CONSOLIDATED FINANCIAL STATEMENT OF **THE CD PROJEKT CAPITAL GROUP** FOR THE FINANCIAL YEAR 2012

Disclaimer

This English language translation of the consolidated financial statements 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 variances between the Polish and the English version, the Polish version shall prevail. CD PROJEKT, its representatives and employees decline all responsibility in this regard.

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General Information

I. Parent entity

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

II. Duration of the Capital Group

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

III. Reporting period

The consolidated financial statement covers the period between 1 January and 31 December 2012 inclusive. Comparative data is valid for 31 December 2011 in the consolidated statement of financial position and for the period between 1 January 2011 and 31 December 2011 in the consolidated profit and loss account, consolidated statement of comprehensive income, consolidated statement of cash flows and statement of changes in consolidated equity.

IV. Composition of the governing bodies of the parent entity as of 31 December 2012

Management Board

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

Changes in Management Board composition

No changes in the composition of the CD PROJEKT S.A. management board occurred in the reporting period.

(all amounts listed in PLN thousands unless otherwise stated)

Supervisory Board

Chairman of the Board	Katarzyna Weronika Ziółek
Deputy Chairman of the Board	Piotr Stefan Pągowski
Secretary of the Board	Maciej Grzegorz Majewski
Board Member	Cezary Iwański
Board Member	Grzegorz Mateusz Kujawski

Changes in Supervisory Board composition

In Current Report No. 32/2012 the Management Board of CD Projekt RED S.A. disclosed that on 23 November 2012 the Extraordinary General Meeting of Shareholders elected Mr. Cezary Iwański to the Supervisory Board as a member. Concurrently, the Management Board disclosed that on 23 November 2012 it had received the written resignation of Mr. Adam Świetlicki vel Węgorek from the Supervisory Board. In accordance with this notice as of 23 November 2012 Mr. Adam Świetlicki vel Węgorek ceased to discharge his function as member of the Supervisory Board of CD Projekt RED S.A.

V. Licensed auditors

PRO AUDIT Kancelaria Biegłych Rewidentów Sp. z o.o.
3 maja 9 Avenue,
30-062 Kraków

In Current Report No. 17/2012 of 28 May 2012 the Management Board of CD Projekt RED S.A. disclosed that, in accordance with the applicable legal statutes and the professional code of conduct, the responsible body, i.e. the Supervisory Board, selected a licensed auditor to perform an audit of individual and consolidated financial statements of CD Projekt RED S.A. for the year 2012. The entity selected for this purpose is PRO AUDIT Kancelaria Biegłych Rewidentów Sp. z o.o., headquartered in Kraków.

VI. Regulated market listing

General information

Stock exchange	Warsaw Stock Exchange (Giełda Papierów Wartościowych w Warszawie S.A.) Książęca 4 Street 00-498 Warsaw – Poland
Ticker symbol	CDR
Sector	IT

Depository and settlement system

National Depository for Securities (Krajowy Depozyt Papierów Wartościowych S.A.; KDPW)	National Deposit for Securities (Krajowy Depozyt Papierów Wartościowych S.A.; KDPW) Książęca 4 Street 00-498 Warsaw – Poland

Investor relations

Investor relations	gielda@cdprojektred.com

(all amounts listed in PLN thousands unless otherwise stated)

VII. Shareholders who control, directly or through subsidiaries, at least 5% of the total number of votes at the general meeting of shareholders of the parent entity as of the publication date of this statement

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

	No. of shares	Percentage share in share capital	No. of votes at the GM	Percentage share in total number of votes at the GM
In concert[(1)]:	39 573 679	41,68%	39 573 679	41,68%
Michał Kiciński	*15 958 500*	*16,81%*	*15 958 500*	*16,81%*
Marcin Iwiński	*14 507 501*	*15,28%*	*14 507 501*	*15,28%*
Piotr Nielubowicz	*5 985 197*	*6,30%*	*5 985 197*	*6,30%*
Adam Kiciński	*3 122 481*	*3,29%*	*3 122 481*	*3,29%*
PKO TFI S.A.[(2)]	9 000 000	9,48%	9 000 000	9,48%
AVIVA OFE[(3)]	4 940 000	5,20%	4 940 000	5,20%
Other shareholders	41 436 321	43,64%	41 436 321	43,64%

(1) Pursuant to art. 87 par. 1 item 5 of the Offerings Act, Mr. Michał Kiciński, Mr. Marcin Iwiński, Mr. Piotr Nielubowicz and Mr. Adam Kiciński are recognized as acting in concert.

(2) According to Current Report No. 19/2011 of 25 February 2011.

(3) According to Current Report No. 25/2012 of 6 September 2012.

Changes in shareholder structure of the parent entity

In Current Report No. 13/2012 of 2 May 2012 the Management Board of CD Projekt RED S.A. disclosed that it had received a notice from TFI Allianz Polska S.A. (hereafter referred to as "TFI Allianz") stating that as a result of a sale of stock effected on 26 April 2012 by three investment funds, Allianz Platinium FIZ, Allianz FIO and Bezpieczna JesieńSFIO, all managed by TFI Allianz, the number of shares controlled by TFI Allianz are below 5% of the total number of votes as determined by its percentage share in the share capital.

In Current Report No. 16/2012 of 22 May 2012 the Management Board of CD Projekt RED S.A. disclosed that on 22 May 2012 it had received a notice from Mr. Piotr Nielubowicz, acting on his own behalf as well as on behalf of Mr. Michał Kiciński, Mr. Marcin Iwiński and Mr. Adam Kiciński who are jointly recognized as shareholders acting in concert, of a set of transactions effected on 17 May 2012 as result of exercising the purchase option contractually agreed upon on 21 October 2010 with Ms. Edyta Wakula, Mr. Adam Badowski, Mr. Piotr Nielubowicz and Mr. Robert Wesołowski (hereafter also referred to as "entitled parties"), the rights to which had been transferred to a company of which the entitled parties are shareholders (hereafter referred to as "entitled entity"). As a result, the entitled entity concluded four separate purchase contracts, one with each of the shareholders acting in concert, purchasing the following number of shares:

from Mr. Piotr Nielubowicz: 106,875 shares,
from Mr. Adam Kiciński: 37,500 shares,
from Mr. Marcin Iwiński: 1,302,812 shares,
from Mr. Michał Kiciński: 302,813 shares,
for a total of 1,750,000 shares at 1 PLN per share.

In Current Report No. 20/2012 of 15 June 2012 the Management Board of CD Projekt RED S.A. disclosed that on 15 June 2012 it had received a notice from Mr. Adam Kiciński, the President of the Management Board and concurrently a party to the agreement between major shareholders of the company, informing of a transaction concluded on 13 June 2012, as a result of which Mr. Adam Kiciński purchased 22,380 shares of the Issuer at 4.47 PLN per share on the regulated market of the Warsaw Stock Exchange.

(all amounts listed in PLN thousands unless otherwise stated)

In Current Report No. 25/2012 of 6 September 2012 the Management Board of CD Projekt RED S.A. disclosed that on 6 September 2012 it had received a notice from Aviva Powszechne Towarzystwo Emerytalne Aviva BZ WBK S.A. stating that as a result of a purchase transaction effected on 29 August 2012, the retirement fund named Aviva Otwarty Fundusz Emerytalny Aviva BZ WBK (hereafter referred to as "Aviva OFE") increased its share of the total number of votes at the General Meeting to more than 5% and, as a result of the transactions mentioned herein, owns of 4,490,000 shares of the company stock, which is 5.20% of the total share capital (measured by number of shares issued) and which grants 4,490,000 votes at the General Meeting (5.20% of the total number of votes).

VIII. Changes in stock ownership by members of the Management Board and the Supervisory Board of the parent entity throughout 2012 and up until the publication date of this statement

Changes in stock ownership by members of the Management Board

	as of 31 Dec 2012	reduction	increase	as of 01 Jan 2012
Marcin Piotr Iwiński	*14 507 501*	*1 302 812*	*-*	*15 810 313*
Adam Michał Kiciński	*3 122 481*	*37 500*	*22 380*	*3 137 601*
Piotr Marcin Nielubowicz	*5 985 197*	*106 875*	*-*	*6 092 072*
Michał Andrzej Nowakowski	*1 149*	*100 000*	*-*	*101 149*
Adam Konrad Badowski		*-*	*-*	*-*

	as of 21 Mar 2013	reduction	increase	as of 01 Jan 2012
Marcin Piotr Iwiński	*14 507 501*	*1 302 812*	*-*	*15 810 313*
Adam Michał Kiciński	*3 122 481*	*37 500*	*22 380*	*3 137 601*
Piotr Marcin Nielubowicz	*5 985 197*	*106 875*	*-*	*6 092 072*
Michał Andrzej Nowakowski	*1 149*	*100 000*	*-*	*101 149*
Adam Konrad Badowski		*-*	*-*	*-*

Changes in stock ownership by members of the Supervisory Board

	as of 31 Dec 2012	reduction	increase	as of 01 Jan 2012
Katarzyna Weronika Ziółek	*10*	*-*	*-*	*10*
Piotr Stefan Pągowski	*-*	*-*	*-*	*-*
Maciej Grzegorz Majewski	*-*	*-*	*-*	*-*
Grzegorz Mateusz Kujawski	*-*	*-*	*-*	*-*
Cezary Iwański	*-*	*-*	*-*	*-*
*Adam Jan Świetlicki Vel Węgorek**	*-*	*-*	*-*	*-*

(all amounts listed in PLN thousands unless otherwise stated)

	as of 21 Mar 2013	reduction	increase	as of 01 Jan 2012
Katarzyna Weronika Ziółek	*10*	-	-	*10*
Piotr Stefan Pągowski	-	-	-	-
Maciej Grzegorz Majewski	-	-	-	-
Grzegorz Mateusz Kujawski	-	-	-	-
Cezary Iwański	-	-	-	-
*Adam Jan Świetlicki Vel Węgorek**	-	-	-	-

** Member of the Supervisory Board until 23 November 2012*

IX. Subsidiary entities – structure of the Capital Group

In Current Report No. 26/2012 of 21 September 2012 the Management Board disclosed that on 20 September 2012 the District Court for the City of Warsaw, 13th Commercial Division of the National Court Register, certified the change in status of one of the Issuer's subsidiaries by changing its name from CD Projekt Sp. z o. o. to CDP.pl Sp. z o. o. This change is associated with ongoing modernization of the subsidiary's business model.

In Current Report No. 35/2012 of 21 December 2012 the Management Board disclosed that on 14 December 2012 the District Court for the City of Warsaw, 13th Commercial Division of the National Court Register, certified the change in status of one of the Issuer's subsidiaries by changing its name from CD Projekt RED Spółka Akcyjna to CD PROJEKT Spółka Akcyjna. According to its amended statute the subsidiary may also represent itself by the abridged name CD PROJEKT S.A.

The Group ceased to report Optibox Sp. z o.o. (in liquidation) as its subsidiary due to lack of control.

X. Validation of published estimates

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

XI. Statement of the Management Board of the parent entity

Pursuant to the directive of the Finance Minister of 19 February 2009 regarding the publication of periodic and current reports by issuers of securities, the Management Board of the parent entity hereby states that, to the best of its knowledge, this 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.

(all amounts listed in PLN thousands unless otherwise stated)

This consolidated financial statement has been prepared in accordance with accounting practices consistent with the International Financial Reporting Standards, as legislated by the European Union. Where such practices are not applicable the statement conforms to the Accounting Act of 29 September 1994 (Journal of Laws of the Republic of Poland, 2009, No. 152, item no. 1223 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. 33, item no. 259). This statement covers the period between 1 January and 31 December 2012 inclusive, with the corresponding comparative period between 1 January 2011 and 31 December 2011.

XII. Approval of the financial statement

This consolidated financial statement of the CD PROJEKT Capital Group was approved for publication by the Management Board of the parent entity on 21 March 2013.

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Consolidated Financial Statement of the CD PROJEKT Capital Group

I. Consolidated profit and loss account

PLN thousands	Note	01.01.2012 - 31.12.2012	01.01.2011 - 31.12.2011
Sales revenues	**1,2**	**164 040**	**136 210**
Revenues from sales of products	-	*83 891*	*66 696*
Revenues from sales of services	-	*4 506*	*5 778*
Revenues from sales of goods and materials	-	*75 643*	*63 736*
Cost of products, goods and materials sold	**3**	**89 618**	**67 837**
Cost of products and services sold	-	*37 308*	*24 831*
Value of goods and materials sold	-	*52 310*	*43 006*
Gross profit (loss) from sales	**-**	**74 422**	**68 373**
Other operating revenues	*4*	*3 056*	*9 058*
Selling costs	*3*	*25 243*	*24 648*
Genral and administrative costs	*3*	*13 063*	*11 586*
Other operating expenses	*4*	*10 805*	*13 575*
Operating profit (loss)	**-**	**28 367**	**27 622**
Financial revenues	*5*	*4 031*	*1 801*
Financial expenses	*5*	*4 111*	*2 194*
Profit (loss) before taxation	**-**	**28 287**	**27 229**
Income tax	*6*	*162*	*3 664*
Net profit (loss) from continuing operations	**-**	**28 125**	**23 565**
Net profit (loss)	**-**	**28 125**	**23 565**
Net profit (loss) attributable to equity holders of parent entity	-	*28 125*	*23 565*
Net earnings per share (in PLN)			
Basic for the reporting period	*8*	*0.30*	*0.25*
Diluted for the reporting period	*8*	*0.30*	*0.25*
Net earnings per share from continuing operations (in PLN)			
Basic for the reporting period	*8*	*0.30*	*0.25*
Diluted for the reporting period	*8*	*0.30*	*0.25*

II. Consolidated statement of comprehensive income

PLN thousands	Note	01.01.2012 - 31.12.2012	01.01.2011 - 31.12.2011
Net profit (loss)	**10**	**28 125**	**23 565**
Exchange rate differences on valuation of foreign entities	-	*(559)*	*456*
Differences from rounding to PLN thousands	-	*1*	*(2)*
Total comprehensive income	**-**	**27 567**	**24 019**
Total comprehensive income attributable to parent entity	**-**	**27 567**	**24 019**

Warsaw, 21 March 2013

Adam Kiciński	Marcin Iwiński	Piotr Nielubowicz	Adam Badowski	Michał Nowakowski	Aneta Magiera
President of the Board	Board Member	Board Member	Board Member	Board Member	Accounting Officer

III. Consolidated statement of financial position

PLN thousands	Note	31.12.2012	31.12.2011
FIXED ASSETS	-	**94 202**	**90 762**
Tangible assets	*12*	*10 755*	*9 924*
Intangible assets	*13*	*34 801*	*33 508*
Goodwill	*14*	*46 417*	*46 417*
Deferred income tax assets	*6*	*1 980*	*644*
Other fixed assets	*18*	*249*	*269*
CURRENT ASSETS	-	**108 690**	**94 513**
Inventories	*22*	*33 367*	*31 112*
Trade receivables	*24*	*31 247*	*32 267*
Current income tax receivables	-	-	*1 632*
Other receivables	*25*	*4 635*	*811*
Other financial assets	-	*855*	*4 229*
Prepaid expenses	*26*	*11 720*	*14 643*
Cash and cash equivalents	*27*	*26 866*	*9 819*
TOTAL ASSETS	-	**202 892**	**185 275**

PLN thousand	Note	31.12.2012	31.12.2011
EQUITY	-	**151 530**	**123 412**
Equity attributable to shareholders of the Parent Company	-	***151 530***	***123 412***
Share capital	*28*	*94 950*	*94 950*
Supplementary capital, incl. sales of shares above nominal price	*29*	*105 200*	*106 705*
Other reserve capital	*30*	*551*	-
Exchange rate differences	-	*(837)*	*(278)*
Retained earnings	*31*	*(76 459)*	*(101 530)*
Net profit (loss) for the reporting period	-	*28 125*	*23 565*
LONG-TERM LIABILITIES	-	**7 604**	**7 590**
Other financial liabilities	*34*	*235*	*333*
Deferred income tax liabilities	*6*	*6 658*	*6 874*
Deferred revenues	*41*	*679*	*344*
Provisions for employee benefits and similar liabilities	*42*	*26*	*30*
Other provisions	*43*	*6*	*9*
SHORT-TERM LIABILITIES	-	**43 758**	**54 273**
Credits and loans	*33*	*4 745*	*13 404*
Other financial liabilities	*34*	*277*	*240*
Trade liabilities	*36*	*33 930*	*33 513*
Liabilities from current income tax	-	*184*	*163*
Other liabilities	*37*	*4 020*	*6 043*
Deferred revenues	*41*	*197*	*90*
Provisions for employee benefits and similar liabilities	*42*	*238*	*209*
Other provisions	*43*	*167*	*611*
TOTAL LIABILITIES	-	**202 892**	**185 275**

Warsaw, 21 March 2013

Adam Kiciński President of the Board	Marcin Iwiński Board Member	Piotr Nielubowicz Board Member	Adam Badowski Board Member	Michał Nowakowski Board Member	Aneta Magiera Accounting Officer

