(1 575)**
Due to creation and reversal of temporary differences	*(1 750)*	*(1 575)*
Tax burden reported in profit and loss account	**2 339**	**162**

The deferred tax reported in the profit and loss account is defined as the difference between the value of provisions and assets associated with the deferred tax at the beginning and end of each reporting period.

PLN thousands	01 Jan 2013 - 31 Dec 2013	01 Jan 2012 - 31 Dec 2012
Income before taxation	**17 190**	**28 287**
Revenues from previous years increasing the tax base	*11 896*	*4 969*
Tax-exempt revenues	*7 286*	*23 191*
Expenses from preceding years reducing the tax base	*9 649*	*14 181*
Non-deductible expenses	*10 163*	*8 423*
Cyprus defence tax	*116*	*71*
Taxable income	**22 430**	**4 378**
Deductions from income (incl. losses sustained in preceding years)	*14 264*	*4 132*
Tax base	**8 166**	**246**
Income tax due (assumed rate: 19%)	*1 552*	*47*
Effective tax rate	**13.6%**	**0.6%**

Current income tax is estimated by applying a tax rate of 19% for the reported tax base.

Negative temporary differences requiring recognition of deferred tax assets

PLN thousands	31 Dec 2013	reductions	increases	31 Dec 2012
Provisions for other employee benefits	*125*	*1 257*	*1 248*	*134*
Other provisions	*291*	*475*	*453*	*313*
Tax loss deductible from future income	*-*	*9 182*	*-*	*9 182*
Negative exchange rate differences	*139*	*687*	*716*	*110*
Negative exchange rate differences - GOG Ltd.	*-*	*34*	*-*	*34*
Employee compensation and social security expenses payable in subsequent reporting periods	*62*	*155*	*61*	*156*
Inventory revaluation write-downs	*389*	*16*	*406*	*(1)*
Liability revaluation write-downs	*17*	*-*	*18*	*(1)*
Licenses	*1 326*	*-*	*1 326*	*-*
Provisions for lease expenses	*87*	*9*	*61*	*35*

Deposit discount	*15*	*35*	*8*	*42*
Cash pool interest	*-*	*60*	*55*	*5*
Marketing and other bonuses	*672*	*153*	*825*	*-*
Incentive program	*989*	*264*	*702*	*551*
Reserve and asset offsets	*(139)*	*139*	*125*	*(125)*
Total negative temporary differences	**3 973**	**12 466**	**6 004**	**10 435**
Tax rate (Poland)	*19%*	*19%*	*19%*	*19%*
Tax rate (Cyprus)	*12.5%*	*10%*	*12.5%*	*10%*
Deferred tax assets at end of reporting period	**755**	**2 365**	**1 140**	**1 980**

Positive temporary differences requiring recognition of deferred tax liabilities

PLN thousands	31 Dec 2013	reductions	increases	31 Dec 2012
Positive exchange rate differences	*644*	*853*	*1 276*	*221*
Revaluation of long-term liabilities - interest due	*39*	*-*	*39*	*-*
Income in the current period invoiced in the following period, and sales returns	*3 202*	*18 426*	*9 861*	*11 767*
CD PROJEKT brand name	*414*	*9 182*	*1 683*	*7 913*
The Witcher trademark	*15 104*	*-*	*-*	*15 104*
Cash pool interest	*-*	*55*	*54*	*1*
Other sources	*136*	*743*	*718*	*161*
Reserve and asset offsets	*(139)*	*139*	*125*	*(125)*
Total positive temporary differences	**19 400**	**29 398**	**13 756**	**35 042**
Tax rate (Poland)	*19%*	*19%*	*19%*	*19%*
Tax rate (Cyprus)	*12.5%*	*10%*	*12.5%*	*10%*
Deferred tax liabilities at end of reporting period	**3 686**	**5 586**	**2 614**	**6 658**

Net deferred tax assets/liabilities

PLN thousands	01 Jan 2013 - 31 Dec 2013	01 Jan 2012 - 31 Dec 2012
Deferred tax assets	*755*	*1 980*
Deferred tax liabilities - continuing operations	*3 686*	*6 658*
Net deferred tax assets/liabilities	**(2 931)**	**(4 678)**

Note 7. Discontinuing operations

Not applicable.

Note 8. Earnings per share

PLN thousands	01 Jan 2013 - 31 Dec 2013	01 Jan 2012 - 31 Dec 2012
Net profit from continuing activity	14 900	28 125
Net profit attributable to ordinary equity holders	14 900	28 125
Net profit for the purposes of calculating diluted earnings per share	14 900	28 125

Base earnings per share are calculated by dividing the net profit for the reporting period attributable to ordinary equity holders of the Company by a weighted average of the number of ordinary shares issued valid during the reporting period. Diluted earnings per share are calculated by dividing the net profit for the reporting period attributable to ordinary equity holders of the Company by a weighted average of the number of ordinary shares issued valid during the reporting period (adjusted for the effect of dilutive options and dilutive redeemable preference shares convertible into ordinary shares). The reported of earnings per share are based on the following information:

Number of shares issued

units	01 Jan 2013 - 31 Dec 2013	01 Jan 2012 - 31 Dec 2012
Weighted average number of shares issued for the purposes of calculating base earnings per share (pcs.)	94 950 000	94 950 000
Weighted average number of shares issued for the purposes of calculating diluted earnings per share (pcs.)	94 950 000	94 950 000

Note 9. Dividends proposed or approved by the date of approval of this financial statement

No dividend was paid out to parent entity shareholders during the reporting periods.

Note 10. Disclosure of other components of the reported comprehensive income

PLN thousands	01 Jan 2013 - 31 Dec 2013	01 Jan 2012 - 31 Dec 2012
Net profit (loss)	**14 851**	**28 125**
Exchange rate differences on valuation of foreign entities	*47*	*(559)*
Differences from rounding to PLN thousands	*(1)*	*1*
Total comprehensive income	**14 897**	**27 567**

Note 11. Tax effects of other components of the reported comprehensive income

Not applicable.

Note 12. Tangible fixed assets

Ownership structure of tangible fixed assets

PLN thousands	31 Dec 2013	31 Dec 2012
Wholly owned	*10 494*	*10 139*
Held under a hire purchase, hire or leasing contract	*693*	*616*
Total	**11 187**	**10 755**

Tangible fixed assets whose title is restricted and tangible fixed assets pledged as collateral for liabilities

PLN thousands	31 Dec 2013	31 Dec 2012
Held under a leasing contract	*693*	*616*
Pledged as collateral for credits and loans	*60 000*	*45 000*
Fixed assets subsidized by the EU	*436*	*704*
Value of tangible fixed assets whose title is restricted and tangible fixed assets pledged as collateral for liabilities	**61 129**	**46 320**

Amount of contractual commitments for future acquisition of tangible fixed assets

PLN thousands	31 Dec 2013	31 Dec 2012
Leasing of passenger cars	*575*	*553*
Subsidy - Deployment of integrated ERP software	*1 127*	*1 376*
Total	**1 702**	**1 929**

Changes in fixed assets (by category) between 01 Jan 2013 and 31 Dec 2013

PLN thousands	Land holdings	Buildings and structures	Machinery and equipment	Vehicles	Other fixed assets	Fixed assets under construction	Total
Gross carrying amount as of 01 Jan 2013	**346**	**11 992**	**6 135**	**1 249**	**317**	**362**	**20 401**
Increases from:	**-**	**1 057**	**1 332**	**397**	**38**	**695**	**3 519**
- purchases	-	*254*	*1 328*	*133*	*38*	*695*	*2 448*
- own construction	-	-	*1*	-	-	-	*1*
- leasing agreements	-	-	-	*264*	-	-	*264*
- reclassification	-	*803*	-	-	-	-	*803*
- acquisition free of charge	-	-	*3*	-	-	-	*3*

Reductions from:	**-**	**-**	**939**	**165**	**68**	**926**	**2 098**
- sales	*-*	*-*	*203*	*131*	*18*	*-*	*352*
- liquidation	*-*	*-*	*736*	*-*	*50*	*-*	*786*
- reclassification	*-*	*-*	*-*	*-*	*-*	*926*	*926*
-other	*-*	*-*	*-*	*34*	*-*	*-*	*34*
Gross carrying amount as of 31 Dec 2013	**346**	**13 049**	**6 528**	**1 481**	**287**	**131**	**21 822**
Amortization as of 01 Jan 2013	**-**	**4 438**	**4 387**	**547**	**274**	**-**	**9 646**
Increases from:	**-**	**643**	**1 237**	**211**	**16**	**-**	**2 107**
- amortization	*-*	*643*	*1 237*	*211*	*16*	*-*	*2 107*
Reductions from:	**-**	**-**	**939**	**112**	**67**	**-**	**1 118**
- sales	*-*	*-*	*203*	*107*	*18*	*-*	*328*
- liquidation	*-*	*-*	*736*	*-*	*49*	*-*	*785*
- other	*-*	*-*	*-*	*5*	*-*	*-*	*5*
Amortization as of 31 Dec 2013	**-**	**5 081**	**4 685**	**646**	**223**	**-**	**10 635**
Impairment losses as of 01 Jan 2013	*-*	*-*	*-*	*-*	*-*	*-*	*-*
Impairment losses as of 31 Dec 2013	*-*	*-*	*-*	*-*	*-*	*-*	*-*
Net carrying amount as of 31 Dec 2013	**346**	**7 968**	**1 843**	**835**	**64**	**131**	**11 187**

Changes in fixed assets (by category) between 01 Jan 2012 and 31 Dec 2012

PLN thousands	Land holdings	Buildings and structures	Machinery and equipment	Vehicles	Other fixed assets	Fixed assets under construction	Total
Gross carrying amount as of 01 Jan 2012	**346**	**11 205**	**4 940**	**1 318**	**289**	**484**	**18 582**
Increases from:	**-**	**787**	**1 351**	**500**	**28**	**1 178**	**3 844**
- purchases of fixed assets	*-*	*334*	*1 307*	*107*	*28*	*1 178*	*2 954*
- leasing agreements	*-*	*-*	*-*	*393*	*-*	*-*	*393*
- reclassification	*-*	*453*	*-*	*-*	*-*	*-*	*453*
- acquisition free of charge	*-*	*-*	*44*	*-*	*-*	*-*	*44*
Reductions from:	**-**	**-**	**156**	**569**	**-**	**1 300**	**2 025**
- sales	*-*	*-*	*92*	*327*	*-*	*-*	*419*
- liquidation	*-*	*-*	*63*	*203*	*-*	*-*	*266*
- reclassification	*-*	*-*	*-*	*-*	*-*	*1 300*	*1 300*
- other	*-*	*-*	*1*	*39*	*-*	*-*	*40*
Gross carrying amount as of 31.12.2012	**346**	**11 992**	**6 135**	**1 249**	**317**	**362**	**20 401**
Amortization as of 01.01.2012	**-**	**3 919**	**3 796**	**688**	**255**	**-**	**8 658**
Increases from:	**-**	**519**	**744**	**229**	**19**	**-**	**1 511**
- amortization	*-*	*519*	*744*	*229*	*19*	*-*	*1 511*

