



MANAGEMENT BOARD REPORT
ON CD PROJEKT CAPITAL GROUP
ACTIVITIES BETWEEN 1 JANUARY AND 30 JUNE 2014

Disclaimer

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.

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General information

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

1. In early 2014 the Company announced its plans to publish a board game named The Witcher Adventure Game, in collaboration with Fantasy Flight Games - a global leader in the production and distribution of board games. A digital edition of the game was also announced.
2. In March 2014 the Company announced that, in line with its business strategy, it intended to enter the mobile game market and that - together with an external development studio - it had been developing an online multiplatform mobile game named The Witcher Battle Arena. As of the date of this announcement work on the project had been going on for over one year, in parallel with the Company's other commitments, i.e. The Witcher 3: Wild Hunt and Cyberpunk 2077. A closed beta was released after the close of the reporting period.
3. The first issue of "The Witcher House of Glass", a comic series published by Dark Horse Comics in collaboration with CD PROJEKT RED, debuted on 19 March 2014 in American bookstores and digital distribution channels. As of the preparation date of this report five issues have been published.
4. On 22 May 2014 the Studio released The Witcher 2: Assassins of Kings for the Linux platform.
5. The Witcher 3 preorder campaign launched on 5 June 2014 and was the largest such engagement for the Company to-date. Preorders are being accepted in all key territories for three platforms (PC, PlayStation 4 and Xbox One) and 10 distinct language versions.
6. CD PROJEKT RED showcased The Witcher 3: Wild Hunt at the Xbox One conference organized by Microsoft in the run-up to this year's E3 fair. The goal of this event was to present the hottest upcoming releases for Microsoft's newest console. A six-minute gameplay trailer of The Witcher 3 was presented.
7. CD PROJEKT RED marked its presence at key trade fairs: E3 in Los Angeles (June 2014) and Gamescom in Cologne (August 2014). In total, the Studio's presentations were attended by approximately 20 thousand spectators.
8. On 21 August 2014 CD PROJEKT RED, in collaboration with Fuego Games, began accepting applications for the closed beta testing program of The Witcher Battle Arena for Android devices.
9. As of the publication date of this report the Company has concluded its publisher selection process and signed distribution and licensing agreements for all territories in which it intends to release box versions of The Witcher 3: Wild Hunt.
10. In the first half of 2014 the GOG.com platform added over 100 new releases, expanding its catalogue to nearly 800 items.
11. On 6 June 2014, at a conference held in Los Angeles and streamed worldwide via webcast, GOG Ltd. announced the launch of its newest proprietary technology stack - GOG Galaxy, which permits (among others) multiplayer online gaming. The first game which makes use of this new technology is the beta version of the recently announced The Witcher Adventure Game.
12. Throughout the first half of 2014 the Group's global digital distribution activity segment was progressively expanded by initiating collaboration with additional business partners, including Deepsilver and Xseed. As of the publication date of this report GOG Ltd. collaborates with over 200 partners from around the world, approximately 70 of whom published new releases on GOG.com in the first half of the year.
13. Between June 13 and June 30 GOG.com held a sale, granting special discounts on over 700 games from its catalogue. This summer event proved hugely successful in terms of sales, surpassing all similar campaigns previously held by GOG.com.
14. In July 2014 over 50 games for the Linux system were released on GOG.com. The Company intends to steadily expand its Linux catalogue.
15. In July 2014 GOG Ltd. paid out a dividend in the amount of 2.7 million USD to its sole shareholder - CD PROJEKT S.A. As of the publication date of this report GOG Ltd. is not in debt due to any outstanding credits or loan agreements. At the close of the reporting period GOG Ltd. held cash assets valued at 24 735 thousand PLN.
16. On 27 August 2014, after the close of the reporting period, GOG.com began distributing motion pictures. In line with the Company's core principles all motion pictures carried by the platform are free of DRM restrictions.

17. In August 2014 GOG.com enabled its customers to remit payment in GBP, EUR, RUB and AUS, and furthermore provided support for locally popular online payment channels, including Sofort, Yandex and Webmoney.
18. In February 2014 cdp.pl signed a distribution agreement with the world's largest publisher of motion pictures - Warner Bros. Home Entertainment. The agreement concerns digital distribution of motion pictures from the Warner Bros. catalogue.
19. In the second quarter of 2014 the service was expanded with games for Apple computers. The "Mac Zone" debuted with over 150 releases, including CD PROJEKT RED's own games (The Witcher and The Witcher 2: Assassins of Kings), as well as products distributed by Electronic Arts, Warner Bros. and Paradox Interactive.
20. In the first 24 hours following the launch of The Witcher 3 preorder campaign approximately 10 thousand customers preordered the collector's edition of the game. The Witcher 3 is the first game in the cdp.pl catalogue to be offered in both physical (box) and digital versions. The launch of the preorder campaign was correlated with a large-scale marketing effort.
21. The consolidated revenues of the CD PROJEKT Capital Group in the first half of 2014 were 74 588 thousand PLN, with the following subdivision into activity segments:

Distribution and publishing in Poland: 30 746 thousand PLN;
Videogame development: 12 408 thousand PLN;
Global digital videogame distribution: 31 003 thousand PLN;
Other: 431 thousand PLN.
22. EBITDA for the CD PROJEKT Group in the first half of 2014 was 5 654 thousand PLN.
23. The consolidated net profit of the CD PROJEKT Group in the first half of 2014 was 4 620 thousand PLN.
24. At the end of June 2014 the Group held cash assets valued at 51 176 thousand PLN (including cash equivalents), in addition to financial assets valued at 818 thousand PLN, most of which were shares of the PKO retirement fund purchased as a means of temporary allocation of surplus cash.

II. Description of business activities

■ Summary of business activities in the first half of the 2014 fiscal year

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

- Distribution and publishing in Poland,
- Videogame development,
- Global digital videogame distribution,
- Other activities.

■ Distribution and publishing in Poland - summary

cdp.pl Sp. z o.o. (formerly CD Projekt Sp. z o.o.), a subsidiary of the CD PROJEKT Capital Group, is among the leading Polish publishers and distributors of videogames on the PC and consoles, as well as motion pictures. Products offered by cdp.pl Sp. z o.o. are licensed or purchased from external suppliers and sold via domestic retail distribution channels. cdp.pl Sp. z o.o. carries out distribution of localized (i.e. translated into the local language) editions of PC, Xbox and PlayStation games for the previous and current generation of gaming consoles, from many global developers and publishers. This activity is usually carried out on the basis of exclusive distribution agreements. Since 2012 the company is also the exclusive Polish partner of Wizard of the Coast which distributes collector's editions of board and card games. In October 2012 cdp.pl launched its proprietary digital distribution platform at www.cdp.pl, distributing videogames directly to final customers. Compared to other digital content distribution platforms www.cdp.pl is notable in that it carries a diverse range of products - games, motion pictures, e-books, e-comics and audiobooks - and enables clients to download products directly to their own devices for personal use (unlike VOD platforms). Products distributed via www.cdp.pl are licensed from foreign and domestic suppliers and, for the most part, undergo full localization. The platform offers a number of competitive advantages such as the lack of any hidden costs or overheads, instant delivery of products, transaction security and the best technical support on the market.

■ Distribution and publishing in Poland - key events occurring in the first half of 2014

Digital distribution

The beginning of the new year is traditionally a period of sales and clearances. Accordingly, the highlight of Q1 2014 in the domestic digital distribution segment was an event called Wielki Giermasz Cyfrowy (*Grand Digital Game Sale*), an online counterpart to a hugely popular live event organized in collaboration with the Biedronka retail store chain. The sale was featured in mainstream online media such as Interia, Onet, Spidersweb and CD Action. More than 50 thousand users interacted with the company's social media profiles during this period.

In February 2014 cdp.pl signed a new digital distribution agreement with Warner Bros. Home Entertainment - the world's largest publisher of motion pictures. An initial batch of 30 movies was prepared for inclusion in the cdp.pl catalogue, including such cult classics as Matrix, Batman, Lord of the Rings, Harry Potter and the recent blockbuster Gravity (7 Academy Awards; available prior to its official release on the home entertainment market).

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

The most important event in the domestic distribution segment was the launch of the preorder campaign associated with the upcoming release of The Witcher 3: Wild Hunt. This coincided with the announcement of the game's official release date and the content of all of its editions (at E3 in Los Angeles). A dedicated website was set up at <https://cdp.pl/wiedzmin-3>, enabling customers to preorder their copies for any available hardware platform, choosing between the standard and collector's edition. In just over 24 hours the Company accepted 10 thousand preorders of the collector's edition (which was made available solely through cdp.pl). The Witcher 3 is the first item in the cdp.pl catalogue to be offered in both physical (box) and digital editions. The launch of

the preorder campaign was assisted by a large-scale advertising effort, with ads appearing on gaming portals, Agora online services, Gazeta Wyborcza (the largest Polish daily newspaper), social media and the Google Ads network.

In July 2014, after the close of the reporting period, cdp.pl reached another milestone, adding the 1000th game to its online catalogue. To mark this achievement the Company held a holiday contest, with collector's editions of Starcraft 2 and Heroes of Might and Magic given away as prizes. Additionally, nearly three thousand Guild Wars subscription codes were handed out to portal users.

Physical distribution

The cdp.pl catalogue was expanded with further releases by Konami (Castlevania: Lords of Shadow 2 and Metal Gear: Ground Zeroes). Since the beginning of 2014 the Company also began distributing games by Focus Home Interactive (including Wargame: Red Dragon and Bound by Flame) and Milestone (Moto GP and MXGP).

In addition to new releases the company continues to successfully manage its back catalogue with focus on Blizzard products and simulators. cdp.pl has set up a Brand Zone on Allegro (a popular Polish online auction service) offering videogames from Blizzard Entertainment and Disney.

