

CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENT OF THE
CD PROJEKT CAPITAL GROUP
FOR THE PERIOD BETWEEN 1 JANUARY AND 31 MARCH 2016



CD PROJEKT®

Disclaimer

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

CD PROJEKT Capital Group – selected financial highlights converted into EUR

	PLN		EUR	
	01.01.2016 - 31.03.2016	01.01.2015 - 31.03.2015*	01.01.2016 - 31.03.2016	01.01.2015 - 31.03.2015*
Net revenues from sales of products, goods and materials	86 995	25 587	19 972	6 167
Cost of products, goods and materials sold	17 189	17 496	3 946	4 217
Operating profit (loss)	38 580	(2 676)	8 857	(645)
Profit (loss) before tax	40 178	(4 624)	9 224	(1 115)
Net profit (loss) from continuing operations	32 562	(5 216)	7 475	(1 257)
Net profit (loss) attributable to equity holders of parent entity	32 562	(5 216)	7 475	(1 257)
Net cash flows from continuing operations	40 286	(2 294)	9 249	(553)
Net cash flows from investment activities	679	(2 541)	156	(612)
Net cash flows from financial activities	275	(77)	63	(19)
Aggregated net cash flows	41 240	(4 912)	9 468	(1 184)
Stock volume (in thousands)	94 950	94 950	94 950	94 950
Net profit (loss) per ordinary share (PLN/EUR)	0.34	(0.05)	0.08	(0.01)
Diluted profit (loss) per ordinary share (PLN/EUR)	0.34	(0.05)	0.08	(0.01)
Book value per share (PLN/EUR)	5.76	1.73	1.35	0.42
Diluted book value per share (PLN/EUR)	5.76	1.73	1.35	0.42
Declared or paid out dividend per share (PLN/EUR)	-	-	-	-
* following presentation-related changes				
	PLN		EUR	
	31.03.2016	31.03.2015	31.03.2016	31.03.2015
Total assets	693 697	673 946	162 519	158 148
Liabilities and provisions for liabilities (less accrued charges)	137 658	151 984	32 250	35 664
Long-term liabilities	10 345	18 414	2 424	4 321
Short-term liabilities	136 233	141 857	31 917	33 288
Equity	547 119	513 675	128 179	120 539
Share capital	94 950	94 950	22 245	22 281

The financial data for the first quarter of 2016 and for 2015 have been converted into EUR under the following assumptions:

- Assets and liabilities listed in the consolidated statement of financial positions were converted into EUR by applying the exchange rate for the final day of the reporting period, as published by the National Bank of Poland. These exchange rates were: 4.2684 EUR/PLN on 31 March 2016 and 4.2615 EUR/PLN on 31 December 2015 respectively.
- Elements of the consolidated profit and loss account and consolidated statement of cash flows were converted into EUR by applying the average value of exchange rates for the final day of each month belonging to the reporting period, as published by NBP. The corresponding exchange rates were: 4.3559 EUR/PLN for the period between 1 January and 31 March 2016, and 4.1489 EUR/PLN for the period between 1 January and 31 March 2015 respectively.

Table of contents

CONSOLIDATED FINANCIAL STATEMENT OF THE CD PROJEKT CAPITAL GROUP	5
CONDENSED INTERIM CONSOLIDATED PROFIT AND LOSS ACCOUNT	6
CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	7
CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION	7
CONDENSED INTERIM STATEMENT OF CHANGES IN CONSOLIDATED EQUITY	9
CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS	11
SEGMENTED CONSOLIDATED PROFIT AND LOSS ACCOUNT AND STATEMENT OF FINANCIAL POSITION OF THE CD PROJEKT CAPITAL GROUP	13
CLARIFICATIONS REGARDING THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENT	24
GENERAL INFORMATION	25
CD PROJEKT CAPITAL GROUP STRUCTURE	25
CONSOLIDATION PRINCIPLES	26
CHANGES IN ACCOUNTING STANDARDS OR POLICIES	26
ASSUMPTION OF GOING CONCERN	26
COMPLIANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS	27
FUNCTIONAL CURRENCY AND PRESENTATION CURRENCY	29
ASSUMPTION OF COMPARABILITY OF FINANCIAL STATEMENTS	29
ADDITIONAL NOTES AND CLARIFICATIONS REGARDING THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENT	30
SUPPLEMENTARY INFORMATION	51
OTHER PROCEEDINGS	52
SHAREHOLDER STRUCTURE	53
VALUATION OF PUBLISHED ESTIMATES	54
CONDENSED INTERIM SEPARATE FINANCIAL STATEMENT OF CD PROJEKT S.A.	55
CONDENSED INTERIM SEPARATE PROFIT AND LOSS ACCOUNT	56
CONDENSED INTERIM SEPARATE STATEMENT OF COMPREHENSIVE INCOME	57
CONDENSED INTERIM SEPARATE STATEMENT OF FINANCIAL POSITION	57
CONDENSED INTERIM STATEMENT OF CHANGES IN SEPARATE EQUITY	59
CONDENSED INTERIM SEPARATE STATEMENT OF CASH FLOWS	61
STATEMENT OF THE MANAGEMENT BOARD OF THE PARENT ENTITY	64
APPROVAL OF FINANCIAL STATEMENT	64



CD PROJEKT

Consolidated Financial Statement of the CD PROJEKT Capital Group

1

Condensed interim consolidated profit and loss account

	01.01.2016 – 31.03.2016	01.01.2015 – 31.03.2015*
Sales revenues	86 995	25 587
Revenues from sales of products	63 667	2 857
Revenues from sales of services	105	117
Revenues from sales of goods and materials	23 223	22 613
Cost of products, goods and materials sold	17 189	17 496
Cost of products and services sold	1 810	2 524
Value of goods and materials sold	15 379	14 972
Gross profit (loss) from sales	69 806	8 091
Other operating revenues	205	258
Selling costs	16 833	7 787
General and administrative costs	9 078	3 044
Other operating expenses	5 520	194
Operating profit (loss)	38 580	(2 676)
Financial revenues	3 272	57
Financial expenses	1 674	2 005
Profit (loss) before tax	40 178	(4 624)
Income tax	7 616	592
Net profit (loss) from continuing operations	32 562	(5 216)
Net profit (loss) from discontinued operations	-	-
Net profit (loss)	32 562	(5 216)
Net profit (loss) attributable to minority interests	-	-
Net profit (loss) attributable to equity holders of parent entity	32 562	(5 216)
Net earnings per share (in PLN)		
Basic for the reporting period	0.34	(0.05)
Diluted for the reporting period	0.34	(0.05)
Net earnings per share from continuing operations (in PLN)		
Basic for the reporting period	0.34	(0.05)
Diluted for the reporting period	0.34	(0.05)
Net earnings per share from discontinued operations (in PLN)		
Basic for the reporting period	-	-
Diluted for the reporting period	-	-

* following presentation-related adjustments

The revenues of the CD PROJEKT Capital Group in the first quarter of 2016 were 86 995 thousand PLN. The largest contribution to this figure is from licensing royalties aggregated with sales of products (63 667 thousand PLN), associated with ongoing high sales volume of The Witcher: Wild Hunt. Most of the reported revenues from sales of goods and materials (23 223 thousand PLN) were attributable to GOG.com (20 103 thousand PLN), with a lower contribution of sales of physical components of box sets (carriers, boxes etc.) by CD PROJEKT RED (3 117 thousand PLN).

Regarding expenses, the largest single item, i.e. selling costs (16 833 thousand PLN) was associated with the marketing activities of CD PROJEKT RED, including the run-up to the release of Blood and Wine (scheduled for 31 May 2016), as well as the costs of maintaining the GOG.com platform.

The bulk of general and administrative costs (9 078 thousand PLN) and other operating expenses (5 520 thousand PLN) was due to employees compensation as well as provisions for future compensation conditioned upon the Group's financial results.

Pre-tax profit in Q1 2016 was reported as 40 178 thousand PLN, which translates into 32 562 thousand PLN in net profit. Accordingly, the net profitability of the Capital Group in the first quarter of 2016 (calculated as the ratio between net profit and revenues) was 37%.

Condensed interim consolidated statement of comprehensive income

	01.01.2016 – 31.03.2016	01.01.2015 – 31.03.2015
Net profit (loss)	32 562	(5 216)
Other comprehensive income which will be entered as profit (loss) following fulfillment of specific criteria	(662)	1 539
Exchange rate differences on valuation of foreign entities	(662)	1 539
Other comprehensive income which will not be entered as profit (loss)	-	-
Total comprehensive income	31 900	(3 677)
Total comprehensive income attributable to minority interests	-	-
Total comprehensive income attributable to equity holders of parent entity	31 900	(3 677)

Condensed interim consolidated statement of financial position

	31.03.2016	31.12.2015	31.03.2015*
FIXED ASSETS	117 156	119 187	94 930
Tangible assets	10 529	9 380	5 444
Intangible assets	46 794	47 857	41 303
Goodwill	46 417	46 417	46 417
Other financial assets	547	547	547
Deferred income tax assets	12 654	14 771	943
Other fixed assets	215	215	276
WORKING ASSETS	576 541	554 759	169 131
Inventories	48 175	34 200	106 558
Trade receivables	45 908	87 704	14 087
Current income tax receivables	21 222	-	183
Other receivables	15 043	26 530	10 997
Other financial assets	-	165	2 768
Prepaid expenses	11 316	12 523	5 055
Cash and cash equivalents	434 877	393 637	29 483
TOTAL ASSETS	693 697	673 946	264 061

* following presentation-related adjustments

Neither the value nor the composition of the Group's tangible assets underwent material changes during the reporting period. The Group's inventories (valued at 48 175 thousand PLN) mostly correspond to inventories held by CD PROJEKT RED (47 779 thousand PLN), including in particular the capitalized expenses associated with development of heretofore unpublished products (42 255 thousand PLN – most of which is attributable to the Blood and Wine

expansion pack and Cyberpunk 2077), in addition to finished products (3 532 thousand PLN – mostly Hearts of Stone development expenses). Due to ongoing development of new releases, the aggregate value of the Group's inventories increased by 13 975 thousand PLN in the first quarter of 2016. Having fully discounted The Witcher 3: Wild Hunt development expenses (aggregated with the cost of products and materials sold in the current reporting period as well as in previous reporting periods), as of 31 March 2016 the Company held no inventories which represented yet-to-be discounted expenses associated with the development of that game. Accordingly, future revenues obtained by the Company in association with The Witcher 3 license agreements will not require proportional recognition of selling costs aggregated with the value of inventories and representing historical development expenses.

The reduction in the Group's trade receivables (45 908 thousand PLN as of 31 March 2016) is due to partial collection of receivables reported at the end of 2015 (87 704 thousand PLN).

Current income tax receivables (21 222 thousand PLN) are primarily constituted by transfers from the "Other receivables" category associated with receipt of confirmation of payment of withholding tax by the Company's foreign business partners who remit licensing royalties to the Company.

As of 31 March 2016 the Group held cash and cash equivalents valued at 434 877 thousand PLN, which represents an increase by 41 240 thousand PLN compared to 31 December 2015.