Reductions from:	**-**	**-**	**153**	**370**	**-**	**-**	**523**
- liquidation	-	-	*63*	*41*	-	-	*104*
- sales	-	-	*89*	*327*	-	-	*416*
- other	-	-	*1*	*2*	-	-	*3*
Amortization as of 31.12.2012	**-**	**4 438**	**4 387**	**547**	**274**	**-**	**9 646**
Impairment losses as of 01.01.2012	-	-	-	-	-	-	-
Impairment losses as of 31.12.2012	-	-	-	-	-	-	-
Net carrying amount as of 31.12.2012	**346**	**7 554**	**1 748**	**702**	**43**	**362**	**10 755**

Fixed assets under construction

PLN thousands	31 Dec 2013	Expenditures in fiscal year	Cost reclassification	Expenditure settlements	01 Jan 2013
Construction of a motion capture studio; expansion of premises	-	*541*	-	*802*	*261*
Deployment of integrated ERP software	-	*22*	*(121)*	-	*99*
Construction of a recording studio	-	*1*	-	*3*	*2*
Construction of a server room	*131*	*131*	-	-	-
Total	**131**	**695**	**(121)**	**805**	**362**

PLN thousands	31 Dec 2012	Expenditures in fiscal year	Cost reclassification	Expenditure settlements	01 Jan 2012
Construction of a motion capture studio; expansion of premises	*261*	*362*	-	*101*	-
Deployment of integrated ERP software	*99*	*462*	*(847)*	-	*484*
Construction of a recording studio	*2*	*2*	-	-	-
Office	-	*352*	-	*352*	-
Total	**362**	**1 178**	**(847)**	**453**	**484**

Value and area of land holdings in perpetuity

Not applicable.

Leased fixed assets

PLN thousands	31 Dec 2013			31 Dec 2012		
	Gross value	Amortization	Net value	Gross value	Amortization	Net value
Vehicles	*954*	*261*	*693*	*888*	*272*	*616*
Total	**954**	**261**	**693**	**888**	**272**	**616**

Note 13. Intangible assets

Changes in intangible assets between 01 Jan 2013 and 31 Dec 2013

PLN thousands	Trademarks	Patents and licenses	Computer software	Goodwill	Intangible assets under construction	Other	Total
Gross carrying amount as of 01 Jan 2013	**15 155**	**3 240**	**9 664**	**46 417**	**0**	**17 414**	**91 890**
Increases from:	**-**	**528**	**2 968**	**-**	**295**	**49**	**3 840**
- pruchases	*-*	*317*	*1 909*	*-*	*295*	*38*	*2 559*
- reclassification	*-*	*211*	*1 059*	*-*	*-*	*11*	*1 281*
Reductions from:	**50**	**1 114**	**548**	**-**	**-**	**171**	**1 883**
- sales	*50*	*-*	*-*	*-*	*-*	*-*	*50*
- liquidation	*-*	*227*	*446*	*-*	*-*	*-*	*673*
- reclassification	*-*	*887*	*102*	*-*	*-*	*171*	*1 160*
Gross carrying amount as of 31 Dec 2013	**15 105**	**2 654**	**12 084**	**46 417**	**295**	**17 292**	**93 847**
Amortization as of 01 Jan 2013	**51**	**2 472**	**8 058**	**-**	**-**	**91**	**10 672**
Increases from:	**-**	**256**	**1 256**	**-**	**-**	**32**	**1 544**
- amortization	*-*	*158*	*847*	*-*	*-*	*27*	*1 032*
- reclassification	*-*	*98*	*409*	*-*	*-*	*5*	*512*
Reductions from:	**50**	**538**	**544**	**-**	**-**	**57**	**1 189**
- liquidation	*-*	*180*	*446*	*-*	*-*	*-*	*626*
- sales	*50*	*-*	*-*	*-*	*-*	*-*	*50*
- reclassification	*-*	*358*	*98*	*-*	*-*	*57*	*513*
Amortization as of 31 Dec 2013	**1**	**2 190**	**8 770**	**-**	**-**	**66**	**11 027**
Impairment losses as of 01 Jan 2013	-	-	-	-	-	-	-
Impairment losses as of 31 Dec 2013	-	-	-	-	-	-	-
Net carrying amount as of 31 Dec 2013	**15 104**	**464**	**3 314**	**46 417**	**295**	**17 226**	**82 820**

Other intangible assets include the CD PROJEKT brand name valued at 17,095 thousand PLN as well as assets held by individual companies.

In Current Report No. 27/2013 of 30 December 2013 the Management Board disclosed that, according to the agreement concluded on 31 December 2012 between the parent company and its subsidiary – cdp.pl Sp. z o.o. headquartered in Warsaw, the Company purchased the entirety of rights to the CD PROJEKT brand. In line with the seller's statement, on 30 December 2012, following remittance of the second installment of the agreed-upon payment, the parent Company became the sole proprietor of the above mentioned brand name.

Changes in intangible assets between 01 Jan 2012 and 31 Dec 2012

PLN thousands	Trademarks	Patents and licenses	Computer software	Goodwill	Intangible assets under construction	Other	Total
Gross carrying amount as of 01 Jan 2012	**15 155**	**2 401**	**8 954**	**46 417**	**-**	**17 198**	**90 125**
Increases from:	**-**	**868**	**1 319**	**-**	**-**	**216**	**2 403**
- purchases	-	*864*	*472*	-	-	*216*	*1 552*
- reclassification	-	-	*847*	-	-	-	*847*
- other	-	*4*	-	-	-	-	*4*
Reductions from:	**-**	**29**	**609**	**-**	**-**	**-**	**638**
- sales	-	-	*5*	-	-	-	*5*
- liquidation	-	*29*	*600*	-	-	-	*629*
- other	-	-	*4*	-	-	-	*4*
Gross carrying amount as of 31 Dec 2012	**15 155**	**3 240**	**9 664**	**46 417**	**-**	**17 414**	**91 890**
Amortization as of 01 Jan 2012	**51**	**1 893**	**8 194**	**-**	**-**	**62**	**10 200**
Increases from:	**-**	**608**	**472**	**-**	**-**	**29**	**1 109**
- amortization	-	*605*	*472*	-	-	*29*	*1 106*
- other	-	*3*	-	-	-	-	*3*
Reductions from:	**-**	**29**	**608**	**-**	**-**	**-**	**637**
- liquidation	-	*29*	*600*	-	-	-	*629*
- sales	-	-	*5*	-	-	-	*5*
- other	-	-	*3*	-	-	-	*3*
Amortization as of31 Dec 2012	**51**	**2 472**	**8 058**	**-**	**-**	**91**	**10 672**
Impairment losses as of 01 Jan 2012	-	-	-	-	-	-	-
Impairment losses as of 31 Dec 2012	-	-	-	-	-	-	-
Net carrying amount as of 31 Dec 2012	**15 104**	**768**	**1 606**	**46 417**	**-**	**17 323**	**81 218**

Intangible assets – ownership structure

PLN thousands	31 Dec 2013	31 Dec 2012
Wholly owned	*36 403*	*34 801*
Held under a hire purchase, hire or leasing contract	-	-
Total	**36 403**	**34 801**

Amount of contractual commitments for future acquisition of intangible assets

Commitment	31 Dec 2013	31 Dec 2012
Licensing software	*-*	*20*
Total	**-**	**20**

Intangible fixed assets in restricted use

PLN thousands	31 Dec 2013	31 Dec 2012
Software associated with the "Modernization of IT infrastructure" project	*20*	*33*
Total	**20**	**33**

Note 14. Goodwill

Goodwill

PLN thousands	31 Dec 2013	31 Dec 2012
Companies belonging to the CDP Investment group	*46 417*	*46 417*
Total	**46 417**	**46 417**

Goodwill breakdown

PLN thousands	31 Dec 2013	31 Dec 2012
Goodwill from mergers with subsidiaries	*39 147*	*39 147*
Goodwill from consolidation	*7 270*	*7 270*
Net goodwill	**46 417**	**46 417**

Goodwill changes related to consolidation

PLN thousands	01 Jan 2013 - 31 Dec 2013	01 Jan 2012 - 31 Dec 2012
Gross carrying amount at beginning of period	**46 417**	**46 417**
Increases due to acquisition of entities	*-*	*-*
Reductions due to acquisition of entities	*-*	*-*
Gross carrying amount at end of period	**46 417**	**46 417**
Impairment losses	**-**	**-**
Net goodwill	**46 417**	**46 417**

Business combinations

Not applicable.

Note 15. Investment properties

Not applicable.

Note 16. Investments in affiliates

Changes in investments in joint ventures and affiliates

Not applicable.

Note 17. Shares / stock in subsidiaries not subject to consolidation

The parent entity has ceased to report financial data for Optibox Sp. z o.o. in liquidation bankruptcy due to loss of control.

Note 18. Other fixed assets

PLN thousands	31 Dec 2013	31 Dec 2012
Receivables from deposits	*27*	*27*
Other - deposit for lease of premises	*258*	*222*
Total	**285**	**249**

Note 19. Financial assets

Not applicable.

Note 20. Financial assets held for sale

Not applicable.

Note 21. Other financial assets designated at fair value through profit or loss

PLN thousands	31 Dec 2013	31 Dec 2012
Investment fund shares	*805*	*855*

Total	805	855

Note 22. Inventories

PLN thousands	31 Dec 2013	31 Dec 2012
Other materials	*-*	*66*
Semi-finished products and production in progress	*40 415*	*17 213*
Finished products	*4 193*	*9 311*
Goods	*7 749*	*6 781*
Gross inventories	**52 357**	**33 371**
Inventory impairment losses	*391*	*4*
Net inventories	**51 966**	**33 367**

Current production involves development of games. The carrying amount is determined on the basis of all development costs directly attributable to a given project and a justifiable portion of costs not directly attributable to any given project. At the moment of finalizing development and recognizing costs incurred by a given project, said costs are transferred from Ongoing development to Finished products.

Inventories are valuated according to their purchase or creation price which cannot, however, exceed their net realizable value for a given balance sheet date. This realizable value is determined on the basis of sales revenues obtained through continuing operations less the costs of completion and any other costs necessary to facilitate the sale.

The “Goods” category refers to any products manufactured by external entities and held for resale in an unprocessed state. Goods are stored in warehouses belonging to Group members and to external entities. Each Group member maintains a register of the quantity and value of goods. Goods received free of charge are aggregated with other forms of operating revenues.