In Q1 2014 cdp.pl, together with the Biedronka retail chain, organized an event called Wielki Giermasz (Grand *Game Sale*), stocking Biedronka stores with nearly 400 thousand copies of 300 games offered at a discount price of 9.99 PLN. The event proved enormously popular with clients and the media. On the first day alone 120 thousand units were sold - a near-record on the domestic videogame market.

An important highlight of Q1 2014 was the debut of Diablo III: Reaper of Souls, an official expansion pack for one of the most popular games on the domestic market - Diablo III, which sold approximately 250 thousand copies in Poland. The launch event for Diablo III: Reaper of Souls was held on 24 March at the Złote Tarasy shopping mall in the heart of Warsaw.

In June the Company organized another sale, called Filmasz, in collaboration with the Biedronka chain, this time focusing on DVD movie releases and PC games. Products offered at bargain prices (9.99 PLN per movie and 14.99 PLN per game) included Disney's *Lion King*, Academy Award-winning *Brave* and *Tangled*, Tim Burton's black comedy *Frankenweenie* and many other classics, in addition to a selection of simulators and Lego-series videogames. The event again proved very popular with customers, generating substantial sales.

Encouraged by the success of its to-date collaboration with Biedronka, in August 2014, after the close of the reporting period, cdp.pl decided to hold another Giermasz, as well as a countrywide promotional campaign dedicated to e-books - the first such undertaking in Poland.

The list of important events occurring in the reporting period should also include releases of new videogames - *Bound by Flame*, *WildStar* and *SPINTIRES*.

■ Videogame development - summary

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

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

The Studio is currently working on two triple-A RPG releases: *The Witcher 3: Wild Hunt* and *Cyberpunk 2077*. Each of these games is slated for simultaneous release on the PC and the current generation of gaming consoles: Sony PlayStation 4 and Xbox One. In July 2013 the Studio established a presence in Kraków, with a dedicated branch set up on the premises of the Kraków Technology Park to carry out work on additional videogame projects. By the end of the year the Company intends to publish two editions of *The Witcher Adventure Game* (a classic board game and a state-of-the-art mobile application), as well as *The Witcher Battle Arena* - a mobile multiplayer game exploiting the modern microtransactions payment model.

■ Videogame development - key events occurring in the first half of 2014

The first part of 2014 was dominated by negotiating and signing additional distribution contracts. In January the Company announced that it had reached an agreement with Namco Bandai Games concerning exclusive distribution rights for The Witcher 3 in Australia and New Zealand. In February the Company signed a contract with Agora S.A., making Agora a co-publisher of The Witcher 3 in Poland. Domestic distribution rights were retained by cdp.pl Sp. z o.o., a subsidiary of the Group. In March 2014 the Company confirmed that marketing and distribution activities in the Middle East would be handled by LS2 Pluto, a leader in videogame distribution in this region. LS2 Pluto has a presence in the United Arab Emirates, Saudi Arabia, Qatar, Kuwait, Liban, Bahrain, Jordan and Egypt, among others. In South Africa the game will be distributed by Megarom Interactive - a key importer and distributor of videogames on the South African market. In addition, the Company signed agreements with 1C-SoftClub concerning distribution and promotion of the game in Russia and the CIS countries. Distribution rights in the Czech Republic, Slovakia and Hungary were licensed to CENEGA, while Brazil and Latin America will be handled by NC Games. As of the publication date of this report the Company has concluded distribution agreements for all countries in which it plans to release physical (box) editions of The Witcher 3: Wild Hunt.

Early in 2014 the Company announced its intent to publish The Witcher Adventure Game, in collaboration with Fantasy Flight Games - a global leader in production and distribution of board games. An electronic version of the game was also announced for tablet devices and the PC.

In March the Company announced that The Witcher 3: Wild Hunt would be released in February 2015. In the Management Board's opinion the technical excellence of the game will be a critical factor in ensuring its commercial success. The Company believes that this extra time will enable it to release a product which meets stringent quality standards.

Later in March the Company announced that, in accordance with its growth strategy, it intends to enter the mobile videogame market. For over a year the Company had been developing a multiplatform mobile game in collaboration with an external studio. This project is entirely separate from ongoing work on The Witcher 3: Wild Hunt and Cyberpunk 2077. The Witcher Battle Arena, designed by CD PROJEKT RED and Fuero Games, will be released in Q4 2014 for the iOS, Android, Windows Phone and Windows tablets. The Company subsequently plans to release periodic updates, introducing additional player characters and gameplay modes. The project is based on the popular F2P (free to play) model where players are not required to pay subscription fees. Creators have taken care to ensure that the game remains free of "pay to win" elements and that all of its content can be unlocked simply by engaging in gameplay. The Witcher Battle Arena is a scalable project with a low launch cost. Future updates can be tailored to the game's popularity and the corresponding revenue stream, minimizing business risk.

The closing days of Q1 2014 saw the debut of a Witcher-themed comic published by the American company Dark Horse Comics in collaboration with CD Projekt RED. Dark Horse Comics is among the largest and most highly regarded publishers of comic books worldwide, managing such notable series as Star Wars, Alien, Predator, Conan and Buffy: Vampire Slayer. It also has substantial experience with videogame adaptations, having collaborated on franchises such as Halo and Mass Effect. Many Dark Horse projects have been spun off into successful motion pictures - The Mask, Virus, TimeCop and Mystery Men to name just a few. As of the publication date of this report five issues of the Witcher-themed have appeared in print.

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

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

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

CD PROJEKT RED had a strong presence at key trade fairs, including E3 in Los Angeles (June 2014) and Gamescom in Cologne (August 2014). Immediately before the official opening of E3, at a press conference held by Microsoft to present the most important upcoming releases for its console, the Studio publicly unveiled a six-minute gameplay trailer of The Witcher 3. It should be stressed that press conferences held by market leaders such as Microsoft and Sony are universally regarded as important for the market as a whole, and their online viewership runs in the millions. Being invited to participate in such an event is a great distinction for the Studio and a superb opportunity to present its upcoming game. An extended 45-minute demonstration could be viewed at the CD PROJEKT RED stand in the exclusive business area and the game was also presented - for the first time ever - in the E3 public zone. The Warner Bros. theater located in the main hall ran a cyclical presentation of The Witcher 3, alternating with other hot releases -

Batman: Arkham Knight, Mortal Kombat X and Middle-Earth: Shadow of Mordor. Throughout the three-day duration of the fair 43 presentations were held, attracting a total of 2.4 thousand business and media representatives. This activity resulted in several hundred enthusiastic publications and mentions in respected gaming media. Kevin VanOrd, an acclaimed Gamespot.com reviewer, wrote that he felt “(...) legitimately moved by the images on the screen. I feel the care taken with every animation and every texture.”

At the Gamescom fair in August the CD PROJEKT RED stand was visited by over a thousand journalists and fifteen thousand fans. The Studio set up separate stands in the business zone and in the public area of the fair, with a minitheater in which each presentation could be attended by 110 people. These presentations proved enormously popular: fans queued up for several hours to view the newest gameplay trailer. The Witcher 3 was also featured at CD PROJEKT RED’s business partners’ stands, including Microsoft and Nvidia.

The fair also presented an opportunity for CD PROJEKT RED to promote the newest additions to The Witcher franchise: The Witcher Adventure Game and The Witcher Battle Arena - the first mobile game produced by the Studio. Beta testing of The Witcher Adventure Game commenced on 3 July 2014, in parallel with tests of the GOG Galaxy technology stack. On 21 August 2014 the Company began accepting applications to participate in the closed beta of The Witcher Battle Arena for Android devices. Both games are scheduled for release by the end of 2014.

The Witcher 3: Wild Hunt received several dozen awards at this year’s trade fairs, including recognition from GameSpot, Destructoid and IGN. For the second time in a row IGN presented the game with its E3 People’s Choice award, based on a popular vote among approximately 100 thousand fans. As of the publication date of this report The Witcher 3 has amassed over 150 accolades from respected gaming media and online portals, as well as numerous community awards (presented e.g. by Gamespot and IGN). During this year’s state visit to Poland US president Barack Obama singled out The Witcher 3 as an example of the skill and work ethic of Polish entrepreneurs.

CD PROJEKT RED also had the opportunity to host representatives of the prestigious Polygon service who later published a feature titled “Polygon goes to Poland”, presenting the role of CD PROJEKT S.A. in shaping the Polish videogame developers’ community.

■ Global digital videogame distribution - summary

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

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

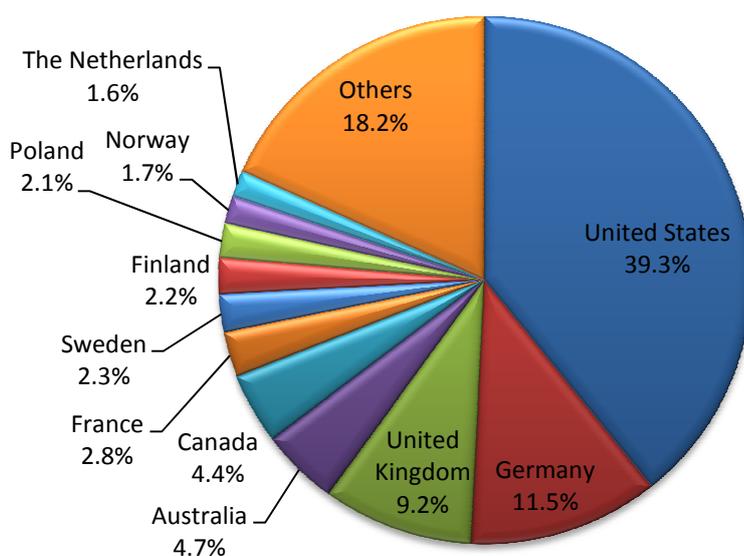


Fig. 1 GOG.com sales by territory between 1 January and 30 June 2014.

