



CD PROJEKT®

CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENT OF THE
CD PROJEKT CAPITAL GROUP
FOR THE PERIOD BETWEEN
1 JANUARY AND 30 JUNE 2017

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.

CD PROJEKT Capital Group – selected financial highlights converted into EUR

	PLN		EUR	
	01.01.2017 - 30.06.2017	01.01.2016 - 30.06.2016*	01.01.2017 - 30.06.2017	01.01.2016 - 30.06.2016*
Net revenues from sales of products, goods and materials	254 824	318 996	59 995	72 822
Cost of products, goods and materials sold	38 086	74 936	8 967	17 107
Operating profit (loss)	143 247	163 118	33 726	37 237
Profit (loss) before tax	146 271	167 516	34 438	38 241
Net profit (loss) from continuing operations	118 649	134 682	27 935	30 746
Net profit (loss) attributable to equity holders of parent entity	118 649	134 682	27 935	30 746
Net cash flows from continuing operations	123 897	140 168	29 170	31 998
Net cash flows from investment activities	(154 831)	89 682	(36 453)	20 473
Net cash flows from financial activities	(101 266)	544	(23 842)	124
Aggregate net cash flows	(132 200)	230 394	(31 125)	52 595
Stock volume (in thousands)	96 120	95 020	96 120	95 020
Net profit (loss) per ordinary share	1.23	1.42	0.29	0.32
Diluted profit (loss) per ordinary share	1.20	1.40	0.28	0.32
Book value per share	8.29	6.85	1.96	1.55
Diluted book value per share	8.04	6.77	1.90	1.53
Declared or paid out dividend per share	1.05	-	0.25	-

* adjusted data

	PLN		EUR	
	30.06.2017	31.12.2016	30.06.2017	31.12.2016
Total assets	901 996	874 960	213 414	197 776
Liabilities and provisions for liabilities (less accrued charges)	102 502	94 214	24 252	21 296
Long-term liabilities	6 476	8 275	1 532	1 870
Short-term liabilities	99 147	89 747	23 458	20 286
Equity	796 373	776 938	188 424	175 619
Share capital	96 120	96 120	22 742	21 727

The above data has been converted into EUR under the following assumptions:

- Elements of the consolidated profit and loss account and consolidated statement of cash flows were converted into EUR by applying the arithmetic average of exchange rates for the final day of each month belonging to the reporting period, as published by NBP. The corresponding exchange rates were: 4.2474 PLN/EUR for the period between 1 January and 30 June 2017, and 4.3805 PLN/EUR for the period between 1 January and 30 June 2016 respectively.
- Assets and liabilities listed in the consolidated statement of financial positions were converted into EUR by applying the exchange rate for the final day of the reporting period, as published by the National Bank of Poland. These exchange rates were: 4.2265 PLN/EUR on 30 June 2017 and 4.4240 PLN/EUR on 31 December 2016 respectively.

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Primary financial data of the CD PROJEKT Capital Group

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Condensed interim consolidated profit and loss account

	Note	01.01.2017 – 30.06.2017	01.01.2016 – 30.06.2016*
Sales revenues		254 824	318 996
Revenues from sales of products		199 621	258 867
Revenues from sales of services		61	165
Revenues from sales of goods and materials		55 142	59 964
Cost of products, goods and materials sold		38 086	74 936
Cost of products and services sold	13	488	32 292
Value of goods and materials sold	13	37 598	42 644
Gross profit (loss) from sales		216 738	244 060
Other operating revenues	14	2 603	834
Selling costs	13	58 470	70 235
General and administrative costs	13	16 329	10 851
Other operating expenses	14	1 295	690
Operating profit (loss)		143 247	163 118
Financial revenues	15	5 459	4 808
Financial expenses	15	2 435	410
Profit (loss) before tax		146 271	167 516
Income tax	8	27 622	32 834
Net profit (loss) from continuing operations		118 649	134 682
Net profit (loss)		118 649	134 682
Net profit (loss) attributable to minority interests		-	-
Net profit (loss) attributable to equity holders of parent entity		118 649	134 682
Net earnings per share (in PLN)			
Basic for the reporting period		1.23	1.42
Diluted for the reporting period		1.20	1.40
Net earnings per share from continuing operations (in PLN)			
Basic for the reporting period		1.23	1.42
Diluted for the reporting period		1.20	1.40

* adjusted data

Condensed interim consolidated statement of comprehensive income

	Note	01.01.2017 – 30.06.2017	01.01.2016 – 30.06.2016
Net profit (loss)		118 649	134 682
Other comprehensive income which will be entered as profit (loss) following fulfillment of specific criteria		(3 271)	425
Exchange rate differences on valuation of foreign entities		(3 271)	425
Other comprehensive income which will not be entered as profit (loss)		-	-
Total comprehensive income		115 378	135 107
Total comprehensive income attributable to minority interests		-	-
Total comprehensive income attributable to equity holders of CD PROJEKT S.A.		115 378	135 107

Condensed interim consolidated statement of financial position

	Note	30.06.2017	31.12.2016*
FIXED ASSETS		209 672	170 644
Tangible assets	2	18 140	14 423
Intangibles	3	47 626	47 112
Expenditures on development projects	3	96 967	62 011
Goodwill	3,4	46 417	46 417
Other financial assets	12	-	194
Other long-term receivables		522	487
WORKING ASSETS		692 324	704 316
Inventories	5	555	401
Trade receivables	6,12	78 139	71 554
Current income tax receivables		2 483	112
Other receivables	6,12	14 507	20 268
Other financial assets	12	-	53
Prepaid expenses	7	13 924	14 724
Cash and cash equivalents	12	85 169	217 369
Bank deposits (maturity beyond 3 months)	12	497 547	379 835
TOTAL ASSETS		901 996	874 960

* adjusted data



	Note	30.06.2017	31.12.2016
EQUITY		796 373	776 938
Equity attributable to shareholders of the parent company		796 373	776 938
Share capital	16	96 120	96 120
Supplementary capital		549 335	403 001
Other reserve capital		9 777	4 795
Exchange rate differences		648	3 918
Retained earnings		21 844	18 590
Net profit (loss) for the reporting period		118 649	250 514
Minority interest equity		-	-
LONG-TERM LIABILITIES		6 476	8 275
Other financial liabilities	12	205	76
Deferred income tax liabilities	8	5 782	7 198
Deferred revenues		432	944
Provisions for employee benefits and similar liabilities	9	57	57
SHORT-TERM LIABILITIES		99 147	89 747
Other financial liabilities	12	220	63
Trade liabilities	12	28 569	27 971
Current income tax liabilities		1 497	3 762
Other liabilities	11,12	12 876	9 762
Deferred revenues		2 689	2 864
Provisions for employee benefits and similar liabilities	9	54	294
Other provisions	10	53 242	45 031
TOTAL EQUITY AND LIABILITIES		901 996	874 960

Condensed interim statement of changes in consolidated equity

	Share capital	Supplementary capital	Other reserve capital	Exchange rate differences	Retained earnings	Net profit (loss) for the reporting period	Equity attributable to shareholders of parent entity	Minority interest equity	Total equity
01.01.2017 – 30.06.2017									
Equity as of 01.01.2017	96 120	403 001	4 795	3 918	269 104	-	776 938	-	776 938
Equity after adjustments	96 120	403 001	4 795	3 918	269 104	-	776 938	-	776 938
Cost of incentive program	-	-	4 982	-	-	-	4 982	-	4 982
Allocation of net profit /coverage of losses	-	146 334	-	-	(146 334)	-	-	-	-
Dividend payments	-	-	-	-	(100 926)	-	(100 926)	-	(100 926)
Total comprehensive income	-	-	-	(3 270)	-	118 649	115 379	-	115 379
Equity as of 30.06.2017	96 120	549 335	9 777	648	21 844	118 649	796 373	-	796 373



	Share capital	Supplementary capital	Other reserve capital	Exchange rate differences	Retained earnings	Net profit (loss) for the reporting period	Equity attributable to shareholders of parent entity	Minority interest equity	Total equity
01.01.2016 – 30.06.2016*									
Equity as of 01.01.2016	94 950	120 199	3 354	2 514	292 658	-	513 675	-	513 675
Equity after adjustments	94 950	120 199	3 354	2 514	292 658	-	513 675	-	513 675
Registered increase in share capital	210	-	(210)	-	-	-	-	-	-
Cost of incentive program	-	-	1 161	-	-	-	1 161	-	1 161
Payment for shares issued under the incentive program	-	-	903	-	-	-	903	-	903
Payment in own shares	-	1 488	(1 488)	-	-	-	-	-	-
Allocation of net profit /coverage of losses	-	274 068	-	-	(274 068)	-	-	-	-
Total comprehensive income	-	-	-	425	-	134 682	135 107	-	135 107
Equity as of 30.06.2016	95 160	395 755	3 720	2 939	18 590	134 682	650 846	-	650 846

* adjusted data

Condensed interim consolidated statement of cash flows

	Note	01.01.2017 – 30.06.2017	01.01.2016 – 30.06.2016*
OPERATING ACTIVITIES			
Net profit / (loss)		118 649	134 682
Total adjustments:	24	11 252	14 756
Depreciation of fixed assets and intangibles		2 350	2 564
Depreciation of development projects		-	31 397
Interest and profit sharing (dividends)		(5 041)	(3 967)
Profit (loss) from investment activities		945	23
Change in provisions		7 971	9 791
Change in inventories		(154)	136
Change in receivables		(825)	15 028
Change in liabilities excluding credits and loans		3 799	(36 816)
Change in other assets and liabilities		113	(4 980)
Other adjustments		2 094	1 580
Cash flows from operating activities		129 901	149 438
Income tax on profit (loss) before taxation		27 622	32 834
Income tax (paid) / reimbursed		(33 626)	(42 104)
Net cash flows from operating activities		123 897	140 168
INVESTMENT ACTIVITIES			
Inflows		384 935	309 139
Liquidation of intangibles and fixed assets		59	179
Liquidation of financial assets		-	85
Opening bank deposits (maturity beyond 3 months)		379 835	304 908
Other inflows from investment activities		5 041	3 967
Outflows		539 766	219 457
Purchases of intangibles and fixed assets		8 807	5 431
Expenditures on development projects		33 412	28 826
Closing bank deposits (maturity beyond 3 months)		497 547	185 200
Net cash flows from investment activities		(154 831)	89 682



FINANCIAL ACTIVITIES

Inflows		-	903
Net inflows from issue of securities (stock) and other equity instruments, and from capital contributions		-	903
Outflows		101 266	359
Dividends and other payments due to equity holders		100 926	-
Payment of liabilities under financial lease agreements		340	359
Net cash flows from financial activities		(101 266)	544
Total net cash flows		(132 200)	230 394
Change in cash and cash equivalents on balance sheet		(132 200)	230 394
Cash and cash equivalents at beginning of period		217 369	111 629
Cash and cash equivalents at end of period		85 169	342 023

* *adjusted data*



CD PROJEKT

Clarifications regarding the condensed interim consolidated financial statement

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General information

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

The Group is established for an unlimited period.