IV. Statement of Changes in Consolidated Equity

PLN thousands	Share capital	Supplementary capital from sales of shares above nominal price	Other reserve capital	Exchange rate differences	Retained earnings	Net profit (loss) for the reporting period	Equity attributable to shareholders of the Parent Company	Total equity
01.01.2012 - 31.12.2012								
Equity as of 01.01.2012	**94 950**	**106 705**	**-**	**(278)**	**(77 965)**	**-**	**123 412**	**123 412**
Equity after adjustments	**94 950**	**106 705**	**-**	**(278)**	**(77 965)**	**-**	**123 412**	**123 412**
Distribution of net profit	*-*	*(1 506)*	*-*	*-*	*1 506*	*-*	*-*	*-*
Cost of motivational program	*-*	*-*	*551*	*-*	*-*	*-*	*551*	*551*
Total comprehensive income	*-*	*1*	*-*	*(559)*	*-*	*28 125*	*27 567*	*27 567*
Equity as of 31.12.2012	**94 950**	**105 200**	**551**	**(837)**	**(76 459)**	**28 125**	**151 530**	**151 530**
01.01.2011 - 31.12.2011								
Equity as of 01.01.2011	**82 837**	**101 751**	**-**	**(734)**	**(106 189)**	**-**	**77 665**	**77 665**
Equity after adjustments	**82 837**	**101 751**	**-**	**(734)**	**(106 189)**	**-**	**77 665**	**77 665**
Registered increase in capital	*12 113*	*9 690*	*-*	*-*	*-*	*-*	*21 803*	*21 803*
Share issue costs	*-*	*(75)*	*-*	*-*	*-*	*-*	*(75)*	*(75)*
Distribution of net profit/loss	*-*	*(4 661)*	*-*	*-*	*4 661*	*-*	*-*	*-*
Total comprehensive income	*-*	*-*	*-*	*456*	*(2)*	*23 565*	*24 019*	*24 019*
Equity as of 31.12.2011	**94 950**	**106 705**	**-**	**(278)**	**(101 530)**	**23 565**	**123 412**	**123 412**

Warsaw, 21 March 2013

Adam Kiciński	Marcin Iwiński	Piotr Nielubowicz	Adam Badowski	Michał Nowakowski	Aneta Magiera
President of the Board	Board Member	Board Member	Board Member	Board Member	Accounting Officer

V. Consolidated Statement of Cash Flows

PLN thousands	01.01.2012 - 31.12.2012	01.01.2011 - 31.12.2011
OPERATING ACTIVITIES		
Profit/loss before taxation	**28 287**	**27 229**
Total adjustments:	**(2 171)**	**(24 636)**
Depreciation	*2 617*	*1 978*
Foreign exchange gain/loss	*-*	*251*
Interest and profit sharing	*602*	*1 225*
Profit/loss on investing activities	*(570)*	*(86)*
Change in provisions	*(423)*	*941*
Change in inventory	*(2 255)*	*(3 461)*
Change in receivables	*(2 586)*	*(11 821)*
Change in liabilities excluding credits and loans	*(2 523)*	*(10 517)*
Change in other assets and liabilities	*2 985*	*(3 099)*
Other adjustments	*(18)*	*(47)*
Cash flow from operating activities	**26 116**	**2 593**
Income tax (paid) / reimbursed	*579*	*(2 408)*
A. Net cash flow from operating activities	**26 695**	**185**
INVESTMENT ACTIVITIES		
Inflows	**4 418**	**11 495**
Disposal of intangible and tangible fixed assets	*206*	*100*
Disposal of financial assets	*3 512*	*11 018*
Other inflows from investment activity	*700*	*260*
Repayment of long-term loans granted	*-*	*117*
Outflows	**4 543**	**17 734**
Purchases of intangible and tangible fixed assets	*4 145*	*2 734*
Purchases of financial assets	*-*	*15 000*
Other outflows from investment activity	*398*	*-*
B. Net cash flow from investment activities	**(125)**	**(6 239)**
FINANCIAL ACTIVITIES		
Inflows	**1 674**	**22 540**
Net inflows from issuance of shares and other capital market instruments and from capital increases	*-*	*8 985*
Credits and loans	*1 250*	*13 392*
Other inflows from financial activity	*424*	*163*
Outflows	**11 197**	**22 277**
Repayments of credits and loans	*9 909*	*20 091*
Payments of liabilities under financial lease agreements	*289*	*309*
Interest paid	*999*	*1 613*
Other outflows from financial activity	*-*	*264*
C. Net cash flow from financial activities	**(9 523)**	**263**
D. Total net cash flow	**17 047**	**(5 791)**
E. Change in cash and cash equivalents on balance sheet	**17 047**	**(5 791)**
F. Cash and cash equivalent at the beginning of the period	**9 819**	**15 610**
G. Cash and cash equivalent at the end of the period	**26 866**	**9 819**

Warsaw, 21 March 2013

Adam Kiciński	Marcin Iwiński	Piotr Nielubowicz	Adam Badowski	Michał Nowakowski	Aneta Magiera
President of the Board	Board Member	Board Member	Board Member	Board Member	Accounting Officer

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Clarifications regarding the consolidated financial statement

I. Compliance with International Financial Reporting Standards

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

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

II. Assumption of going concern and comparability of financial statements

The consolidated financial statement is prepared under the assumption that the Group and Company intend to continue as a going concern throughout the 12-month period following the end of the reporting period (i.e. 31 December 2012). At the moment of signing this financial statement the Management Board of the parent entity is not aware of any facts or circumstances which would jeopardize the assumption of going concern within said 12-month period, by way of intentional or forced cessation or significant reduction of continuing operations.

As of the day of preparation of this financial statement covering the period between 1 January and 31 December 2012 no events have occurred which should have been reflected in the accounts for that period but have not been reflected therein.

Important events have occurred in relation to the preceding years. The parent entity changed its approach to recognizing legal mergers with subsidiary companies from 2010 and 2011. In 2010, Optimus S.A. took over the CDP Investment Capital Group consisting of six legal entities (including the parent entity). Initially the merger was recognized by estimating the total goodwill of the Group without distinction to its individual cash generating units. According to §80 IAS 36, *Impairment of assets* , for the purpose of impairment testing, goodwill acquired in a business combination shall, from the acquisition date, be allocated to each of the acquirer's cash-generating units, or groups of cash-generating units, that is expected to benefit from the synergies of the combination.

In its consolidated financial statements the Group had identified the following operating segments:

- Distribution and publishing in Poland (activity performed by CD Projekt Sp. z o.o.)
- Development of videogames (activity performed by CD Projekt RED Sp. z o.o.)
- Global digital distribution of games (activity performed by GOG Ltd.)

These companies are also cash generating units in the sense of IAS 36. Statements pertaining to individual segments aggregate the remaining activity of the Capital Group in the "Other" field. At the moment of its acquisition by Optimus S.A., CDP Investment Sp. z o.o. was a holding company and engaged in no other type of activity. According to the Management Board this justifies allocating its goodwill to individual subsidiaries where such allocation appears more meaningful.

The parent entity carried out the above mentioned change in allocation of goodwill to individual subsidiaries, as reflected in its individual and consolidated financial statement, by adjusting the "Goodwill" and "Investments in affiliates" fields.

The above mentioned change in approach to recognizing business combinations is applied in this financial statement to ensure comparability with respect to the following items:

- for the period between 1 January 2011 and 31 December 2011, the amount of 44,415 thousend PLN was deducted from the *Intangible assets* positionand reassigned to the *Goodwill* position. This change affects presentation of data only.

Additionally, in order to ensure comparability of financial data in the reporting period, the following presentation changes were carried out:

- for the period between 1 January 2011 and 31 December 2011, licensing costs in the amount of 13,333 thousand PLN were deducted from the *Sales expenses* positionand reassigned to the *Construction cost of products and services sold* position. The rationale behind this change was to adjust the accounting practices of GOG Ltd. to match the accounting practices of the parent entity. This change bears no impact on the company's profit/loss balance or equity;

- for the period between 1 January 2011 and 31 December 2011 uninvoiced income and returns on sales in the amount of 718 thousand PLN were deducted from the *Deferred charges* field and reassigned to the *Trade receivables* position, which, in the Group's opinion, more accurately reflects their nature. This change bears no impact on the company's profit/loss balance or equity;

- for the period between 1 January 2011 and 31 December 2011 the parent entity amended its CIT-8 tax declaration for the year 2011. Having collected tax payment confirmations from its foreign partners the parent entity settled its withholding tax in the amount of 397 thousand PLN instead of deducting it as a tax loss carryforward. This change affects the company's profit/loss balance in the preceding years, as well as its equity.

III. Rules of consolidation

Subsidiaries

Subsidiaries are defined as all companies which fall under the Group's financial and operational control, typically by way of a majority share of votes in their statutory organs. When determining whether the Group actually controls a given unit consideration is given to the existence and impact of potential voting rights which can be exercised or exchanged in the given moment.

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

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 altered whenever necessary to ensure compliance with accounting practices adopted by the Group.

Entities covered by the consolidated financial statement

This consolidated financial statement for the periods ending 31 December 2012 and 31 December 2011 applies to the following Group members:

	capital share	voting share	consolidation method
CD PROJEKT S.A.	parent entity	-	Full
CDP.pl Sp. z o.o.	100%	100%	Full
Porting House Sp. z o.o.*	100%	100%	Full
GOG Ltd.	100%	100%	Full
Optibox Sp. z o.o. in liquidation bankruptcy**	100%	100%	-

*As of the date of publication of this statement this company operates under the name GOG Poland Sp. z o.o.

**This company is not subject to consolidated financial reporting due to loss of control.

(all amounts listed in PLN thousands unless otherwise stated)

IV. Description of applicable accounting practices

Presentation of results by activity segments

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

Revenues and expenses from operating activities

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

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

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

Revenues and expenses from financial activities

Financial revenues consists mainly of interest on bank deposits of monetary assets, commissions and interest on loans granted, penalty interest on past-due liabilities, reserve accruals associated with financial activities, revenues from sales of securities, gains from exchange rate differences, reversal of impairment of investment assets and loan waivers.

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

State subsidies

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

Current and deferred income tax

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

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

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

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

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

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

Value added tax

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

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

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

Tangible assets

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

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

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

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

Intangible assets

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

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

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

In this consolidated financial report the Capital Group considers the CD PROJEKT brand name to be its intangible asset. In addition, in the individual financial report of CD PROJEKT S.A. the The Witcher trademark is considered that company's intangible asset. The value of trademarks is calculated using the relief from royalty method, which is one of the basic valuation methods for trademarks and other intangible assets in the context of business combinations, in line with IFRS 3 *Business combinations*. Trademark values are subject to yearly impairment tests.

■ Goodwill

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

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

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

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

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

■ Impairment of non-financial assets

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

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

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

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

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

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

Investment properties

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

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

Leasing

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

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

Investments in affiliates

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

Financial assets

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

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

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

Financial liabilities

A financial liability is defined as any liability which:

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

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

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

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

Inventories

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

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

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

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

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

Trade and other receivables

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

Accrued and deferred charges

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

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

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

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

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

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

Cash and cash equivalents

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

Assets held for sale and discontinuing operations

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

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

Equity

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

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

Supplementary capital is derived from:

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

Provisions for liabilities

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

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

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

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

Allowances for marketing bonuses

CDP.pl Sp. z o.o. has concluded contracts/agreements with bulk purchasers, i.e. supermarkets and retail chains, to provide services including, but not limited to, marketing, advertising, logistics, promotions and other activities targeted at increasing sales. Said contracts/agreements determine methods of cooperation with commercial customers – i.e. supermarkets. Services covered by said contracts/agreements and performed by supermarkets include:

- premium/additional product placement,

- mentioning the product in advertising brochures,
- carrying out promotional activities at events organized by the supermarket,
- achieving a set threshold of sales of company products (intensification of sales),
- distribution of products among outlets belonging to the retail chain.

Allowances for marketing bonuses (reserves covering payment for contractual services provided) are allocated on a monthly basis. Allowances are contractually established as a percentage value and usually depend on achieving the predetermined sales threshold. In other cases allowances are also determined as a percentage of turnover, however instead of meeting a sales threshold the customer is instead required to perform a specific service. Monthly turnover, treated as the basis for calculating allowances, includes any returns accepted in the month for which allowances are made. The Company calculates allowances for marketing bonuses using a custom application which interfaces with its sales and accounting systems.

Employee benefits

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

On 16 December 2011 the Extraordinary General Meeting of Shareholders of CD Projekt RED S.A. voted to institute a motivational program for personnel viewed as crucially important for the Capital Group as a whole and having a decisive influence upon the development of individual activity branches of the Group. A set of targets were established and the Management Board and Supervisory Board of the Company selected a number of persons who, assuming these profit and marketing goals are met, are rewarded with warrants entitling them to acquire company shares by way of a conditional increase in the Company's equity capital. Details are presented in Current Report No. 73/2011 of 17 December 2011 and further described in Note 47.

Bank credits and loans

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

Trade and other liabilities

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

Licenses

The value of acquired licenses (received invoices – balance of Prepaidexpenses) is increased by the amount of uninvoiced contractual liabilities – applies to minimum guarantees (Liabilities associated with supplies and services), and decreased by the amount of provisions for said invoices (Other provisions).

Borrowing costs

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

Payment of dividends

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

V. Functional currency and presentation currency

Functional currency and presentation currency

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

Transactions and balances

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

VI. Important values based on professional judgment and estimates

Professional judgment

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

Classification of lease agreements

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

Uncertainty of estimation

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

Asset impairment

Goodwill and trademark value impairment tests require an assessment of the value in use of each cash generating unit to which Group members belong. This assessment is based on a projection of future cash flows generated by individual cash generating units and requires an estimate of the discount rate applied when conducting pending assessment of the value of said flows. The last tests of the CD PROJEKT brand name and the The Witcher trademark were conducted on 31 October 2012. As of 31 December 2012 no circumstances were identified which would suggest impairment of these assets. Asset impairment tests in individual subsidiaries were last conducted on 31 December 2012.

Estimation of provisions

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

Production in progress

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

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

Deferred tax assets

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

Fair value of financial instruments

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

Depreciation rates

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

Deferred income tax liabilities

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

VII. Changes in accounting practices (policies)

The accounting practices (policies) applied in preparing this consolidated financial statement are consistent with those applied in preparing the consolidated financial statement for the year ending 31 December 2011, with the exception of the presentation-related change described in section 3 part II regarding assumption of going concern and comparability of financial statements.

VIII. New standards awaiting implementation by the Group

Standards and interpretations adopted for the first time in 2012

The following amendments to standards published by the International Accounting Standards Federation and approved by the EU came into force in 2012:

Amendment to IFRS 7 Financial Instruments: disclosures - transfers of financial assets, approved by the EU on 22 November 2011 (applicable to financial years starting on or after 1 July 2011). This amendment was published by the IASB on 7 October 2010. The aim of this amendment is to increase the clarity of disclosures regarding transaction risks when the transferred financial asset is not derecognized in its entirety. The amendment also applies to disclosure of uneven distribution of proceeds from transfer activity throughout the reporting period.

The standards, interpretations and amendments listed above do not significantly influence the existing accounting practices of the Group.

Standards and publications already published and approved by the EU but not yet enforced

In approving this financial statement the Group did not apply the following standards, amendments and interpretations which have already been published and approved for use in the EU, but have not yet come into force:

- **IFRS 10 Consolidated financial statements**, approved by the EU on 11 December 2012 (applicable to financial years starting on or after 1 January 2014),
- **IFRS 11 Joint arrangements**, approved by the EU on 11 December 2012 (applicable to financial years starting on or after 1 January 2014),
- **IFRS 12 Disclosure of interests in other entities**, approved by the EU on 11 December 2012 (applicable to financial years starting on or after 1 January 2014),
- **IFRS 13 Fair value measurement**, approved by the EU on 11 December 2012 (applicable to financial years starting on or after 1 January 2013),
- **IAS 27 (amended in 2011) Separate financial statements**, approved by the EU on 11 December 2012 (applicable to financial years starting on or after 1 January 2014),
- **IAS 28 (amended in 2011) Investments in associates and joint ventures**, approved by the EU on 11 December 2012 (applicable to financial years starting on or after 1 January 2014),
- **Amendment to IFRS 1 First-time adoption of IFRS** – Severe hyperinflation and removal of fixed dates for first-time adopters of IFRS, approved by the EU on 11 December 2012 (applicable to financial years starting on or after 1 January 2013),
- **Amendment to IFRS 1 First-time adoption of IFRS** – Government loans, approved by the EU on 4 March 2013 (applicable to financial years starting on or after 1 January 2013),

- **Amendment to IFRS 7 Financial instruments: disclosures** – Offsetting financial assets and liabilities, approved by the EU on 13 December 2012 (applicable to financial years starting on or after 1 January 2013),
- **Amendment to IAS 1 Presentation of financial statements** – Presentation of items of other comprehensive income, approved by the EU on 5 June 2012 (applicable to financial years starting on or after 1 July 2012),
- **Amendment to IAS 12 Income taxes** – Deferred tax: recovery of underlying assets, approved by the EU on 11 December 2012 (applicable to financial years starting on or after 1 January 2013),
- **Amendment to IAS 19 Employee benefits** - distinguishing benefits provided in exchange for the termination of employment, approved by the EU on 5 June 2012 (applicable to financial years starting on or after 1 January 2013),
- **Amendment to IAS 32 Financial instruments: presentation** – offsetting financial instruments and liabilities, approved by the EU on 13 December 2012 (applicable to financial years starting on or after 1 January 2014),
- **IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine**, approved by the EU on 11 December 2012 (applicable to financial years starting on or after 1 January 2013),

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

The International Financial Reporting Standards, as approved by the EU, do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB), with the exception of the following standards, amendments and interpretations which, as of 21 March 2013, have not yet been approved for implementation:

- **IFRS 9 Financial instruments** (applicable to financial years starting on or after 1 January 2015),
- **Amendments to IFRS 9 Financial instruments and IFRS 7 Financial instruments: disclosures** – Mandatory effective date and transition disclosures,
- **Amendments to IFRS 10 Consolidated financial statements and IFRS 11 Joint arrangements and IFRS 12 Disclosure of interests in other entities** – Transition guidance (applicable to financial years starting on or after 1 January 2013)
- **Amendments to IFRS 10 Consolidated financial statements, IFRS 12 Disclosure of interest in other entities and IAS 27 Separate financial statements** – Investment entities (applicable to financial years starting on or after 1 January 2014),
- **Miscellaneous amendments to IFRS (2012)** – changes listed in the annual amendment to IFRS published on 17 May 2012 (IFRS 1, IAS 1, IAS 16, IAS 32 and IAS 34) regarding resolution of inconsistencies and clarification of the terminology used (applicable to financial years starting on or after 1 January 2013).