Source: GOG Ltd.

During its startup period products were offered in two price categories - 5.99 and 9.99 USD. Over time the platform began adding more recent games along with entirely new releases from independent developers. In 2012 the company introduced additional price categories: 14.99 USD, 19.99 USD, 29.99 USD and 34.99 USD. Since October 2012 GOG.com also carries games for Apple computers. In July 2014 the Company catalogue was expanded with over 50 releases for the Linux system, with further games currently being prepared.

As of 30 June 2014 the Company catalogue comprises over 800 games by over 200 publishers and developers, including such well-known brands as Electronic Arts, Activision, Ubisoft and Atari-Hasbro.

The key difference between GOG.com and its competitors (i.e. other independent platforms - Steam, Gamersgate, Gamestop etc.) is its set of core principles. As a rule, the Company ensures that all of its games are free of cumbersome DRM measures. In addition, products offered on GOG.com are richly featured and usually include bonus content such as soundtracks, maps, wallpapers etc. GOG Ltd. also ensures full compatibility of its games with popular versions of the MS Windows, Mac OS and Linux operating systems, and provides technical support in case of installation problems. In its quest for customer satisfaction in December 2013 the Company instituted a novel returns policy, with a 30-day money-back guarantee if a game cannot be made to run on the user's computer.

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

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

■ Global digital videogame distribution - key events occurring in the first half of 2014

The first half of 2014 marked a period of steady expansion of the GOG.com catalogue, assisted by deployment of the previously announced technological features.

The Company's catalogue grew by 116 items, representing a 15% increase compared to the end of 2013. As of the date of publication of this report more than 800 items are available for purchase on GOG.com. In late July the Company signed up its 200th supplier, with approximately 70 new partners - including Deepsilver and Xseed - joining in the first half of 2014.

Ever since its creation GOG.com has consistently implemented a "fair price" policy, charging the same price for each of its games regardless of the customer's location. Unfortunately, however, releasing certain titles (e.g. Age of Wonders III, Divinity: Original Sin and The Witcher 3: Wild Hunt) required the Company to introduce regional pricing schemes whereby a game may be e.g. more expensive in Europe than in the United States. In order to remain faithful to its principles, in March 2014 GOG Ltd. introduced a new system called Fair Price Package. If a customer is asked to pay more than the corresponding US price, the difference is returned to the customer as store credit.

In May 2014 the Company held the second edition of its "Insomnia" sale, with a set of limited-time discounts on selected games. The event generated excellent sales and produced a notable uptick in user activity (120% increase in the average duration of visits to GOG.com).

On 6 June 2014, at a press conference held in Los Angeles and broadcast online throughout the world, GOG.com announced its new proprietary technology stack - GOG Galaxy, which permits (among others) online multiplayer gaming. The first game interfacing with this new technology is the closed beta of the recently announced The Witcher Adventure Game. All users who preordered The Witcher 3: Wild Hunt on GOG.com were also given two beta keys for The Witcher Adventure Game. GOG Galaxy is scheduled for deployment on GOG.com by the end of 2014 and will constitute an entirely optional addition to the platform. Going beyond online multiplayer features the technology also enables offline single-player gaming with no need for an Internet connection, supports achievements and provides chat functionality for players. It remains consistent with the Company's "no DRM" policy and is provided as a cross-platform feature. The service is initially offered to users of GOG.com and Steam, with the list of supported services expected to grow over time.

The press conference held on 6 June also marked the launch of the preorder campaign for The Witcher 3: Wild Hunt. In keeping with the Company's tradition of providing its customers with access to unique content, the GOG.com edition features custom wallpapers, player avatars and foldable paper figurines. Those who preorder the game on GOG.com also receive the classic RPG Neverwinter Nights free of charge, and are offered the opportunity to sign up for the closed beta of The Witcher Adventure Game.

Between 13 and 30 June 2014 GOG.com held another edition of its traditionally successful summer sale campaign, with over 700 items offered at discount prices. The campaign also featured flash bargains during which platform users could download four games - Magrunner, Omerta: City of Gangsters, Torchlight and Alan Wake: American Nightmare - at no cost. The 2014 summer sale attracted a large number of new customers and produced the highest sales volume of all sales campaigns organized by GOG Ltd. to-date.

On 25 July 2014, after the close of the reporting period, GOG Ltd. voted to pay out a dividend in the amount of 2.7 million USD to its sole shareholder - CD PROJEKT S.A. GOG Ltd. is not currently in debt due to outstanding credits and loans and its cash assets at the end of June 2014 were valued at 24 735 thousand PLN.

In July 2014 GOG.com expanded its catalogue with releases for the Linux operating system, with over 50 games, many of which were released under exclusive distribution agreements. 23 of these games had never before been ported to the Linux OS - their publication is the fruit of work of a dedicated team of GOG Ltd. developers and testers. GOG Ltd. will officially support two popular distributions of Linux: Ubuntu and Mint. Users of other distributions may still play their favorite games by downloading universal installation packages.

GOG.com - the highlights of the first half of 2014:

- over 200 game suppliers,
- nearly 800 games in the catalogue,
- support for three operating systems: MS Windows, Mac OS and Linux,
- 120% increase in user activity during the "Insomnia" campaign,
- joint GOG Ltd./CD PROJEKT RED press conference viewed online by over 380 thousand people

On 27 August 2014, after the close of the reporting period, GOG.com began distributing documentaries devoted to videogames and the online culture in general. All videos are releases in accordance with the GOG.com philosophy, i.e. without cumbersome DRM. Once purchased, they can be downloaded directly to the user's computer or viewed online using a web-based player available on the GOG.com website. The video catalogue will be progressively expanded, with new items released on a weekly basis. In the future GOG.com also plans to distribute TV series. This, however, involves convincing distributors to follow the "no DRM" model, which, despite GOG.com's undeniable success in the videogame distribution market, is still regarded as risky.

In addition to the above, GOG.com recently enabled its customers to remit payment in GBP, EUR, RUB and AUS, and also provided support for locally popular online payment channels, including Sofort, Yandex and Webmoney. These changes are meant to further streamline purchases and attract customers who find it cumbersome or disadvantageous to remit payment in US dollars.

In parallel with the expansion of the platform's catalogue and introduction of new payment methods the graphical layout of GOG.com was rehashed and updated. Initial user reactions to these changes are very positive.

■ Other activities

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

On 12 May 2014 the Company sold 9,000 shares of cdp.pl Sp. z o.o. to cdp.pl Sp. z o.o. (its subsidiary) for redemption. On the same day the General Meeting of Shareholders of cdp.pl Sp. z o.o. voted to redeem the purchased shares from the Company's net profit, without affecting its share capital (in line with Art. 199 of the Commercial Company Code). As a result of this action, the shareholder structure of cdp.pl Sp. z o.o. changed as follows:

- 50.2% of shares belong to CD PROJEKT S.A.
- The remaining 49.8% of shares are equally divided among members of the Management Board of cdp.pl Sp. z o.o.

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

2

Financial status of the CD PROJEKT Capital Group - overview

I. Overview of key economic and financial indicators in the first half of 2014

■ Consolidated statement of financial position

PLN thousands	30.06.2014	31.03.2014	31.12.2013	30.06.2013
FIXED ASSETS	91 910	95 586	95 047	94 679
<i>Tangible assets</i>	6 134	10 971	11 187	10 906
<i>Intangible assets</i>	38 459	37 297	36 403	35 115
<i>Goodwill</i>	46 417	46 417	46 417	46 417
<i>Deferred income tax assets</i>	561	578	755	1 999
<i>Other fixed assets</i>	339	323	285	242
CURRENT ASSETS	170 989	144 324	122 588	106 140
<i>Inventories</i>	67 197	58 170	51 966	41 166
<i>Trade receivables</i>	27 875	25 047	17 064	20 043
<i>Current income tax receivables</i>	2 098	1 851	901	452
<i>Other receivables</i>	7 948	8 109	3 856	3 646
<i>Other financial assets</i>	834	908	805	817
<i>Prepaid expenses</i>	13 861	8 390	8 312	13 505
<i>Cash and cash equivalents</i>	51 176	41 849	39 684	26 511
TOTAL ASSETS	262 899	239 910	217 635	200 819
PLN thousands	30.06.2014	31.03.2014	31.12.2013	30.06.2013
EQUITY	172 559	169 006	167 368	160 114
<i>Equity attributable to shareholders of the parent company</i>	165 860	168 250	166 500	160 114
<i>Share capital</i>	94 950	94 950	94 950	94 950
<i>Supplementary capital, incl. sales of shares above nominal price</i>	119 730	119 730	112 438	112 438
<i>Other reserve capital</i>	1 396	1 139	989	899
<i>Exchange rate differences</i>	(624)	(688)	(790)	(311)
<i>Retained earnings</i>	(54 133)	(48 379)	(55 987)	(55 573)
<i>Net profit (loss) for the reporting period</i>	4 541	1 498	14 900	7 711
<i>Minority share capital</i>	6 699	756	868	-
LONG-TERM LIABILITIES	6 188	4 868	5 276	6 071
<i>Credits and loans</i>	-	-	-	250
<i>Other financial liabilities</i>	350	203	177	110
<i>Deferred income tax liabilities</i>	4 415	3 351	3 686	5 095
<i>Deferred revenues</i>	1 386	1 277	1 376	590
<i>Provisions for employee benefits and similar liabilities</i>	37	37	37	26
SHORT-TERM LIABILITIES	84 152	66 036	44 991	34 634
<i>Credits and loans</i>	25	24	21	59
<i>Other financial liabilities</i>	327	220	260	239
<i>Trade liabilities</i>	35 943	24 248	24 738	28 870
<i>Liabilities from current income tax</i>	829	433	1 270	1 079
<i>Other liabilities</i>	43 938	40 746	18 218	2 978
<i>Deferred revenues</i>	2 858	202	211	271
<i>Provisions for employee benefits and similar liabilities</i>	185	97	145	317
<i>Other provisions</i>	47	66	128	821
TOTAL LIABILITIES	262 899	239 910	217 635	200 819

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

Regarding intangible assets, the most important contributors to this line item (as of 30 June 2014) were the CD PROJEKT brand name, valued at 17 095 thousand PLN, and The Witcher trademark, valued at 15 104 thousand PLN. Intangible assets also included computer software owned or licensed by the Group.

