



MANAGEMENT BOARD REPORT ON
CD PROJEKT CAPITAL GROUP ACTIVITIES
BETWEEN 1 JANUARY AND 30 JUNE 2015

Disclaimer

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

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General information

I. Key factors affecting Group performance and other important events occurring in the first half of 2015 and up until the publication date of this report

1. The first half of 2015 was dominated by the PR and marketing campaign surrounding the release of The Witcher 3: Wild Hunt. CD PROJEKT RED's newest videogame was released to the tune of the most extensive marketing campaign in the Company's history, covering both traditional channels - including the radio, printed press, TV and movie theaters - as well as electronic media, outdoor advertising, retail marketing and numerous accompanying events, all of which helped generate great commercial interest in the game.
2. In the run-up to the release of The Witcher 3: Wild Hunt a series of dedicated presentations were held in the United States, United Kingdom, Germany, France, Scandinavia, Japan, Russia, Australia, Hong Kong, the United Arab Emirates and Poland. During these events hundreds of invited journalists and youtubers could try their own hand at playing the game. This resulted in thousands of publications and interviews in electronic and printed media. The newest addition to The Witcher franchise was also featured on over 100 magazine covers throughout the world.
3. On 23 April a TV commercial featuring The Witcher 3: Wild Hunt debuted in the United States. During subsequent weeks the commercial was broadcast in fourteen countries throughout the world. The game's release was further accompanied by intensive promotional activities involving radio channels, printed press, movie theaters and trade marketing. Outdoor advertising was employed in selected territories.
4. Even before its release The Witcher 3: Wild Hunt received over 200 awards and accolades, becoming one of the most critically acclaimed games ever released.
5. On 11 May (7 days before release) the Company announced that more than a million copies of The Witcher 3: Wild Hunt had been preordered. Five days later this figure increased to 1.5 million copies.
6. On the eve of the game's release (18 May) the Warsaw-based headquarters of CD PROJEKT was visited by Prime Minister Ewa Kopacz. The following morning members of the Company Management Board were hosted by President Bronisław Komorowski at a formal breakfast.
7. The Witcher 3: Wild Hunt was released on 19 May 2015 for the PC, PlayStation 4 and Xbox One, in 15 separate language versions.
8. One month following its release The Witcher 3: Wild Hunt was rated 94/100 (PC), 92/100 (PlayStation 4) and 91/100 (Xbox One) by the globally renowned Metacritic service, thus firmly establishing the Company's newest offering as one of the most highly rated videogames ever released.
9. Over the six-week period following the release of The Witcher 3: Wild Hunt (i.e. until 30 June 2015), 6 014 576 copies of the game were sold.
10. In the run-up to the release of The Witcher 3: Wild Hunt CD PROJEKT, together with its business partners, launched a series of tie-in products exploiting the popularity of The Witcher franchise: a board game (physical and electronic editions), a MOBA game for mobile devices, two comic book series, an official Prima strategy guide, a printed compendium detailing The Witcher universe and a series of t-shirts and assorted gadgets for gamers.
11. On 7 April 2015 CD PROJEKT RED announced two large paid DLC expansions for The Witcher 3: Wild Hunt. The first of these is scheduled for release in October 2015, with the second one following in 2016. "Heart of Stone" and "Blood and Wine" together feature over thirty hours of gameplay, along with a wide array of new content: items, enemies and NPCs, some of which will be well known to fans of The Witcher universe.
12. On 26 February 2015 GOG.com unveiled the second foreign language edition of its platform (following the previously launched French edition) - this time dedicated to German customers. In addition to a fully localized web portal and a wide selection of German game releases the platform also provides German-speaking customer support and is integrated with online payment systems popular in Germany.
13. In April GOG.com launched the Russian edition of its platform, complete with Russian-speaking customer support.
14. In May 2015 a beta version of the GOG Galaxy client was released to all users of the GOG.com platform. GOG Galaxy provides one-click game installation features and supports automatic patching of all games from the GOG.com library, which currently

numbers over 1100 titles. For added customer security, GOG Galaxy can download DRM-free offline copies of any game directly to the client's computer. GOG Galaxy also supports multiplayer gaming and provides other networking features commonly exploited by modern games. As such, GOG Galaxy is expected to facilitate distribution of multiplayer games which could not have previously been distributed by GOG Ltd. due to technical constraints.

15. In June the Company announced that nearly 700 thousand players had activated The Witcher 3: Wild Hunt using GOG Galaxy. During the two-week period surrounding the game's release GOG.com customers downloaded over 21.5 petabytes of data and spent over 15 million hours playing The Witcher via GOG Galaxy.
16. The GOG.com catalogue was expanded with products by Telltale Games, developer of innovative adventure games such as Game of Thrones: A Telltale Game Series and Walking Dead. Most Telltale Games products can now be downloaded from GOG.com.
17. In May 2015 GOG Ltd. paid out a dividend in the amount of 1.8 million EUR to its sole shareholder - CD PROJEKT S.A. GOG Ltd. is not currently in debt due to outstanding credits or loans and has, as of 30 June 2015, held cash assets valued at 27 395 thousand PLN.
18. The consolidated revenues of the CD PROJEKT Capital Group in the first half of 2015 were 512 635 thousand PLN. Regarding sales to external clients in each of the Group's activity segments, revenues were as follows:

Videogame development: 448 592 thousand PLN;
Global digital videogame distribution: 63 899 thousand PLN;
Other activities: 143 thousand PLN.
19. EBITDA of the CD PROJEKT Capital Group for the first half of 2015 was 290 771 thousand PLN.
20. The consolidated net profit of the CD PROJEKT Capital Group in the first half of 2015 was 236 252 thousand PLN.
21. As of 30 June 2015 the Group held cash and cash equivalents valued at 164 196 thousand PLN, in addition to other financial assets valued at 2 773 thousand PLN. The latter group comprises PKO TFI investment fund shares purchased as a means of temporary allocation of surplus cash.

II. Summary of business activities

■ Summary of business activities in the first half of 2015

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

- Videogame development,
- Global digital videogame distribution,
- Other activities.

■ Videogame development - summary

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

The Company carries out active distribution of its earlier games (*The Witcher* and *The Witcher 2*) for a number of hardware platforms, using traditional distribution channels as well as the leading digital distribution platforms worldwide. Taken together, both installments of the series have received over 200 awards and sold more than 10 million copies.

The Witcher 3 was released on 19 May of the current year in 15 language versions, simultaneously for the PC, PlayStation 4 and Xbox One. The game was very well received by players and lauded by global media, garnering over 200 awards prior to the release. Over the first six weeks following release 6 014 576 copies of *The Witcher 3* were sold worldwide.

Key projects currently underway at the Studio include development of two large paid DLC packs for *The Witcher 3: Wild Hunt*, both announced in April of the current year ("Hearts of Stone" and "Blood and Wine"), as well as the next triple-A role-playing game: *Cyberpunk 2077*. The "Hearts of Stone" DLC pack is scheduled for release in October 2015, with "Blood and Wine" to follow in 2016.

In addition to ongoing work on *The Witcher 3* DLC packs and *Cyberpunk 2077* the Company is expanding its core franchise with additional tie-in products set in *The Witcher* universe, developed in collaboration with external partners. In November 2014 CD PROJEKT RED released *The Witcher Adventure Game* in both physical (board) and digital editions (for PCs and tablets). In January 2015 the Company released its pioneering mobile online game - *The Witcher Battle Arena*, available for tablet devices and advanced smartphones running the iOS and Android operating systems. The Company has published, among others, two comic book series prepared in collaboration with Dark Horse Comics, an official Prima Strategy Guide, a book titled *The Witcher Universe: Compendium* and numerous *Witcher*-themed gadgets and apparel distributed internationally by www.witcherstore.com.