Consolidation principles

Entities subjected to consolidation

	Capital share	Voting share	Consolidation method
CD PROJEKT S.A.	parent entity	-	full
GOG Ltd.	100%	100%	full
GOG Poland Sp. z o.o.	100%	100%	full
CD PROJEKT Inc.	100%	100%	full
CD PROJEKT Co. Ltd.	100%	100%	excluded from consolidation

On 26 April 2017 a subsidiary of CD PROJEKT S.A. named CD PROJEKT Co. Ltd. was incorporated in the People's Republic of China, with a registered office in Shanghai (see Note 21 for a description of changes in the Group's composition). This company has been excluded from consolidation due to lack of materiality. In accordance with the accounting policies in force within the Group, the parent entity may elect to exclude certain subsidiaries from consolidation as long as each of these subsidiaries:

- contributes not more than 2% to the parent entity's profit and loss balance,
- contributes not more than 1% to the parent entity's aggregate sales and financial revenues.

Note that the above values are not inclusive of any transactions between the subsidiary and the parent company which would have otherwise been subject to consolidation eliminations.

In addition to the above, all subsidiaries excluded from consolidation must jointly:

- contribute not more than 5% to the parent entity's profit and loss balance,
- contribute not more than 2% to the parent entity's aggregate sales and financial revenues.

The above values are also not inclusive of any transactions between each subsidiary and the parent company which would have otherwise been subject to consolidation eliminations.

Subsidiaries

Subsidiaries are defined as all entities which fall under the Group's control. An entity is considered to fall under the Group's control if all of the following criteria are met:

- executive control, i.e. possession of the required legal title to direct the entity's significant operations (operations, which significantly affect the entity's financial standing),
- exposure to variable financial results or possession of the required legal title to adjust the Group's financial results in accordance with the entity's own financial results.
- possession of the required administrative apparatus to affect the Group's own financial results by exercising the right to affect financial results attributable to the Group by leveraging the Group's involvement in the entity

Subsidiaries which meet materiality criteria are subject to full consolidation from the date of acquisition of control by the Group and cease to be reported as such on the day control is lost.

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

Basis for the preparation of the condensed interim consolidated financial statement

This condensed interim consolidated financial statement is prepared in compliance with International Accounting Standard 34 (IAS 34), Interim financial reporting, approved for use within the EU.

The condensed interim consolidated financial statement does not contain all the information and disclosures which would be required in an annual financial statement. Accordingly, this statement should be read in conjunction with the Consolidated Financial Statement of the CD PROJEKT Capital Group for 2016, approved for publication on 30 March 2017.

Changes in accounting standards or policies

The accounting practices applied in preparing this condensed interim consolidated financial statement, the Management Board's professional judgment concerning the Group's accounting practices as well as the main sources of uncertainty in estimations are in all material aspects consistent with the practices applied in preparing the Consolidated Financial Statement of the CD PROJEKT Capital Group for 2016, except for presentation-related adjustments described in the section titled "Assumption of comparability of financial statements and changes in accounting policies".

Assumption of going concern

This condensed interim consolidated financial statement is prepared under the assumption that the Group and its parent entity intend to continue as a going concern in the foreseeable future, i.e. at least throughout the 12-month period following the balance sheet date.

The Management Board of the parent entity is not aware of any facts or circumstances which would jeopardize the assumption of going concern within said 12-month period by way of intended or forced cessation or significant reduction of continuing operations.

As of the day of preparation of this financial statement covering the period between 1 January and 30 June 2017 the Management Board is not aware of any events which should have been reflected in the accounts for that period but have not been reflected therein. Additionally, no important events have occurred in relation to the preceding years.

Compliance with International Financial Reporting Standards

This condensed interim consolidated financial statement has been prepared in accordance with International Accounting Standard (IAS) 34, Interim Financial Reporting, as well as with International Financial Reporting Standards (IFRS) applicable to interim financial reporting, endorsed by the International Accounting Standard Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) and approved by the EU under the relevant Regulation on the Application of International Accounting Standards (European Council 1606/2002), hereafter referred to as UE IFRS, valid for 30 June 2017.

UE IFRS comprise standards and interpretations endorsed by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC), approved for use in the EU.

Where the above mentioned standards are not applicable the statement conforms to the Accounting Act of 29 September 1994 (Journal of Laws of the Republic of Poland, 2013, item no. 330 with subsequent changes) and to any secondary legislation based on said Act, as well as to the directive of the Finance Minister of 19 February 2009 regarding the publication of periodic and current reports by issuers of securities (Journal of Laws of the Republic of Poland, No. 2014/33).

The Group intends to apply amendments to IFRS which have been published but have not yet entered into force on the publication date of this condensed interim consolidated financial statement. Information regarding standards and interpretations applied for the first time, early application of new standards, standards which have entered into force on or after 1 January 2017 and the effect of changes in IFRS upon the Group's future financial statements is provided in part 3 of the Group's Consolidated Financial Statement for 2016.

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

In approving this financial statement the Group did not apply the following standards, changes in standards and interpretations which have not yet been approved by the EU:

- **IFRS 14** Regulatory deferral accounts – applicable to reporting periods beginning on or after 1 January 2016
- **IFRS 16** Leases – applicable to reporting periods beginning on or after 1 January 2019
- Changes in **IFRS 2** Share-based payment: classification and recognition of share-based payments – applicable to reporting periods beginning on or after 1 January 2018
- Changes in **IFRS 4** Insurance contracts associated with the introduction of **IFRS 9** Financial instruments – applicable to reporting periods beginning on or after 1 January 2018
- Changes in **IFRS 10** Consolidated financial statements and **IAS 28** Investments in subsidiaries and joint-ventures: transfers of assets between an investor and its associates or joint ventures – deferred indefinitely
- Clarifications regarding **IFRS 15** Revenues from contracts with customers – applicable to reporting periods beginning on or after 1 January 2018
- Changes in **IAS 12** Income taxes: recognition of deferred income tax assets for unrealized losses – applicable to reporting periods beginning on or after 1 January 2017
- Changes in **IAS 7** Statement of cash flows: disclosure initiative – applicable to reporting periods beginning on or after 1 January 2017
- Changes in **IFRS (2014-2016)** adopted under the annual IFRS improvements cycle – applicable to reporting periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate
- Changes in **IFRIC 22** Foreign currency transactions and advance consideration – interpretation applicable to reporting periods beginning on or after 1 January 2018
- Changes in **IFRIC 23** Uncertainty over income tax treatments – interpretation applicable to reporting periods beginning on or after 1 January 2019
- Changes in **IAS 40** Investment property: reclassification of investment properties – applicable to reporting periods beginning on or after 1 January 2018



As of the date of publication of this financial statement, the Company is performing an assessment of the effect these new standards and changes in standards upon the Company's financial statement.

Functional currency and presentation currency

Functional currency and presentation currency

The functional currency of the Group and its parent entity, and the presentation currency of this financial statement is the Polish Zloty (PLN). Unless specified otherwise, all figures are quoted in PLN thousands.

Transactions and balances

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

Assumption of comparability of financial statements and changes in accounting policies

Changes in accounting policies

The accounting practices applied in preparing this condensed interim consolidated financial statement, the Management Board's professional judgment concerning the Group's accounting practices as well as the main sources of uncertainty in estimations are in all material aspects consistent with the practices applied in preparing the Consolidated Financial Statement of the CD PROJEKT Capital Group for 2016, except for changes in practices and presentation-related adjustments described below. This condensed interim consolidated financial statement should be read in conjunction with the Group's consolidated financial statement for the year ending 31 December 2016.

Presentation changes

In preparing this condensed interim consolidated financial statement for the period between 1 January and 30 June 2017 several changes have been introduced in the presentation of selected financial data. In order to ensure comparability of financial statements, the financial data for the period between 1 January and 30 June 2016 has been adjusted as follows:

- In the consolidated profit and loss account for the period between 1 January and 30 June 2016 the presentation of depreciation costs and business travel expenses has been adjusted as follows:

- Selling costs – adjusted by 997 thousand PLN
- General and administrative costs – adjusted by (997) thousand PLN

These adjustments have no effect on the Group's financial result or equity.

- In the consolidated profit and loss account for the period between 1 January and 30 June 2016 the presentation of costs related to procurement and maintenance of office space has been adjusted as follows:

- Selling costs – adjusted by (1 060) thousand PLN
- General and administrative costs – adjusted by 1 417 thousand PLN
- Cost of products and services sold – adjusted by (357) thousand PLN

These adjustments have no effect on the Group's financial result or equity.