The value of tangible fixed assets held by the Group decreased by 45% in the reporting period (compared to 31 December 2013) as a result of the sale of office and storage space at 118 Nawojowska street in Nowy Sącz.

The total value of inventories on 30 June 2014 was 67 197 thousand PLN, which represents an increase by 15 231 thousand PLN compared to the end of the preceding year. This increase was generally due to ongoing intensive development of videogames. The majority of the Group's inventories were held by CD PROJEKT S.A. (total value of 61 108 thousand PLN), corresponding to half-finished goods and videogames under development (book value: 59 395 thousand PLN) - chiefly the Studio's core projects, i.e. The Witcher 3: Wild Hunt and Cyberpunk 2077, in addition to finished goods, valued at 1 658 thousand PLN. The latter figure covers the production costs of The Witcher 2, discounted throughout 2013 in proportion to the game's sales. The aggregate value of inventories belonging to the Issuer's Capital Group also includes inventories held by cdp.pl Sp. z o.o., valued at 6 089 thousand PLN.

The Group's aggregate trade receivables as of 30 June 2014 were estimated at 27 875 thousand PLN. This figure includes cdp.pl receivables in the amount of 12 876 thousand PLN. Receivables attributable to the videogame development segment were valued at 8 532 thousand PLN, including 8 121 thousand PLN which correspond to license payments covering the second quarter of 2014 and collected after the close of the reporting period. The aggregate figure also includes GOG Ltd. receivables in the amount of 6 792 thousand PLN. The reported increase in the Group's trade receivables is primarily due to the preorder campaign associated with the upcoming release of The Witcher 3: Wild Hunt, as well as the large-scale summer sale carried out by GOG.com in the second half of June.

Other receivables, estimated at 7 948 thousand PLN, included tax receivables reported by CD PROJEKT S.A. (excepting income tax), valued at 2 030 thousand PLN, as well as advances paid out to suppliers of goods and services facilitating next year's release of The Witcher 3: Wild Hunt (valued at 4 308 thousand PLN). The total value of other receivables increased by 4 092 thousand PLN (106%) compared to the end of 2013.

Receivables due to current income tax were valued at 2 098 thousand PLN, 2 030 thousand of which was due to overpayment of income tax in the videogame development segment.

98% of the figure reported in the "other financial assets" line item corresponds to PKO TFI investment fund shares purchased by CD PROJEKT S.A. as a temporary allocation of surplus cash. On 30 June 2014 these shares were valued at 818 thousand PLN.

The reported value of prepaid expenses, i.e. 13 861 thousand PLN, increased by 67% (5 549 thousand PLN) in relation to the preceding year. This figure includes 12 138 thousand PLN representing the prepaid expenses of cdp.pl (an increase of 6 877 thousand PLN). The largest single transaction affecting this item was associated with the contract between cdp.pl Sp. z o.o. and Agora S.A. concerning distribution of The Witcher 3: Wild Hunt in Poland. cdp.pl reports product licensing fees, discounted over time, as prepaid expenses.

As of 30 June 2014 the Group held cash and cash equivalents valued at 51 176 thousand PLN, which represents an increase by 11 492 thousand PLN compared to 31 December 2013. The contribution of individual Group members to this aggregate figure is as follows: GOG Ltd. - 24 735 thousand PLN, CD PROJEKT S.A. - 22 952 thousand PLN, cdp.pl Sp. z o.o. - 3 446 thousand PLN, GOG Poland Sp. z o.o. - 41 thousand PLN, Brand Projekt Sp. z o.o. - 2 thousand PLN.

Fixed assets decreased in value by 3 137 thousand PLN (3%) in the first half of 2014. In the same period current assets appreciated by 48 401 thousand PLN (39%). At the end of the reporting period fixed assets represented 35% of all assets belonging to the Group, with current assets making up the remainder.

The Group's equity represented 66% of its total liabilities, with the remaining 34% made up of short- and long-term liabilities. At the end of 2013 the corresponding figures were 77% and 23% respectively. The increase in the Group's equity is primarily due to its net profit achieved in the reporting period. Changes in retained earnings and minority share capital are due to the sale and redemption of cdp.pl stock occurring on 12 May 2014. This transaction has been described elsewhere in this report.

Deferred income tax liabilities, valued at 4 415 thousand PLN, increased by 729 thousand PLN since the end of 2013. This figure is affected by the value of The Witcher trademark which remained unchanged (at 15 104 thousand PLN) throughout the reporting

period, as well as uninvoiced revenues collected in the current reporting period in the videogame development segment (5 695 thousand PLN - increase by 2 493 thousand PLN). An in-depth assessment of positive temporary differences requiring creation of deferred income tax provisions is provided in the Condensed Interim Consolidated Financial Statement of the CD PROJEKT Capital Group for the period between 1 January and 30 June 2014.

Long-term deferred revenues were estimated at 1 386 thousand PLN and did not change significantly throughout the first half of 2014. This figure chiefly comprises subsidies which are received over time as individual installments.

Liabilities due to credits and loans, in the amount of 25 thousand PLN, represent outstanding charges on credit cards which are used to facilitate day-to-day activities of the CD PROJEKT Capital Group. At the end of the reporting period the Group had no outstanding debt associated with any credit or loan agreement.

Trade liabilities of the CD PROJEKT Capital Group were estimated at 35 943 thousand PLN. The bulk of this figure comprises cdp.pl trade liabilities (21 880 thousand PLN) and liabilities attributable to the global videogame distribution segment (12 140 thousand PLN). The reported increase in trade liabilities (by 11 205 thousand PLN) is mostly attributable to cdp.pl (5 756 thousand PLN) and GOG Ltd. (3 576 thousand PLN). At cdp.pl this increase was caused by recognition of liabilities due to the distribution contract signed with Agora S.A. concerning distribution of The Witcher 3: Wild Hunt in Poland, while at GOG Ltd. additional trade liabilities were associated with royalties due to copyright holders, corresponding to increased sales during the GOG.com summer sale campaign.

The Group's other liabilities increased significantly, by 25 720 thousand PLN, reaching 43 938 thousand PLN at the end of June. This increase is mostly attributable to the videogame development segment (which accounts for 40 920 thousand PLN of the aggregate figure). In 2014 CD PROJEKT S.A. continued to negotiate contracts with foreign partners concerning the distribution and licensing of The Witcher 3: Wild Hunt in selected territories. The overwhelmingly positive publicity surrounding the Studio's upcoming release enabled the Group to conclude distribution agreements on more favorable terms than had previously been the case. In most cases such agreements include provisions for the so-called minimum guarantees - i.e. minimum royalty payments due to the Company in association with each license grant. It is customary for a portion of such guarantees to be remitted before the game's release - often immediately after the contract is signed. CD PROJEKT S.A. reports such advances as "other liabilities". The increased value of minimum guarantees collected by the Group reflects great interest in The Witcher 3 on the part of distributors and gamers worldwide.

Short-term deferred revenues increased from 211 thousand PLN to 2 858 thousand PLN. This increase was mostly associated with the activity of the global digital videogame distribution segment.

■ Condensed interim consolidated profit and loss account

PLN thousands	01.01.2014 - 30.06.2014	01.01.2013 - 30.06.2013
Sales revenue	74 588	63 058
<i>Revenues from sales of products</i>	12 366	9 838
<i>Revenues from sales of services</i>	34 317	32 477
<i>Revenues from sales of goods and materials</i>	27 905	20 743
Cost of products, goods and materials sold	53 483	40 057
<i>Cost of products and services sold</i>	28 419	23 002
<i>Value of goods and materials sold</i>	25 064	17 055
Gross profit (loss) from sales	21 105	23 001
<i>Other operating revenues</i>	3 857	1 657
<i>Selling costs</i>	13 113	10 497
<i>General and administrative costs</i>	6 983	6 098
<i>Other operating expenses</i>	870	1 083
Operating profit (loss)	3 996	6 980
<i>Financial revenues</i>	2 396	1 089
<i>Financial expenses</i>	78	450
Profit (loss) before tax	6 314	7 619

<i>Income tax</i>	1 694	(92)
Net profit (loss) from continuing operations	4 620	7 711
Net profit (loss)	4 620	7 711
<i>Net profit (loss) attributable to non-controlling interests</i>	79	-
<i>Net profit (loss) attributable to equity holders of parent entity</i>	4 541	7 711
Net earnings per share (in PLN)		
<i>Basic for the reporting period</i>	0.05	0.08
<i>Diluted for the reporting period</i>	0.05	0.08
Net earnings per share from continuing operations (in PLN)		
<i>Basic for the reporting period</i>	0.05	0.08
<i>Diluted for the reporting period</i>	0.05	0.08

■ Condensed interim consolidated statement of comprehensive income

PLN thousands	01.01.2014 - 30.06.2014	01.01.2013 - 30.06.2013
Net profit (loss)	4 620	7 711
<i>Other comprehensive income which will be entered as profit (loss) following fulfillment of specific criteria</i>	-	-
<i>Exchange rate differences on valuation of foreign entities</i>	166	526
<i>Differences from rounding to PLN thousands</i>	-	(1)
<i>Other comprehensive income which will not be entered as profit (loss)</i>	-	-
Total comprehensive income	4 786	8 236
Total comprehensive income attributable to non-controlling interests	79	-
Total comprehensive income attributable to equity holders of parent entity	4 707	8 236

Sales income in the first half of 2014 increased by 11 530 thousand PLN (18%) compared to the corresponding period in 2013. Most of this figure corresponds to the activity of the global videogame distribution segment (35 390 thousand PLN before consolidation adjustments) as well as distribution and publishing in Poland (30 748 thousand PLN before consolidation adjustments). In the first half of 2014 all Group members reported increased sales, with the greatest increase (corresponding to the greatest increase in consolidated revenues) reported by cdp.pl Sp. z o.o., exceeding the corresponding 2013 figure by 8 898 thousand PLN.