In the entity's view, the above interpretations and amendments would not have significantly influenced the financial statement had they been applied by the entity on the balance sheet date.

Regulations approved by the EU do not currently cover hedge accounting of financial asset and liability portfolios which are not covered by EU legislation.

In the entity's view, the hedge accounting practices for financial asset and liability portfolios listed in **IAS 39 Financial assets: recognition and measurement** would not have significantly influenced the financial statement had they been applied by the entity on the balance sheet date.

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Additional notes and explanations regarding the consolidated financial statement

Note 1. Sales revenues

Pursuant to IAS 18 income from sales of products, goods and services less the applicable sales and services tax, rebates and discounts, is recognized when the seller has transferred to the buyer the significant risks and rewards of ownership.

PLN thousands	01.01.2012 - 31.12.2012	01.01.2011 - 31.12.2011
Total sales revenues	***164 040***	***136 210***
Sales of goods and materials	*75 643*	*63 736*
Sales of products	*83 891*	*66 696*
Sales of services	*4 506*	*5 778*
Other forms of revenues	***7 087***	***11 128***
Other forms of operating revenues	*3 056*	*9 058*
Financial revenues	*4 031*	*2 070*
Revenues from continuing operations	**171 127**	**147 338**
Revenues from discontinued operations	-	-
Total revenues	**171 127**	**147 338**

Note 2. Operating segments

Geographical areas

PLN thousands	Poland	Other countries jointly	EU	USA	Other
01.01.2012 - 31.12.2012					
Sales to external clients	*76 180*	*87 860*	*26 058*	*51 183*	*10 619*
01.01.2011 - 31.12.2011					
Sales to external clients	*68 993*	*67 217*	*23 232*	*37 677*	*6 308*

Sales revenues – detailed geographical breakdown

PLN thousands	01.01.2012 - 31.12.2012		01.01.2011 - 31.12.2011	
	PLN thousands	percentage	PLN thousands	percentage
Country	***75 567**	**46,1%**	****68 576**	**50,3%**
Export, including:	**88 473**	**53,9%**	**67 634**	**49,7%**
EU member states	*26 684*	*16,3%*	**23 649*	*17,4%*
Former USSR countries	*1 392*	*0,8%*	*428*	*0,3%*
USA	*51 183*	*31,2%*	*37 677*	*27,7%*
Asia	*2 277*	*1,4%*	*1 008*	*0,7%*
Other	*6 937*	*4,2%*	*4 872*	*3,6%*
Total	**164 040**	**100,0%**	**136 210**	**100,0%**

** the difference in the amount of 768 thousand PLN represents the revenues of GOG Ltd. (incorporated in Cyprus) achieved in Poland*

*** the difference in the amount of 417 thousand PLN represents the revenues of GOG Ltd. (incorporated in Cyprus) achieved in Poland*

Individual operating segments for the period between 01.01.2012 and 31.12.2012

The operations of the CD PROJEKT Capital Group are carried out in four operating segments:

- Distribution and publishing in Poland (formerly referred to as Publishing activities and distribution of videogames and DVD/Blu-ray motion pictures);
- Videogame development;
- Global digital distribution of games (formerly referred to as Digital distribution of videogames);
- Other activities.

Distribution and publishing in Poland – overview

The CD PROJEKT Capital Group is a leading publisher and distributor of PC and console videogames, as well as DVD and Blu-ray motion picture releases. In January 2012 it became the exclusive sales representative of Wizard of The Coast, distributing collector's editions of card and board games. CDP.pl conducts digital distribution of PC games (since October 2012) and of e-books and digital comic editions (since 7 March 2013) via its proprietary local distribution platform www.cdp.pl, which is available in Polish. CDP.pl Sp. z o.o. (formerly CD Projekt Sp. z o.o.) only conducts activities within this segment throughout Poland.

PC games publishing

This activity is specifically carried out through:

- purchases of licenses from external suppliers;
- preparation of local language editions;
- physical production of licensed products subcontracted to external entities;
- carrying out promotional and marketing campaigns;
- sales and distribution of games through the company's distribution network;
- product lifecycle management (incl. proper repositioning of games between price segments for each publishing series managed by the company, applying proven marketing solutions);
- providing client support.

Distribution of videogames

This activity covers distribution of games for PCs, stationary consoles and handheld consoles. Products distributed by CDP.pl Sp. z o.o. are purchased from external suppliers in a fully assembled form and put on the market using the company's sales channels.

Distribution services performed by CDP.pl Sp. z o.o. for individual products may, in practice, be supplemented by selected components of the publishing model, including:

- preparation of local language editions;
- carrying out promotional and marketing campaigns;
- product lifecycle management (incl. proper repositioning of games between price segments);
- providing client support.

The CDP.pl Sp. z o.o. subsidiary releases localized (i.e. translated into the local language) editions of PC, Xbox 360 and PlayStation 3 videogames on the Polish market. Since its creation the company has published several hundred fully localized PC titles and several dozen localized PlayStation 3 and Xbox 360 releases. Some games are released in their original language editions.

Distribution of DVD and Blu-ray motion pictures

In October 2009 CDP.pl Sp. z o.o. became the official distributor of DVD and Blu-ray movies published by The Walt Disney Studios Home Entertainment, representing such studios as The Walt Disney Studios, Touchstone Pictures, Pixar Animation Studios, ABC Studios and MARVEL. In 2011 CDP.pl also became the official distributor of motion pictures and TV series published by Telewizja Polsat. The company continues to extend its portfolio by entering into agreements with additional studios. The CDP.pl Sp. z o.o. catalogue is distributed through traditional sales channels as well as through movie rentals.

Sales of digital products through the www.cdp.pl platform

In October 2012 CDP.pl launched its proprietary digital PC games distribution platform, available at www.cdp.pl and targeted at individual clients. Since 7 March 2013 the platform is also used to distribute books and comics. Products offered via the platform are licensed both from international publishers and local suppliers. Most of those products are fully localized. Key features of the service include: lack of hidden charges, rapid processing of purchases and downloads, superior technical support and transaction security.

Videogame development - overview

Videogame development is carried out directly by CD PROJEKT S.A. This activity comprises creation of videogames and licencsing the associated distribution rights. Videogame development commenced in 2002 when work began on the studio's debut RPG title – The Witcher. This game, based on a series of novels by Andrzej Sapkowski, was released in 2007 and became a resounding global success. In May 2011 the studio released the sequel – The Witcher 2: Assassins of Kings for the PC, followed in April 2012 by The Witcher 2 Extended Edition for Xbox 360 and the PC. Since 2012 both parts of the series (The Witcher and The Witcher 2: Assassings of Kings – Extended Edition) are also available for Apple computers.

Taken together, both games have garnered approximately 200 awards and sold over 5 million copies.

Currently the studio carries out parallel development of two triple-A RPG titles: The Witcher 3: Wild Hunt and Cyberpunk 2077. Each of these games will be released simultaneously for the PC and for the most advanced console platforms available at the moment of release.

According to the Strategy of the CD Projekt Red Capital Group for 2012 – 2015 published in November 2011 CD PROJEKT intends to sell at least 10 million copies of its own videogames by the end of 2015.

Global digital distribution of games - overview

Global digital distribution of games (i.e. distribution of computer games over the Internet to clients from all over the world, facilitating purchase, payment and download to the client's personal computer) is carried out by GOG Ltd., which operates its proprietary digital distribution platform and Web portal named GOG.com.

The platform was launched in September 2008. The initial mission of GOG.com was to revitalize the most notable PC cult classics and offer them for sale to clients from all over the world, with particular focus on English-speaking countries, i.e. the United States, Canada, Great Britain, Australia and New Zealand.

Early on products were offered at two price levels: 5.99 USD and 9.99 USD. As the platform grew and newer releases (including premiere releases) became available, additional price levels were introduced: 14.99 USD, 19.99 USD, 29.99 USD and 34.99 USD. Since October 2012 the GOG.com platform also features games for Apple computers.

Currently the platform carries over 500 titles from over 100 publishers and developers of computer games, including such well-known brands as Electronic Arts, Activision, Ubisoft and Atari-Hasbro.

One of the key aspects of GOG.com's competitive advantage is its set of princeple values. The company has pledged to release all games in a DRM-free model, i.e. with no cumbersome antipiracy protections built in. In addition, GOG Ltd. operates under a "fair price" scheme, with each game offered at a set price throughout the world without regard to the client's nationality and without any territorial restrictions. Products offered through the GOG.com platform are as fully featured as possible and typically include bonus content such as soundtracks, maps, wallpapers etc. Finally, games released by GOG Ltd. are guaranteed to be compatible with all popular versions of the MS Windows operating system. The company extends technical support to users who have problems running the purchased games.

Owing to the policies listed above GOG.com has become one of the world's most popular digital videogame distribution platforms. This dynamic rise in the platform's popularity is reflected in the company's business performance.

The Group also uses the GOG.com platform as a sales channel for its own PC games: The Witcher and The Witcher 2: Assassins of Kings.

Breakdown of individual operating segments for the period between 01.01.2012 and 31.12.2012

PLN thousands	Sales revenues	Sales to external clients	Sales between segments and internal turnover	Profit/loss per segment	Total assets per segment
CONTINUING OPERATION					
Distribution and publishing in Poland	*76 895*	*75 889*	*1 006*	*7 612*	*47 788*
Videogame development	*47 478*	*44 862*	*2 616*	*21 729*	*56 711*
Global digital distribution of games	*46 358*	*42 096*	*4 262*	*8 247*	*23 172*
*Other activities**	*6 202*	*1 193*	*5 009*	*2 142*	*119 468*
DISCONTINUING OPERATION					
Consolidation eliminations (incl. adjustments from business combinations)	(12 893)	-	(12 893)	(11 605)	(44 247)
TOTAL	**164 040**	**164 040**	**-**	**28 125**	**202 892**

* The *Other activities* segment comprises the individual profit of CD PROJEKT S.A. in the amount of 2,142 thousand PLN representing the activity of its investment branch.

Segmented consolidated statement of financial position as of 31.12.2012

PLN thousands	Distribution and publishing in Poland	Videogame development	Global digital distribution of games	Other activities	Consolidation eliminations (incl. adjustments from business combinations)	Total
FIXED ASSETS	**3 967**	**3 991**	**731**	**103 692**	**(18 179)**	**94 202**
Tangible fixed assets	*1 240*	*2 311*	*685*	*6 519*	*-*	*10 755*
Intangible assets	*920*	*1 657*	*13*	*48 764*	*(16 553)*	*34 801*
Goodwill	*-*	*-*	*-*	*-*	*46 417*	*46 417*
Investments in affiliates	*-*	*-*	*-*	*48 043*	*(48 043)*	*-*
Deferred income tax assets	*1 780*	*7*	*33*	*160*	*-*	*1 980*
Other fixed assets	*27*	*16*	*-*	*206*	*-*	*249*
CURRENT ASSETS	**43 821**	**52 720**	**22 441**	**15 776**	**(26 068)**	**108 690**
Inventories	*7 006*	*26 295*	*-*	*66*	*-*	*33 367*
Trade receivables	*26 195*	*13 146*	*4 445*	*241*	*(12 780)*	*31 247*
Other receivables	*941*	*1 432*	*1 543*	*14 007*	*(13 288)*	*4 635*
Other financial assets	*-*	*-*	*-*	*855*	*-*	*855*
Prepaid expenses	*8 582*	*240*	*2 859*	*39*	*-*	*11 720*
Cash and cash equivalents	*1 097*	*11 607*	*13 594*	*568*	*-*	*26 866*
TOTAL ASSETS	**47 788**	**56 711**	**23 172**	**119 468**	**(44 247)**	**202 892**

PLN thousands	Distribution and publishing in Poland	Videogame development	Global digital distribution od games	Other activities	Consolidation eliminations (incl. adjustments from business combinations)	Total
EQUITY	**17 314**	**39 787**	**10 947**	**106 035**	**(22 553)**	**151 530**
Equity attributable to shareholders of the Parent Company	***17 314***	***39 787***	***10 947***	***106 035***	***(22 553)***	***151 530***
Share capital	*10 076*	*7 050*	*86*	*94 950*	*(17 212)*	*94 950*
Supplementary capital from sales of shares above listed price	*-*	*-*	*1 152*	*110 936*	*(6 888)*	*105 200*
Other reserve capital	*-*	*-*	*-*	*551*	*-*	*551*
Exchange rate differences	*-*	*-*	*(355)*	*-*	*(482)*	*(837)*
Retained earnings	*(374)*	*11 008*	*1 817*	*(102 544)*	*13 634*	*(76 459)*
Net profit (loss) for the reporting period	*7 612*	*21 729*	*8 247*	*2 142*	*(11 605)*	*28 125*
LONG-TERM LIABILITIES	**576**	**2 425**	**38**	**192**	**4 373**	**7 604**
Other financial liabilities	*97*	*36*	*-*	*102*	*-*	*235*
Deferred income tax liabilities	*35*	*2 249*	*-*	*1*	*4 373*	*6 658*
Deferred revenues	*438*	*137*	*36*	*68*	*-*	*679*
Provisions for employee benefits and similar liabilities	*6*	*3*	*2*	*15*	*-*	*26*
Other provisions	*-*	*-*	*-*	*6*	*-*	*6*
SHORT-TERM LIABILITIES	**29 898**	**14 499**	**12 187**	**13 241**	**(26 067)**	**43 758**
Credits and Lorans	*3 444*	*1 301*	*-*	*-*	*-*	*4 745*
Other financial liabilities	*120*	*33*	*-*	*124*	*-*	*277*
Trade liabilities	*24 189*	*997*	*10 087*	*11 437*	*(12 780)*	*33 930*
Liabilities from current income tax	*-*	*-*	*184*	*-*	*-*	*184*
Other liabilities	*2 048*	*12 067*	*1 743*	*1 449*	*(13 287)*	*4 020*
Deferred revenues	*69*	*75*	*18*	*35*	*-*	*197*
Provisions for employee benefits and similar liabilities	*-*	*20*	*155*	*63*	*-*	*238*
Other provisions	*28*	*6*	*-*	*133*	*-*	*167*
TOTAL LIABILITIES	**47 788**	**56 711**	**23 172**	**119 468**	**(44 247)**	**202 892**

Segmented consolidated profit and loss account for the period between 01.01.2012 and 31.12.2012

PLN thousands	Distribution and publishing in Poland	Videogame development	Global digital distribution of games	Other activities	Consolidation eliminations (incl. adjustments from business combinations)	Total
Sales revenues	**76 895**	**47 478**	**46 358**	**6 202**	**(12 893)**	**164 040**
Revenues from sales of products	-	*44 246*	*42 250*	-	*(2 605)*	*83 891*
Revenues from sales of services	*3 369*	*165*	*4 108*	*6 199*	*(9 335)*	*4 506*
Revenues from sales of goods and materials	*73 526*	*3 067*	-	*3*	*(953)*	*75 643*
Cost of products, goods and materials sold	**51 836**	**15 520**	**28 112**	**549**	**(6 399)**	**89 618**
Cost of products and services sold	*1 011*	*13 126*	*28 112*	*546*	*(5 487)*	*37 308*
Value of goods and services sold	*50 825*	*2 394*	-	*3*	*(912)*	*52 310*
Gross profit (loss) from sales	**25 059**	**31 958**	**18 246**	**5 653**	**(6 494)**	**74 422**
Other operating revenues	*10 305*	*1 595*	*60*	*450*	*(9 354)*	*3 056*
Selling costs	*15 276*	*2 850*	*7 270*	*1 641*	*(1 794)*	*25 243*
Genral and administrative costs	*4 750*	*4 538*	*1 404*	*7 085*	*(4 714)*	*13 063*
Other operating expenses	*8 893*	*1 632*	*15*	*424*	*(159)*	*10 805*
Operating profit (loss)	**6 445**	**24 553**	**9 617**	**(3 047)**	**(9 181)**	**28 367**
Financial revenues	*2 535*	*1 144*	*182*	*5 386*	*(5 216)*	*4 031*
Financial expenses	*3 113*	*1 106*	*577*	*363*	*(1 048)*	*4 111*
Profit (loss) before taxation	**5 867**	**24 571**	**9 222**	**1 976**	**(13 349)**	**28 287**
Income tax	*(1 745)*	*2 842*	*975*	*(166)*	*(1 744)*	*162*
Net profit (loss) from continuing activities	**7 612**	**21 729**	**8 247**	**2 142**	**(11 605)**	**28 125**
Net profit (loss)	**7 612**	**21 729**	**8 247**	**2 142**	**(11 605)**	**28 125**

Description of significant achievements and failures of the Group in the reporting period and important events

Important achievements and failures of the Group have been described in the Managemerial Report on the activities of the CD PROJEKT Capital Group for the year 2012.

Description of differences regarding identification of operating segments or valuation of profits and losses compared to the previous annual consolidated financial statement

No changes regarding identification of operating segments have occurred in relation to the consolidated financial statement for the year 2011.

Reconciliation of total reportable segment profit and loss with the total profit and loss of the Group prior to inclusion of tax liabilities and discontinuing activity

Not applicable.

Key clients

The CD PROJEKT Capital Group cooperates with external customers whose share of the total consolidated revenues of the Capital Group is greater than 10%.

Concerning distribution and publishing in Poland, the cooperation between the CDP.pl Sp. z o.o. subsidiary and Empik Sp. z o.o generated revenues which accounts for more than 10% of the total consolidated revenues of the Capital Group for the year 2012. Net sales to Empik Sp. z o.o. amounted to 18 301 thousand PLN, which constitutes 11.16% of the total consolidated sales revenues of the CD PROJEKT Capital Group. Empik Sp. z o.o. is not affiliated with CDP.pl Sp. z o.o. or CD PROJEKT S.A.

