CONSOLIDATED FINANCIAL STATEMENT OF THE

CD PROJEKT CAPITAL GROUP

FOR 2016

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 - 31.12.2016	01.01.2015 - 31.12.2015*	01.01.2016 - 31.12.2016	01.01.2015 - 31.12.2015*
Net revenues from sales of products, goods and materials	583 903	798 014	133 442	190 693
Cost of products, goods and materials sold	113 957	210 621	26 043	50 330
Operating profit (loss)	303 627	424 193	69 389	101 365
Profit (loss) before tax	311 938	421 585	71 289	100 742
Net profit (loss) from continuing operations	250 514	342 430	57 251	81 827
Net profit (loss) attributable to equity holders of parent entity	250 514	342 430	57 251	81 827
Net cash flows from continuing operations	259 456	411 985	59 295	98 448
Net cash flows from investment activities	(60 421)	(92 366)	(13 808)	(22 072)
Net cash flows from financial activities	4 532	(377)	1 036	(90)
Aggregate net cash flows	203 567	319 242	46 522	76 286
Stock volume (in thousands)	95 390	94 950	95 390	94 950
Net profit (loss) per ordinary share (PLN/EUR)	2.63	3.61	0.60	0.86
Diluted profit (loss) per ordinary share (PLN/EUR)	2.62	3.61	0.60	0.86
Book value per share (PLN/EUR)	8.14	5.41	1.84	1.29
Diluted book value per share (PLN/EUR)	8.11	5.41	1.83	1.29
Declared or paid out dividend per share (PLN/EUR)	-	-	-	-

** adjusted data*

	PLN		EUR	
	31.12.2016	31.12.2015*	31.12.2016	31.12.2015*
Total assets	874 960	659 175	197 776	154 681
Liabilities and provisions for liabilities (less accrued charges)	94 214	137 213	21 296	32 198
Long-term liabilities	8 275	3 643	1 870	855
Short-term liabilities	89 747	141 857	20 286	33 288
Equity	776 938	513 675	175 619	120 539
Share capital	96 120	94 950	21 727	22 281

** adjusted data*

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

- Elements of the consolidated profit and loss account and consolidated statement of cash flows were converted into EUR by applying the arithmetic average of exchange rates for the final day of each month belonging to the reporting period, as published by NBP. The corresponding exchange rates were: 4.3757 PLN/EUR for the period between 1 January and 31 Devember 2016, and 4.1848 PLN/EUR for the period between 1 January and 30 December 2015 respectively.

- Assets and liabilities listed in the consolidated statement of financial positions were converted into EUR by applying the exchange rate for the final day of the reporting period, as published by the National Bank of Poland. These exchange rates were: 4.4240 PLN/EUR on 31 December 2016 and 4.2615 PLN/EUR on 31 December 2015 respectively.

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Primary financial data of the CD PROJEKT Capital Group

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Consolidated profit and loss account

	Note	01.01.2016 – 31.12.2016	01.01.2015 – 31.12.2015*
Sales revenues	**1**	**583 903**	**798 014**
Revenues from sales of products		438 763	630 856
Revenues from sales of services		92	129
Revenues from sales of goods and materials		145 048	167 029
Cost of products, goods and materials sold	**2**	**113 957**	**210 621**
Cost of products and services sold		33 879	101 816
Value of goods and materials sold		80 078	108 805
Gross profit (loss) from sales		**469 946**	**587 393**
Other operating revenues	1,3	2 459	1 933
Selling costs	2	141 784	146 581
General and administrative costs	2	21 344	14 520
Other operating expenses	3	5 650	4 032
Operating profit (loss)		**303 627**	**424 193**
Financial revenues	1,4	8 587	8 399
Financial expenses	4	276	11 007
Profit (loss) before tax		**311 938**	**421 585**
Income tax	5	61 424	79 155
Net profit (loss) from continuing operations		**250 514**	**342 430**
Net profit (loss)		**250 514**	**342 430**
Net profit (loss) attributable to minority interests		-	-
Net profit (loss) attributable to parent entity		250 514	342 430
Net earnings per share (in PLN)			
Basic for the reporting period	7	2.63	3.61
Diluted for the reporting period	7	2.62	3.61
Net earnings per share from continuing operations (in PLN)			
Basic for the reporting period	7	2.63	3.61
Diluted for the reporting period	7	2.62	3.61
Net earnings per share from discontinued operations (in PLN)			
Basic for the reporting period	7	-	-
Diluted for the reporting period	7	-	-

