# CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENT OF THE CD PROJEKT CAPITAL GROUP FOR THE PERIOD BETWEEN 1 JANUARY AND 30 JUNE 2014

CD PROJEKT®

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.

1

# General information

# Parent entity

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

# Duration of the Capital Group

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

# Reporting period

This condensed interim consolidated financial statement, which includes elements of condensed interim separate financial statements, covers the period between 1 January and 30 June 2014 inclusive. Comparative data is valid for 31 March 2014, 31 December 2013 and 30 June 2013 in the condensed interim consolidated statement of financial position and elements of condensed interim separate statements of financial position, for the period between 1 January and 30 June 2013 in the condensed interim consolidated and separate profit and loss accounts, condensed interim consolidated and separate statements of comprehensive income and condensed interim consolidated and separate statements of cash flows, and for the period between 1 January and 31 December 2013 in the statements of changes in consolidated and separate equity.

# Composition of the governing bodies of the parent entity as of 30 June 2014

## 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.

(all figures quoted in PLN thousands unless otherwise specified).

## Supervisory Board

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

## Changes in Supervisory Board Composition

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

# Licensed auditors

PKF Consult Sp. z o.o.,
Orzycka 6 lok. 1B,
02-695 Warsaw

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 Audyt Sp. z o.o.)

# Shareholders who control, directly or through subsidiaries, at least 5% of the total number of votes at the General Meeting of Shareholders of the parent entity as of the publication date of this statement

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

| | No. of shares | Percentage share in share capital | No. of votes at the GM | Percentage share in total number of votes at the GM |
|---|---|---|---|---|
| In concert(1) | 33 997 794 | 35.81% | 33 997 794 | 35.81% |
| *Marcin Iwiński* | *12 607 501* | *13.28%* | *12 607 501* | *13.28%* |
| *Michał Kiciński* | *12 282 615* | *12.94%* | *12 282 615* | *12.94%* |
| *Piotr Nielubowicz* | *5 985 197* | *6.30%* | *5 985 197* | *6.30%* |
| *Adam Kiciński* | *3 122 481* | *3.29%* | *3 122 481* | *3.29%* |
| PKO TFI S.A.(2) | 9 000 000 | 9.48% | 9 000 000 | 9.48% |
| AVIVA OFE (3) | 4 940 000 | 5.20% | 4 940 000 | 5.20% |
| Amplico PTE S.A. (4) | 5 003 719 | 5.27% | 5 003 719 | 5.27% |
| Other shareholders | 42 008 487 | 44.24% | 42 008 487 | 44.24% |

*(1) Pursuant to art. 87 par. 1 item 5 of the Offerings Act, Mr. Michał Kiciński, Mr. Marcin Iwiński, Mr. Piotr Nielubowicz and Mr. Adam Kiciński are recognized as acting in concert.*
*(2) As disclosed in Current Report No. 19/2011 of 25 February 2011.*
*(3) As disclosed in Current Report No. 25/2012 of 6 September 2012.*

(all figures quoted in PLN thousands unless otherwise specified).

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

## Changes in shareholder structure of the parent entity

The Company was not notified of any changes in shareholder structure throughout the reporting period.

# Changes in stock ownership by members of the Management Board and the Supervisory Board of the parent entity throughout the first quarter of 2014 and up until the publication date of this statement

## Changes in stock ownership by members of the Management Board

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

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

## Changes in stock ownership by members of the Supervisory Board

| | as of 30.06.2014 | reduction | increase | as of 01.01.2014 |
|---|---|---|---|---|
| *Katarzyna Szwarc* | *10* | - | - | *10* |
| *Cezary Iwański* | - | - | - | - |
| *Grzegorz Kujawski* | - | - | - | - |
| *Maciej Majewski* | - | - | - | - |
| *Piotr Pągowski* | - | - | - | - |

| | as of 01.09.2014 | reduction | increase | as of 01.01.2014 |
|---|---|---|---|---|
| *Katarzyna Szwarc* | *10* | - | - | *10* |
| *Cezary Iwański* | - | - | - | - |
| *Grzegorz Kujawski* | - | - | - | - |
| *Maciej Majewski* | - | - | - | - |

(all figures quoted in PLN thousands unless otherwise specified).

| | | | | |
|---|---|---|---|---|
| *Piotr Pągowski* | - | - | - | - |

## Subsidiaries – structure of the Capital Group

The following diagram illustrates the structure of the CD PROJEKT Capital Group as of the publication date of this financial statement.


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

## Validation of published estimates

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

## Financial highlights

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

| Reporting period | Average rate * | Minimum rate | Peak rate | Rate as of the final day of the reporting period |
|---|---|---|---|---|
| *01.01.2014 - 30.06.2014* | *4.1784* | *4.0998* | *4.2375* | *4.1609* |
| *01.01.2013 - 31.12.2013* | *4.2110* | *4.0671* | *4.3432* | *4.1472* |
| *01.01.2013 - 30.06.2013* | *4.2140* | *4.0671* | *4.3432* | *4.3292* |

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

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

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

| thousands | PLN | | EUR | |
|---|---|---|---|---|
| | 01.01.2014 - 30.06.2014 | 01.01.2013 - 30.06.2013 | 01.01.2014 - 30.06.2014 | 01.01.2013 - 30.06.2013 |
| *Net income from sales of products, goods and materials* | *74 588* | *63 058* | *17 851* | *14 964* |
| *Cost of products, goods and materials sold* | *53 483* | *40 057* | *12 800* | *9 506* |

(all figures quoted in PLN thousands unless otherwise specified).

| | | | | |
|---|---|---|---|---|
| *Operating profit (loss)* | *3 996* | *6 980* | *956* | *1 656* |
| *Profit (loss) before tax* | *6 314* | *7 619* | *1 511* | *1 808* |
| *Net profit (loss) attributable to equity holders of parent entity* | *4 541* | *7 711* | *1 087* | *1 830* |
| *Net cash flows from continuing operations* | *7 466* | *6 286* | *1 787* | *1 492* |
| *Net cash flows from investment activities* | *4 213* | *(1 842)* | *1 008* | *(437)* |
| *Net cash flows from financial activities* | *(187)* | *(4 799)* | *(45)* | *(1 139)* |
| *Aggregate net cash flows* | *11 492* | *(355)* | *2 750* | *(84)* |
| *Stock volume (in thousands)* | *94 950* | *94 950* | *94 950* | *94 950* |
| *Net profit (loss) per ordinary share (PLN/EUR)* | *0.05* | *0.08* | *0.01* | *0.02* |
| *Diluted profit (loss) per ordinary share (PLN/EUR)* | *0.05* | *0.08* | *0.01* | *0.02* |
| *Book value per share (PLN/EUR)* | *1.82* | *1.69* | *0.44* | *0.39* |
| *Diluted book value per share (PLN/EUR)* | *1.82* | *1.69* | *0.44* | *0.39* |
| *Declared or paid out dividend per share (PLN/EUR)* | - | - | - | - |

| **thousands** | **PLN** | | **EUR** | |
|---|---|---|---|---|
| | **30.06.2014** | **31.12.2013** | **30.06.2014** | **31.12.2013** |
| *Total assets* | *262 899* | *217 635* | *63 183* | *52 478* |
| *Liabilities and provisions for liabilities (less Deferred revenues)* | *86 096* | *48 680* | *20 692* | *11 738* |
| *Long-term liabilities* | *6 188* | *5 276* | *1 487* | *1 272* |
| *Short-term liabilities* | *84 152* | *44 991* | *20 224* | *10 849* |
| *Equity* | *172 559* | *167 368* | *41 472* | *40 357* |
| *Share capital* | *94 950* | *94 950* | *22 820* | *22 895* |

# Statement of the Management Board of the parent entity

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

This condensed interim consolidated financial statement has been prepared in accordance with accounting practices consistent with the International Financial Reporting Standards as legislated by the European Union. Where such practices are not applicable the statement conforms to the Accounting Act of 29 September 1994 (Journal of Laws of the Republic of Poland, 2013, item no. 330 with subsequent changes) and to any secondary legislation based on said Act, as well as to the directive of the Finance Minister of 19 February 2009 regarding publication of periodic and current reports by issuers of securities (Journal of Laws of the Republic of Poland, No. 33, item no. 259). The statement covers the period between 1 January and 30 June 2014 inclusive, with the corresponding comparative period between 1 January and 30 June 2013 inclusive.

# Approval of financial statement

This condensed interim consolidated financial statement of the CD PROJEKT Capital Group was approved for publication by the Management Board of the parent entity on 1 September 2014.

# 2

# Condensed Interim Consolidated Financial Statement of the CD PROJEKT Capital Group

# Condensed interim consolidated profit and loss account

| PLN thousands | 01.01.2014 - 30.06.2014 | 01.01.2013 - 30.06.2013 |
|---|---|---|
| **Sales revenues** | **74 588** | **63 058** |
| *Revenues from sales of products* | *12 366* | *9 838* |
| *Revenues from sales of services* | *34 317* | *32 477* |
| *Revenues from sales of goods and materials* | *27 905* | *20 743* |
| **Cost of products, goods and materials sold** | **53 483** | **40 057** |
| *Cost of products and services sold* | *28 419* | *23 002* |
| *Value of goods and materials sold* | *25 064* | *17 055* |
| **Gross profit (loss) from sales** | **21 105** | **23 001** |
| *Other operating revenues* | *3 857* | *1 657* |
| *Selling costs* | *13 113* | *10 497* |
| *General and administrative costs* | *6 983* | *6 098* |
| *Other operating expenses* | *870* | *1 083* |
| **Operating profit (loss)** | **3 996** | **6 980** |
| *Financial revenues* | *2 396* | *1 089* |
| *Financial expenses* | *78* | *450* |
| **Profit (loss) before tax** | **6 314** | **7 619** |
| *Income tax* | *1 694* | *(92)* |
| **Net profit (loss) from continuing operations** | **4 620** | **7 711** |
| **Net profit (loss)** | **4 620** | **7 711** |
| *Net profit (loss) attributable to minority interests* | *79* | *-* |
| *Net profit (loss) attributable to equity holders of parent entity* | *4 541* | *7 711* |
| **Net earnings per share (in PLN)** | | |
| *Basic for the reporting period* | *0.05* | *0.08* |
| *Diluted for the reporting period* | *0.05* | *0.08* |
| **Net earnings per share from continuing operations (in PLN)** | | |
| *Basic for the reporting period* | *0.05* | *0.08* |
| *Diluted for the reporting period* | *0.05* | *0.08* |

Warsaw, 1 September 2014

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

## 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** |
| ***Other comprehensive income which will be entered as profit (loss) following fulfillment of specific criteria*** | - | - |
| *Exchange rate differences on valuation of foreign entities* | *166* | *526* |
| *Differences from rounding to PLN thousands* | *-* | *(1)* |
| ***Other comprehensive income which will not be entered as profit (loss)*** | **-** | **-** |
| **Total comprehensive income** | **4 786** | **8 236** |
| **Total comprehensive income attributable to minority interests** | **79** | **-** |
| **Total comprehensive income attributable to equity holders of parent entity** | **4 707** | **8 236** |

Warsaw, 1 September 2014

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

## Condensed interim 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** |
| *Tangible assets* | *6 134* | *10 971* | *11 187* | *10 906* |
| *Intangible assets* | *38 459* | *37 297* | *36 403* | *35 115* |
| *Goodwill* | *46 417* | *46 417* | *46 417* | *46 417* |
| *Deferred income tax assets* | *561* | *578* | *755* | *1 999* |
| *Other fixed assets* | *339* | *323* | *285* | *242* |
| **CURRENT ASSETS** | **170 989** | **144 324** | **122 588** | **106 140** |
| *Inventories* | *67 197* | *58 170* | *51 966* | *41 166* |
| *Trade receivables* | *27 875* | *25 047* | *17 064* | *20 043* |
| *Current income tax receivables* | *2 098* | *1 851* | *901* | *452* |
| *Other receivables* | *7 948* | *8 109* | *3 856* | *3 646* |
| *Other financial assets* | *834* | *908* | *805* | *817* |
| *Prepaid expenses* | *13 861* | *8 390* | *8 312* | *13 505* |
| *Cash and cash equivalents* | *51 176* | *41 849* | *39 684* | *26 511* |
| **TOTAL ASSETS** | **262 899** | **239 910** | **217 635** | **200 819** |

Warsaw, 1 September 2014

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

| PLN thousands | 30.06.2014 | 31.03.2014 | 31.12.2013 | 30.06.2013 |
|---|---|---|---|---|
| EQUITY | 172 559 | 169 006 | 167 368 | 160 114 |
| ***Equity attributable to shareholders of the Parent Company*** | **165 860** | **168 250** | **166 500** | **160 114** |
| *Share capital* | *94 950* | *94 950* | *94 950* | *94 950* |
| *Supplementary capital, incl. sales of shares above nominal price* | *119 730* | *119 730* | *112 438* | *112 438* |
| *Other reserve capital* | *1 396* | *1 139* | *989* | *899* |
| *Exchange rate differences* | *(624)* | *(688)* | *(790)* | *(311)* |
| *Retained earnings* | *(54 133)* | *(48 379)* | *(55 987)* | *(55 573)* |
| *Net profit (loss) for the reporting period* | *4 541* | *1 498* | *14 900* | *7 711* |
| *Minority share capital* | ***6 699*** | ***756*** | ***868*** | **-** |
| LONG-TERM LIABILITIES | 6 188 | 4 868 | 5 276 | 6 071 |
| *Credits and loans* | - | - | - | *250* |
| *Other financial liabilities* | *350* | *203* | *177* | *110* |
| *Deferred income tax liabilities* | *4 415* | *3 351* | *3 686* | *5 095* |
| *Deferred revenues* | *1 386* | *1 277* | *1 376* | *590* |
| *Provisions for employee benefits and similar liabilities* | *37* | *37* | *37* | *26* |
| SHORT-TERM LIABILITIES | 84 152 | 66 036 | 44 991 | 34 634 |
| *Credits and loans* | *25* | *24* | *21* | *59* |
| *Other financial liabilities* | *327* | *220* | *260* | *239* |
| *Trade liabilities* | *35 943* | *24 248* | *24 738* | *28 870* |
| *Liabilities from current income tax* | *829* | *433* | *1 270* | *1 079* |
| *Other liabilities* | *43 938* | *40 746* | *18 218* | *2 978* |
| *Deferred revenues* | *2 858* | *202* | *211* | *271* |
| *Provisions for employee benefits and similar liabilities* | *185* | *97* | *145* | *317* |
| *Other provisions* | *47* | *66* | *128* | *821* |
| TOTAL LIABILITIES | 262 899 | 239 910 | 217 635 | 200 819 |