In July 2013 the Studio established a presence in Kraków, with a dedicated branch set up on the premises of the Kraków Technology Park to carry out work on additional videogame projects. In August 2014 the Group established a California-based subsidiary, CD PROJEKT Inc., which coordinates promotional and publishing activities on the Northern American market.

■ Videogame development - key events of the first half of 2015

The first half of 2015 was dominated by the intensive PR and marketing campaign preceding the release of *The Witcher 3: Wild Hunt*, and was replete with events promoting and supporting the launch of CD PROJEKT RED's newest videogame.

In January and March the Studio organized a series of hands-on sessions where invited media representatives could try their own hand at playing beta versions of *The Witcher 3* on all target platforms - Xbox One, PlayStation 4 and PC. CD PROJEKT RED hosted journalists from Poland, Germany, France, Slovakia, Russia, the Czech Republic, Italy and Spain. Similar sneak preview sessions were organized at the Stirling Castle in Scotland, in Los Angeles and in Sydney, in addition to venues in Germany, France, Scandinavia, Brazil, Russia, Japan, Hong Kong and the United Arab Emirates. Altogether the game was showcased to more than 300 journalists from 23 countries, resulting in several hundred sizeable press articles and publications.

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

On 7 April 2015, CD PROJEKT RED announced two large paid DLC packs for The Witcher 3: Wild Hunt, the first of which is scheduled for release in October 2015 with the second one following in 2016. Taken together, “Hearts of Stone” and “Blood and Wine” feature over 30 hours of gameplay and provide a bevy of additional content, including new items, enemies and NPCs. Digital DLC preorders are already being accepted for the PC, PlayStation 4 and Xbox One.

On 16 and 17 April the CD PROJEKT RED office was visited by youtubers from the United States, Canada, Brazil, Norway, Sweden, Germany, Russia and Poland. The list of guests included such online celebrities as Angry Joe (2 million subscribers) and Coisa de Nerd (2.8 million subscribers). During their stay in Warsaw the youtubers could freely play The Witcher 3: Wild Hunt for two days. The event generated new media content, including developer interviews recorded in five languages and subsequently viewed more than 11 million times.

On 16 April CD PROJEKT RED announced that The Witcher 3: Wild Hunt had gone gold and that game CDs were being manufactured.

On 23 April a TV commercial featuring The Witcher 3: Wild Hunt debuted on American TV channels. It was initially broadcast in a commercial block accompanying the last episode of Vikings on the History Channel, and was re-broadcast around the game’s release date on numerous foreign TV channels, including AMC, ESPN1, NBC Sports and BBC America, in key markets which included the United States, the United Kingdom, France, Germany, Poland, Russia and Australia. Altogether, the TV advertising campaign promoting the game’s release was conducted in 14 countries.

In April an international online store was set up at www.witcherstore.com, offering Witcher-themed gadgets and apparel. Before the end of the month the first issue of the second series of The Witcher comic, published in collaboration with Dark Horse Comics, was shipped to bookstores.

TV and online marketing activities peaked during the two-week period preceding the release of The Witcher 3 and stretched into the game’s release week. In addition to TV commercials, the marketing campaign was augmented by online activities, including the Company’s official YouTube channel, which featured a new trailer titled “A Night to Remember” and several gameplay trailers, (e.g. “Go Your Way”). The Witcher 3: Wild Hunt was also featured on the popular American talk show hosted by Conan O’Brien.

In addition to the above, the release campaign covered POS (Point of Sale) activities conducted in key markets, in collaboration with major retailers and digital distributors, which included GameStop, GAME, EB Games, Toys R Us, Amazon, Media Markt, Saturn and mVideo. In the United States the Company enlisted the aid of the major fast food chain Carls Jr., with limited-time Witcher-themed packages available at restaurants.

In May, seven days before the game’s release date, CD PROJEKT RED announced that more than a million copies had been preordered. Five days later this figure increased to 1.5 million preorders.

On the eve of the game’s release the Warsaw headquarters of CD PROJEKT was visited by Prime Minister Ewa Kopacz. The following morning members of the Company Management Board were hosted by President Bronisław Komorowski at a formal breakfast.

The Witcher 3: Wild Hunt was released on 19 May 2015. At the stroke of midnight the Polish distributor - cdp.pl - organized a series of night openings, which includes sales of the game, interviews with its creators and contests with prizes. Following the game’s release CD PROJEKT RED began unlocking 16 free DLC packages which had previously been announced. In order to further improve gameplay and enhance the overall quality of its product, the Studio continues to distribute patches which fix glitches and extend the game with new features.

In May 2015 the Company published *The Witcher Universe: Compendium* - an illustrated guide to the Witcher universe, detailing important locations, monsters and weapons wielded by witchers. An official strategy guide, prepared in collaboration with the globally renowned publisher - Prima Games - is also available.

One month following the release of The Witcher 3: Wild Hunt the game’s ratings recorded by the leading critic and customer rating service - Metacritic - were as follows:

- PC version: 94/100 - third best result in the entire 14-year history of Metacritic
- PlayStation 4 version: 92/100 - third best result among games for the PlayStation 4

- Xbox One version: 91/100 - runner-up among games for the Xbox One

Sales of The Witcher 3: Wild Hunt were carried out under three distinct business models:

- territorial distribution rights (for box and digital editions), accounted for *post factum* on the basis of monthly or quarterly sales reports prepared by the Company's business partners, or license reports;
- supplies of physical box editions to the Company's business partners for retail resale;
- supplies of batches of activation codes which permit the game to be downloaded and installed.

Over the first six weeks following the release of The Witcher 3: Wild Hunt (i.e. by 30 June 2015) the aggregate sales of the game in all three business models, reflected in the Company's revenue report for H1 2015, were 6 014 576 units.

■ Global digital videogame distribution - summary

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

The platform was launched in September 2008. The initial mission of GOG.com was to revitalize major PC cult classics and offer them for sale to international clients with particular focus on English-speaking countries, i.e. United States, Canada, United Kingdom and Australia. During its startup period products were offered in two price categories - 5.99 and 9.99 USD. Over time the platform began adding more recent games along with entirely new releases from independent developers. In 2012 the company introduced additional price categories: 14.99 USD, 19.99 USD, 29.99 USD and 34.99 USD. Since October 2012 GOG.com also carries games for Apple computers. In 2014 the Company catalogue was expanded with releases for the Linux OS. The platform is now also offered in French, German and Russian, which includes dedicated customer support and integration with locally popular payment channels.

As of the publication date of this report the Company catalogue comprises nearly 1200 items licensed from over 300 publishers and developers, including such well-known brands as Electronic Arts, Disney, Activision, Ubisoft, Hasbro and Warner Bros. The key difference between GOG.com and its competitors (i.e. other independent platforms - Steam, Gamersgate, Humble Bundle etc.) is its set of core principles. As a rule, the Company ensures that all of its games are free of cumbersome DRM measures. In addition, products offered on GOG.com are richly featured and usually include bonus content such as soundtracks, maps, wallpapers etc. GOG Ltd. also ensures full compatibility of its games with popular versions of the MS Windows, Mac OS and Linux operating systems, and provides technical support in case of installation problems. If a game cannot be made to run on the user's computer it can be returned within 30 days of purchase for a full refund. Owing to these values GOG.com has become one of the most popular digital videogame distribution platforms in the world.