** adjusted data*

(all figures quoted in PLN thousands unless otherwise indicated)

Consolidated statement of comprehensive income

	Note	01.01.2016 – 31.12.2016	01.01.2015 – 31.12.2015
Net profit (loss)		**250 514**	**342 430**
Other comprehensive income which will be entered as profit (loss) following fulfillment of specific criteria		**1 403**	**1 589**
exchange rate differences on valuation of foreign entities		1 404	1 590
differences from rounding to PLN thousands		(1)	(1)
Other comprehensive income which will not be entered as profit (loss)		-	-
Total comprehensive income		**251 917**	**344 019**
Total comprehensive income attributable to minority interests		-	-
Total comprehensive income attributable to equity holders of CD PROJEKT S.A.	**9**	**251 917**	**344 019**

Consolidated statement of financial position

	Note	31.12.2016	31.12.2015*
Fixed assets		**170 644**	**137 997**
Fixed assets	11	14 423	9 380
Intangibles	12	47 112	47 857
Expenditures on development projects	12	62 011	33 581
Goodwill	12,13	46 417	46 417
Other financial assets	16	194	547
Other long-term receivables	15	487	215
WORKING ASSETS		**704 316**	**521 178**
Inventories	17	401	619
Trade receivables	19	71 554	87 704
Current income tax receivables		112	-
Other receivables	20	20 268	26 530
Other financial assets		53	165
Prepaid expenses	21	14 724	12 523
Cash and cash equivalents	22	557 204	353 637
Other monetary assets		40 000	40 000
TOTAL ASSETS		**874 960**	**659 175**

** adjusted data*

	Note	31.12.2016	31.12.2015*
EQUITY		**776 938**	**513 675**
Equity attributable to shareholders of the parent company		**776 938**	**513 675**
Share capital	23	96 120	94 950
Supplementary capital	24	403 001	120 199
Other reserve capital	25	4 795	3 354
Exchange rate differences		3 918	2 514
Retained earnings	26	18 590	(49 772)
Net profit (loss) for the reporting period		250 514	342 430
Minority interest equity		**-**	**-**
LONG-TERM LIABILITIES		**8 275**	**3 643**
Other financial liabilities	29,35	76	-
Deferred income tax liabilities	5	7 198	3 185
Deferred revenues	36	944	423
Provisions for employee benefits and similar liabilities	37	57	35
SHORT-TERM LIABILITIES		**89 747**	**141 857**
Other financial liabilities	29,35	63	293
Trade liabilities	31	27 971	22 603
Current income tax liabilities		3 762	7 524
Other liabilities	32,33	9 762	46 965
Deferred revenues	36	2 864	7 864
Provisions for employee benefits and similar liabilities	37	294	225
Other provisions	38	45 031	56 383
TOTAL LIABILITIES AND EQUITY		**874 960**	**659 175**

** adjusted data*

(all figures quoted in PLN thousands unless otherwise indicated)

Statement of changes in consolidated equity

	Share capital	Supplementary capital	Other reserve capital	Exchange rate differences on valuation of foreign entities	Retained earnings	Net profit (loss) for the reporting period	Equity attributable to shareholders of parent entity	Minority interest equity	Total equity
01.01.2016 – 31.12.2016									
Equity as of 01.01.2016	**94 950**	**120 199**	**3 354**	**2 514**	**292 658**	**-**	**513 675**	**-**	**513 675**
Equity after adjustments	**94 950**	**120 199**	**3 354**	**2 514**	**292 658**	**-**	**513 675**	**-**	**513 675**
Registered capital increases	-	-	-	-	-	-	-	-	-
Cost of incentive program	-	-	6 315	-	-	-	6 315	-	6 315
Payment in own shares	1 170	8 735	(4 874)	-	-	-	5 031	-	5 031
Allocation of net profit / coverage of losses	-	274 067	-	-	(274 067)	-	-	-	-
Total comprehensive income	-	-	-	1 404	(1)	250 514	251 917	-	251 917
Equity as of 31.12.2016	**96 120**	**403 001**	**4 795**	**3 918**	**18 590**	**250 514**	**776 938**	**-**	**776 938**

(all figures quoted in PLN thousands unless otherwise indicated)