	31.03.2016	31.12.2015	31.03.2015*
EQUITY	547 119	513 675	164 521
Equity attributable to shareholders of the parent company	547 119	513 675	164 521
Share capital	94 950	94 950	94 950
Supplementary capital, incl. sales of shares above nominal price	120 199	120 199	119 730
Other reserve capital	4 837	3 354	1 896
Exchange rate differences	1 852	2 514	2 463
Retained earnings	292 719	(49 772)	(49 302)
Net profit (loss) for the reporting period	32 562	342 430	(5 216)
Minority share capital	-	-	-
LONG-TERM LIABILITIES	10 345	18 414	1 445
Other financial liabilities	124	-	203
Deferred income tax liabilities	9 792	17 956	1 156
Deferred revenues	394	423	59
Provisions for employee benefits and similar liabilities	35	35	27
SHORT-TERM LIABILITIES	136 233	141 857	98 095
Credits and loans	-	-	-
Other financial liabilities	4 117	20 228	381
Trade liabilities	22 364	22 603	19 282
Liabilities from current income tax	182	7 524	445
Other liabilities	59 816	46 965	72 529
Deferred revenues	8 526	7 864	5 208
Provisions for employee benefits and similar liabilities	187	225	155
Other provisions	41 041	36 448	95
TOTAL LIABILITIES	693 697	673 946	264 061

* following presentation-related adjustments

The increase in reported equity was mostly due to retained earnings (32 562 thousand PLN) and collection of payments for shares to be issued under the incentive program due to attainment of the program's market goal (903 thousand PLN). As of 31 March 2016 the Company's equity was valued at 547 119 thousand PLN.

Other liabilities (59 816 thousand PLN) are primarily due to receipt or recognition of advance licensing royalties associated with future sales of the Expansion Pass edition of The Witcher 3: Wild Hunt.

Most of the reported value of other provisions (41 041 thousand PLN) corresponds to provisions for future employee compensation conditioned upon the Group's financial result, created in the current quarter or in previous quarters.

Condensed interim statement of changes in consolidated equity

	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 parent company	Minority share capital	Total equity
01.01.2016 – 31.03.2016									
Equity as of 01.01.2016	94 950	120 199	3 354	2 514	292 658	-	513 675	-	513 675
Adjustments due to errors in preceding years	-	-	-	-	61	-	61	-	61*
Equity after adjustments	94 950	120 199	3 354	2 514	292 719	-	513 736	-	513 736
Cost of incentive program	-	-	580	-	-	-	580	-	580
Payment for shares issued under the incentive program	-	-	903	-	-	-	903	-	903
Allocation of net profit/coverage of losses	-	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	(662)	-	32 562	31 900	-	31 900
Equity as of 31.03.2016	94 950	120 199	4 837	1 852	292 719	32 562	547 119	-	547 119

* This adjustment is described in the section titled "Assumption of comparability of financial statements".

	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 parent company	Minority share capital	Total equity
01.01.2015 – 31.12.2015									
Equity as of 01.01.2015	94 950	119 730	1 716	924	(49 302)	-	168 018	-	168 018
Adjustments due to errors in preceding years	-	-	-	-	-	-	-	-	-
Equity after adjustments	94 950	119 730	1 716	924	(49 302)	-	168 018	-	168 018
Cost of incentive program	-	-	1 638	-	-	-	1 638	-	1 638
Allocation of net profit	-	469	-	-	(469)	-	-	-	-
Total comprehensive income	-	-	-	1 590	(1)	342 430	344 019	-	344 019
Equity as of 31.12.2015	94 950	120 199	3 354	2 514	(49 772)	342 430	513 675	-	513 675
01.01.2015 – 31.03.2015									
Equity as of 01.01.2015	94 950	119 730	1 716	924	(49 302)	-	168 018	-	168 018
Adjustments due to errors in preceding years	-	-	-	-	-	-	-	-	-
Equity after adjustments	94 950	119 730	1 716	924	(49 302)	-	168 018	-	168 018
Cost of incentive program	-	-	180	-	-	-	180	-	180
Allocation of net profit	-	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	1 539	-	(5 216)	(3 677)	-	(3 677)
Equity as of 31.03.2015	94 950	119 730	1 896	2 463	(49 302)	(5 216)	164 521	-	164 521

Condensed interim consolidated statement of cash flows

	01.01.2016 – 31.03.2016	01.01.2015 – 31.03.2015*
OPERATING ACTIVITIES		
Net profit (loss)	32 562	(5 216)
Total adjustments:	42 268	3 080
Depreciation	1 896	1 175
Interest and profit sharing	(2 393)	(33)
Profit (loss) on investment activities	79	(23)
Change in provisions	4 556	(50)
Change in inventories	(13 976)	(10 047)
Change in receivables	53 283	(7 704)
Change in liabilities excluding credits and loans	(3 047)	19 471
Change in other assets and liabilities	1 838	(1 198)
Other adjustments	32	1 489
Cash flows from continuing operations	74 830	(2 136)
Income tax on profit (loss) before taxation	7 616	592
Income tax (paid) / reimbursed	(42 160)	(750)
Net cash flows from operating activities	40 286	(2 294)
INVESTMENT ACTIVITIES		
Inflows	2 478	33
Liquidation of financial assets	85	-
Other inflows from investment activities	2 393	33
Outflows	1 799	2 574
Purchases of intangible and tangible fixed assets	815	2 104
Other outflows from investment activities	984	470
Net cash flows from investment activities	679	(2 541)
FINANCIAL ACTIVITIES		
Inflows	903	-
Net inflows from issue of shares (stocks) and other capital market instruments, and from capital contributions	903	-
Outflows	628	77
Repayments of credits and loans	-	4
Other financial liabilities	404	-
Payments of liabilities under financial lease agreements	224	73
Net cash flows from financial activities	275	(77)
Total net cash flows	41 240	(4 912)
Change in cash and cash equivalents on balance sheet	41 240	(4 912)
Cash and cash equivalents at beginning of period	393 637	34 395
Cash and cash equivalents at end of period	434 877	29 483

* following presentation-related adjustments

The Group's consolidated cash flows in 2016 were reported as 41 240 thousand PLN, most of which is attributable to operating activities. The positive balance of cash flows is mainly the result of ongoing sales and collection of receivables reported at the close of 2015. Outflows were primarily associated with ongoing videogame development

projects, reduction in liabilities compared to the beginning of the reporting period and corporate income tax payments due in the first quarter of the year.

Clarifications regarding the condensed interim consolidated statement of cash flows

	01.01.2016 – 31.03.2016	01.01.2015 – 31.03.2015*
Cash and cash equivalents reported in cash flow statement	434 877	29 483
Cash on balance sheet	434 877	29 483
Depreciation	1 896	1 175
Depreciation of intangible assets	990	509
Depreciation of tangible fixed assets	906	666
Interest and profit sharing consist of:	(2 393)	(33)
Interest paid on loans	-	19
Interest on credit agreements	-	1
Interest received	(2 393)	(48)
Interest payable on loans granted	-	(5)
Profit (loss) from investment activities consists of:	79	(23)
Revaluation of short-term financial assets	102	(23)
Revenues from sales of investments	(23)	-
Changes in provisions consist of:	4 556	(50)
Balance of changes in provisions for liabilities	4 593	-
Balance of changes in provisions for employee benefits	(37)	(50)
Changes in inventories consist of:	(13 976)	(10 047)
Balance of changes in inventories	(13 976)	(10 047)
Changes in receivables consist of:	53 283	(7 704)
Balance of changes in short-term liabilities	32 061	(7 889)
Balance of changes in long-term liabilities	-	1
Income tax reimbursed	-	184
Income tax set against withholding tax	15 870	-
Adjustments due to current income tax	5 291	-
Rectification of errors (income tax)	61	-
Changes in liabilities except credits and loans consist of:	(3 047)	19 471
Balance of changes in short-term liabilities	(10 840)	19 241
Adjustments due to current income tax	7 387	210
Changes in financial liabilities	406	16
Adjustments due to changes in credits and loans	-	4
Changes in other assets and liabilities consist of:	1 838	(1 198)
Balance of changes in prepaid expenses	1 207	(403)
Balance of changes in deferred revenues	633	(795)
Elimination of fixed assets received free of charge	(2)	-
Other adjustments consist of:	32	1 489
Costs of incentive program	580	180
Miscellaneous adjustments	(548)	1 309
* following presentation-related adjustments		



CD PROJEKT

Segmented consolidated profit and loss
account and statement of financial
position of the
CD PROJEKT Capital Group

2



Disclosure of differences in the scope of differentiation of activity segments or evaluation of per-segment profit/loss compared to the most recent annual consolidated financial statement

With regard to the consolidated financial statement for 2015 the Company has decided to rename some of its activity segments. In the presented report the segment heretofore referred to as “videogame development” is called CD PROJEKT RED, while the segment heretofore referred to as “global digital videogame distribution” is called GOG.com. The introduced changes are meant to ensure consistency between the names of segments reported in the financial statement and those used in the Group’s business communications.

Disclosure of activity segments in the 01.01.2016 - 31.03.2016 period

	Continuing operations			Consolidation eliminations (Incl. from business combinations)	Continuing operations – total
	CD PROJEKT RED	GOG.com	Other activities*		
Sales revenues	68 107	20 114	2 224	(3 450)	86 995
sales to external clients	66 829	20 114	52	-	86 995
sales between segments and internal revenues	1 278	-	2 172	(3 450)	-
Segment net profit (loss)	34 159	262	(1 859)	-	32 562
Total assets per segment	547 356	47 015	137 090	(37 764)	693 697

* The „Other activities” segment aggregates part of the individual financial result of CD PROJEKT S.A. in the amount of (1 859) thousand PLN, representing the activities of its Invest department.