The Group uses GOG.com to market its own products for the PC, Mac and Linux - including The Witcher and The Witcher 2: Assassins of Kings, The Witcher 3: Wild Hunt and The Witcher Adventure Game - directly to end users. The platform now also accepts preorders for The Witcher 3 DLC packs.

■ Global digital videogame distribution - key events of the first half of 2015

In the global digital videogame distribution segment the highlights of H1 2015 included the release (on 26 February) of the German language edition of GOG.com - the second such localization project after the French version which debuted in November 2014. The rollout included a fully localized German web portal, German-speaking customer support as well as support for e-payment channels popular among German clients, i.e. Sofort, Giroipay and Paysafecard. The event was accompanied by a special sale on German game editions and was widely reported in mainstream German newsmedia.

In early March GOG.com held another edition of its Insomnia sale, with limited editions of selected games available at bargain prices. This sale is traditionally well received by customers and this year's event was no exception. This time around GOG decided to rehash the formula, offering two products in parallel (each in limited numbers). This approach resulted in increased sales and contributed to the overall success of the campaign.

In April GOG.com launched the Russian edition of its platform, complete with Russian-speaking customer support. The event was accompanied by a sale on over 30 Russian language game editions offered at significant discounts, and publication of classic videogames developed in Russian-speaking countries.

In May 2015 the company released an open beta of GOG Galaxy. The goal of the new technology stack is to enable GOG.com to carry new prominent game releases and to provide a custom solution facilitating networked gameplay for games already available on

GOG.com. GOG Galaxy supports one-click game installation and patching functionality for the entire GOG.com library. Both features are optional. In order to provide added security for players, GOG Galaxy can download DRM-free offline copies directly to the user's computer. The technology enables online multiplayer gaming, supports achievements and tracks gameplay time. GOG Galaxy is still under development and being actively expanded with new features. The 1.1 beta version, published in August, features a unique "rollback" option where any game patch can be reverted (for instance if it introduces unwanted side effects). The rollout of GOG Galaxy was widely reported in the gaming community, attracted significant media attention and contributed to further expansion of the GOG.com customer pool.

The release of The Witcher 3: Wild Hunt proved a major test for the GOG Galaxy client. Hundreds of thousands of players who purchased box editions of the PC version also received an activation key for the GOG.com electronic edition, with GOG Galaxy responsible for delivery and deployment of the so-called "day-1 patch". Throughout the first two weeks following release nearly 700 thousand players activated the game on GOG.com. This event provided a real-life stress test for GOG Galaxy as during the peak period the platform registered approximately three game activations per second. During the aforementioned two-week period customers downloaded a total of 21.5 petabytes of data and spent over 15 million hours playing The Witcher 3 via GOG Galaxy.

During the reporting period the GOG.com catalogue was extended with products by Telltale Games, developer of innovative adventure games such as Game of Thrones: A Telltale Game Series and Walking Dead. Most Telltale Games products can now be downloaded from GOG.com and the platform will offer further products on their respective release dates. Other important additions to the GOG.com catalogue include classic Warhammer RPGs and the well-known Dungeons and Dragons - Forgotten Realms Archives series. In addition, the platform now carries Deep Silver classics, including Metro and Saints Row.

In June the Company organized another edition of its annual sales campaign, attracting record numbers of customers and achieving the highest sales volume in the platform's history.

In May 2015 GOG Ltd. paid out a dividend in the amount of 1.8 million EUR to its sole shareholder - CD PROJEKT S.A. GOG Ltd. is not currently in debt due to outstanding credits or loans and has, as of 30 June 2015, held cash assets valued at 27 395 thousand PLN.

GOG.com - H1 2015 in numbers:

- over 300 videogame suppliers,
- nearly 1100 games in catalogue,
- support for three operating systems: MS Windows (including Windows 10), Mac OS and Linux,
- more than 700 thousand activations of The Witcher 3: Wild Hunt via GOG Galaxy.

■ Other activities

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

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Summary of the financial standing of the CD PROJEKT Capital Group

I. Overview of key economic and financial indicators in the first half of 2015

■ Condensed interim consolidated statement of financial position

PLN thousands	30 Jun 2015	31 Mar 2015	31 Dec 2014	30 Jun 2014
FIXED ASSETS	106 670	94 930	93 254	91 889
<i>Tangible assets</i>	5 947	5 444	5 499	6 134
<i>Intangible assets</i>	41 544	41 303	39 602	38 459
<i>Goodwill</i>	46 417	46 417	46 417	46 417
<i>Other financial assets</i>	547	547	547	-
<i>Deferred income tax assets</i>	11 934	943	912	540
<i>Other fixed assets</i>	281	276	277	339
CURRENT ASSETS	460 236	169 121	155 683	170 989
<i>Inventories</i>	49 402	106 558	96 511	67 197
<i>Trade receivables</i>	223 275	14 087	6 389	27 875
<i>Current income tax receivables</i>	-	183	-	2 098
<i>Other receivables</i>	12 058	10 987	10 989	7 948
<i>Other financial assets</i>	2 773	2 768	2 745	834
<i>Prepaid expenses</i>	8 532	5 055	4 654	13 861
<i>Cash and cash equivalents</i>	164 196	29 483	34 395	51 176
TOTAL ASSETS	566 906	264 051	248 937	262 878
PLN thousands	30 Jun 2015	31 Mar 2015	31 Dec 2014	30 Jun 2014
EQUITY	405 846	164 521	168 018	172 591
<i>Equity attributable to shareholders of the parent entity</i>	405 846	164 521	168 018	165 892
<i>Share capital</i>	94 950	94 950	94 950	94 950
<i>Supplementary capital, incl. sales of shares above nominal price</i>	119 730	119 730	119 730	119 730
<i>Other reserve capital</i>	2 180	1 896	1 716	1 396
<i>Exchange rate differences</i>	2 036	2 463	924	(624)
<i>Retained earnings</i>	(49 302)	(49 302)	(54 514)	(54 133)
<i>Net profit (loss) for the reporting period</i>	236 252	(5 216)	5 212	4 573
<i>Minority share capital</i>	-	-	-	6 699
LONG-TERM LIABILITIES	1 485	1 445	2 137	6 175
<i>Credits and loans</i>	-	-	-	-
<i>Other financial liabilities</i>	97	203	260	350
<i>Deferred income tax liabilities</i>	1 300	1 156	874	4 402
<i>Deferred revenues</i>	61	59	976	1 386
<i>Provisions for employee benefits and similar liabilities</i>	27	27	27	37
SHORT-TERM LIABILITIES	159 575	98 085	78 782	84 112
<i>Credits and loans</i>	-	-	4	25
<i>Other financial liabilities</i>	32 617	381	397	327
<i>Trade liabilities</i>	30 365	19 282	20 532	35 943
<i>Liabilities from current income tax</i>	45 709	445	655	829
<i>Other liabilities</i>	20 051	71 926	51 808	43 898
<i>Deferred revenues</i>	4 150	5 801	5 086	2 858
<i>Provisions for employee benefits and similar liabilities</i>	261	155	205	185
<i>Other provisions</i>	26 422	95	95	47

TOTAL LIABILITIES	566 906	264 051	248 937	262 878
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The largest component of the Company's fixed assets is its goodwill, valued at 46 417 thousand PLN. Goodwill is defined as the positive difference between the cost of establishing a business combination (also known as acquisition or takeover cost) and the parent company's share in the net fair value of all assets and liabilities (including conditional liabilities) of the controlled entity on the date of acquisition. The reported figure results from the merger between the Group's controlling entity and the CDP Investment Capital Group (effective on 30 April 2010) and did not change throughout the reporting period.