A detailed presentation of revenues by activity segment is provided later on in this report.

With regard to costs, the largest contribution to the reported figure comprises the cost of products and services sold, at 53 483 thousand PLN. Of this amount 26 565 thousand PLN represents costs incurred by distribution and publishing activities in Poland, 4 500 thousand PLN is attributable to the videogame development segment while 19 357 thousand PLN corresponds to licensing fees borne by GOG Ltd.

The ratio of the cost of products and services sold to the Group's sales revenues increased from 61% in the first half of 2013 to 72% in the corresponding period in 2014. This increase is primarily caused by the increased share of distribution and publishing activities in Poland in the Group's consolidated revenues, as well as the increase in the Group's own costs in relation to revenues (from 75% to 85%, as reported above).

Selling costs comprise advertising costs in each segment, contractual back-bonuses for retail chains paid out by cdp.pl Sp. z o.o. and costs of other bought-in services categorized as selling costs. At 13 113 thousand PLN the aggregate selling costs in the first half of 2014 increased by 25% compared to the corresponding period in 2013. This increase is mostly due to the ramp-up of promotional and marketing activities in the videogame development segment in association with the upcoming release of The Witcher 3: Wild Hunt - particularly the game's preorder campaign launched in June 2014.

General and administrative expenses, estimated at 6 983 thousand PLN, correspond to bought-in services and employee compensation paid out at each company belonging to the CD PROJEKT Capital Group. These costs increased by 885 thousand PLN compared to the first half of 2013.

Of the 870 thousand PLN reported as other operating expenses, 725 thousand PLN was attributable to the videogame development segment and resulted from write-offs of uncollectable receivables in correspondence with the dissolution of the previously created write-downs on such receivables, entered in the "other operating revenues" line item. Other operating expenses decreased by 20% compared to the first half of 2013.

Other operating revenues were estimated at 3 857 thousand PLN, which represents an increase by 2 200 thousand PLN compared to the equivalent period in 2013. This increase was mostly due to the sale of the Group's immovable property in Nowy Sącz, reimbursement of civil law transaction tax, receipt of subsidies and dissolution of write-downs on uncollectable receivables, as described in the previous paragraph.

Financial revenues, estimated at 2 396 thousand PLN, exceeded the corresponding 2013 figure by 1 307 thousand PLN. This figure is mostly composed of positive exchange rate differences reported by cdp.pl Sp. z o.o. and CD PROJEKT S.A., valuation of forward contracts and interest on cash assets held by members of the CD PROJEKT Capital Group.

Financial expenses decreased by 83%, reaching 78 thousand PLN. The main contribution to this line item involves bank fees and lease payments. The reported decrease was due to a significant reduction in bank fees associated with the overall decrease in the Group's outstanding bank credit, as well as to the elimination of interest on factoring agreements following the Group's decision to discontinue the use of this instrument in the "distribution and publishing in Poland" activity segment.

Gross profit reported in the first half of 2014, estimated at 6 314 thousand PLN, was subjected to taxation, which resulted in 923 thousand PLN in deferred taxes and 771 thousand PLN in current taxes, for a total of 1 694 thousand PLN.

The consolidated net profit attributable to the parent entity was 4 541 thousand PLN, representing a decrease in comparison with the equivalent period in 2013 (7 711 thousand PLN). The Group's net financial result in the first half of 2014 was significantly affected by intensification of work on projects which are expected to yield economic benefits in future reporting periods, including:

- development and global promotion of The Witcher 3: Wild Hunt,
- development of Cyberpunk 2077,
- expenses associated with the upcoming release of The Witcher Adventure Game and The Witcher Battle Arena (scheduled for Q4 2014),
- development of GOG Galaxy,
- development of new features enabling GOG.com to begin distributing DRM-free motion pictures.

The following table summarizes the breakdown of sales revenues, expenses and the Group's financial result into individual activity segments:

PLN thousands	Distribution and publishing in Poland	Videogame development	Global digital videogame distribution	Other	Consolidation adjustments (incl. eliminations from business combinations)	Total
Sales revenues	30 748	12 911	35 390	3 317	(7 778)	74 588
<i>Revenues from sales of products</i>	-	12 828	-	-	(462)	12 366
<i>Revenues from sales of services</i>	2 882	-	35 390	3 317	(7 272)	34 317
<i>Revenues from sales of goods and materials</i>	27 866	83	-	-	(44)	27 905
Cost of products, goods and materials sold	26 565	4 500	23 237	424	(1 243)	53 483
<i>Cost of products and services sold</i>	1 507	4 449	23 237	424	(1 198)	28 419
<i>Value of goods and materials sold</i>	25 058	51	-	-	(45)	25 064
Gross profit (loss) from sales	4 183	8 411	12 153	2 893	(6 535)	21 105
<i>Other operating revenues</i>	126	1 323	26	2 574	(192)	3 857
<i>Selling costs</i>	5 476	4 734	6 262	938	(4 297)	13 113
<i>General and administrative costs</i>	1 939	3 523	804	2 968	(2 251)	6 983
<i>Other operating expenses</i>	175	725	17	145	(192)	870
Operating profit (loss)	(3 281)	752	5 096	1 416	13	3 996
<i>Financial revenues</i>	663	839	118	444	332	2 396

<i>Financial expenses</i>	86	(354)	15	12 835	(12 504)	78
Profit (loss) before taxation	(2 704)	1 945	5 199	(10 975)	12 849	6 314
<i>Income tax</i>	(288)	1 007	676	326	(27)	1 694
Net profit (loss) from continued operations	(2 416)	938	4 523	(11 301)	12 876	4 620
Net profit (loss) from discontinued operations	-	-	-	-	-	-
<i>Net profit (loss) attributable to minority interests</i>	-	-	-	-	79	79
<i>Net profit (loss) attributable to equity holders of parent entity</i>	(2 416)	938	4 523	(11 301)	12 797	4 541

* The global digital videogame distribution segment includes revenues obtained from selling GOG Poland Sp. z o.o. services to GOG Ltd., valued at 4 386 thousand PLN (most of which are reported as operating expenses by GOG Ltd.) These revenues are subject to consolidation eliminations. The costs borne by GOG Poland Sp. z o.o. in association with the procurement of these services are estimated at 3 879 thousand PLN.

The most important factor affecting the net financial result of the CD PROJEKT Capital Group in the first half of 2014 was the global digital videogame distribution segment, which reported a net profit of 4 523 thousand PLN. The corresponding profit of the videogame development segment was 938 thousand PLN, despite ongoing work on two major development projects and the intensifying promotional activities associated with the upcoming release of The Witcher 3: Wild Hunt. In the scope of distribution and publishing activities in Poland the Group registered a net loss of 2 416 thousand PLN, while the “other” activity segment reported net losses of 11 301 thousand PLN, most of which is due to the sale of cdp.pl stock back to cdp.pl for redemption and is therefore subject to consolidation eliminations. A detailed description of this transaction is presented elsewhere in this report.

■ Condensed interim consolidated statement of cash flows

PLN thousands	01.01.2014 - 30.06.2014	01.01.2013 - 30.06.2013
OPERATING ACTIVITIES		
Net profit (loss)	4 620	7 711
Total adjustments:	2 616	(474)
<i>Depreciation</i>	1 658	1 534
<i>Interest and profit sharing</i>	(307)	165
<i>Profit (loss) on investment activities</i>	(2 079)	(25)
<i>Change in provisions</i>	(41)	727
<i>Change in inventories</i>	(15 231)	(7 799)
<i>Change in receivables</i>	(15 904)	11 977
<i>Change in liabilities excluding credits and loans</i>	36 925	(6 119)
<i>Change in other assets and liabilities</i>	(2 978)	(1 842)
<i>Other adjustments</i>	573	908
Cash flow from continuing operations	7 236	7 237
<i>Income tax on profit (loss) before taxation</i>	1 694	(92)
<i>Income tax (paid) / reimbursed</i>	(1 464)	(859)
A. Net cash flow from continuing operations	7 466	6 286
INVESTMENT ACTIVITIES		
Inflows	7 690	186
<i>Disposal of intangible and tangible fixed assets</i>	6 664	24
<i>Disposal of financial assets</i>	-	46
<i>Other inflows from investment activities</i>	1 026	116
Outflows	3 477	2 028
<i>Purchases of intangible and tangible fixed assets</i>	2 444	1 639
<i>Purchases of financial assets</i>	2	-
<i>Other outflows from investment activities</i>	1 031	389
B. Net cash flow from investment activities	4 213	(1 842)
FINANCIAL ACTIVITIES		
Inflows	90	71

<i>Credits and loans</i>	5	29
<i>Other inflows from financial activities</i>	85	42
Outflows	277	4 870
<i>Repayments of credits and loans</i>	1	4 465
<i>Payments of liabilities under financial lease agreements</i>	263	123
<i>Interest paid</i>	13	282
C. Net cash flows from financial activities	(187)	(4 799)
D. Total net cash flow	11 492	(355)
E. Change in cash and cash equivalents on balance sheet	11 492	(355)
F. Cash and cash equivalents at beginning of period	39 684	26 866
G. Cash and cash equivalents at end of period	51 176	26 511

In the continuing operations segment the Group reported positive cash flows in the amount of 7 466 thousand PLN. In the Management Board's opinion this result is exceptionally good, considering that throughout the reporting period the Group continued to engage in two large-scale videogame development projects (The Witcher 3: Wild Hunt and Cyberpunk 2077) as well as in the promotional campaign associated with the upcoming release of The Witcher 3. The value of assets under construction increased by 19 127 thousand PLN as a result of videogame development activities, which is also the primary reason behind the reported change in the value of inventories (by 15 231 thousand PLN).