Concerning videogame development, the biggest commercial customer of CD PROJEKT S.A. was Warner Bros Home Entertainment Inc. accounting for more than 10% of the consolidated sales revenues of the Capital Group for the year 2012. Sales to Warner Bros Home Entertainment amounted to 17 034 thousand PLN, which constitutes 10.38% of the total consolidated sales revenues of the CD PROJEKT Capital Group. Warner Bros Home Entertainment Inc. is not affiliated with CD PROJEKT S.A.

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

Note 3. Operating costs

PLN thousands	01.01.2012 - 31.12.2012	01.01.2011 - 31.12.2011
Depreciation	*2 617*	*1 978*
Consumption of materials and energy	*1 238*	*875*
External services	*19 008*	*19 766*
Taxes and fees	*399*	*635*
Employee compensation, social security and other benefits	*22 822*	*17 098*
Business trips	*723*	*555*
Other costs, including:	*6 825*	*9 067*
- recrutment costs	*330*	*101*
- participation in fairs, exhibitions and conferences	*679*	*1 036*
- use of company cars	*415*	*405*
- licensing fees	*32*	*581*
- representation and advertising	*4 764*	*6 489*
- provisions for tax non-deductible expenses	*62*	*72*

- *insurance*	*315*	*62*
- *other expenses*	*228*	*321*
Changes in inventory	*(15 327)*	*(826)*
Value of goods and materials sold	*55 886*	*35 818*
Cost of products and services sold	*31 776*	*18 038*
Exchange rate differences from operating activities	*1 957*	*1 067*
Total costs by type, including:	**127 924**	**104 071**
Selling costs	*25 243*	*24 648*
General and administrative costs	*13 063*	*11 586*
Cost of sales	*89 618*	*67 837*
Total	**127 924**	**104 071**

Note 4. Other operating revenues and expenses

Other operating revenues

PLN thousands	01.01.2012 - 31.12.2012	01.01.2011 - 31.12.2011
Elimination of write-downs for receivables	*90*	*1 307*
Dissolution of provisions for liabilities	-	*54*
Subsidies	*348*	*90*
Write-downs on expired liabilities	*93*	*503*
Offset on damages, penalties and fines received	*232*	*293*
Reinvoicing revenues	*392*	*1 422*
Profit from sales of fixed assets	*43*	*116*
Dissolution of provisions for employee benefits	*11*	*3*
Dissolution of unused provisions for expenses	*1 039*	*26*
Dissolution of provisions for marketing bonuses	*205*	*729*
Licenses written off	-	*189*
Dissolution of provisions (write-offs of unsettled private contracts)	*26*	*16*
Dissolution of licensing provisions	*334*	*1 255*
Other forms of operating revenues, including:	*243*	*3 055*
- *write-offs of expired liabilities*	-	*1 897*
- *cost adjustments aggregated with liability write-downs*	-	*600*
- *civil law transaction tax reimbursements*	-	*94*
- *repossession gains received*	*8*	*19*
- *policies terminated prematurely*	*4*	*8*
- *offset on damages received*	-	*12*
- *unused reserves*	-	*83*
- *goods and materials received free of charge*	*182*	*30*
- *disclosure of fixed assets*	-	*3*
- *other miscellaneous forms of operating revenues*	*49*	*309*

Total	**3 056**	**9 058**

Other operating expenses

PLN thousands	01.01.2012 - 31.12.2012	01.01.2011 - 31.12.2011
Provisions set aside for future liabilities	*-*	*2 718*
Trade liability revaluations	*767*	*363*
Other liability revaluations	*12*	*668*
Inventory revaluations	*291*	*1 811*
Costs of inventories written off	*3*	*-*
Write-downs on expired liabilities	*73*	*2 708*
Offset on damages, penalties and fines paid	*-*	*29*
Losses from sales of fixed assets	*-*	*39*
Reinvoicing costs	*225*	*949*
Licenses written off	*4 750*	*1 968*
Unrecoverable withholding tax	*642*	*630*
Other expenses, including:	*4 042*	*1 692*
- court proceedings (Namco)	*-*	*337*
- withholding tax costs incurred by the company	*11*	*2*
- lease buyouts	*37*	*22*
- disclosure of fixed assets	*-*	*3*
- disposal costs of goods and materials	*570*	*157*
- penalties	*-*	*820*
- costs of cancelled projects	*-*	*229*
- rectification of subsidy recognition	*-*	*42*
- rectification of illegal software download revenues recognition	*-*	*68*
- involuntary shortfall in working assets	*304*	*-*
- product adjustments (markdowns)	*3 061*	*-*
- other	*59*	*12*
Total	**10 805**	**13 575**

Note 5. Financial revenues and expenses

Financial revenues

PLN thousands	01.01.2012 - 31.12.2012	01.01.2011 - 31.12.2011
Revenues from interests:	***121***	***178***
- on bank deposits	*80*	*74*
- on loans	*-*	*92*
- on trade receivables	*41*	*12*

Other forms of financial revenues, including:	***3 910***	***1 623***
- gains from exchange rate differences	*3 330*	*1 293*
- revenues from sales of investments	*-*	*26*
- revenues from investment fund shares	*7*	*183*
- revenues from dividends and shares	*-*	*6*
- revenues from sales of stock, shares and other securities	*-*	*55*
- net revenues from sales of financial assets designated at fair value through financial result	*570*	*59*
- other	*3*	*1*
Total financial revenues	**4 031**	**1 801**

Financial expenses

PLN thousands	01.01.2012 - 31.12.2012	01.01.2011 - 31.12.2011
Interest payments:	***1 107***	***1 518***
- on bank credits	*465*	*971*
- on Lorans	*83*	*422*
- on trade settlements	*69*	*18*
- on lease agreements	*53*	*26*
- on factoring agreements	*434*	*-*
- other	*3*	*81*
Other financial expenses, including:	***860***	***626***
- bank fees	*656*	*599*
- discounts on long-term receivables	*-*	*20*
- prolongation fees	*28*	*-*
- interest on budget commitments	*8*	*-*
- investment revaluations	*166*	*-*
- other	*2*	*7*
Net profit and loss from exchange rate differences associated with financial activities	***2 144***	***50***
Total financial expenses	**4 111**	**2 194**
Net financial expenses	**(80)**	**(393)**

Disclosure of revenues, expenses, profits and losses by financial instrument category

PLN thousands	Financial assets designated at fair value through financial result	Loans granted and receivables	Other financial liabilities	Total estimation of financial instruments
01.01.2012 - 31.12.2012				
Revenues/expenses from interest	*7*	*124*	*(1 054)*	*(923)*
Creation of revaluation write-downs		*(777)*	*-*	*(777)*

Elimination of revaluation write-downs		*90*	*-*	*90*
Profit/loss from sales of financial instruments	*562*	*-*	*-*	*562*
Total profit/loss	**569**	**(563)**	**(1 054)**	**(1 048)**
01.01.2011 - 31.12.2011				
Revenues/expense from fair value measurement	*170*	*-*	*-*	*170*
Revenues/expense from interest	*13*	*1 013*	*(2 352)*	*(1 327)*
Creation of revaluation write-downs	*-*	*(1 036)*	*-*	*(1 036)*
Elimination of revaluation write-downs	*-*	*1 309*	*-*	*1 309*
Profit/loss from sales of financial instruments	*59*	*-*	*-*	*59*
Total profit/loss	**242**	**1 286**	**(2 352)**	**1 247**

Note 6. Current and deferred income tax

The main tax burden components for the years ending 31 December 2012 and 31 December 2011 are as follows:

PLN thousands	01.01.2012 - 31.12.2012	01.01.2011 - 31.12.2011
Current income tax	**1 737**	**3 093**
For the financial year	*1 737*	*3 093*
Deferred income tax	**(1 575)**	**571**
Due to creation and reversal of temporary differences	*(1 575)*	*571*
Tax burden reported in profit and loss account	**162**	**3 664**

The deferred tax reported in the profit and loss account is defined as the difference between the value of provisions and assets associated with the deferred tax at the beginning and end of each reporting period.

PLN thousands	01.01.2012 - 31.12.2012	01.01.2011 - 31.12.2011
Income before taxation	**28 287**	**27 229**
Tax-exempt acquiree profit	*-*	*22 557*
Revenues from previous years increasing the tax base	*4 969*	*3 502*
Tax-exempt revenues	*23 191*	*8 134*
Expenses from previous years reducing the tax base	*14 181*	*1 351*
Non-deductible expenses	*8 423*	*14 464*
Special defence contribution (Cyprus)	*71*	*2*
Taxable income	**4 378**	**13 155**
Deductions from income - donations, losses	*4 132*	*7 643*
Tax base	**246**	**5 512**
Income tax due (assumed rate: 19%)	*47*	*1 047*
Effective tax rate	**-**	**-**

Current income tax is estimated by assuming a tax rate of 19% for the reported tax base.

Negative temporary differences requiring recognition of deferred tax assets

PLN thousands	31.12.2012	reductions	increases	31.12.2011
Provisions for other employee benefits	*134*	*204*	*258*	*80*
Other provisions	*313*	*297*	*491*	*119*
Tax loss	*9 182*	*-*	*9 182*	*-*
Negative exchange rate differences	*110*	*707*	*22*	*495*
Negative exchange rate differences - GOG Ltd.	*34*	*234*	*-*	*268*
Employee compensation and social security expenses payable in subsequent reporting periods	*156*	*2 342*	*2 410*	*88*
Inventory revaluation write-downs	*(1)*	*143*	*82*	*60*
Liability revaluation write-downs	*(1)*	*128*	*25*	*102*
Provisions for THQ settlement costs	*-*	*2 718*	*-*	*2 718*
Provisions for lease expenses	*35*	*-*	*21*	*14*
Discount, deposits	*42*	*28*	*2*	*68*
Cash pool interest	*5*	*2*	*5*	*2*
Motivational program	*551*	*11*	*562*	*-*
Reserve and asset offsets	*(125)*	*8*	*380*	*(497)*
Total negative temporary differences	**10 435**	**6 822**	**13 740**	**3 517**
Tax rate (Poland)	*19%*	*19%*	*19%*	*19%*
Tax rate (Cyprus)	*10%*	*10%*	*10%*	*10%*
Deferred tax assets	**1 980**	**1 275**	**2 611**	**644**

Positive temporary differences requiring recognition of deferred tax liabilities

PLN thousands	31.12.2012	reductions	increases	31.12.2011
Positive exchange rate differences	*221*	*672*	*451*	*442*
Revaluation of long-term liabilities - interest due	*-*	*10*	*10*	*-*
Income in the current period invoiced in the following period, and sales returns				
Disclosure of CD PROJEKT brand name	*7 913*	*9 182*	*-*	*17 095*
The Witcher trademark	*15 104*	*-*	*-*	*15 104*
Uninvoiced sales revenues and returns	*11 767*	*3 444*	*11 767*	*3 444*
Other sources	*161*	*1 226*	*808*	*579*
Cash pool interest	*1*	*12*	*1*	*12*
Reserve and asset offsets	*(125)*	*8*	*380*	*(497)*
Total positive temporary differences	**35 042**	**14 554**	**13 417**	**36 179**
Tax rate (Poland)	*19%*	*19%*	*19%*	*19%*
Tax rate (Cyprus)	*10%*	*10%*	*10%*	*10%*
Deferred tax liabilities at end of reporting period	**6 658**	**2 765**	**2 549**	**6 874**

Net deferred tax assets/liabilities

PLN thousands	01.01.2012 - 31.12.2012	01.01.2011 - 31.12.2011
Deferred tax assets	*1 980*	*644*
Deferred tax liabilities - continuing activity	*6 658*	*6 874*
Net deferred tax assets/liabilities	**(4 678)**	**(6 230)**

Note 7. Discontinuing activity

Not applicable.

Note 8. Earnings per share

Base earnings per share are calculated by dividing the net profit for the reporting period attributable to ordinary equity holders of the Company by a weighted average of the number of ordinary shares issued valid during the reporting period. Diluted earnings per share are calculated by dividing the net profit for the reporting period attributable to ordinary equity holders of the Company by a weighted average of the number of ordinary shares issued valid during the reporting period (adjusted for the effect of dilutive options and dilutive redeemable preference shares convertible into ordinary shares). The reported of earnings per share are based on the following information:

PLN thousands	01.01.2012 - 31.12.2012	01.01.2011 - 31.12.2011
Net profit from continuing activity	28 125	23 565
Net profit attributable to ordinary equity holders	28 125	23 565
Net profit for the purposes of calculating diluted earnings per share	28 125	23 565

Number of shares issued

PLN thousands	01.01.2012 - 31.12.2012	01.01.2011 - 31.12.2011
Weighted average number of shares issued for the purposes of calculating base earnings per share (pcs.)	94 950 000	93 594 596
Weighted average number of shares issued for the purposes of calculating diluted earnings per share (pcs.)	94 950 000	93 594 596

Note 9. Dividends proposed or approved by the date of approval of this financial statement

No dividend was paid out to parent entity shareholders during the reporting periods.

Note 10. Disclosure of other components of the reported total income

PLN thousands	01.01.2012 - 31.12.2012	01.01.2011 - 31.12.2011
Net profit (loss)	**28 125**	**23 565**
Exchange rate differences on valuation of foreign entities	*(559)*	*456*
Differences from rounding to PLN thousands	*1*	*(2)*
Share in profits and losses of associates and joint ventures accounted for using the equity method	*-*	*-*
Total comprehensive income	**27 567**	**24 019**

Note 11. Tax effects of other comprehensive income

Not applicable.

Note 12. Tangible fixed assets

Ownership structure of tangible fixed assets

PLN thousands	31.12.2012	31.12.2011
Wholly owned	*10 139*	*9 318*
Held under a hire purchase, hire or leasing contract	*616*	*606*
Total	**10 755**	**9 924**

Tangible fixed assets whose title is restricted and tangible fixed assets pledged as collateral for liabilities

PLN thousands	31.12.2012	31.12.2011
Held under a leasing contract	*616*	606
Pledged as collateral for credits and loans	*45 000*	15 000
Fixed assets subsidized by the EU	*704*	1 090
Value of tangible fixed assets whose title is restricted and tangible fixed assets pledged as collateral for liabilities	**46 320**	**16 696**

Amount of contractual commitments for future acquisition of tangible fixed assets

PLN thousands	31.12.2012	31.12.2011
Leasing of passenger cars	*553*	566
Subsidy - Deployment of integrated ERP software	*1 376*	2 124
Subsidy - Modernization of IT infrastructure	*-*	482
Total	**1 929**	**3 172**

Changes in fixed assets (by category) between 01.01.2012 and 31.12.2012

PLN thousands	Land holdings	Buildings and structures	Machinery and equipment	Vehicles	Other fixed assets	Fixed assets under construction	Total
Gross carrying amount as of 01.01.2012	**346**	**11 205**	**4 940**	**1 318**	**289**	**484**	**18 582**
Increases from:	**-**	**787**	**1 351**	**500**	**28**	**1 178**	**3 844**
- purchases of fixed assets	-	*334*	*1 307*	*107*	*28*	*1 178*	*2 954*
- leasing contracts concluded	-	-	-	*393*	-	-	*393*
- reclassification	-	*453*	-	-	-	-	*453*
- acquisition free of charge	-	-	*44*	-	-	-	*44*
Reductions from:	**-**	**-**	**156**	**569**	**-**	**1 300**	**2 025**
- sales	-	-	*92*	*327*	-	-	*419*
- liquidation	-	-	*63*	*203*	-	-	*266*
- reclassification	-	-	-	-	-	*1 300*	*1 300*
- other	-	-	*1*	*39*	-	-	*40*
Gross carrying amount as of 31.12.2012	**346**	**11 992**	**6 135**	**1 249**	**317**	**362**	**20 401**
Amortization as of 01.01.2012	**-**	**3 919**	**3 796**	**688**	**255**	**-**	**8 658**
Increases from:	**-**	**519**	**744**	**229**	**19**	**-**	**1 511**
- amortization	-	*519*	*744*	*229*	*19*	-	*1 511*
Reductions from:	**-**	**-**	**153**	**370**	**-**	**-**	**523**
- liquidation	-	-	*63*	*41*	-	-	*104*
- sales	-	-	*89*	*327*	-	-	*416*
- other	-	-	*1*	*2*	-	-	*3*
Amortization as of 31.12.2012	**-**	**4 438**	**4 387**	**547**	**274**	**-**	**9 646**
Revaluation write-downs as of 01.01.2012	-	-	-	-	-	-	-
Revaluation write-downs as of 31.12.2012	-	-	-	-	-	-	-
Net carrying amount as of 31.12.2012	**346**	**7 554**	**1 748**	**702**	**43**	**362**	**10 755**