Segmented consolidated profit and loss account for the period between 01.01.2016 and 31.03.2016

	CD PROJEKT RED	GOG.com	Other activities	Consolidation eliminations (incl. from business combinations)	Total
Sales revenues	68 107	20 114	2 224	(3 450)	86 995
Revenues from sales of products	64 501	11	-	(845)	63 667
Revenues from sales of services	489	-	2 221	(2 605)	105
Revenues from sales of goods and materials	3 117	20 103	3	-	23 223
Cost of products, goods and materials sold	4 594	13 487	187	(1 079)	17 189
Cost of products and services sold	1 701	179	185	(255)	1 810
Value of goods and materials sold	2 893	13 308	2	(824)	15 379
Gross profit (loss) from sales	63 513	6 627	2 037	(2 371)	69 806
Other operating revenues	100	276	127	(298)	205
Selling costs	11 918	5 056	513	(654)	16 833
General and administrative costs	4 721	1 412	4 919	(1 974)	9 078
Other operating expenses	5 441	39	81	(41)	5 520
Operating profit (loss)	41 533	396	(3 349)	-	38 580
Financial revenues	3 109	14	177	(28)	3 272
Financial expenses	1 681	5	16	(28)	1 674
Profit (loss) before taxation	42 961	405	(3 188)	-	40 178
Income tax	8 802	143	(1 329)	-	7 616
Profit (loss) from continuing operations	34 159	262	(1 859)	-	32 562
Profit (loss) from discontinued operations	-	-	-	-	-
Net profit (loss)	34 159	262	(1 859)	-	32 562
Net profit (loss) attributable to noncontrolling interests	-	-	-	-	-
Net profit (loss) attributable to equity holders of the parent entity	34 159	262	(1 859)	-	32 562

Segmented consolidated statement of financial position as of 31.03.2016

	CD PROJEKT RED	GOG.com	Other activities	Consolidation eliminations (incl. from business combinations)	Total
FIXED ASSETS	43 291	6 105	96 445	(28 685)	117 156
Tangible fixed assets	6 032	2 490	2 007	-	10 529
Intangible assets	26 295	3 606	60 249	(43 356)	46 794
Goodwill	-	-	-	46 417	46 417
Investments in subsidiaries	-	-	32 112	(32 112)	-
Other financial assets	-	-	547	-	547
Deferred income tax assets	10 942	9	1 337	366	12 654
Other fixed assets	22	-	193	-	215
WORKING ASSETS	504 065	40 910	40 645	(9 079)	576 541
Inventories	47 779	383	13	-	48 175
Trade receivables	44 308	2 624	100	(1 124)	45 908
Receivables due to current income tax	20 835	64	323	-	21 222
Other receivables	10 840	6 407	5 753	(7 957)	15 043
Prepaid expenses	1 007	10 195	114	-	11 316
Cash and cash equivalents	379 296	21 237	34 342	2	434 877
TOTAL ASSETS	547 356	47 015	137 090	(37 764)	693 697

	CD PROJEKT RED	GOG.com	Other activities	Consolidation eliminations (incl. from business combinations)	Total
EQUITY	425 242	19 056	130 483	(27 662)	547 119
Equity attributable to shareholders of the parent company	425 242	19 056	130 483	(27 662)	547 119
Share capital	7 050	86	94 950	(7 136)	94 950
Supplementary capital from sales of shares above their nominal value	-	1 657	110 936	7 606	120 199
Other reserve capital	-	-	4 837	-	4 837
Exchange rate differences	8	1 455	-	389	1 852
Retained earnings	384 025	15 596	(78 381)	(28 521)	292 719
Net profit (loss) for the reporting period	34 159	262	(1 859)	-	32 562
Noncontrolling interest equity	-	-	-	-	-
LONG-TERM LIABILITIES	8 789	12	2 566	(1 022)	10 345
Other financial liabilities	-	-	124	-	124
Deferred income tax liabilities	8 749	-	2 065	(1 022)	9 792
Deferred revenues	24	8	362	-	394
Provisions for employee benefits and similar liabilities	16	4	15	-	35
SHORT-TERM LIABILITIES	113 325	27 947	4 041	(9 080)	136 233
Other financial liabilities	1 033	-	3 084	-	4 117
Trade liabilities	6 938	15 826	240	(640)	22 364
Liabilities from current income tax	-	182	-	-	182
Other liabilities	64 288	3 572	396	(8 440)	59 816
Deferred revenues	324	8 097	105	-	8 526
Provisions for retirement benefits and similar liabilities	1	35	151	-	187
Other provisions	40 741	235	65	-	41 041
TOTAL LIABILITIES	547 356	47 015	137 090	(37 764)	693 697

Activity segments

Following the publication of its consolidated financial statement for 2015 the Group has decided to change the names of two of its activity segments while retaining their respective characteristics. The activity segment heretofore referred as “videogame development” is now called CD PROJEKT RED, which reflects the name of the Group’s game development studio – note that the activities of CD PROJEKT RED are starting to go beyond development of games. Similarly, the activity segment heretofore referred as “global digital videogame distribution” is now called GOG.com, which reflects the name of the Group’s proprietary digital distribution platform. The Group uses GOG.com to market its own games and also to deploy additional technologies associated with multiplayer online gameplay and other networking features (e.g. GOG Galaxy). This adjustment concerns naming only and has no bearing on the presented financial results

In line with the above, the CD PROJEKT Capital Group conducts operations in the following activity segments:

- CD PROJEKT RED (previously reported as Videogame development),
- GOG.com (previously reported as Global digital videogame distribution),
- Other activities.

CD PROJEKT RED

Videogame development is carried out by the CD PROJEKT RED Studio – part of the CD PROJEKT Capital Group. This activity comprises developing and publishing videogames, selling the associated distribution rights, coordinating and directly pursuing PR and marketing activities related to the Studio’s own products, and manufacturing and selling or licensing tie-in products which exploit the commercial appeal of brands owned by CD PROJEKT RED.

The Company’s current portfolio comprises the following major videogames: The Witcher, The Witcher 2: Assassins of Kings, and The Witcher 3: Wild Hunt (released on 19 May 2015), as well as the first expansion pack for The Witcher – Hearts of Stone. The second expansion pack – Blood and Wine – is scheduled for release on 31 May 2016. By the end of 2015 the Company had sold over 20 million copies of Witcher-themed videogames.

GOG.com

Digital distribution of videogames at a global scale is carried out by the GOG.com platform, owned by GOG Ltd. (with technical support from GOG Poland Sp. z o.o.) The activity comprises selling and delivering games directly to the user’s devices via the GOG.com platform and the associated GOG Galaxy application. As of the publication date of this report the GOG.com catalogue comprises over 1500 videogames licensed from over 300 developers, copyright holders and publishers from all over the world.

All videogames are offered in the DRM-free model, i.e. without cumbersome access restrictions. GOG Ltd. guarantees full compatibility of the games it offers with popular versions of the MS Windows, Mac OS and Linux operating systems, subject to the OS requirements of each game.

In addition to English, the platform is also available in French, German and Russian, complete with native customer support. GOG.com currently accepts payments in 11 currencies, including Polish Zlotys (since 5 May 2016).

Other activities

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

Disclosure of the issuer's significant accomplishments and shortcomings in the reporting period with regards to activity segments

During the first quarter of 2016 the following significant accomplishments were reported by the Group in each of its activity segments:

CD PROJEKT RED

In January 2016 The Witcher 3: Wild Hunt was named 2015 RPG of the Year and 2015 Game of the Year by Game Informer – the world's most widely circulated gaming monthly. The game also won four Best of 2015 awards presented by IGN – the most popular online gaming portal in the world.

On the domestic stage, at the prestigious Paszporty Polityki gala awards ceremony, the CD PROJEKT RED studio team received the "Kreator Kultury" (Culture Creator) award. In the accompanying laudation the Studio was praised for "creative use of Andrzej Sapkowski's prose and turning 'The Witcher' into a global brand", "proving that a Polish studio can be a global powerhouse on this dynamically growing market" and "making a profound impact on the development of a wholly new branch of Polish culture".

On 21 January The Witcher 2: Assassins of Kings was released for the Xbox One as a means of providing backward compatibility with Xbox 360.

In February, at Toy Fair 2016, representatives of Dark Horse Entertainment (CD PROJEKT's business partner) announced a collection of Witcher figures which will become available for purchase in fall 2016. A Witcher-themed figure was also announced by J!NX which had previously manufactured collectible apparel and gadgets for the Studio.

In March The Witcher 3: Wild Hunt received seven BAFTA Games nominations from the British Academy of Film & Television Arts. Thus far, the game has garnered more than 800 awards and accolades, including 250 Game of the Year awards.

On March 19, at the SXSW Gaming Expo, held in Austin, TX, The Witcher 3 received the GOTY award along with two other awards (Excellence in Technical Achievement and Excellence in Narrative). Finally, at the world's largest annual get-together of videogame developers – the Game Developers Conference in San Francisco – CD PROJEKT Red claimed two Game Developers Choice Awards: Best Technology and Game of the Year.

In Q1 2016 the total number of awards presented to The Witcher 3: Wild Hunt surpassed 800, including more than 250 Game of the Year awards. This firmly establishes The Witcher 3 as the world's most celebrated videogame release of 2015.

From the point of view of marketing activities, an important aspect of CD PROJEKT RED work in Q1 2016 involved preparations for the marketing campaign accompanying the release of the second expansion pack for The Witcher 3: Wild Hunt, titled Blood and Wine. The Studio focused on designing and creating a set of promotional content (game cover, trailers, advertising layouts) and working out a detailed release strategy (marketing roadmap, media presence etc.) to ensure optimal presence in channels regarded as especially important: social media, gaming portals, digital distribution platforms and specialist trade outlets in key territories.

Following the balance sheet date, on 10 May 2016, the Company began accepting preorders for the second expansion pack for The Witcher 3 – Blood and Wine. The expansion is scheduled for release on 31 May 2016.

GOG.com

Regarding the digital distribution segment, in January GOG.com entered the steadily growing "games in development" market. The initiative met with resounding acclaim both among gamers and in professional media.

Currently, the GOG.com catalogue features 13 "in development" releases, including Kona (exclusive availability on GOG.com throughout the initial month), Master of Orion and The Long Dark. In the meantime, Ashes of the Singularity graduated to a full-fledged release and successfully concluded its involvement in the Games in Development program.

In late March and early April GOG.com celebrated the first birthday of its Russian edition. To mark this event, the Company's GOG Poland office invited notable journalists specializing in the gaming sector to discuss further plans regarding Russian-speaking markets, including new exclusive releases of Russian games and extended support for Russian titles (offered through official channels as well as through Russian-speaking gamer communities).

Around the same time GOG.com concluded a distribution agreement with 2K / Take-Two Interactive, enabling the Company to add 11 classic games to its catalogue.

In Q1 2016 the GOG Galaxy platform underwent further development work aimed at providing support for multiplayer online gaming in major upcoming releases. In addition to expanding existing features, such as automatic updates and tracking of achievements/gameplay stats, ongoing work focused on cross-platform multiplayer compatibility. The existing release of the platform provided support for *Dying Light* – the newest AAA release available on GOG.com – as well as preorders of *No Man's Sky* – one of the most hotly anticipated games of the year.

After the close of the reporting period GOG Ltd. launched support for six new currencies: Canadian Dollar, Swiss Franc, Norwegian Krone, Swedish Krona, Danish Krone and Polish Zloty. This brings the total number of currencies supported by GOG.com to eleven.

Other activities

On 10 March 2016, concurrently with the publication of its annual financial data, the CD PROJEKT Capital Group announced an update to its strategy for the years 2016-2021. More information concerning the Group's strategy can be found at <https://www.cdprojekt.com/en/capital-group/strategy/>.

After the close of the reporting period, in Current Report no. 9/2016 of 27 April 2016 the Management Board of the parent company announced that Mr. Grzegorz Kujawski had resigned his membership of the Company's Supervisory Board, effective on 28 April 2016.

Disclosure of factors which may affect the Group's financial result in the future

The activities of CD PROJEKT Capital Group members are affected by external factors such as the global macroeconomic conditions, legal reforms and changes in taxation. In this sense CD PROJEKT is in a similar position to many other companies conducting business on domestic and international markets.

