Condensed Interim Consolidated Financial Statements

June 30, 2014

CCP hf.
Grandagarði 8
101 Reykjavík
Iceland
ID no. 450697-3469

CCP Hf.

Condensed Interim Consolidated

Financial Statements

June 30, 2014

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Independent Auditor's Report

To the Board of Directors and Stockholders of CCP hf.

We have reviewed the accompanying balance sheet of CCP hf as of June 30, 2014 and the related statements of comprehensive income, cash flows and changes in equity for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes.

Management's and the Board of directors Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of this interim financial information in accordance with International Financial Reporting Standards for Interim Financial Reporting, IAS 34, as adopted by the EU.

Auditor's Responsibility
Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review
We conducted our review in accordance with International Standard on Review Engagements, ISRE 2410. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information does not give a true and fair view of the financial position of the entity at June 30, 2014, its financial performance and its cash flows for the six-month period then ended in accordance with International Financial Reporting Standards for Interim Financial Reporting, IAS 34, as adopted by the EU.

Kópavogur, August 27, 2014.

Deloitte ehf.

Endorsement by the Board of Directors and CEO

The Condensed Interim Consolidated Financial Statements of CCP hf. for the period January 1, 2014 through June 30, 2014 consist of the Interim Consolidated Financial Statements of CCP hf. and its subsidiaries, together referred to as the Company. The Condensed Interim Consolidated Financial Statements are prepared in accordance with IAS 34, Interim Financial Reporting, as adopted by the EU.

The total sales of the Company amounted to USD 36,452,422. The net loss of the period amounted to USD 22,752,571. According to the balance sheet Company's assets amounted to USD 72,350,143, the end of period book value of equity is USD 26,656,002 and the Company's equity ratio is 36.8%.

The decision to stop the development of the World of Darkness MMO resulted in significant severance expense, increased non-cash amortization, eliminates intangible non-recurring assets and negatively impacts profitability.

It is our opinion that these Condensed Interim Consolidated Financial Statements present all the information necessary to give a true and fair view of the Company's assets and liabilities, financial position at June 30, 2014 and operating performance of the period ended June 30, 2014.

The Board of Directors and the CEO of CCP hf. have today discussed the Condensed Interim Consolidated Financial Statements for the period from January 1, 2014 through June 30, 2014 and confirmed them with their signatures.

Reykjavík, August 27, 2014

Board of Directors

Birgir Már Ragnarsson, Chairman

Adam Valkin

Ragna Árnadóttir

Stephan Wieck

Liv Bergþórsdóttir

Hilmar Veigar Pétursson, CEO

Consolidated Statement of Comprehensive Income for the period ended June 30, 2014

	Notes	For the six months ended June 30, 2014	2013
Games revenue		35,511,598	36,039,170
Other revenue		940,824	611,060
		36,452,422	36,650,230
Cost of sales	5	(3,155,196)	(2,753,300)
Gross profit		33,297,226	33,896,930
Operating expenses			
Research and development		(41,098,248)	(12,824,520)
Publishing		(4,522,946)	(4,473,844)
Marketing		(6,850,366)	(7,614,800)
General and administrative		(9,013,638)	(9,490,426)
Total operating expenses		(61,485,199)	(34,403,589)
Operating loss		(28,187,973)	(506,659)
Financial income	6	472,558	511,328
Financial cost	6	(1,460,585)	(1,463,903)
Net exchange rate difference	6	337,677	251,036
Loss before taxes		(28,838,323)	(1,208,198)
Income tax	7	6,085,752	1,526,709
(Loss) / Profit for the period		(22,752,571)	318,511
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		(80,757)	180,508
Total comprehensive income for the period		(22,833,328)	499,019

Consolidated Balance Sheet at June 30, 2014

Assets	Notes	2014.6.30	2013.12.31
Non-current assets			
Property, plant and equipment	8	3,619,458	4,286,338
Goodwill		4,252,956	4,252,956
Development cost	9	43,161,555	67,339,811
Other intangible assets	9	738,678	738,678
Deferred tax assets	14	1,502,641	553,961
Other financial assets		395,044	815,259
		53,670,332	77,987,003
Current assets			
Inventories		543,889	631,659
Trade receivables	10	3,024,319	4,544,300
Other receivables	10	3,729,307	6,305,642
Cash and cash equivalents	11	11,382,296	14,853,701
		18,679,811	26,335,302
Total assets		72,350,143	104,322,305