Warsaw, 1 September 2014

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

## Condensed interim statement of changes in consolidated equity

| PLN thousands | Share capital | Supplementary capital from sales of shares above nominal price | Other reserve capital | Exchange rate differences | Retained earnings | Net profit (loss) for the reporting period | Equity attributable to shareholders of the Parent Company | Minority share capital | Total equity |
|---|---|---|---|---|---|---|---|---|---|
| **01.01.2014 - 30.06.2014** | | | | | | | | | |
| **Equity as of 01.01.2014** | **94 950** | **112 438** | **989** | **(790)** | **(41 087)** | **-** | **166 500** | **868** | **167 368** |
| **Equity after adjustments** | **94 950** | **112 438** | **989** | **(790)** | **(41 087)** | **-** | **166 500** | **868** | **167 368** |
| *Cost of incentive program* | *-* | *-* | *407* | *-* | *-* | *-* | *407* | *-* | *407* |
| *Distribution of net profit* | *-* | *7 292* | *-* | *-* | *(7 292)* | *-* | *-* | *-* | *-* |
| *The introduction (change) of minority share capital* | *-* | *-* | *-* | *-* | *(5 754)* | *-* | *(5 754)* | *5 752* | *(2)* |
| *Total comprehensive income* | *-* | *-* | *-* | *166* | *-* | *4 541* | *4 707* | *79* | *4 786* |
| **Equity as of 30.06.2014** | **94 950** | **119 730** | **1 396** | **(624)** | **(54 133)** | **4 541** | **165 860** | **6 699** | **172 559** |
| **01.01.2013 - 31.12.2013** | | | | | | | | | |
| **Equity as of 01.01.2013** | **94 950** | **105 200** | **551** | **(837)** | **(48 334)** | **-** | **151 530** | **-** | **151 530** |
| **Equity after adjustments** | **94 950** | **105 200** | **551** | **(837)** | **(48 334)** | **-** | **151 530** | **-** | **151 530** |
| *Cost of incentive program* | *-* | *-* | *438* | *-* | *-* | *-* | *438* | *-* | *438* |
| *Distribution of net profit* | *-* | *7 238* | *-* | *-* | *(7 238)* | *-* | *-* | *-* | *-* |
| *Differences from changes in ownership structure of subsidiary stock* | *-* | *-* | *-* | *-* | *(414)* | *-* | *(414)* | *917* | *503* |
| *Total comprehensive income* | *-* | *-* | *-* | *47* | *(1)* | *14 900* | *14 946* | *(49)* | *14 897* |
| **Equity as of 31.12.2013** | **94 950** | **112 438** | **989** | **(790)** | **(55 987)** | **14 900** | **166 500** | **868** | **167 368** |

Warsaw, 1 September 2014

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

| PLN thousands | Share capital | Supplementary capital from sales of shares above nominal price | Other reserve capital | Exchange rate differences | Retained earnings | Net profit (loss) for the reporting period | Equity attributable to shareholders of the Parent Company | Minority share capital | Total equity |
|---|---|---|---|---|---|---|---|---|---|
| **01.01.2013 - 30.06.2013** | | | | | | | | | |
| **Equity as of 01.01.2013** | **94 950** | **105 200** | **551** | **(837)** | **(48 334)** | **-** | **151 530** | - | **151 530** |
| **Equity after adjustments** | **94 950** | **105 200** | **551** | **(837)** | **(48 334)** | **-** | **151 530** | - | **151 530** |
| *Distribution of net profit* | - | *7 238* | - | - | *(7 238)* | - | - | - | - |
| *Cost of incentive program* | - | - | *348* | - | - | - | *348* | - | *348* |
| *Total comprehensive income* | - | - | - | *526* | *(1)* | *7 711* | *8 236* | - | *8 236* |
| **Equity as of 30.06.2013** | **94 950** | **112 438** | **899** | **(311)** | **(55 573)** | **7 711** | **160 114** | - | **160 114** |

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

Katarzyna Janaszkiewicz
Deputy Accounting Officer

# Condensed interim consolidated statement of cash flow

| PLN thousands | 01.01.2014 - 30.06.2014 | 01.01.2013 - 30.06.2013 |
|---|---|---|
| **OPERATING ACTIVIES** | | |
| **Net profit (loss)** | **4 620** | **7 711** |
| **Total adjustments:** | **2 616** | **(474)** |
| *Depreciation* | *1 658* | *1 534* |
| *Interest and profit sharing* | *(307)* | *165* |
| *Profit (loss) on investment activities* | *(2 079)* | *(25)* |
| *Change in provisions* | *(41)* | *727* |
| *Change in inventories* | *(15 231)* | *(7 799)* |
| *Change in receivables* | *(15 904)* | *11 977* |
| *Change in liabilities excluding credits and loans* | *36 925* | *(6 119)* |
| *Change in other assets and liabilities* | *(2 978)* | *(1 842)* |
| *Other adjustments* | *573* | *908* |
| **Cash flow from continuing operations** | **7 236** | **7 237** |
| *Income tax on profit (loss) before taxation* | *1 694* | *(92)* |
| *Income tax (paid) / reimbursed* | *(1 464)* | *(859)* |
| **A. Net cash flow from operating activities** | **7 466** | **6 286** |
| **INVESTMENT ACTIVITIES** | | |
| **Inflows** | **7 690** | **186** |
| *Disposal of intangible and tangible fixed assets* | *6 664* | *24* |
| *Disposal of financial assets* | *-* | *46* |
| *Other inflows from investment activities* | *1 026* | *116* |
| **Outflows** | **3 477** | **2 028** |
| *Purchases of intangible and tangible fixed assets* | *2 444* | *1 639* |
| *Expenses on financial assets* | *2* | *-* |
| *Other outflows from investment activities* | *1 031* | *389* |
| **B. Net cash flow from investment activities** | **4 213** | **(1 842)** |
| **FINANCIAL ACTIVITIES** | | |
| **Inflows** | **90** | **71** |
| *Credits and loans* | *5* | *29* |
| *Other inflows from financial activities* | *85* | *42* |
| **Outflows** | **277** | **4 870** |
| *Repayments of credits and loans* | *1* | *4 465* |
| *Payments of liabilities under financial lease agreements* | *263* | *123* |
| *Interest paid* | *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** |

Warsaw, 1 September 2014

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

## Clarifications regarding the condensed interim consolidated statement of cash flow

| PLN thousands | 01.01.2014 - 30.06.2014 | 01.01.2013 - 30.06.2013 |
|---|---|---|
| **The “other adjustments” line item comprises:** | **573** | **908** |
| *incentive program costs* | *407* | *348* |
| *other adjustments* | *166* | *560* |

Warsaw, 1 September 2014

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

# 3

# Clarifications Regarding the Condensed Interim Consolidated Financial Statement

# Compliance with International Financial Reporting Standards

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

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

# Basis for the preparation of the condensed interim consolidated financial statement

This condensed interim consolidated financial statement with elements of condensed interim separate financial statements for the period ending 30 June 2014 was prepared in accordance with IAS 34 (Interim Financial Reporting) as well as with the Finance Minister's regulation of 19 February 2009 regarding current and periodic disclosure of information by issuers of securities and recognition as equivalent of information whose disclosure is required under the laws of a non-member state (Journal of Law of the Republic of Poland, No. 33, item 259 with subsequent changes).

This condensed interim consolidated financial statement with elements of condensed interim separate financial statements is valid for 30 June 2014 and presents data for the period between 1 January and 30 June 2014 along with the corresponding comparative period in 2013.

All figures listed in this condensed interim consolidated financial statement with elements of condensed interim separate financial statements are denominated in thousands of Polish Zlotys unless otherwise specified.

This condensed interim consolidated financial statement with elements of condensed interim separate financial statements was prepared on the basis of the historical cost principle. The condensed interim consolidated financial statement with elements of condensed interim separate financial statements does not, by itself, cover all information which the Company is required to disclose under law for the current financial year, and should therefore be read in conjunction with the annual consolidated financial statement for the year ending 31 December 2013 prepared in accordance with IFRS standards as legislated by the European Union.

This condensed interim consolidated financial statement with elements of condensed interim separate financial statements was not subjected to an audit by an independent auditor. This condensed interim consolidated financial statement with elements of condensed interim separate financial statements was reviewed by an independent auditor.

# Assumption of going concern and comparability of financial statements

This condensed interim consolidated financial statement is prepared under the assumption that the Group and Company intend to continue as a going concern throughout the 12-month period following the end of the reporting period (i.e. 30 June 2014). At the moment of signing this financial statement the Management Board of the parent entity is not aware of any facts or circumstances which would jeopardize the assumption of going concern within said 12-month period, by way of intentional or forced cessation or significant downscaling of continuing operations.

As of the day of preparation of this condensed interim consolidated financial statement with elements of condensed interim separate financial statements covering the period between 1 January and 30 June 2014 no events have occurred which should have been reflected in the accounts for that period but have not been reflected therein. Additionally, no important events have occurred in relation to the preceding years.

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

- For the period between 1 January and 30 June 2014 the amount of 30 767 thousand PLN was deducted from the revenues from sales of products line item and added to the revenues from sales of services line item. This change is due to a change in the presentation of revenues obtained by GOG Ltd., a subsidiary of CD PROJEKT S.A. in accordance with the definition of electronic services, and has no bearing on the Company's financial result or equity.

- For the period between 1 January and 30 June 2014 inventory write-downs in the amount of 792 thousand PLN were deducted from the other operating expenses line item and added to the cost of products, goods and materials sold line item. This change is due to a change in the presentation of costs borne by cdp.pl Sp. z o.o., a subsidiary of CD PROJEKT S.A., effective since 1 January 2014, and has no bearing on the Company's financial result or equity.
- For the period between 1 January and 30 June 2014 inventory markdown costs in the amount of 561 thousand PLN were deducted from the other operating expenses line item and added to the cost of products, goods and materials sold line item. This change is due to a change in the presentation of costs borne by cdp.pl Sp. z o.o., a subsidiary of CD PROJEKT S.A., effective since 1 January 2014, and has no bearing on the Company's financial result or equity.
- For the period between 1 January and 30 June 2014 ongoing production costs in the amount of 77 thousand PLN were deducted from the semi-finished products and production in progress line item and added to the inventories: goods line item. This change is due to a change in the presentation of costs borne by cdp.pl Sp. z o.o., a subsidiary of CD PROJEKT S.A., effective since 1 January 2014, and has no bearing on the Company's financial result or equity.
- For the period between 1 January and 30 June 2014 licensing software development costs in the amount of 100 thousand PLN were deducted from the fixed assets under construction line item and added to the other intangible assets line item. This change is due to a change in the presentation of costs borne by cdp.pl Sp. z o.o., a subsidiary of CD PROJEKT S.A., effective since 1 January 2014, and has no bearing on the Company's financial result or equity.

# Consolidation principles

## Subsidiaries

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

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

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

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

## Entities covered by the consolidated financial statement

This condensed interim consolidated financial statement for the period ending 30 June 2014 applies to the following Group members:

| | capital share | voting share | consolidation method |
|---|---|---|---|
| CD PROJEKT S.A. | parent entity | - | **Full** |
| cdp.pl Sp. z o.o. | 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 |

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

# Description of applicable accounting practices

## Presentation of results by activity segments

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

## Revenues and expenses from continuing operations

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

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

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

## Revenues and expenses from financial activities

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

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

## State subsidies

(all figures quoted in PLN thousands unless otherwise specified).

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

## Current and deferred income tax

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

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

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

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

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

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

## Value added tax

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

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

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

## Tangible assets

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

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

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

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

## Intangible assets

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

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

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

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

## Goodwill

Goodwill is defined as the positive difference between the cost of establishing a business combination (also known as acquisition or takeover cost) and the parent company's share in the net fair value of all assets and liabilities (including contingent liabilities) of the controlled entity on the date of acquisition.