Another important adjustment, estimated at 36 925 thousand PLN, involves an increase in the balance of liabilities except credits and loans. The Group's trade liabilities increased by 11 205 mostly due to recognition of liabilities associated with the agreement between cdp.pl and Agora S.A. concerning distribution of The Witcher 3: Wild Hunt in Poland, as well as with royalty payments resulting from increased sales during GOG.com's large-scale summer sale. The aggregate liabilities of the Capital Group are also affected by the increase in the Other liabilities line item (by 25 720 thousand PLN), chiefly due to receipt of advance payments from distributors with whom CD PROJEKT S.A. has concluded distribution and licensing agreements for The Witcher 3.

The Group's receivables increased by 15 904 thousand PLN. The reasons behind this increase (with respect to trade receivables as well as other receivables) are presented in the Condensed Interim Consolidated Financial Statement of the CD PROJEKT Capital Group.

The investment branch of the Capital Group generated positive cash flows in the amount of 4 213 thousand PLN. This figure was primarily affected by the sale of immovable property in Nowy Sącz and by purchases of fixed assets (such as computer software) by Group members, in addition to other investment-related expenses.

The Group's financial activities generated negative cash flows in the amount of 187 thousand PLN, mostly due to lease payments (263 thousand PLN).

In summary it should be noted that despite ongoing development of two high-value videogames, as well as all other projects described in the commentary section of the consolidated profit and loss statement (see above), the CD PROJEKT Group achieved a positive cash flow. At the end of the reporting period the Group held cash assets valued at 51 176 thousand PLN as well as other financial assets (investment fund shares) valued at 818 thousand PLN. Furthermore, as of 30 June 2014 the Group was not in debt due to credit and loan agreements. In relation to the end of the preceding year, financial assets increased by 11 492 thousand PLN.

■ Disclosure of credits and loans as of 30 June 2014

As of 30 June 2014 the CD PROJEKT Capital Group had no liabilities associated with credit and loan agreements. Changes in the Group's outstanding credits and loans compared to the end of 2013 are outlined in the following table.

Name of bank/lender and type of credit/loan	Contractual credit/loan amount as of 30 Jun 2014	Amount outstanding as of 30 Jun 2014	Amount outstanding as of 30 Jun 2013
<i>BRE Bank S.A. - revolving credit</i>	19 000	-	250
<i>BRE Bank S.A. - overdraft facility</i>	10 000	-	59
<i>BRE Bank S.A. - credit agreement</i>	11 000	-	-
TOTAL*	40 000	-*	309*

* The aggregate value of credits and loans listed above differs from the sum of short- and long-term liabilities due to credits and loans reported in the consolidated statement of financial position. These differences are associated with credit card charges and due interest.

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

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

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

■ Disclosure of loans granted in the first half of 2014

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

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

In line with the provisions of the licensing agreement signed on 7 February 2014 by CD PROJEKT S.A. and AGORA S.A. concerning distribution of The Witcher 3: Wild Hunt, the Company issued a promissory note which guarantees the liabilities of its subsidiary - cdp.pl Sp. z o.o. - which may arise due to the implementation of the parallel agreement between AGORA S.A. and cdp.pl Sp. z o.o. This guarantee covers the entire duration of the distribution agreements, i.e. 18 months following the release of The Witcher 3: Wild Hunt.

On 24 February 2014 CD PROJEKT S.A. signed a contract of guarantee with its subsidiary cdp.pl Sp. z o.o., underwriting its liabilities associated with cooperation with Konami Digital Entertainment B.V. in an amount not exceeding 100 000 Euro.

II. Assessment of differences between earlier estimates and reported financial results for the current year

The CD PROJEKT Capital Group did not publish any estimates referring to 2014.

3

Growth outlook of the CD PROJEKT Capital Group

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

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

■ CD PROJEKT Group mission statement

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

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

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

■ CD PROJEKT Group business objectives

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

II. Capital Group growth outlook

According to Gartner Inc., a globally renowned information technology research and advisory company, the volume of the global videogame market is estimated at 97 billion USD. By 2015 this value is projected to increase by 15%, reaching 112 billion USD. Such a large market offers natural growth opportunities both for CD PROJEKT S.A. as a whole and for its individual subsidiaries.

The CD PROJEKT Capital Group foresees growth in the following key segments throughout 2014 and beyond:

■ Distribution and publishing in Poland

Distribution of videogames and motion pictures in Poland represents, chronologically, the oldest activity segment of the CD PROJEKT Capital Group. In 2014 cdp.pl Sp. z o.o. will strive to increase the effectiveness and reach of its distribution channels, expand its product portfolio and streamline its business practices.

The Company continuously seeks out new partners and optimizes resource consumption, exploiting the synergies between physical and digital distribution channels to further expand its catalogue and attract new customers. It also works to eliminate products which are regarded as either unprofitable or too risky to distribute domestically in light of the Company's contractual obligations. Both types of distribution (physical and digital) complement each other, enabling cdp.pl to carry out high-volume distribution of blockbusters and best-selling games while at the same time pursuing niche projects, such as distribution of indie games or motion pictures devoted to extreme sports.

In June 2014 cdp.pl Sp. z o.o. signed a contract with RUCH S.A. This agreement should enable the Company to further optimize its inventory management practices, improving the efficiency of its core business activities.

■ Videogame development

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

revenue stream throughout 2012. Since 2012 both games are also available for Apple computers running the Mac OS operating system. As part of its work on The Witcher 2 the Company developed a proprietary cutting-edge videogame engine named REDengine. The third iteration of this engine, completed in February 2013, supports never-before-seen nonlinear storytelling in an open sandbox. REDengine 3 is continuously being upgraded to ensure user satisfaction and meet the internal requirements of the CD PROJEKT S.A. game development teams. The engine also comprises a new animation subsystem, capable of rendering realistic emotions, cinematic sceneries and character interactions. Currently, REDengine 3 supports three hardware platforms - the PC as well as two eighth-generation consoles: Sony PlayStation 4 and Microsoft Xbox One.

Key projects currently being carried out at CD PROJEKT RED with the use of the above mentioned technologies include the widely anticipated third game in The Witcher series (The Witcher 3: Wild Hunt), as well as an entirely new franchise - Cyberpunk 2077. In addition, the Studio's Kraków branch is working on two smaller releases. Teaser trailers for The Witcher 3: Wild Hunt and Cyberpunk 2077 were enthusiastically received by the gaming media and fans throughout the world. The positive reception of CD PROJEKT S.A. products on the part of reviewers and gamers worldwide is of crucial importance for the Company's growth potential in the coming years. It is worth noting that - as of the publication date of this report - The Witcher 3: Wild Hunt has garnered over 150 awards and accolades from respected media outlets and international gaming portals.

By the end of 2014 CD PROJEKT S.A. plans to carry out its first foray into the mobile gaming market, with two products scheduled for release: The Witcher Adventure Game (digital edition of the corresponding Witcher-themed board game) and The Witcher Battle Arena (a multiplayer online game based on the novel microtransactions model). The strength of The Witcher franchise should facilitate the Company's entry into this new, sizeable and dynamically growing market segment.

■ Global digital videogame distribution

Global digital videogame distribution is among the youngest and most rapidly developing segments of the digital entertainment market. Digital purchases already constitute the backbone of the gaming world, particularly with respect to PC releases. In many developed countries digital distribution has already surpassed the corresponding sales of physical (box) editions.

Research carried out in 2014 by NPD shows that 36% of US gamers purchase games online. The International Data Corporation (IDC) forecasts 4% yearly growth in the USA and 5% in other markets, and predicts that by 2017 the volume of the global market will reach 24 billion USD.

This dynamically growing market segment represents the natural operating environment for the Group's GOG.com platform.

The goal of GOG Ltd. is to strengthen its position as the second largest independent digital distribution platform for PC, Mac and Linux games, offering products in all price ranges. To this end the Company intends to continue expanding its catalogue, focusing on new releases. GOG Ltd. is also preparing to roll out its new proprietary technology stack called GOG Galaxy, and continuing development work on other projects which are scheduled for release by the end of 2014 and may significantly impact future sales.

Having secured a strong market position in the videogame distribution segment through consistent implementation of its DRM-free access policy, on 27 August 2014 GOG Ltd. began distributing motion pictures. The platform enables customers to download movies directly to their own devices (to be viewed at the user's discretion) or to view them online, using an inbuilt streaming client. On the rollout date GOG Ltd. offered access to 20 motion pictures devoted to gaming and the online culture. This catalogue will be progressively expanded, with new items added on a weekly basis.

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

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

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

A specific factor which influences Capital Group activities is the ongoing technological and marketing evolution, affecting both the development and distribution of videogames. Technological changes may alter the expectations of existing customers and may also enable the Group to attract new customers.