	Share capital	Supplementary capital	Other reserve capital	Exchange rate differences on valuation of foreign entities	Retained earnings	Net profit (loss) for the reporting period	Equity attributable to shareholders of parent entity	Minority interest equity	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**
Equity after adjustments	**94 950**	**119 730**	**1 716**	**924**	**(49 302)**	**-**	**168 018**	**-**	**168 018**
Registered capital increases	-	-	-	-	-	-	-	-	-
Cost of incentive program	-	-	1 638	-	-	-	1 638	-	1 638
Payment in own shares	-	-	-	-	-	-	-	-	-
Allocation of net profit / coverage of losses	-	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**

(all figures quoted in PLN thousands unless otherwise indicated)

Consolidated statement of cash flows

	Note	01.01.2016 – 31.12.2016	01.01.2015 – 31.12.2015*
OPERATING ACTIVITIES			
Net profit / (loss)		**250 514**	**342 430**
Total adjustments:	**52**	**8 809**	**59 477**
Depreciation of fixed assets and intangibles/legal assets		4 242	2 698
Depreciation of development projects		31 398	96 924
Interest and profit sharing		(6 959)	(1 799)
Profit (loss) from investment activities		325	(117)
Change in provisions		(11 261)	56 315
Change in inventories		218	7 382
Change in receivables		22 140	(96 789)
Change in liabilities excluding credits and loans		(32 944)	(3 445)
Change in other assets and liabilities		(6 687)	(5 241)
Other adjustments		8 337	3 549
Cash flows from continuing operations		**259 323**	**401 907**
Income tax on profit (loss) before taxation		61 424	79 155
Income tax (paid) / reimbursed		(61 291)	(69 077)
Net cash flows from operating activities		**259 456**	**411 985**
INVESTMENT ACTIVITIES			
Inflows		**47 225**	**4 757**
Liquidation of intangibles and fixed assets		181	177
Liquidation of financial assets		85	2 781
Bank deposits held to maturity		40 000	-
Other inflows from investment activities (dividends and interest)		6 959	1 799
Outflows		**107 646**	**97 123**
Purchases of intangibles and fixed assets		12 041	16 864
Expenditures on development projects		55 605	40 183
Purchases of financial assets		-	62
Creation of bank deposits		40 000	40 000
Other outflows from investment activities		-	14
Net cash flows from investment activities		**(60 421)**	**(92 366)**
FINANCIAL ACTIVITIES			
Inflows		**5 031**	**-**
Net inflows from issue of securities (stock) and other equity instruments, and from capital contributions		5 031	-
Outflows		**499**	**377**
Repayment of credits and loans		-	4
Payment of liabilities under financial lease agreements		499	373
Net cash flows from financial activities		**4 532**	**(377)**
Total net cash flows		**203 567**	**319 242**
Change in cash and cash equivalents on balance sheet		**203 567**	**319 242**
Cash and cash equivalents at beginning of period		**353 637**	**34 395**
Cash and cash equivalents at end of period		**557 204**	**353 637**

** adjusted data*

(all figures quoted in PLN thousands unless otherwise indicated)

Applicable accounting policies

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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 conducts its operations in two activity segments: CD PROJEKT RED (videogame development) and GOG.com (digital distribution of videogames).
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
Duration of the company	unlimited

Consolidation principles

Entities subject to consolidation

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

A change in Group composition occurred during the reporting period as a result of the merger between CD PROJEKT S.A. with its CD PROJEKT Brands S.A. subsidiary, carried out on 30 December 2016.

Subsidiaries

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

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

Subsidiaries 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.

(all figures quoted in PLN thousands unless otherwise indicated)

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 practices

The accounting practices applied in preparing this 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".

Assumption of going concern

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

The Management Board of the parent Company 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 December 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 consolidated financial statement has been prepared in accordance with the Internarional Financial Reporting Standards and interpretations issued by the International Accounting Standard Board (IASB) 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.

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.

Standards and interpretations applied for the first time

In preparing its consolidated financial statement for 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:

Changes in 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** provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset, and clarification on offsetting disclosures in financial statements.
- **Changes in IAS 19** clarify that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid.

- **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.