Regarding intangible assets, key components as of 30 June 2015 included the CD PROJEKT brand name, valued at 17 095 thousand PLN, and The Witcher trademark, valued at 15 104 thousand PLN. Intangible assets also included computer software owned or licensed by the Group, valued at 4 728 thousand PLN, as well as intangible assets under construction, valued at 3 793 thousand PLN - mostly expenses borne in conjunction with deployment of new ERP and BI systems, development of GOG Galaxy and purchases of licensing rights for a set of games in the global digital videogame distribution segment.

Creation of provisions for future benefits resulted in a significant increase in deferred income tax assets (by 11 022 thousand PLN compared to 31 December 2014).

The total value of Group inventories on 30 June 2015 corresponded to the value of dominant entity's inventories, i.e. 49 402 thousand PLN. Following finalization of development work on The Witcher 3: Wild Hunt, the corresponding expenses were reclassified as Finished products. This, coupled with receipt of sales revenues and setting of the corresponding portion of Finished products against the costs incurred in the reporting period, reduced the value of inventories by 57 156 thousand PLN (54%) compared to 31 March 2015. As of 30 June 2015 the greatest contribution to the Group's inventories was from Finished products (31 864 thousand PLN) and Intermediates and ongoing production in the videogame development segment (16 698 thousand PLN, mostly associated with development of Cyberpunk 2077). The reported value of Finished products in the videogame development segment includes development costs of The Witcher 3: Wild Hunt.

The Group's trade receivables were valued at 223 275 thousand PLN at the end of June 2015. This figure comprises receivables in the videogame development segment (218 603 thousand PLN), including receivables associated with licensing reports for the second quarter of 2015 collected after the close of the reporting period (173 813 thousand PLN). The increase in the Group's trade receivables compared to the end of 2014 is mostly due to release of The Witcher 3: Wild Hunt. In addition, CD PROJEKT Capital Group trade receivables include receivables in the global digital videogame distribution segment, valued at 5 769 thousand PLN and mostly associated with the June sale campaign carried out by GOG.com.

The Group's other receivables (jointly valued at 12 058 thousand PLN) are mostly associated with withholding tax and current income tax (8 307 thousand PLN) and advances paid out to suppliers of The Witcher 3 box set components (2 337 thousand PLN). The aggregate value of other receivables increased by 1 069 thousand PLN (10%) compared to the end of 2014.

Other financial assets comprise PKO TFI shares purchased by CD PROJEKT S.A. as a means of temporary allocation of surplus cash. As of 30 June 2015 these shares were valued at 2 773 thousand PLN.

The consolidated value of prepaid expenses, i.e. 8 532 thousand PLN, represented an increase by 3 878 thousand PLN (83%) compared to the end of 2014. This figure is chiefly affected by GOG Ltd. prepaid expenses, valued at 7 858 thousand PLN, most of which represents license fees covering products sold on GOG.com.

Cash and cash equivalents were valued at 164 196 thousand PLN - an increase by 129 801 thousand PLN compared to 31 December 2014. The distribution of cash assets among individual Group members was as follows: CD PROJEKT S.A.: 136 215 thousand PLN; GOG Ltd.: 27 395 thousand PLN; CD PROJEKT Inc.: 540 thousand PLN.

Throughout the first half of 2015 the total value of fixed assets increased by 13 416 thousand PLN (14%). During the same period current assets increased in value by 304 553 thousand PLN (196%). At the end of the reporting period fixed assets represented 19% of the Group's total assets, with the remainder made up of current assets.

Regarding liabilities, the Group's equity represented 72% of total liabilities, with the remaining 28% broken down into short- and long-term liabilities. At the end of 2014 the corresponding figures were 67% and 33% respectively. The reported increase in equity is chiefly due to the Group's net profit obtained in the reporting period.

Deferred income tax liabilities were valued at 1 300 thousand PLN, which is 426 thousand PLN more than the corresponding figure at the end of 2014. The principal contribution to this line item is from tax depreciation of the CD PROJEKT brand name and the reported positive exchange rate differences. In-depth presentation of positive temporary differences requiring recognition of deferred income tax liabilities can be found in the Condensed Interim Consolidated Financial Statement of the CD PROJEKT Capital Group for the period between 1 January and 30 June 2015.

The Group's other financial liabilities substantially increased in value, from 397 thousand PLN at the end of 2014 to 32 617 thousand PLN on 30 June 2015. This increase is mostly due to revaluation of futures and forward contracts.

The reported trade liabilities in the amount of 30 365 thousand PLN mostly comprise liabilities in the global digital videogame distribution segment (24 347 thousand PLN) and in the videogame development segment (6 950 thousand PLN). Altogether, the Group's trade liabilities increased by 9 833 thousand PLN compared to the end of 2014. The main reason behind this increase is GOG Ltd.'s increased sales volume during the Company's June sale campaign, necessitating remittance of higher license fees to suppliers.

Throughout the first half of 2015 liabilities due to current income tax increased by 45 054 thousand PLN, to 45 709 thousand PLN. This is mostly associated with the activities of the videogame development segment, responsible for 44 629 thousand PLN in current income tax liabilities. The reported figure includes income tax applicable to revenues obtained in June.

At the end of the first half of 2015 the Group's total liabilities amounted to 20 051 thousand PLN, which is 31 757 thousand PLN less than the corresponding figure at the end of 2014 (61% decrease). This change is due to complete discounting of all previously collected advance license fees associated with distribution of The Witcher 3: Wild Hunt (previously reported as other liabilities). The Group's current other liabilities represent advance license fees associated with distribution of The Witcher 3: Wild Hunt DLC packs and supplies of the Group's other products.

Deferred revenues were valued at 4 150 thousand PLN at the end of June 2015, most of which is due to the global digital videogame distribution segment (3 697 thousand PLN). This figure represents the segment's future revenues discounted over time.

Other provisions, valued at 26 422 thousand PLN, were mostly associated with conditional future liabilities, including compensation conditioned upon the Company's financial result.

The Group's condensed interim consolidated statement of financial position can be found in the Condensed Interim Consolidated Financial Statement of the CD PROJEKT Capital Group for the period between 1 January and 30 June 2015.