In the opinion of the Management Board of CD PROJEKT S.A., in the second quarter of 2016 the financial results of CD PROJEKT RED and of the entire Capital Group will be dominated by continued sales of *The Witcher 3: Wild Hunt* and the game's first expansion pack – *Hearts of Stone*, released on 13 October 2015.

An important event occurring in the second quarter of 2016 will be the release of the second and final expansion pack for *The Witcher 3 – Blood and Wine*. Its reception by gamers and reviewers, reflected by published reviews, will significantly affect sales of the expansion pack itself and of the so-called Expansion Pass – a bundle which consists of both expansion packs (*Hearts of Stone* and *Blood and Wine*). The release will be accompanied by a strong marketing campaign which may also benefit sales of other *Witcher*-themed products.

With regard to 2016 as a whole, as well as to future reporting periods, the results of CD PROJEKT RED will also be influenced by the implementation of the new strategy of the CD PROJEKT Capital Group for the years 2016-2021, approved in March 2016. By the end of 2016 the strategy envisions – in addition to the aforementioned debut of *Blood and Wine* – another release in a format heretofore unexplored by CD PROJEKT RED.

Given that the growth dynamics of the GOG.com digital distribution platform are primarily influenced by the activity of the portal's existing and new clients and the availability of new, appealing products, the Group expects that in Q2 and subsequent quarters of 2016 the performance of GOG.com will depend on its ability to acquire licensing rights for new releases by the world's leading developers, as well as on expanding the catalogue with "games in development" titles.

The Capital Group's updated strategy for 2016 expects GOG.com to be able to publish a triple-A videogame developed by an unaffiliated partner with full support for GOG Galaxy, concurrently with the game's global release date. Successful attainment of this goal will affect GOG.com growth dynamics and, consequently, the Company's ability to acquire distribution rights for other major releases.

In future reporting periods GOG.com's ability to attract new customers will require exploring markets where GOG.com does not currently hold a major share. In line with this strategy, in May 2016 the service added support for six new currencies, bringing the total number of currencies supported by GOG.com to eleven. Later this year the Company also plans to unveil additional language localizations of its platform.

Finally, GOG.com will depend on ongoing upgrades and extensions of its GOG Galaxy technology stack with new features and networking technologies, facilitating support for new videogame types currently under development at CD PROJEKT RED.

The "other activities" segment depends on procurement of services from affiliated entities in order to streamline the Group's operations. Accordingly, internal and external factors which affect other activity segments also have an indirect impact on the "other activities" segment.

The financial standing of CD PROJEKT S.A. may also be materially affected by the outcome of litigation described elsewhere in this document, in particular the Company's lawsuit against the State Treasury. A favorable judgment in this case would entitle the Company to collect significant damages.

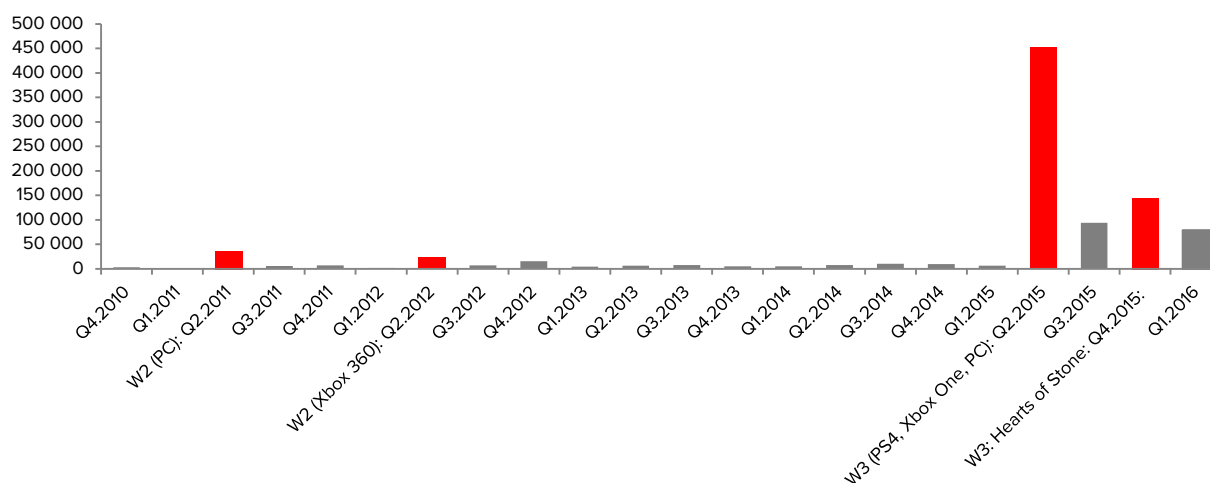
Disclosure of seasonal or cyclical activities

CD PROJEKT RED

CD PROJEKT RED usually takes between 2 and 4 years to produce a game. Initial development work occurs before the previous game in the series is complete and ready to be released. The Witcher 2 debuted on the PC in May 2011 while the Xbox 360 edition was released on 17 April 2012. The release of CD PROJEKT RED's newest game – The Witcher 3: Wild Hunt – took place on 19 May 2015.

Due to the creation of additional, independent development teams, future releases of Company products should occur with greater frequency.

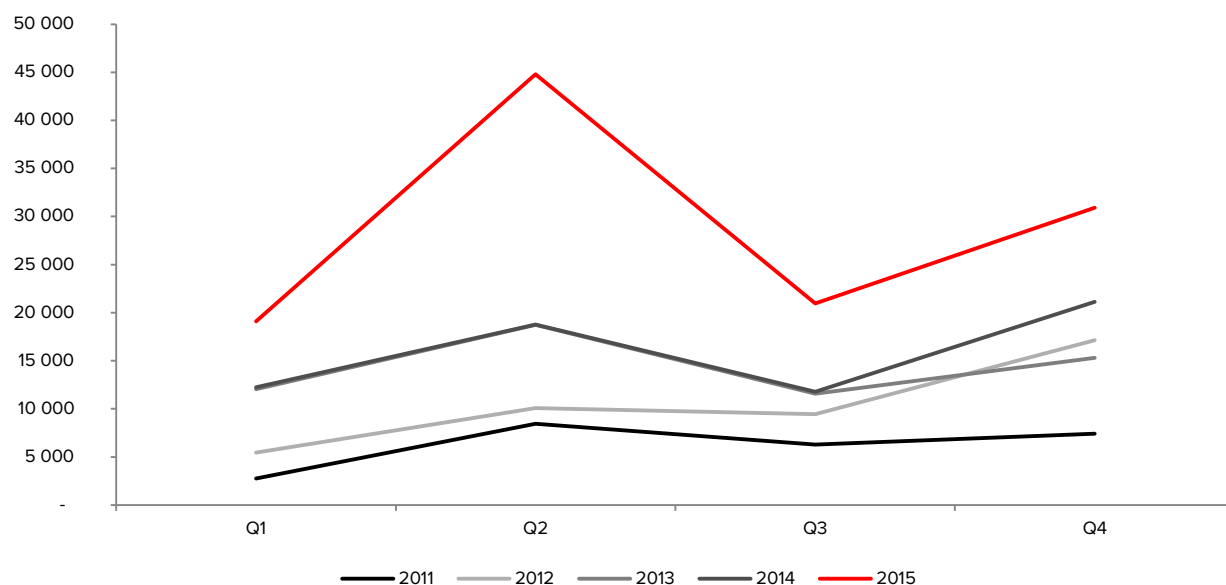
Chart 1 Effect of releases on CD PROJEKT RED sales revenues (quarterly revenues of the CD PROJEKT RED segment, in PLN thousands)



GOG.com

The digital videogame distribution market, which is the main area of activity of GOG.com, is characterized by seasonal fluctuations in revenues. On an annual basis, the highest revenues are typically obtained in the second and fourth quarters while the lowest revenues correspond to the first and third quarters. Sales in Q2 and Q4 are boosted by promotional activities organized in these periods. Ultimately, however, sales volume is primarily dependent on the release schedule.

Chart 2 Revenues from GOG.com sales to external clients, by quarter (in thousands PLN).



GOG.com revenues in the second quarter of 2015 were primarily affected by the release of The Witcher 3: Wild Hunt.

Reconciliation of the total of the reportable segments' measures of profit or loss to the Group's profit or loss before tax expense (tax income) and discontinued operations

The corresponding data is presented in the segmented consolidated statement of financial position for 31.03.2016.

Information regarding key clients

The CD PROJEKT Capital Group collaborates with external clients whose share of the Group's consolidated revenues exceeds 10%.

In the CD PROJEKT RED segment trade activities carried out by CD PROJEKT S.A. in cooperation with two clients generated Q1 sales revenues which incrementally exceed 10% of the consolidated sales revenues of the CD PROJEKT Capital Group:

- client I: 21 539 thousand PLN, which represents 24.76% of the Group's consolidated sales revenues,
- client II: 16 306 thousand PLN, which represents 18.74% of the Group's consolidated sales revenues.

The above mentioned clients are not affiliated with CD PROJEKT S.A. or its subsidiaries. In other activity segments no single client accounted for more than 10% of the consolidated sales revenues of the Capital Group.



CD PROJEKT

Clarifications regarding the condensed interim consolidated financial statement

3

General information

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

The Group is established for an unlimited period.

CD PROJEKT Capital Group structure

Subsidiaries



Consolidation principles

Entities subjected to consolidation

	Capital share	Voting share	Consolidation method
CD PROJEKT S.A.	Parent entity	-	full
GOG Ltd.	100%	100%	full
GOG Poland sp. z o.o.	100%	100%	full
CD PROJEKT Brands S.A.	100%	100%	full
CD PROJEKT Inc.	100%	100%	full

Subsidiaries

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

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

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

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

Changes in accounting standards or policies

The accounting practices applied in preparing this condensed interim consolidated financial statement, the Management Board's professional judgment concerning the Group's accounting practices as well as the main sources of uncertainty in estimations are in all material aspects consistent with the practices applied in preparing the Consolidated Financial Statement of the CD PROJEKT Capital Group for 2015, except for presentation-related adjustments described in the section titled "Assumption of comparability of financial statements". This condensed interim consolidated financial statement should be read in conjunction with the Group's consolidated financial statement for the year ending 31 December 2015.

Assumption of going concern

This condensed interim consolidated financial statement is prepared under the assumption that the Group and Company intend to continue as a going concern throughout the 12-month period following the balance sheet date.

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

As of the day of preparation of this financial statement covering the period between 1 January and 31 March 2016 the Management Board is not aware of any events which should have been reflected in the accounts for that period but have not been reflected therein. Additionally, no important events have occurred in relation to the preceding years.

Compliance with International Financial Reporting Standards

This condensed interim consolidated financial statement has been prepared in accordance with International Accounting Standard (IAS) 34, Interim Financial Reporting, as well as with International Financial Reporting Standards (IFRS) applicable to interim financial reporting, endorsed by the International Accounting Standard Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) and approved by the EU under the relevant Regulation on the Application of International Accounting Standards (European Council 1606/2002), hereafter referred to as UE IFRS, valid for 31 March 2016.