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

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

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

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

## Impairment of non-financial assets

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

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

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

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

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

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

## Investment properties

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

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

## Leasing

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

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

## Investments in affiliates

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

## Financial assets

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

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

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

## Financial liabilities

A financial liability is defined as any liability which:

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

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

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

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

## Inventories

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

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

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

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

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

## Trade and other receivables

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

## Accrued and deferred charges

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

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

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

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

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

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

## Cash and cash equivalents

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

## Assets held for sale and discontinuing operations

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

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

## Equity

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

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

Supplementary capital is derived from:

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

## Provisions for liabilities

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

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

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

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

### Provisions for marketing bonuses

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

## Employee benefits

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

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

## Bank credits and loans

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

## Trade and other liabilities

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

## Licenses

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

## Borrowing costs

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

## Payment of dividends

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

# Functional currency and presentation currency

## Functional currency and presentation currency

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

## Transactions and balances

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

# Important values based on professional judgment and estimates

## Professional judgment

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

### Classification of lease agreements

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

## Uncertainty of estimation

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

### Impairment of assets

Goodwill and trademark value impairment tests require an assessment of the value in use of each cash generating unit to which Group members belong. This assessment is based on a projection of future cash flows generated by individual cash generating units and requires an estimate of the discount rate applied when conducting pending assessment of the value of said flows. The last tests of the CD PROJEKT brand name and of the The Witcher trademark were conducted on 31 December 2013. As of 30 June 2014 no circumstances were identified which would suggest impairment of these assets. Asset impairment tests at individual subsidiaries were last conducted on 31 December 2013. As of 30 June 2014 no circumstances were identified which would suggest impairment of these assets.

### Valuation of provisions

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

### Work in progress

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

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

### Deferred tax assets

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

### Deferred tax liabilities

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

### Fair value of financial instruments

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

### Depreciation rates

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

## Changes in accounting practices (policies)

The accounting practices (policies) applied in preparing this consolidated financial statement are consistent with those applied in preparing the consolidated financial statement for the year ending 31 December 2013, with the exception of the presentation-related change described in section 3 part III regarding assumption of going concern and comparability of financial statements.

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

- IFRS 10 Consolidated financial statements
- IFRS 11 Joint arrangements
- IFRS 12 Disclosure of interests in other entities
- IAS 27 (amended) Separate financial statements
- IAS 28 (amended) Investments in associates and joint ventures
- IAS 32 (amended) Financial instruments: presentation – offsetting financial instruments and liabilities
- Amendments to IFRS 10 Consolidated financial statements, IFRS 12 Disclosure of interests in other entities and IAS 27 Separate financial statements – investment entities
- Amendment to IAS 36 – Impairment of assets – Recoverable amount disclosures for non-financial assets
- Amentment to IAS 39 – Financial instruments: recognition and measurement – Novation of derivatives and continuation of hedge accounting
- IFRIC 21: Levies

In 2014 Group members adopted all new standards and interpretations issued by the International Accounting Standards Board and the International Financial Reporting Standards Interpretation Committee and approved for use within the EU, for reporting periods starting on or after 1 January 2014, wherever such standards and interpretations apply to their respective business activities. Adopting the above mentioned standards and interpretations did not affect Group members' accounting policies or presentation of data in the Group's financial reports.

# New standards awaiting implementation by the Group

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

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

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

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

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

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

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

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

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

- Amendments to IFRS (2010-2012) – procedural changes concerning yearly updates to IFRS standards, applicable to reporting periods beginning on or after 1 July 2014.
- Amendments to IFRS (2011-2013) – procedural changes concerning yearly updates to IFRS standards, applicable to reporting periods beginning on or after 1 July 2014.
- IFRS 14: Regulatory Deferral Accounts – applicable to reporting periods beginning on or after 1 January 2016.

  This standard was published in the framework of a broader project concerning rate-regulated activities and addressing the comparability of financial statements in areas subject to regulation by supervisory or control organs (depending on the jurisdiction such areas often include heat and energy distribution, trading in electricity and natural gas, telecommunication services etc.)

  IFRS 14 does not broadly cover accounting of rate-regulated activities; instead it defines the rules of recognizing revenues and expenses stemming from market regulations which do not fall under the provisions of other IFRS regarding recognition of assets and liabilities.

  The applicability of IFRS 14 is limited to cases where the entity in question conducts rate-regulated activities and has recognized amounts in its previous GAAP financial statements that meet the definition of regulatory deferral account balances.

  According to IFRS 14 such amounts should instead be reported separately in the statement of financial position and the profit and loss statement. They are not to be subdivided into fixed and operating units and should not be treated as assets or liabilities – instead, they are designated as “regulatory deferral account balances”.

The profit and loss account should present net changes in deferral account balances in its other comprehensive income section and in the profit and loss section (or in separate profit and loss statements, where appropriate).

- IFRS 15: Revenue from Contracts with Customers – applicable to reporting periods beginning on or after 1 January 2017.

  IFRS 15 specifies how and when an IFRS reporter will recognize revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard introduces a uniform five-step model which is to apply to all revenues earned from contracts with customers.

- Amendment to IAS 16: Property, Plant and Equipment, and to IAS 41: Agriculture – Bearer Plants – applicable to reporting periods beginning on or after 1 January 2016.

  This amendment stipulates that bearer plants covered under IAS 41: Agriculture would be better accounted for under IAS 16: Property, Plant and Equipment, i.e. using the purchase (production) cost method or a model based on their revalued cost. IAS 41 requires all biological assets used in agriculture to be measured at fair value less the cost to sell.

- Amendment to IAS 16: Property, Plant and Equipment, and to IAS 38: Intangible Assets – acceptable methods of depreciation and amortization (of tangible fixed assets and intangible assets) - applicable to reporting period beginning on or after 1 January 2016.

  With regard to amortization of fixed assets the amendment reiterates that the amortization method should reflect the consumption of the expected future economic benefits embodied in the asset, however it also notes that a revenue-based method is not considered to be an appropriate manifestation of consumption. This is because revenue represents the generation of expected economic benefits rather than the consumption of said benefits. The IASB points out that revenues are affected by a host of other factors, such as inflation, which have nothing to do with the manner in which economic benefits afforded by tangible fixed assets are consumed.

  With regard to intangible assets (covered under IAS 38) the IASB admits that in certain circumstances it might be appropriate to apply a revenue-based amortization strategy. In order for this exception to be applicable the entity in question must be able to show a clear causative link between its revenues and the consumption of economic benefits afforded by an intangible asset, provided that the asset can be interpreted as the right to obtain a specific revenue (i.e. the asset expires once its holder has secured a predetermined revenue) – an example would be the right to mine a gold deposit until such time as a certain revenue is obtained.

- Amendment to IFRS 11: Joint Agreements – acquisition of an interest in a joint operation – applicable to reporting periods beginning on or after 1 January 2016.

  The amendment add new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business under IFRS 3.

  The amended standard stipulates that in such cases the acquirer is required to apply all of the principles on business combinations accounting in IFRS 3: Business Combinations (as well as other IFRS, with the exception of those principles that conflict with the guidance in IFRS 11) and disclose all required information applicable to a business combination scenario. Part B of the standard contains more detailed provisions regarding e.g. goodwill and asset impairment tests.

# 4

# Additional notes and explanations regarding the condensed interim consolidated financial statement

# Note 1. Description of the significant accomplishments and shortcomings of the CD PROJEKT Group in the reporting period

A summary of the significant accomplishments and shortcomings of the CD PROJEKT Group is included in the Management Board report on CD PROJEKT Capital Group activities for the period between 1 January and 30 June 2014 as part of the description of the Group's business activities.

# Note 2. Description of circumstances affecting assets, liabilities, equity, net financial result and cash flows which are unusual due to their type, size or effect

## Important events

In Current Report No. 2/2014 of 7 February 2014 the Management Board disclosed the licensing agreement for The Witcher 3: Wild Hunt, concluded with Agora S.A., headquartered in Warsaw.

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

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

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

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

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

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

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

In Current Report No. 6/2014 of 28 kwietnia 2014 the Management Board of the company disclosed the framework agreement concluded with Raiffeisen Bank Polska S.A., headquartered in Warsaw concerning forward and derivative transactions, including an ancillary agreement which sets the ground rules for foreign currency transactions between the Company and the Bank.

Both agreements were concluded for an indefinite period of time. The aggregate value of transactions carried out under the agreements may not exceed 10,000,000 (ten million) PLN.

As collateral for liabilities which may arise in conjunction with the framework agreement and the ancillary agreement, the Company issued a declaration of submission to enforcement in an amount not exceeding 15,000,000 (fifteen million) PLN. The Bank is entitled to file for a writ of enforcement with respect to potential claims not later than on 8 August 2019.

In Current Report No. 10/2014 of 16 May 2014 the Management Board of the Company announced that it had agreed upon 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 10,000,000 (ten million) PLN, granted to the Company and to cdp.pl sp. z o.o.;
- agreement of 18 April 2012 concerning a revolving credit facility in an amount not exceeding 19,000,000 (nineteen million) PLN, granted to the Company;
- agreement of 23 April 2013 concerning open-end credit in an amount not exceeding 11,000,000 (eleven million) PLN, granted to the Company.

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.

In Current Report No. 11/2014 of 5 June 2014 the Company announced that it had set the international release date of The Witcher 3: Wild Hunt to 24 February 2015.

## Other events

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.

# Note 3. Description of important changes in estimates

## Changes in fixed assets (by category) between 1 January and 30 June 2014

| PLN thousands | Land holdings | Buildings and structures | Machinery and equipment | Vehicles | Other fixed assets | Fixed assets under construction | Total |
|---|---|---|---|---|---|---|---|
| **Gross carrying amount as of 01 Jan 2014** | **346** | **13 049** | **6 528** | **1 481** | **287** | **131** | **21 822** |
| **Increases from:** | **-** | **-** | **982** | **512** | **-** | **84** | **1 578** |
| *- purchases* | *-* | *-* | *851* | *-* | *-* | *84* | *935* |
| *- leasing agreements* | *-* | *-* | *-* | *512* | *-* | *-* | *512* |
| *- reclassification* | *-* | *-* | *131* | *-* | *-* | *-* | *131* |
| **Reductions from:** | **346** | **8 635** | **1 219** | **243** | **63** | **131** | **10 637** |
| *- sales* | *346* | *8 635* | *1 188* | *243* | *60* | *-* | *10 472* |
| *- liquidation* | *-* | *-* | *31* | *-* | *3* | *-* | *34* |
| *- reclassification* | *-* | *-* | *-* | *-* | *-* | *131* | *131* |
| **Gross carrying amount as of 30 Jun 2014** | **-** | **4 414** | **6 291** | **1 750** | **224** | **84** | **12 763** |
| **Amortization as of 01 Jan 2014** | **-** | **5 081** | **4 685** | **646** | **223** | **-** | **10 635** |
| **Increases from:** | **-** | **320** | **708** | **138** | **6** | **-** | **1 172** |
| *- amortization* | *-* | *320* | *708* | *138* | *6* | *-* | *1 172* |
| **Reductions from:** | **-** | **3 759** | **1 171** | **185** | **63** | **-** | **5 178** |
| *- sales* | *-* | *3 759* | *1 140* | *185* | *60* | *-* | *5 144* |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| - liquidation | - | - | 31 | - | 3 | - | 34 |
| **Amortization as of 30 Jun 2014** | - | 1 642 | 4 222 | 599 | 166 | - | 6 629 |
| *Impairment losses as of 01 Jan 2014* | - | - | - | - | - | - | - |
| *Impairment losses as of 30 Jun 2014* | - | - | - | - | - | - | - |
| **Net carrying amount as of 30 Jun 2014** | - | 2 772 | 2 069 | 1 151 | 58 | 84 | 6 134 |

## Amount of contractual commitments for future acquisition of tangible fixed assets

| PLN thousands | 30.06.2014 | 31.03.2014 | 31.12.2013 | 30.06.2013 |
|---|---|---|---|---|
| *Leasing of passenger cars* | 856 | 586 | 575 | 474 |
| *Subsidy - deployment of integrated ERP software* | 185 | 1 080 | 1 127 | 1 242 |
| **Total** | 1 041 | 1 666 | 1 702 | 1 716 |

## Changes in intangible assets between 1 Jan and 30 Jun 2014

| PLN thousands | Trademarks | Patents and licenses | Computer software | Goodwill | Intangible assets under construction | Other | Total |
|---|---|---|---|---|---|---|---|
| **Gross carrying amount as of 01 Jan 2014** | 15 105 | 2 654 | 12 084 | 46 417 | 295 | 17 292 | 93 847 |
| **Increases from:** | - | 287 | 1 071 | - | 1 184 | 1 | 2 543 |
| - pruchases | - | 287 | 1 070 | - | 421 | 1 | 1 779 |
| - reclassification | - | - | 1 | - | - | - | 1 |
| - other | - | - | - | - | 763 | - | 763 |
| **Reductions from:** | - | 91 | 111 | - | - | 1 | 203 |
| - sales | - | - | 79 | - | - | - | 79 |
| - liquidation | - | 91 | 32 | - | - | - | 123 |
| - reclassification | - | - | - | - | - | 1 | 1 |
| **Gross carrying amount as of 30 Jun 2014** | 15 105 | 2 850 | 13 044 | 46 417 | 1 479 | 17 292 | 96 187 |
| **Amortization as of 01 Jan 2014** | 1 | 2 190 | 8 770 | - | - | 66 | 11 027 |
| **Increases from:** | - | 46 | 435 | - | - | 5 | 486 |
| - amortization | - | 46 | 435 | - | - | 5 | 486 |
| **Reductions from:** | - | 91 | 111 | - | - | - | 202 |
| - liquidation | - | 91 | 32 | - | - | - | 123 |
| - sales | - | - | 79 | - | - | - | 79 |
| **Amortization as of 30 Jun 2014** | 1 | 2 145 | 9 094 | - | - | 71 | 11 311 |
| *Impairment losses as of 01 Jan 2014* | - | - | - | - | - | - | - |
| *Impairment losses as of 30 Jun 2014* | - | - | - | - | - | - | - |
| **Net carrying amount as of 30 Jun 2014** | 15 104 | 705 | 3 950 | 46 417 | 1 479 | 17 221 | 84 876 |