■ Condensed interim consolidated profit and loss account

PLN thousands	01 Jan 2015 - 30 Jun 2015	01 Jan 2014 - 30 Jun 2014
Sales revenues	512 635	74 588
<i>Revenues from sales of products</i>	409 105	12 366
<i>Revenues from sales of services</i>	69	3 313
<i>Revenues from sales of goods and materials</i>	103 461	58 909
Cost of products, goods and materials sold	132 695	49 721
<i>Cost of products and services sold</i>	63 511	5 289
<i>Value of goods and materials sold</i>	69 184	44 432
Gross profit (loss) from sales	379 940	24 867
<i>Other operating revenues</i>	715	3 857
<i>Selling costs</i>	27 111	15 963
<i>General and administrative costs</i>	38 494	6 818
<i>Other operating expenses</i>	26 503	870
Operating profit (loss)	288 547	5 073
<i>Financial revenues</i>	186	1 364
<i>Financial expenses</i>	4 715	83
Profit (loss) before taxation	284 018	6 354
<i>Income tax</i>	47 766	1 702
Net profit (loss) from continuing activities	236 252	4 652
Net profit (loss)	236 252	4 652
<i>Net profit (loss) attributable to minority interests</i>	-	79

<i>Net profit (loss) attributable to equity holders of parent entity</i>	236 252	4 573
Net earnings per share attributable to equity holders of parent entity (in PLN)		
<i>Basic for the reporting period</i>	2.49	0,05
<i>Diluted for the reporting period</i>	2.49	0,05
Net earnings per share from continuing operations (in PLN)		
<i>Basic for the reporting period</i>	2.49	0,05
<i>Diluted for the reporting period</i>	2.49	0,05

■ Condensed interim consolidated statement of comprehensive income

PLN thousands	01 Jan 2015 - 30 Jun 2015	01 Jan 2014 - 30 Jun 2014
Net profit (loss)	236 252	4 652
<i>Other comprehensive income which will be entered as profit (loss) following fulfillment of specific criteria</i>	1 112	166
<i>Exchange rate differences on valuation of foreign entities</i>	1 112	166
Total comprehensive income	237 364	4 818
Total comprehensive income attributable to minority interests	-	79
Total comprehensive income attributable to equity holders of parent entity	237 364	4 739

In the first half of 2015 sales revenues amounted to 512 635 thousand PLN, which is 438 047 thousand PLN more than in the corresponding period of the preceding year.

Sales revenues of the CD PROJEKT Capital Group are primarily driven by the videogame development segment, which reported 448 592 thousand PLN in revenues from sales to external clients. This figure comprises 418 963 thousand PLN in license fees associated with sales of The Witcher 3: Wild Hunt and 39 510 thousand PLN in revenues from sales of goods and materials - mostly physical components of The Witcher 3 box sets.

The global digital videogame distribution segment generated 63 899 thousand PLN in revenues from sales to external clients. 79% of this figure corresponds to sales of games from the existing GOG.com catalogue, with the remaining 21% associated with distribution of The Witcher 3: Wild Hunt.

A detailed breakdown of revenues into activity segments can be found later on in this report.

The cost of products, goods and materials sold was 132 695 thousand PLN, of which 63 235 thousand PLN represents the cost of products and services sold in the videogame development segment, 36 708 thousand PLN represents the cost of goods and materials sold in the videogame development segment, while 42 282 thousand PLN represents the cost of goods and materials sold in the global digital videogame distribution segment.

The percentage share of gross profit in the revenues of the CD PROJEKT Capital Group increased from 33% in the first half of 2014 to 74% in the corresponding period in 2015. The most significant reason behind this increase in profitability are the activities of the videogame development segment which reported a 78% share of gross profit in sales revenues.

The Group's total gross profit in the first half of 2015 was 379 940 thousand PLN, compared to 24 867 thousand PLN in the corresponding period in 2014.

Selling costs are mostly comprised by the costs of advertising and promotional activities within each of the Group's activity segments, as well as by the costs of other bought-in services which qualify as selling costs. The reported value of selling costs - 27 111 thousand PLN - was 70% greater than during the corresponding period in 2014. The most significant contributions to this figure were from the videogame development segment (16 458 thousand PLN) and the global digital videogame distribution segment (10 318 thousand PLN).

General and administrative expenses in the amount of 38 494 thousand PLN were mostly due to bought-in services, employee compensation and provisions for employee benefits. These costs were 31 676 thousand PLN higher than during the corresponding period in 2014.

Other operating revenues decreased by 3 142 thousand PLN compared to the first half of 2014 and were valued at 715 thousand PLN. The 2014 figure was due to profit from sales of fixed assets (i.e. the Group's immovable property in Nowy Sącz) as well as to reimbursement of civil law transaction tax.

Other operating expenses were reported at 26 503 thousand PLN. This includes expenses borne by the videogame development segment (26 407 thousand PLN) due to creation of provisions for future employee benefits.

Financial revenues were reported at 186 thousand PLN, most of which represents interest on short-term bank deposits.

Financial expenses in the amount of 4 715 thousand PLN were chiefly due to exchange rate differences on operating activities in the videogame development and global digital videogame distribution segments.

Gross profit for the first half of 2015 was 284 018 thousand PLN. The corresponding income tax in the amount of 47 766 thousand PLN was mostly composed of deferred income tax (-10 573 thousand PLN) and current income tax (57 155 thousand PLN) levied upon CD PROJEKT S.A.

The consolidated net profit of the CD PROJEKT Capital Group in the first half of 2015 was 236 252 thousand PLN. This figure represents an increase by 231 600 thousand PLN compared to the first half of 2014 where the CD PROJEKT Capital Group reported 4 652 thousand PLN in net profit.

The following table illustrates the breakdown of each cost and revenue category into individual activity segments of the CD PROJEKT Capital Group:

PLN thousands	Videogame development	Global digital videogame distribution	Other activities	Consolidation adjustments (incl. eliminations from business combinations)	Total
Sales revenues	458 630	63 961	3 445	(13 401)	512 635
<i>Revenues from sales of products</i>	418 963	-	-	(9 858)	409 105
<i>Revenues from sales of services</i>	157	-	3 432	(3 520)	69
<i>Revenues from sales of goods and materials</i>	39 510	63 961	13	(23)	103 461
Cost of products, goods and materials sold	99 943	42 282	282	(9 812)	132 695
<i>Cost of products and services sold</i>	63 235	-	276	-	63 511
<i>Value of goods and materials sold</i>	36 708	42 282	6	(9 812)	69 184
Gross profit (loss) from sales	358 687	21 679	3 163	(3 589)	379 940
<i>Other operating revenues</i>	581	85	153	(104)	715
<i>Selling costs</i>	16 458	10 318	826	(491)	27 111
<i>General and administrative costs</i>	12 157	2 195	27 240	(3 098)	38 494
<i>Other operating expenses</i>	26 407	79	121	(104)	26 503
Operating profit (loss)	304 246	9 172	(24 871)	-	288 547
<i>Financial revenues</i>	65	9	7 633	(7 521)	186
<i>Financial expenses</i>	3 610	1 158	87	(140)	4 715
Profit (loss) before taxation	300 701	8 023	(17 325)	(7 381)	284 018
<i>Income tax</i>	50 764	1 164	(4 497)	335	47 766
Net profit (loss) from continuing operations	249 937	6 859	(12 828)	(7 716)	236 252
Net profit (loss) attributable to equity holders of parent entity	249 937	6 859	(12 828)	(7 716)	236 252

In the first half of 2015 the videogame development segment reported 249 937 thousand PLN in net profit, while the global digital videogame distribution segment reported 6 859 thousand PLN in net profit. The net loss of the other activities segment was 12 828 thousand PLN. The bulk of this figure represents creation of provisions, reported as general and administrative expenses.

The revenues and net profit of the CD PROJEKT Capital Group in the first half of 2015 were chiefly driven by the global release of The Witcher 3: Wild Hunt. The Group's videogame development segment also obtained revenues from sales of earlier games, including The Witcher and The Witcher 2: Assassins of Kings, as well as from a series of tie-in products released in the run-up to the global launch of The Witcher 3: Wild Hunt. Of note is the best-ever financial result (both in terms of sales revenues and net profit) of the global digital videogame distribution segment, attributable to good sales of products from the GOG.com catalogue, boosted by the release of The Witcher 3 for the PC.