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

Where the above mentioned standards are not applicable the statement conforms to the Accounting Act of 29 September 1994 (Journal of Laws of the Republic of Poland, 2013, item no. 330 with subsequent changes) and to any secondary legislation based on said Act, as well as to the directive of the Finance Minister of 19 February 2009 regarding the publication of periodic and current reports by issuers of securities (Journal of Laws of the Republic of Poland, No. 2014/133).

Standards and interpretations applied for the first time

In preparing its in condensed interim consolidated financial statement for 31 March 2016 the Group applied the same accounting standards as in its consolidated financial statement for 2015 with exception of the following new and amended standards and interpretations approved by the European Union and applicable to reporting periods beginning on or after 1 January 2016:

Amendments to IFRS (2012-2014) – adopted under the annual IFRS improvements cycle

- **Changes in IFRS 5** add specific guidance in IFRS 5 for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued.
- **Changes in IFRS 7** rescind the disclosure requirements associated with compensation of financial assets and liabilities in the preparation of interim reports and provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset, and clarification on offsetting disclosures in condensed interim financial statements.
- **Changes in IAS 19** clarify the determination of the discount rate in countries where there is no deep market in high quality corporate bonds.
- **Changes in IAS 34** clarify the meaning of “elsewhere in the interim report” and require a cross-reference for information contained in the interim report but outside of the interim financial statement.

Other changes

- **Changes in IAS 27** *Separate financial statements: equity method in separate financial statements*

The proposed changes permit investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements.

- **Changes in IAS 1** *Presentation of financial statements: disclosure initiative*

The amended standard encourages entities to apply professional judgment in determining which information should be disclosed in their financial statements.

- **Changes in IAS 16** *Property, plant and equipment* and **IAS 38** *Intangible assets* – clarifications regarding acceptable depreciation practices

The amended IAS 16 clarifies that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment. The amended IAS 38 introduces a presumption that an amortisation method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate.

- **Changes in IFRS 11** *Joint agreements: accounting for acquisitions of interests in joint operations*

The amended version of IFRS 11 contains provisions concerning recognition of interest in a joint operation in which the activity constitutes a business (as defined in IFRS 3 *Business Combinations*).

In 2015 the Group adopted all new standards and interpretations published by the International Accounting Standards Board and the International Financial Reporting Standards Interpretation Committee and approved for use within the EU, for reporting periods beginning on or after 1 January 2016, wherever such standards and interpretations apply to the Group's business practices.

The adoption of the above mentioned standards did not cause material changes in the Group's accounting policies or in the presentation of data in the Company's financial statements.

Early application of new standards

The Group did not avail itself of the possibility of early application of standards or amendments to existing standards endorsed by the European Union and applicable to reporting periods beginning on or after 1 January 2016.

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

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

- **IFRS 9** *Financial instruments* – applicable to reporting periods beginning on or after 1 January 2018.
- **IFRS 14** *Regulatory deferral accounts* – applicable to reporting periods beginning on or after 1 January 2016.
- **IFRS 15** *Revenue from contracts with customers* – applicable to reporting periods beginning on or after 1 January 2018.
- **IFRS 16** *Leasing* – applicable to reporting periods beginning on or after 1 January 2019.
- **Changes in IFRS 10** *Consolidated financial statements*, **IFRS 12** *Disclosure of interest in other entities* and **IAS 28** *Investments in associates and joint ventures: applying the consolidation exception* – applicable to reporting periods beginning on or after 1 January 2016.
- **Changes in IFRS 10** *Consolidated financial statements* and **IAS 28** *Investments in associates and joint ventures: sale or contribution of assets between an investor and its associate or joint venture* – deferred indefinitely.
- **Changes in IAS 12** *Income taxes: recognition of deferred tax assets for unrealized losses* – applicable to reporting periods beginning on or after 1 January 2017.
- **Changes in IAS 7** *Statement of cash flows: disclosure initiative* – applicable to reporting periods beginning on or after 1 January 2017.
- **Changes in IFRS 15** *Revenue from contracts with customers* – applicable to reporting periods beginning on or after 1 January 2018

In the parent company's opinion the above mentioned standards, interpretations and amendments will not materially affect the Group's financial statement.

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

Assumption of comparability of financial statements

In this condensed interim consolidated financial statement for 31 March 2016 the Group introduced several changes in the presentation of financial data. To maintain comparability of financial statements in the current reporting period the corresponding presentation-related adjustments have been introduced with regard to financial date for the period between 1 January and 31 March 2015:

- In the consolidated profit and loss account for the period between 1 January and 31 March 2015 conference costs in the amount of 2 thousand PLN were transferred from the "general and administrative expenses" to the "cost of sales" line item. This change has no bearing on the Group's financial result or equity.
- In the consolidated statement of financial position and consolidated statement of cash flows for 31 March 2015 the following adjustments were introduced in the presentation of advances:
 - Other receivables – adjusted by 10 thousand PLN;
 - Other receivables – adjusted by 603 thousand PLN;
 - Deferred revenues – adjusted by (593) thousand PLN.

The above change has no bearing on the Group's financial result or equity.

CD PROJEKT Brands S.A. rectified the erroneous recognition of income tax present in its financial statement for 31 December 2015. This change is associated with the following adjustments:

- Current income tax receivables – adjusted by 61 thousand PLN
- Retained earnings – adjusted by 61 thousand PLN

The above change resulted in adjusting the Group's financial result and equity by 61 thousand PLN.

Presentation of results by activity segment

The scope of financial information reported for each of the Group's activity segments is determined in accordance with IFRS 8. For each segment, the reported result is based on net profit.



CD PROJEKT

Additional notes and clarifications regarding the condensed interim consolidated financial statement

4

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

Important events

None reported.

Note 2. Disclosure of important changes in estimates

Changes in fixed assets (by category) between 01.01.2016 and 31.03.2016

	Land holdings	Buildings and structures	Machinery and equipment	Vehicles	Other fixed assets	Fixed assets under construction	Total
Gross carrying amount as of 01.01.2016	-	4 002	10 779	1 364	815	613	17 573
Increases from:	-	45	645	350	63	994	2 097
purchases	-	45	643	4	63	994	1 749
lease agreements	-	-	-	346	-	-	346
acquisition free of charge	-	-	2	-	-	-	2
Reductions from:	-	-	13	-	21	-	34
sales	-	-	2	-	-	-	2
others	-	-	11	-	21	-	32
Gross carrying amount as of 31.03.2016	-	4 047	11 411	1 714	857	1 607	19 636
Amortization as of 01.01.2016	-	1 587	5 821	637	148	-	8 193
Increases from:	-	101	695	80	30	10	916
amortization	-	101	695	80	30	-	906
others	-	-	-	-	-	10	10
Reductions from:	-	-	2	-	-	-	2
sales	-	-	2	-	-	-	2
Amortization as of 31.03.2016	-	1 688	6 514	717	178	10	9 107
impairment write-downs as of 01.01.2016	-	-	-	-	-	-	-
impairment write-downs as of 31.03.2016	-	-	-	-	-	-	-
Net carrying amount as of 31.03.2016	-	2 359	4 897	997	679	1 597	10 529

Amount of contractual commitments for future acquisition of tangible fixed assets

	31.03.2016	31.12.2015	31.03.2015
Leasing of passenger cars	860	566	843
Total	860	566	843

Changes in intangible assets between 01.01.2016 and 31.03.2016

	Trademarks	Patents and licenses	Computer software	Goodwill	Intangible assets under construction	Other	Total
Gross carrying amount as of 01.01.2016	15 104	7 410	19 525	46 417	462	17 096	106 014
Increases from:	-	-	59	-	349	-	408
purchases	-	-	59	-	-	-	59
reclassification	-	-	-	-	349	-	349
Reductions from:	-	-	520	-	33	-	553
reclassification	-	-	349	-	-	-	349
others	-	-	171	-	33	-	204
Gross carrying amount as of 31.03.2016	15 104	7 410	19 064	46 417	778	17 096	105 869
Amortization as of 01.01.2016	-	499	11 241	-	-	-	11 740
Increases from:	-	207	783	-	-	-	990
amortization	-	207	783	-	-	-	990
Reductions from:	-	-	72	-	-	-	72
others	-	-	72	-	-	-	72
Amortization as of 31.03.2016	-	706	11 952	-	-	-	12 658
Impairment write-downs as of 01.01.2016	-	-	-	-	-	-	-
Impairment write-downs as of 31.03.2016	-	-	-	-	-	-	-
Net carrying amount as of 31.03.2016	15 104	6 704	7 112	46 417	778	17 096	93 211

The „other” category comprises the CD PROJEKT brand name, valued at 17 095 thousand PLN, as well as brands currently used by the Company's subsidiaries.

Amount of contractual commitments for future acquisition of intangible assets

Not applicable.

Estimated changes in goodwill

	31.03.2016	31.12.2015	31.03.2015
CDP Investment Group companies	46 417	46 417	46 417
Total	46 417	46 417	46 417

Consolidation-related changes in goodwill

	31.03.2016	31.12.2015	31.03.2015
Gross carrying amount at beginning of period	46 417	46 417	46 417
Increases due to acquisition of entities	-	-	-
Reductions due to combinations of entities	-	-	-
Gross carrying amount at end of period	46 417	46 417	46 417
Impairment write-downs	-	-	-
Net goodwill	46 417	46 417	46 417

Changes in estimated value of inventories

	31.03.2016	31.12.2015	31.03.2015
Semi-finished products and production in progress	42 638	28 485	99 376
Finished products	3 532	5 097	-
Goods	1 971	584	5 513
Other materials	34	34	1 669
Gross inventories	48 175	34 200	106 558
Inventory impairment losses	-	-	-
Net inventories	48 175	34 200	106 558

Changes in inventory revaluation write-downs

No changes reported.