Equity and liabilities	Notes	2014.6.30	2013.12.31
Equity			
Share capital	12	125,179	124,920
Share premium	12	23,925,188	23,445,563
Foreign currency translation reserves	12	473,043	553,800
Equity settled employee benefits reserve	12	7,567,737	6,869,481
(Accumulated deficit)/Retained earnings	12	(5,435,145)	17,317,426
Total equity		26,656,002	48,311,190
Non-current liabilities			
Borrowings	13	21,718,892	23,312,742
Deferred tax liabilities	14	0	5,507,733
Derivative financial instruments	17	1,752,488	2,223,734
Other non-current liabilities		1,604,749	1,500,060
		25,076,129	32,544,269
Current liabilities			
Trade payables		2,632,408	4,485,714
Borrowings	13	4,189,333	4,112,278
Current portion of other non-current liabilites		23,326	0
Deferred income	16	6,652,167	6,605,772
Other current liabilities	15	7,120,778	8,263,082
		20,618,012	23,466,846
Total liabilities		45,694,141	56,011,115
Total equity and liabilities		72,350,143	104,322,305

Consolidated Statement of Cash Flows for the period ended June 30, 2014

	Notes	For the six months ended June 30, 2014	2013
Cash flow from operating activities			
(Loss) / Profit for the period		(22,752,571)	318,511
Net financial cost		650,350	701,539
Income tax expense	7,14	(6,085,752)	(1,526,709)
Depreciation and amortization	8,9	32,695,784	8,790,203
(Gain) / Loss on disposal of fixed assets		(5,020)	0
Equity settled employee stock options		884,213	1,214,735
Other items		(12,090)	(421,535)
		5,374,917	9,076,744
Change in operating assets and liabilities			
(Increase)/ decrease in inventories		87,770	6,205
(Increase)/decrease in operating assets		2,385,472	(362,241)
Increase/(decrease) in operating liabilities		(1,361,871)	1,258,770
Cash generated by operating activities		6,486,288	9,979,478
Financial income received		1,274	192,029
Financial cost paid		(2,443,142)	(402,472)
Tax credit received		2,194,601	2,248,947
Tax paid		(262,667)	(242,508)
Net cash generated by operating activities		5,976,354	11,775,474
Cash flows used in investment activities			
Purchases of property, plant and equipment	8	(200,217)	(270,358)
Development cost	9	(7,504,702)	(12,792,780)
		(7,704,919)	(13,063,138)
Cash flows used in financing activities			
Repayments of borrowings		(2,076,119)	(1,285,634)
Net increase in share capital	12	303,843	136,245
		(1,772,276)	(1,149,389)
Net change in cash		(3,500,841)	(2,437,053)
Cash at beginning of the period		14,853,701	20,368,641
Effect of foreign exchange rates		29,436	292,634
Cash at end of the period		11,382,296	18,224,222

Consolidated Statement of Changes in Equity for the period ended June 30, 2014

	Total numbers of shares*	Share capital	Share premium	Equity-settled employee benefits reserve	Foreign currency translation reserve	(Accumulated deficit) Retained earnings	Total
Balance at January 1, 2013	9,395,452	124,551	22,768,634	4,529,796	553,227	38,665,476	66,641,684
Profit for the period..						318,511	318,511
Translation difference..					180,508		180,508
Total comprehensive income		0	0	0	180,508	318,511	499,019
Change in share capital	20,000	114	400,034	(263,901)			136,247
Employee stock options expense.................................				1,214,735			1,214,735
Balance at June 30, 2013	9,415,452	124,665	23,168,668	5,744,531	733,735	38,983,987	68,491,685
Balance at January 1, 2014	9,465,452	124,920	23,445,563	6,869,481	553,800	17,317,426	48,311,190
Loss for the period...						(22,752,571)	(22,752,571)
Translation differences..					(80,757)		(80,757)
Total comprehensive income		0	0	0	(80,757)	(22,752,571)	(22,833,328)
Change in share capital	30,000	259	479,625	(79,039)			400,845
Employee stock options expense.................................				777,295			777,295
Balance at June 30, 2014	9,495,452	125,179	23,925,188	7,567,737	473,043	(5,435,145)	26,656,001