Changes in fixed assets (by category) between 01.01.2011 and 31.12.2011

PLN thousands	Land holdings	Buildings and structures	Machinery and equipment	Vehicles	Other fixed assets	Fixed assets under construction	Total
Gross carrying amount as of 01.01.2011	**346**	**11 112**	**4 606**	**1 019**	**313**	**272**	**17 668**
Increases from:	**-**	**93**	**1 035**	**700**	**14**	**1 041**	**2 883**
- purchases of fixed assets	*-*	*71*	*254*	*-*	*4*	*843*	*1 172*
- creation of fixed assets	*-*	*-*	*5*	*-*	*-*	*-*	*5*
- business combinations	*-*	*22*	*175*	*-*	*-*	*198*	*395*
- leasing contracts concluded	*-*	*-*	*-*	*700*	*-*	*-*	*700*
- reclassification	*-*	*-*	*330*	*-*	*6*	*-*	*336*
- other	*-*	*-*	*271*	*-*	*4*	*-*	*275*
Reductions from:	**-**	**-**	**701**	**401**	**38**	**829**	**1 969**
- sales	*-*	*-*	*145*	*298*	*4*	*-*	*447*
- liquidation	*-*	*-*	*523*	*90*	*34*	*-*	*647*
- reclassification	*-*	*-*	*6*	*-*	*-*	*769*	*775*
- other	*-*	*-*	*27*	*13*	*-*	*60*	*100*
Gross carrying amount as of 31.12.2011	**346**	**11 205**	**4 940**	**1 318**	**289**	**484**	**18 582**
Amortization as of 01.01.2011	**-**	**3 427**	**4 029**	**891**	**254**	**-**	**8 601**
Increases from:	**-**	**492**	**463**	**160**	**38**	**-**	**1 153**
- amortization	*-*	*420*	*279*	*124*	*24*	*-*	*847*
- business combinations	*-*	*72*	*184*	*36*	*4*	*-*	*296*
- reclassification	*-*	*-*	*-*	*-*	*6*	*-*	*6*
- other	*-*	*-*	*-*	*-*	*4*	*-*	*4*
Reductions from:	**-**	**-**	**696**	**363**	**37**	**-**	**1 096**
- liquidation	*-*	*-*	*523*	*65*	*33*	*-*	*621*
- sales	*-*	*-*	*141*	*298*	*4*	*-*	*443*
- reclassification	*-*	*-*	*6*	*-*	*-*	*-*	*6*
- other	*-*	*-*	*26*	*-*	*-*	*-*	*26*
Amortization as of 31.12.2011	**-**	**3 919**	**3 796**	**688**	**255**	**-**	**8 658**
Revaluation write-downs as of 01.01.2011	-	-	-	-	-	-	-
Revaluation write-downs as of 31.12.2011	-	-	-	-	-	-	-
Net carrying amount as of 31.12.2011	**346**	**7 286**	**1 144**	**630**	**34**	**484**	**9 924**

Fixed assets under construction

PLN thousands	01.01.2012	Expenditures in the financial year	Reclassification of costs	Expenditure settlements	31.12.2012
Construction of a motion capture studio, office; expansion of premises	*-*	*362*	*-*	*101*	*261*
Deployment of integrated ERP software	*484*	*462*	*(847)*	*-*	*99*
Construction of a recording studio	*-*	*2*	*-*	*-*	*2*
Office	*-*	*352*	*-*	*352*	*-*
Total	**484**	**1 178**	**(847)**	**453**	**362**

PLN thousands	01.01.2011	Expenditures in the financial year	Reclassification of costs	Expenditure settlements	31.12.2011
Modernization of IT infrastructure	*-*	*390*	*-*	*390*	*-*
Deployment of integrated ERP software	*272*	*651*	*(439)*	*-*	*484*

Value and area of land holdings in perpetuity

Address	Land register reference	Plot no.	Plot area in m^2 thousands as of 31.12.2012	Plot value in PLN thousands as of 31.12.2012	Plot area in m^2 thousands as of 31.12.2011	Plot value in PLN thousands as of 31.12.2011
33-300 Nowy Sącz, ul. Nawojowska 118	NS1S/00015666/7 NS1S/00051837/1 NS1S/00063005/7 NS1S/00046176/1 NS1S/00060531/2 NS1S/00061790/2 NS1S/00088720/6	111 113/1 113/2 116/1 116/2 115/1 115/2 110/5 110/6 113/5 114	20	346	20	346
Total			**20**	**346**	**20**	**346**

Leased fixed assets

PLN thousands	31.12.2012			31.12.2011		
	Gross value	Amortization	Net value	Gross value	Amortization	Net value
Vehicles	*888*	*272*	*616*	*664*	*58*	*606*
Total	**888**	**272**	**616**	**664**	**58**	**606**

Note 13. Intangible assets

Changes in intangible assets between 01.01.2012 and 31.12.2012

PLN thousands	Trademarks	Patents and licenses	Computer software	Goodwill	Other	Total
Gross carrying amount as of 01.01.2012	**15 155**	**2 401**	**8 954**	**46 417**	**17 198**	**90 125**
Increases from:	**-**	**868**	**1 319**	**-**	**216**	**2 403**
- purchases	-	*864*	*472*	-	*216*	*1 552*
- reclassification	-	-	*847*	-	-	*847*
- other	-	*4*	-	-	-	*4*
Reductions from:	**-**	**29**	**609**	**-**	**-**	**638**
- sales	-	-	*5*	-	-	*5*
- liquidation	-	*29*	*600*	-	-	*629*
- other	-	-	*4*	-	-	*4*
Gross carrying amount as of 31.12.2012	**15 155**	**3 240**	**9 664**	**46 417**	**17 414**	**91 890**
Amortization as of 01.01.2012	**51**	**1 893**	**8 194**	**-**	**62**	**10 200**
Increases from:	**-**	**608**	**472**	**-**	**29**	**1 109**
- amortization	-	*605*	*472*	-	*29*	*1 106*
- other	-	*3*	-	-	-	*3*
Reductions from:	**-**	**29**	**608**	**-**	**-**	**637**
- liquidation	-	*29*	*600*	-	-	*629*
- sales	-	-	*5*	-	-	*5*
- other	-	-	*3*	-	-	*3*
Amortization as of 31.12.2012	**51**	**2 472**	**8 058**	**-**	**91**	**10 672**
Revaluation write-downs as of 01.01.2012	-	-	-	-	-	-
Revaluation write-downs as of 31.12.2012	-	-	-	-	-	-
Net carrying amount as of 31.12.2012	**15 104**	**768**	**1 606**	**46 417**	**17 323**	**81 218**

Other intangible assets include the CD PROJEKT brand name valued at 17,095 thousand PLN as well as assets held by individual companies.

Changes in intangible assets between 01.01.2011 and 31.12.2011

PLN thousands	Trademarks	Patents and licenses	Computer software	Goodwill	Other	Total
Gross carrying amount as of 01.01.2011	**206**	**3 230**	**7 435**	**41 572**	**32 251**	**84 694**
Increases from:	**15 104**	**417**	**1 915**	**4 845**	**51**	**22 332**
- purchases	*-*	*156*	*458*	*-*	*-*	*614*
- business combinations	*15 104*	*106*	*392*	*4 845*	*51*	*20 498*
- reclassification	*-*	*155*	*1 065*	*-*	*-*	*1 220*
Reductions from:	**155**	**1 246**	**396**	**-**	**15 104**	**16 901**
- sales	*-*	*-*	*6*	*-*	*-*	*6*
- liquidation	*-*	*181*	*384*	*-*	*-*	*565*
- reclassification	*155*	*1 065*	*-*	*-*	*-*	*1 220*
- business combinations	*-*	*-*	*-*	*-*	*15 104*	*15 104*
- other	*-*	*-*	*6*	*-*	*-*	*6*
Gross carrying amount as of 31.12.2011	**15 155**	**2 401**	**8 954**	**46 417**	**17 198**	**90 125**
Amortization as of 01.01.2011	**206**	**2 205**	**7 431**	**-**	**46**	**9 888**
Increases from:	**-**	**708**	**1 157**	**-**	**16**	**1 881**
- amortization	*-*	*493*	*47*	*-*	*16*	*556*
- business combinations	*-*	*60*	*216*	*-*	*-*	*276*
- reclassification	*-*	*155*	*894*	*-*	*-*	*1 049*
Reductions from:	**155**	**1 020**	**394**	**-**	**-**	**1 569**
- liquidation	*-*	*126*	*384*	*-*	*-*	*510*
- sales	*-*	*-*	*6*	*-*	*-*	*6*
- reclassification	*155*	*894*	*-*	*-*	*-*	*1 049*
- other	*-*	*-*	*4*	*-*	*-*	*4*
Amortization as of 31.12.2011	**51**	**1 893**	**8 194**	**-**	**62**	**10 200**
Revaluation write-downs as of 01.01.2011	-	-	-	-	-	-
Revaluation write-downs as of 31.12.2011	-	-	-	-	-	-
Net carrying amount as of 31.12.2011	**15 104**	**508**	**760**	**46 417**	**17 136**	**79 925**

Intangible assets – ownership structure

PLN thousands	31.12.2012	31.12.2011
Wholly owned	*34 801*	*32 974*
Held under a hire purchase, hire or leasing contract	*-*	*534*
Total	**34 801**	**33 508**

Amount of contractual commitments for future acquisition of intangible assets

Commitment	31.12.2012	31.12.2011
Licensing software	*20*	*20*
Integrated ERP software - Dynamics AX	*-*	*392*
Total	**20**	**412**

Intangible fixed assets – restricted use

PLN thousands	31.12.2012	31.12.2011
Software associated with the "Modernization of IT infrastructure" project	*33*	*36*
Razem	**33**	**36**

Note 14. Goodwill

Goodwill

PLN thousands	31.12.2012	31.12.2011
Companies belonging to the CDP Investment group	*46 417*	*46 417*
Total	**46 417**	**46 417**

Goodwill changes related to consolidation

PLN thousands	01.01.2012 - 31.12.2012	01.01.2011 - 31.12.2011
Gross holding amount at beginning of period	**46 417**	**45 994**
Increases due to acquisition of entities	*-*	*5 268*
Reduction due to merger with CD Projekt RED Sp. z o.o.	*-*	*4 845*
Gross holding amount at end of period	**46 417**	**46 417**
Net goodwill	**46 417**	**46 417**

Business combinations

Not applicable.

Note 15. Investment properties

Not applicable.

Note 16. Investments in affiliates

Changes in investments in joint ventures and affiliates

Not applicable.

Note 17. Shares / stock in subsidiaries not subject to consolidation

The parent entity has ceased to report financial data for Optibox Sp. z o.o. in liquidation bankruptcy due to loss of control.

Note 18. Other fixed assets

PLN thousands	31.12.2012	31.12.2011
Receivables from deposits	*27*	*27*
Other - deposit for lease of premises	*222*	*242*
Total	**249**	**269**

Note 19. Financial assets

Not applicable.

Note 20. Financial assets held for sale

Not applicable.

Note 21. Other financial assets designated at fair value through profit or loss

PLN thousands	31.12.2012	31.12.2011
Investment fund shares	*855*	*4 229*
Total	**855**	**4 229**

Note 22. Inventories

Current production involves development of games. The carrying amount is determined on the basis of all development costs directly attributable to a given project and a justifiable portion of costs not directly attributable to any given project. At the moment of finalizing development and recognizing costs incurred by a given project, said costs are transferred from Ongoing development to Finished products.

Inventories are valuated according to their purchase or creation price which cannot, however, exceed their net realizable value for a given balance sheet date. This realizable value is determined on the basis of sales revenues obtained in the course of operating activities less the costs of completion and the costs necessary to make the sale.

The "Goods" category refers to any products manufactured by external entities and held for resale in an unprocessed state. Goods are stored in warehouses belonging to Group members and external entities. Each Group member keeps a register of the quantity and value of goods. Goods received free of charge are aggregated with other forms of operating revenues.

PLN thousands	31.12.2012	31.12.2011
Other materials	*66*	*223*
Intermediates and ongoing production	*17 213*	*22 808*
Finished products	*9 311*	*-*
Goods	*6 781*	*8 767*
Gross inventories	**33 371**	**31 798**
Inventory write-downs	*4*	*686*
Net inventories	**33 367**	**31 112**

Changes in inventory revaluation

PLN thousands	Inventory write-downs
As of 01.01.2012	**686**
Increases	**4**
- creation of write-downs aggregated with other operating expenses	*4*
Reductions, including:	**686**
- dissolution of write-downs aggregated with cost of sale	*686*
As of 31.12.2012	**4**

Inventories pledged as collateral for liabilities

Not applicable.

Note 23. Construction contracts

Not applicable.

Note 24. Trade receivables

PLN thousands	31.12.2012	31.12.2011
Trade receivables	**31 247**	**32 267**
- from other entities	*31 247*	*32 267*
Write-downs	**1 395**	**915**
Gross trade receivables	**32 642**	**33 182**

Changes in trade receivable write-downs

PLN thousands	01.01.2012 - 31.12.2012	01.01.2011 - 31.12.2011
AFFILIATED ENTITIES		
Write-downs at beginning of period	**116**	**116**
Increases	**-**	**-**
Reductions	**-**	**-**
Write-downs at end of period	**116**	**116**
OTHER ENTITIES		
Write-downs at beginning of period	**799**	**2 070**
Increases, including:	**765**	**346**
- write-downs on past-due and contested receivables	*765*	*346*
Reductions, including:	**285**	**1 617**
- use of write-downs	*163*	*358*
- elimination of write-downs due to settlement of receivables	*90*	*131*
- elimination of write-downs by write-offs	*25*	*1 128*
- reclassification	*7*	*-*
Write-downs at end of period	**1 279**	**799**
Aggregate write-downs at end of period	**1 395**	**915**

Current and past-due trade receivables as of 31.12.2012

PLN thousands	Total	Days past due					
		<0	0 - 60	61 - 90	91 - 180	181 - 360	>360
AFFILIATED ENTITIES							
gross receivables	*116*	-	-	-	-	-	*116*
write-downs	*116*	-	-	-	-	-	*116*
Net receivables	**-**	**-**	**-**	**-**	**-**	**-**	**-**
OTHER ENTITIES							
gross receivables	*32 526*	*23 958*	*6 738*	*125*	*189*	*772*	*744*
write-downs	*1 279*	*4*	*-*	*1*	*13*	*656*	*605*
Net receivables	**31 247**	**23 954**	**6 738**	**124**	**176**	**116**	**139**

TOTAL							
gross receivables	*32 642*	*23 958*	*6 738*	*125*	*189*	*772*	*860*
write-downs	*1 395*	*4*	*-*	*1*	*13*	*656*	*721*
Net receivables	**31 247**	**23 954**	**6 738**	**124**	**176**	**116**	**139**

Net trade receivables past due by more than 360 days include:

- CDP.pl Sp. z o. o. receivables from retail networks with longer settlement periods (139 thousand PLN).

Current and past-due trade receivables as of 31.12.2011

PLN thousands	Total	Days past due					
		<0	0 - 60	61 - 90	91 - 180	181 - 360	>360
AFFILIATED ENTITIES							
gross receivables	*116*	*-*	*-*	*-*	*-*	*-*	*116*
write-downs	*116*	*-*	*-*	*-*	*-*	*-*	*116*
Net receivables	**-**	**-**	**-**	**-**	**-**	**-**	**-**
OTHER ENTITIES							
gross receivables	*33 040*	*16 356*	*9 449*	*1 397*	*49*	*4 740*	*949*
write-downs	*773*	*-*	*-*	*-*	*-*	*-*	*773*
Net receivables	**32 267**	**16 356**	**9 449**	**1 397**	**49**	**4 740**	**176**
TOTAL							
gross receivables	*33 156*	*16 356*	*9 449*	*1 397*	*149*	*4 740*	*1 065*
write-downs	*889*	*-*	*-*	*-*	*-*	*-*	*889*
Net receivables	**32 267**	**16 356**	**9 449**	**1 397**	**149**	**4 740**	**176**

Trade receivables past due by more than 360 days include:

- CD Projekt Sp. z o. o. receivables from retail networks with longer settlement periods (174 thousand PLN),
- other receivables (2 thousand PLN).

Trade receivables by currency

PLN thousands	31.12.2012		31.12.2011	
	Currency units	Value in PLN	Currency units	Value in PLN
PLN	*25 122*	*25 122*	*24 634*	*24 634*
EUR	*115*	*471*	*1 135*	*5 012*
USD	*1 816*	*5 630*	*767*	*2 618*
GBP	*5*	*24*	*1*	*3*
Total	**-**	**31 247**	**-**	**32 267**

Note 25. Other receivables

PLN thousands	31.12.2012	31.12.2011
Other receivables, including:	*4 635*	811
- *tax returns except corporation tax*	*3 591*	*514*
- *advance payments for supplies*	*686*	*282*
- *deposits*	*129*	*7*
- *advance tax payment (Cyprus)*	*123*	*-*
- *other*	*106*	*8*
Write-downs	*1 205*	1 193
Other gross receivables	5 840	2 004

PLN thousands	31.12.2012	31.12.2011
Other receivables, including:	*4 635*	811
- *from affiliated entities*	*-*	*1*
- *from other entitites*	*4 635*	*810*
Write-downs	*1 205*	1 193
Other gross receivables	5 840	2 004

Other receivables by currency

PLN thousands	31.12.2012		31.12.2011	
	currency units	value in PLN	currency units	value in PLN
PLN	*4 158*	*4 158*	*553*	*553*
EUR	*30*	*123*	*17*	*76*
USD	*114*	*354*	*7*	*24*
GBP	*-*	*-*	*30*	*158*
Total	-	4 635	-	811

Trade and other receivables from affiliated entities

PLN thousands	31.12.2012	31.12.2011
Gross receivables from affiliated entities	*116*	117
- *trade receivables*	*116*	*117*
Write-downs	*116*	116
Net short-term receivables from affiliated entities	-	1

Note 26. Prepaid expenses

PLN thousands	31.12.2012	31.12.2011
Non-life insurance	*43*	*61*
Business travel insurance	*2*	*1*
Purchased license fees	*11 346*	*13 513*
Copyright charges	*-*	*150*
Civil law transaction tax on conditional capital increases	*9*	*9*
Other prepaid expenses	*320*	*909*
Prepaid expenses	**11 720**	**14 643**

Note 27. Cash and cash equivalents

PLN thousands	31.12.2012	31.12.2011
Cash on hand and bank deposits:	**15 118**	**9 182**
- cash in local currency	*3*	*5*
- current bank accounts	*15 115*	*9 177*
Other cash assets:	**11 748**	**637**
- overnight deposits	*11 748*	*637*
Total	**26 866**	**9 819**

Restricted cash

PLN thousands	31.12.2012	31.12.2011
Collateral	*294*	*2 779*
Fiscal pledge on cash assets	*294*	
Cash pool guarantees	*1 204*	*1 510*
Total	**1 792**	**4 289**

Cash held by the Group not reported as a balance sheet item

PLN thousands	31.12.2012	31.12.2011
Cash allocated to the Company Social Benefits Fund	*14*	*18*
Available, unused portion of operating credit	*18 750*	*679*
Available, unused portion of overdraft credit facility	*6 562*	*-*
Total	**25 326**	**697**