Changes in estimated receivables

	31.03.2016	31.12.2015	31.03.2015
Trade and other receivables	82 173	114 234	25 267
from affiliates	1	4	2
from external entities	60 950	114 230	25 082
income tax receivables	21 222	-	183
Impairment losses	1 124	1 114	1 275
Gross receivables	83 297	115 348	26 542

Changes in impairment write-downs on receivables

	Trade receivables	Other receivables
AFFILIATES		
Impairment losses as of 01.01.2016	-	-
Increases	-	-
Reductions	-	-
Impairment losses as of 31.03.2016	-	-
OTHER ENTITIES		
Impairment losses as of 01.01.2016	382	732
Increases from:	12	-
creation of write-downs for past-due and contested receivables	12	-
Reductions from:	2	-
elimination of write-downs due to collection of receivables	2	-
Impairment losses as of 31.03.2016	392	732
Aggregate impairment losses as of 31.03.2016	392	732

Current and past-due trade receivables as of 31.03.2016

	Total	Days overdue					
		<0	0 – 60	61 – 90	91 – 180	181 – 360	>360
AFFILIATES							
gross receivables	-	-	-	-	-	-	-
impairment losses	-	-	-	-	-	-	-
Net receivables	-	-	-	-	-	-	-
OTHER ENTITIES							
gross receivables	46 300	41 102	3 357	1 135	38	276	392
impairment losses	392	-	-	-	-	-	392
Net receivables	45 908	41 102	3 357	1 135	38	276	-
TOTAL							
gross receivables	46 300	41 102	3 357	1 135	38	276	392
impairment losses	392	-	-	-	-	-	392
Net receivables	45 908	41 102	3 357	1 135	38	276	-

Prepaid expenses

	31.03.2016	31.12.2015	31.03.2015
Non-life insurance	24	64	141
Business travel insurance	2	3	1
Minimum guarantees; payments advanced to GOG	10 084	11 518	4 605
Access to online legal support portal	30	15	-
Software, licenses	716	666	162
Air travel	-	15	-
Other prepaid expenses	460	242	146
Total prepaid expenses	11 316	12 523	5 055

Negative temporary differences requiring recognition of deferred tax assets

	31.12.2015	Increases	reductions	31.03.2016
Provisions for other employee benefits	35 089	5 364	98	40 355
Valuation of futures contracts under the incentive program	19 935	3 827	19 935	3 827
The Witcher trademark	1 930	-	1 930	-
Negative exchange rate differences	751	2 166	751	2 166
Employee compensation and social security expenses payable in future reporting periods	218	-	216	2
Prepayments recognized as taxable income	15 820	-	-	15 820
Deposit discount	80	-	-	80
Incentive program	3 354	580	-	3 934
Other provisions	564	482	633	413
Total negative temporary differences	77 741	12 419	23 563	66 597
Tax rate (Poland)	19%	19%	19%	19%
Tax rate (Cyprus)	12.5%	12.5%	12.5%	12.5%
Deferred tax assets at end of reporting period	14 771	2 360	4 477	12 654

Positive temporary differences requiring recognition of deferred tax provisions

	31.12.2015	Increases	reductions	31.03.2016
Revaluation of forward contracts (cash flow hedge) at fair value	59	-	59	-
Income in the current period invoiced in the following period, and sales returns in the current period	81 936	112 434	160 384	33 986
Positive exchange rate differences	442	135	442	135
CD PROJEKT brand name	7 760	918	-	8 678
The Witcher trademark	-	4 279	-	4 279
Costs related to advance payments recognized as taxable income	3 532	-	-	3 532
Valuation of shares in other entities	475	-	-	475
Other sources	299	1 164	1 017	446
Total positive temporary differences	94 503	118 930	161 902	51 531
Tax rate (Poland)	19%	19%	19%	19%
Tax rate (Cyprus)	12.5%	12.5%	12.5%	12.5%
Deferred tax provisions at end of reporting period	17 956	22 597	30 761	9 792

Net deferred tax assets/provisions

	31.03.2016	31.12.2015	31.03.2015
Deferred tax assets	12 654	14 771	943
Deferred tax liabilities – continuing operations	9 792	17 956	1 156
Net deferred tax assets/liabilities	2 862	(3 185)	(213)

Provisions for employee benefits and similar liabilities

	31.03.2016	31.12.2015	31.03.2015
Provisions for retirement benefits and pensions	36	37	28
Provisions for other employee benefits	186	223	154
Total, including:	222	260	182
long-term provisions	35	35	27
short-term provisions	187	225	155

Changes in provisions

	Provisions for retirement benefits and pensions	Provisions for other employee benefits	Total
As of 01.01.2016	37	223	260
Provisions created	-	117	117
Benefits paid out	-	119	119
Provisions dissolved	1	35	36
As of 31.03.2016, including:	36	186	222
long-term provisions	35	-	35
short-term provisions	1	186	187

	Provisions for retirement benefits and pensions	Provisions for other employee benefits	Total
As of 01.01.2015	28	204	232
Provisions created	-	84	84
Benefits paid out	-	134	134
As of 31.03.2015, including:	28	154	182
long-term provisions	27	-	27
short-term provisions	1	154	155

Other provisions

	31.03.2016	31.12.2015	31.03.2015
Provisions for warranty-covered repairs and returns	-	6	-
Provisions for liabilities, including:	41 041	36 442	95
provisions for financial statement audit expenses	-	50	32
provisions for bought-in services	234	825	57
provisions for bonuses	40 149	34 928	-
provisions for licensing liabilities	-	121	6
provisions for depreciation of licenses and fixed assets	188	304	-
provisions for other expenses	470	214	-
Total, including:	41 041	36 448	95
long-term provisions	-	-	-
short-term provisions	41 041	36 448	95



Changes in other provisions

	Provisions for warranty- covered repairs and returns	Provisions for bonuses	Other provisions	Total
As of 01.01.2016	6	34 928	1 514	36 448
Provisions created during the fiscal year	-	5 221	982	6 203
Benefits paid out	6	-	1 521	1 527
Provisions dissolved	-	-	78	78
Adjustments due to exchange rate differences	-	-	(5)	(5)
As of 31.03.2016, including:	-	40 149	892	41 041
long-term provisions	-	-	-	-
short-term provisions	-	40 149	892	41 041

	Provisions for warranty- covered repairs and returns	Provisions for bonuses	Other provisions	Total
As of 01.01.2015	-	-	95	95
Provisions created during the fiscal year	-	-	57	57
Benefits paid out	-	-	9	9
Provisions dissolved	-	-	48	48
As of 31.03.2015, including:	-	-	95	95
long-term provisions	-	-	-	-
short-term provisions	-	-	95	95

Note 3. Disclosure of financial instruments

Fair value of financial instruments per class

FINANCIAL ASSETS	Carrying amount			Fair value		
	31.03.2016	31.12.2015	31.03.2015*	31.03.2016	31.12.2015	31.03.2015*
Trade and other receivables	60 951	114 234	25 084	60 951	114 234	25 084
trade receivables	45 908	87 704	14 087	45 908	87 704	14 087
other receivables	15 043	26 530	10 997	15 043	26 530	10 997
Financial assets carried at fair value through profit and loss, including:	-	165	2 768	-	165	2 768
investment fund shares	-	-	2 768	-	-	2 768
forward contracts	-	59	-	-	59	-
shares in other entities	-	106	-	-	106	-
Financial assets held for sale, including:	547	547	547	547	547	547
valuation of shares in other entities	547	547	547	547	547	547
Cash and cash equivalents	434 877	393 637	29 483	434 877	393 637	29 483
cash on hand and bank deposits	434 877	393 637	29 483	434 877	393 637	29 483

* following presentation-related adjustments

FINANCIAL LIABILITIES	Carrying amount			Fair value		
	31.03.2016	31.12.2015	31.03.2015	31.03.2016	31.12.2015	31.03.2015
Credits and loans subject to interest payments, including:	-	-	-	-	-	-
overdraft facilities	-	-	-	-	-	-
other short-term liabilities (including credit cards)	-	-	-	-	-	-
Other miscellaneous (long-term) liabilities, including:	124	-	203	124	-	203
liabilities from financial lease contracts and lease contracts with a buyout option	124	-	203	124	-	203
Trade and other liabilities	82 180	69 568	91 811	82 180	69 568	91 811
trade liabilities	22 364	22 603	19 282	22 364	22 603	19 282
other short-term liabilities	59 816	46 965	72 529	59 816	46 965	72 529
Financial liabilities, including:	290	293	381	290	293	381
other short-term financial liabilities (lease agreements)	290	293	381	290	293	381
Financial liabilities carried at fair value through profit or loss, including:	3 827	19 935	-	3 827	19 935	-
valuation of futures contracts under the incentive program	3 827	19 935	-	3 827	19 935	-

Changes in financial instruments

	01.01.2015 – 31.12.2015				
	Financial assets carried at fair value through profit or loss	Loans granted and receivables	Financial assets held for sale	Financial liabilities carried at fair value through profit or loss	Other financial liabilities
At beginning of period	165	507 871	547	19 935	69 861
Increases	-	495 828	-	3 827	82 594
Cash and cash equivalents	-	434 877	-	-	-
Trade and other receivables	-	60 951	-	-	-
Trade and other liabilities	-	-	-	-	82 180
Financial lease agreements	-	-	-	-	414
Financial liabilities carried at fair value through profit or loss	-	-	-	3 827	-
Reductions	165	507 871	-	19 935	69 861
Cash and cash equivalents	-	393 637	-	-	-
Trade and other receivables	-	114 234	-	-	-
Trade and other liabilities	-	-	-	-	69 568
Financial lease agreements	-	-	-	-	293
Financial liabilities carried at fair value through profit or loss	-	-	-	19 935	-
Financial assets carried at fair value through profit or loss	165	-	-	-	-
At end of period	-	495 828	547	3 827	82 594

Hierarchy of financial instruments carried at fair value

	31.03.2016	31.12.2015	31.03.2015
LEVEL 1			
Assets carried at fair value			
Financial assets carried at fair value through financial result, including:	-	106	2 768
investment fund shares	-	-	2 768
shares in other entities	-	106	-
LEVEL 2			
Assets carried at fair value			
Derivatives:	-	59	-
forward exchange contract – USD	-	59	-
Liabilities carried at fair value			
Financial liabilities carried at fair value through profit or loss, including:	-	19 935	-
valuation of of futures contracts under the incentive program	-	19 935	-
LEVEL 3			
Assets carried at fair value			
Financial assets carried at fair value through financial result, including:	547	547	547
shares in other entities	547	547	547

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

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

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

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

Note 4. Other important information

Operating expenses

	01.01.2016 – 31.03.2016	01.01.2015 – 31.03.2015*
Depreciation	1 681	1 054
Consumption of materials and energy	322	454
Bought-in services	19 991	9 509
Taxes and fees	106	157
Employee compensation, social security and other benefits	14 273	8 064
Business travel	606	509
Other costs, including:	3 100	2 110
transaction costs	-	1
upkeep of Internet hosts and external servers	725	252
advisory services	152	205
representation and advertising	1 187	538
use of company cars	27	20
insurance	66	15
participation in fairs, exhibitions and conferences	64	244
recruitment and relocation costs	184	31
other costs	695	804
Changes in inventories	(14 168)	(11 026)
Value of goods and materials sold	17 888	14 972
Cost of products and services sold	(699)	2 524
Total	43 100	28 327
Selling costs	16 833	7 787
General and administrative costs	9 078	3 044
Cost of products, goods and materials sold	17 189	17 496
Total	43 100	28 327

* following presentation-related adjustments

Other operating revenues

	01.01.2016 – 31.03.2016	01.01.2015 – 31.03.2015
Elimination of write-downs for receivables	-	1
Dissolution of provisions for employee benefits	7	11
Dissolution of provisions for liabilities	66	48
Subsidies	29	23
Write-downs on expired liabilities	5	-
Reinvoicing revenues	66	158
Other revenues, including:	32	17
repossession gains received	5	1
goods and materials received free of charge	2	16
other sales	8	-
other miscellaneous operating revenues	17	-
Total	205	258

Other operating expenses

	01.01.2016 – 31.03.2016	01.01.2015 – 31.03.2015
Creation of provisions for future liabilities, including compensation dependent on the Group's financial result	5 221	-
Revaluations of receivables	12	33
Reinvoicing costs	150	158
Unrecoverable withholding tax	131	-
Other costs, including:	6	3
losses from sales of fixed assets	2	-
minor round-ups and round-downs	-	1
disposal of goods and materials	1	1
cost of cancelled project	-	1
other	3	-
Total	5 520	194

Financial revenues

	01.01.2016 – 31.12.2016	01.01.2015 – 31.12.2015
Revenues from interest:	3 249	33
on short-term bank deposits	2 393	32
on loans (incl. cash pool)	-	1
on forward currency transactions	856	-
Other financial revenues, including:	23	24
profit from sales of investments	23	-
valuation of investment fund shares	-	23
other revenues from sureties granted	-	1
Total financial revenues	3 272	57

Financial expenses

	01.01.2016 – 31.03.2016	01.01.2015 – 31.03.2015
Interest payments:	30	5
on lease agreements	3	5
on budget commitments	27	-
Other financial expenses, including:	1 644	2 000
surplus negative exchange rate differences	1 542	1 987
forward currency contracts	59	-
bank fees associated with credit agreements	-	13
net loss from disposal of investments (shares)	43	-
Total financial expenses	1 674	2 005
Net financial expenses	1 598	(1 948)

Note 5. Issue, buyback and redemption of debt and capital securities

Issue of debt securities

Not applicable.