*Each share is 1 ISK
All amounts in USD

Notes to the Condensed Interim Consolidated Financial Statements

1. General information

CCP hf. is a limited liability company incorporated in Iceland. The principal activities of CCP hf. are the design, development, marketing, sales and operation of immersive virtual worlds and games accessed over the internet. All copyright and intellectual property in EVE Online, DUST 514 and World of Darkness are property of the Company. CCP hf. operates the following offices: CCP hf. in Reykjavík, CCP North America, Inc. in Atlanta and San Francisco, CCP Games UK, Ltd. in Slough and Newcastle and CCP Information Technology (Shanghai) CO., Ltd.

2. Application of new and revised International Financial Reporting Standards (IFRSs)

2.1 Standards and interpretations effective in the current and prior periods

The Condensed Interim Consolidated Financial Statements are presented in accordance with the new and revised standards (IFRS / IAS) and new interpretations (IFRIC), applicable in the year 2014. Management believes that those new and revised IFRS standards do not have material effect on amounts reported in the Condensed Interim Consolidated Financial Statements.

2.2 New and revised IFRSs in issue but not yet effective

The Company has not early adopted new and revised IFRSs that have been issued but are not yet effective. Management believes that implementation of those standards and interpretations do not have a material affect on the Condensed Interim Consolidated Financial Statements of the Company.

3. Significant accounting policies

3.1 Statement of compliance

The Condensed Interim Consolidated Financial Statements have been prepared in accordance with IAS 34, Interim Financial Reporting, as adopted by the EU. They do not include all of the information required for full annual Consolidated Financial Statements, and should be read in conjunction with the Consolidated Financial Statements of the Company for the period ended December 31, 2013.

3.2 Basis of preparation

The Condensed Interim Consolidated Financial Statements of CCP hf. for the period January 1, 2014 through June 30, 2014 have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for asset. The accounting policies adopted are consistent with those followed in the preparation of the Company´s Annual Financial Statements for the period ended 31 December, 2013.

3.3 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

4. Segment and geographic information

The Company's only business activity is developing and monetizing massive multiplayer online games and it operates in one reportable segment. The Company's reporting segment is based upon its internal organizational structure, the manner in which its operations are managed and the criteria used by its CEO, its chief operating decision maker (CODM), to evaluate performance. The Company is centrally managed and the CODM primarily uses consolidated financial information supplemented by revenue and expense level information by major product titles to make operational decisions and evaluate financial performance. All of the Company's products have similar economic characteristics, worldwide customer base and production and distribution methods.

The following is an analysis of the Company's revenues from its major services and products.

	2014.01.01-2014.06.30	2013.01.01-2013.06.30
Revenue from subscriptions and in-game sales	33,928,122	34,337,747
Revenue from royalties and licenses	1,583,476	1,701,423
Revenue from sale of goods	940,823	611,060
	36,452,422	**36,650,230**

4.1 Geographical information

The Company operates in three principal geographical areas - North America, Europe and Asia. The Company's revenue from external customers and information about its non-current assets* by geographical location are detailed below. The "Other regions" category is comprised of South and Central America, the Caribbean, Africa, Australia and Oceania i.e. the southern hemisphere.

The Company is domiciled in Iceland. Revenues from external customers in Iceland are USD 151,468 (2013: USD 187,357). Almost all its revenues are generated from sales to customers outside of Iceland. The total of non-current assets* located in Iceland is USD 47,043,638 (2013: USD 97,844,831). Revenues and non-current assets in Iceland are included in the figures for Europe.