- In the consolidated profit and loss statement for the period between 1 January and 30 June 2016 the presentation of revenues from sales of the Group's own products by GOG Ltd. was adjusted as follows:

- Revenues from sales of products – adjusted by 19 663 thousand PLN
- Revenues from sales of goods and materials – adjusted by (19 663) thousand PLN

These adjustments have no effect on the Group's financial result or equity.

- In the consolidated statement of financial position for 31 December 2016 the "Other monetary assets" line item was renamed to "Bank deposits (maturity beyond 3 months)".

- In the consolidated statement of financial position for 31 December 2016 and in the consolidated statement of cash flows for the period between 1 January and 30 June 2016 the Company rectified a presentation error concerning short-term bank deposits with maturity periods beyond three months. As a result of this change, the following items have been adjusted:

- Statement of financial position for 31 December 2016:
 - Bank deposits (maturity beyond 3 months) – adjusted by 339 835 thousand PLN
 - Cash and cash equivalents – adjusted by (339 835) thousand PLN
- Statement of cash flows for the period between 1 January and 30 June 2016
 - Opening bank deposits (maturity beyond 3 months) – adjusted by 185 200 thousand PLN
 - Closing bank deposits (maturity beyond 3 months) – adjusted by 304 908 thousand PLN
 - Cash and cash equivalents at beginning of period – adjusted by (282 008) thousand PLN
 - Cash and cash equivalents at end of period – adjusted by (162 300) thousand PLN

These adjustments have no effect on the Group's financial result or equity.

- In the statement of changes in consolidated equity for the period between 1 January and 2016 the presentation of payments for shares issued under the incentive program was adjusted as follows:
 - Cost of incentive program – adjusted by (903) thousand PLN
 - Payment for shares issued under the incentive program – adjusted by 903 thousand PLN.
- In the consolidated statement of cash flows for the period between 1 January and 30 June 2016 the presentation of videogame development expenses incurred prior to commencement of sales has been adjusted as follows:
 - Depreciation of fixed assets and intangibles – adjusted by (158) thousand PLN
 - Expenditures on development projects – adjusted by (74) thousand PLN
 - Other adjustments – adjusted by 84 thousand PLN.
- In the consolidated statement of cash flows for the period between 1 January and 30 June 2016 the presentation of liabilities resulting from purchases of fixed assets and intangibles has been adjusted as follows:
 - Purchases of intangibles and fixed assets – adjusted by (1 592) thousand PLN
 - Changes in liabilities excluding credits and loans – adjusted by (1 592) thousand PLN.
- In the consolidated statement of cash flows for the period between 1 January and 30 June 2016 the presentation of revenues from liquidation of fixed assets was adjusted as follows:
 - Profit (loss) from investment activities – adjusted by (126) thousand PLN
 - Liquidation of intangibles and fixed assets – adjusted by 126 thousand PLN.
- In the consolidated statement of cash flows for the period between 1 January and 30 June 2016 the presentation of interest accruals was adjusted as follows:
 - Interest and profit sharing (dividends) – adjusted by 7 thousand PLN
 - Other inflows from investment activities – adjusted by (11) thousand PLN
 - Financial outflows - interest – adjusted by (4) thousand PLN.

Disclosure of seasonal or cyclical activities

A detailed description of seasonal and cyclical activities is provided in the Management Board report on CD PROJEKT Capital Group activities in the period between 1 January and 30 June 2017.

Financial audit

The financial data presented in the statement of financial position for 30 June 2016, and in the profit and loss account, statement of cash flows and statement of changes in consolidated equity for the period between 1 January and 30 June 2017, as well as between 1 January and 30 June 2016, has not been subjected to a formal audit. This data has, however, been reviewed by a licensed auditor. The financial data presented in the statement of financial position for 31 December 2016 has been subjected to a formal audit.



CD PROJEKT

Supplementary information – CD PROJEKT Capital Group activity segments

3

Activity segments

Presentation of results by activity segment

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

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

Compared to the consolidated financial statements for 2016 and for earlier years, the Group has decided to discontinue separate presentation of the "Other activities" segment. All activities represented by this segment have been folded into the CD PROJEKT RED segment. The "Other activities" segment had previously comprised the activities of the Invest department, which, together with CD PROJEKT RED, belonged to CD PROJEKT S.A. and provided services to other members of the Group in relation to corporate oversight, financial supervision, accounting, HR and payroll, legal and fiscal advice, and investor relations. As of the publication date of this statement, given the overall reduction in the number of distinct activity segments comprising the group (resulting from sale of shares in cdp.pl sp. z o.o.) along with continued dynamic growth of the CD PROJEKT RED segment, the Management Board has decided that disaggregation of the "Other activities" segment, which primarily serves the CD PROJEKT RED segment, would not carry any added value for readers of the Group's financial statement. The resulting change has no impact on the aggregate financial results of both segments, except for consolidation eliminations.

Disclosure of activity segments

	Continuing operations		Consolidation eliminations (incl. from business combinations)	Total
	CD PROJEKT RED	GOG.com		
01.01.2017 – 30.06.2017				
Sales revenues	184 835	96 164	(26 175)	254 824
sales to external clients	158 669	96 155	-	254 824
sales between segments	26 166	9	(26 175)	-
Segment profit/(loss)	106 081	12 568	-	118 649

	Continuing operations		Consolidation eliminations (incl. from business combinations)	Total
	CD PROJEKT RED	GOG.com		
01.01.2016 – 30.06.2016*				
Sales revenues	266 496	69 259	(16 759)	318 996
sales to external clients	249 737	69 259	-	318 996
sales between segments	16 759	-	(16 759)	-
Segment profit/(loss)	129 379	5 303	-	134 682

* Changes with respect to data published on 25 August 2016 in the consolidated financial statement of the CD PROJEKT Capital Group for the period between 1 January and 30 June 2016 result from presentation-related adjustments described in the section titled "Assumption of comparability of financial statements and changes in accounting policies" and from merging the "Other activities" segment with the CD PROJEKT RED segment.

Segmented consolidated profit and loss account for the period between 01.01.2017 and 30.06.2017

	CD PROJEKT RED	GOG.com	Consolidation eliminations (incl. from business combinations)	Total
Sales revenues	184 835	96 164	(26 175)	254 824
Revenues from sales of products	179 671	9 719	10 231	199 621
Revenues from sales of services	2 253	-	(2 192)	61
Revenues from sales of goods and materials	2 911	86 445	(34 214)	55 142
Cost of products, goods and materials sold	3 831	59 071	(24 816)	38 086
Cost of products and services sold	1 103	218	(833)	488
Value of goods and materials sold	2 728	58 853	(23 983)	37 598
Gross profit (loss) from sales	181 004	37 093	(1 359)	216 738
Other operating revenues	2 731	219	(347)	2 603
Selling costs	39 704	20 052	(1 286)	58 470
General and administrative costs	13 526	2 876	(73)	16 329
Other operating expenses	1 458	184	(347)	1 295
Operating profit (loss)	129 047	14 200	-	143 247
Financial revenues	5 425	215	(181)	5 459
Financial expenses	2 604	12	(181)	2 435
Profit (loss) before taxation	131 868	14 403	-	146 271
Income tax	25 787	1 835	-	27 622
Profit (loss) from continuing operations	106 081	12 568	-	118 649
Net profit (loss)	106 081	12 568	-	118 649
Net profit (loss) attributable to noncontrolling interests	-	-	-	-
Net profit (loss) attributable to equity holders of the parent entity	106 081	12 568	-	118 649

Segmented consolidated profit and loss account for the period between 01.01.2016 and 30.06.2016*

	CD PROJEKT RED	GOG.com	Consolidation eliminations (incl. from business combinations)	Total
Sales revenues	266 496	69 259	(16 759)	318 996
Revenues from sales of products	253 985	18	4 864	258 867
Revenues from sales of services	2 123	-	(1 958)	165
Revenues from sales of goods and materials	10 388	69 241	(19 665)	59 964
Cost of products, goods and materials sold	42 970	47 891	(15 925)	74 936
Cost of products and services sold	33 076	342	(1 126)	32 292
Value of goods and materials sold	9 894	47 549	(14 799)	42 644
Gross profit (loss) from sales	223 526	21 368	(834)	244 060
Other operating revenues	822	352	(340)	834
Selling costs	58 060	13 186	(1 011)	70 235
General and administrative costs	8 715	1 959	177	10 851
Other operating expenses	746	284	(340)	690
Operating profit (loss)	156 827	6 291	-	163 118
Financial revenues	4 819	5	(16)	4 808
Financial expenses	213	213	(16)	410
Profit (loss) before taxation	161 433	6 083	-	167 516
Income tax	32 054	780	-	32 834
Profit (loss) from continuing operations	129 379	5 303	-	134 682
Net profit (loss)	129 379	5 303	-	134 682
Net profit (loss) attributable to noncontrolling interests	-	-	-	-
Net profit (loss) attributable to equity holders of the parent entity	129 379	5 303	-	134 682

* Changes with respect to data published on 25 August 2016 in the consolidated financial statement of the CD PROJEKT Capital Group for the period between 1 January and 30 June 2016 result from presentation-related adjustments described in the section titled "Assumption of comparability of financial statements and changes in accounting policies" and from merging the "Other activities" segment with the CD PROJEKT RED segment.