Changes in inventory revaluation

PLN thousands	Revaluation write-downs on intermediates and ongoing production	Revaluation write-downs on goods	Total revaluation write-downs
As of 01 Jan 2013	-	4	4
Increases from:	**20**	**900**	**920**
impairment losses in correspondence with other operating expenses	*20*	*900*	*920*
Reductions from:	**10**	**523**	**533**
release of of write-downs in correspondence with cost of sales	*10*	*523*	*533*
As of 31 Dec 2013	**10**	**381**	**391**

Inventories pledged as collateral for liabilities

Not applicable.

Note 23. Construction contracts

Not applicable.

Note 24. Trade receivables

PLN thousands	31 Dec 2013	31 Dec 2012
Net trade receivables	**17 064**	**31 247**
- from affiliates	-	-
- from external entities	*17 064*	*31 247*
Impairment lossess	**1 076**	**1 395**
Gross trade receivables	**18 140**	**32 642**

Changes in impairment losses on trade receivables

PLN thousands	01 Jan 2013 - 31 Dec 2013	01 Jan 2012 - 31 Dec 2012
AFFILIATES		
Impairment losses at beginning of period	**116**	**116**
Increases	**-**	**-**
Reductions	**-**	**-**
Impairment losses at end of period	**116**	**116**
EXTERNAL ENTITIES		
Impairment losses at beginning of period	**1 279**	**799**
Increases, including:	**25**	**765**
- Impairment losses on past-due and contested receivables	*25*	*765*
Reductions, including:	**344**	**285**
- dissolution of impairment losses	*34*	*163*
- elimination of impairment losses due to collection of receivables	*46*	*90*
- elimination of impairment losses by write-offs	*264*	*25*
- reclassification	*-*	*7*
Impairment losses at end of period	**960**	**1 279**
Aggregate impairment losses at end of period	**1 076**	**1 395**

Current and past-due trade receivables as of 31 Dec 2013

PLN thousands	Total	Days past due					
		<0	0 - 60	61 - 90	91 - 180	181 - 360	>360
AFFILIATES							
gross receivables	*116*	-	-	-	-	-	*116*
impairment losses	*116*	-	-	-	-	-	*116*
Net receivables	**-**	**-**	**-**	**-**	**-**	**-**	**-**
EXTERNAL ENTITIES							
gross receivables	*18 024*	*14 659*	*1 097*	*262*	*964*	*34*	*1 008*
impairment losses	*960*	-	-	-	-	*5*	*955*
Net receivables	**17 064**	**14 659**	**1 097**	**262**	**964**	**29**	**53**
TOTAL							
gross receivables	*18 140*	*14 659*	*1 097*	*262*	*964*	*34*	*1 124*
impairment losses	*1 076*	-	-	-	-	*5*	*1 071*
Net receivables	**17 064**	**14 659**	**1 097**	**262**	**964**	**29**	**53**

Current and past-due trade receivables as of 31 Dec 2012

PLN thousands	Total	Days past due					
		<0	0 - 60	61 - 90	91 - 180	181 - 360	>360
AFFILIATES							
gross receivables	*116*	-	-	-	-	-	*116*
impairment losses	*116*	-	-	-	-	-	*116*
Net receivables	**-**	**-**	**-**	**-**	**-**	**-**	**-**
EXTERNAL ENTITIES							
gross receivables	*32 526*	*23 958*	*6 738*	*125*	*189*	*772*	*744*
impairment losses	*1 279*	*4*	-	*1*	*13*	*656*	*605*
Net receivables	**31 247**	**23 954**	**6 738**	**124**	**176**	**116**	**139**
TOTAL							
gross receivables	*32 642*	*23 958*	*6 738*	*125*	*189*	*772*	*860*
impairment losses	*1 395*	*4*	-	*1*	*13*	*656*	*721*
Net receivables	**31 247**	**23 954**	**6 738**	**124**	**176**	**116**	**139**

Trade receivables by currency

thousands	31 Dec 2013		31 Dec 2012	
	Currency units	PLN equivalent	Currency units	PLN equivalent
PLN	*12 332*	*12 332*	*25 122*	*25 122*
EUR	*49*	*204*	*115*	*471*
USD	*1 501*	*4 522*	*1 816*	*5 630*
GBP	*1*	*6*	*5*	*24*
Total	**-**	**17 064**	**-**	**31 247**

Trade receivables subject to court proceedings

PLN thousands	31 Dec 2013	31 Dec 2012
Trade receivables subject to court proceedings	*1 365*	*12*
Impairment losses on contested receivables	*8*	*12*
Net trade receivables subject to court proceedings	**1 357**	**-**

Note 25. Other receivables

PLN thousands	31 Dec 2013	31 Dec 2012
Other receivables, including:	***3 856***	***4 635***
- *tax returns except corporation tax*	*3 298*	*3 591*
- *advance payments for supplies*	*46*	*686*
- *deposits*	*6*	*129*
- *advance tax payment (Cyprus)*	*-*	*123*
- *other*	*506*	*106*
Impairment losses	***1 179***	***1 205***
Other gross receivables	**5 035**	**5 840**

PLN thousands	31 Dec 2013	31 Dec 2012
Other receivables, including:	***3 856***	***4 635***
- *from affiliates*	*-*	*-*
- *from external entitites*	*3 856*	*4 635*
Impairment losses	***1 179***	***1 205***
Other gross receivables	**5 035**	**5 840**

Other receivables by currency

thousands	31 Dec 2013		31 Dec 2012	
	Currency units	PLN equivalent	Currency units	PLN equivalent
PLN	*3 840*	*3 840*	*4 158*	*4 158*
EUR	*-*	*-*	*30*	*123*
USD	*5*	*16*	*114*	*354*
GBP	*-*	*-*	*-*	*-*
Total	**-**	**3 856**	**-**	**4 635**

Trade and other receivables from affiliates

PLN thousands	31 Dec 2013	31 Dec 2012
Gross receivables from affiliates	***116***	***116***
- trade receivables	*116*	*116*
- other receivables	*-*	*-*
Write-downs	***116***	***116***
Net receivables from affiliates	**-**	**-**

Note 26. Prepaid expenses

PLN thousands	31 Dec 2013	31 Dec 2012
Non-life insurance	*40*	*43*
Business travel insurance	*12*	*2*
License fees	*7 820*	*11 346*
Online access to legal support portal	*1*	*2*
Civil law transaction tax on capital increases	*-*	*9*
Software, licenses	*44*	*67*
Air travel	*18*	*4*
Other prepaid expenses	*377*	*247*
Total prepaid expenses	**8 312**	**11 720**

Note 27. Cash and cash equivalents

PLN thousands	31 Dec 2013	31 Dec 2012
Cash on hand and bank deposits:	**27 268**	**15 118**
- cash in local currency	*2*	*3*
- current bank accounts	*27 266*	*15 115*
Other cash assets:	**12 416**	**11 748**
- overnight deposits	*8 616*	*11 748*
- short-term deposits (maturity up to 3 months)	*3 800*	*-*
Total	**39 684**	**26 866**

Restricted cash

PLN thousands	31 Dec 2013	31 Dec 2012
Collateral	*-*	*294*
Fiscal pledge on cash assets	*-*	*294*
Cash pool guarantees	*-*	*1 204*
Total	**-**	**1 792**

Cash held by the Group not reported on the balance sheet

PLN thousands	31 Dec 2013	31 Dec 2012
Cash allocated to the Company Social Benefits Fund (ZFŚS)	*46*	*14*
Available, unused portion of operating credit	*30 000*	*18 750*
Available, unused portion of overdraft credit facility	*10 000*	*6 562*
Total	**40 046**	**25 326**

Note 28. Share capital

Share capital structure as of 31 Dec 2013

	Shares issued	Unit value	Nominal value of series/issue	Capital paid up in:
A series bearer shares	*500 000*	*1*	*500 000*	*cash*
B series bearer shares	*2 000 000*	*1*	*2 000 000*	*cash*
C series bearer shares	*6 884 108*	*1*	*6 884 108*	*cash*
C1 series bearer shares	*18 768 216*	*1*	*18 768 216*	*cash*
D series bearer shares	*35 000 000*	*1*	*35 000 000*	*non-cash assets*
E series bearer shares	*6 847 676*	*1*	*6 847 676*	*cash*
F series bearer shares	*3 500 000*	*1*	*3 500 000*	*cash*
G series bearer shares	*887 200*	*1*	*887 200*	*cash*
H series bearer shares	*3 450 000*	*1*	*3 450 000*	*cash*
I series bearer shares	*7 112 800*	*1*	*7 112 800*	*cash*
J series bearer shares	*5 000 000*	*1*	*5 000 000*	*cash*
K series bearer shares	*5 000 000*	*1*	*5 000 000*	*cash*
Total	**94 950 000**	**-**	**94 950 000**	**-**

Shareholder structure as of 31 Dec 2013

Shareholder	Shares held	Percentage share in share capital	Number of votes	Percentage share in total number of votes
Marcin Iwiński	*12 607 501*	*13.28%*	*12 607 501*	*13.28%*
Michał Kiciński	*12 282 615*	*12.94%*	*12 282 615*	*12.94%*
Piotr Nielubowicz	*5 985 197*	*6.30%*	*5 985 197*	*6.30%*
Adam Kiciński	*3 122 481*	*3.29%*	*3 122 481*	*3.29%*
PKO TFI S.A.	9 000 000	9.48%	9 000 000	9.48%
AVIVA OFE	4 940 000	5.20%	4 940 000	5.20%
Amplico PTE S.A.	5 003 719	5.27%	5 003 719	5.27%
Other shareholders	42 008 487	44.24%	42 008 487	44.24%
Total	**94 950 000**	**100%**	**94 950 000**	**100%**

Shareholder structure as determined on the basis of formal notifications from shareholders who control at least 5% of votes at the General Meeting.