	External Sales		Non-current assets	
	2014.01.01-2014.06.30	2013.01.01-2013.06.30	2014.06.30	2013.06.30
North America	18,860,381	18,503,911	4,300,756	4,515,194
Europe	13,815,231	13,441,639	47,146,998	98,004,348
Asia	1,750,671	2,444,921	365,524	591,241
Other regions	2,026,139	2,259,759	0	0
	36,452,422	**36,650,230**	**51,813,278**	**103,110,783**

* Non-current assets excluding deferred tax assets and other financial assets.

4.2 Information about major customers

The Company has no transactions with a single external customer that amount to 10% or more of the Company's revenue.

5. Cost of sales

	2014.06.30	2013.06.30
Games	2,847,303	2,711,899
Physical Products and eCommerce	307,893	41,401
	3,155,196	**2,753,300**

6. Financial income / (cost)

Financial income and (cost) are specified as follows:

	2014.06.30	2013.06.30
Financial income:		
Other interest income	1,312	147,546
Fair value change on financial instruments	471,246	363,782
	472,558	511,328
Financial cost:		
Interest on loans	(1,460,585)	(1,463,903)
	(1,460,585)	(1,463,903)
Net exchange rate difference	337,677	251,036
Net financial income / (cost)	(650,350)	(701,539)

7. Income tax

Income tax has been calculated and recorded in the Condensed Interim Consolidated Financial Statements. The amount posted to the Consolidated Statement of Comprehensive Income is USD 6,085,752 (2013: USD 1,526,709). Interim period income tax is accrued based on the best estimated average annual effective income.

8. Property, plant and equipment

	Leasehold improvements	Computers and equipment	Other tangible assets	Total
Cost				
At January 1, 2013	2,797,717	9,285,977	2,551,488	14,635,182
Additions	22,906	988,924	59,020	1,070,850
Disposals and fully depreciated	0	(1,412,267)	(53,223)	(1,465,490)
Currency exchange differences	3,534	71,972	37,414	112,920
At December 31, 2013	**2,824,157**	**8,934,606**	**2,594,699**	**14,353,462**
Additions	0	349,672	17,316	366,987
Disposals	0	(571,933)	(167,787)	(739,720)
Currency exchange differences	4,623	62,106	(9,223)	57,506
At June 30, 2014	**2,828,780**	**8,774,451**	**2,435,004**	**14,038,235**
Accumulated depreciation				
At January 1, 2013	702,318	6,680,564	1,679,513	9,062,395
Depreciation charge for the period	322,771	1,662,734	379,323	2,364,828
Disposals and fully depreciated	0	(1,411,618)	(46,831)	(1,458,449)
Currency exchange differences	3,992	62,783	31,575	98,350
At December 31, 2013	**1,029,081**	**6,994,463**	**2,043,580**	**10,067,124**
Depreciation charge for the period	152,399	723,868	136,558	1,012,826
Disposals	0	(563,140)	(156,409)	(719,549)
Currency exchange differences	3,899	63,125	(8,647)	58,377
At June 30, 2013	**1,185,379**	**7,218,317**	**2,015,082**	**10,418,777**
Carrying amount				
At January 1, 2013	2,095,399	2,605,413	871,975	5,572,787
At December 31, 2013	1,795,076	1,940,143	551,119	4,286,338
At June 30, 2014	1,643,401	1,556,135	419,923	3,619,458

Depreciation classified by operational category is specified as follows:

	2014.06.30	2013.06.30
Cost of sales	0	0
Research and development	69,755	70,597
Publishing	327,036	98,760
Marketing	15,815	11,535
General and administrative	600,219	1,029,786
	1,012,826	**1,210,677**

Computers and equipment includes the following amounts where the Company is a lessee under a finance lease:

	2014.06.30	2013.06.30
Cost - capitalized finance lease	3,283,445	2,686,241
Accumulated depreciation	(2,240,728)	(1,269,726)
Net carrying amount	**1,042,717**	**1,416,515**

The Company leases various computers and related equipment under non-cancellable finance lease agreements. These leases have a term of three years and the assets are pledged as security against the financial liability under the agreements.