Note 28. Share capital

Share capital structure as of 31.12.2012

	Shares issued	Unit value	Nominam value of series/issue	Capital paid up in
A series bearer shares	*500 000*	*1*	*500 000*	*cash*
B series bearer shares	*2 000 000*	*1*	*2 000 000*	*cash*
C series bearer shares	*6 884 108*	*1*	*6 884 108*	*cash*
C1 series bearer shares	*18 768 216*	*1*	*18 768 216*	*cash*
D series bearer shares	*35 000 000*	*1*	*35 000 000*	*non-cash assets*
E series bearer shares	*6 847 676*	*1*	*6 847 676*	*cash*
F series bearer shares	*3 500 000*	*1*	*3 500 000*	*cash*
G series bearer shares	*887 200*	*1*	*887 200*	*cash*
H series bearer shares	*3 450 000*	*1*	*3 450 000*	*cash*
I series bearer shares	*7 112 800*	*1*	*7 112 800*	*cash*
J series bearer shares	*5 000 000*	*1*	*5 000 000*	*cash*
K series bearer shares	*5 000 000*	*1*	*5 000 000*	*cash*
Total	**94 950 000**	**-**	**94 950 000**	**-**

Shareholder structure as of 31.12.2012

Shareholder	Shares owned	Percentage share in share capital	Number of votes	Percentage share in total number of votes
Michał Kiciński	*15 958 500*	*16,81%*	*15 958 500*	*16,81%*
Marcin Iwiński	*14 507 501*	*15,28%*	*14 507 501*	*15,28%*
Piotr Nielubowicz	*5 985 197*	*6,30%*	*5 985 197*	*6,30%*
Adam Kiciński	*3 122 481*	*3,29%*	*3 122 481*	*3,29%*
PKO TFI S.A.	*9 000 000*	*9,48%*	*9 000 000*	*9,48%*
TFI Allianz Polska S.A.	*4 940 000*	*5,20%*	*4 940 000*	*5,20%*
Other shareholders	*41 436 321*	*43,64%*	*41 436 321*	*43,64%*
Total	**94 950 000**	**100,00%**	**94 950 000**	**100,00%**

Changes in share capital

PLN thousands	01.01.2012 - 31.12.2012	01.01.2011 - 31.12.2011
Share capital at beginning of period	**94 950**	**82 837**
Increases from:	**-**	**12 113**
- issuing shares paid up in cash	*-*	*5 000*
- conversion of loans into shares	*-*	*7 113*
- issuing shares paid up in kind	*-*	*-*
Share capital at end of period	**94 950**	**94 950**

Note 29. Changes in share capital from sales of shares above nominal price

PLN thousands	01.01.2012 - 31.12.2012	01.01.2011 - 31.12.2011
Capital at beginning of period	**106 705**	**101 751**
Increases from:	***1***	**9 615**
- issuing shares		*9 615*
- rounding to PLN thousands	*1*	*-*
Reductions	**1 506**	**4 661**
- allowance against subsidiary exposures in the preceding years	*1 506*	*4 661*
Capital at end of period	**105 200**	**106 705**

Note 30. Other forms of reserve capital

PLN thousands	31.12.2012	31.12.2011
Other forms of reserve capital - motivational program	*551*	*-*
Total	**551**	**-**

Changes in other forms of reserve capital

PLN thousands	Allowances	Revaluation write-downs	Supplementary capital	Other forms of reserve capital - motivational program	Total
As of 01.01.2012	**-**	**-**	**-**	**-**	**-**
Increases	*-*	*-*	*-*	*562*	*562*
Reductions	*-*	*-*	*-*	*11*	*11*
As of 31.12.2012	**-**	**-**	**-**	**551**	**551**
As of 01.01.2011	**-**	**-**	**-**	**-**	**-**
Increases	*-*	*-*	*-*	*-*	*-*
Reductions	*-*	*-*	*-*	*-*	*-*
As of 31.12.2011	**-**	**-**	**-**	**-**	**-**

Note 31. Retained earnings

PLN thousands	31.12.2012	31.12.2011
Amounts aggregated in the Accumulated balance field	*(76 459)*	*(101 530)*
Total	**(76 459)**	**(101 530)**

Note 32. Non-controlling interest shareholders' equity

Not applicable.

Note 33. Credits and loans

PLN thousands	31.12.2012	31.12.2011
Bank credits	*4 738*	*9 380*
Loans, including:	*-*	*4 000*
- from the Management Board and the Supervisory Board	*-*	*4 000*
Company credit cards	*7*	*24*
Total credits and loans, including:	**4 745**	**13 404**
- long-term credits and loans	*-*	*-*
- short-term credits and loans	*4 745*	*13 404*

Maturity structure of credits and loans

PLN thousands	31.12.2012	31.12.2011
Short-term credits and loans	*4 745*	*13 404*
Long-term credits and loans	*-*	*-*
Total	**4 745**	**13 404**

Credits and loans as of 31.12.2012

Name of bank/lender and type of credit/loan	Contractual credit/loan amount	Amount outstanding	Effective interest rate	Due date	Collateral
BRE Bank S.A. - operating credit	*20 000*	*1 250*	*WIBOR 1M + banking margin (1.6% p.a.)*	*30.03.2015*	*1) blank promissory note, 2) registered pledge of The Witcher trademark, 3) mortgage on immovable property in Nowy Sącz, global assignment of receivables,*
BRE Bank S.A. - overdraft facility	*10 000*	*3 438*	*WIBOR ON + banking margin (1%)*	*29.08.2013*	*1) blank promissory note, 2) assignment of receivables to BRE Bank 3) contractual joint mortgage on immovable property in Nowy Sącz (Nawojowska 118)*
RBS Bank (Poland) - cash pool interest	*-*	*50*	*-*	*02.01.2013*	*-*
BRE Bank SA - company credit cards	*-*	*7*	*-*	*-*	*-*
Total	**30 000**	**4 745**	**-**	**-**	**-**

Credits and loans as of 31.12.2011

Name of bank/lender and type of credit/loan	Contractual credit/loan amount	Amount outstanding	Effective interest rage	Due date	Collateral
Marcin Iwiński	*1 260*	*1 260*	*Variable*	*31.03.2012*	*blank promissory note*
Adam Kiciński	*190*	*190*	*Variable*	*31.03.2012*	*blank promissory note*
Michał Kiciński	*2 100*	*2 100*	*Variable*	*31.03.2012*	*blank promissory note*
Piotr Nielubowicz	*450*	*450*	*Variable*	*31.03.2012*	*blank promissory note*
BRE Bank S.A. - overdraft facility	*10 000*	*9 370*	*Variable*	*31.08.2012*	*blank promissory note, assignment of receivables from Media-Saturn Holding, mortgage on immovable property in Nowy Sącz, global assignment of receivables, promissory note agreement*
BRE Bank SA - company credit cards	-	*24*	-	-	-
RBS Bank (Polska) SA - overdraft facility	-	*10*	-	-	-
Total	**14 000**	**13 404**	**-**	**-**	**-**

Credits and loans by currency

PLN thousands	31.12.2012		31.12.2011	
	currency units	value in PLN	currency units	value in PLN
PLN	*4 745*	*4 745*	*13 404*	*13 404*
USD	-	-	-	-
Total	**-**	**4 745**	**-**	**13 404**

Note 34. Other financial liabilities

PLN thousands	31.12.2012	31.12.2011
Lease liabilities	*496*	*555*
Office space rental deposit	*16*	*16*
Other	-	*2*
Total financial liabilities, including:	**512**	**573**
- long-term liabilities	*235*	*333*
- short-term liabilities	*277*	*240*

Lease liabilities

PLN thousands	31.12.2012	31.12.2011
Short-term lease liabilities	*261*	*199*
Long-term lease liabilities, including:	*235*	*356*
- between 1 and 5 years	*235*	*356*
Total	**496**	**555**

Note 35. Other long-term liabilities

Not applicable.

Note 36. Trade liabilities

PLN thousands	31.12.2012	31.12.2011
Trade liabilities	**33 930**	**33 513**
payable to affiliated entities	*20*	*20*
payable to other entities	*33 910*	*33 493*

Trade liabilities past due

PLN thousands	Total	Days past due					
		<0	0 - 60	61 - 90	91 - 180	181 - 360	>360
As of 31.12.2012	**33 930**	**20 827**	**10 438**	**1 158**	**87**	**43**	**1 377**
payable to affiliated entities	*20*	-	-	-	-	-	*20*
payable to other entities	*33 910*	*20 827*	*10 438*	*1 158*	*87*	*43*	*1 357*
As of 31.12.2011	**33 513**	**17 921**	**9 865**	**1 667**	**2 146**	**213**	**1 701**
payable to affiliated entities	*20*	-	-	-	-	-	*20*
payable to other entities	*33 493*	*17 921*	*9 865*	*1 667*	*2 146*	*213*	*1 681*

Trade liabilities by currency

PLN thousands	31.12.2012		31.12.2011	
	currency units	value in PLN	currency units	value in PLN
PLN	*19 783*	*19 783*	*21 746*	*21 746*
EUR	*1 008*	*4 121*	*1 543*	*6 891*
USD	*3 231*	*10 014*	*1 341*	*4 865*
GBP	*2*	*12*	*2*	*11*
Total	-	**33 930**	-	**33 513**

Note 37. Other liabilities

PLN thousands	31.12.2012	31.12.2011
Liabilities from other taxes, duties, social security payments and others, except corporation tax	***3 601***	**2 590**
Value added tax	*3 072*	*2 148*
Flat-rate withholding tax	*125*	*38*
Personal income tax	*197*	*205*
Social security (ZUS) payments	*202*	*186*
National Disabled Persons Rehabilitation Fund (PFRON) payments	*5*	*3*
Settlements due to PIT-8A	*-*	*8*
Other	*-*	*2*
Other liabilities	**248**	**3 453**
Employee compensation liabilities	*239*	*35*
Other employee-related liabilities	*4*	*2*
Unpaid private contracts	*-*	*3*
Advances for deliveries	*-*	*342*
Liabilities associated with THQ and Namco settlement costs	*-*	*3 065*
Other liabilities	*5*	*6*
Accrued charges	***171***	**-**
Total other liabilities	**4 020**	**6 043**

Other short-term abilities past due

PLN thousands	Total	Days past due					
		<0	0 - 60	61 - 90	91 - 180	181 - 360	>360
As of 31.12.2012	**4 020**	**2 320**	**1 699**	**-**	**-**	**-**	**1**
payable to affiliated entities	*5*	*5*	*-*	*-*	*-*	*-*	*-*
payable to other entities	*4 015*	*2 315*	*1 699*	*-*	*-*	*-*	*1*
As of 31.12.2011	**6 043**	**5 542**	**501**	**-**	**-**	**-**	**-**
payable to affiliated entities	*-*	*-*	*-*	*-*	*-*	*-*	*-*
payable to other entities	*6 043*	*5 542*	*501*	*-*	*-*	*-*	*-*
As of 01.01.2011	**21 521**	**21 078**	**421**	**-**	**2**	**-**	**20**
payable to affiliated entities	*-*	*-*	*-*	*-*	*-*	*-*	*-*
payable to other entities	*21 521*	*21 078*	*421*	*-*	*2*	*-*	*20*

Other short-term liabilities by currency

PLN thousands	31.12.2012		31.12.2011	
	currency units	value in PLN	currency units	value in PLN
PLN	*2 321*	*2 321*	*2 135*	*2 135*
EUR	*416*	*1 699*	*186*	*832*
USD	-	-	*900*	*3 076*
Total	**-**	**4 020**	**-**	**6 043**

Note 38. Social Services Fund (ZFŚS): assets and liabilities

PLN thousands	31.12.2012	31.12.2011
Cash assets	*14*	*18*
Social Services Fund (ZFŚS) liabilities	*17*	*15*
Balance	**(3)**	**3**
Social Services Fund (ZFŚS) write-downs in the financial year	**122**	**63**

Note 39. Conditional liabilities

Conditional liabilities from operating lease agreements

PLN thousands	31.12.2012	31.12.2011
Future minimum payments from irrevocable operating lease agreements	-	-
- payable within 1 year	-	-
Total	**-**	**-**

Promissory note liabilities from loans received

PLN thousands	31.12.2012	31.12.2011
Michał Kiciński	-	*2 100*
Marcin Iwiński	-	*1 260*
Piotr Nielubowicz	-	*450*
Adam Kiciński	-	*190*
Total	**-**	**4 000**

Conditional liabilities from guarantees and collateral pledged

PLN thousands	Pledged in association with	Currency	31.12.2012	31.12.2011
Agora S.A.				
Promissory note payable	*Collateral for distribution agreement*	*PLN*	*6 332*	*6 332*
Promissory note payable	*Collateral for licensing agreement*	*PLN*	*6 070*	*6 070*
Promissory note endorsement	*Guarantee of execution of licensing and distribution agreements*	*PLN*	*6 332*	*6 332*
Declaration of submission to enforcement with respect to guaranteed execution of distribution agreement	*Collateral for distribution agreement*	*PLN*	*6 332*	*6 332*
Guarantee of discharge of liabilities resulting from licensing agreement	*Guarantee of discharge of liabilities resulting from licensing agreement*	*PLN*	*6 070*	*6 070*
BRE Bank S.A.				
Promissory note agreement	*Credit agreement*	*PLN*	*30 000*	*-*
Promissory note agreement	*Credit agreement*	*PLN*	*15 000*	*15 000*
Promissory note endorsement	*Collateral for credit*	*PLN*	*45 000*	*15 000*
Declaration of submission to enforcement	*Collateral for credit*	*PLN*	*45 000*	*15 000*
Contractual mortgage on immovable property	*Collateral for credit*	*PLN*	*45 000*	*15 000*
Contractual assignment of receivables	*Collateral for credit*	*PLN*	*5 000*	*5 000*
Registered pledge of The Witcher trademark	*Collateral for credit*	*PLN*	*30 000*	*-*
Promissory note agreement	*Collateral for bank payment guarantee*	*PLN*	*6 600*	*-*
BRE Leasing Sp. z o.o.				
Promissory note agreement	*Lease agreement no. Optimus1/WA/123286/2011*	*PLN*	*150*	*150*
Promissory note agreement	*Lease agreement no. Optimus1/WA/135724/2012*	*PLN*	*141*	*-*
Promissory note agreement	*Lease agreement no. CDPROJEKT/WA/20832/2011*	*PLN*	*90*	*90*
Promissory note agreement	*Lease agreement no. CDPROJEKT/WA/123240/2011*	*PLN*	*54*	*54*
Promissory note agreement	*Lease agreement no. CDPROJEKT/WA/128421/2011*	*PLN*	*-*	*51*
Promissory note agreement	*Lease agreement no. CDPROJEKT/WA/128423/2011*	*PLN*	*-*	*51*
Promissory note agreement	*Lease agreement no. CDPROJEKT/WA/128424/2011*	*PLN*	*-*	*51*

Promissory note agreement	*Lease agreement no. CDPROJEKT/WA/128425/2011*	*PLN*	51	*51*
Promissory note agreement	*Lease agreement no. CDPROJEKT/WA/128426/2011*	*PLN*	-	*51*
Promissory note agreement	*Lease agreement no. CDPROJEKT/WA/128427/2011*	*PLN*	-	*51*
Promissory note agreement	*Lease agreement no. CDPROJEKT/WA/132776/2011*	*PLN*	69	*69*
Promissory note agreement	*Lease agreement no. CDPROJEKT/WA/132780/2011*	*PLN*	59	*59*
Promissory note agreement	*Lease agreement no. CDPROJEKT/WA/136047/2012*	*PLN*	57	-
Promissory note agreement	*Lease agreement no. CDPROJEKT/WA/136061/2012*	*PLN*	57	-
Promissory note agreement	*Lease agreement no. CDPROJEKT/WA/136441/201*	*PLN*	44	-
GLOBAL COLLECT SERVICES B.V				
Contract of guarantee	*Guarantee of discharge of liabilities by GOG Ltd.*	*EUR*	*180*	
Mazovian Unit for the Implementation of European Union Programs (Mazowiecka Jednostka Wdrażania Programów Unijnych)				
Promissory note agreement	*Co-financing agreement no. RPMA.02.03.00-14-012/09, ROP MV 2007-2013 Task 2.3*	*PLN*	*1 105*	*1 105*
Promissory note agreement	*Co-financing agreement no. RPMA.01.05.00 -14-638/08, ROP MV 2007-2013 Task 1.5*	*PLN*	*429*	*471*
Promissory note agreement	*Co-financing agreement no. RPMA.01.05.00 -14-639/08, ROP MV 2007-2013 Task 1.5*	*PLN*	*302*	*302*
Promissory note agreement	*Co-financing agreement no. RPMA.01.07.00 -14-010/11, ROP MV 2007-2013 Task 1.7*	*PLN*	*148*	-
RBS Bank (Polska) S.A.				
Guarantee of discharge of liabilities by GOG Poland Sp. z o.o., CD PROJEKT S.A., GOG Ltd.	*Cash Pool agreement*	*PLN*	*299*	*1 607*
Fiscal pledge on cash assets	*Cash Pool agreement*	*PLN*	*299*	*1 607*
SEGA Europe				
Contract of guarantee	*Guarantee of discharge of liabilities by CD Projekt Sp. z o.o.*	*GBP*	*150*	-

(all amounts listed in PLN thousands unless otherwise stated)

Note 40. Long and short-term financial lease liabilities

PLN thousand	31.12.2012		31.12.2011	
	Minimum payments	Payments outstanding	Minimum payments	Payments outstanding
Due within 1 year	*293*	*262*	*232*	*199*
Due between 1 and 5 years	*247*	*235*	*378*	*356*
Total minimum lease payments	**540**	**497**	**610**	**555**
Future interest	*15*	*-*	*55*	*-*
Current minimum value of lease payments, including:	**525**	**497**	**555**	**555**
- short-term payments	*282*	*262*	*199*	*199*
- long-term payments	*244*	*235*	*356*	*356*