## Amount of contractual commitments for future acquisition of intangible assets

| PLN thousands | 30.06.2014 | 31.03.2014 | 31.12.2013 | 30.06.2013 |
|---|---|---|---|---|
| *Licensing software* | *-* | *-* | *-* | *20* |
| *ERP business software - Dynamics AX* | *-* | *246* | *-* | *-* |
| **Total** | **-** | **246** | **-** | **20** |

## Changes in goodwill related to consolidation

| PLN thousands | 30.06.2014 | 31.03.2014 | 31.12.2013 | 30.06.2013 |
|---|---|---|---|---|
| *CDP Investment Group companies* | *46 417* | *46 417* | *46 417* | *46 417* |
| **Total** | **46 417** | **46 417** | **46 417** | **46 417** |

## Changes in goodwill

| PLN thousands | 30.06.2014 | 31.03.2014 | 31.12.2013 | 30.06.2013 |
|---|---|---|---|---|
| **Gross carrying amount at beginning of period** | **46 417** | **46 417** | **46 417** | **46 417** |
| *Increases due to acquisition of entities* | *-* | *-* | *-* | *-* |
| *Reductions due to acquisition of entities* | *-* | *-* | *-* | *-* |
| **Gross carrying amount at end of period** | **46 417** | **46 417** | **46 417** | **46 417** |
| **Impairment losses** | **-** | **-** | **-** | **-** |
| **Net goodwill** | **46 417** | **46 417** | **46 417** | **46 417** |

## Changes in inventory status

| PLN thousands | 30.06.2014 | 31.03.2014 | 31.12.2013 | 30.06.2013 |
|---|---|---|---|---|
| *Other materials* | *-* | *-* | *-* | *65* |
| *Semi-finished products and production in progress* | *59 552* | *49 338* | *40 415* | *26 150* |
| *Finished products* | *1 658* | *3 157* | *4 193* | *6 998* |
| *Goods* | *6 293* | *5 980* | *7 749* | *8 349* |
| **Gross inventories** | **67 503** | **58 475** | **52 357** | **41 562** |
| *Inventory impairment losses* | *306* | *305* | *391* | *396* |
| **Net inventories** | **67 197** | **58 170** | **51 966** | **41 166** |

## Changes in inventory revaluation

| PLN thousands | Revaluation write-downs on intermediates and ongoing production | Revaluation write-downs on goods | Total revaluation write-downs |
|---|---|---|---|

| | | | |
|---|---|---|---|
| As of 01 Jan 2014 | 10 | 381 | 391 |
| Increases from: | 1 | - | 1 |
| *impairment losses in correspondence with other operating expenses* | *1* | *-* | *1* |
| Reductions from: | - | 86 | 86 |
| *release of of write-downs in correspondence with cost of sales* | *-* | *86* | *86* |
| As of 30 Jun 2014 | 11 | 295 | 306 |

## Changes in receivables

| PLN thousands | 30.06.2014 | 31.03.2014 | 31.12.2013 | 30.06.2013 |
|---|---|---|---|---|
| Trade and other receivables | 37 921 | 35 007 | 21 821 | 24 141 |
| *- from affiliates* | *3* | *1* | *-* | *1* |
| *- from external entities* | *35 820* | *33 155* | *20 920* | *23 689* |
| *- income tax receivables* | *2 098* | *1 851* | *901* | *451* |
| Impairment lossess | 1 770 | 1 715 | 2 255 | 2 352 |
| Gross receivables | 39 691 | 36 722 | 24 076 | 26 493 |

## Changes in impairment losses on receivables

| PLN thousands | Trade receivables | Other receivables |
|---|---|---|
| AFFILIATES | | |
| Impairment losses as of 01 Jan 2014 | 116 | - |
| Increases | - | - |
| Reductions | - | - |
| Impairment losses as of 30 Jun 2014 | 116 | - |
| EXTERNAL ENTITIES | | |
| Impairment losses as of 01 Jan 2014 | 960 | 1 179 |
| Increases, including: | 60 | - |
| *- Impairment losses on past-due and contested receivables* | *60* | *-* |
| Reductions, including: | 545 | - |
| *- elimination of impairment losses due to collection of receivables* | *57* | *-* |
| *- elimination of impairment losses by write-offs* | *488* | *-* |
| Impairment losses as of 30 Jun 2014 | 475 | - |
| Aggregate impairment losses as of 30 Jun 2014 | 591 | 1 179 |

## Current and past-due trade receivables as of 30 Jun 2014

| PLN thousands | Total | Days past due | | | | | |
|---|---|---|---|---|---|---|---|
| | | <0 | 0 - 60 | 61 - 90 | 91 - 180 | 181 - 360 | >360 |
| AFFILIATES | | | | | | | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| *gross receivables* | *116* | *-* | *-* | *-* | *-* | *-* | *116* |
| *impairment losses* | *116* | *-* | *-* | *-* | *-* | *-* | *116* |
| **Net receivables** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **EXTERNAL ENTITIES** | | | | | | | |
| *gross receivables* | *28 350* | *23 442* | *2 685* | *484* | *55* | *1 310* | *374* |
| *impairment losses* | *475* | *111* | *-* | *56* | *-* | *-* | *308* |
| **Net receivables** | **27 875** | **23 331** | **2 685** | **428** | **55** | **1 310** | **66** |
| **TOTAL** | | | | | | | |
| *gross receivables* | *28 466* | *23 442* | *2 685* | *484* | *55* | *1 310* | *490* |
| *impairment losses* | *591* | *111* | *-* | *56* | *-* | *-* | *424* |
| **Net receivables** | **27 875** | **23 331** | **2 685** | **428** | **55** | **1 310** | **66** |

Net trade receivables more than 360 days past due include:

- cdp.pl Sp. z o. o. receivables from retail networks with longer settlement periods (66 thousand PLN),

## Prepaid expenses

| PLN thousands | 30.06.2014 | 31.03.2014 | 31.12.2013 | 30.06.2013 |
|---|---|---|---|---|
| *Non-life insurance* | *66* | *59* | *40* | *82* |
| *Business travel insurance* | *14* | *16* | *12* | *1* |
| *License fees* | *13 467* | *7 775* | *7 820* | *13 068* |
| *Online access to legal support portal* | *3* | *-* | *1* | *-* |
| *Civil law transaction tax on capital increases* | *9* | *9* | *9* | *9* |
| *Software, licenses* | *113* | *77* | *44* | *-* |
| *Air travel* | *4* | *9* | *18* | *-* |
| *Other prepaid expenses* | *185* | *445* | *368* | *345* |
| **Total prepaid expenses** | **13 861** | **8 390** | **8 312** | **13 505** |

## Negative temporary differences requiring recognition of deferred tax assets

| PLN thousands | 30.06.2014 | reductions | increases | 31.12.2013 |
|---|---|---|---|---|
| *Provisions for other employee benefits* | *146* | *157* | *178* | *125* |
| *Other provisions* | *55* | *293* | *57* | *291* |
| *Negative exchange rate differences* | *261* | *170* | *292* | *139* |
| *Employee compensation and social security expenses payable in subsequent reporting periods* | *112* | *61* | *111* | *62* |
| *Inventory revaluation write-downs* | *305* | *695* | *611* | *389* |
| *Receivable revaluation write-downs* | *75* | *36* | *94* | *17* |
| *Licenses* | *-* | *1 326* | *-* | *1 326* |
| *Provisions for lease expenses* | *49* | *57* | *19* | *87* |
| *Deposit discount* | *13* | *2* | *-* | *15* |

| | | | | |
|---|---|---|---|---|
| *Marketing and other bonuses* | *758* | *1 159* | *1 245* | *672* |
| *Incentive program* | *1 396* | *-* | *407* | *989* |
| *Reserve and asset offsets* | *(220)* | *220* | *139* | *(139)* |
| **Total negative temporary differences** | **2 950** | **4 176** | **3 153** | **3 973** |
| *Tax rate (Poland)* | *19%* | *19%* | *19%* | *19%* |
| *Tax rate (Cyprus)* | *12.5%* | *12.5%* | *12.5%* | *12.5%* |
| **Deferred tax assets at end of reporting period** | **561** | **793** | **599** | **755** |

## Positive temporary differences requiring recognition of deferred tax liabilities

| PLN thousands | 30.06.2014 | reductions | increases | 31.12.2013 |
|---|---|---|---|---|
| *Positive exchange rate differences* | *210* | *627* | *193* | *644* |
| *Revaluation of long-term receivables - interest due* | *59* | *39* | *59* | *39* |
| *Income in the current period invoiced in the following period, and sales returns* | *5 695* | *4 607* | *7 100* | *3 202* |
| *CD PROJEKT brand name* | *2 250* | *-* | *1 836* | *414* |
| *The Witcher trademark* | *15 104* | *-* | *-* | *15 104* |
| *Revaluation of currency futures (cash flow collateral) at fair value* | *4* | *100* | *104* | *-* |
| *Other sources* | *132* | *238* | *234* | *136* |
| *Reserve and asset offsets* | *(220)* | *220* | *139* | *(139)* |
| **Total positive temporary differences** | **23 234** | **5 831** | **9 665** | **19 400** |
| *Tax rate (Poland)* | *19%* | *19%* | *19%* | *19%* |
| *Tax rate (Cyprus)* | *12.5%* | *12.5%* | *12.5%* | *12.5%* |
| **Deferred tax liabilities at end of reporting period** | **4 415** | **1 108** | **1 837** | **3 686** |

## Net deferred tax assets/liabilities

| PLN thousands | 30.06.2014 | 31.03.2014 | 31.12.2013 | 30.06.2013 |
|---|---|---|---|---|
| *Deferred tax assets* | *561* | *578* | *755* | *1 999* |
| *Deferred tax liabilities - continuing operations* | *4 415* | *3 351* | *3 686* | *5 095* |
| **Net deferred tax assets/liabilities** | **(3 854)** | **(2 773)** | **(2 931)** | **(3 096)** |

## Provisions for employee benefits and similar liabilities

| PLN thosands | 30.06.2014 | 31.03.2014 | 31.12.2013 | 30.06.2013 |
|---|---|---|---|---|
| *Provisions for retirement benefits and pensions* | *39* | *39* | *39* | *28* |
| *Provisions for other employee benefits (including bonuses)* | *183* | *95* | *143* | *315* |
| **Total, including:** | **222** | **134** | **182** | **343** |
| *- long-term provisions* | *37* | *37* | *37* | *26* |
| *- short-term provisions* | *185* | *97* | *145* | *317* |

## Changes in provisions

| PLN thousands | Provisions for retirement benefits and pensions | Provisions for other employee benefits | Total |
|---|---|---|---|
| **As of 01.01.2014** | **39** | **143** | **182** |
| *Provisions created* | - | *211* | *211* |
| *Benefits paid out* | - | *171* | *171* |
| *Provisions dissolved* | - | - | - |
| **As of 30.06.2014, including:** | **39** | **183** | **222** |
| *- long-term provisions* | *37* | - | *37* |
| *- short-term provisions* | *2* | *183* | *185* |

| | | | |
|---|---|---|---|
| **As of 01.01.2013** | **28** | **236** | **264** |
| *Provisions created* | - | *338* | *338* |
| *Benefits paid out* | - | *258* | *258* |
| *Provisions dissolved* | - | *1* | *1* |
| **As of 30.06.2013, including:** | **28** | **315** | **343** |
| *- long-term provisions* | *26* | - | *26* |
| *- short-term provisions* | *2* | *315* | *317* |

## Other provisions

| PLN thousands | 30.06.2014 | 31.03.2014 | 31.12.2013 | 30.06.2013 |
|---|---|---|---|---|
| **Provisions for warranty-covered repairs and returns** | **-** | **-** | **6** | **73** |
| **Provisions for liabilities, including:** | **47** | **66** | **122** | **748** |
| *- provisions for financial statement audit expenses* | *19* | - | *47* | *23* |
| *- provisions for consulting expenses* | *15* | *29* | *63* | - |
| *- provisions for bought-in services* | *7* | *31* | *6* | *514* |
| *- provisions for licensing liabilities* | *6* | *6* | *6* | - |
| *- licensing report audit costs* | - | - | - | *86* |
| *- marketing costs* | - | - | - | *111* |
| *- advertising costs* | - | - | - | *14* |
| **Other provisions** | **-** | **-** | **-** | **-** |
| **Total, including:** | **47** | **66** | **128** | **821** |
| *- long-term provisions* | - | - | - | - |
| *- short-term provisions* | *47* | *66* | *128* | *821* |

## Changes in other provisions

| PLN thousands | Provisions for warranty-covered repairs and returns | Provisions for liabilities | Total |
|---|---|---|---|
| **As of 01.01.2014** | **6** | **122** | **128** |

| | | | |
|---|---|---|---|
| *Provisions created* | *-* | *29* | *29* |
| *Benefits paid out* | *5* | *104* | *109* |
| *Provisions dissolved* | *1* | *-* | *1* |
| **As of 30.06.2014, including:** | **-** | **47** | **47** |
| *- long-term provisions* | *-* | *-* | *-* |
| *- short-term provisions* | *-* | *47* | *47* |

| | | | |
|---|---|---|---|
| **As of 01.01.2013** | **77** | **96** | **173** |
| *Provisions created* | *-* | *753* | *753* |
| *Benefits paid out* | *3* | *93* | *96* |
| *Provisions dissolved* | *1* | *8* | *9* |
| **As of 30.06.2013, including:** | **73** | **748** | **821** |
| *- long-term provisions* | *-* | *-* | *-* |
| *- short-term provisions* | *73* | *748* | *821* |

(all figures quoted in PLN thousands unless otherwise specified).