Changes in share capital

PLN thousands	01 Jan 2013 - 31 Dec 2013	01 Jan 2012 - 31 Dec 2012
Share capital at beginning of period	**94 950**	**94 950**
Increases from:	**-**	**-**
- issuing shares paid up in cash	-	-
- conversion of loans into shares	-	-
- issuing shares paid up in kind	-	-
Share capital at end of period	**94 950**	**94 950**

Note 29. Changes in share capital from sales of shares above nominal price

PLN thousands	01 Jan 2013 - 31 Dec 2013	01 Jan 2012 - 31 Dec 2012
Capital at beginning of period	**105 200**	**106 705**
Increases from:	***7 238***	***1***
- rounding to PLN thousands	-	*1*
- allocation of net profit	*7 238*	-
Reductions	**-**	**1 506**
- allowance covering losses incurred by the subsidiary in the preceding years	-	*1 506*
Capital at end of period	**112 438**	**105 200**

Note 30. Other forms of reserve capital

PLN thousands	31 Dec 2013	31 Dec 2012
Other forms of reserve capital - incentive program	*989*	*551*
Total	**989**	**551**

Changes in other forms of reserve capital

PLN thousands	Supplementary capital	Revaluation reserves	Reserve capital	Other reserves - incentive program	Total
As of 01 Jan 2013	**-**	**-**	**-**	**551**	**551**
Increases	-	-	-	*702*	*702*
Reductions	-	-	-	*264*	*264*
As of 31 Dec 2013	**-**	**-**	**-**	**989**	**989**
As of 01 Jan 2012	**-**	**-**	**-**	**-**	**-**
Increases	-	-	-	*562*	*562*
Reductions	-	-	-	*11*	*11*
As of 31 Dec 2012	**-**	**-**	**-**	**551**	**551**

Note 31. Retained earnings

PLN thousands	31 Dec 2013	31 Dec 2012
Amount aggregated in the Retained earnings field and not subject to dividend payouts	*(55 987)*	*(76 459)*
Total	**(55 987)**	**(76 459)**

Changes in retained earnings

	31 Dec 2013	31 Dec 2012
At beginning of period	**(76 459)**	**(101 530)**
Increases from:	*28 125*	*25 071*
- allocation of profit from preceding years	*28 125*	*25 071*
Reductions from:	*7 653*	-
- coverage of losses from preceding years	*7 238*	-
- differences from changes in percentage share in subsidiary	*414*	-
- differences from rounding to PLN thousands	*1*	-
At end of period	**(55 987)**	**(76 459)**

Note 32. Non-controlling interest equity

	31 Dec 2013	31 Dec 2012
At beginning of period	-	-
Changes in ownership structure of subsidiaries	*917*	-
Share of subsidiary profit/loss	*(49)*	-
At end of period	**868**	**-**

Note 33. Credits and loans

In Current Report No. 14/2013 of 23 May 2013 the Management Board of the parent company disclosed that on 23 May 2013 it had signed an amendment to the revolving credit agreement with BRE Bank S.A. (currently operating under the name mBank S.A.), headquartered in Warsaw, which had been duly disclosed in Current Report No. 9/2012 of 18 April 2012. According to the amendment the availability of the relevant credit was extended until 30 May 2014 and both parties have agreed to a change in repayment conditions: the existing monthly repayment schedule was replaced with an obligation to fully repay all outstanding credit no later than on 29 May 2015. Finally, following recognition of pending liabilities due to the existing repayment schedule both parties have agreed to reduce the amount of available credit associated with the Agreement to 19,000,000 (nineteen million) PLN.

The remainder of the credit agreement was left unchanged.

In Current Report No. 15/2013 of 23 May 2013 the Management Board of CD PROJEKT S.A. disclosed that on 23 May 2013 the Company had concluded an agreement with BRE Bank S.A. (currently operating under the name mBank S.A.), headquartered in Warsaw. The Agreement concerns a revolving credit facility in an amount not exceeding 11,000,000 PLN granted by the Bank to finance current activities at the Company including the production of games. In the Management Board's view the resources thus obtained will constitute an additional financial buffer facilitating the videogame development process.

According to the Agreement the Company is entitled to make use of the Credit no later than on 29 May 2015. Repayment of each batch should occur within 120 days following its withdrawal but no later than on 28 September 2015.

As the Credit is backed by European Investment Bank funds, the financial resources made available to the Company are subject to a reduced interest rate.

In Current Report No. 19/2013 of 29 August 2013 the Management Board of CD PROJEKT S.A. disclosed that on 28 August 2013 the parent company and its subsidiary cdp.pl Sp. z o.o. concluded an amendment to the overdraft facility credit agreement previously signed with BRE Bank Spółka Akcyjna (currently operating under the name mBank S.A.), headquartered in Warsaw.

According to the amendment both parties agreed to a yearlong prolongation of the overdraft facility in an amount not exceeding 10,000,000 PLN (ten million PLN) on accounts belonging to the Issuer and to CDP.pl Sp. z o.o. at BRE Bank S.A., which is equivalent to the amount of credit granted to both companies by the Bank. The amendment specifies that repayment of any outstanding overdraft should occur no later than on 29 August 2014. In conjunction with this prolongation existing collateral in the form of a contractual assignment of CDP.pl Sp. z o.o. trade receivables from selected business partners to BRE Bank S.A. was replaced with a registered pledge of CDP.pl Sp. z o.o. inventories in an amount not exceeding 15,000,000 PLN (fifteen million PLN). The validity of other forms of collateral associated with this credit agreement was duly extended. The remainder of the credit agreement was left unchanged.

In Current Report No. 21/2013 of 30 September 2013, referring to Current Report No. 108/2010 of 20 December 2010 and to Current Report No. 71/2011 of 1 December 2011, the Management Board of CD PROJEKT S.A. disclosed that the cash pooling agreement between companies belonging to the CD PROJEKT Capital Group and RBS Bank Polska S.A., concluded on 9 July 2008, was dissolved on 30 September 2013.

The reason for the dissolution was that the provider of bank account consolidation services for companies belonging to the Capital Group had changed.

In Current Report No. 22/2013 of 4 October 2013 the Management Board of the parent company disclosed that on 3 October 2013 the Issuer and its subsidiary cdp.pl Sp. z o.o. concluded an amendment to the overdraft facility credit agreement previously signed with BRE Bank Spółka Akcyjna (currently operating under the name mBank S.A.), headquartered in Warsaw.

According to the amendment both parties agreed to strike the provision for collateral in the form of a registered pledge of CDP.pl Sp. z o.o. inventories in an amount not exceeding 15,000,000 PLN (fifteen million PLN) and to replace it with a contractual assignment of CDP.pl Sp. z o.o. trade receivables from selected business partners to BRE Bank S.A. The remainder of the credit agreement was left unchanged.

In Current Report No. 25/2013 of 19 December 2013, referring to Current Report No. 56/2011 of 24 August 2011, the Management Board of the parent company disclosed that on 28 August 2013 the parent company and its subsidiary cdp.pl Sp. z o.o. concluded an amendment to the overdraft facility credit agreement previously signed with BRE Bank Spółka Akcyjna (currently operating under the name mBank S.A.), headquartered in Warsaw.

According to the agreement both sides agreed to a two-year prolongation (until 30 December 2015) of the overdraft facility on accounts belonging to the Issuer and to CDP.pl Sp. z o.o. at mBank S.A. The amendment specifies that repayment of any outstanding overdraft, in an amount not exceeding 10 million PLN, should occur no later than on 31 December 2015. The validity of collateral associated with this credit agreement was duly extended.

The amendment also significantly reduced the associated service charges, including the bank's interest margin and commitment fee.

The remainder of the credit agreement was left unchanged.

In Current Report No. 26/2013 of 19 December 2013 the Management Board of the parent company disclosed that on it had signed an amendment to the revolving credit agreement with BRE Bank S.A. (currently operating under the name mBank S.A.), headquartered in Warsaw, which had been duly disclosed in Current Report No. 9/2012 of 18 April 2012. According to the amendment the availability of the relevant credit was extended until 29 May 2015, while all outstanding credit should be repaid no later than on 31 December 2015. The validity of collateral associated with this credit agreement was duly extended.

The amendment also significantly reduced the associated service charges, including the bank's interest margin and commitment fee.

PLN thousands	31 Dec 2013	31 Dec 2012
Bank credit	*1*	*4 738*
Loans, including:	*20*	*7*
- from the Management Board and the Supervisory Board	*-*	*-*
- company credit cards	*20*	*7*
Total credits and loans, including:	**21**	**4 745**
- long-term credits and loans	*-*	*-*
- short-term credits and loans	*21*	*4 745*

Maturity structure of credits and loans

PLN thousands	31 Dec 2013	31 Dec 2012
Short-term credits and loans	*21*	*4 745*
Long-term credits and loans	*-*	*-*
Total	**21**	**4 745**

Credits and loans as of 31 Dec 2013

Name of bank/lender and type of credit/loan	Contractual credit/loan amount	Amount outstanding	Effective interest rate	Due date	Collateral
mBank S.A. - revolving credit	*19 000*	-	*WIBOR 1M + interest margin (0.65% p.a.)*	*31 Dec 2015*	*1) mortgage on immovable property in Nowy Sącz (Nawojowska 118)* *2) blank promissory note* *3) registered pledge of The Witcher trademark*
mBank S.A. - overdraft facility	*10 000*	-	*WIBOR O/N + interest margin (0.65% p.a.)*	*31 Dec 2015*	*1) blank promissory note* *2) global assignment of cdp.pl receivables to mBank S.A.* *3) contractual joint mortgage on immovable property in Nowy Sącz (Nawojowska 118) belonging to CD PROJEKT S.A.*
mBank S.A. - credit agreement	*11 000*	-	*WIBOR 1M + interest margin (0.65% p.a.)*	*29 May 2015 + 120 days for repayment*	*1) mortgage on immovable property in Nowy Sącz (Nawojowska 118)* *2) blank promissory note* *3) registered pledge of The Witcher trademark*
mBank S.A. - credit cards	-	*20*	-	-	-
Commerzbank - overdraft facility	-	*1*	-	-	-
Total	**-**	**21**	**-**	**-**	**-**

Credits and loans as of 31 Dec 2012

Name of bank/lender and type of credit/loan	Contractual credit/loan amount	Amount outstanding	Effective interest rate	Due date	Collateral
BRE Bank S.A. - operating credit	*20 000*	*1 250*	*WIBOR 1M + interest margin (1.6% p.a.)*	*30 Mar 2015*	*1) blank promissory note* *2) registered pledge of The Witcher trademark* *3) mortgage on immovable property in Nowy Sącz, global assignment of receivables*
BRE Bank S.A. - overdraft facility	*10 000*	*3 438*	*WIBOR ON + interest margin (1%)*	*29 Aug 2013*	*1) blank promissory note* *2) assignment of receivables to BRE Bank* *3) contractual joint mortgage on immovable property in Nowy Sącz (Nawojowska 118)*
RBS Bank (Poland) - cash pool interest	-	*50*	-	*02 Jan 2013*	-
BRE Bank S.A. - company credit cards	-	*7*	-	-	-
Total	**-**	**4 745**	**-**	**-**	**-**

(all amounts listed in PLN thousands unless otherwise stated)

Credits and loans by currency

thousands	31 Dec 2013		31 Dec 2012	
	currency units	PLN equivalent	currency units	PLN equivalent
PLN	*6*	*6*	*4 745*	*4 745*
EUR	*3*	*10*	-	-
USD	*2*	*5*	-	-
Total	**-**	**21**	**-**	**4 745**

Note 34. Other financial liabilities

PLN thousands	31 Dec 2013	31 Dec 2012
Lease liabilities	*437*	*496*
Office space rental deposit	-	*16*
Other	-	-
Total financial liabilities, including:	**437**	**512**
- long-term liabilities	*177*	*235*
- short-term liabilities	*260*	*277*

Lease liabilities

PLN thousands	31 Dec 2013	31 Dec 2012
Short-term lease liabilities	*260*	*261*
Long-term lease liabilities, including:	*177*	*235*
- between 1 and 5 years	*177*	*235*
Total	**437**	**496**

Note 35. Other long-term liabilities

Not applicable.