■ Condensed interim consolidated statement of cash flows

PLN thousands	01 Jan 2015 - 30 Jun 2015	01 Jan 2014 - 30 Jun 2014
OPERATING ACTIVITIES		
Net profit (loss)	236 252	4 652
Total adjustments:	(136 382)	2 576
<i>Depreciation</i>	2 224	1 658
<i>Interest and profit sharing</i>	(151)	(307)
<i>Profit (loss) from investment activities</i>	589	(2 079)
<i>Change in provisions</i>	26 383	(41)
<i>Change in inventories</i>	47 109	(15 231)
<i>Change in receivables</i>	(217 959)	(15 904)
<i>Change in liabilities excluding credits and loans</i>	9 763	36 885
<i>Change in other assets and liabilities</i>	(5 729)	(2 978)
<i>Other adjustments</i>	1 389	573
Cash flow from continuing operations	99 870	7 228
<i>Income tax on profit (loss) before taxation</i>	47 766	1 702
<i>Income tax (paid) / reimbursed</i>	(13 328)	(1 464)
A. Net cash flow from continuing operations	134 308	7 466
INVESTMENT ACTIVITIES		
Inflows	151	7 690
<i>Disposal of intangible and tangible fixed assets</i>	-	6 664
<i>Disposal of financial assets</i>	-	-
<i>Other inflows from investment activities</i>	151	1 026
Outflows	4 514	3 477
<i>Purchases of intangible and tangible fixed assets</i>	3 080	2 444
<i>Investments in immovable property</i>	-	-
<i>Purchases of financial assets</i>	105	2
<i>Other investment expenses</i>	1 329	1 031
B. Net cash flow from investment activities	(4 363)	4 213
FINANCIAL ACTIVITIES		
Inflows	-	90
<i>Credits and loans</i>	-	5
<i>Other inflows from financial activities</i>	-	85
Outflows	144	277
<i>Repayments of credits and loans</i>	4	1
<i>Payments of liabilities under financial lease agreements</i>	140	263
<i>Interest paid</i>	-	13
C. Net cash flows from financial activities	(144)	(187)
D. Total net cash flow	129 802	11 492

E. Change in cash and cash equivalents on balance sheet	129 802	11 492
F. Cash and cash equivalents at beginning of period	34 395	39 684
G. Cash and cash equivalents at end of period	164 196	51 176

In the scope of its operating activities the CD PROJEKT Capital Group reported 134 308 thousand PLN in positive cash flows. The reported value was predominantly affected by the release of The Witcher 3: Wild Hunt.

Regarding inflows from operating activities the greatest change was in the Group's receivables (by 217 959 thousand PLN). The bulk of this change was due to recognition of license reports received after the end of the reporting period.

The decrease in the value of inventories was due to sales of The Witcher 3: Wild Hunt in the first half of 2015, which resulted in an adjustment by 47 109 thousand PLN.

Other notable adjustments affected provisions (26 383 thousand PLN) and liabilities except credits and loans (9 763 thousand PLN). The specific causes behind the increase in the value of these items are discussed in the commentary section attached to the condensed interim consolidated statement of financial position of the CD PROJEKT Capital Group.

Income tax adjustments reported in the operating activities segment correspond to the Group's pre-tax financial result for the first half of 2015.

The CD PROJEKT Capital Group reported 4 363 thousand PLN in negative cash flows from investment activities. This figure is mostly associated with purchases of intangible and fixed assets, valued at 3 080 thousand PLN and reflecting expenses borne by each of the Group's activity segments. Purchases included computer software, investment expenses attributable to deployment of ERP and BI systems in the "other activities" segment as well as ongoing development work on the Galaxy project in the global digital videogame distribution segment.

The negative cash flows from financial activities, valued at 144 thousand PLN, were mostly due to lease payments (140 thousand PLN).

At the end of June 2015 the Group held cash assets valued at 164 196 thousand PLN, as well as other assets (investment fund shares) valued at 2 773 thousand PLN. The Group was not in debt due to any outstanding credits and loans. Compared to the end of the previous year the Group's cash assets increased by 129 801 thousand PLN.

■ Disclosure of credits and loans as of 30 June 2015

As of 30 June 2015 the CD PROJEKT Capital Group was not in debt due to any outstanding credit and loan agreements.

Name of bank/lender and type of credit/loan	Contractual credit/loan amount as of 30 Jun 2015	Amount outstanding as of 30 Jun 2015	Amount outstanding as of 30 Jun 2014
<i>mBank S.A. - revolving credit</i>	19 000	-	-
<i>mBank S.A. - overdraft facility</i>	2 000	-	-
<i>mBank S.A. - credit agreement</i>	11 000	-	-
TOTAL*	32 000	-	-*

* The aggregate value of credits and loans listed above differs from the sum of short- and long-term liabilities from credits and loans reported in the consolidated statement of financial position at the end of June 2014. These differences are due to liabilities associated with outstanding credit card charges and interest due.

In Current Report no. 4/2015 of 13 March 2015 the Company announced that it had concluded an amendment to its revolving credit agreement with mBank S.A., signed on 23 May 2013. As specified in the amendment the period during which the Company is entitled to draw upon the revolving credit facility was extended until 2 June 2016. Any outstanding credit must be fully repaid by 30 September 2016.

■ Disclosure of loans granted in the first half of 2015

In the first half of 2015 no loans were granted by any company belonging to the CD PROJEKT Capital Group. The Group implements a cash pooling policy consolidating its members' bank accounts in order to ensure optimal use of the available financial resources.

■ Disclosure of guarantees and sureties granted in the first half of 2015, and other off-balance sheet items

During the reporting period no member of the CD PROJEKT Capital Group granted any guarantees or sureties, except the cash pooling guarantees previously granted and sureties associated with credit agreements with mBank S.A.

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

The CD PROJEKT Capital Group did not publish any estimates referring to 2015.

3

Growth outlook of the CD PROJEKT Capital Group

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

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

■ CD PROJEKT Group mission statement

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

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

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

■ CD PROJEKT Group business objectives

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

II. Capital Group growth outlook

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

■ Videogame development

Through its CD PROJEKT RED Studio subsidiary, CD PROJEKT S.A. carries out videogame development on a world-class level. In particular, it is the producer of the widely acclaimed set of The Witcher video RPGs, the first of which debuted in 2007. The second game in the series was released for the PC on 17 May 2011. Xbox 360 and PC releases of The Witcher 2 Extended Edition followed on 17 April 2012. Both releases met with resounding market success, with sales of The Witcher 2 forming the backbone of the Group's revenue stream in 2011 and in subsequent years. The games are still being marketed and continue to generate revenues. The third game in The Witcher saga - The Witcher 3: Wild Hunt - which debuted on 19 May 2015 simultaneously for the PC, PlayStation 4 and Xbox One, became the best-selling game in CD PROJEKT RED's history even before the end of its release month, achieving a commercial and artistic success throughout the world.

The most significant projects currently underway at CD PROJEKT RED include two large paid DLC packs for The Witcher 3: Wild Hunt - "Hearts of Stone" and "Blood and Wine". The first of these is scheduled for release in October of the current year, with the second one following in 2016. The Company is also working on another triple-A videogame representing an entirely separate franchise - Cyberpunk 2077.