Changes in IFRS (2010-2012) – adopted under the annual IFRS improvements cycle

- **Changes in IFRS 2** clarify the definition of "vesting conditions" by separately defining a "performance condition" and a "service condition" which had previously been aggregated in the definition of "vesting conditions".
- **Changes in IFRS 3** specify that a contingent consideration that is a financial asset or financial liability can only be measured at fair value, with changes in fair value being presented in either profit or loss or other comprehensive income under IFRS 9, IAS 37 or IAS 39 as appropriate.
- **Changes in IFRS 8** require entities to disclose those factors that are used to identify the entity's reportable segments when operating segments have been aggregated, and also specify that such disclosures are only required when the corresponding data is regularly provided to the chief operating decision maker.
- **Changes in IFRS 13** clarify that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting if the effect of not discounting is immaterial.
- **Changes in IAS 16 and IAS 38** specify that when an item of property, plant and equipment or an intangible asset is revalued the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount.
- **Changes in IAS 24** clarify that that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity.

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 IAS 1 *Presentation of financial statements: disclosure initiative*

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

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).

Changes in IAS 19 *Employee benefits*

These changes clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service.

Changes in IFRS 10 *Consolidated financial statements*, IFRS 12 *Disclosure of interests in other entities* and IAS 28 *Investments in affiliates and joint ventures: investment properties*

Changes in IFRS 10 confirm that the exemption from preparing consolidated financial statements for an intermediate parent entity is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all of its subsidiaries at fair value. Changes in IAS 28 enable a non-investment entity which is an investor in an investment entity to retain the fair value measurement applied by the associate or joint venture to its interests in subsidiaries. Additionally, the changes specify that if an investment entity measures all of its subsidiaries at fair value, it is subject to disclosure requirements expressed in IFRS 12.
In 2016 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 Group's financial statements.

Early application of new accounting 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 published and endorsed by the EU which have not yet entered into force, and their effect on the Group's financial statements

The Management Board is currently assessing the influence of the new standards and changes in existing standards upon the Group's consolidated financial statement following their entry into force. In approving this financial statement the Group did not apply the following standards, changes in standards and interpretations which have been published and approved for use within the EU but have not yet entered into force.

- **IFRS 9** *Financial instruments* – applicable to annual reporting periods beginning on or after 1 January 2018.

  The new standard introduces changes in the classification and measurement of financial assets, along with a new model for determining the expected impairment in order to calculate impairment write-downs. According to the new standard, the entity should classify its financial assets based on their management model as well as the type of the associated cash flows. With regard to estimating impairment of financial assets, entities will be required to recognize impairment write-downs based on the expected loss model rather than the currently applicable incurred loss model. Impairment losses will be recognized as the total expected credit loss amount over a period of 12 months, or the total expected credit loss amount calculated for the entire lifetime of the given financial asset, depending on whether the credit risk has substantially increased since initial recognition. Additionally, the standard simplifies the calculation of impairment of lease and trade receivables.

  The Group does not use complex financial instruments recognized as assets and does not hold debt assets whose revaluation under the new rules would materially impact the Group's financial standing. The current balance sheet value of key financial assets (cash, near-cash, receivables and liabilities) does not materially differ from their corresponding fair value. This situation is expected to persist under the new standard; therefore the new standard will not significantly impact the valuation or presentation of financial assets in the Group's financial statements.

- **IFRS 15** and clarifications regarding MSSF 15 *Revenues from contracts with customers* – applicable to reporting period beginning on or after 1 January 2018.

  IFRS 15 specifies that entities which grant intellectual proprety licenses to their customers must specify whether the licence is transferred at a point in time or over time on the basis of whether the contract requires the entity to undertake activities that significantly affect the intellectual property to which the customer has rights. Licenses transferred over time give the customer access to the intellectual property as it exists during the transfer period. In such cases, the customer may expect that the proprietor will undertake actions which materially impact the intellectual property (including changes in its form or functionality, or changes which affect the customer's ability to derive economic benefits from access to the intellectual property). The effect of such changes may be either positive or negative and the corresponding revenues should be recognized over the transfer period.

  In the case of licensing royalties associated with distribution of videogames which represent the Group's main source of revenue, licenses are regarded as transferred at a specific point in time since they concern finished products. Once the license has been granted, all further benefits associated with use of the intellectual property accrue to the customer. Correspondingly, in accordance with IFRS 15, sales revenues should be recognized at the moment the license is transferred to the client or at the moment the customer becomes able to effectively use the license, whichever comes later (in the case of videogames both events occur simultaneously).