9. Other intangible assets

	Capitalized development	Trademarks and domains	Total
Cost			
At January 1, 2013	122,252,301	738,678	122,990,979
Additions	26,204,324	0	26,204,324
Derecognition	(21,483,296)	0	(21,483,296)
At December 31, 2013	**126,973,329**	**738,678**	**127,712,007**
Additions	7,504,702	0	7,504,702
Derecognition	(23,975,347)	0	(23,975,347)
At June 30, 2014	**110,502,684**	**738,678**	**111,241,362**
Amortization			
At January 1, 2013	34,240,684	0	34,240,684
Charge for the period	25,392,834	0	25,392,834
At December 31, 2013	**59,633,518**	**0**	**59,633,518**
Charge for the period	7,707,611	0	7,707,611
At June 30, 2014	**67,341,129**	**0**	**67,341,129**
Carrying amount			
At January 1, 2013	88,011,617	738,678	88,750,295
At December 31, 2013	67,339,811	738,678	68,078,489
At June 30, 2014	43,161,555	738,678	43,900,233

Amortization and derecognition classified by operational category are specified as follows:

	2014.06.30	2013.06.30
Cost of sales	0	0
Research and development	31,682,958	7,579,526
Publishing	0	0
Marketing	0	0
General and administrative	0	0
	31,682,958	**7,579,526**

During the period the Company assessed its capitalized development assets and determined that a protion of those assets would likely not have future economic benefits. IAS 38 requires that such assets should be derecognized and removed from the balance sheet. The expenses related to the derecognized assets are presented as part of research and development expense in the statement of comprehensive income.

10. Trade and other receivables

10.1 Trade receivables

	2014.06.30	2013.12.31
Trade receivables	1,466,829	2,085,636
Credit card receivables	1,560,078	2,583,296
Provision for impairment of trade receivables	(2,588)	(124,632)
	3,024,319	**4,544,300**

Trade receivables disclosed above are classified as loans and receivables and are therefore measured at amortized cost.

The average credit period on sales of goods is 17 (YTD 2013: 18) days. An allowance has been made for doubtful accounts. This allowance has been determined by management in reference to prior default experience. Management considers that the carrying amount of trade receivables approximates their fair value.

Trade receivables disclosed above include amounts (see below for aged analysis) which are past due at the end of the reporting period but against which the Company has not recognized an allowance for doubtful receivables because there has not been a significant change in credit quality and the amounts.

Aging of trade receivables

	2014.06.30	2013.12.31
Neither past due nor impaired	2,815,666	4,343,031
Past due but not impaired:		
30 - 90 days	105,708	199,427
Older than 90 days	102,945	1,842
	3,024,319	**4,544,300**

As at June 30, 2014, trade receivables of an initial value of USD 2,588 (December 31, 2013: USD 124,632) were impaired and fully provided for. See below for the movements in the provision for impairment of receivables. All impaired trade receivables are older than 90 days.

	2014.06.30	2013.12.31
Balance at beginning of period	124,632	683,883
Receivables written off during the period as uncollectible	(122,044)	(580,904)
Provision for receivables impairment	0	21,653
Balance at end of period	**2,588**	**124,632**

In determining the recoverability of trade receivables, the Company considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, management believes that there is no further credit provision required in excess of the provision for impaired receivables.

The creation and release of provision for impaired receivables have been included in "General and administrative" expenses in the Statement of Comprehensive Income. Amounts charged to the allowance account are generally written off, when there is no expectation of recovering additional cash.

10.2 Other receivables

	2014.06.30	2013.12.31
Value added tax	344,063	173,268
Prepaid expenses	861,334	1,176,422
Capital income tax	40,816	40,115
Deposit	833,917	838,131
Income tax receivable	947,458	3,205,142
Other receivables	701,719	872,564
	3,729,307	**6,305,642**

Notes to the Condensed Interim Consolidated Financial Statements

11. Cash and cash equivalents

The Company's cash and cash equivalents consist of cash and bank balances.