# Note 4. Financial instruments

## Fair value of financial instruments by category

| PLN thousands | Carrying value | | | | Fair value* | | | |
|---|---|---|---|---|---|---|---|---|
| | 30.06.2014 | 31.03.2014 | 31.12.2013 | 30.06.2013 | 30.06.2014 | 31.03.2014 | 31.12.2013 | 30.06.2013 |
| **FINANCIAL ASSETS** | | | | | | | | |
| **Receivables due to delivery of products and services, and other receivables** | **35 823** | **33 156** | **20 920** | **23 689** | **-** | **-** | **-** | **-** |
| *- trade receivables* | *27 875* | *25 047* | *17 064* | *20 043* | - | - | - | - |
| *- other receivables* | *7 948* | *8 109* | *3 856* | *3 646* | - | - | - | - |
| **Financial assets designated at fair value through financial result** | **834** | **908** | **805** | **817** | **834** | **908** | **805** | **817** |
| *- investment fund shares* | *818* | *808* | *805* | *817* | *818* | *808* | *805* | *817* |
| *- forward contracts* | *16* | *100* | - | - | *16* | *100* | - | - |
| **Cash and cash equivalents** | **51 176** | **41 849** | **39 684** | **26 511** | **-** | **-** | **-** | **-** |
| *- cash on hand and in bank accounts* | *51 176* | *41 849* | *39 684* | *26 511* | - | - | - | - |

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

| PLN thousands | Carrying value | | | | Fair value* | | | |
|---|---|---|---|---|---|---|---|---|
| | 30.06.2014 | 31.03.2014 | 31.12.2013 | 30.06.2013 | 30.06.2014 | 31.03.2014 | 31.12.2013 | 30.06.2013 |
| **FINANCIAL LIABILITIES** | | | | | | | | |
| **Interest-bearing bank credits and loans** | **25** | **24** | **21** | **309** | **-** | **-** | **-** | **-** |
| *- long-term credits and loans (variable interest rate)* | - | - | - | *250* | - | - | - | - |
| *- overdraft facilities* | - | - | *1* | *43* | - | - | - | - |
| *- other short-term credits and loans* | *25* | *24* | *20* | *16* | - | - | - | - |
| **Other long-term liabilities** | **350** | **203** | **177** | **110** | **-** | **-** | **-** | **-** |
| *- liabilities due to financial lease agreements and lease contracts with buyout options* | *350* | *203* | *177* | *110* | - | - | - | - |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Trade and other liabilities** | **79 881** | **64 994** | **42 956** | **31 848** | **-** | **-** | **-** | **-** |
| *- trade liabilities* | *35 943* | *24 248* | *24 738* | *28 870* | - | - | - | - |
| *- other short-term liabilities* | *43 938* | *40 746* | *18 218* | *2 978* | - | - | - | - |
| **Financial liabilities** | **327** | **220** | ***260*** | **239** | **-** | **-** | **-** | **-** |
| *- other short-term financial liabilities* | *327* | *220* | *260* | *239* | - | - | - | - |

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

(all figures quoted in PLN thousands unless otherwise specified).

## Changes in financial instrument status

| 01.01.2014 - 30.06.2014 | Financial assets designated at fair value through financial result | Loans granted and own receivables | Other financial liabilities |
|---|---|---|---|
| At beginning of period | 805 | 60 604 | 43 414 |
| *Increases, including:* | *834* | *86 999* | *80 583* |
| *Cash assets* | - | *51 176* | - |
| *Trade and other receivables* | - | *35 823* | - |
| *Trade and other liabilities* | - | - | *79 881* |
| *Credits and loans* | - | - | *25* |
| *Financial lease agreements* | - | - | *677* |
| *Financial assets designated at fair value through financial result* | *834* | - | - |
| *Reductions, including:* | *805* | *60 604* | *43 414* |
| *Repayment of credits and loans* | - | - | *21* |
| *Cash assets* | - | *39 684* | - |
| *Trade and other receivables* | - | *20 920* | - |
| *Trade and other liabilities* | - | - | *42 956* |
| *Financial lease agreements* | - | - | *437* |
| *Financial assets designated at fair value through financial result* | *805* | - | - |
| At end of period | 834 | 86 999 | 80 583 |

## Hierarchy of financial instruments designated at fair value

| PLN thousands | 30.06.2014 | 31.03.2014 | 31.12.2013 | 30.06.2013 |
|---|---|---|---|---|
| LEVEL 1 | | | | |
| Financial assets designated at fair value through financial result, including: | 818 | 808 | 805 | 817 |
| *- investment fund shares* | *818* | *808* | *805* | *817* |
| LEVEL 2 | | | | |
| Derivatives: | 16 | 100 | - | - |
| *- forward exchange contract - EUR* | *12* | *100* | - | - |
| *- forward exchange contract - USD* | *4* | - | - | - |
| LEVEL 3 - not applicable | | | | |

The following three-tier hierarchy applies to financial instruments designated at fair value:

Level 1 – quoted price of equivalent assets and liabilities on active markets

Level 2 – fair value estimated on the basis of observable market-based inputs

Level 3 – fair value estimated on the basis of unobservable inputs which cannot be corroborated by market data

# Note 5. Other important information

## Operating costs

| PLN thousands | 01.01.2014 - 30.06.2014 | 01.01.2013 - 30.06.2013 |
|---|---|---|
| *Depreciation* | *1 581* | *1 461* |
| *Consumption of materials and energy* | *853* | *556* |
| *External services* | *17 893* | *9 163* |
| *Taxes and fees* | *240* | *285* |
| *Employee compensation, social security and other benefits* | *14 143* | *10 297* |
| *Business travel* | *719* | *395* |
| ***Other costs, including:*** | *4 015* | *3 493* |
| *- recruitment costs* | *151* | *266* |
| *- participation in fairs, exhibitions and conferences* | *1 070* | *922* |
| *- use of company cars* | *136* | *136* |
| *- representation and advertising* | *-* | *96* |
| *- provisions for tax non-deductible expenses* | *2 384* | *1 916* |
| *- insurance* | *114* | *51* |
| *- other expenses* | *160* | *106* |
| *Changes in inventories* | *(19 348)* | *(9 055)* |
| *Value of goods and materials sold* | *24 572* | *16 137* |
| *Exchange rate differences from continuing operations* | *1 610* | *1 240* |
| *Cost of products and services sold* | *27 301* | *22 680* |
| **Total** | **73 579** | **56 652** |
| *Selling costs* | *13 113* | *10 497* |
| *General and administrative costs* | *6 983* | *6 098* |
| *Cost of products, goods and materials sold* | *53 483* | *40 057* |
| **Total** | **73 579** | **56 652** |

## Other operating revenues

| PLN thousands | 01.01.2014 - 30.06.2014 | 01.01.2013 - 30.06.2013 |
|---|---|---|
| *Elimination of write-downs for receivables* | *545* | *279* |
| *Dissolution of licensing provisions* | *-* | *74* |
| *Dissolution of provisions for employee benefits* | *-* | *1* |
| *Dissolution of provisions for expired liabilities* | *-* | *60* |
| *Subsidies* | *610* | *114* |
| *Write-downs on expired liabilities* | *-* | *476* |
| *Offset on damages, penalties and fines received* | *21* | *270* |
| *Reinvoicing revenues* | *132* | *133* |
| *Profit from sales of fixed assets* | *1 347* | *25* |
| *Dissolution of unused cost provisions* | *1* | *-* |

| | | |
|---|---|---|
| ***Other revenues, including:*** | ***1 174*** | ***45*** |
| *- settlement of leasing contracts following buyout* | *8* | *-* |
| *- goods and materials received free of charge* | *17* | *34* |
| *- other reinvoicing revenues* | *4* | *-* |
| *- civil law transaction tax reimbursement* | *1 118* | *-* |
| *- other miscellaneous operating revenues* | *27* | *11* |
| *Other sales* | *27* | *180* |
| **Total** | **3 857** | **1 657** |

## Other operating expenses

| PLN thousands | 01.01.2014 - 30.06.2014 | 01.01.2013 - 30.06.2013 |
|---|---|---|
| *Creation of provisions for future liabilities* | *27* | *-* |
| *Revaluation of trade receivables* | *60* | *63* |
| *Write-downs on expired receivables* | *-* | *262* |
| *Losses from sale of fixed assets* | *12* | *-* |
| *Reinvoicing costs* | *132* | *130* |
| *Unrecoverable withholding tax* | *3* | *2* |
| *Licenses written off* | *-* | *498* |
| ***Other expenses, including:*** | ***636*** | ***128*** |
| *- disposal costs of goods and materials* | *67* | *71* |
| *- recognition of inventory shortfalls* | *5* | *36* |
| *- write-offs on unrecoverable receivables* | *521* | *-* |
| *- other miscellaneous expenses* | *43* | *21* |
| **Total** | **870** | **1 083** |

## Financial revenues

| PLN thousands | 01.01.2014 - 30.06.2014 | 01.01.2013 - 30.06.2013 |
|---|---|---|
| ***Revenues from interest:*** | ***382*** | ***106*** |
| *- on bank deposits* | *320* | *83* |
| *- on loans* | *-* | *20* |
| *- on trade receivables* | *62* | *3* |
| ***Other financial revenues, including:*** | ***2 014*** | ***983*** |
| *- gains from exchange rate differences* | *1 032* | *947* |
| *- revenues from investment fund shares* | *1* | *14* |
| *- investment fund valuation* | *15* | *-* |
| *- revenues from sales of investments* | *335* | *15* |
| *- forward contract valuation* | *386* | *-* |
| *- other* | *245* | *7* |
| **Total financial revenues** | **2 396** | **1 089** |

## Financial expenses

| PLN thousands | 01.01.2014 - 30.06.2014 | 01.01.2013 - 30.06.2013 |
|---|---|---|
| ***Interest payments:*** | ***36*** | ***142*** |
| *- on bank loans* | *13* | *94* |
| *- on leasing contracts* | *23* | *17* |
| *- on factoring agreements* | *-* | *31* |
| ***Other financial expenses, including:*** | ***42*** | ***308*** |
| *- bank fees* | *42* | *291* |
| *- investment revaluations* | *-* | *9* |
| *- discount on long-term receivables* | *-* | *8* |
| ***Net loss on sales of assets and liabilities designated at fair value through financial result*** | **-** | **-** |
| ***Net profit and loss from exchange rate differences associated with financial activities*** | **-** | **-** |
| **Total financial expenses** | **78** | **450** |

# Note 6. Operating segments

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

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 DVD and Blu-ray 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 360 and PlayStation games 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, 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.

## Videogame development

Videogame development is carried out by the CD Projekt RED Studio which is a division of CD PROJEKT S.A. The activity covers creation of videogames and selling the associated distribution rights, as well as manufacturing and selling 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 – Tie 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 as well as leading digital distribution services worldwide. Taken together, both installments of the series have received over 200 awards and accolades, and sold more than 7 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. Since July 2013 the Studio has a presence in Kraków, with a dedicated branch established on the premises of the Kraków Technology Park and working on additional videogame projects. In the current year the Company aims to publish the classic (board) and digital (mobile) versions of The Witcher Adventure Game, as well as The Witcher Battle Arena – a mobile game based on a novel micropayment model.

## Global digital videogame distribution

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

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.

Initially, games were sold at 5.99 and 9.99 USD per copy. Further development of the service and expansion of its catalogue with new releases and games from independent publishers resulted in introduction (in 2012) of additional price brackets: 14.99 USD, 19.99 USD, 29.99 USD and 34.99 USD. Since October 2012 GOG.com has carried releases for Apple computers. In July of the current year over 50 releases for the Linux OS were introduced, and the Company has plans for expanded support of the Linux platform.

The GOG.com catalogue currently 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 (depending on the release profile of each game), and provides technical support in case of installation problems. If a game cannot be run on the user's computer, GOG.com implements a 30-day returns policy with a money-back guarantee.

Owing to the features listed above GOG.com has become one of the leading digital videogame distribution platforms worldwide – this dynamic growth is mirrored by the Company's financial results. The Group also uses GOG.com to market its own products, such as The Witcher and The Witcher: Assassins of Kings for the PC and Apple computers, directly to end users. In June 2014 GOG.com launched a preorder campaign for The Witcher 3: Wild Hunt.

On 27 August 2014, after the close of the reporting period, GOG.com began distributing documentaries devoted to videogames and the online culture. All videos are releases in accordance with the GOG.com philosophy, i.e. without DRM restrictions. 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.

The global digital videogame distribution segment comprises the activities of GOG Ltd. and GOG Poland Sp. z o.o.

## 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 of corporate and financial oversight, accounting, HR, legal advice (particularly concerning taxation) and investor relations.

## Breakdown of individual operating segments for the period between 01 Jan and 30 Jun 2014

| PLN thousands | Sales revenues | Sales to external clients | Sales between segments and internal turnover | Profit/loss per segment | Total assets per segment |
|---|---|---|---|---|---|
| **CONTINUING OPERATIONS** | | | | | |
| *Distribution and publishing in Poland* | *30 748* | *30 746* | *2* | *(2 416)* | *37 693* |
| *Videogame development* | *12 911* | *12 408* | *503* | *938* | *91 518* |
| *Global digital videogame distribution* | *35 390* | *31 003* | *4 387* | *4 523* | *38 517* |
| *Other activities** | *3 317* | *431* | *2 886* | *(11 301)* | *112 726* |
| Consolidation adjustments (incl. adjustments from business combinations) | (7 778) | - | (7 778) | 12 797 | (17 555) |
| **DISCONTINUED OPERATIONS** | - | - | - | - | - |
| **TOTAL** | **74 588** | **74 588** | **-** | **4 541** | **262 899** |

* The *Other activities* segment comprises part of the individual loss of CD PROJEKT S.A. in the amount of 11,301 thousand PLN, representing the activity of its investment branch.