  The regulations expressed in IAS 18 *Revenue* previously mandated recognition of royalties on an accruals basis in accordance with the substance of the relevant agreement, unless – given the substance of the agreement – a different systematic and rational recognition method appears preferable. The Group has consistently applied this principle in recognizing revenues from licensing royalties. The presented preliminary analysis of the new regulation indicates that it will not materially affect recognition of revenues in the Group's financial statements.

  Determininng the eventual effect of the standards and changes listed above upon the Group's consolidated financial statement requires more detailed analysis of their respective descriptions, clarifications and supplementary information provided by the International Accounting Standards Board.

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

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

- **IFRS 14** *Regulatory deferral accounts* – applicable to reporting periods beginning on or after 1 January 2016

- **IFRS 16** *Leases* – applicable to reporting periods beginning on or after 1 January 2019

- Changes in **IFRS 2** *Share-based payment*: classification and recognition of share-based payments – applicable to reporting periods beginning on or after 1 January 2018

- Changes in **IFRS 4** *Insurance contracts* associated with the introduction of IFRS 9 *Financial instruments* – applicable to reporting periods beginning on or after 1 January 2018

- Changes in **IFRS 10** *Consolidated financial statements* and **IAS 28** *Investments in subsidiaries and joint-ventures*: transfers of assets between an investor and its associates or joint ventures – deferred indefinitely

- Changes in **IAS 12** *Income taxes*: recognition of deferred income tax assets for unrealized losses – applicable to reporting periods beginning on or after 1 January 2017

- Changes in **IAS 7** *Statement of cash flows*: disclosure initiative – applicable to reporting periods beginning on or after 1 January 2017

- Changes in **IFRS (2014-2016)** adopted under the annual IFRS improvements cycle – applicable to reporting periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate

- **IFRIC 22** *Foreign currency transactions and advance consideration* – interpretation applicable to reporting periods beginning on or after 1 January 2018

- Changes in **IAS 40** *Investment property*: reclassification of investment properties – applicable to reporting periods beginning on or after 1 January 2018

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

Description of applicable accounting practices

Operating revenues and expenses

Revenues are defined as the gross receipts on any economic benefits from the reported period resulting from (ordinary) economic activities of the Group and leading to an increase in its equity other than from capital increases obtained through shareholder contributions.
Revenues only cover receipts on economic benefits allocated to the Group, whether received or receivable. Revenues from sales are defined as received or receivable payments on sales of material assets and services less the applicable sales and services tax. Revenues are determined on the basis of fair payment, whether received or receivable, adjusted for any trade discounts granted by the Group. Sales revenues are recognized on the date of transfer of the relevant goods and rights of use. Where services are concerned, revenues are valid for the period a given service was performed, depending on the progression of the underlying transaction, i.e. the relationship between the current state of work and the totality of work required to render a given service.
In accordance with the principle of matching revenues and expenses, expenses associated with consumption of materials, goods and finished products are reported in the same period as their corresponding sales revenues.

Financial revenues and expenses

Financial revenues consist mainly of interest on bank deposits of monetary assets, commissions and interest on loans granted, penalty interest on overdue receivables, liabilities, released provisions associated with financial activities, revenues from sales of securities, gains from exchange rate differences, reversal of impairment of investment assets and credit/loan write-offs.
Financial expenses consist mainly of interest on outstanding credits and loans, penalty interest on overdue liabilities, provisions set aside to cover certain or probable losses from financial operations, purchase value of any securities sold, commissions and handling charges, write-downs on interest owed and short-term investment valuations, discounts, exchange rate differences and, in the case of financial lease agreements, any other payments except capital payments.