Videogame development

In the videogame development segment the Company intends to continue work on two upcoming releases: The Witcher 3: Wild Hunt and Cyberpunk 2077.

In parallel, the Company is ramping up its marketing activities associated with the release of The Witcher 3: Wild Hunt, scheduled for February 2015. The game is being showcased at key trade fairs, including E3 in Los Angeles, Gamescom 2014 in Cologne and San Diego Comic Con. To-date presentations of The Witcher 3: Wild Hunt have been enthusiastically received by critics and other attendees of trade fairs in which the Company takes part. This positive reception and the eagerness with which gamers worldwide are awaiting the release of CD PROJEKT's newest addition to The Witcher franchise should substantially influence the Company's future sales and growth prospects.

The pre-release promotional campaign surrounding The Witcher 3: Wild Hunt is also generating interest in the Company's earlier releases. The Group's revenues are bolstered by ongoing sales and other promotional activities targeting The Witcher and The Witcher 2: Assassins of Kings, including trade agreements with operators of the world's leading digital distribution platforms. In the first half of 2014 approximately 1 million copies of The Witcher and The Witcher 2: Assassins of Kings were sold - evidence of the lasting appeal and extensive market viability of games developed and published by CD PROJEKT S.A.

As of the publication date of this report CD PROJEKT S.A. has signed distribution and licensing contracts for The Witcher 3: Wild Hunt in all territories where the game is to be distributed, preparing the ground for the game's simultaneous release on key foreign markets.

Regarding marketing activities, CD PROJEKT RED is in close cooperation with distributors of The Witcher 3: Wild Hunt throughout the world, enacting the provisions of global as well as local marketing and promotional campaigns. The aim of these provisions is to maximize the game's popularity and market penetration in all key demographics, and to ensure top quality of promotional content - trailers, posters and advertisements.

The marketing department is focusing on coordination and implementation of plans prepared in cooperation with local distributors, tracking expenses (which includes supervision of advertising budgets) and ensuring the consistency and uniformity of the game's public image.

Future results of CD PROJEKT S.A. will also be affected by gamers' interest in other CD PROJEKT RED releases, i.e. The Witcher Battle Arena (a recently announced free-to-play mobile game with micropayment options) and The Witcher Adventure Game (a board game published in cooperation with Fantasy Flight Games, with a digital edition scheduled for parallel release for the PC and mobile devices). Success of these projects - which also represent the Company's first foray into an entirely new market segment - will bolster the growth of CD PROJEKT S.A. and enable the Company to attract new customers.

Global digital videogame distribution

In the global digital videogame distribution segment, the reported high sales volume should be positively affected by the customers' increasing tendency to turn to online channels for purchases. In the near term further growth of GOG.com will depend on expanding the Company's catalogue. Accordingly, the company will seek access to newer products, including entirely new releases and games capable of interfacing with its custom GOG Galaxy technology stack, announced in late June 2014. Optional GOG Galaxy clients will be made available to all platform users in the second half of 2014, creating new opportunities for the Company - on the one hand, GOG Galaxy should attract gamers interested in online multiplayer games (not currently supported on GOG.com) while on the other hand it should enable the Company to begin distributing games which represent this increasingly popular genre. The Management Board believes that the introduction of GOG Galaxy will support future releases of brand new full-priced games which could not otherwise be distributed by GOG.com. GOG Galaxy is currently undergoing public testing.

GOG Ltd. development prospects are also aided by support for purchases in local currencies and integration with popular e-payment channels. This feature was added to the platform on 27 August 2014 and should prove attractive to customers who find it disadvantageous to remit payment in US dollars.

Before the end of the year the Company plans to release additional features which will further expand its user base and may significantly affect growth dynamics on local markets.

In addition to continuous expansion of its product catalogue, GOG Ltd. also strives to reach new customers who have not yet set up GOG.com accounts. This effort relies on GOG Ltd.'s own PR activities as well as its synergy and cooperation with CD PROJEKT S.A.

Further growth of GOG.com should be facilitated by the acceptance - on the part of GOG.com customers and IP right holders - of the platform's newest feature, i.e. support for digital distribution of DRM-free motion pictures. This feature was rolled out on 27 August

2014, with an initial catalogue of 20 motion pictures devoted to computer gaming and the online culture. Initial customer reactions are very positive.

Distribution and publishing in Poland

Distribution and publishing activities in Poland rely on good business relations between cdp.pl Sp. z o.o. and its suppliers of videogames and motion pictures. A key factor in this process is the Company's publishing plan, replete with major releases and based on favorable contracts with external partners. In the longer run the performance of cdp.pl Sp z o.o. in the electronic entertainment segment (i.e. distribution of videogames, motion pictures, e-books and audiobooks) depends on the success of its proprietary online distribution platform - cdp.pl (launched in 2012).

Other

Activities aggregated in the "Other activities" segment comprise services provisioned to affiliated entities as well as exploitation of synergies which exist within the Group. In this sense, any factors - both internal and external - which affect growth prospects in the remaining segments also influence the "Other activities" segment.

4

Corporate management and supervision

I. Composition of the Management Board and Supervisory Board

■ Management Board

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

■ Changes in Management Board composition

No changes in the composition of the CD PROJEKT S.A. Management Board occurred in the reporting period.

■ Supervisory Board

Chairwoman of the Board	Katarzyna Szwarz
Deputy Chairman of the Board	Cezary Iwański
Board Member	Grzegorz Kujawski
Board Member	Maciej Majewski
Board Member	Piotr Pałowski

■ Changes in Supervisory Board Composition

No changes in the composition of the CD PROJEKT S.A. Supervisory Board occurred in the reporting period.

II. Changes in stock ownership by members of the Management Board and the Supervisory Board of the parent entity

As of the publication date of this report, the following quantity of stock was held by members of the Management Board and Supervisory Board of CD PROJEKT S.A.:

■ Changes in stock ownership by members of the Management Board

	as of 30.06.2014	reduction	increase	as of 01.01.2014
<i>Marcin Iwiński</i>	12 607 501	-	-	12 607 501
<i>Piotr Nielubowicz</i>	5 985 197	-	-	5 985 197
<i>Adam Kiciński</i>	3 122 481	-	-	3 122 481
<i>Michał Nowakowski</i>	1 149	-	-	1 149
<i>Adam Badowski</i>	-	-	-	-

	as of 01.09.2014	reduction	increase	as of 01.01.2014
<i>Marcin Iwiński</i>	12 607 501	-	-	12 607 501
<i>Piotr Nielubowicz</i>	5 985 197	-	-	5 985 197
<i>Adam Kiciński</i>	3 122 481	-	-	3 122 481
<i>Michał Nowakowski</i>	1 149	-	-	1 149
<i>Adam Badowski</i>	-	-	-	-

■ Changes in stock ownership by members of the Supervisory Board

	as of 30.06.2014	reduction	increase	as of 01.01.2014
<i>Katarzyna Szwarc</i>	10	-	-	10
<i>Cezary Iwański</i>	-	-	-	-
<i>Grzegorz Kujawski</i>	-	-	-	-
<i>Maciej Majewski</i>	-	-	-	-
<i>Piotr Pągowski</i>	-	-	-	-

	as of 01.09.2014	reduction	increase	as of 01.01.2014
<i>Katarzyna Szwarc</i>	10	-	-	10
<i>Cezary Iwański</i>	-	-	-	-
<i>Grzegorz Kujawski</i>	-	-	-	-
<i>Maciej Majewski</i>	-	-	-	-
<i>Piotr Pągowski</i>	-	-	-	-

Members of the Management Board and Supervisory Board of CD PROJEKT S.A. do not directly hold any shares of the Group's subsidiary companies.

5

Supplementary information

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

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.

	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%
<i>Marcin Iwiński</i>	12 607 501	13.28%	12 607 501	13.28%
<i>Michał Kiciński</i>	12 282 615	12.94%	12 282 615	12.94%
<i>Piotr Nielubowicz</i>	5 985 197	6.30%	5 985 197	6.30%
<i>Adam Kiciński</i>	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, as disclosed in Current Report No. 17/2013 of 29 May 2013.

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

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

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

The percentage share in the Company's share capital and in the number of votes at the General Meeting was computed on the basis of noticed collected from shareholders in relation to the Company's share capital as of the publication date of this report.

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

The following diagram illustrates the structure of the CD PROJEKT Capital Group as of the publication date of this report:



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

On 27 August 2014 the District Court for the City of Warsaw, 13th Commercial Department of the National Court Register carried out the registration of CD PROJEKT Brands S.A. with a share capital of 100 thousand PLN. This company is wholly owned by CD PROJEKT S.A.

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

III. Companies subjected to consolidated financial reporting

The Condensed Interim Consolidated Financial Report of the CD PROJEKT Capital Group for the period between 1 January and 30 June 2014 applies to the following companies, each of which is a member of the Group:

	capital share	voting rights held	consolidation method
CD PROJEKT S.A.	parent entity	-	Full
cdp.pl Sp. z o.o.	50.2%	50.2%	Full
GOG Poland Sp. z o.o.	100%	100%	Full
GOG Ltd.	100%	100%	Full
Brand Projekt Sp. z o.o.	100%	100%	Full

IV. Disclosure of transactions with affiliates

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

- purchases of licenses from CD PROJEKT S.A. by cdp.pl Sp. z o.o. and GOG Ltd. as required by these subsidiaries' business profiles,
- groupwide consolidation of bank account under a cash pooling agreement,
- procurement of accounting, HR, legal, financial, administrative and managerial services from CD PROJEKT S.A. by its subsidiaries,
- subletting of office space,
- procurement of GOG.com maintenance services from GOG Poland Sp. z o.o. by GOG Ltd.
- on 12 May 2014 the parent entity sold 9,000 shares of cdp.pl Sp. z o.o. stock to cdp.pl Sp. z o.o. for redemption;
- other minor transactions associated with day-to-day activities (e.g. re-invoicing joint expenses).