Issue of capital securities

	31.03.2016	31.12.2015	31.03.2015
Stock volume (thousands)	94 950	94 950	94 950
Nominal value per share (PLN)	1	1	1
Share capital (PLN thousands)	94 950	94 950	94 950

Note 6. Dividends declared or paid out

No dividend was declared or paid out to Company shareholders during the reporting period.

Note 7. Transactions with affiliates

Conditions governing transactions with affiliates

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

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

Transactions with affiliates following consolidation eliminations

Sales to affiliates		Purchases from affiliates		Receivables from affiliates			Liabilities due to affiliates		
01.01.2016	01.01.2015	01.01.2016	01.01.2015	31.03.2016	31.12.2015	31.03.2015	31.03.2016	31.12.2015	31.03.2015
–	–	–	–						
31.03.2016	31.03.2015	31.03.2016	31.03.2015						

MANAGEMENT BOARD MEMBERS OF THE GROUP'S COMPANIES, AND THEIR PROXIES

Marcin Iwiński	1	2	-	-	-	1	-	9	41	22
Adam Kiciński	1	1	-	-	-	2	-	2	5	3
Piotr Nielubowicz	1	1	-	-	-	-	-	4	2	1
Michał Nowakowski	2	2	-	-	-	-	2	32	1	11
Adam Badowski	-	-	-	-	1	1	-	6	1	-
Edyta Wakuła*	1	1	-	-	-	-	-	-	-	-
Guillaume Rambourg	-	-	-	-	-	-	-	-	-	-
Piotr Karwowski	-	-	-	-	-	-	-	-	-	-
Oleg Klapovskiy	-	-	-	-	-	-	-	-	-	-
Arkadiusz Trojanowski*	-	-	-	-	-	-	-	-	-	-
Urszula Jach-Jaki	-	-	-	-	-	-	-	-	-	-

* proxy

Note 8. Bad loans and breaches of loan agreements not subject to remedial proceedings as of the balance sheet date

Loans granted as of 31.03.2016, incl. to Management Board members

Not applicable.

Note 9. Changes in conditional liabilities and assets since the close of the most recent fiscal year

Promissory note liabilities due to loans received

Not applicable.

Conditional liabilities due to sureties and collateral pledged

	Pledged in association with	Currency	31.03.2016	31.12.2015	31.03.2015
Agora S.A.					
Promissory note payable		PLN	11 931	11 931	11 931
Declaration of submission to enforcement with respect to guaranteed execution of distribution agreement		PLN	11 931	11 931	11 931
mBank S.A.					
Promissory note agreement	Credit agreement	PLN	-	-	13 500
Promissory note agreement	Credit agreement	PLN	-	-	30 000
Promissory note endorsement	Collateral for credit	PLN	-	-	58 500
Declaration of submission to enforcement	Collateral for credit	PLN	-	-	58 500
Registered pledge of The Witcher trademark	Collateral for credit	PLN	-	-	45 000
Declaration of submission to enforcement	Collateral for bank payment guarantee no. 02111KPA14	PLN	-	-	3 000
Declaration of submission to enforcement	Collateral for credit card agreement	PLN	920	920	-
Promissory note agreement	Framework agreement concerning forward and derivative transactions	PLN	7 710	-	-

Millennium Leasing sp. z o.o.

Promissory note agreement	Lease agreement no. K 182762	PLN	470	470	470
---------------------------	------------------------------	-----	-----	-----	-----

Global Collect Services BV

Contract of guarantee	Guarantee of discharge of liabilities by GOG Ltd.	EUR	155	155	155
-----------------------	---	-----	-----	-----	-----

Mazovian Unit for the Implementation of European Union Programs (Mazowiecka Jednostka Wdrażania Programów Unijnych)

Promissory note agreement	Co-financing agreement no. RPMA.01.07.00 - 14-010/11 RPO MV 2007-2013 Task 1.7	PLN	-	--	148
Promissory note agreement	Co-financing agreement no. RPMA.01.05.00 - 14-0638/08 RPO MV 2007-2013 Task 1.5	PLN	-	--	429

Ministry of the Economy

Promissory note agreement	Co-financing agreement no. POIG.06.05.02-00-146/13-00	PLN	265	265	265
Promissory note agreement	Co-financing agreement no. POIG.06.05.02-00-148/13-00	PLN	235	235	235

Polish Agency for Enterprise Development (Polska Agencja Rozwoju Przedsiębiorczości)

Promissory note agreement	Co-financing agreement no. UDA-POIG.08.02.00-14-524/13-00; POIG Task 8.2	PLN	839	839	941
---------------------------	--	-----	-----	-----	-----

Raiffeisen Bank Polska S.A.

Guarantee of discharge of cash pool liabilities	Cash pool agreement	PLN	15 000	15 000	15 000
Guarantee of discharge of cash pool liabilities	Cash pool agreement	USD	500	500	500
Declaration of submission to enforcement	Framework agreement concerning forward and derivative transactions	PLN	75 000	75 000	15 000

Millenium Bank S.A.

Declaration of submission to enforcement	Framework agreement concerning forward and derivative transactions	PLN	28 800	28 800	-
--	--	-----	--------	--------	---

BZ WBK Leasing S.A.

Promissory note agreement	Lease agreement no. CZ5/00007/2016	PLN	303	-	-
---------------------------	------------------------------------	-----	-----	---	---

Note 10. Changes in the structure of the Capital Group and its member entities occurring during the reporting period

Not applicable.

Note 11. Agreements which may, in the future, result in changes in the proportion of shares held by shareholders and bondholders

On the basis of the General Meeting Resolution of 16 December 2011 the parent company instituted an incentive program for its crucial employees, as described elsewhere in this document. In conjunction with this resolution, the parent company's share capital was conditionally increased by not more than 1.9 million PLN, which corresponds to 2% of the parent company's current share capital. Throughout the period covered by the incentive program 1.45 million warrants were issued. Implementation of the program may, in the future, result in changes in the proportion of shares held by shareholders.

In Current Report no. 2/2016 the Company announced that on 29 January 2016 subscription warrants had been granted to entitled parties in light of the attainment of the Incentive Program's market goal. On the basis of subscriptions filed on 29 January 2016, a total of 290 000 (two hundred ninety thousand) series A subscription warrants were granted to participants of the Incentive Program.

As a result of statements filed by several entitled parties concerning exercise of rights afforded by the above-mentioned subscription warrants, the parent company has taken steps to register and issue 210,000 series L shares. This represents 14.48% of the total number of shares which might potentially be issued under the incentive program.

Note 12. 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.



CD PROJEKT

Supplementary information

5

Legal proceedings

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

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

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

On 15 February 2006 the Management Board of Optimus S.A. filed a complaint in the District Court for the City of Kraków, 1st Civil Department seeking monetary damages from the State Treasury in the amount of 35 650.6 thousand PLN in relation to decisions issued by the Inspector of Treasury Control concerning VAT liabilities allegedly incurred by the Company's legal predecessor. On 24 November 2003 the Supreme Administrative Court in Warsaw vacated these decisions as unlawful.

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

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

On 9 October 2014 the Company filed an appeal against the District Court's judgment with regard to those sections in which the District Court dismissed the Company's claims, and also the section concerning the cost of legal proceedings associated with the case. A parallel appeal against the section in which the District Court affirms the Company's claims was filed by the State Treasury. On 7 December 2015 the Appellate Court in Kraków decided to petition the Supreme Court for resolution of a legal issue which, in the Appellate Court's opinion, gives rise to significant legal controversies, and to adjourn the proceedings until such time as a resolution can be obtained. The Supreme Court has scheduled an initial hearing in this matter for 19 May 2016.

Other proceedings

No new material litigation, arbitration or administrative proceedings involving the parent company or its subsidiaries as parties were initiated in the reporting period. With regard to other litigation described in the consolidated financial statement for 2015 no material changes occurred in the reporting period.

Shareholder structure

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

	No. of votes at the GM	% share in total number of votes at the GM
Michał Kiciński ⁽¹⁾	12 281 616	12.93%
Marcin Iwiński	12 000 000	12.64%
Piotr Nielubowicz	5 985 197	6.30%
PKO TFI S.A. ⁽²⁾	9 000 000	9.48%
Amplico PTE S.A. ⁽³⁾	5 003 719	5.27%
AVIVA OFE ⁽⁴⁾	4 940 000	5.20%
Other shareholders	45 739 468	48.18%

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

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

(3) As disclosed in Current Report no. 20/2013 of 11 September 2013.

(4) As disclosed in Current Report no. 25/2012 of 6 September 2012.

The percentage share in the share capital of the parent entity held by the above listed parties is equivalent to the amount of votes controlled by these parties at the General Meeting.

Changes in shareholder structure of the parent entity

No changes in the number of shares held by the parent entity's major shareholders occurred during the period covered by this condensed interim consolidated financial statement.