Note 36. Trade liabilities

PLN thousands	31 Dec 2013	31 Dec 2012
Trade liabilities	**24 738**	**33 930**
payable to affiliates	*20*	*20*
payable to external entities	*24 718*	*33 910*

Trade liabilities past due

PLN thousands	Total	Days past due					
		<0	0 - 60	61 - 90	91 - 180	181 - 360	>360
As of 31 Dec 2013	**24 738**	**22 630**	**1 401**	**17**	**88**	**162**	**440**
payable to affiliates	*20*	-	-	-	-	-	*20*
payable to external entities	*24 718*	*22 630*	*1 401*	*17*	*88*	*162*	*420*
As of 31 Dec 2012	**33 930**	**20 827**	**10 438**	**1 158**	**87**	**43**	**1 377**
payable to affiliates	*20*	-	-	-	-	-	*20*
payable to external entities	*33 910*	*20 827*	*10 438*	*1 158*	*87*	*43*	*1 357*

Trade liabilities by currency

thousands	31 Dec 2013		31 Dec 2012	
	currency units	PLN equivalent	currency units	PLN equivalent
PLN	*10 910*	*10 910*	*19 783*	*19 783*
EUR	*1 270*	*5 267*	*1 008*	*4 121*
USD	*2 768*	*8 337*	*3 231*	*10 014*
GBP	*45*	*224*	*2*	*12*
Total	-	**24 738**	-	**33 930**

Note 37. Other liabilities

PLN thousands	31 Dec 2013	31 Dec 2012
Liabilities from other taxes, duties, social security payments and others, except corporation tax	***2 290***	***3 601***
Value added tax	*1 589*	*3 072*
Flat-rate withholding tax	*132*	*125*
Personal income tax	*293*	*197*
Social security (ZUS) payments	*265*	*202*
National Disabled Persons Rehabilitation Fund (PFRON) payments	*10*	*5*
Settlements due to PIT-8A	*5*	-
Other	*(4)*	-

Other liabilities	**15 585**	**248**
Employee compensation liabilities	*2*	*239*
Other employee-related liabilities	*-*	*4*
Other liabilities due to Management Board members	*5*	*5*
Other liabilities associated with the Company Social Benefits Fund (ZFŚS)	*(8)*	*-*
Advances for deliveries	*15 586*	*-*
Accrued charges	***343***	***171***
Total other liabilities	**18 218**	**4 020**

Other short-term liabilities past due

PLN thousands	Total	Days past due					
		<0	0 - 60	61 - 90	91 - 180	181 - 360	>360
As of 31 Dec 2013	**18 218**	**18 217**	**-**	**-**	**-**	**-**	**1**
payable to affiliates	*5*	*5*	*-*	*-*	*-*	*-*	*-*
payable to external entities	*18 213*	*18 212*	*-*	*-*	*-*	*-*	*1*
As of 31 Dec 2012	**4 020**	**2 320**	**1 699**	**-**	**-**	**-**	**1**
payable to affiliates	*5*	*5*	*-*	*-*	*-*	*-*	*-*
payable to external entities	*4 015*	*2 315*	*1 699*	*-*	*-*	*-*	*1*

Other short-term liabilities by currency

thousands	31 Dec 2013		31 Dec 2012	
	currency units	PLN equivalent	currency units	PLN equivalent
PLN	*1 063*	*1 063*	*2 321*	*2 321*
EUR	*2 284*	*9 473*	*416*	*1 699*
USD	*2 550*	*7 682*	*-*	*-*
Total	**-**	**18 218**	**-**	**4 020**

Note 38. Internal Social Benefits Fund (ZFŚS): assets and liabilities

PLN thousands	31 Dec 2013	31 Dec 2012
Cash assets	*46*	*14*
Liabilities associated with the Internal Social Benefits Fund (ZFŚS)	*28*	*17*
Adjusted balance	**18**	**(3)**
Deduction for the Internal Social Benefits Fund (ZFŚS) in the financial year	**113**	**122**

Note 39. Conditional liabilities

Conditional liabilities from operating lease agreements

Not applicable.

Promissory note liabilities from loans received

Not applicable.

Conditional liabilities from guarantees and collateral pledged

thousands	pledged in association with	currency	31 Dec 2013	31 Dec 2012
Agora S.A.				
Promissory note payable	*Collateral for distribution agreement*	*PLN*	-	*6 332*
Promissory note payable	*Collateral for licensing agreement*	*PLN*	-	*6 070*
Promissory note endorsement	*Guarantee of execution of licensing and distribution agreements*	*PLN*	-	*6 332*
Declaration of submission to enforcement with respect to guaranteed execution of distribution agreement	*Collateral for distribution agreement*	*PLN*	-	*6 332*
Guarantee of discharge of liabilities resulting from licensing agreement	*Guarantee of discharge of liabilities resulting from licensing agreement*	*PLN*	-	*6 070*
mBank S.A.				
Promissory note agreement	*Credit agreement*	*PLN*	*16 500*	-
Promissory note agreement	*Credit agreement*	*PLN*	*30 000*	*30 000*
Promissory note agreement	*Credit agreement*	*PLN*	*15 000*	*15 000*
Promissory note endorsement	*Collateral for credit*	*PLN*	*61 500*	*45 000*
Declaration of submission to enforcement	*Collateral for credit*	*PLN*	*61 500*	*45 000*
Contractual mortgage on immovable property	*Collateral for credit*	*PLN*	*60 000*	*45 000*
Contractual assignment of receivables	*Collateral for credit*	*PLN*	*5 000*	*5 000*
Registered pledge of The Witcher trademark	*Collateral for credit*	*PLN*	*45 000*	*30 000*
Promissory note agreement	*Collateral for bank payment guarantee no. 02099ZPA12*	*PLN*	-	*6 600*
Promissory note agreement	*Collateral for bank payment guarantee no. 02035KPA13*	*PLN*	*6 600*	-
Declaration of submission to enforcement	*Collateral for bank payment guarantee no. 02035KPA13*	*PLN*	*6 600*	-
Declaration of submission to enforcement	*Credit limit agreement no. 02/447/11/L/UR*	*PLN*	*1 100*	-

(all amounts listed in PLN thousands unless otherwise stated)

mLeasing Sp. z o.o.				
Promissory note agreement	*Lease agreement no. Optimus1/WA/123286/2011*	*PLN*	*150*	*150*
Promissory note agreement	*Lease agreement no. Optimus1/WA/135724/2012*	*PLN*	*141*	*141*
Promissory note agreement	*Lease agreement no. CDPROJEKT/WA/20832/2011*	*PLN*	*90*	*90*
Promissory note agreement	*Lease agreement no. CDPROJEKT/WA/123240/2011*	*PLN*	*54*	*54*
Promissory note agreement	*Lease agreement no. CDPROJEKT/WA/128425/2011*	*PLN*	*51*	*51*
Promissory note agreement	*Lease agreement no. CDPROJEKT/WA/132776/2011*	*PLN*	*69*	*69*
Promissory note agreement	*Lease agreement no. CDPROJEKT/WA/132780/2011*	*PLN*	*59*	*59*
Promissory note agreement	*Lease agreement no. CDPROJEKT/WA/136047/2012*	*PLN*	*57*	*57*
Promissory note agreement	*Lease agreement no. CDPROJEKT/WA/136061/2012*	*PLN*	*57*	*57*
Promissory note agreement	*Lease agreement no. CDPROJEKT/WA/136441/2012*	*PLN*	*-*	*44*
Global Collect Services BV				
Contract of guarantee	*Guarantee of discharge of liabilities by GOG Ltd.*	*EUR*	*155*	*180*
Mazovian Unit for the Implementation of European Union Programs (Mazowiecka Jednostka Wdrażania Programów Unijnych)				
Promissory note agreement	*Co-financing agreement no. RPMA.02.03.00-14-012/09 RPO MV 2007-2013 Task 2.3*	*PLN*	*1 105*	*1 105*
Promissory note agreement	*Co-financing agreement no. RPMA.01.05.00 -14-638/08 RPO MV 2007-2013 Task 1.5*	*PLN*	*429*	*429*
Promissory note agreement	*Co-financing agreement no. RPMA.01.05.00 -14-639/08 RPO MV 2007-2013 Task 1.5*	*PLN*	*302*	*302*
Promissory note agreement	*Co-financing agreement no. RPMA.01.07.00 -14-010/11 RPO MV 2007-2013 Task 1.7*	*PLN*	*148*	*148*
Polish Agency for Enterprise Development (Polska Agencja Rozwoju Przedsiębiorczości)				
Promissory note agreement	*Co-financing agreement no. UDA-POIG.08.02.00-14-524/13-00; POIG Task 8.2*	*PLN*	*941*	*-*
Raiffeisen Bank Polska S.A				
Guarantee of discharge of cash pool liabilities	*Cash pool agreement*	*PLN*	*15 000*	*-*

(all amounts listed in PLN thousands unless otherwise stated)

RBS Bank (Polska) S.A.				
Guarantee of discharge of liabilities by GOG Poland Sp. z o.o., CD PROJEKT S.A., GOG Ltd.	*Cash pool agreement*	*PLN*	*-*	*299*
Fiscal pledge on cash assets	*Cash pool agreement*	*PLN*	*-*	*299*
SEGA Europe				
Contract of guarantee	*Guarantee of discharge of liabilities by cdp.pl Sp. z o.o.*	*GBP*	*150*	*150*

Note 40. Long- and short-term financial lease liabilities

PLN thousands	31 Dec 2013		31 Dec 2012	
	Minimum payments	Payments outstanding	Minimum payments	Payments outstanding
Due within 1 year	*278*	*260*	*293*	*262*
Due between 1 and 5 years	*184*	*177*	*247*	*235*
Total minimum lease payments	**462**	**437**	**540**	**497**
Future interest	*25*	*-*	*15*	*-*
Current minimum value of lease payments, including:	**437**	**437**	**525**	**497**
- short-term payments	*260*	*260*	*282*	*262*
- long-term payments	*177*	*177*	*244*	*235*

Assets subject to financial lease as of 31 Dec 2013

PLN thousands	Asset category					Total
	Land holdings	Buildings and structures	Machinery and equipment	Vehicles	Other fixed assets	
Passenger cars	*-*	*-*	*-*	*693*	*-*	*693*
Net value of leased assets	**-**	**-**	**-**	**693**	**-**	**693**