Segmented consolidated statement of financial position as of 30.06.2017

	CD PROJEKT RED	GOG.com	Consolidation eliminations (incl. from business combinations)	Total
FIXED ASSETS	213 948	9 942	(14 218)	209 672
Tangible assets	15 132	3 008	-	18 140
Intangible assets	45 391	2 235	-	47 626
Expenditures on development projects	92 300	4 667	-	96 967
Goodwill	46 417	-	-	46 417
Investments in subsidiaries	14 218	-	(14 218)	-
Other long-term receivables	490	32	-	522
WORKING ASSETS	639 952	71 095	(18 723)	692 324
Inventories	555	-	-	555
Trade receivables	83 290	3 477	(8 628)	78 139
Current income tax receivables	2 374	109	-	2 483
Other receivables	19 043	5 559	(10 095)	14 507
Prepaid expenses	1 657	12 267	-	13 924
Cash and cash equivalents	35 486	49 683	-	85 169
Bank deposits (maturity beyond 3 months)	497 547	-	-	497 547
TOTAL ASSETS	853 900	81 037	(32 941)	901 996

	CD PROJEKT RED	GOG.com	Consolidation eliminations (incl. from business combinations)	Total
EQUITY	774 400	36 191	(14 218)	796 373
Equity attributable to shareholders of the parent company	774 400	36 191	(14 218)	796 373
Share capital	96 120	136	(136)	96 120
Supplementary capital	550 780	3 227	(4 672)	549 335
Other reserve capital	9 776	530	(529)	9 777
Exchange rate differences on valuation of foreign entities	(34)	212	470	648
Retained earnings	11 677	19 518	(9 351)	21 844
Net profit (loss) for the reporting period	106 081	12 568	-	118 649
Noncontrolling interest equity	-	-	-	-
LONG-TERM LIABILITIES	6 319	157	-	6 476
Other financial liabilities	205	-	-	205
Deferred income tax liabilities	5 633	149	-	5 782
Deferred revenues	427	5	-	432
Provisions for employee benefits and similar liabilities	54	3	-	57
SHORT-TERM LIABILITIES	73 181	44 689	(18 723)	99 147
Other financial liabilities	220	-	-	220
Trade liabilities	8 532	28 665	(8 628)	28 569
Liabilities from current income tax	18	1 479	-	1 497
Other liabilities	12 418	10 553	(10 095)	12 876
Deferred revenues	789	1 900	-	2 689
Provisions for retirement benefits and similar liabilities	52	2	-	54
Other provisions	51 152	2 090	-	53 242
TOTAL EQUITY AND LIABILITIES	853 900	81 037	(32 941)	901 996

Segmented consolidated statement of financial position as of 31.12.2016*

	CD PROJEKT RED	GOG.com	Consolidation eliminations (incl. from business combinations)	Total
FIXED ASSETS	176 047	8 483	(13 886)	170 644
Tangible assets	11 551	2 872	-	14 423
Intangible assets	43 660	3 452	-	47 112
Expenditures on development projects	60 050	1 961	-	62 011
Goodwill	46 417	-	-	46 417
Investments in subsidiaries	13 688	-	(13 688)	-
Other financial assets	194	-	-	194
Deferred income tax assets	-	198	(198)	-
Other long-term receivables	487	-	-	487
WORKING ASSETS	658 721	56 558	(10 963)	704 316
Inventories	401	-	-	401
Trade receivables	73 654	3 904	(6 004)	71 554
Current income tax receivables	-	112	-	112
Other receivables	22 769	2 532	(5 033)	20 268
Other financial assets	53	-	-	53
Prepaid expenses	1 012	13 712	-	14 724
Cash and cash equivalents	180 997	36 298	74	217 369
Bank deposits (maturity beyond 3 months)	379 835	-	-	379 835
TOTAL ASSETS	834 768	65 041	(24 849)	874 960

	CD PROJEKT RED	GOG.com	Consolidation eliminations (incl. from business combinations)	Total
EQUITY	764 350	26 276	(13 688)	776 938
Equity attributable to shareholders of the parent company	764 350	26 276	(13 688)	776 938
Share capital	96 120	136	(136)	96 120
Supplementary capital	402 004	5 669	(4 672)	403 001
Other reserve capital	4 271	524	-	4 795
Exchange rate differences on valuation of foreign entities	54	3 394	470	3 918
Retained earnings	12 325	11 742	(5 477)	18 590
Net profit (loss) for the reporting period	249 576	4 811	(3 873)	250 514
Noncontrolling interest equity	-	-	-	-
LONG-TERM LIABILITIES	8 464	9	(198)	8 275
Other financial liabilities	76	-	-	76
Deferred income tax liabilities	7 396	-	(198)	7 198
Deferred revenues	937	7	-	944
Provisions for employee benefits and similar liabilities	55	2	-	57
SHORT-TERM LIABILITIES	61 954	38 756	(10 963)	89 747
Other financial liabilities	63	-	-	63
Trade liabilities	5 705	28 196	(5 930)	27 971
Liabilities from current income tax	3 678	84	-	3 762
Other liabilities	8 240	6 555	(5 033)	9 762
Deferred revenues	587	2 277	-	2 864
Provisions for retirement benefits and similar liabilities	182	112	-	294
Other provisions	43 499	1 532	-	45 031
TOTAL EQUITY AND LIABILITIES	834 768	65 041	(24 849)	874 960

* Changes with respect to data published on 30 March 2017 in the consolidated financial statement of the CD PROJEKT Capital Group for the period between 1 January and 31 December 2016 result from presentation-related adjustments described in the section titled "Assumption of comparability of financial statements and changes in accounting policies" and from merging the "Other activities" segment with the CD PROJEKT RED segment.



CD PROJEKT

**Additional notes and clarifications
regarding the condensed interim
consolidated financial statement**

4

Note 1. Description of circumstances affecting assets, liabilities, equity, net financial result and cash flows which are unusual due to their type, size or effect

Important events

Throughout the first half of 2017, the Group's financial result, assets, liabilities, equity and cash flows continued to be dominated by ongoing sales of The Witcher 3: Wild Hunt along with the game's two expansion packs (Hearts of Stone and Blood and Wine), as well as by development of future CD PROJEKT RED releases (Cyberpunk 2077 and GWENT: The Witcher Card Game). Notably, GWENT advanced to the open beta stage, which was reflected by increased sales revenues corresponding to this project.

No important events affecting assets, liabilities, equity, net financial result and cash flows which would be unusual due to their type, size or effect occurred within the reporting period.

Note 2. Tangible fixed assets

Changes in fixed assets (by category) between 01.01.2017 and 30.06.2017

	Buildings and structures	Machinery and equipment	Vehicles	Other fixed assets	Fixed assets under construction	Total
Gross carrying amount as of 01.01.2017	6 559	16 062	1 537	1 134	1 860	27 152
Increases from:	3 876	2 448	625	179	2 553	9 681
purchases	1 091	2 232	-	170	2 553	6 046
lease agreements	-	-	625	-	-	625
reassignment from fixed assets under construction	2 785	135	-	-	-	2 920
reclassification	-	68	-	9	-	77
other	-	13	-	-	-	13
Reductions from:	2	113	126	105	2 920	3 266
sales	2	-	126	-	-	128
reassignment from fixed assets under construction	-	-	-	-	2 920	2 920
reclassification	-	63	-	14	-	77
other	-	50	-	91	-	141
Gross carrying amount as of 30.06.2017	10 433	18 397	2 036	1 208	1 493	33 567
Depreciation as of 01.01.2017	2 153	9 285	771	520	-	12 729
Increases from:	452	2 036	183	259	-	2 930
depreciation	452	1 978	183	250	-	2 863
reclassification	-	58	-	9	-	67
Reductions from:	-	80	115	37	-	232
sales	-	-	115	-	-	115
reclassification	-	58	-	9	-	67
other	-	22	-	28	-	50
Depreciation as of 30.06.2017	2 605	11 241	839	742	-	15 427
Impairment write-downs as of 01.01.2017	-	-	-	-	-	-
Impairment write-downs as of 30.06.2017	-	-	-	-	-	-
Net carrying amount as of 30.06.2017	7 828	7 156	1 197	466	1 493	18 140

Contractual commitments for future acquisition of tangible fixed assets

	30.06.2017	31.12.2016
Leasing of passenger cars	833	284
Total	833	284

Note 3. Intangibles and R&D expenses

Changes in intangibles between 01.01.2017 and 30.06.2017

	Development projects in progress	Development projects completed	Trademarks	Patents and licenses	Copyrights	Computer software	Goodwill	Intangibles under construction	Others	Total
Gross carrying amount as of 01.01.2017	62 011	162 155	32 199	1 496	6 624	22 185	46 417	51	1	333 139
Increases from:	35 699	-	-	59	-	2 616	-	-	-	38 374
purchases	-	-	-	59	-	2 616	-	-	-	2 675
own creation	35 699	-	-	-	-	-	-	-	-	35 699
Reductions from:	743	-	-	71	-	691	-	6	-	1 511
liquidation	743	-	-	-	-	-	-	-	-	743
other	-	-	-	71	-	691	-	6	-	768
Gross carrying amount as of 30.06.2017	96 967	162 155	32 199	1 484	6 624	24 110	46 417	45	1	370 002
Depreciation as of 01.01.2017	-	162 155	-	500	33	14 910	-	-	1	177 599
Increases from:	-	-	-	111	-	1 702	-	-	-	1 813
depreciation	-	-	-	111	-	1 702	-	-	-	1 813
Reductions from:	-	-	-	4	-	416	-	-	-	420
other	-	-	-	4	-	416	-	-	-	420
Depreciation as of 30.06.2017	-	162 155	-	607	33	16 196	-	-	1	178 992
Impairment write-downs as of 01.01.2017	-	-	-	-	-	-	-	-	-	-
Impairment write-downs as of 30.06.2017	-	-	-	-	-	-	-	-	-	-
Gross carrying amount as of 30.06.2017	96 967	-	32 199	877	6 591	7 914	46 417	45	-	191 010

Contractual commitments for future acquisition of intangibles

Not applicable.

Note 4. Goodwill

No changes in goodwill occurred between 1 January and 30 June 2017.

Note 5. Inventories

Changes in inventories

	30.06.2017	31.12.2016
Other materials	28	28
Goods	527	373
Gross inventories	555	401
Inventory impairment write-downs	-	-
Net inventories	555	401

Changes in inventory impairment write-downs

Not applicable.