Company shares held by members of the Management Board and Supervisory Board

Changes in number of shares held by members of the Management Board

Name	Position	as of 01.01.2016	as of 31.03.2016	as of 12.05.2016
Adam Kiciński	President of the Board	3 122 481	3 122 481	3 122 481
Marcin Iwiński	Vice President of the Board	12 000 000	12 000 000	12 000 000
Piotr Nielubowicz	Vice President of the Board	5 985 197	5 985 197	5 985 197
Michał Nowakowski	Board Member	1 149	1 149	1 149
Katarzyna Szwarc	Chairwoman of the Supervisory Board	10 010	10 010	10 010

Valuation of published estimates

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



CD PROJEKT

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

6

Condensed interim separate profit and loss account

	01.01.2016 – 31.03.2016	01.01.2015 – 31.03.2015
Sales revenues	68 311	7 068
Revenues from sales of products	64 501	3 003
Revenues from sales of services	690	542
Revenues from sales of goods and materials	3 120	3 523
Cost of products, goods and materials sold	4 780	3 456
Cost of products and services sold	1 885	300
Value of goods and materials sold	2 895	3 156
Gross profit (loss) from sales	63 531	3 612
Other operating revenues	197	250
Selling costs	13 400	7 488
General and administrative costs	7 335	2 120
Other operating expenses	5 480	192
Operating profit (loss)	37 513	(5 938)
Financial revenues	3 272	93
Financial expenses	1 692	25
Profit (loss) before tax	39 093	(5 870)
Income tax	6 293	228
Net profit (loss) from continuing operations	32 800	(6 098)
Net profit (loss) from discontinued operations	-	-
Net profit (loss)	32 800	(6 098)
Net profit (loss) attributable to noncontrolling interests	-	-
Net profit (loss) attributable to equity holders of parent entity	32 800	(6 098)
Net earnings per share (in PLN)		
Basic for the reporting period	0.35	(0.06)
Diluted for the reporting period	0.35	(0.06)
Net earnings per share from continuing operations (in PLN)		
Basic for the reporting period	0.35	(0.06)
Diluted for the reporting period	0.35	(0.06)
Net earnings per share from discontinued operations (in PLN)		
Basic for the reporting period	-	-
Diluted for the reporting period	-	-

Condensed interim separate statement of comprehensive income

	01.01.2016 – 31.03.2016	01.01.2015 – 31.03.2015
Net profit (loss)	32 800	(6 098)
Other comprehensive income which will be entered as profit (loss) following fulfillment of specific criteria	-	-
exchange rate differences on valuation of foreign entities	-	-
Other comprehensive income which will not be entered as profit (loss)	-	-
Total comprehensive income	32 800	(6 098)

Condensed interim separate statement of financial position

	31.03.2016	31.12.2015	31.03.2015
FIXED ASSETS	101 052	102 404	78 224
Tangible fixed assets	7 396	6 579	4 411
Intangible assets	68 498	69 028	62 672
Investments in subsidiaries	11 750	11 750	9 855
Other financial assets	547	547	547
Deferred income tax assets	12 646	14 285	464
Other fixed assets	215	215	276
WORKING ASSETS	539 590	516 213	143 506
Inventories	47 792	34 106	106 558
Trade receivables	44 368	87 591	10 583
Current income tax receivables	21 098	-	183
Other receivables	17 896	27 426	14 173
Other financial assets	-	165	2 768
Prepaid expenses	1 119	703	429
Cash and cash equivalents	407 317	366 222	8 812
TOTAL ASSETS	640 642	618 617	221 730



	31.03.2016	31.12.2015	31.03.2015
EQUITY	514 370	480 087	136 346
Equity attributable to shareholders of the entity	514 370	480 087	136 346
Share capital	94 950	94 950	94 950
Supplementary capital, incl. sales of shares above nominal price	110 936	110 936	110 936
Other reserve capital	4 837	3 354	1 896
Retained earnings	270 847	(65 353)	(65 338)
Financial result for the current period	32 800	336 200	(6 098)
Noncontrolling interest equity	-	-	-
LONG-TERM LIABILITIES	9 760	18 643	1 672
Other financial liabilities	124	-	202
Deferred income tax liabilities	9 220	18 197	1 396
Deferred revenues	385	415	51
Provisions for employee benefits and similar liabilities	31	31	23
SHORT-TERM LIABILITIES	116 512	119 887	83 712
Credits and loans	-	-	-
Other financial liabilities	4 117	19 824	381
Trade liabilities	6 452	4 660	5 545
Liabilities from current income tax	-	7 349	-
Other liabilities	64 554	51 754	77 074
Deferred revenues	430	429	464
Provisions for employee benefits and similar liabilities	153	137	155
Other provisions	40 806	35 734	93
TOTAL LIABILITIES	640 642	618 617	221 730

Condensed interim statement of changes in separate equity

	Share capital	Supplementary capital, incl. sales of shares above nominal price	Other reserve capital	Exchange rate differences	Retained earnings	Financial result for the current period	Equity attributable to shareholders of parent entity	Noncontrolling interest equity	Total equity
01.01.2016 – 31.03.2016									
Equity as of 01.01.2016	94 950	110 936	3 354	-	270 847	-	480 087	-	480 087
Adjustments due to errors in preceding years	-	-	-	-	-	-	-	-	-
Equity after adjustments	94 950	110 936	3 354	-	270 847	-	480 087	-	480 087
Cost of incentive program	-	-	580	-	-	-	580	-	580
Payment for shares issued under the incentive program	-	-	903	-	-	-	903	-	903
Total comprehensive income	-	-	-	-	-	32 800	32 800	-	32 800
Equity as of 31.03.2016	94 950	110 936	4 837	-	270 847	32 800	514 370	-	514 370

	Share capital	Supplementary capital, incl. sales of shares above nominal price	Other reserve capital	Exchange rate differences	Retained earnings	Financial result for the current period	Equity attributable to shareholders of parent entity	Noncontrolling interest equity	Total equity
01.01.2015 – 31.12.2015									
Equity as of 01.01.2015	94 950	110 936	1 716	-	(65 338)	-	142 264	-	142 264
Adjustments due to errors in preceding years	-	-	-	-	-	-	-	-	-
Equity after adjustments	94 950	110 936	1 716	-	(65 338)	-	142 264	-	142 264
Cost of incentive program	-	-	1 638	-	-	-	1 638	-	1 638
Retained earnings at acquired entity	-	-	-	-	(15)	-	(15)	-	(15)
Total comprehensive income	-	-	-	-	-	336 200	336 200	-	336 200
Equity as of 31.12.2015	94 950	110 936	3 354	-	(65 353)	336 200	480 087	-	480 087
01.01.2015 – 31.03.2015									
Equity as of 01.01.2015	94 950	110 936	1 716	-	(65 338)	-	142 264	-	142 264
Adjustments due to errors in preceding years	-	-	-	-	-	-	-	-	-
Equity after adjustments	94 950	110 936	1 716	-	(65 338)	-	142 264	-	142 264
Cost of incentive program	-	-	180	-	-	-	180	-	180
Total comprehensive income	-	-	-	-	-	(6 098)	(6 098)	-	(6 098)
Equity as of 31.03.2015	94 950	110 936	1 896	-	(65 338)	(6 098)	136 346	-	136 346

Condensed interim separate statement of cash flows

	01.01.2016 – 31.03.2016	01.01.2015 – 31.03.2015
OPERATING ACTIVITIES		
Net profit (loss)	32 800	(6 098)
Total adjustments:	46 031	2 564
Depreciation and amortization	1 274	829
Interest and profit sharing	(2 382)	(36)
Profit (loss) from investment activities	79	(23)
Change in provisions	5 088	16
Change in inventories	(13 686)	(10 047)
Change in receivables	54 385	(5 681)
Change in liabilities excluding credits and loans	1 139	18 036
Change in other assets and liabilities	(446)	(710)
Other adjustments	580	180
Cash flow from operating activities	78 831	(3 534)
Income tax on profit (loss) before taxation	6 293	228
Income tax (paid) / reimbursed	(42 079)	(680)
Net cash flows from operating activities	43 045	(3 986)
INVESTMENT ACTIVITIES		
Inflows	2 476	43
Liquidation of financial assets	86	-
Other inflows from investment activities (dividends and interest)	2 390	43
Outflows	1 213	937
Purchases of intangible and tangible fixed assets	645	467
Other outflows from investment activities (incl. cash pool guarantees)	568	470
Net cash flows from investment activities	1 263	(894)
FINANCIAL ACTIVITIES		
Inflows	903	829
Net inflows from issue of shares (stock) and other capital market instruments, and capital contributions	903	-
Other inflows from financial activities	-	829
Outflows	4 116	84
Repayment of credits and loans	-	4
Payment of liabilities associated with financial lease agreements	224	73
Interest payments	8	7
Other outflows from financial activities (incl. cash pool guarantees)	3 884	-
Net cash flows from financial activities	(3 213)	745
Total net cash flows	41 095	(4 135)
Change in cash and cash equivalents on balance sheet	41 095	(4 135)
Cash and cash equivalents at beginning of period	366 222	12 947
Cash and cash equivalents at end of period	407 317	8 812

Clarifications concerning the separate statement of cash flows

	01.01.2016 – 31.03.2016	01.01.2015 – 31.03.2015
The "other adjustments" line item comprises:	580	180
Cost of incentive program	580	180

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

Changes in write-downs and provisions reported in the condensed interim separate financial statement of CD PROJEKT S.A. for the period between 1 January and 31 March 2016 are as follows:

- 2 thousands PLN – dissolution of write-downs due to collection of receivables,
- 12 thousand PLN – creation of write-downs for past-due receivables,
- 84 thousand PLN – creation of provisions for other employee benefits,
- 56 thousand PLN – use of provisions for other employee benefits,
- 12 thousand PLN – dissolution of unused provisions for other employee benefits,
- 5 480 thousand PLN – creation of other provisions,
- 399 thousand PLN – reductions in other provisions due to partial use,
- 9 thousand PLN – dissolution of other unused provisions.

Negative temporary differences requiring recognition of deferred tax assets

	31.12.2015	Increases	reductions	31.03.2016
Provisions for other employee benefits	35 086	5 330	99	40 317
Valuation of forward contracts under the incentive program	19 531	3 827	19 531	3 827
Negative exchange rate differences	750	2 166	750	2 166
Prepayments recognized as taxable income	15 820	-	-	15 820
Deposit discount	80	-	-	80
Incentive program	3 354	580	-	3 934
Other provisions	563	482	631	414
Total negative temporary differences	75 184	12 385	21 011	66 558
Tax rate (Poland)	19%	19%	19%	19%
Deferred tax assets at end of period	14 285	2 353	3 992	12 646



Positive temporary differences requiring recognition of deferred tax provisions

	31.12.2015	Increases	reductions	31.03.2016
Revaluation of currency contracts (cash flow hedge) at fair value	59	-	59	-
Revenues obtained in the current period but invoiced in future periods, and sales returns in the current period	81 941	112 434	160 384	33 991
Positive exchange rate differences	442	134	442	134
CD PROJEKT brand name	9 029	918	-	9 947
Expenses related to prepayments recognized as taxable income	3 532	-	-	3 532
Valuation of shares in other entities	475	-	-	475
Other sources	298	1 164	1 017	445
Total positive temporary differences	95 776	114 650	161 902	48 524
Tax rate (Poland)	19%	19%	19%	19%
Deferred tax provisions at end of period	18 197	21 784	30 761	9 220

Statement of the Management Board of the parent entity

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

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

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

As of the publication date the Issuer has not yet selected the licensed auditor charged with reviewing and auditing the financial statements of the parent company and its subsidiaries in 2016.

Approval of financial statement

This quarterly report was signed and approved for publication by the Management Board of CD PROJEKT S.A. on 12 May 2016.

Warsaw, 12 May 2016

Adam Kiciński	Marcin Iwiński	Piotr Nielubowicz
President of the Board	Vice President of the Board	Vice President of the Board

Adam Badowski	Michał Nowakowski	Piotr Karwowski	Rafał Zuchowicz
Board Member	Board Member	Board Member	Deputy Accounting Officer