## Segmented consolidated statement of financial position as of 30 Jun 2014

| PLN thousands | Distribution and publishing in Poland | Videogame development | Global digital distribution of games | Other activities | Consolidation eliminations (incl. adjustments from business combinations) | Total |
|---|---|---|---|---|---|---|
| **FIXED ASSETS** | **2 869** | **6 615** | **2 169** | **92 492** | **(12 235)** | **91 910** |
| *Tangible fixed assets* | *979* | *3 177* | *900* | *1 078* | *-* | *6 134* |
| *Intangible assets* | *1 642* | *3 347* | *1 246* | *57 959* | *(25 735)* | *38 459* |
| *Goodwill* | *-* | *-* | *-* | *-* | *46 417* | *46 417* |
| *Investments in subsidiaries* | *-* | *-* | *-* | *32 917* | *(32 917)* | *-* |
| *Deferred income tax assets* | *221* | *24* | *23* | *293* | *-* | *561* |
| *Other fixed assets* | *27* | *67* | *-* | *245* | *-* | *339* |
| **CURRENT ASSETS** | **34 824** | **84 903** | **36 348** | **20 234** | **(5 320)** | **170 989** |
| *Inventories* | *6 089* | *61 108* | *-* | *-* | *-* | *67 197* |
| *Trade receivables* | *12 876* | *8 532* | *7 731* | *44* | *(1 308)* | *27 875* |
| *Receivables due to current income tax* | *68* | *2 030* | *-* | *-* | *-* | *2 098* |
| *Other receivables* | *195* | *8 723* | *2 431* | *611* | *(4 012)* | *7 948* |
| *Other financial assets* | *12* | *5* | *-* | *817* | *-* | *834* |
| *Prepaid expenses* | *12 138* | *222* | *1 410* | *91* | *-* | *13 861* |
| *Cash and cash equivalents* | *3 446* | *4 283* | *24 776* | *18 671* | *-* | *51 176* |
| **TOTAL ASSETS** | **37 693** | **91 518** | **38 517** | **112 726** | **(17 555)** | **262 899** |

| PLN thousands | Distribution and publishing in Poland | Videogame development | Global digital distribution of games | Other activities | Consolidation eliminations (incl. adjustments from business combinations) | Total |
|---|---|---|---|---|---|---|
| **EQUITY** | **13 454** | **45 820** | **18 931** | **109 166** | **(14 812)** | **172 559** |
| ***Equity attributable to shareholders of the parent company*** | ***13 454*** | ***45 820*** | ***18 931*** | ***109 166*** | ***(21 511)*** | ***165 860*** |
| *Share capital* | *10 076* | *7 050* | *86* | *94 955* | *(17 217)* | *94 950* |
| *Supplementary capital from sales of shares above their nominal value* | *5 794* | *-* | *1 188* | *110 936* | *1 812* | *119 730* |
| *Other reserve capital* | *-* | *-* | *-* | *1 396* | *-* | *1 396* |
| *Exchange rate differences* | *-* | *-* | *(163)* | *-* | *(461)* | *(624)* |
| *Retained earnings* | *-* | *37 832* | *13 297* | *(86 820)* | *(18 442)* | *(54 133)* |
| *Net profit (loss) for the reporting period* | *(2 416)* | *938* | *4 523* | *(11 301)* | *12 797* | *4 541* |
| ***Minority share capital*** | - | - | - | - | ***6 699*** | ***6 699*** |
| **LONG-TERM LIABILITIES** | **540** | **1 672** | **18** | **1 369** | **2 589** | **6 188** |
| *Other financial liabilities* | *99* | *61* | *-* | *190* | *-* | *350* |
| *Deferred income tax liabilities* | *32* | *1 124* | *-* | *670* | *2 589* | *4 415* |
| *Deferred revenues* | *400* | *481* | *13* | *492* | *-* | *1 386* |
| *Provisions for employee benefits and similar liabilities* | *9* | *6* | *5* | *17* | *-* | *37* |
| **SHORT-TERM LIABILITIES** | **23 699** | **44 026** | **19 568** | **2 191** | **(5 332)** | **84 152** |
| *Credits and loans* | *21* | *2* | *-* | *2* | *-* | *25* |
| *Other financial liabilities* | *100* | *41* | *-* | *186* | *-* | *327* |
| *Trade liabilities* | *21 880* | *2 978* | *12 140* | *265* | *(1 320)* | *35 943* |
| *Liabilities from current income tax* | *-* | *-* | *829* | *-* | *-* | *829* |
| *Other liabilities* | *1 638* | *40 920* | *3 800* | *1 592* | *(4 012)* | *43 938* |
| *Deferred revenues* | *59* | *54* | *2 716* | *29* | *-* | *2 858* |
| *Provisions for retirement benefits and similar liabilities* | *1* | *20* | *79* | *85* | *-* | *185* |
| *Other provisions* | *0* | *11* | *4* | *32* | *-* | *47* |

| | | | | | | |
|---|---|---|---|---|---|---|
| TOTAL LIABILITIES | 37 693 | 91 518 | 38 517 | 112 726 | (17 555) | 262 899 |

## Segmented consolidated profit and loss account for the period between 01 Jan 2014 and 30 Jun 2014

| PLN thousands | Distribution and publishing in Poland | Videogame development | Global digital distribution of games | Other activities | Consolidation eliminations (incl. adjustments from business combinations) | Total |
|---|---|---|---|---|---|---|
| **Sales revenues** | **30 748** | **12 911** | **35 390** | **3 317** | **(7 778)** | **74 588** |
| *Revenues from sales of products* | *-* | *12 828* | *-* | *-* | *(462)* | *12 366* |
| *Revenues from sales of services* | *2 882* | *-* | *35 390* | *3 317* | *(7 272)* | *34 317* |
| *Revenues from sales of goods and materials* | *27 866* | *83* | *-* | *-* | *(44)* | *27 905* |
| **Cost of products, goods and materials sold** | **26 565** | **4 500** | **23 237** | **424** | **(1 243)** | **53 483** |
| *Cost of products and services sold* | *1 507* | *4 449* | *23 237* | *424* | *(1 198)* | *28 419* |
| *Value of goods and services sold* | *25 058* | *51* | *-* | *-* | *(45)* | *25 064* |
| **Gross profit (loss) from sales** | **4 183** | **8 411** | **12 153** | **2 893** | **(6 535)** | **21 105** |
| *Other operating revenues* | *126* | *1 323* | *26* | *2 574* | *(192)* | *3 857* |
| *Selling costs* | *5 476* | *4 734* | *6 262* | *938* | *(4 297)* | *13 113* |
| *General and adminitrative costs* | *1 939* | *3 523* | *804* | *2 968* | *(2 251)* | *6 983* |
| *Other operating expenses* | *175* | *725* | *17* | *145* | *(192)* | *870* |
| **Operating profit (loss)** | **(3 281)** | **752** | **5 096** | **1 416** | **13** | **3 996** |
| *Financial revenues* | *663* | *839* | *118* | *444* | *332* | *2 396* |
| *Financial expenses* | *86* | *(354)* | *15* | *12 835* | *(12 504)* | *78* |
| **Profit (loss) before taxation** | **(2 704)** | ***1 945*** | **5 199** | **(10 975)** | **12 849** | **6 314** |
| *Income tax* | *(288)* | 1 007 | *676* | *326* | *(27)* | *1 694* |
| **Profit (loss) from continuing operations** | **(2 416)** | **938** | **4 523** | **(11 301)** | **12 876** | **4 620** |
| **Net profit (loss) from discontinued operations** | **-** | **-** | **-** | **-** | **-** | **-** |

| | | | | | | |
|---|---|---|---|---|---|---|
| Net profit (loss) attributable to noncontrolling interests | - | - | - | - | 79 | 79 |
| Net profit (loss) attributable to equity holders of the parent entity | (2 416) | 938 | 4 523 | (11 301) | 12 797 | 4 541 |

(all figures quoted in PLN thousands unless otherwise specified).

## Description of differences in presentation of activity segments or in the measurement of profit or loss per activity segment compared to the most recent annual consolidated financial report

No changes have occurred in relation to the consolidated financial statement for 2013 with regard to presentation of activity segments.

## Reconciliation of the total of the reportable segments' measures of profit or loss with the Group's profit or loss before tax expenses and discontinued operations

A suitable reconciliation is presented in Note 6: Operating segments.

## Information regarding key clients

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

In the videogame development segment the trade partnership between CD PROJEKT S.A. and one of its clients generated sales revenues in the amount of 11 276 thousand PLN in the first half of 2014, which represents 15.12% of the consolidated sales revenues of the CD PROJEKT Capital Group in this period.

The above mentioned client is not affiliated with CD PROJEKT S.A. or any of its subsidiaries.

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

# Note 7. Information regarding seasonal or cyclical activities

The videogame and motion picture distribution market is characterized by seasonal fluctuations in revenues. On an annual basis, the highest revenues are typically obtained in the fourth quarter while the lowest revenues correspond to the third quarter (although publishing plans in each quarter may affect this outcome). The standard drop in sales revenues in Q1 correlates with sales and clearances which follow the so-called "holiday peak". The situation usually stabilizes in mid-February as new releases from various publishers appear on the market. The seasonal dip in sales in Q3 is associated with the vacation period – as such, most global publishers do not schedule major releases during this time. Sales tend to pick up again in late Q3 (September) and remain high throughout Q4. Publishers tend to account for this variability and draw up their plans in such a way as to avoid squandering their products' potential by releasing them in weak sales periods. Sales in Q2 and Q4 are bolstered by seasonal holidays when games are often purchased as presents. Ultimately, however, sales volume is primarily dependent on the release schedule. CD PROJEKT S.A. usually takes between 2 and 4 years to produce a game. Initial development work occurs before the previous game in the series is complete and ready to be released. The Witcher 2 was released for the PC in May 2011 while the corresponding Xbox 360 release took place on 17 April 2012. The newest game in the series – The Witcher 3: Wild Hunt – is scheduled for release on 24 February 2015. Due to the recent launch of a second major franchise (Cyberpunk 2077) future releases of CD PROJEKT videogames should occur with greater frequency.

The Witcher Battle Arena, the first Witcher-themed multiplatform mobile game, scheduled for release in Q4 2014 for the iOS, Android, Windows Phone and Windows (tablet) platforms, may, in the future, constitute an important part of the Group's activities, further stabilizing its revenue stream.

# Note 8. Issue, redemption or repayment of debt and capital securities

## Issue of debt securities

Not applicable.

## Issue of capital securities

| | 30.06.2014 | 31.03.2014 | 31.12.2013 | 30.06.2013 |
|---|---|---|---|---|
| *Number of shares (thousands)* | *94 950* | *94 950* | *94 950* | *94 950* |
| *Nominal value per share (PLN)* | *1* | *1* | *1* | *1* |
| **Share capital (PLN thousands)** | **94 950** | **94 950** | **94 950** | **94 950** |

# Note 9. Dividends paid out or announced

No dividends were paid out to shareholders of the parent company in the reporting period.

# Note 10. Transactions with affiliates

## Rules governing transactions with affiliates

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

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

## Transactions with members of the Management Board and other affiliated entities

| Name of affiliate | Sales to affiliates | | Receivables from affiliates | | | | Liabilities due to affiliates | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 01.01.2014 - 30.06.2014 | 01.01.2013 -30.06.2013 | 30.06.2014 | 31.03.2014 | 31.12.2013 | 30.06.2013 | 30.06.2014 | 31.03.2014 | 31.12.2013 | 30.06.2013 |
| **AFFILIATES** | | | | | | | | | | |
| *Optibox Sp. z o.o. in liquidation bankruptcy* | - | - | - | - | - | - | 20 | 20 | 20 | 20 |
| **MANAGEMENT BOARD MEMBERS AND PROXIES**** | | | | | | | | | | |
| *Adam Kiciński* | 2 | 2 | - | - | - | - | 1 | - | - | - |
| *Marcin Iwiński* | 3 | 8 | - | - | - | - | 16 | 10 | 4 | 13 |
| *Piotr Nielubowicz* | 3 | 3 | - | - | - | - | - | 2 | 1 | - |
| *Michał Nowakowski* | 5 | 5 | - | 1 | - | - | - | - | - | - |
| *Adam Badowski* | 1 | 2 | 3 | - | - | 1 | - | - | - | - |
| *Edyta Wakuła** | 1 | 2 | - | - | - | - | - | - | - | - |
| *Robert Wesołowski* | 3 | 2 | - | - | - | - | - | - | - | - |
| *Michał Gembicki* | 1 | - | - | - | - | - | - | - | - | - |
| *Guillaume Rambourg* | - | - | - | - | - | - | - | - | - | 195 |
| *Piotr Karwowski** | 1 | - | - | - | - | - | - | - | - | - |

** proxy*

*** This table lists only those members of the Management Board and key personnel who carried out transactions with the parent entity or other companies belonging to the Capital Group within the reporting period.*

(all figures quoted in PLN thousands unless otherwise specified).