	2014.06.30	2013.12.31
Bank balances in USD	8,550,356	12,083,301
Bank balances in EUR	968,994	1,716,079
Bank balances in GBP	569,519	676,032
Bank balances in ISK	1,031,627	0
Bank balances in RMB	261,800	378,289
	11,382,296	**14,853,701**

12. Equity

12.1 Issued capital

Issued capital is specified as follows:

	2014.06.30	2013.12.31
Share capital	125,179	124,920
Share premium	23,925,188	23,445,563
	24,050,367	**23,570,483**

Shares issued and outstanding at period-end totaled 9,495,452. The nominal value of each share is one Icelandic krona, totaling USD 125,179 of nominal capital.

Issued capital comprises:

9,495,452 fully paid ordinary shares (December 31, 2013: 9,465,452)	24,050,367	23,570,483
	24,050,367	**23,570,483**

Changes in share capital are as follows:	Total numbers of shares*	Share capital	Share premium	Issued capital
Balance at January 1, 2013	9,395,452	124,551	22,768,634	22,893,185
Increase in share capital	70,000	369	676,929	677,298
Share capital as of January 1, 2014	**9,465,452**	**124,920**	**23,445,563**	**23,570,483**
Increase in share capital	30,000	259	479,625	479,884
Balance at June 30, 2014	**9,495,452**	**125,179**	**23,925,188**	**24,050,367**

*Each share is one ISK

12.2 Foreign currency translation reserve

	2014.06.30	2013.12.31
Balance at beginning of the period	553,800	553,227
Arising on translation of foreign operations	(80,757)	573
Balance at end of the period	**473,043**	**553,800**

Exchange differences relating to the translation of the net assets of the Company's foreign operations from their functional currencies to the Company's presentation currency (i.e USD) are recognized directly in other comprehensive income and accumulated in the foreign currency translation reserve. Exchange differences previously accumulated in the foreign currency translation reserve are reclassified to profit or loss on the disposal or partial disposal of the foreign operation.

12. Equity (continued)

12.3 Equity-settled employee benefits reserve

	2014.06.30	2013.12.31
Balance at beginning of the period	6,869,481	4,529,796
Stock Option Expense	777,295	2,665,767
Exercised options	(79,039)	(326,082)
Balance at end of the period	**7,567,737**	**6,869,481**

The equity-settled employee benefits reserve relates to share options granted to employees under the employee share option plan.

12.4 (Accumulated deficit)/Retained earnings

	2014.06.30	2013.12.31
Balance at beginning of the period	17,317,426	38,665,476
Loss for the period	(22,752,571)	(21,348,050)
Balance at end of the period	**(5,435,145)**	**17,317,426**

13. Borrowings

	Current		Non-current	
	2014.06.30	2013.12.31	2014.06.30	2013.12.31
Loans from bank institutions (i)	3,450,000	3,150,000	4,251,484	5,994,134
Financial lease liabilities (ii)	739,333	962,278	373,965	603,831
Convertible bonds (iii)	0	0	17,093,443	16,714,777
Total borrowings	**4,189,333**	**4,112,278**	**21,718,892**	**23,312,742**

13.1 Summary of borrowing arrangements

(i) The Company entered into an agreement with a bank on a long-term financing in the amount of USD 20,000,000, thereof USD 8,000,000 as a revolving credit facility, bearing an interest of Libor plus 3.5%. The financing is secured by a charge over assets other than intellectual property, by pledge over all account receivables, a declaration of lien on the Company's general financial claims against third parties and a negative pledge over the Company's intellectual property. The terms of the financing were interest only payments through August of 2012 and interest and principal payments thereafter with a maturity date on July 1, 2016. As of June 30, 2014 the Company has not drawn on the revolving credit facility.

(ii) Secured by the assets leased. The borrowings are a mix of contracts with repayment periods not exceeding three years. Financial lease liabilities are denominated in Danish kroner and USD.

(iii) The Company issued 200 convertible bonds at a total par value of USD 20,000,000 on July 16, 2012. The bonds have a fixed nominal interest of 7% per annum and mature five years from the issue date at their nominal value of USD 20,000,000 or can be converted into shares at the holder's option at any time until maturity at the rate of USD 32 per share. The values of the liability component and the equity conversion component were determined at the issuance of the bonds and are accounted for separately.