Transactions between affiliates are concluded on market terms as required by the business profiles of each member of the CD PROJEKT Capital Group. Detailed provisions governing transactions between affiliates are listed in the Condensed Interim Consolidated Financial Statement of the CD PROJEKT Capital Group for the period between 1 January and 30 June 2014.

V. Risk management in the Capital Group

■ Risk factors specific to the activities carried out by the Group

Risk associated with customers

cdp.pl Sp. z o.o., which engages in videogame and motion picture distribution in Poland, distributes its products through retail chains, and wholesale purchasers. In this scope risks include termination of trade agreements (or their non-prolongation, in the case of fixed-term agreements) as well as customer bankruptcy. In order to mitigate the risk of termination or non-prolongation of trade agreements cdp.pl strives to maintain good relations with its existing partners, diversify its product portfolio and seek new distribution channels. In order to mitigate the risk of customer bankruptcy cdp.pl insures buyer's credit agreements which are offered to selected customers.

In the videogame development activity segment the pool of customers consists of distributors and publishers who purchase licenses to publish and distribute Company products. Efficient cooperation with customers is dependent on a number of factors, including the appeal of the product, customers' own publishing plans, customers' preferences in specific countries and the

financial terms offered by each customer. CD PROJEKT S.A. makes every effort to ensure high quality of its products, rendering them more desirable and attractive to final customers and increasing licensee and distributor retention.

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

Risk of losing key suppliers

The operations of several Group members (cdp.pl Sp. z o.o. and GOG Ltd.) depend on cooperation with developers, producers and publishers who supply final products and with whom publishing, distribution and retail sale agreements are negotiated. Both companies mitigate the risk of losing suppliers by maintaining good trade relations and by working to diversify their supply chains and attract new suppliers.

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

Risk of incorrectly estimating demand and future sales

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

Risk of delays in videogame development

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

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

Risks associated with development of games for gaming consoles

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

Risks associated with employee retention

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

Risk of insolvency and credit risk

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

In order to minimize the risk of customer insolvency the Company performs ongoing monitoring of the collection of receivables. Debt collection is subcontracted to specialized third parties. The Group identifies key customers whose total share in the Group's revenue stream exceeds 10%. Since 2012 cdp.pl (which carries out domestic distribution of videogames and motion pictures) has been insuring buyer's credit agreements offered to selected customers.

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

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

Risks associated with credit agreements and interest rate risks

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

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

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

Risks associated with market consolidation trends

There is a notable global tendency for developers and publishers of videogames and motion pictures to consolidate. These trends may ultimately strengthen the market position of several global suppliers, publishers and distributors. Consolidation trends may cause the Company to lose key suppliers due to decisions imposed by the acquirer, or reduce the number of publishers/distributors who carry Company products.

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

Risks associated with illegal distribution of CD PROJEKT Capital Group products

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

Risks associated with the emergence of new technologies

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

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

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

Asset impairment tests

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

Exchange rate risks:

Risks associated with PLN strengthening against EUR and USD

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

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

Risks associated with PLN weakening against EUR and USD

cdp.pl Sp. z o.o., being an importer and licensee, is subject to risks associated with PLN weakening against USD and EUR. Such circumstances would render games sold on the local market more expensive for local consumers, decreasing their sales volume. Additionally, expenses borne by cdp.pl Sp z o.o. in relation to licensing payments owed to game publishers and producers would become commensurately greater, resulting in a decrease in markup. The Company mitigates exchange rate risks by performing hedging of foreign currency transactions.

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

Considering the Group as a whole, exchange rate risks are somewhat mitigated as a result of the differing profiles of individual members: changes favorable to entities which obtain revenues in foreign currencies are unfavorable to entities which make purchases in those currencies. An analogous situation occurs under reversed circumstances. Nevertheless, various types of transactions peak at various times and exchange rate risks cannot be completely eliminated within the Group. In order to further mitigate these risks the Group performs hedging as part of its ordinary activities.

Risks associated with major shareholders' actions

As of the date of preparation of this report CD PROJEKT S.A. has several major shareholders and moreover the major shareholders of CD PROJEKT S.A. (namely Mr. Marcin Iwiński, Mr. Michał Kiciński, Mr. Piotr Nielubowicz and Mr. Adam Kiciński) are recognized as acting in concert under Art. 87 section 1 item 5 of the Public Offerings Act.

Owing to their share in the Company share capital and the total number of votes at the General Meeting the major shareholders acting in concert exercise effective control over the Company. They may use their majority at the General Meeting to effect significant decisions - for example introduce changes in the Company statute, issue new stock, reduce the Company share capital, issue convertible bonds, pay out dividends and perform other actions which, according to the Commercial Company Code, require a majority or supermajority of votes at the General Meeting. The major shareholders acting in concert also possess a sufficient number of votes to exercise de facto control over the composition of the Supervisory Board by directly appointing all or most of its members or (depending on whether group voting is instituted). In turn, the Supervisory Board may appoint the

President of the Management Board as well as other members of the Management Board in accordance with the major shareholders' wishes. Due to the above listed prerogatives investors should not assume that the major shareholders will always act in the interest of other shareholders of the Company.

■ Risk factors specific to the Group's market environment

Risks associated with changes in macroeconomic conditions

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

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

Risks associated with legislative changes and conflicts of jurisdiction

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

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

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

Risks associated with competitors' actions

The Group's business performance is affected by its competition's strategy, financial standing and the ability to procure financing on favorable terms. The Group encounters competition when negotiating game publishing and distribution agreements, conducting marketing campaigns and introducing its own products to external distribution channels.

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

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

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

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

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

On 15 February 2006 the Management Board of Optimus S.A. filed a complaint in the District Court for the City of Kraków, 1st Civil Department seeking monetary damages from the State Treasury in the amount of 35,650.6 thousand PLN in relation to the decision

issued by the Inspector of Treasury Control on 27 December 2001 in which the VAT liabilities of the Company were estimated at 16,367.4 thousand PLN. This decision was upheld by the Treasury Chamber in Kraków on 3 April 2002, and by the Treasury Office on 21 November 2002, which applied the universal succession principle to hold the Company responsible for tax liabilities incurred by its legal predecessor. On 24 November 2003 the Supreme Administrative Court in Warsaw vacated these decisions as unlawful.

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

On 1 August 2014, after the close of the reporting period, the District Court for the City of Kraków issued a final judgment which awards the Company damages in the amount of 1,090,459.53 PLN plus statutory interest for the period between 15 November 2005 and the remittance date.

As of the publication date of this statement the above mentioned judgment of the court of first instance is not legally binding.

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 judgment 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 judgment. 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, petitioning the Court to schedule a hearing. On 7 August 2014 motions to withdraw the appeals in cassation were filed.

5. Complaint against the individual interpretation of tax law

On 18 March 2014, having previously issued a written request to the Director of the Treasury Chamber in Warsaw to rectify an unlawful situation, CD PROJEKT S.A. filed a complaint with the District Administrative Court in Warsaw against the erroneous (in the Company's opinion) individual interpretation of tax law by the Director of the Treasury Chamber in Warsaw acting on behalf of the Finance Minister. The decision concerned the time of deduction of withholding tax at source from the income tax owed by the Company. The Company 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 has not been scheduled.

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-appointed expert.

■ 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 no further hearings have been scheduled.

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.

VII. Information concerning audits of financial statements

In Current Report No. 9/2014 of 6 May 2014 the Management Board of CD PROJEKT S.A. disclosed that, in accordance with the applicable legal regulations and professional code of conduct, on 6 May 2014 the Supervisory Board of the Company carried out the selection of the licensed auditor responsible for performing an audit of the consolidated and separate financial statements of CD PROJEKT S.A. for the year 2014. The entity appointed for this purpose was PKF Consult Sp. z o.o. (formerly PKF Audyty Sp. z o.o.)

VIII. Events occurring after the balance sheet date

In Current Report no. 12/2014 of 24 July 2014 the Management Board announced a decision by the Management Board of GOG Limited, a subsidiary of the Group, headquartered in Cyprus (further referred to as "GOG Ltd."), concerning the payment of a

dividend in the amount of 2,700 thousand USD from GOG Ltd. registered profit in 2013. The dividend was remitted to the Company's bank account on 25 July 2014.

In Current Report no. 13/2014 of 1 August 2014, the Management Board of the Company announced that the District Court in Kraków, 1st Civil Department had delivered a judgement in the case filed by Optimus S.A. (currently operating under the name CD PROJEKT S.A.) against the State Treasury, seeking compensation for damages borne by the Company due to unlawful decisions by tax authorities. The judgment awards the Company damages in the amount of 1,090 thousand PLN plus statutory interest for the period between 15 November 2005 and the remittance date, dismissing the lawsuit on all other counts. Additionally, the Court instructed the Company to remit 14 thousand PLN to the State Treasury to cover the costs of legal proceedings.

After the close of the reporting period the Company registered two new subsidiaries:

- On 27 August 2014 the District Court for the City of Warsaw, 13th Commercial Department of the National Court Register carried out the registration of CD PROJEKT Brands S.A. with a share capital of 100 thousand PLN. This company is wholly owned by CD PROJEKT S.A.
- On 4 August 2014 a company named CD PROJEKT Inc. was incorporated under US law in Venice, California.

Warsaw, 1 September 2014

Adam Kiciński
President of the Board

Marcin Iwiński
Vice President of the
Board

Piotr Nielubowicz
Vice President of the
Board

Adam Badowski
Board Member

Michał Nowakowski
Board Member