In addition to the above and in line with its business strategy the Company aims to expand its activities on the mobile game market. The first corresponding project was the digital edition of The Witcher Adventure Game, released in 2014 for iPads and Android tablets. This was followed in January 2015 by The Witcher Battle Arena - the first multiplatform online mobile game published by CD PROJEKT in the F2P model, available for modern smartphones and tablet devices running the iOS or Android systems. In parallel with its work on the above games the Company has set up a separate team dedicated to supporting its earlier products (The Witcher Battle Arena relies on microtransactions) and paving the way for future releases.

■ Global digital videogame distribution

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

In 2015 GOG.com deployed further enhancements to its platform and expanded its catalogue. New language versions and payment methods were integrated - in addition to English the platform is now available in French, German and Russian.

Since mid-2014 the Company has been conducting tests of its new technology stack called GOG Galaxy. An open beta version of this technology was released to all users of GOG.com in May 2015. The aim of GOG Galaxy is to support future major videogame releases and provide in-house support for networking features required by games from the Company's current catalogue. GOG Galaxy facilitates "one-click" installation and automatic patching for all games sold on GOG.com. The release of the beta client was widely discussed in the gaming community, attracted significant media attention and contributed to further expansion of the GOG.com customer pool.

The release of *The Witcher 3: Wild Hunt* proved a major test for the GOG Galaxy client. Hundreds of thousands of players who purchased box editions of the PC version also received an activation key for the GOG.com electronic edition, with GOG Galaxy responsible for delivery and deployment of the so-called "day-1 patch".

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

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

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

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

The favorable reception of CD PROJEKT RED Studio's recently announced additions to its universally acclaimed videogame - *The Witcher 3: Wild Hunt* - as well as its other upcoming game - *Cyberpunk 2077* - by the international media and gaming community may positively affect future sales. The promotional campaign and positive reception of *The Witcher 3: Wild Hunt* is also driving up sales of other products set in *The Witcher* universe.

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

In the global digital videogame distribution segment maintaining the current high sales volume should be supported by the clients' increasing tendency to turn to online channels for purchases. In the near term GOG.com growth will depend on expanding its catalogue. The company will seek access to brand-new products. Since May 2015 GOG Ltd. is offering access to beta versions of GOG Galaxy, which enables unhindered online multiplayer gaming and will enable the Company to add multiplayer games to its product catalogue.

GOG Ltd. is in talks with leading global videogame publishers and continues to expand its portfolio. Each new release on gog.com contributes to the platform's popularity and drives up sales. In addition to adding new products, GOG Ltd. also seeks to increase its user base by attracting new players - those who have not yet set up a GOG.com account. The Company has been successful in this regard throughout the first half of 2015, owing chiefly to its PR activities and synergies stemming from cooperation with CD PROJEKT S.A. The GOG.com customer pool continues to grow at a steady pace.

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

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

4

Corporate management and supervision

I. Composition of the Management Board and Supervisory Board

■ Management Board

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

■ Changes in Management Board composition

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

■ Supervisory Board

Chairwoman of the Supervisory Board	Katarzyna Szwarc
Deputy Chairman of the Supervisory Board	Piotr Pągowski
Secretary of the Supervisory Board	Maciej Majewski
Supervisory Board Member	Grzegorz Kujawski
Supervisory Board Member	Krzysztof Kilian

■ Changes in Supervisory Board composition

In Current Report no. 8/2015 of 6 May 2015, the Management Board of the Company announced that Mr. Cezary Iwański had tendered his resignation as member of the Supervisory Board of the Company, effective on 7 May 2015. The reason for the resignation, as stated in the formal notice, was the potential conflict of interest which could arise due to Mr. Cezary Iwański's appointment as Chairman of the Management Board of BPS TFI S.A.

As disclosed in Current Report no. 13/2015 of 28 May 2015 the Ordinary General Meeting of Shareholders reappointed the following persons to the Supervisory Board for a new term:

- Ms. Katarzyna Szwarc
- Mr. Grzegorz Kujawski
- Mr. Maciej Majewski
- Mr. Piotr Pągowski

and additionally appointed a new member of the Supervisory Board - Mr. Krzysztof Kilian.

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

The following members of CD PROJEKT S.A. managing and supervisory bodies held Company stock as of the publication date of this report:

■ Changes in stock ownership by members of the Management Board

	as of 30 Jun 2015	reduction	increase	as of 01 Jan 2015
<i>Marcin Iwiński</i>	12 607 501	-	-	12 607 501
<i>Piotr Nielubowicz</i>	5 985 197	-	-	5 985 197
<i>Adam Kiciński</i>	3 122 481	-	-	3 122 481
<i>Michał Nowakowski</i>	1 149	-	-	1 149
<i>Adam Badowski</i>	-	-	-	-

	as of 26 Aug 2015	reduction	increase	as of 01 Jan 2015
<i>Marcin Iwiński</i>	12 607 501	-	-	12 607 501
<i>Piotr Nielubowicz</i>	5 985 197	-	-	5 985 197
<i>Adam Kiciński</i>	3 122 481	-	-	3 122 481
<i>Michał Nowakowski</i>	1 149	-	-	1 149
<i>Adam Badowski</i>	-	-	-	-

■ Changes in stock ownership by members of the Supervisory Board

	as of 30 Jun 2015	reduction	increase	as of 01 Jan 2015
<i>Katarzyna Szwarc</i>	10 010	-	10 000	10
<i>Piotr Pągowski</i>	-	-	-	-
<i>Grzegorz Kujawski</i>	-	-	-	-
<i>Maciej Majewski</i>	-	-	-	-
<i>Krzysztof Kilian</i>	-	-	-	-
<i>Cezary Iwański⁽¹⁾</i>	-	-	-	-

⁽¹⁾ Member of the Supervisory Board until 8 May 2015

	as of 26 Aug 2015	reduction	increase	as of 01 Jan 2015
<i>Katarzyna Szwarc</i>	10 010	-	10 000	10
<i>Piotr Pągowski</i>	-	-	-	-
<i>Grzegorz Kujawski</i>	-	-	-	-
<i>Maciej Majewski</i>	-	-	-	-
<i>Krzysztof Kilian</i>	-	-	-	-
<i>Cezary Iwański⁽¹⁾</i>	-	-	-	-

⁽¹⁾ Member of the Supervisory Board until 8 May 2015

In Current Report no. 5/2015 of 27 April 2015 the Management Board disclosed that it had received written notice from a member of the issuer's Supervisory Board, namely Ms. Katarzyna Szwarc - Chairwoman of the Supervisory Board, to the effect that Ms. Szwarc had purchased 10 000 shares of the Company on the Warsaw Stock Exchange at the average price of 21.10 PLN per share.

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

5

Supplementary information

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

The shareholder structure is determined on the basis of formal notices issued by shareholders who control at least 5% of the total number of votes at the General Meeting of Shareholders of the Company.

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

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

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

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

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

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

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

The structure of the CD PROJEKT Capital Group on the publication date of this report is as follows:



GOG Ltd.

GOG Poland
sp. z o.o.

Brand Projekt
sp. z o.o.

CD PROJEKT
Inc.

CD PROJEKT
Brands S.A.