Note 6. Trade and other receivables

Changes in receivables

	30.06.2017	31.12.2016
Trade and other receivables	92 646	91 822
from affiliates	-	10
from external entities	92 646	91 812
Impairment losses	3 642	4 211
Gross receivables	96 288	96 033

Changes in impairment write-downs on receivables

	Trade receivables	Other receivables
OTHER ENTITIES		
Impairment losses as of 01.01.2017	3 479	732
Increases from:	-	-
creation of write-downs for past-due and contested receivables	-	-
Reductions from:	569	-
elimination of write-downs due to collection of receivables	482	-
dissolution of write-downs (writeoffs)	87	-
Impairment losses as of 30.06.2017	2 910	732

Current and overdue trade receivables as of 30.06.2017

	Total	Not overdue	Days overdue				
			< 61	61 – 90	91 – 180	181 – 360	>360
OTHER ENTITIES							
gross receivables	81 049	77 760	378	-	1	2 489	421
impairment write-downs	2 910	-	-	-	-	2 489	421
Net receivables	78 139	77 760	378	-	1	-	-

Other receivables as of 30.06.2017

	30.06.2017	31.12.2016
Other receivables, including:	14 507	20 268
tax returns except corporate income tax	10 611	17 229
advance payments for supplies	2 794	1 838
deposits	79	83
employee compensation settlements	81	38
sale of shares	569	1 031
other	373	49
Impairment write-downs	732	732
Other gross receivables	15 239	21 000

Note 7. Prepaid expenses

	30.06.2017	31.12.2016*
Non-life insurance	156	78
Company car insurance	27	20
Minimum guarantees; payments advanced to GOG	11 441	13 207
Access to online legal support portal	42	23
Software, licenses	634	866
Business travel (airfare, hotels, insurance)	183	25
Participation in fairs	504	-
IT security costs	251	-
Other prepaid expenses	686	505
Total prepaid expenses	13 924	14 724

* adjusted data

Note 8. Deferred income tax

Negative temporary differences requiring recognition of deferred tax assets

	31.12.2016*	increases	reductions	30.06.2017
Provisions for other employee benefits	243	25	147	121
Provisions for compensation dependent on financial result	43 906	22 415	13 958	52 363
Fixed assets written off	-	743	-	743
Negative exchange rate differences	1 027	1 300	1 293	1 034
Employee compensation and social security expenses payable in future reporting periods	113	1	111	3
Difference between net carrying value and net tax value of fixed assets and intangibles	157	332	308	181
Other provisions	499	32	368	163
Total negative temporary differences	45 945	24 848	16 185	54 608
Tax rate (Poland)	19%	19%	19%	19%
Deferred tax assets	8 730	4 721	3 075	10 376

* adjusted data

Positive temporary differences requiring recognition of deferred tax provisions

	31.12.2016	increases	reductions	30.06.2017
Difference between net carrying value and net tax value of fixed assets and intangibles	15 761	2 652	-	18 413
Revaluation of forward contracts (cash flow hedge) at fair value	53	-	53	-
Income in the current period invoiced in the following period, and sales returns in the current period	66 698	100 610	101 142	66 166
Positive exchange rate differences	1 004	163	1 115	52
Valuation of shares in other entities	169	-	169	-
Other sources	146	270	6	410
Total positive temporary differences	83 831	103 695	102 485	85 041
Tax rate (Poland)	19%	19%	19%	19%
Deferred tax provisions	15 928	19 702	19 472	16 158

Balance of deferred tax assets/provisions

	30.06.2017	31.12.2016
Deferred tax assets	10 376	8 730
Deferred tax provisions	16 158	15 928
Net deferred tax assets/provisions	(5 782)	(7 198)

Income tax reported in profit/loss account

	01.01.2017 - 30.06.2017	01.01.2016 - 30.06.2016
Current income tax	29 038	31 570
Changes in deferred income tax	(1 416)	1 264
Income tax reported in profit/loss account	27 622	32 834

Note 9. Provisions for employee benefits and similar liabilities

Provisions for employee benefits and similar liabilities

	30.06.2017	31.12.2016
Provisions for retirement benefits and pensions	58	58
Provisions for other employee benefits	53	293
Total, including:	111	351
long-term provisions	57	57
short-term provisions	54	294

Changes in provisions

	Provisions for retirement benefits and pensions	Provisions for other employee benefits	Total
As of 01.01.2017	58	293	351
Benefits paid out	-	216	216
Provisions dissolved	-	24	24
As of 30.06.2017, including:	58	53	111
long-term provisions	57	-	57
short-term provisions	1	53	54

Note 10. Other provisions

	30.06.2017	31.12.2016
Provisions for warranty-covered repairs and returns	51	21
Provisions for liabilities, including:	53 191	45 010
financial statement audit expenses	61	68
provisions for bought-in services	673	644
provisions for bonuses dependent on financial result	52 363	43 906
provisions for licensing liabilities	-	81
provisions for licenses and fixed assets	34	72
provisions for other expenses	60	239
Total, including:	53 242	45 031
long-term provisions	-	-
short-term provisions	53 242	45 031

Changes in other provisions

	Provisions for warranty-covered repairs and returns	Provisions for bonuses dependent on financial result	Other provisions	Total
As of 01.01.2017	21	43 906	1 104	45 031
Provisions created during the fiscal year	52	22 415	1 643	24 110
Benefits paid out	18	12 730	1 851	14 599
Provisions dissolved	-	1 228	-	1 228
Adjustments due to exchange rate differences	(4)	-	(68)	(72)
As of 30.06.2017, including:	51	52 363	828	53 242
long-term provisions	-	-	-	-
short-term provisions	51	52 363	828	53 242

Note 11. Other liabilities

	30.06.2017	31.12.2016
Liabilities due to other taxes, duties, social security and similar expenses except corporate income tax	8 534	4 508
VAT	4 906	3 487
Flat-rate tax deducted at source	15	12
Personal income tax	1 490	659
Social security (ZUS) payments	1 626	327
National Fund for the Rehabilitation of the Disabled (PFRON) payments	21	19
PIT-8A settlements	32	4
Other liabilities	444	-
Other liabilities	4 342	5 254
Liabilities associated with employee compensation	-	1 204
Other settlements with employees	37	25
Other settlements with members of the management boards of Capital Grop member companies	5	10
Social Benefits Fund (ZFŚS) – other settlements	86	(34)
Advance payments from foreign clients	4 214	4 049
Total other liabilities	12 876	9 762

Note 12. Disclosure of financial instruments

Fair value of financial instruments per class

The Management Board of the Group has performed an analysis of each class of financial instruments and came to the conclusion that the carrying amount of each instrument matches their respective fair value both as of 30 June 2017 and as of 31 December 2016.

Changes in financial instruments

	01.01.2017 – 30.06.2017				
	Financial assets carried at fair value through profit or loss	Financial assets held to maturity	Loans granted and own receivables	Financial assets held for sale	Other financial liabilities
At beginning of period	53	379 835	309 191	194	37 872
Increases	-	497 547	177 815	-	41 870
Cash and cash equivalents	-	-	85 169	-	-
Trade and other receivables	-	-	92 646	-	-
Trade and other liabilities	-	-	-	-	41 445
Short-term deposits (maturity beyond 3 months)	-	497 547	-	-	-
Financial lease agreements	-	-	-	-	425
Reductions	53	379 835	309 191	194	37 872
Cash and cash equivalents	-	-	217 369	-	-
Trade and other receivables	-	-	91 822	-	-
Trade and other liabilities	-	-	-	-	37 733
Financial lease agreements	-	-	-	-	139
Short-term deposits (maturity beyond 3 months)	-	379 835	-	-	-
Company shares and stock	-	-	-	194	-
Forward contracts	53	-	-	-	-
At end of period	-	497 547	177 815	-	41 870

Hierarchy of financial instruments carried at fair value

	30.06.2017	31.12.2016
LEVEL 2		
Assets carried at fair value		
Derivatives:	-	53
forward currency contract – USD	-	53

Financial instruments carried at fair value are categorised into different levels of the fair value hierarchy as follows:

Level 1 – inputs are quoted prices in active markets for identical assets or liabilities.

Level 2 – inputs other than quoted market prices that are observable for the asset or liability, either directly or indirectly.

Level 3 – inputs are unobservable inputs for the asset or liability.

Changes in financial instruments are recognized as financial revenues or expenses (as appropriate) and presented in note 15.