Financial lease agreements as of 31 Dec 2013

Financier	Contract no.	Base value	Base value (currency units)	Currency	Agreement expires on	Outstanding liabilities at end of reporting period	Prolongation conditions and buyout options
mLeasing Sp. z o.o.	*Optimus1/WA/123286/2011*	*183*	*183*	*PLN*	*2014-04-16*	*32*	*Lessee is entitled to buy out the leased asset - according to the contract the net residual value is 8 thousand PLN*
mLeasing Sp. z o.o.	*CDPROJEKT/WA/120832/2011*	*88*	*88*	*PLN*	*2014-03-16*	*7*	*Lessee is entitled to buy out the leased asset - according to the contract the net residual value is 4 thousand PLN*
mLeasing Sp. z o.o.	*CDPROJEKT/WA/123240/2011*	*50*	*50*	*PLN*	*2014-04-16*	*6*	*Lessee is entitled to buy out the leased asset - according to the contract the net residual value is 2 thousand PLN*
mLeasing Sp. z o.o.	*CDPROJEKT/WA/128425/2011*	*41*	*41*	*PLN*	*2014-09-16*	*10*	*Lessee is entitled to buy out the leased asset - according to the contract the net residual value is 1 thousand PLN*
mLeasing Sp. z o.o.	*CDPROJEKT/WA/132776/2011*	*56*	*56*	*PLN*	*2014-12-16*	*19*	*Lessee is entitled to buy out the leased asset - according to the contract the net residual value is 1 thousand PLN*
mLeasing Sp. z o.o.	*CDPROJEKT/WA/132780/2011*	*47*	*47*	*PLN*	*2014-12-16*	*15*	*Lessee is entitled to buy out the leased asset - according to the contract the net residual value is 1 thousand PLN*
mLeasing Sp. z o.o.	*CDPROJEKT/WA/136047/2012*	*45*	*45*	*PLN*	*2015-02-14*	*19*	*Lessee is entitled to buy out the leased asset - according to the contract the net residual value is 1 thousand PLN*
mLeasing Sp. z o.o.	*CDPROJEKT/WA/136061/2012*	*45*	*45*	*PLN*	*2015-02-14*	*19*	*Lessee is entitled to buy out the leased asset - according to the contract the net residual value is 1 thousand PLN*
mLeasing Sp. z o.o.	*Optimus1/WA/135724/2012*	*98*	*98*	*PLN*	*2015-02-16*	*34*	*Lessee is entitled to buy out the leased asset - according to the contract the net residual value is 1 thousand PLN*
mLeasing Sp. z o.o.	*Optimus1/WZ/164498/2013*	*131*	*131*	*PLN*	*2015-12-16*	*100*	*Lessee is entitled to buy out the leased asset - according to the contract the net residual value is 40 thousand PLN*
mLeasing Sp. z o.o.	*CD PROJEKT/DK/153403/2013*	*133*	*133*	*PLN*	*2016-06-20*	*114*	*Lessee is entitled to buy out the leased asset - according to the contract the net residual value is 1 thousand PLN*
Volkswagen Leasing Polska Sp. z o.o.	*6118947-1212-09826*	*126*	*126*	*PLN*	*2015-09-25*	*62*	*Lessee is entitled to buy out the leased asset - according to the contract the net residual value is 12 thousand PLN*
Total		**1 043**	**1 043**			**437**	

(all amounts listed in PLN thousands unless otherwise stated)

Note 41. Deferred revenues

PLN thousands	31 Dec 2013	31 Dec 2012
Subsidies	**1 577**	**850**
- Construction of hosting center - server room	*153*	*180*
- Modernization of IT infrastructure	*161*	*288*
- Implementation of integrated ERP software	*353*	*382*
- Deployment of B2B ERP software	*471*	*-*
- The Witcher 3 - development	*439*	*-*
Deferred revenues	**10**	**26**
- computer hardware and accessories received free of charge	*10*	*26*
Accrued revenues, including:	**1 587**	**876**
- long-term deferrals	*1 376*	*679*
- short-term deferrals	*211*	*197*

PLN thousands	Co-financing agreement signed on	Co-financing amount		Amount outstanding (PLN)	Co-financing settlement deadline
Construction of hosting center	*20 Nov 2009*	*302*	*PLN*	*153*	*31 Dec 2019*
Modernization of IT infrastructure	*20 Nov 2009*	*429*	*PLN*	*161*	*31 Dec 2019*
Deployment of ERP software	*02 Nov 2010*	*1 105*	*PLN*	*353*	*31 May 2014*
The Witcher 3 - development	*26 Jun 2013*	*150*	*EUR*	*439*	*-*
Wdrożenie ERP B2B	*26 Nov 2013*	*941*	*PLN*	*471*	*-*
Total	**-**	**-**	**-**	**1 577**	**-**

The subsidies reported in this financial statement concern the following co-financing agreements:

- *Construction of data processing and communications center for the CD Projekt Group* – project finished on 31 December 2010;
- *Modernization of the technical and technological infrastructure in use at the CD Projekt Group* – project finished on 30 June 2012;
- *Deployment of an integrated ERP IT system at CD Projekt Sp. z o.o.* – project currently underway;
- *The Witcher 3* – project currently underway;
- *Functional upgrade of the ICT infrastructure to a B2B ERP system automating electronic data exchange tasks* – project currently underway.

The above projects are co-financed by the European Union.

Note 42. Provisions for employee benefits and similar liabilities

PLN thousands	31 Dec 2013	31 Dec 2012
Provisions for retirement benefits and pensions	*39*	*28*
Provisions for other employee benefits (including bonuses)	*143*	*236*
Total, including:	**182**	**264**
- long-term provisions	*37*	*26*
- short-term provisions	*145*	*238*

The following assumptions have been made by the actuary when determining provisions:

	31 Dec 2013	31 Dec 2012
Discount rate (%)	*4.20*	*3.70*
Projected inflation rate (%)	*3.00*	*3.50*
Employee turnover rate (%) - adjusted for age; decreases with age reaching 0% three years prior to retirement	*12.1% at 32 years*	*15% at 30 years*
Estimated annual rate of salary growth (%)	*4.5% in 2014; 5% in subsequent years*	*4.50%*
Mortality rates published by the Central Statistical Office (year of estimation)	*2012*	*2011*
Likelihood of disability during the reporting year	*0.25%*	*0.25%*

Statistical methods were employed by an actuary to construct and calibrate a mobility model for Group member employees, based on the Multiple Decrement paradigm. The model was calibrated using historical data supplied by Group members. Based on publicly available statistical data and the actuary's own analysis, the mobility coefficient was assumed to decrease with age. The valuation model is highly sensitive to changes in mobility coefficients and should therefore be subject to frequent verifications and updates.

Changes in provisions

PLN thousands	Provisions for retirement benefits and pensions	Provisions for other employee benefits	Total
As of 01 Jan 2013	**28**	**236**	**264**
Provisions created	*11*	*1 460*	*1 471*
Benefits paid out	*-*	*1 537*	*1 537*
Provisions dissolved	*-*	*16*	*16*
As of 31 Dec 2013, including:	**39**	**143**	**182**
- long-term provisions	*37*	*-*	*37*
- short-term provisions	*2*	*143*	*145*

As of 01 Jan 2012	32	207	239
Provisions created	*7*	*2 617*	*2 624*
Benefits paid out	*-*	*2 584*	*2 584*
Provisions dissolved	*11*	*4*	*15*
As of 31 Dec 2012, including:	**28**	**236**	**264**
- long-term provisions	*26*	*-*	*26*
- short-term provisions	*2*	*236*	*238*

Note 43. Other provisions

PLN thousands	31 Dec 2013	31 Dec 2012
Provisions for warranty-covered repairs and returns	**6**	**11**
Provisions for liabilities, including:	**122**	**162**
- provisions for financial statement audit expenses	*47*	*51*
- provisions for consulting expenses	*63*	*-*
- provisions for bought-in services	*6*	*9*
- provisions for licensing liabilities	*6*	*6*
- provisions for other bought-in services	*-*	*96*
Other provisions	**-**	**-**
Total, including:	**128**	**173**
- long-term provisions	*-*	*6*
- short-term provisions	*128*	*167*

Changes in other provisions

PLN thousands	Provisions for warranty-covered repairs and returns	Provisions for liabilities	Total
As of 01 Jan 2013	**77**	**96**	**173**
Provisions created	*-*	*975*	*975*
Provisions used	*71*	*941*	*1 012*
Provisions dissolved	*-*	*8*	*8*
As of 31 Dec 2013, including:	**6**	**122**	**128**
- long-term provisions	*-*	*-*	*-*
- short-term provisions	*6*	*122*	*128*

As of 01 Jan 2012	**15**	**605**	**620**
Provisions created	*67*	*415*	*482*
Provisions used	*5*	*766*	*771*
Provisions dissolved	*-*	*158*	*158*
As of 31 Dec 2012, including:	**77**	**96**	**173**
- long-term provisions	*6*	*-*	*6*
- short-term provisions	*71*	*96*	*167*

Note 44. Financial risk management: objectives and methods

Interest rate risk – sensitivity to changes

All lease and credit agreements concluded by the Capital Group as of 31 December 2013 are based on variable interest rates. Increases in financing costs may impact the Group's economic performance. The Group actively monitors the cost of available financing and analyzes its impact on the profit and loss balance. Analyses involve refinancing options, renewal of existing agreements and procurement of alternative financing as a means of reducing the costs or risks associated with a given type of financing and the associated collateral.

As of the balance sheet date all financial instruments held by the Group and subject to interest rate risk were valued at 458 thousand PLN. Assuming no other contributing factors the projected loss of the Company as a result of a 0.5% increase in interest rates throughout the following 12-month period was estimated at 2 thousand PLN. Correspondingly, if interest rates were to decrease by 0.5%, the Group would gain 2 thousand PLN.

Liquidity and credit risks

The CD PROJEKT Capital Group performs monthly verification of its annual plans, including current liquidity goals, with distinction to individual weekly periods.

In order to limit the risk of receiver insolvency the Group actively monitors its receivables collection periods. In the scope of the videogame and motion picture distribution activity in Poland trade credits are insured in proportion to the amount of local outstanding receivables. The Group also actively manages any other operating assets under its control.

The Group has access to external financing, including bank credits, as well as to its own financial reserves, including cash and investment fund shares. A Group-wide cash pool is in place. CD PROJEKT S.A. actively monitors and manages its liquidity in relation to annual goals.

Exchange rate risks

Risks associated with PLN strengthening against EUR and USD

Due to the global character of its activities the CD PROJEKT 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 Group members are party is denominated in foreign currencies. Accordingly, changes in exchange rates may affect the Group's revenues and liabilities.