III. Companies covered by the condensed interim consolidated financial statement

The Consolidated Interim Consolidated Financial Statement of the CD PROJEKT Capital Group for the period between 1 January and 30 June 2015 applies to the following companies, each of which is a member of the Group:

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

* Indirectly controlled by CD PROJEKT S.A.

IV. Disclosure of transactions with affiliates

The following types of transactions occurred between the parent company and its affiliates in the course of activities conducted by the CD PROJEKT Group:

- purchases of CD PROJEKT RED product licenses;
- groupwide consolidation of bank account under a cash pooling agreement;
- procurement of accounting, HR, legal, financial, administrative and managerial services from CD PROJEKT S.A. by its subsidiaries;
- subletting of office space;
- procurement of GOG Poland sp. z o.o. services by GOG Ltd. in the scope of maintenance of the GOG.com platform;
- licensing of The Witcher trademark by CD PROJEKT Brands S.A. to CD PROJEKT S.A.;
- other minor transactions associated with day-to-day activities (e.g. re-invoicing joint expenses).

Transactions between affiliates are concluded on market terms as required by the business profiles of each member of the CD PROJEKT Capital Group. A detailed description of procedures which govern transactions between affiliates is included in the Condensed Interim Consolidated Financial Statement of the CD PROJEKT Capital Group for the period between 1 January and 30 June 2015.

V. Risk Management in the Capital Group

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

Risks associated with customers

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

In the scope of products and services offered by the Group the final customers are natural persons with access to the retail market. Demand for products and services may fluctuate depending on market trends or sudden changes in perception among key

demographics. Internet discussion forums and other social media provide customers with the ability to easily communicate with one another and influence one another's opinions. Unforeseen changes in perception among final customers and trendsetters are beyond the Group's control. Group members strive to maintain open channels of communication with final customers. In line with the Group's mission statement, the Company and its subsidiaries emphasize open, honest and diligent communications as a foundation for mutual trust and long-term customer relations.

Risk of losing key suppliers

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

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

Risk of incorrectly estimating demand and future sales

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

Risk of delays in videogame development

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

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

Risks associated with development of games for "closed" platforms

Development of games for "closed" platforms, such as gaming consoles or iOS devices, requires direct cooperation with the proprietors of each hardware platform. Before a game can be released on the open market it must first undergo certification. This requirement also applies to new versions of any game, as well as to expansion packs. Termination of cooperation between the developer and the platform proprietor is a significant risk, as are delays in the certification process or denial of certification. Each of those events may adversely impact the revenue stream for a given game. CD PROJEKT S.A. devotes substantial effort to meeting its contractual obligations due to platform proprietors and consistently prioritizes the quality of its videogames.

Risks associated with employee retention

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

Risk of insolvency and credit risk

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

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

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

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

Risks associated with credit agreements and interest rate risks

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

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

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

Risks associated with sureties

The credit and cash-pooling agreements concluded within the CD PROJEKT Capital Group involve CD PROJEKT S.A., GOG Ltd., GOG Poland sp. z o.o., cdp.pl sp. z o.o., Brand Projekt sp. z o.o., CD PROJEKT Brands S.A. and CD PROJEKT Inc. acting as guarantors. These provisions may potentially compel each guarantor to cover the liabilities of other parties to whom guarantees have been contractually provided. Detailed information regarding the scope of guarantees granted by each member of the CD PROJEKT Capital Group can be found in the Condensed Interim Consolidated Financial Statement of the CD PROJEKT Capital Group for the period between 1 January and 30 June 2015, in the section titled "Conditional liabilities from guarantees and collateral pledged".

Risks associated with market consolidation trends

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

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

Risks associated with illegal distribution of CD PROJEKT Capital Group products

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

Risks associated with the emergence of new technologies

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

The eighth generation of gaming consoles was unveiled in late 2013, approximately 8 years after the debut of the preceding generation. The latest version of the Company's proprietary technology - REDengine 3 - used in the development of the Witcher 3: Wild Hunt, supports the PC and the newest generation of consoles. Developing games for new consoles carries clear advantages but also introduces certain risks due to the relative immaturity of the underlying technologies and the time it may take to fully exploit their commercial potential. Of note is the fact that early sales of the new generation of consoles compare favorably to the previous generation over an equivalent period.

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

Asset impairment tests

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

Exchange rate risks:

Risks associated with PLN strengthening against EUR and USD

Due to the global character of its activities the Capital Group is subject to risks associated with sudden exchange rate changes involving PLN and foreign currencies, particularly EUR and USD.

A significant portion of publishing and distribution agreements to which CD PROJEKT S.A. is party (as a videogame developer) is denominated in foreign currencies. Accordingly, the strengthening of PLN against foreign currencies is viewed as an unfavorable circumstance by the Group, reducing its revenues from distribution and licensing contracts.

GOG Ltd. revenues are denominated primarily in USD, and to a lesser extent in EUR, GBP, AUD and RUB, while costs are borne in USD, EUR and PLN. Accordingly, the strengthening of PLN or EUR against the currencies in which GOG Ltd. obtains revenues is viewed as an unfavorable circumstance by the Group, reducing the profitability of GOG Ltd.

Risks associated with PLN weakening against EUR and USD

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

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

Risks associated with major shareholders' actions

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

■ Risk factors specific to the Group's market environment

Risks associated with changes in macroeconomic conditions

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

A negative macroeconomic or political outlook may force consumers to adopt a conservative stance, or result in limitations upon the sale of products as a result of economic sanctions, thereby negatively affecting product sales through official distribution channels. Additionally, negative macroeconomic conditions may hinder access to sources of financing, reducing the scope of game development projects. Group members monitor the impact of global economic conditions on their respective markets and adjust their actions accordingly.

Risks associated with legislative changes and conflicts of jurisdiction

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

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

Risks associated with competitors' actions

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

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

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

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

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

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

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

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

On 9 October 2014 the Company filed an appeal against the District Court's judgment with regard to those sections in which the District Court dismissed the Company's claims, and also the section concerning the cost of legal proceedings associated with the case. Additionally, an appeal against the section in which the District Court affirms the Company's claims was filed by the State Treasury. The first hearing before the Appellate Court in Kraków was held on 18 March 2015. Following statements by the plenipotentiaries of each side the Court adjourned the proceedings until such time as additional testimony could be obtained from an expert witness. The next hearing was scheduled for 2 September 2015.

■ Other proceedings

No other court, arbitration or administrative proceedings involving the Company as a party were initiated in the reporting period. Regarding proceedings listed in the Company's financial statement for 2014 as pending no notable changes occurred in the reporting period.

VII. Information concerning audits of financial statements

In Current Report no. 14/2015 of 28 May 2015 the Management Board of CD PROJEKT S.A. disclosed that, in accordance with the applicable legal regulations and professional code of conduct, on 28 May 2015 the responsible organ, i.e. the Company's Supervisory Board, selected PKF Consult sp. z o.o. as the licensed auditor responsible for performing audits and reviews of the separate and consolidated financial statements of the Company and its Capital Group for 2015.

VIII. Disclosure of events following the balance sheet date

In Current Report no. 17/2015 of 5 August 2015 the Company announced that the limit for forward and derivative transactions carried out under the framework agreement between the Company and Raiffeisen Bank Polska S.A. had been increased. According to the amendment the limit for associated transactions was set at 50 000 000 (fifty million) PLN and the Company issued a blank promissory note together with a corresponding promissory note declaration to the Bank as collateral for liabilities emerging under the agreement.

Warsaw, 26 August 2015

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