Assets subject to financial lease as 31.12.2012

PLN thousands	Asset category					Total
	Land holdings	Buildings and structures	Machinery and equipment	Vehicles	Other fixed assets	
Passenger cars	*-*	*-*	*-*	*606*	*-*	*606*
Value of leased assets	**-**	**-**	**-**	**606**	**-**	**606**

Financial lease agreements as of 31.12.2012

Financier	Contract no.	Base value	Base value (currency units)	Currency	Agreement expires on	Outstanding liabilities at end of reporting period	Prolongation conditions and buyout options
BRE LEASING Sp. z o.o.	*Optimus1/WA/123286/2011*	*183*	*183*	*PLN*	*2014-04-16*	*88*	*Lessee is entitled to buy out the leased asset - according to the contract the net residual value is less than 8 thousand PLN*
BRE LEASING Sp. z o.o.	*CDPROJEKT/WA/120832/2011*	*88*	*88*	*PLN*	*2014-03-16*	*36*	*Lessee is entitled to buy out the leased asset - according to the contract the net residual value is 4 thousand PLN*
BRE LEASING Sp. z o.o.	*CDPROJEKT/WA/123240/2011*	*50*	*50*	*PLN*	*2014-04-16*	*21*	*Lessee is entitled to buy out the leased asset - according to the contract the net residual value is 2 thousand PLN*
BRE LEASING Sp. z o.o.	*CDPROJEKT/WA/128425/2011*	*41*	*41*	*PLN*	*2014-09-16*	*24*	*Lessee is entitled to buy out the leased asset - according to the contract the net residual value is less than 1 thousand PLN*
BRE LEASING Sp. z o.o.	*CDPROJEKT/WA/132776/2011*	*56*	*56*	*PLN*	*2014-12-16*	*37*	*Lessee is entitled to buy out the leased asset - according to the contract the net residual value 1 thousand PLN*
BRE LEASING Sp. z o.o.	*CDPROJEKT/WA/132780/2011*	*47*	*47*	*PLN*	*2014-12-16*	*31*	*Lessee is entitled to buy out the leased asset - according to the contract the net residual value is less than 1 thousand PLN*
BRE LEASING Sp. z o.o.	*CDPROJEKT/WA/136047/2012*	*45*	*45*	*PLN*	*2015-02-14*	*33*	*Lessee is entitled to buy out the leased asset - according to the contract the net residual value is less than 1 thousand PLN*
BRE LEASING Sp. z o.o.	*CDPROJEKT/WA/136061/2012*	*45*	*45*	*PLN*	*2015-02-14*	*34*	*Lessee is entitled to buy out the leased asset - according to the contract the net residual value is less than 1 thousand PLN*
BRE LEASING Sp. z o.o.	*Optimus1/WA/135724/2012*	*98*	*98*	*PLN*	*2015-02-16*	*69*	*Lessee is entitled to buy out the leased asset - according to the contract the net residual value is less than 1 thousand PLN*
BRE LEASING Sp. z o.o.	*CDPROJEKT/WA/136441/2012*	*34*	*34*	*PLN*	*2015-02-16*	*27*	*Lessee is entitled to buy out the leased asset - according to the contract the net residual value is less than 1 thousand PLN*
Volkswagen Leasing Polska Sp. z o.o.	*6118947-1212-09826*	*126*	*126*	*PLN*	*2015-09-25*	*96*	*Lessee is entitled to buy out the leased asset - according to the contract the net residual value is less than 12 thousand PLN*
Total		**813**	**813**			**496**	

(all amounts listed in PLN thousands unless otherwise stated)

Note 41. Deferred revenues

PLN thousands	31.12.2012	31.12.2011
Subsidies	**850**	**434**
Construction of hosting center	*180*	*275*
Modernization of IT infrastructure	*288*	*127*
Implementation of integrated ERP software	*382*	*32*
Deferred revenues	**26**	**-**
- computer hardware and accessories received free of charge	*26*	*-*
Accrued revenues, including:	**876**	**434**
- long-term deferals	*679*	*344*
- short-term deferals	*197*	*90*

PLN thousands	Co-financing agreement concluded on	Co-financing amount	Amount outstanding	Co-financing settlement deadline
Construction of hosting center	*20.11.2009*	*302*	*180*	*31.12.2019*
Modernization of IT infrastructure	*20.11.2009*	*429*	*288*	*31.12.2019*
Implementation of integrated ERP software	*02.11.2010*	*1 105*	*382*	*31.12.2013*
Total	**-**	**1 836**	**850**	**-**

The subsidies reported in this financial statement concern co-financing agreements concluded with the Mazovian Unit for the Implementation of European Union Programs (Mazowiecka Jednostka Wdrażania Programów Unijnych) regarding the following investment projects: "Construction of data processing and communications center of the CD Projekt Group" („Budowa centrum przetwarzania danych i komunikacji Grupy CD Projekt"; project ended on 30 June 2012) and "Implementation of an integrated ERP IT system at CD Projekt Sp. z o.o." („Wdrożenie zintegrowanego systemu informatycznego do zarządzanie przedsiębiorstwem klasy ERP w CD Projekt Sp. z o.o."; currently underway). Both projects are co-financed by the European Union under the European Regional Development Fund, and by the state under the Regional Operational Programme of the Mazovia Voivodship for the years 2007-2013 (Regionalny Program Operacyjny Województwa Mazowieckiego na lata 2007-2013) in addition to the beneficiary's own resources.

Note 42. Provisions for employee benefits and similar liabilities

PLN thousands	31.12.2012	31.12.2011
Provisions for retirement benefits and pensions	*28*	*32*
Provisions for other employee benefits (bonuses)	*236*	*207*
Total, including:	**264**	**239**
- long-term provisions	*26*	*30*
- short-term provisions	*238*	*209*

	31.12.2012	31.12.2011
Discount rate (%)	*3,70*	*5,50*
Inflation rate projection (%)	*3,50*	*3,50*
Employee turnover rate (%) - adjusted for age; decreases with age reaching 0% three years prior to retirement	*15% at 30 years*	*15% at 30 years*
Estimated annual rate of salary growth (%)	*4,50*	*5,00*
Mortality rates published by the Central Statistical Office (year of estimation)	*2011*	*2010*
Likelihood of disability during the reporting year	*0.25*	*0.25*

Statistical methods were employed by an actuary to construct and calibrate a mobility model for Group member employees, based on the Multiple Decrement paradigm. The model was calibrated using historical data supplied by Group members. Based on publicly available statistical data and the actuary's own analyses, the mobility coefficient was assumed to decrease with age. The valuation model is highly sensitive to changes in mobility coefficients and should therefore be subject to frequent verifications and updates.

Changes in provisions

PLN thousands	Provisions for retirement benefits and pensions	Provisions for other employee benefits	Total
As of 01.01.2012	**32**	**207**	**239**
Provisions created	*7*	*2 617*	*2 624*
Benefits paid out	*-*	*2 584*	*2 584*
Provisions dissolved	*11*	*4*	*15*
As of 31.12.2012, including:	**28**	**236**	**264**
- long-term provisions	*26*	*-*	*26*
- short-term provisions	*2*	*236*	*238*
As of 01.01.2011	**35**	**-**	**35**
Provisions created	*1*	*207*	*208*
Business combinations	*1*	*-*	*1*
Provisions dissolved	*5*	*-*	*5*
As of 31.12.2011, including:	**32**	**207**	**239**
- long-term provisions	*30*	*-*	*30*
- short-term provisions	*2*	*207*	*209*

Note 43. Other provisions

PLN thousands	31.12.2012	31.12.2011
Provisions for warranty-covered repairs and returns	**11**	**15**
Provisions for liabilities, including:	**162**	**605**
- provisions for financial statement audit expenses	*51*	*59*
- provisions for expenses associated with publishing the financial statement in the Business Monitor	*-*	*21*
- legal services	*-*	*1*
- provisions for other bought-in services	*111*	*524*
Total, including:	**173**	**620**
- long-term provisions	*6*	*9*
- short-term provisions	*167*	*611*

Changes in other provisions

PLN thousands	Provisions for warranty-covered repairs and returns	Provisions for liabilities	Total
As of 01.01.2012	**15**	**605**	**620**
Provisions created	*67*	*415*	*482*
Provisions used	*5*	*766*	*771*
Provisions dissolved	*-*	*158*	*158*
As of 31.12.2012, including:	**77**	**96**	**173**
- long-term provisions	*6*	*-*	*6*
- short-term provisions	*71*	*96*	*167*
As of 01.01.2011	**192**	**257**	**449**
Provisions created	*10*	*2 886*	*2 896*
Provisions used	*187*	*2 504*	*2 691*
Provisions dissolved	*-*	*34*	*34*
As of 31.12.2011, including:	**15**	**605**	**620**
- long-term provisions	*9*	*-*	*9*
- short-term provisions	*6*	*605*	*611*

Note 44. Goals and rules of financial risk management

Interest rate risk - sensitivity to changes

All lease and credit agreements concluded by the Capital Group as of 31 December 2012 are based on variable interest rates. Increases in financing costs may impact the Group's economic performance. The Group actively monitors the cost of available financing and analyzes its impact on the profit and loss balance. Analyses involve refinancing options, renewal of existing agreements and procurement of alternative financing as a means of reducing the costs or risks associated with a given type of financing and the associated collateral.

As of the balance sheet date all financial instruments held by the Group and subject to interest rate risk were valued at 5,242 thousand PLN. Assuming no other contributing factors the projected loss of the Company as a result of a 0.25% increase in interest rates throughout the following 12-month period was estimated at 13.11 thousand PLN. Correspondingly, if interest rates were to decrease by 0.25%, the Group would gain 13.11 thousand PLN.

Liquidity and credit risks

The CD PROJEKT Capital Group performs monthly verification of its annual plans, including current liquidity goals, with distinction to individual weekly periods.

In order to limit the risk of receiver insolvency the Group actively monitors its receivables collection periods as part of its operating activities. In the scope of distribution and publishing activity in Poland trade credits are insured in proportion to the amount of outstanding receivables in Poland. In addition, selected trade receivables are invoiced before their respective maturity dates. The Group also actively manages any other operating assets under its control.

The Group has access to external financing, including bank credits, as well as to its own financial reserves, including cash and investment fund shares. A Group-wide cash pool is in place. CD PROJEKT S.A. actively monitors and manages its liquidity in relation to annual goals.

Exchange rate risks

Risks associated with PLN strengthening against EUR and USD

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

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

Risks associated with PLN weakening against EUR and USD

CDP.pl Sp z o.o., being an importer and licensee, is subject to risks associated with PLN weakening against USD and EUR. Such circumstances would render games sold in the local market more expensive for local consumers, visibly decreasing their sales volume. Additionally, expenses borne by CDP.pl Sp z o,o, in relation to licensing payments owed to game publishers and producers would become commensurately greater, resulting in a decrease in markup.

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

Note 45. Disclosure of financial instruments

Fair value of financial instruments per class

FINANCIAL ASSETS	Carrying amount		Fair value	
	31.12.2012	31.12.2011	31.12.2012	31.12.2011
Loans granted and receivables, including:	**62 748**	**42 897**	**62 748**	**42 897**
- receivables associated with supplies and services, and other receivables	*35 882*	*33 078*	*35 882*	*33 078*
- cash on hand and in bank deposits	*26 866*	*9 819*	*26 866*	*9 819*
Financial assets carried at fair value through profit and loss, including:	**855**	**4 229**	**855**	**4 229**
- investment fund shares	*855*	*4 229*	*855*	*4 229*

(all amounts listed in PLN thousands unless otherwise stated)

FINANCIAL LIABILITIES	Carrying amount		Fair value	
	31.12.2012	31.12.2011	31.12.2012	31.12.2011
Credits and loans subject to interest payments, including:	**4 745**	13 404	4 745	13 404
- overdraft facilities	*4 739*	*9 381*	*4 739*	*9 381*
- other short-term liabilities (including loans)	*6*	*4 023*	*6*	*4 023*
Other miscellaneous liabilities, including:	**38 462**	**40 129**	**38 462**	**40 129**
- liabilities from financial lease contracts and lease contracts with a buyout option	*219*	*317*	*219*	*317*
- trade and other liabilities	*37 950*	*39 556*	*37 950*	*39 556*
- deposits	*16*	*16*	*16*	*16*
- other short-term financial liabilities	*277*	*240*	*277*	*240*

(all amounts listed in PLN thousands unless otherwise stated)

Changes in value of financial instruments

PLN thousands	01.01.2012 - 31.12.2012			01.01.2011 - 31.12.2011		
	Financial assets carried at fair value through profit or loss	Loans granted and receivables	Other financial liabilities	Financial assets carried at fair value through profit or loss	Loans granted and receivables	Other financial liabilities
At beginning of period	**4 229**	**42 897**	**53 533**	**-**	**34 575**	**82 883**
Increases	**855**	**62 748**	**43 207**	**4 229**	**14 113**	**5 825**
Cash assets	-	*26 866*	-	-	-	-
Trade and other receivables	-	*35 882*	-	-	*14 113*	-
Trade and other liabilities	-	-	*37 950*	-	-	*5 825*
Credits and loans	-	-	*4 745*	-	-	-
Financial lease contracts	-	-	*496*	-	-	-
Financial assets carried at fair value through profit or loss	*855*	-	-	*4 229*	-	-
Other - reclassification	-	-	*16*	-	-	-
Reductions	**4 229**	**42 897**	**53 533**	**-**	**5 791**	**35 175**
Cash assets	-	*9 819*	-	-	*5 791*	-
Trade and other receivables	-	*33 078*	-	-	-	-
Trade and other liabilities	-	-	*39 556*	-	-	*15 478*
Repayment of credits and loans	-	-	*13 404*	-	-	*19 697*
Financial lease contracts	-	-	*573*	-	-	-
Financial assets carried at fair value through profit or loss	*4 229*	-	-	-	-	-
At end of period	**855**	**62 748**	**43 207**	**4 229**	**42 897**	**53 533**

Note 46. Equity management

PLN thousands	31.12.2012	31.12.2011
Credits and loans subject to interest payments	*4 745*	*13 404*
Liabilities associated with supplies and services, and other liabilities	*37 950*	*39 556*
Less cash and cash equivalents	*26 866*	*9 819*
Net borrowing	**15 829**	**43 141**
Equity	*151 530*	*123 412*
Total equity	**151 530**	**123 412**
Equity and net borrowing	**167 359**	**166 553**
Leverage ratio	*0.1*	*0.3*

The main goal of Group-wide equity management is to retain a good credit rating and safe capital indicators, facilitating Group operations and increasing shareholder value.

The group actively manages its equity structure, resulting in changes which reflect changing economic conditions. In order to retain or adjust said equity structure, the parent entity may pay out a dividend to shareholders, return capital to shareholders or issue new shares. The Group monitors its capital status by applying a leverage ration which is calculated as the ratio of net borrowing versus total equity increased by net borrowing.

Note 47. Employee benefit programs

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

The fair value of entitlements associated with the motivational program has been calculated on the basis of modern financial engineering practices and numerical models by a licensed actuary registered with the Financial Supervision Authority.

Valuation of the motivational program bases on the following assumptions:

Day of valuation:

The first batch of warrants was granted on 6 March 2012. The second batch followed on 5 September 2012.

Classification of valuation conditions:

The condition associated with return on shares vs. average return for the WIG index and the condition specifying that on the day of exercise the market price must be above the exercise price are considered market conditions. Conditions related to increases in net profits are considered non-market conditions. Formal terms (e.g. correct and timely filing of the relevant documentation), loyalty criteria and any other terms not related to share price are also treated as non-market conditions, as is the requirement of survival until the exercise date and other similar stipulations.

Number of shares on the day of entitlement:

On the date of entitlement valuation 94,950,000 shares of the Entity had been issued.

Number of options granted:

The first batch of the motivational program comprised 1,450,000 warrants; the second batch comprised 100,000 warrants. Additionally, due to non-fulfillment of the loyalty criterion, 50,000 warrants were extinguished on 31 August 2012.

Share price on the day of entitlement:

On the close of the day of entitlement the share price was 5.41 and 4.28 PLN respectively.

Variability and correlation:

The valuation recognizes the fact that historical data reflecting the variability of the parent entity's share price may be misleading due to transformations affecting the entity, i.e. the complete alteration of its business profile resulting from the merger between Optimus S.A. and the CDP Investment Group. Accordingly, historical variability assessment was based on other similar entities. Since the pool of such entities in Poland is limited, analysis had to take into account companies listed on foreign stock exchanges. Future variability of the WIG index was extrapolated from historical data. Foreign entities were also excluded from correlation assessment due to the specific nature of this coefficient, which - in a sense - reflects the impact of general investor attitude upon the parent entity share price. Despite the limited and relatively unrepresentative set of input data a correlation chart was prepared, based upon the variability of the WIG index. This chart suggests a fairly stable correlation between returns on the parent entity's shares and the corresponding WIG average, within the 30%-40% range. In addition, correlation analysis was performed for another company which conducts development of videogames and is listed on the Warsaw Stock Exchange. This analysis yielded a correlation coefficient of 23%. The final parameters used for valuation were as follows: WIG variability of 25% (30% for the second batch of warrants), CD PROJEKT S.A. variability of 45% and the correlation coefficient between returns on CD PROJEKT S.A. shares and the WIG index of 30%.

Risk-free rate:

The assumed risk-free rates were 5% for the first batch of warrants and 4% for the second batch. The change is due to the decrease in the annual rate of return on zero-coupon treasury bonds.

Dividend:

In estimating dividends analysis was based on historical negative profit and loss balance of the Company (then operating under the name OPTIMUS S.A.) and the accumulated past losses for this period, as well as the projected future gains based upon the assumptions expressed in of the motivational program and valid for its duration, which would potentially facilitate implementation of the future dividend policy.