State subsidies

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

Current and deferred income tax

The reported revenue is subject to compulsory taxation, whether current or deferred. Current tax is calculated on the basis of taxable income in a given financial year. Tax gain (or loss) differs from net accounting gain (or loss) due to exclusion of taxable deferred revenues and acquisition costs, as well as tax-exempt revenues and expenses. Tax burden is calculated on the basis of tax rates valid for a given financial year. Current tax on items included directly in the equity capital is reported in the equity statement, as opposed to the profit and loss account.
Deferred tax is calculated using the balance sheet method as the amount payable or receivable as a result of the difference between the carrying amount of assets and liabilities and their corresponding tax base amounts.
Deferred income tax liabilities are recognized in correspondence with taxable positive temporary differences. Deferred tax assets are recognized up to the amount of probable reduction in future tax gains by any recognized negative temporary differences. A tax asset or liability is not recognized if the underlying temporary difference is due to goodwill or prior inclusion of another asset or liability in a transaction which does not affect the company's taxable or accounting revenues.
Deferred income tax liabilities are applied to temporary tax differences resulting from investments in associates and joint ventures unless the Group is capable of controlling the moment of reversal of the temporary difference and the temporary difference is unlikely to reverse in the foreseeable future.
The value of the asset associated with deferred tax is subject to analysis for each balance sheet date. If the expected future tax gains are insufficient to cover the asset or part thereof, it is written off.
Deferred tax is calculated by applying rates which will be in force on the date the corresponding gain is realized or the liability becomes due. Deferred tax is reported in the profit and loss account unless it applies to assets included directly in the equity capital in which case it is also reported in the equity capital.

Value added tax

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

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

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

Fixed assets

Fixed assets are recognized on the basis of their cost (purchase price or production cost) following deduction of depreciation and impairment for each reporting period. Borrowing costs associated directly with the purchase or construction of assets which require a long time to become usable or resaleable are added to the cost of construction of such fixed assets up until the beginning of their useful economic life. Revenues from short-term investment of borrowings related to construction of fixed assets are deducted from the borrowing costs following capitalization. Other borrowing costs are reported as expenses in the period during which they were incurred.
Depreciation is calculated for all fixed assets except land holdings and fixed assets under construction, throughout their expected useful economic life, using the straight-line method.
The expected useful life for individual classes of tangible assets is as follows:

Class	Useful life
Buildings and structures	5 – 10 years
Machinery and equipment	2 – 10 years
Vehicles	5 years
Other fixed assets	2 – 10 years

Assets held under financial lease agreements are depreciated throughout their useful economic life in the same way as proprietary assets.
Profits or losses on sales/liquidation or cessation of use of fixed assets are defined as the difference between their sales revenues and net value, and are reported in the profit and loss account.

Intangibles

Intangibles are recognized according to their historical cost of purchase or production, following deduction of depreciation and impairment costs. Depreciation is calculated using the straight-line method. Costs of research and development activities are not subject to activation and are reported in the profit and loss account for the period when they were incurred.
The expected useful life for individual classes of intangible assets is as follows:

Class	Useful life
Patents and licenses	2 – 15 years
Computer software	2 – 10 years

The Group reports expenses associated with development of videogames as “Expenditures on development projects”. Videogame development expenses incurred prior to the commencement of sales or application of new solutions are recognized as “Development projects in progress”. Once development has completed and the relevant costs are recognized, said expenses are transferred to the “Development projects completed” line item. In the case of projects where a reliable sales volume estimate can be provided, the Group offsets projects costs against sales revenues using the natural method, in proportion to realized sales. Depreciation of development expenditures is presented in the profit and loss account as the cost of products and services sold.
In its consolidated financial statement the Group regards The Witcher trademark and the CD PROJEKT brand name as its intangible assets. The value of trademarks is calculated using the relief from royalty method, which is one of the basic valuation methods for trademarks and other intangible assets in the context of business combinations, in line with IFRS 3 *Business combinations*. Trademark valuation is subject to yearly impairment tests.

Goodwill

Goodwill is defined as the positive difference between the cost of establishing a business combination (also known as acquisition or takeover cost) and the parent company’s share in the net fair value of all assets and liabilities (including contingent liabilities) of the controlled entity on the date of acquisition.
Goodwill may be created either as a result of acquisition of a corporate entity, or through acquisition of an enterprise, i.e. an organized part of an entity, which is defined as a set of assets and corresponding liabilities, including contingent liabilities.
Combinations between the Company and other entities are accounted for using the purchase method according to which the takeover cost, calculated as the fair value of payment incurred for acquiring control over a corporate entity or part thereof (i.e. an enterprise), is allocated to identifiable assets and liabilities (including contingent liabilities) of the entity being acquired. Any surplus resulting from this allocation procedure is assumed to represent goodwill. Any negative difference between the acquisition cost and the Company’s share in the net fair value of identifiable assets and liabilities (including contingent liabilities) on the date of acquisition is treated as revenues and disaggregated in the profit and loss account as other operating revenues.