Note 13. Operating expenses

	01.01.2017 – 30.06.2017	01.01.2016 – 30.06.2016*
Depreciation and impairment of fixed assets and intangibles	2 350	2 564
Consumption of materials and energy	478	749
Bought-in services	34 653	40 354
Taxes and fees	255	211
Employee compensation, social security and other benefits	35 603	35 511
Business travel	828	1 042
Other expenses	632	655
Value of goods and materials sold	37 598	42 644
Cost of products and services sold	488	32 292
Total	112 885	156 022
Selling costs	58 470	70 235
General and administrative costs	16 329	10 851
Cost of products, goods and materials sold	38 086	74 936
Total	112 885	156 022

* adjusted data

Note 14. Other operating revenues and expenses

Other operating revenues

	01.01.2017 – 30.06.2017	01.01.2016 – 30.06.2016
Elimination of write-downs for receivables	480	33
Dissolution of provisions for employee benefits	1 234	7
Dissolution of provisions for liabilities	10	71
Subsidies	92	75
Write-downs on expired liabilities	32	5
Insurance claims and compensation for damages	118	2
Reinvoicing revenues	236	519
Profit from liquidation of fixed assets	46	57
Withholding tax recovered at source	235	-
Other revenues, including:	120	65
provisions dissolved	21	-
repossession gains received	15	8
interest on budget commitments	11	-
goods received free of charge	-	2
other sales	33	3
other miscellaneous operating revenues	40	52
Total operating revenues	2 603	834

Other operating expenses

	01.01.2017 – 30.06.2017	01.01.2016 – 30.06.2016
Revaluation of receivables	-	26
Expenses associated with receivable enforcement proceedings	48	-
Donations	5	-
Reinvoicing costs	236	520
Receivables written off	32	-
Fixed assets written off	743	-
Unrecoverable withholding tax	7	127
Other operating expenses, including:	224	17
insurance costs	2	-
disposal of materials and goods	-	10
expenses associated with other sales	214	-
other miscellaneous operating expenses	8	7
Total operating expenses	1 295	690

Note 15. Financial revenues and expenses

Financial revenues

	01.01.2017 – 30.06.2017	01.01.2016 – 30.06.2016
Revenues from interest:	5 044	3 975
on short-term bank deposits	5 041	3 967
on trade settlements	3	2
long-term deposit discount	-	6
Other financial revenues, including:	415	833
profit from liquidation of investments	-	23
forward currency contracts	41	797
revenues from sales of shares	374	-
other miscellaneous financial revenues	-	13
Total financial revenues	5 459	4 808

Financial expenses

	01.01.2017 – 30.06.2017	01.01.2016 – 30.06.2016
Interest payments:	41	23
on lease agreements	5	6
on budget commitments	36	17
Other financial expenses, including:	2 394	387
surplus negative exchange rate differences	2 394	344
net loss from disposal of investments (stock)	-	43
Total financial expenses	2 435	410
Net financial expenses	3 024	4 398

Note 16. Issue, buyback and redemption of debt and capital securities

Issue of debt securities

Not applicable.

Issue of capital securities

	30.06.2017	31.12.2016
Stock volume (thousands)	96 120	96 120
Nominal value per share (PLN)	1	1
Share capital (PLN thousands)	96 120	96 120

Note 17. Dividends declared or paid out

On 23 May 2017 the Ordinary General Meeting of Shareholders of CD PROJEKT S.A. voted to allocate part of the parent's company's profit obtained in 2016 towards a dividend payable to Company shareholders. In line with the adopted resolution, on 13 June 2017 the parent company paid out a dividend in the amount of 100 926 thousand PLN (1.05 PLN per share). The dividend applied to 96 120 000 shares of the parent company.



Note 18. Transactions with affiliates

Rules governing transactions with affiliates

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

In each case, selection of the appropriate pricing model is preceded by careful analysis of the given transaction, - specifically, the assignment of responsibilities and financial exposure of each party, along with the associated risks, costs and business strategies.

As a result, transactions between member companies of the CD PROJEKT Capital Group closely reflect similar transactions concluded by unaffiliated entities.

For significant transactions exceeding the limits specified in Art. 9a section 2 of the corporate income tax law all participating entities submit the required tax documentation.

Transactions with affiliates following consolidation eliminations

	Sales to affiliates		Purchases from affiliates		Receivables from affiliates		Liabilities due to affiliates	
	01.01.2017 – 30.06.2017	01.01.2016 – 30.06.2016	01.01.2017 – 30.06.2017	01.01.2016 – 30.06.2016	30.06.2017	31.12.2016	30.06.2017	31.12.2016
SUBSIDIARIES								
CD PROJEKT Co.,Ltd.	-	-	666	-	-	-	-	-
GROUP MEMBER COMPANIES EXECUTIVES AND PROXIES								
Marcin Iwiński	3	3	-	-	-	1	2	-
Adam Kiciński	2	2	-	-	-	-	-	7
Piotr Nielubowicz	2	2	-	-	-	-	-	-
Michał Nowakowski	5	5	-	-	-	-	3	3
Adam Badowski	-	-	-	-	-	9	-	-
Piotr Karwowski	-	1	-	-	-	-	-	-
SUPERVISORY BOARD MEMBERS								
Katarzyna Szwarz	-	-	5	-	-	-	-	-



Note 19. Bad loans and breaches of loan agreements not subject to remedial proceedings as of the balance sheet date

Not applicable.

Note 20. Changes in conditional liabilities and assets since the close of the most recent fiscal year

Conditional liabilities due to sureties and collateral pledged

	Type of agreement	Currency	30.06.2017	31.12.2016
Agora S.A.				
Promissory note payable	Collateral for licensing and distribution agreement	PLN	-	11 931
Declaration of submission to enforcement with respect to guaranteed execution of distribution agreement	Collateral for licensing and distribution agreement	PLN	-	11 931
mBank S.A.				
Declaration of submission to enforcement	Collateral for credit card agreement	PLN	920	920
Promissory note agreement	Framework agreement concerning forward and derivative transactions	PLN	7 710	7 710
Promissory note agreement	Collateral for lease agreement	PLN	667	667
Ingenico Group S.A. (formerly Global Collect Services BV)				
Contract of guarantee	Guarantee of discharge of liabilities by GOG Ltd.	EUR	155	155
Ministry of the Economy				
Promissory note agreement	Co-financing agreement no. POIG.06.05.02-00-146/13-00	PLN	-	265
Promissory note agreement	Co-financing agreement no. POIG.06.05.02-00-148/13-00	PLN	-	235

Polish Agency for Enterprise Development (Polska Agencja Rozwoju Przedsiębiorczości)				
Promissory note agreement	Co-financing agreement no. UDA-POIG.08.02.00-14-524/13-00; POIG Task 8.2	PLN	798	798
National Centre for Research and Development (Narodowe Centrum Badań i Rozwoju)				
Promissory note agreement	Co-financing agreement no. POIR.01.02.00-00-0105/16	PLN	7 934	-
Promissory note agreement	Co-financing agreement no. POIR.01.02.00-00-0110/16	PLN	5 114	-
Promissory note agreement	Co-financing agreement no. POIR.01.02.00-00-0112/16	PLN	3 857	-
Promissory note agreement	Co-financing agreement no. POIR.01.02.00-00-0118/16	PLN	5 324	-
Raiffeisen Bank Polska S.A.				
Guarantee of discharge of cash pool liabilities	Cash pool agreement	PLN	-	15 000
Guarantee of discharge of cash pool liabilities	Cash pool agreement	USD	-	500
Declaration of submission to enforcement	Framework agreement concerning forward and derivative transactions	PLN	75 000	75 000
BZ WBK Leasing S.A.				
Promissory note agreement	Lease agreement no. CZ5/00019/2016	PLN	320	320
Promissory note agreement	Lease agreement no. CZ5/00013/2017	PLN	403	-
Promissory note agreement	Lease agreement no. CZ5/00036/2017	PLN	175	-
BZ WBK S.A.				
Promissory note agreement	Framework agreement concerning treasury transactions	PLN	6 500	6 500

Note 21. Changes in the structure of the Capital Group and its member entities occurring during the reporting period

Incorporation of new subsidiary

On 26 April 2017 a new subsidiary of CD PROJEKT S.A. was incorporated in the People's Republic of China under the name CD PROJEKT Co. Ltd., with a registered office in Shanghai. The goal of this action is to ensure CD PROJEKT Capital Group presence on the local market and to support a local team which will coordinate publishing and promotional activities in the People's Republic of China, particularly as relates to the upcoming release of GWENT.

Merger between subsidiaries

On 15 May 2017 the Management Boards of two companies wholly owned by CD PROJEKT S.A., i.e. GOG Poland Sp. z o.o. and GOG Ltd. undertook resolutions whose purpose is to effect a merger between said companies. The process involves a transnational merger between GOG Poland Sp. z o.o. (the Acquirer) and GOG Ltd. (the Acquiree) and transfer of all operating activities of GOG Ltd. from Cyprus to Poland. This is done in order to simplify the organizational structure of the CD PROJEKT Capital Group.

Note 22. Agreements which may, in the future, result in changes in the proportion of shares held by shareholders and bondholders

On 24 May 2016 the General Meeting of Shareholders voted to institute a new incentive program covering the years 2016-2021. According to the program's conditions, a maximum of 6 000 000 entitlements may be granted. Implementation of the program may be carried out by issuing and assigning series B subscription warrants, entitling holders to claim Company shares issued as a conditional increase in the Company share capital, or by presenting entitled parties with an offer to buy existing shares which the Company will have previously bought back on the open market. In either case, implementation of the program is contingent upon meeting specific result goals (80% of entitlements) and market goals (20% of entitlements), in addition to a loyalty criterion which applies to each entitled party until such time as the attainment of either goal is officially declared.

In conjunction with assignment of Series B subscription warrants, the Company is also discretionarily empowered to present each entitled party with an offer to repurchase said warrants, in part or in whole, for redemption.

Note 23. Fiscal settlements

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

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

On 15 July 2016 the Tax Code was amended to reflect the stipulations of the General Anti-Avoidance Rule (GAAR). The goal of GAAR is to discourage creation and exploitation of fictitious legal structures which serve primarily as a means of avoiding taxation. GAAR defines tax avoidance as any activity which is carried out specifically to obtain fiscal relief in a manner contrary to the goal and substance of the applicable tax laws. Under GAAR, such activities provide no fiscal relief if carried out under false pretense. Specifically, all cases of (i) unnecessary partitioning of activities; (ii) involving intermediaries despite the lack of economic justification for such involvement; (iii) activities which produce a state identical to or materially similar to the state which existed prior to initiation of such activities; (iv) mutually compensating or counterbalancing activities or (v) activities which carry excessive economic risk given the expected benefits, except for fiscal benefits, giving rise to the conclusion that a rational entity would not have undertaken such risk – all such activities may be regarded as carried out under false pretense and therefore subject to GAAR. The introduction of GAAR will mandate much more diligent assessment of the fiscal consequences of transactions carried out by the Company.

GAAR is applicable to transactions carried out following its introduction as well as to preceding transactions, if such transactions continued to generate tax benefits on the date of introduction of GAAR. Implementation of the abovementioned rules will enable Polish tax authorities to question legal agreements concluded by taxable entities, such as restructurization and reorganization of the Capital Group.