# Note 11. Bad loans and violations of loan agreements not subject to recovery proceedings as of the balance sheet date

## Loans granted

Not applicable.

## Loans granted as of 30.06.2014, including loans granted to Management Board members

Not applicable.

# Note 12. Changes in conditional assets or liabilities following the end of the most recent financial year

## Liabilities on bills of exchange in association with loans received

Not applicable.

## Conditional liabilities from guarantees and collateral pledged

| thousands of currency units | pledged in association with | currency | 30.06.2014 | 31.03.2014 | 31.12.2013 | 30.06.2013 |
|---|---|---|---|---|---|---|
| **Agora S.A.** | | | | | | |
| *Promissory note agreement* | *Collateral for licensing and distribution agreement* | *PLN* | *11 931* | *11 931* | - | - |
| *Declaration of submission to enforcement with respect to collateral and execution of licensing and distribution agreement* | *Collateral for licensing and distribution agreement* | *PLN* | *11 931* | *11 931* | - | - |
| **mBank S.A.** | | | | | | |
| *Promissory note agreement* | *Credit agreement* | *PLN* | *16 500* | *16 500* | *16 500* | *16 500* |
| *Promissory note agreement* | *Credit agreement* | *PLN* | *30 000* | *30 000* | *30 000* | *30 000* |
| *Promissory note agreement* | *Credit agreement* | *PLN* | *15 000* | *15 000* | *15 000* | *15 000* |
| *Promissory note endorsement* | *Collateral for credit* | *PLN* | *61 500* | *61 500* | *61 500* | *61 500* |
| *Declaration of submission to enforcement* | *Collateral for credit* | *PLN* | *61 500* | *61 500* | *61 500* | *61 500* |
| *Contractual mortgage on immovable property* | *Collateral for credit* | *PLN* | - | *60 000* | *60 000* | *60 000* |
| *Contractual assignment of receivables* | *Collateral for credit* | *PLN* | *5 000* | *5 000* | *5 000* | *5 000* |
| *Registered pledge of The Witcher trademark* | *Collateral for credit* | *PLN* | *45 000* | *45 000* | *45 000* | *45 000* |
| *Promissory note agreement* | *Collateral for bank payment guarantee no. 02035KPA13* | *PLN* | - | - | *6 600* | *6 600* |
| *Declaration of submission to enforcement* | *Collateral for bank payment guarantee no. 02035KPA13* | *PLN* | - | - | *6 600* | *6 600* |
| *Promissory note agreement* | *Collateral for bank payment guarantee no. 02111KPA14* | *PLN* | *3 000* | *3 000* | - | - |
| *Declaration of submission to enforcement* | *Collateral for bank payment guarantee no. 02111KPA14* | *PLN* | *3 000* | *3 000* | - | - |
| *Declaration of submission to enforcement* | *Credit limit agreement no. 02/447/11/L/UR concerning derivative transactions* | *PLN* | *1 100* | *1 100* | *1 100* | - |

(all figures quoted in PLN thousands unless otherwise specified).

| | | | | | | |
|---|---|---|---|---|---|---|
| **mLeasing Sp. z o.o.** | | | | | | |
| *Promissory note agreement* | *Lease agreement no. Optimus1/WA/123286/2011* | *PLN* | *-* | *150* | *150* | *150* |
| *Promissory note agreement* | *Lease agreement no. Optimus1/WA/135724/2012* | *PLN* | *141* | *141* | *141* | *141* |
| *Promissory note agreement* | *Lease agreement no. CDPROJEKT/WA/20832/2011* | *PLN* | *-* | *90* | *90* | *90* |
| *Promissory note agreement* | *Lease agreement no. CDPROJEKT/WA/123240/2011* | *PLN* | *54* | *54* | *54* | *54* |
| *Promissory note agreement* | *Lease agreement no. CDPROJEKT/WA/128425/2011* | *PLN* | *-* | *51* | *51* | *51* |
| *Promissory note agreement* | *Lease agreement no. CDPROJEKT/WA/132776/2011* | *PLN* | *69* | *69* | *69* | *69* |
| *Promissory note agreement* | *Lease agreement no. CDPROJEKT/WA/132780/2011* | *PLN* | *59* | *59* | *59* | *59* |
| *Promissory note agreement* | *Lease agreement no. CDPROJEKT/WA/136047/2012* | *PLN* | *57* | *57* | *57* | *56* |
| *Promissory note agreement* | *Lease agreement no. CDPROJEKT/WA/136061/2012* | *PLN* | *57* | *57* | *57* | *56* |
| **Millennium Leasing Sp. z o.o.** | | | | | | |
| *Promissory note agreement* | *Lease agreement no. K 182762* | *PLN* | *470* | *-* | *-* | *-* |
| **Global Collect Services BV** | | | | | | |
| *Contract of guarantee* | *Guarantee of discharge of liabilities by GOG Ltd.* | *EUR* | *155* | *155* | *155* | *155* |
| **Mazovian Unit for the Implementation of European Union Programs (Mazowiecka Jednostka Wdrażania Programów Unijnych)** | | | | | | |
| *Promissory note agreement* | *Co-financing agreement no. RPMA.02.03.00-14-012/09 RPO MV 2007-2013 Task 2.3* | *PLN* | *1 105* | *1 105* | *1 105* | *1 105* |
| *Promissory note agreement* | *Co-financing agreement no. RPMA.01.05.00 -14-638/08 RPO MV 2007-2013 Task 1.5* | *PLN* | *429* | *429* | *429* | *429* |
| *Promissory note agreement* | *Co-financing agreement no. RPMA.01.05.00 -14-639/08 RPO MV 2007-2013 Task 1.5* | *PLN* | *302* | *302* | *302* | *302* |
| *Promissory note agreement* | *Co-financing agreement no. RPMA.01.07.00 -14-010/11 RPO MV 2007-2013 Task 1.7* | *PLN* | *148* | *148* | *148* | *148* |
| **Ministry of Economy** | | | | | | |
| *Promissory note agreement* | *Co-financing agreement no. POIG.06.05.02-00-146/13-00* | *PLN* | *350* | *350* | *-* | *-* |

(all figures quoted in PLN thousands unless otherwise specified).

| | | | | | | |
|---|---|---|---|---|---|---|
| *Promissory note agreement* | *Co-financing agreement no. POIG.06.05.02-00-148/13-00* | *PLN* | *326* | *326* | *-* | *-* |
| **Polish Agency for Enterprise Development (Polska Agencja Rozwoju Przedsiębiorczości)** | | | | | | |
| *Promissory note agreement* | *Co-financing agreement no. UDA-POIG.08.02.00-14-524/13-00; POIG Task 8.2* | *PLN* | *941* | *941* | *941* | *-* |
| **Raiffeisen Bank Polska S.A** | | | | | | |
| *Guarantee of discharge of cash pool liabilities* | *Cash pool agreement* | *PLN* | *15 000* | *15 000* | *15 000* | *-* |
| **RBS Bank (Polska) S.A.** | | | | | | |
| *Guarantee of discharge of liabilities by GOG Poland Sp. z o.o.,<br>CD PROJEKT S.A., GOG Ltd.* | *Cash pool agreement* | *PLN* | *-* | *-* | *-* | *552* |
| *Fiscal pledge on cash assets* | *Cash pool agreement* | *PLN* | *-* | *-* | *-* | *552* |
| **SEGA Europe** | | | | | | |
| *Contract of guarantee* | *Guarantee of discharge of liabilities by cdp.pl Sp. z o.o.* | *GBP* | *-* | *150* | *150* | *150* |
| **Konami Digital Entertainment B.V.** | | | | | | |
| *Contract of guarantee* | *Guarantee of discharge of liabilities by cdp.pl Sp. z o.o.* | *EUR* | *100* | *100* | *-* | *-* |

(all figures quoted in PLN thousands unless otherwise specified).

# Note 13. Changes in the structure of the Capital Group and its member entities during the reporting period

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 existing members of the Management Board of cdp.pl Sp. z o.o.

# Note 14. Agreements which may, in the future, result in changes in the proportion of stock ownership by shareholders and bondholders

On 16 December 2011 the Extraordinary General Meeting of Shareholders of the parent company voted to institute an incentive program for persons regarded as having a key influence on the performance of the Company. Details of this program are described elsewhere in this report. The resolution was accompanied by a conditional increase in Company capital in an amount not exceeding 1.9 million PLN which represents 2% of the current share capital of the parent company. The incentive program may result in changes in the proportion of stock ownership by shareholders.

# Note 15. Fiscal settlements

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

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

# Note 16. Legal proceedings

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

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

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

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

On 9 December 2008 the District Court for the City of Kraków issued an interlocutory judgment holding the Optimus claim valid in rem. This judgment concerned the validity of the Company's claim for monetary damages. On 19 May 2009 this judgment was vacated by the 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 aforementioned 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.

# Note 17. Circumstances which may affect the Group's financial result in the future

The activity of CD PROJEKT Capital Group member companies is influenced by external factors, such as changes in micro- and macroeconomic conditions, legal reforms and fiscal regulations. 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 affect the Group's activities and growth prospects have been described in the risk section of the Management Board report on CD PROJEKT Capital Group activities for the first half of 2014. In addition, the most important factors which may bear influence on the Group's growth 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.

Significant factors which may affect the Group's standing after the close of the reporting period are as follows.

## Videogame development

In the coming quarters the videogame development segment – in addition to ongoing development work on the announced releases – will conduct an intensive marketing campaign associated with the upcoming release of The Witcher 3: Wild Hunt, which is scheduled for 24 February 2015. These activities may also affect sales of the previous installments of The Witcher series. The Company intends to participate in key trade fairs, including Igromir in Russia, Eurogamer Expo in the UK and Brasil Game Show, showcasing The Witcher 3. This should translate into increased international media presence and greater interest in Company products on the part of gamers worldwide.

In Q4 2014 the Company also aims to release two new products for mobile devices: The Witcher Battle Arena and The Witcher Adventure Game. Sales of both games may affect the Group's financial result in future reporting periods.

The simultaneous release of The Witcher 3 (scheduled for 24 February 2015) for three hardware platforms, i.e. PC, Xbox One and PlayStation 4 will, in the Management Board's opinion, constitute the largest single release in the Company's history in terms of the expected sales volume, revenues and the scope of the associated marketing and media campaigns, both in Poland and abroad. Sales of The Witcher 3 will affect the Group's financial result in future reporting periods.

## Global digital videogame distribution

In the global digital videogame distribution segment, growth dynamics will depend on the willingness of gamers to purchase games for the PC, Apple and Linux systems directly over the Internet, as well as on success in seeking out and adding new products to the Company catalogue. GOG Ltd. will continue offering new releases and products capable of interfacing with the Company's proprietary GOG Galaxy technology stack, announced in late June. The open release of the optional GOG Galaxy client software (scheduled for the second half of 2014) will open up new avenues of development for GOG.com – on the one hand it should attract fans of online multiplayer games while on the other hand it will enable the Company to distribute games which focus on this type of gameplay. It should be noted that online multiplayer games continue to gain popularity on the global market. GOG Galaxy enables the Company to enrich its offering with new categories of products in higher price brackets. The GOG Galaxy technology stack is currently undergoing open (public) testing.

The popularity of GOG.com in key territories should be bolstered by the ability to make purchases in local currencies using local payment methods. This feature should attract customers who find it cumbersome or disadvantageous to remit payment in US dollars.

In late August 2014, after the close of the reporting period, GOG Ltd. began distributing motion pictures. In line with its philosophy, all motion pictures offered through the GOG.com platform are free of DRM restrictions and can be either downloaded to the user's personal device (to be viewed at the user's discretion), or viewed online using an inbuilt streaming client. Further expansion of GOG Ltd. on this new market depends on successful collaboration with copyright owners whose products are to be distributed via GOG.com.

Finally, the growth prospects of GOG Ltd. – beyond ongoing expansion of its product catalogue – will also depend on attracting new customers who are not yet familiar with the GOG.com platform. Owing to the intensive PR campaign carried out by the Company as well as to its synergy with CD PROJEKT S.A., GOG.com continues to expand, as measured by the number of active user accounts.

## Distribution and publishing in Poland

With regard to distribution and publishing in Poland, it is necessary to maintain good business relations with suppliers who provide cdp.pl Sp. z o.o. with access to new products. The company's publishing plan, replete with top-tier releases and based on advantageous contracts with developers, is a crucial aspect of cdp.pl's market success and facilitates further growth on the domestic market. In the long run, cdp.pl Sp. z o.o. activities will focus on distribution of electronic media, i.e. games, motion pictures, e-books and audiobooks. This activity is carried out on the domestic market via cdp.pl – the Company's proprietary distribution platform introduced in 2012 and currently undergoing expansion.

## Other

Future financial results may be affected by the outcome of legal proceedings described in Note 16 of this financial statement.

# Note 18. Events following 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 | Marcin Iwiński | Piotr Nielubowicz | Adam Badowski | Michał Nowakowski | Katarzyna Janaszkiewicz |
|---|---|---|---|---|---|
| President of the Board | Vice President of the Board | Vice President of the Board | Board Member | Board Member | Deputy Accounting Officer |

(all figures quoted in PLN thousands unless otherwise stated).