Business combinations under common control

Legal mergers between the parent Company and a subsidiary are recognized on the basis of the subsidiary’s financial data disclosed in the parent Company’s consolidated financial statement; these figures include changes which occur at the parent Company as a result of merging with the subsidiary. The reported financial result and financial position of the subsidiary are determined prospectively from the merger date.

Impairment of non-financial assets

For each balance sheet date each member company of the Group performs an inventory of the net value of all its fixed assets in order to determine whether impairment of assets may have occurred.
If asset impairment is suspected the recoverable amount of each asset is calculated to determine the potential write-down. If a given asset does not produce a cash flow that is substantially separate from cash flows produced by other assets, analysis is performed for the whole group of cash producing assets to which the given asset belongs.
For intangible assets with an indefinite useful economic life this impairment test is performed on a yearly basis and, additionally, whenever impairment is suspected.
Recoverable amount is defined as the greater of the following two values: fair value of the asset less the cost of sale, and the asset’s value in use. The latter value is defined as the balance of expected future cash flows produced by the asset, discounted using discount rates which acknowledge the market value of the relevant currency and a risk factor specific to the given asset.
If the recoverable amount of a given asset is lower than its net book value, the book value is lowered to match the recoverable amount. The loss resulting from this operation is accounted as cost in the period during which it was incurred, unless the asset had previously been carried at a revalued amount in which case the impairment is reflected by adjusting the revalued amount.
At the moment of reversal of asset impairment the net value of the asset (or group of assets) is increased to match the newly estimated recoverable amount; it cannot, however, exceed the net value of the asset which would have been reported had the impairment not been recognized during previous fiscal years. Reversal of asset impairment is recognized as revenues unless the asset had previously been carried at a revalued amount in which case the impairment reversal is reflected by adjusting the revaluation capital.

Investment properties

Investment properties are defined as all properties held for the expected revenues from rent, increase in value, or both. As such, cash flows produced by investment properties are largely independent from those produced by other assets belonging to each Group member company.
Investment properties may be estimated using the fair value or purchase cost method.

Lease agreements

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

Investments in affiliates

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

Financial assets

On initial recognition each Group member company classifies each of its financial assets as:
- financial assets designated at fair value through financial result,
- investments held to maturity,
- loans or receivables,
- saleable financial assets.

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

Financial liabilities

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

On initial recognition each Group member company classifies each of its financial liabilities as:
- financial liabilities designated at fair value through financial result,
- other financial liabilities.

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

Inventories

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

Trade and other receivables

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

Accrued and deferred charges

Group member companies include in their statements of deferred and accrued charges any prepayments and charges related in part or in full to subsequent reporting periods.
Deferred charges are recognized by the Group as allocated to future reporting periods, depending on when the relevant revenue is realized.
Claims related to sale of products which have been produced and accounted for in the reporting period but reported following the end of this period (in accordance with contractual obligations) are reported as trade receivables until the relevant invoices have been received.
Accrued charges are charges associated with payment for products or services which have been received or performed, but which have not been paid for, invoiced or formally agreed upon with the supplier.
GOG Ltd. purchases licensing rights which are recognized as deferred charges. Contractual payments associated with minimal guarantees are debited and the corresponding sales costs credited following commencement of sales.
Licensing allowances (accrued charges) are recognized once minimal guarantee thresholds are exceeded. The basis for calculating said allowances is the quantity of products sold or the amount of realized revenues.

Cash and other monetary assets

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

Assets held for sale and discontinued operations

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

Equity

Equity is treated in accounting practice with distinction to its type and in accordance with the applicable legal constraints, as well as any statutory requirements and conditions expressed in contracts to which the Group member company is party.
Share capital is reported at nominal value, in the amount consistent with the parent Company's Articles of Association and its record in the court register.
Supplementary capital is derived from:

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

Provisions for liabilities

Provisions are made whenever the Group member company faces a liability (whether legal or customary) resulting from past events, it is likely that discharging said liability will reduce the company's economic advantage and the liability can be reliably estimated. No provisions are made for future operating losses.
Restructuring cost allowances are made only when the Group member company has revealed a detailed and formalized restructuring plan to all interested parties.