Note 24. Clarifications regarding the condensed interim consolidated statement of cash flows

	01.01.2017 – 30.06.2017	01.01.2016 – 30.06.2016*
Total cash and cash equivalents reported in the cash flow statement	85 169	342 023
Cash on balance sheet	85 169	342 023
Depreciation	2 350	33 961
Depreciation of intangible assets	1 232	1 627
Depreciation of development projects	-	31 397
Depreciation of fixed assets	1 118	937
Interest and profit sharing consists of:	(5 041)	(3 967)
Interest collected	(5 041)	(3 967)
Profit (loss) from investment activities consists of:	945	23
Revenues from liquidation of fixed assets	(59)	(179)
Net value of fixed assets sold	13	122
Net value of shares sold	195	-
Revaluation of fixed assets	-	102
Revaluation of short-term financial assets	53	-
Fixed assets written off	743	-
Revenues from liquidation of investments	-	(22)
Changes in provisions consist of:	7 971	9 791
Balance of changes in provisions for liabilities	8 211	9 737
Balance of changes in provisions for employee benefits	(240)	54
Changes in inventories consist of:	(154)	136
Balance of changes in inventories	(154)	136
Changes in receivables consist of:	(825)	15 028
Balance of changes in short-term receivables	(3 195)	11 185
Balance of changes in long-term receivables	(35)	(100)
Income tax set against withholding tax	14 316	15 870
Adjustments for current income tax	(11 911)	(11 927)
Changes in short-term liabilities except financial liabilities consist of:	3 799	(36 816)
Balance of changes in short-term liabilities	1 604	(41 934)
Adjustments for current income tax	2 265	6 587
Changes in financial liabilities	(157)	123
Adjustments for liabilities associated with purchases of fixed assets	487	(402)
Adjustments for liabilities associated with purchases of intangible assets	(400)	(1 190)
Changes in other assets and liabilities consist of:	113	(4 980)
Balance of changes in prepaid expenses	800	(162)
Balance of changes in deferred revenues	(687)	(4 818)
Other adjustments consist of:	2 094	1 580
Costs of incentive program	4 982	1 161
Depreciation aggregated with cost of sales and consortium settlements	39	84
Exchange rate differences	(2 927)	335

* adjusted data



Note 25. Events following the balance sheet date

A detailed summary of events which occurred after the balance sheet date can be found in the Management Board report on Capital Group activities for the period between 1 January and 30 June 2017.



CD PROJEKT

**Condensed interim separate financial
statement of CD PROJEKT S.A.**

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Condensed interim separate profit and loss account

	Note	01.01.2017 – 30.06.2017	01.01.2016 – 30.06.2016*
Sales revenues		183 807	265 718
Revenues from sales of products		179 671	253 984
Revenues from sales of services		1 225	1 346
Revenues from sales of goods and materials		2 911	10 388
Cost of products, goods and materials sold		3 830	42 969
Cost of products and services sold		1 102	33 076
Value of goods and materials sold		2 728	9 893
Gross profit (loss) from sales		179 977	222 749
Other operating revenues		2 745	863
Selling costs		40 371	60 300
General and administrative costs		12 202	7 119
Other operating expenses		1 471	785
Operating profit (loss)		128 678	155 408
Financial revenues		5 444	4 796
Financial expenses		2 604	218
Profit (loss) before tax		131 518	159 986
Income tax	A	25 592	30 788
Net profit (loss)		105 926	129 198
Net earnings per share (in PLN)			
Basic for the reporting period		1.10	1.36
Diluted for the reporting period		1.07	1.34
Net earnings per share from continuing operations (in PLN)			
Basic for the reporting period		1.10	1.36
Diluted for the reporting period		1.07	1.34

* adjusted data

Condensed interim separate statement of comprehensive income

	01.01.2017 – 30.06.2017	01.01.2016 – 30.06.2016
Net profit (loss)	105 926	129 198
Other comprehensive income which will be entered as profit (loss) following fulfillment of specific criteria	-	-
Other comprehensive income which will not be entered as profit (loss)	-	-
Total comprehensive income	105 926	129 198

Condensed interim separate statement of financial position

	Note	30.06.2017	31.12.2016*
FIXED ASSETS		208 870	169 607
Tangible assets		14 675	10 952
Intangibles	B	85 807	84 075
Expenditures on development projects		92 299	60 049
Investments in subsidiaries	D	14 423	13 850
Other financial assets		1 175	194
Other long-term receivables		491	487
WORKING ASSETS		638 587	658 922
Inventories		555	401
Trade receivables		83 056	73 372
Current income tax receivables		2 374	-
Other receivables		18 988	23 701
Other financial assets		454	53
Prepaid expenses		1 606	1 012
Cash and cash equivalents		34 007	180 548
Bank deposits (maturity beyond 3 months)	12**	497 547	379 835
TOTAL ASSETS		847 457	828 529

* Adjusted data

** Detailed information regarding changes in each line item can be found in the notes accompanying the condensed interim consolidated financial statement.

	Note	30.06.2017	31.12.2016
EQUITY		767 558	757 576
Equity attributable to shareholders of the entity		767 558	757 576
Share capital	16*	96 120	96 120
Supplementary capital		539 294	390 518
Other reserve capital		9 777	4 795
Retained earnings		16 441	16 441
Net profit (loss) for the reporting period		105 926	249 702
LONG-TERM LIABILITIES		6 559	8 705
Other financial liabilities		205	76
Deferred income tax liabilities	A	5 873	7 638
Deferred revenues		427	937
Provisions for employee benefits and similar liabilities		54	54
SHORT-TERM LIABILITIES		73 340	62 248
Other financial liabilities		220	63
Trade liabilities		8 712	7 204
Current income tax liabilities		-	3 678
Other liabilities		12 417	7 035
Deferred revenues		789	587
Provisions for employee benefits and similar liabilities		52	182
Other provisions		51 150	43 499
TOTAL EQUITY AND LIABILITIES		847 457	828 529

* Detailed information regarding changes in each line item can be found in the notes accompanying the condensed interim consolidated financial statement.

Condensed interim statement of changes in separate equity

	Share capital	Supplementary capital	Other reserve capital	Retained earnings	Net profit (loss) for the reporting period	Total equity
01.01.2017 – 30.06.2017						
Equity as of 01.01.2017	96 120	390 518	4 795	266 143	-	757 576
Equity after adjustments	96 120	390 518	4 795	266 143	-	757 576
Cost of incentive program	-	-	4 982	-	-	4 982
Payment in own shares	-	-	-	-	-	-
Allocation of net profit/coverage of loss	-	148 776	-	(148 776)	-	-
Dividend payments	-	-	-	(100 926)	-	(100 926)
Total comprehensive income	-	-	-	-	105 926	105 926
Equity as of 30.06.2017	96 120	539 294	9 777	16 441	105 926	767 558

	Share capital	Supplementary capital	Other reserve capital	Retained earnings	Net profit (loss) for the reporting period	Total equity
01.01.2016 – 30.06.2016*						
Equity as of 01.01.2016	94 950	110 936	3 354	270 847	-	480 087
Equity after adjustments	94 950	110 936	3 354	270 847	-	480 087
Registered increase in share capital	210	-	(210)	-	-	-
Cost of incentive program	-	-	1 161	-	-	1 161
Payment for shares issued under the incentive program	-	-	903	-	-	903
Payment in own shares	-	1 488	(1 488)	-	-	-
Allocation of net profit/coverage of loss	-	270 847	-	(270 847)	-	-
Total comprehensive income	-	-	-	-	129 198	129 198
Equity as of 30.06.2016	95 160	383 271	3 720	-	129 198	611 349

* adjusted data

Condensed interim separate statement of cash flows

01.01.2017 – 01.01.2016 –
30.06.2017 30.06.2016*

OPERATING ACTIVITIES

Net profit (loss)	105 926	129 198
Total adjustments:	16 285	200
Depreciation of fixed assets and intangibles	872	1 263
Depreciation of development projects	-	31 397
Profit (loss) from exchange rate differences	188	-
Interest and profit sharing (dividends)	(5 023)	(3 945)
Profit (loss) from investment activities	945	27
Change in provisions	7 521	9 590
Change in inventories	(154)	136
Change in receivables	(477)	8 925
Change in liabilities excluding credits and loans	8 810	(47 362)
Change in other assets and liabilities	(902)	(1 086)
Other adjustments	4 505	1 255
Cash flow from operating activities	122 211	129 398
Income tax on profit (loss) before taxation	25 592	30 789
Income tax (paid) / reimbursed	(33 442)	(42 089)
Net cash flows from operating activities	114 361	118 098

INVESTMENT ACTIVITIES

Inflows	385 153	308 998
Liquidation of intangibles and fixed assets	59	53
Liquidation of financial assets	-	85
Repayment of long-term loans granted	236	-
Opening bank deposits (maturity beyond 3 months)	379 835	304 908
Other inflows from investment activities	5 023	3 952
Outflows	538 265	217 097
Purchases of intangibles and fixed assets	7 756	3 752
Expenditures on development projects	30 907	28 145
Long-term loans granted	2 055	-
Closing bank deposits (maturity beyond 3 months)	497 547	185 200
Net cash flows from investment activities	(153 112)	91 901



FINANCIAL ACTIVITIES

Inflows	-	903
Net inflows from issue of shares and other securities, and from capital contributions	-	903
Outflows	107 790	3 877
Dividends and other payments due to shareholders	100 926	-
Payment of liabilities associated with financial lease agreements	340	359
Interest payments	-	7
Other outflows from financial activities (incl. cash pool activities)	6 524	3 511
Net cash flows from financial activities	(107 790)	(2 974)
Total net cash flows	(146 541)	207 025
Balance of inflows and outflows	(146 541)	207 025
Cash and cash equivalents at beginning of period	180 548	84 214
Cash and cash equivalents at end of period	34 007	291 239

* adjusted data

Clarifications concerning the separate statement of cash flows

	01.01.2017 – 30.06.2017	01.01.2016 – 30.06.2016*
The “other adjustments” line item comprises:	4 505	1 255
Cost of incentive program	4 410	1 161
Depreciation aggregated with cost of sales and consortium settlements	95	93
Miscellaneous adjustments	-	1

* adjusted data

Assumption of comparability of financial statements and changes in accounting policies

Changes in accounting policies

The accounting practices applied in preparing this condensed interim separate financial statement, the Management Board's professional judgment concerning the Company's accounting practices as well as the main sources of uncertainty in estimations are in all material aspects consistent with the practices applied in preparing the Separate Financial Statement of CD PROJEKT S.A. for 2016, except for changes in practices and presentation-related adjustments described below. This condensed interim separate financial statement should be read in conjunction with the Company's separate financial statement for the year ending 31 December 2016.