Note 48. Disclosure of affiliates

Affiliate	Sales to affiliates		Receivables from affiliates		Liabilities due to affiliates	
	01.01.2012 - 31.12.2012	01.01.2011 - 31.12.2011	31.12.2012	31.12.2011	31.12.2012	31.12.2011
SUBSIDIARIES						
Optibox Sp. z o.o. in liquidation bankruptcy	-	-	-	-	20	20
MANAGERS OF MEMBER COMPANIES AND THEIR PROXIES						
Marcin Iwiński	8	6	-	-	-	1 260
Adam Kiciński	3	1	-	-	1	190
Piotr Nielubowicz	4	-	-	-	3	450
Michał Nowakowski	8	1	-	-	-	-
Adam Badowski	1	-	-	-	-	-
*Michał Kiciński***	-	-	-	-	-	2 100
*Edyta Wakuła**	5	4	-	-	-	-
*Robert Wesołowski**	2	2	-	-	-	-
Michał Gembicki	1	-	-	-	-	-
Guillaume Rambourg	-	-	-	1	-	-

*proxy

**pursuant to the relevant decision of the Board procuration expired on 31 October 2011

(all amounts listed in PLN thousands unless otherwise stated)

Note 49. Compensation of top management and Supervisory Board members

Benefits paid to Management Board members

PLN thousands	01.01.2012 - 31.12.2012	01.01.2011 - 31.12.2011
Short-term benefits (compensation and overhead)	*4 292*	*1 962*
Total	**4 292**	**1 962**

Benefits paid or payable to other top managers

PLN thousands	01.01.2012 - 31.12.2012	01.01.2011 - 31.12.2011
Short-term benefits (compensation and overhead)	*449*	*671*
Total	**449**	**671**

Benefits paid or payable to Supervisory Board members

PLN thousands	01.01.2012 - 31.12.2012	01.01.2011 - 31.12.2011
Short-term benefits (compensation and overhead)	*126*	*117*
Total	**126**	**117**

Note 50. Employment

Average employment

Breakdown	01.01.2012 - 31.12.2012	01.01.2011 - 31.12.2011
Average employment	*123*	*102*
Total	**123**	**102**

Employee rotation

Breakdown	01.01.2012 - 31.12.2012	01.01.2011 - 31.12.2011
No. of employees hired	*42*	*33*
No. of employees dismissed	*32*	*43*
Total	**10**	**(10)**

Note 51. Operating lease agreements

Not applicable.

Note 52. Capitalized borrowing costs

Not applicable.

Note 53. Seasonal, cyclical or sporadic revenues

Not applicable.

Note 54. Legal proceedings

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

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

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

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

In recognizing the Company's complaint, the District Court for the City of Kraków decided on 12 January 2007 to suspend proceedings until a binding decision could be reached in a case pending in the District Court for the City of Warsaw, 13th Commercial Department, regarding the decision by the District Court for the City of Warsaw of 9 November 2006 to void a National Court Register entry concerning an increase in Company capital through issuance of D series shares, and to remand this case for further proceedings.

On 23 April 2008 the Company filed a motion in the District Court of the City of Kraków seeking to resume the proceedings suspended on 12 January 2007. This motion was granted and on 9 December 2008 the District Court for the City of Kraków issued an interlocutory judgment holding the Optimus claim as valid in rem. This judgment concerned the validity of the Company's claim for monetary damages. On 19 May 2009 this judgment was vacated by the Appelate Court for the City of Kraków, 1st Civil Department, which remanded the case to the District Court for further proceedings. As of the publication date of this financial statement the case is again under the jurisdiction of the District Court for the City of Kraków. On 19 November 2009 the District Court decided to appoint an expert to examine the causative link between the damage caused to Optimus and the unlawful decisions of tax authorities, as well as the material consequences of said decisions borne by Optimus. The expert's opinion in this case was delivered to the Company plenipotentiary in January 2011. The plenipotentiary then filed a brief with the court objecting to the expert's opinion. This reply was addressed by the expert, following which the Company plenipotentiary filed another reply. On 8 August 2011 a hearing was held during which the Court recognized a portion of the briefs filed by the plaintiff, issued a number of special provisions and scheduled three further witness hearings for 3, 5 and 10 October 2011 respectively.

Hearings were held on all three of the scheduled dates and most of the witnesses called by the court appeared at the stand. As new circumstances have come to light it became necessary to determine whether the case involved (as *statio fisci* units of the Treasury) the law enforcement authorities of the Republic of Poland involved in enforcing the tax decisions of December 2001. The District Court decided to adjourn the proceedings until such time as the list of *statio fisci* units could be determined. On 14

February 2012 the Court notified the Appelate Attorney's Office in Kraków (as a *statio fisci* unit of the Treasury) of the ongoing proceedings. On 23 April 2012 the court heard the testimony of a Company witness. Another witness called by the Company appeared before the District Court for the City of Warsaw – Śródmieście on 13 September 2012 under a court-cooperation scheme. A hearing was held on 14 January 2013 and the Court has not scheduled any further hearings.

This case may bear significant inflience on the financial status and profitability of CD PROJEKT S.A., albeit only in a positive sense, should a favorable adjudication be rendered by the Court.

2. CD PROJEKT S.A. (formerly Optimus S.A., CD Projekt RED S.A.) vs. Michał Lorenc

On 10 April 2009 Optimus S.A. filed a lawsuit in the District Court for the City of Warsaw against Mr. Michał Lorenc – its former President of the Board. The Company seeks damages in the amount of 507.3 thousand PLN for losses incurred as a result of violation of disclosure obligations associated with the Company's listing on the Warsaw Stock Exchange regarding the issuance of D series shares and purchase of Zatra S.A. stock during Mr. Michał Lorenc's tenure as President of the Management Board. The hearing scheduled by the Court for 2 June 2010 was cancelled.

In mid-February 2011 the Company filed a request to schedule another hearing and it currently awaits the Court's decision in this regard.

3. Motion to recognize overpayment of civil law transaction tax associated with capital contributions

On 12 April 2011 Optimus S.A. filed a legal complaint in the District Administrative Court in Warsaw regarding an erroneous (in the Company's opinion) individual interpretation of tax law applied by the Director of the Treasury Chamber in Warsaw, acting on behalf of the Finance Minister. This decision concerned civil law transaction tax which, in the Company's opinion, was unjustly levied in conjunction with non-monetary capital contributions to CD Projekt Kiciński i Wspólnicy Sp. k. of which CD PROJEKT S.A. is the legal successor. On 15 March 2012 the Court issued a judgment affirming the Company's claim and declaring that the civil law transaction tax levied upon incorporation of CD Projekt Kiciński i Wspólnicy Sp. k. in the amount of 1,118 thousand PLN was unlawful.

Following issuance of this judgment the Company applied to the tax authorities for recognition of tax overpayment. On 3 July 2012 the application was denied. On 17 July 2012 the Company filed an appeal and subsequently, on 6 November 2012, filed a complaint in the District Administrative Court in Warsaw against the decision of the Director of the Treasury Chamber in Warsaw upholding the decision of the Head of the 2nd Mazovian Tax Office which denies recognition of overpayment of civil law transaction tax. At present the Company is waiting for the District Administrative Court to schedule a hearing.

Meanwhile, on 4 July 2012, the Company received a transcript of the appeal in cassation filed in the Supreme Administrative Court via the District Administrative Court in Warsaw by the Director of the Treasury Chamber in Warsaw acting on behalf of the Finance Minister, which contests the judgment of 15 March 2012 in its entiriety. At present the Company is waiting for the Supreme Administrative Court to schedule a hearing.

4. Motion to recognize overpayment of civil law transaction tax associated with increases in the Company's share capital

On 22 May 2012 CD Projekt RED filed two legal complaints in the District Administrative Court in Warsaw seeking reimbursement of civil law transaction tax which, in the Company's opinion, was unjustly levied in conjunction with increases in the Company's share capital. The complaints concern two decisions by the Director of the Treasury Chamber in Warsaw of 20 April 2012 upholding the corresponding decisions issued on 26 January 2012 by the Head of the 2nd Mazovian Tax Office in Warsaw, denying recognition of overpayment of civil law transaction tax in the amounts of 158.9 thousand PLN plus interest and 113.2 thousand PLN plus interest respectively.

At a joint hearing on 14 February 2013 the District Administrative Court rejected both complaints against the decisions of the Director of the Treasury Chamber in Warsaw of 20 April 2012. The Company is currently waiting for the District Administrative Court to announce the legal basis for its judgment.

Criminal proceedings in which CD PROJEKT S.A. is recognized as the victim

1. Case against Michał Lorenc, Piotr Lewandowski and Michał Dębski

On 27 April 2009 the District Attorney's Office filed an indictment in the District Court for the City of Warsaw against Michał Lorenc, Piotr Lewandowski and Michał Dębski charged with violating sections 296 §1, 296 §3 and others of the Penal Code. The corresponding neutral citation number is XVIII K 126/09. The Company is acting as an auxiliary prosecutor. As of the date of preparation of this statement a number of hearings have been held, the defendants and a majority of witnesses have testified and partial testimony has been obtained from the expert witness. The next hearing is scheduled for 26 March 2013.

In the course of the above-mentioned proceedings the Company filed a claim for total damages in the amount of 4,397 thousand PLN.

2. Pending cases against persons charged with violating sections 296, 286 and others of the Penal Code, including former members of the Management Board and Supervisory Board of the Company

A final judgment has been delivered in case no. XVIII K 386/11, awarding total damages in the amount of 370 thousand PLN to CD PROJEKT S.A. (formerly Optimus S.A., CD Projekt RED S.A.) The Company plenipotentiary subsequently filed for a writ of enforcement against three convicted parties: Piotr Lewandowski, Krzysztof Michniowski and Dariusz Szpicmacher.

On 20 November 2012 the District Court for the City of Warsaw issued a writ of enforcement against Krzysztof Michniowski, authorizing the Company to seize 170 thousand PLN from the convicted party's personal assets pursuant to the judgment listed above.

On 4 December 2012 the District Court for the City of Warsaw issued a writ of enforcement against Dariusz Szpicmacher, authorizing the Company to seize 80 thousand PLN from the convicted party's personal assets pursuant to the judgment listed above.

Enforcement against Piotr Lewandowski in the amount of 120 thousand PLN pursuant to the judgment listed above, is currently impossible as the judgment includes a five-year probationary period during which the convicted party is mandated to remedy the damage incurred. As such, no writ of enforcement can be issued prior to 1 February 2017.

Case no. XVIII K 352/11 is currently pending.

Note 55. 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.

Note 56. Obsolete electrical and electronic equipment

Spent or obsolete electrical or electronic equipment is sold or handed over to authorized disposal agencies. Spent consumables are returned to suppliers or disposed of, pursuant to legal regulations.

Note 57. Events following the balance sheet date

In Current Report No. 1/2013 the Management Board disclosed that on 15 January 2013 it had received a notice issued on 14 January 2013 by the District Court for the City of Warsaw, 13th Commercial Division of the National Court Register, certifying the change in status of one of the Issuer's subsidiaries by changing its name from Porting House Sp. z o.o. to GOG Poland Sp. z o.o.

This change is associated with unification of the Issuer's Capital Group members' names and reflects the scope of activities of the subsidiary, which aims to support the dynamically expanding GOG.com platform, itself managed by another subsidiary of the Issuer's Capital Group - GOG Ltd.

In Current Report No. 3/2013 the Manageent Board of CD PROJEKT S.A. reported on the negotiations carried out with PC FACTORY S.A. regarding the latter company's offer to take over distribution activities disaggregated from the structure of one of the Company's subsidiaires. As both parties ultimately withdrew from negotiations the Management Board of CD PROJEKT S.A. decided to disclose this information.

Note 58. Inflation-adjusted financial statement

Not applicable.

Note 59. Involvement of subsidiaries not subject to consolidated financial reporting

PLN thousands	Balance sheet total	Share in balance sheet total of the CD PROJEKT Capital Group	Revenues from sales and financial operations	Share in revenues from sales and financial operations of the CD PROJEKT Capital Group
As of 31.12.2012				
Capital Group	**202 892**	**100%**	**171 127**	**100%**
*Optibox Sp. z o.o. in liquidation bankruptcy**	-	-	-	-
As of 31.12.2011				
Capital Group	**185 275**	**100%**	**147 069**	**100%**
*Optibox Sp. z o.o. in liquidation bankruptcy**	-	-	-	-

[*] The Group does not have access to financial data of Optibox Sp. z o.o. in liquidation bankruptcy due to lack of control.

Note 60. Disclosure of transactions with entities charged with performing audits of financial statements

Compensation paid or payable in the fiscal year [PLN thousands]	01.01.2012 - 31.12.2012	01.01.2011 - 31.12.2011
- for auditing annual financial statements and the consolidated financial statement	*74*	*83*
- for other attestation services, incl. reviews of financial statements and the consolidated financial statement	*74*	*74*
- for other services	*4*	*7*
Total	**152**	**164**

Note 61. Clarifications regarding the cash flow statement

PLN thousand	31.12.2012	31.12.2011
Cash on balance sheet	26 866	2 034
Total cash and cash equivalents reported in CFS	26 866	2 034

PLN thousand	31.12.2012	31.12.2011
Depreciation:	**2 617**	**1 978**
depreciation of intangible assets	*1 106*	*558*
depreciation of tangible fixed assets	*1 511*	*848*
depreciation of intangible assets belonging to acquiree	*-*	*276*
depreciation of tangible fixed assets belonging to acquiree	*-*	*296*
Interest and share in profits (dividends) consist of:	**602**	**1 225**
interest paid on loans granted	*280*	*816*
interest paid on credits	*426*	*881*
interest received	*(104)*	*(975)*
dividends received	*-*	*(1)*
interest payable on credits and loans	*-*	*(12)*
interest and share in acquiree profits	*-*	*516*
Profit (loss) from investment activities results from:	**(570)**	**(86)**
revenues from sales of tangible fixed assets	*(203)*	*(98)*
net value of tangible fixed assets sold	*-*	*4*
net value of fixed assets liquidated	*-*	*285*
balance from lease assignment	*37*	*33*
profit from forward transactions in securities	*(8)*	*-*
profit (loss) from investment activities of acquiree	*-*	*(1)*
revaluation of short-term financial assets	*166*	*(171)*
revenues from sales of investments	*(562)*	*(138)*
Changes in provisions result from:	**(423)**	**941**

balance of changes in provisions for liabilities	*960*	*3 820*
balance of changes in provisions for employee benefits	*146*	*(3)*
adjustment of deferred tax provisions	*(1 529)*	*(12)*
adjustment of deferred tax provisions associated with The Witcher trademark resulting from business combination	-	*(2 846)*
provisions acquired in the combination	-	*327*
provisions excluded from the combiation	-	*(345)*
Changes in inventory status result from:	**(2 255)**	**(3 461)**
balance of changes in inventory status	*(2 255)*	*(25 209)*
value of inventories acquired in the combination	-	*19 625*
change in acquiree inventory status	-	*2 123*
Changes in receivables result from:	**(2 586)**	**(11 821)**
balance of changes in short-term receivables	*1 193*	*(6 171)*
balance of changes in long-term receivables	*20*	*(122)*
disaggregated receivables associated with the Social Services Fund (ZFŚS)	*5*	*2*
offset settlements between entities involved in business combination	-	*(22)*
corporation tax paid	-	*1 979*
corporation tax reimbursed	*(1 508)*	*(3)*
corporation tax set against withholding tax	*(752)*	-
cash pool write-downs	*(1 544)*	*(9 335)*
changes in acquiree receivables	-	*(6 295)*
receivables acquired in business combination (acquiree receivables)	-	*8 146*
Changes in liabilities result from:	**(2 523)**	**(10 517)**
balance of changes in short-term liabilities	*(12 613)*	*8 442*
disaggregated liabilities associated with the Social Services Fund (ZFŚS)	-	*(2)*
offset surcharges and liabilities	-	-
offset settlements between entities involved in business combination	-	*22*
changes in financial liabilities	*(110)*	*(128)*
prepaid card write-downs	*(2)*	-
settled credit	*1 161*	-
cash pool write-downs	*194*	-
adjustment for cash pool liabilities	*1 350*	*3 794*
changes in short-term acquiree liabilities	-	*(17 893)*
adjustment for acquiree cash pool liabilities	-	*4 236*
operating liabilities acquired in business combination	-	*(8 988)*
adjustment for changes in credit and loan status	*7 497*	-
Changes in other assets result from:	**2 985**	**(3 099)**
balance of changes in deferred and accrued charges	*3 407*	*(2 140)*
balance of changes in accrued revenues	*442*	*189*
changes in other acquiree assets	-	*(2 925)*
adjustment for changes in deferred tax assets	*(391)*	-
adjustment for changes in deferred tax provisions	*(4)*	-
balance of deferred charges acquired in business combination	-	*1 912*

(all amounts listed in PLN thousands unless otherwise stated)

adjustment for offset of deferred tax provisions and assets associated with business combination	*-*	*(24)*
deferred revenues acquired in business combination	*-*	*(116)*
changes in other acquiree liabilities	*-*	*66*
elimination of share premium account opening balance	*-*	*(61)*
elimination of fixed assets received free of charge	*(44)*	*-*
subsidies received	*(425)*	*-*
Other adjustments include:	**(18)**	**(47)**
cost of motivational program	*551*	*-*
CIT-8 adjustment for 2011 (withholding tax settlement)	*-*	*(397)*
miscellaneous adjustments	*(569)*	*350*

Warsaw, 21 March 2013

Adam Kiciński	Marcin Iwiński	Piotr Nielubowicz	Adam Badowski	Michał Nowakowski	Aneta Magiera
President of the Board	Board Member	Board Member	Board Member	Board Member	Accounting Officer

(all amounts listed in PLN thousands unless otherwise stated)