A detailed discussion of the applicable exchange rate risks can be found in the Management Board report on CD PROJEKT Capital Group activities for the period between 1 January and 31 December 2013.

Note 45. Disclosure of financial instruments

Fair value of financial instruments per class

FINANCIAL ASSETS	Carrying amount		Fair value*	
	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012
Loans granted and receivables, including:	**60 604**	**62 748**	**-**	**-**
- receivables associated with supplies and services, and other receivables	*20 920*	*35 882*	*-*	*-*
- cash on hand and bank deposits	*39 684*	*26 866*	*-*	*-*
Financial assets carried at fair value through profit and loss, including:	**805**	**855**	**805**	**855**
- investment fund shares	*805*	*855*	*805*	*855*

** The fair value of cash assets and receivables approximates their respective carrying amounts.*

FINANCIAL LIABILITIES	Carrying amount		Fair value*	
	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012
Credits and loans subject to interest payments, including:	**21**	**4 745**	**-**	**-**
- overdraft facilities	*1*	*4 739*	-	-
- other short-term liabilities (including loans)	*20*	*6*	-	-
Other miscellaneous (long-term) liabilities, including:	**177**	**235**	**-**	**-**
- liabilities from financial lease contracts and lease contracts with a buyout option	*177*	*219*	-	-
- deposits	*-*	*16*	-	-
Trade and other liabilities	***42 956***	***37 950***	**-**	**-**
- trade liabilities	*24 738*	*33 930*	-	-
- other short-term liabilities	*18 218*	*4 020*	-	-
Financial liabilities, including:	***260***	***277***	**-**	**-**
- other short-term financial liabilities	*260*	*277*	-	-

** The fair value of liabilities due to credits and loans, and of other liabilities, approximates their respective carrying amounts.*

(all amounts listed in PLN thousands unless otherwise stated)

Changes in value of financial instruments

PLN thousands	01 Jan 2013 - 31 Dec 2013			01 Jan 2012 - 31 Dec 2012		
	Financial assets carried at fair value through profit or loss	Loans granted and receivables	Other financial liabilities	Financial assets carried at fair value through profit or loss	Loans granted and receivables	Other financial liabilities
At beginning of period	**855**	**62 748**	**43 207**	**4 229**	**42 897**	**53 533**
Increases	**805**	**60 604**	**43 414**	**855**	**62 748**	**43 207**
Cash assets	-	*39 685*	-	-	*26 866*	-
Trade and other receivables	-	*20 919*	-	-	*35 882*	-
Trade and other liabilities	-	-	*42 956*	-	-	*37 950*
Credits and loans	-	-	*21*	-	-	*4 745*
Financial lease contracts	-	-	*437*	-	-	*496*
Financial assets carried at fair value through profit or loss	*805*	-	-	*855*	-	-
Other - reclassification	-	-	-	-	-	*16*
Reductions	**855**	**62 748**	**43 207**	**4 229**	**42 897**	**53 533**
Cash assets	-	*26 866*	-	-	*9 819*	-
Trade and other receivables	-	*35 882*	-	-	*33 078*	-
Trade and other liabilities	-	-	*37 950*	-	-	*39 556*
Repayment of credits and loans	-	-	*4 745*	-	-	*13 404*
Financial lease contracts	-	-	*496*	-	-	*573*
Financial assets carried at fair value through profit or loss	*855*	-	-	*4 229*	-	-
Other - reclassifications	-	-	*16*	-	-	-
At end of period	**805**	**60 604**	**43 414**	**855**	**62 748**	**43 207**

Note 46. Equity management

PLN thousands	31 Dec 2013	31 Dec 2012
Credits and loans subject to interest payments	*1*	*4 745*
Liabilities associated with supplies and services, and other liabilities	*42 956*	*37 950*
Less cash and cash equivalents	*39 684*	*26 866*
Net borrowing	**3 273**	**15 829**
Equity	*167 368*	*151 530*
Total equity	**167 368**	**151 530**
Equity aggregated with net borrowing	**170 641**	**167 359**
Leverage ratio	*2%*	*9%*

The main goal of Group-wide equity management is to retain a good credit rating and safe capital indicators, facilitating Group operations and increasing goodwill.

The group actively manages its equity structure, resulting in changes which reflect changing economic conditions. In order to retain or adjust said equity structure, the parent entity may pay out dividends to shareholders, return capital to shareholders or issue new shares. The Group monitors its capital status by applying a leverage ratio which is calculated as the ratio of net borrowing versus total equity increased by net borrowing.

Note 47. Employee benefits programs

On 16 December 2011 the Extraordinary General Meeting of Shareholders of CD PROJEKT S.A. voted to institute an incentive program for personnel viewed as crucially important for the Capital Group as well as having a decisive influence upon the development of individual activity branches of the Group. A set of targets were established and the Management Board and Supervisory Board of the Company selected a number of persons who, assuming these profit and valuation goals are met, are rewarded with warrants entitling them to acquire company shares by way of a conditional increase in the Company's share capital. Further details are given in Current Report No. 73/2011 of 17 December 2011.

The fair value of entitlements associated with the incentive program has been calculated on the basis of modern financial engineering practices and numerical models by a licensed actuary registered with the Financial Supervision Authority.

Incentive program valuation – assumed indicators

Indicator	31 Dec 2013	31 Dec 2012
Projected volatility index (%)	*45%*	*45%*
Risk-free interest rate (%)	*4%*	*5% oraz 4%*
Projected warrant eligibility duration (years)	*3*	*4*

Grant date:

The first batch of warrants was granted on 6 March 2012. The second batch followed on 5 September 2012.

Classification of valuation conditions:

The condition associated with return on shares vs. average return for the WIG index and the condition specifying that on the day of exercise the market price must be above the acquisition price are considered market conditions. Conditions related to increases in net profits are considered non-market conditions. Formal terms (e.g. correct and timely filing of the relevant documentation), loyalty criteria and any other terms not related to share price are also treated as non-market conditions, as is the requirement of survival until the exercise date and other similar stipulations.

Number of shares on grant date:

94,950,000 shares of the Entity existed on initial grant date.

Number of options granted:

The first batch of the incentive program comprised 1,450,000 warrants; the second batch comprised 100,000 warrants. Additionally, due to non-fulfillment of the loyalty criterion, 50,000 warrants were extinguished on 31 August 2012. On 19 December 2013 two persons covered by the incentive program formally declined the associated options in conjunction with acquiring (on the same day) 5% of the cdp.pl Sp. z o.o. share capital.

Share price on grant date:

The closing price on both grant dates was 5.41 and 4.28 PLN respectively.

Variability and correlation:

The valuation recognizes the fact that historical data reflecting the variability of the parent entity's share price may be misleading due to transformations affecting the entity, i.e. the complete alteration of its business profile resulting from the merger between Optimus S.A. and the CDP Investment Group. Accordingly, historical variability assessment was based on other similar entities. Since the pool of such entities in Poland is limited, analysis had to take into account companies listed on foreign stock exchanges. Future variability of the WIG index was extrapolated from historical data. Foreign entities were also excluded from correlation assessment due to the specific nature of this coefficient, which - in a sense - reflects the impact of general investor attitude upon the parent entity share price. Despite the limited and relatively unrepresentative set of input data a correlation chart was prepared, based upon the variability of the WIG index. This chart suggests a fairly stable correlation between returns on the parent entity's shares and the corresponding WIG average, within the 30%-40% range. In addition, correlation analysis was performed for another company which conducts development of videogames and is listed on the Warsaw Stock Exchange. This analysis yielded a correlation coefficient of 23%. The final parameters used for valuation were as follows: WIG variability of 25% (30% for the second batch of warrants), CD PROJEKT S.A. variability of 45% and the correlation coefficient between returns on CD PROJEKT S.A. shares and the WIG index of 30%.

Risk-free rate:

The assumed risk-free rates were 5% for the first batch of warrants and 4% for the second batch. The change is due to a decrease in the annual rate of return on zero-coupon treasury bonds.

Dividend:

In estimating dividends analysis was based on historical negative profit and loss balance of the Company (then operating under the name OPTIMUS S.A.) and the accumulated past losses for this period, as well as the projected future gains based upon the assumptions expressed in of the incentive program and valid for its duration, which would potentially facilitate implementation of the future dividend policy.

Changes in options granted under the incentive program

Breakdown	31 Dec 2013		31 Dec 2012	
	Number of options granted	Exercise price (PLN)	Number of options granted	Exercise price (PLN)
Unexercised at beginning of period	*1 900 000*	*4.30*	*1 900 000*	*4.30*
Granted	-	*4.30*	*1 550 000*	*4.30*
Forfeited	*250 000**	*4.30*	*50 000*	*4.30*
Exercised	-	-	-	-
Extinguished	-	-	-	-
Unexercised at end of period	*1 900 000*	*4.30*	*1 900 000*	*4.30*
Exercised at end of period	-	-	-	-

** On 19 December 2013 two persons covered by the incentive program formally declined the associated options in conjunction with acquiring (on the same day) 5% of the cdp.pl Sp. z o.o. share capital.*

Option exercise price as of 31 Dec 2013

Expiration date	Exercise	Number of options granted under

(all amounts listed in PLN thousands unless otherwise stated)

	price	the incentive program	
		31 Dec 2013	31 Dec 2012
30 Nov 2016	*4.30*	*1 250 000*	*1 500 000*
Total	**-**	**1 250 000**	**1 500 000**

Note 48. Transactions with affiliates

Conditions governing transactions with affiliates

Intragroup transactions are conducted in accordance with the Directive of the Finance Minister of 10 September 2009 specifying the rules for estimating the income of legal entities and avoiding double taxation when adjusting the income of affiliated legal entities (Journal of Laws of the Republic of Poland 2009, no. 160, item 1268), later amended by the Directive of the Finance Minister of 17 June 2013 (Journal of Laws of the Republic of Poland; 3 July 2013).

The prices of goods and services exchanged within the Group are estimated according to the above mentioned directive, by applying the comparable uncontrolled price method, the resale price method or the reasonable profit margin (“cost plus”) method. Method selection is preceded by a thorough analysis of each transaction. The division of responsibilities, asset exposure and assignment of substantial risks and rewards in each intragroup transactions are adjusted in such a way as to closely reflect similar transactions concluded by unaffiliated entities. For significant transactions exceeding the limits specified in Art. 9a section 2 of the corporate income tax law all participating entities submit the required tax forms.