# 5

# Condensed interim financial statement of CD PROJEKT S.A.

# Condensed interim separate profit and loss account

| PLN thousands | 01.01.2014 - 30.06.2014 | 01.01.2013 - 30.06.2013 |
|---|---|---|
| **Sales revenues** | **14 509** | **12 413** |
| *Revenues from sales of products* | *12 827* | *10 529* |
| *Revenues from sales of services* | *1 600* | *1 739* |
| *Revenues from sales of goods and materials* | *82* | *145* |
| **Cost of products, goods and materials sold** | **4 923** | **3 214** |
| *Cost of products and services sold* | *4 872* | *3 131* |
| *Value of goods and materials sold* | *51* | *83* |
| **Gross profit (loss) from sales** | **9 586** | **9 199** |
| *Other operating revenues* | *3 897* | *928* |
| *Selling costs* | *5 672* | *4 031* |
| *General and administrative costs* | *4 773* | *3 796* |
| *Other operating expenses* | *870* | *446* |
| **Operating profit (loss)** | **2 168** | **1 854** |
| *Financial revenues* | *1 283* | *14 284* |
| *Financial expenses* | *12 481* | *310* |
| **Profit (loss) before tax** | **(9 030)** | **15 828** |
| *Income tax* | *1 333* | *(67)* |
| **Net profit (loss) from continuing operations** | **(10 363)** | **15 895** |
| **Net profit (loss)** | **(10 363)** | **15 895** |
| **Net earnings per share (in PLN)** | | |
| *Basic for the reporting period* | *(0.11)* | *0.17* |
| *Diluted for the reporting period* | *(0.11)* | *0.17* |
| **Net earnings per share from continuing operations (in PLN)** | | |
| *Basic for the reporting period* | *(0.11)* | *0.17* |
| *Diluted for the reporting period* | *(0.11)* | *0.17* |

Warsaw, 1 September 2014

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

# Condensed interim separate statement of comprehensive income

| PLN thousands | 01.01.2014 - 30.06.2014 | 01.01.2013 - 30.06.2013 |
|---|---|---|
| **Net profit (loss)** | **(10 363)** | **15 895** |
| ***Other comprehensive income which will be entered as profit (loss) following fulfillment of specific criteria*** | - | - |
| ***Other comprehensive income which will not be entered as profit (loss)*** | - | - |
| **Total comprehensive income** | **(10 363)** | **15 895** |

Warsaw, 1 September 2014

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

# Condensed interim separate statement of financial position

| PLN thousands | 30.06.2014 | 31.03.2014 | 31.12.2013 | 30.06.2013 |
|---|---|---|---|---|
| **FIXED ASSETS** | **91 363** | **110 304** | **110 188** | **100 478** |
| *Tangible assets* | *4 255* | *9 041* | *9 204* | *9 070* |
| *Intangible assets* | *75 986* | *75 843* | *75 648* | *65 323* |
| *Investments in affiliates* | *10 493* | *24 828* | *24 828* | *25 620* |
| *Deferred income tax assets* | *317* | *296* | *250* | *250* |
| *Other fixed assets* | *312* | *296* | *258* | *215* |
| **CURRENT ASSETS** | **105 492** | **88 882** | **75 840** | **59 007** |
| *Inventories* | *61 107* | *52 242* | *44 514* | *33 100* |
| *Trade receivables* | *8 575* | *9 510* | *3 556* | *4 675* |
| *Current income tax receivables* | *2 030* | *1 029* | *900* | *228* |
| *Other receivables* | *9 693* | *7 895* | *5 681* | *7 440* |
| *Other financial assets* | *822* | *908* | *804* | *817* |
| *Prepaid expenses* | *314* | *502* | *383* | *353* |
| *Cash and cash equivalents* | *22 951* | *16 796* | *20 002* | *12 394* |
| **TOTAL ASSETS** | **196 855** | **199 186** | **186 028** | **159 485** |

Warsaw, 1 September 2014

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

| PLN thousands | 30.06.2014 | 31.03.2014 | 31.12.2013 | 30.06.2013 |
|---|---|---|---|---|
| **EQUITY** | **144 369** | **156 273** | **154 325** | **151 451** |
| *Share capital* | *94 950* | *94 950* | *94 950* | *94 950* |
| *Supplementary capital, incl. sales of shares above nominal price* | *110 936* | *110 936* | *110 936* | *110 936* |
| *Other reserve capital* | *1 396* | *1 139* | *989* | *899* |
| *Retained earnings* | *(52 550)* | *(52 550)* | *(71 228)* | *(71 229)* |
| *Financial result for the current period* | *(10 363)* | *1 798* | *18 678* | *15 895* |
| **LONG-TERM LIABILITIES** | **5 910** | **4 601** | **5 026** | **4 063** |
| *Credits and loans* | - | - | - | *250* |
| *Other financial liabilities* | *251* | *86* | *100* | *69* |
| *Deferred income tax liabilities* | *4 663* | *3 577* | *3 899* | *3 582* |
| *Deferred revenues* | *973* | *915* | *1 004* | *144* |
| *Provisions for employee benefits and similar liabilities* | *23* | *23* | *23* | *18* |
| **SHORT-TERM LIABILITIES** | **46 576** | **38 312** | **26 677** | **3 971** |
| *Credits and loans* | *4* | *3* | *1* | *6* |
| *Other financial liabilities* | *227* | *103* | *128* | *123* |
| *Trade liabilities* | *3 243* | *2 298* | *10 257* | *1 685* |
| *Liabilities from current income tax* | - | - | - | - |
| *Other liabilities* | *42 871* | *35 651* | *15 991* | *1 724* |
| *Deferred revenues* | *82* | *98* | *106* | *114* |
| *Provisions for employee benefits and similar liabilities* | *106* | *96* | *88* | *121* |
| *Other provisions* | *43* | *63* | *106* | *198* |
| **TOTAL LIABILITIES** | **196 855** | **199 186** | **186 028** | **159 485** |

Warsaw, 1 September 2014

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

# Condensed interim separate statement of changes in equity

| PLN thousansd | Share capital | Supplementary capital from sales of shares above nominal price | Other reserve capital | Retained earnings | Net profit (loss) for the reporting period | Total equity |
|---|---|---|---|---|---|---|
| **01.01.2014 - 30.06.2014** | | | | | | |
| **Equity as of 01.01.2014** | **94 950** | **110 936** | **989** | **(52 550)** | **-** | **154 325** |
| **Equity after adjustments** | **94 950** | **110 936** | **989** | **(52 550)** | **-** | **154 325** |
| *Cost of incentive program* | - | - | *407* | - | - | *407* |
| *Total comprehensive income* | - | - | - | - | *(10 363)* | *(10 363)* |
| **Equity as of 30.06.2014** | **94 950** | **110 936** | **1 396** | **(52 550)** | **(10 363)** | **144 369** |
| **01.01.2013 - 31.12.2013** | | | | | | |
| **Equity as of 01.01.2013** | **94 950** | **110 936** | **551** | **(71 229)** | **-** | **135 208** |
| **Equity after adjustments** | **94 950** | **110 936** | **551** | **(71 229)** | **-** | **135 208** |
| *Cost of incentive program* | - | - | *438* | - | - | *438* |
| *Total comprehensive income* | - | - | - | *1* | *18 678* | *18 679* |
| **Equity as of 31.12.2013** | **94 950** | **110 936** | **989** | **(71 228)** | **18 678** | **154 325** |
| **01.01.2013 - 30.06.2013** | | | | | | |
| **Equity as of 01.01.2013** | **94 950** | **110 936** | **551** | **(71 229)** | **-** | **135 208** |
| **Equity after adjustments** | **94 950** | **110 936** | **551** | **(71 229)** | **-** | **135 208** |
| *Cost of incentive program* | - | - | *348* | - | - | *348* |
| *Total comprehensive income* | - | - | - | - | *15 895* | *15 895* |
| **Equity as of 30.06.2013** | **94 950** | **110 936** | **899** | **(71 229)** | **15 895** | **151 451** |

Warsaw, 1 September 2014

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

(all figures quoted in PLN thousands unless otherwise stated).

# Condensed interim separate statement of cash flows

| PLN thousands | 01.01.2014 - 30.06.2014 | 01.01.2013 - 30.06.2013 |
|---|---|---|
| OPERATING ACTIVIES | | |
| **Net profit (loss)** | ***(10 363)*** | **15 895** |
| **Total adjustments:** | ***(12 469)*** | **(10 647)** |
| *Depreciation* | *1 251* | *1 151* |
| *Interest and profit sharing* | *(294)* | *(13 367)* |
| *Profit (loss) on investment activities* | *11 092* | *(24)* |
| *Change in provisions* | *(45)* | *92* |
| *Change in inventories* | *(16 593)* | *(6 739)* |
| *Change in receivables* | *(12 042)* | *8 914* |
| *Change in liabilities excluding credits and loans* | *28 681* | *(891)* |
| *Change in other assets and liabilities* | *12* | *(131)* |
| *Other adjustments* | *407* | *348* |
| **Cash flow from continuing operations** | **2 106** | **5 248** |
| *Income tax on profit (loss) before taxation* | *1 333* | *(67)* |
| *Income tax (paid) / reimbursed* | *(819)* | *(1 782)* |
| **A. Net cash flow from operating activities** | **2 620** | **3 399** |
| INVESTMENT ACTIVITIES | | |
| **Inflows** | **8 742** | **13 677** |
| *Disposal of intangible and tangible fixed assets* | *6 574* | *22* |
| *Disposal of financial assets* | *1 500* | *46* |
| *Other inflows from investment activities (dividends and interest)* | *668* | *13 609* |
| **Outflows** | **10 627** | **10 823** |
| *Purchases of intangible and tangible fixed assets* | *10 541* | *10 434* |
| *Expenses on financial assets* | *2* | *-* |
| *Other outflows from investment activities (incl. cash pool activities)* | *84* | *389* |
| **B. Net cash flow from investment activities** | **(1 885)** | **2 854** |
| FINANCIAL ACTIVITIES | | |
| **Inflows** | **2 381** | **5** |
| *Credits and loans* | *3* | *5* |
| *Other inflows (incl. cash pool activities)* | *2 378* | - |
| **Outflows** | **167** | **6 039** |
| *Repayments of credits and loans* | *-* | *1 050* |
| *Payments of liabilities under financial lease agreements* | *164* | *64* |
| *Interest paid* | *3* | *244* |
| *Other outflows (incl. cash pool activities)* | *-* | *4 681* |
| **C. Net cash flows from financial activities** | **2 214** | **(6 034)** |
| **D. Total net cash flow** | **2 949** | **219** |
| **E. Change in cash and cash equivalents on balance sheet** | **2 949** | **219** |
| **F. Cash and cash equivalents at beginning of period** | **20 002** | **12 175** |
| **G. Cash and cash equivalents at end of period** | **22 951** | **12 394** |

Warsaw, 1 September 2014

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

# Other information concerning the separate financial statement of CD PROJEKT S.A.

Changes in write-downs and provisions reported in the condensed interim separate financial statements of CD PROJEKT S.A. for the period between 1 January and 30 June 2014 are as follows:

- 55 thousand PLN – dissolution of write-downs due to collection of receivables,
- 488 thousand PLN – dissolution of write-downs due to write-offs of receivables,
- 1 thousand PLN – creation of write-downs for past-due receivables,
- 5 thousand PLN - reduction in provisions due to use of provisions for warranty-covered returns and repairs,
- 1 thousand PLN – dissolution of unused provisions for warranty-covered returns and repairs,
- 133 thousand PLN – creation of provisions for other employee benefits,
- 115 thousand PLN – use of provisions for other employee benefits,
- 25 thousand PLN – creation of other provisions,
- 82 thousand PLN – reduction in provisions due to their use.

# Negative temporary differences requiring recognition of deferred tax assets

| PLN thousands | 30.06.2014 | reductions | increases | 31.12.2013 |
|---|---|---|---|---|
| *Provisions for other employee benefits* | *142* | *156* | *178* | *120* |
| *Other provisions* | *42* | *118* | *55* | *105* |
| *Negative exchange rate differences* | *132* | *163* | *273* | *22* |
| *Cash pool interest* | - | - | *1* | *(1)* |
| *Provisions for lease expenses* | *49* | *57* | *19* | *87* |
| *Deposit discount* | *13* | *2* | - | *15* |
| *Incentive program* | *1 396* | - | *407* | *989* |
| *Reserve and asset offsets* | *(102)* | *102* | *21* | *(21)* |
| **Total negative temporary differences** | **1 672** | **598** | **954** | **1 316** |
| *Tax rate (Poland)* | *19%* | *19%* | *19%* | *19%* |
| **Deferred tax assets at end of reporting period** | **317** | **114** | **181** | **250** |

## Positive temporary differences requiring recognition of deferred tax liabilities

| PLN thousand | 30.06.2014 | reductions | increases | 31.12.2013 |
|---|---|---|---|---|
| *Positive exchange rate differences* | *91* | *511* | *119* | *483* |
| *Income in the current period invoiced in the following period, and sales returns* | *5 906* | *4 396* | *7 035* | *3 267* |
| *CD PROJEKT brand name* | *3 519* | *-* | *1 836* | *1 683* |
| *The Witcher trademark* | *15 104* | *-* | *-* | *15 104* |
| *Revaluation of currency futures (cash flow collateral) at fair value* | *4* | *100* | *104* | *-* |
| *Cash pool interest* | *-* | *-* | *1* | *(1)* |
| *Other sources* | *19* | *10* | *25* | *4* |
| *Reserve and asset offsets* | *(102)* | *102* | *21* | *(21)* |
| **Total positive temporary differences** | **24 541** | **5 119** | **9 141** | **20 519** |
| *Tax rate (Poland)* | *19%* | *19%* | *19%* | *19%* |
| **Deferred tax liabilities at end of reporting period** | **4 663** | **973** | **1 737** | **3 899** |

Warsaw, 1 September 2014

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