Presentation changes

In preparing this condensed interim separate financial statement for the period between 1 January and 30 June 2017 several changes have been introduced in the presentation of selected financial data. In order to ensure comparability of financial statements, the financial data for the period between 1 January and 30 June 2016 has been adjusted as follows:

- In the separate profit and loss account for the period between 1 January and 30 June 2016 the presentation of costs related to procurement and maintenance of office space has been adjusted as follows:
 - Selling costs – adjusted by (1 060) thousand PLN
 - General and administrative costs – adjusted by 633 thousand PLN
 - Cost of products and services sold – adjusted by 427 thousand PLN

These adjustments have no effect on the Company's financial result or equity.

- In the separate statement of financial position for 31 December 2016 the "Other monetary assets" line item was renamed to "Bank deposits (maturity beyond 3 months)".
- In the separate statement of financial position for 31 December 2016 and in the separate statement of cash flows for the period between 1 January and 30 June 2016 the Company rectified a presentation error concerning short-term bank deposits with maturity periods beyond three months. As a result of this change, the following items have been adjusted:
 - Statement of financial position for 31 December 2016:
 - Bank deposits (maturity beyond 3 months) – adjusted by 339 835 thousand PLN
 - Cash and cash equivalents – adjusted by (339 835) thousand PLN
 - Statement of cash flows for the period between 1 January and 30 June 2016:
 - Opening bank deposits (maturity beyond 3 months) – adjusted by 185 200 thousand PLN
 - Closing bank deposits (maturity beyond 3 months) – adjusted by 304 908 thousand PLN
 - Cash and cash equivalents at beginning of period – adjusted by (282 008) thousand PLN
 - Cash and cash equivalents at end of period – adjusted by (162 300) thousand PLN

These adjustments have no effect on the Company's financial result or equity.

- In the statement of changes in separate equity for the period between 1 January and 2016 the presentation of payments for shares issued under the incentive program was adjusted as follows:
 - Cost of incentive program – adjusted by (903) thousand PLN
 - Payment for shares issued under the incentive program – adjusted by 903 thousand PLN.
- In the separate statement of cash flows for the period between 1 January and 30 June 2016 the presentation of videogame development expenses incurred prior to commencement of sales has been adjusted as follows.
 - Depreciation of fixed assets and intangibles – adjusted by (93) thousand PLN
 - Other adjustments – adjusted by 93 thousand PLN.



- In the separate statement of cash flows for the period between 1 January and 30 June 2016 the presentation of liabilities resulting from purchases of fixed assets and intangibles has been adjusted as follows:
 - Purchases of intangibles and fixed assets – adjusted by (1 605) thousand PLN
 - Changes in liabilities excluding credits and loans – adjusted by (1 605) thousand PLN.

- In the separate statement of cash flows for the period between 1 January and 30 June 2016 the presentation of interest accruals was adjusted as follows:
 - Interest and profit sharing (dividends) – adjusted by 2 thousand PLN
 - Other inflows from investment activities – adjusted by (10) thousand PLN
 - Financial expenses – interest – adjusted by (8) thousand PLN.

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

Changes in write-downs and provisions reported in the condensed interim separate financial statement of CD PROJEKT S.A. for the period between 1 January and 30 June 2017 are as follows:

- 482 thousand PLN – dissolution of write-downs due to collection of receivables,
- 87 thousand PLN – dissolution of write-downs due to writeoffs of receivables,
- 121 thousand PLN – use of provisions for other employee benefits,
- 9 thousand PLN – dissolution of unused provisions for other employee benefits,
- 102 thousand PLN – creation of other provisions,
- 401 thousand PLN – reduction in other provisions due to partial use,
- 2 thousand PLN – dissolution of unused other provisions,
- 21 048 thousand PLN – creation of provisions for compensation dependent on financial result,
- 11 873 thousand PLN – reduction in provisions for compensation dependent on financial result due to partial use,
- 1 225 thousand PLN – dissolution of unused provisions for compensation dependent on financial result.

A. Deferred income tax

Negative temporary differences requiring recognition of deferred tax assets

	31.12.2016*	increases	reductions	30.06.2017
Provisions for other employee benefits	244	23	147	120
Provisions for compensation dependent on financial result	43 045	21 050	13 097	50 998
Fixed assets written off	-	743	-	743
Negative exchange rate differences	1 026	1 302	1 293	1 035
Other provisions	350	32	229	153
Total negative temporary differences	44 665	23 150	14 766	53 049
Tax rate (Poland)	19%	19%	19%	19%
Total deferred tax assets	8 486	4 399	2 806	10 079

* adjusted data

Positive temporary differences requiring creation of deferred tax provisions

	31.12.2016	increases	reductions	30.06.2017
Difference between net carrying amount and net tax value of fixed assets and intangibles	17 030	2 652	-	19 682
Revaluation of currency contracts (cash flow hedge) at fair value	53	-	53	-
Revenues obtained in the current period but invoiced in future periods	66 465	97 429	100 075	63 819
Positive exchange rate differences	1 002	163	1 115	50
Valuation of shares in other entities	169	-	169	-
Other sources	145	270	7	408
Total positive temporary differences	84 864	100 514	101 419	83 959
Tax rate (Poland)	19%	19%	19%	19%
Total deferred tax provisions	16 124	19 098	19 270	15 952

**Balance of deferred tax assets/provisions**

	30.06.2017	31.12.2016
Deferred tax assets	10 079	8 486
Deferred tax provisions	15 952	16 124
Net deferred tax assets (provisions)	(5 873)	(7 638)

Income tax reported in profit and loss account

	01.01.2017 - 30.06.2017	01.01.2016 - 30.06.2016
Current income tax	27 357	30 796
Change in deferred income tax	(1 765)	(8)
Income tax reported in profit and loss account	25 592	30 788

B. Goodwill**Goodwill from business combinations**

	30.06.2017	31.12.2016
CD Projekt Red sp. z o.o.	39 147	39 147
Total	39 147	39 147

Changes in goodwill

No changes in goodwill occurred between 1 January and 30 June 2017.

C. Business combinations

The Company did not merge with any other entity during the reporting period.

D. Investments in subsidiaries**Investments in subsidiaries held at purchase price**

	30.06.2017	31.12.2016
Shares in subsidiaries	14 423	13 850

E. Dividends paid out and collected

The Company did not collect any dividends between 1 January and 30 June 2017.

On 23 May 2017 the Ordinary General Meeting of Shareholders of CD PROJEKT S.A. voted to allocate part of the Company's profit obtained in 2016 towards a dividend payable to Company shareholders. In line with the adopted resolution, on 13 June 2017 the Company paid out a dividend in the amount of 100 926 thousand PLN (1.05 PLN per share). The dividend applied to 96 120 000 shares of the Company.

F. Transactions with affiliates

	Sales to affiliates		Purchases from affiliates		Receivables from affiliates		Liabilities due to affiliates	
	01.01.2017 – 30.06.2017	01.01.2016 – 30.06.2016	01.01.2017 – 30.06.2017	01.01.2016 – 30.06.2016	30.06.2017	31.12.2016	30.06.2017	31.12.2016
SUBSIDIARIES								
GOG Poland sp. z o.o.	1 109	975	9	4	5 558	3 093	4 638	2 061
GOG Ltd.	23 602	14 897	101	247	8 243	5 540	49	53
CD PROJEKT Brands S.A.	-	55	-	1 742	-	-	-	-
CD PROJEKT Inc.	267	178	2 892	12 948	1 629	1 004	361	1 637
CD PROJEKT Co. Ltd.	-	-	666	-	-	-	-	-
MANAGEMENT BOARD MEMBERS								
Marcin Iwiński	3	3	-	-	-	1	2	-
Adam Kiciński	2	2	-	-	-	-	-	7
Piotr Nielubowicz	2	2	-	-	-	-	-	-
Michał Nowakowski	5	5	-	-	-	-	3	3
Adam Badowski	-	-	-	-	-	9	-	-
SUPERVISORY BOARD MEMBERS								
Katarzyna Szwarc	-	-	5	-	-	-	-	-

Statement of the Management Board of the parent entity

With regard to the correctness of the condensed interim consolidated financial statement

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

With regard to the entity charged with assessing the correctness of the condensed interim consolidated financial statement

On 23 May 2017 the Supervisory Board of the parent entity concurred with the recommendation submitted by the Management Board of the Company and selected Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp.k., headquartered in Warsaw, as the entity charged with assessing the correctness of the semiannual financial statement and performing an audit of the annual financial statement of the Company and its Capital Group for 2017. Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp.k. is present on the list of entities authorized to perform audits of financial statements, maintained by the National Chamber of Statutory Auditors (no. 130).

Approval of financial statement

This semiannual financial statement was signed and approved for publication by the Management Board of CD PROJEKT S.A. on 6 September 2017.

Warsaw, 6 September 2017

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

Piotr Karwowski
Board Member

Rafał Zuchowicz
Accounting Officer



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