(all amounts listed in PLN thousands unless otherwise stated)

Transactions with affiliates following consolidation eliminations

Affiliate	Sales to affiliates		Receivables from affiliates		Liabilities due to affiliates	
	01 Jan 2013 -31 Dec 2013	01 Jan 2012 -31 Dec 2012	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012
SUBSIDIARIES						
Optibox Sp. z o.o. in liquidation bankruptcy	-	-	-	-	20	20
MANAGERS OF SUBSIDIARIES AND THEIR PROXIES						
Marcin Iwiński	6	8	-	-	4	-
Adam Kiciński	3	3	-	-	-	1
Piotr Nielubowicz	5	4	-	-	1	3
Michał Nowakowski	10	8	-	-	-	-
Adam Badowski	1	1	-	-	-	-
*Edyta Wakuła**	4	5	-	-	-	-
Robert Wesołowski	3	2	-	-	-	-
Michał Gembicki	-	1	-	-	-	-
Guillaume Rambourg	-	-	-	-	-	-

*proxy

(all amounts listed in PLN thousands unless otherwise stated)

Note 49. Compensation of top management and Supervisory Board members

Benefits paid out to members of the Management Board of the Capital Group

PLN thousands	01 Jan 2013 - 31 Dec 2013	01 Jan 2012 - 31 Dec 2012
Short-term benefits (compensation and overheads)	*3 243*	*4 292*
Total	**3 243**	**4 292**

Benefits paid out or payable to other top managers of the Capital Group

PLN thousands	01 Jan 2013 - 31 Dec 2013	01 Jan 2012 - 31 Dec 2012
Short-term benefits (compensation and overheads)	*222*	*449*
Total	**222**	**449**

Benefits paid out or payable to members of the Supervisory Board

PLN thousands	01 Jan 2013 - 31 Dec 2013	01 Jan 2012 - 31 Dec 2012
Short-term benefits (compensation and overheads)	*126*	*126*
Total	**126**	**126**

Note 50. Employment

Average employment

Breakdown	01 Jan 2013 - 31 Dec 2013	01 Jan 2012 - 31 Dec 2012
Average employment	*132*	*123*
Total	**132**	**123**

Employee rotation

Breakdown	01 Jan 2013 - 31 Dec 2013	01 Jan 2012 - 31 Dec 2012
No. of employees hired	*41*	*42*
No. of employees dismissed	*22*	*32*
Total	**19**	**10**

Note 51. Operating lease agreements

Not applicable.

Note 52. Capitalized borrowing costs

Not applicable.

Note 53. Seasonal, cyclical or sporadic revenues

Not applicable.

Note 54. Legal proceedings

The following legal proceedings occurred during the reporting period (the presented status is valid as of the publication date of this financial statement):

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 Trasury 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 Appelate Court for the City of Kraków, 1st Civil Department, which remanded the case to the District Court for further proceedings. On 19 November 2009 the District Court decided to appoint an expert to examine the causative link between the damage caused to Optimus and the unlawful decisions of tax authorities, as well as the material consequences of said decisions borne by Optimus. The expert's opinion in this case was delivered to the Company plenipotentiary in January 2011, with a supplementary opinion delivered on 21 October 2013. The Company plenipotentiary responded by filing briefs with objections to the expert's opinion. All witnesses called by the Court appeared at the stand. The hearing scheduled for 10 March 2014 did not take place and another hearing was scheduled for 11 June 2014.

This case may bear significant influence on the financial status and profitability of CD PROJEKT S.A., albeit only in a positive sense, should a favorable adjudication be rendered by the Court.

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. At present the Company is waiting for the Supreme Administrative Court to schedule a hearing.

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 in Warsaw and is currently waiting for the Court to schedule a hearing.

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. The next hearing is scheduled for 31 March 2014.

In the course of the above-mentioned proceedings the Company filed a claim for total damages in the amount of 4,397 thousand PLN. This claim will be addressed by a Court expert whose appointment is expected after 31 March 2014.

Lawsuits filed by or on behalf of the Issuer's subsidiaries

1. cdp.pl Sp. z o.o. vs. Empik Sp. z o.o.

The case concerns damages in the amount of 9,049 thousand PLN plus statutory interest for the period between 14 December 2013 and the remittance date, due to unfair competition practices employed by Empik Sp. z o.o. under Art. 15 section 1 item 4 of the Act on Combating Unfair Competition which stipulates that no charges other than trade margins may be imposed by the seller in exchange for facilitating the sale of products. The case was filed in the District Court for the City of Warsaw on 16 December 2013. On 31 January 2014 the Court issued a writ of payment against Empik Sp. z o.o. As of the day of publication of this statement the plaintiff is awaiting a copy of the respondent's objection to the writ of payment, filed by Empik Sp. z o.o. on 28 February 2014.

2. cdp.pl Sp. z o.o. vs. Empik Sp. z o.o.

The case concerns outstanding payment in the amount of 1,356 thousand PLN plus statutory interest for goods delivered to Empik Sp. z o.o. under the cooperation agreement with cdp.pl Sp. z o.o. The case was filed in the District Court for the City of Warsaw on 17 December 2013. As of the day of publication of this statement the Issuer's subsidiary is waiting for the Court to schedule a hearing.

Note 55. Fiscal settlements

Fiscal settlements and other areas of activity governed by legal regulations (such as import duties or currency exchange) may be subject to audits by administrative bodies authorized to impose high penalties and sanctions. The lack of entrenched legal regulations in Poland leads to numerous ambiguities and inconsistencies in this regard. Interpretation of existing tax law frequently varies from state organ to state organ as well as between state organs and business entities, giving rise to areas of uncertainty and conflict. These conditions increase tax risks in Poland beyond the level encountered in states with more developed fiscal systems.

Fiscal settlements may be subject to state audits within five years following the end of the period in which tax payment was effected.

Note 56. Obsolete electrical and electronic equipment

Spent or obsolete electrical or electronic equipment is sold or handed over to authorized disposal agencies. Spent consumables are returned to suppliers or disposed of, pursuant to legal regulations.

Note 57. Events following the balance sheet date

In Current Report No. 2/2014 of 7 February 2014 the Management Board of the parent company disclosed that it had concluded a licensing contract with Agora S.A., headquartered in Warsaw, concerning 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 parent 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 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 boxed 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 contract 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 parent company issued a blank promissory note and filed a notarized declaration of submission to enforcement.

In the Management Board's opinion these 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.

In Current Report No. 3/2014 of 11 March 2014 the Mangement Board of the parent company disclosed that it had scheduled the release of The Witcher 3: Wild Hunt for February 2015. The exact day of release will be determined in line with a detailed marketing plan to be prepared at a later date.

Note 58. Inflation-adjusted financial statement

Not applicable.

Note 59. Involvement of subsidiaries not subject to consolidated financial reporting

PLN thousands	Balance sheet total	Share in balance sheet total of the CD PROJEKT Capital Group	Revenues from sales and financial operations	Share in revenues from sales and financial operations of the CD PROJEKT Capital Group
As of 31 Dec 2013				
Capital Group	**217 635**	**100%**	**148 587**	**100%**
Subsidiaries not subject to consolidation	-	-	-	-
As of 31 Dec 2012				
Capital Group	**202 892**	**100%**	**171 127**	**100%**
Subsidiaries not subject to consolidation	-	-	-	-

Note 60. Disclosure of transactions with entities charged with performing audits of financial statements

Compensation paid out or payable in the fiscal year (PLN thousands)	01 Jan 2013 - 31 Dec 2013	01 Jan 2012 - 31 Dec 2012
- for auditing annual financial statements and the consolidated financial statement	*60*	*74*
- for other attestation services, incl. reviews of financial statements and the consolidated financial statement	*39*	*74*
- for other services	*-*	*4*
Total	**99**	**152**

Note 61. Clarifications regarding the cash flow statement

PLN thousands	31 Dec 2013	31 Dec 2012
Cash on balance sheet	39 684	26 866
Total cash and cash equivalents reported in CFS	39 684	26 866

PLN thousands	31 Dec 2013	31 Dec 2012
Depreciation:	**3 139**	**2 617**
depreciation of intangible assets	*1 032*	*1 106*
depreciation of tangible fixed assets	*2 107*	*1 511*
Interest and share in profits (dividends) consist of:	**(262)**	**602**
interest paid on loans granted	*-*	*280*
interest paid on credits	*156*	*426*
interest received	*(418)*	*(104)*
Profit (loss) from investment activities results from:	**(43)**	**(570)**
revenues from sales of tangible fixed assets	*(62)*	*(203)*
net value of tangible fixed assets sold	*24*	*-*
net value of fixed assets liquidated	*47*	*-*
balance from lease assignment	*-*	*37*
profit from forward transactions in securities	*(279)*	*(8)*
revaluation of short-term financial assets	*1*	*166*
revenues from sales of investments	*226*	*(562)*
Changes in provisions result from:	**(127)**	**(509)**
balance of changes in provisions for liabilities	*(3 017)*	*874*
balance of changes in provisions for employee benefits	*(82)*	*146*
adjustment of deferred tax provisions	*2 972*	*(1 529)*
Changes in inventory status result from:	**(18 600)**	**(2 255)**
balance of changes in inventory status	*(18 599)*	*(2 255)*
elimination of inventories consumed by the entity	*(1)*	*-*
Changes in receivables result from:	**14 264**	**(2 586)**
balance of changes in short-term receivables	*14 061*	*1 193*
balance of changes in long-term receivables	*(36)*	*20*
disaggregated receivables associated with the Internal Social Benefits Fund (ZFŚS)	*-*	*5*
income tax paid	*901*	*-*
income tax reimbursed	*-*	*(1 508)*
income tax set against withholding tax	*(662)*	*(752)*
exclusion of cash pool	*-*	*(1 544)*
Changes in liabilities result from:	4 990	(2 437)
balance of changes in short-term liabilities	*1 351*	*(12 526)*
current tax adjustments	*(1 086)*	*(1)*
changes in financial liabilities	*1*	*(110)*
exclusion of prepaid cards	*-*	*(2)*
settled credit	*3 425*	*1 161*
exclusion of cash pool	*-*	*194*
adjustment for cash pool liabilities	*-*	*1 350*
adjustment for changes in credit and loan status	*1 299*	*7 497*
Changes in other assets result from:	**4 047**	**2 985**
balance of changes in deferred and accrued charges	*4 633*	*1 663*

balance of changes in accrued revenues	*711*	*442*
adjustment for changes in deferred tax assets	*(1 225)*	*1 353*
adjustment for changes in deferred tax provisions	*-*	*(4)*
elimination of fixed assets received free of charge	*(3)*	*(44)*
subsidies received	*(69)*	*(425)*
Other adjustments include:	**688**	**(18)**
incentive program costs	*438*	*551*
elimination of unrealized gains on sales cdp.pl shares	*504*	*-*
other costs	*(254)*	*(569)*

Warsaw, 18 March 2014

Adam Kiciński	Marcin Iwiński	Piotr Nielubowicz	Adam Badowski	Michał Nowakowski	Katarzyna Janaszkiewicz
President of the Board	Vice President of the Board	Vice President of the Board	Board Member	Board Member	Deputy Accounting Officer

(all amounts listed in PLN thousands unless otherwise stated)

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