14. Deferred tax assets/(liabilities)

	2014.06.30	2013.12.31
Balance at beginning of the period	(4,953,772)	(11,619,171)
Income tax payable for the period	289,482	521,931
Calculated tax for the period	6,085,752	9,067,683
Effect of tax credit	(140,616)	(3,475,423)
Exchange difference	221,795	551,208
Balance at end of the period	**1,502,641**	**(4,953,772)**

The following are the major deferred tax liabilities and assets recognized:

	Assets	Liabilities	Net
At June 30, 2014			
Property, plant and equipment	308,161	(264,765)	43,396
Intangible assets	6,455	(7,715,441)	(7,708,986)
Trade receivables	518	0	518
Tax loss carry forward	8,264,197	0	8,264,197
Effect of tax credit	923,789	(357,531)	566,258
Other items	640,123	(78,214)	561,909
Total tax assets/ (liabilities)	10,143,244	(8,415,951)	1,727,293
Tax assets offsetting tax liabilities	(8,415,951)	8,415,951	0
Valuation allowance for deferred tax assets	(224,652)	0	(224,652)
	1,502,641	**0**	**1,502,641**

	Assets	Liabilities	Net
At December 31, 2013			
Property, plant and equipment	358,792	(309,440)	49,352
Intangible assets	8,563	(12,578,782)	(12,570,219)
Trade receivables	24,926	0	24,926
Tax loss carry forward	6,960,808	0	6,960,808
Tax credit	1,732,225	(1,209,488)	522,737
Other items	577,912	(219,288)	358,624
Total tax assets/ (liabilities)	9,663,226	(14,316,998)	(4,653,772)
Tax assets offsetting tax liabilities	(8,809,265)	8,809,265	0
Valuation allowance for deferred tax assets	(300,000)	0	(300,000)
	553,961	**(5,507,733)**	**(4,953,772)**

15. Other current liabilities

	2014.06.30	2013.12.31
Value added tax and customs payable	2,000,087	2,016,901
Salaries and related expenses payable	1,795,480	1,281,189
Accrued interest	733,231	2,152,488
Accrued vacation pay	2,571,421	2,453,424
Other liabilities	20,560	359,080
	7,120,778	**8,263,082**

16. Deferred income

Deferred revenue analyses as follows:

	2014.06.30	2013.12.31
Subscriptions	4,297,855	4,359,823
In-game purchases not yet consumed	2,302,098	2,108,158
Sale of goods not yet delivered	52,214	137,791
	6,652,167	**6,605,772**

17. Financial instruments

17.1 Fair value of financial instruments

Except as detailed in the following table, management considers that the carrying value of financial assets and financial liabilities recognized in the Consolidated Financial Statements approximate their fair value.

	2014.06.30		2013.12.31	
	Carrying value	Fair value	Carrying value	Fair value
Financial liabilities:				
Borrowings	25,908,225	27,426,068	27,425,020	30,477,000

The fair values of financial instruments are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

In specific circumstances, certain assets and liabilities are reported or disclosed at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the Company's principal market for such transactions. If the Company has not established a principal market for such transactions, fair value is determined based on the most advantageous market. Valuation inputs used to determine fair value are arranged in a hierarchy that categorizes the inputs into three broad levels, which are as follows:

- Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2 inputs are directly or indirectly observable valuation inputs for the asset or liability, excluding Level 1 inputs.
- Level 3 inputs are unobservable inputs for the asset or liability.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs.

The Company's conversion option reported under non-current liabilities is the Company's sole financial instrument reported at fair value and belongs to Level 3 in the fair value hierarchy. Fair value of the conversion option is estimated using appropriate valuation techniques using observable inputs as much as possible.

The following table presents the changes in Level 3 instrument for the period ended June 30, 2014:

	2014.06.30	2013.12.31
Financial liabilities at fair value through profit or loss		
Opening balance at beginning of period	2,223,734	3,274,666
Issue of conversion option	0	0
(Gain) / loss recognized in profit or loss	(471,246)	(1,050,932)
Closing balance at end of period	**1,752,488**	**2,223,734**