Employee benefits

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

On 24 May 2016 the Ordinary General Meeting of Shareholders of CD PROJEKT S.A. voted to institute an incentive program for persons viewed as crucially important for the Company's Capital Group as a whole and having a decisive influence upon the development of the Group's activity branches. A set of targets were established and the Management Board and Supervisory Board of the Company selected a number of persons who, assuming these profit and marketing goals are met, are rewarded with warrants entitling them to acquire company shares by way of a conditional increase in the Company's share capital. Details are presented in Current Report no. 18/2016 of 24 May 2016. The incentive program is settled in accordance with IFRS 2 *Share-based payment* rules.

Bank credits and loans

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

Trade and other liabilities

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

Licenses

The value of acquired licenses is reported on the basis of received invoices as the balance of prepaid expenses, increased by contractual uninvoiced minimum guarantees. The cost of acquired licensing rights is entered in the accounts in proportion to sales volume. Once the balance of prepaid expenses is exceeded, the remaining amount is reported in the trade liabilities line item.

Borrowing costs

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

Dividend payments

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

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 its parent 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 account unless deferred in the equity capital as cash flow hedges and hedges of net investments.

Important values based on professional judgment and estimates

Professional judgment

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

Classification of lease agreements

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

Uncertainty of estimates

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

Asset impairment

Goodwill and trademark impairment tests require an assessment of the value in use of each cash generating unit. This assessment is based on a projection of future cash flows generated by individual cash generating units and requires an estimate of the discount rate applied when conducting pending assessment of the value of said flows. The latest test of the CD PROJEKT brand name, The Witcher trademark and of goodwill was conducted on 31 December 2016 and did not indicate impairment of any of those assets. Asset impairment tests at individual subsidiaries were last conducted on 31 December 2016 No circumstances were identified which would suggest impairment of these assets.

Valuation of provisions

Provisions for employee pensions and incentive program rewards payable in own shares were estimated on the basis of actuarial valuation methods.

Deferred tax assets

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

Deferred tax liabilities

Group member companies recognize deferred income tax liabilities by assuming future tax liabilities arising from positive temporary differences, enabling the given liability to be consumed.

Fair value of financial instruments

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

Depreciation rates

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

Comparability of financial statements and changes in accounting policies

Changes in accounting policies

The accounting practices applied in preparing this consolidated financial statement, the Management Board's professional judgment concerning the Goup'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 changes in accounting policies and presentation-related adjustments described below.
In preparing this consolidated financial statement for the period between 1 January and 31 December 2016 a policy change has been introduced compared to the consolidated financial statement for 2015 with regard to presentation of videogame development expenses.
Previously, development of videogames was accounted for in the Inventories line item in the working assets section of the statement of financial position. Development expenses incurred prior to commencement or sales or deployment of new technologies were recognized as production in progress. Following completion of development work and recognition of expenses associated with a given project, these costs would be reassigned to finished products.The Group currently presents videogame development expenses as a separate line item called Expenditures on development projects in the statement of financial position.

Presentation changes

In preparing this consolidated financial statement for the period between 1 January and 31 December 2016 several changes have been introduced in the presentation of selected financial data. In order to ensure comparability of financial statements, the financial data for the period between 1 January and 31 December 2015 has been adjusted as follows:

- In the consolidated statement of financial position for 31 December 2015 and in the consolidated statement of cash flows for the period between 1 January and 31 December 2015 the presentation of videogame development expenses incurred prior to commencement of sales has been adjusted as follows.
    - Consolidated statement of financial position for 31 December 2015:
        - Expenditures on development projects – adjusted by 33 581 thousand PLN
        - Inventories – adjusted by (33 581) thousand PLN
    - Consolidated statement of cash flows for the period between 1 January and 31 December 2015:
        - Depreciation of development projects – adjusted by 96 924 thousand PLN
        - Depreciation of fixed assets and intangible assets – adjusted by (2 448) thousand PLN
        - Expenditures on development projects – adjusted by 40 183 thousand PLN
        - Changes in inventories – adjusted by (54 929) thousand PLN
        - Other adjustments - adjusted by 636 thousand PLN

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

- In the consolidated statement of financial position for 31 December 2015, in the consolidated profit and loss account for the period between 1 January and 31 December 2015 and in the consolidated statement of cash flows for the period between 1 January and 31 December 2015 the presentation of expenses associated with bonuses contingent upon the Group's financial result has been adjusted as follows:
    - Consolidated statement of financial position for 31 December 2015
        - Other financial liabilities – adjusted by (19 935) thousand PLN
        - Other provisions – adjusted by 19 935 thousand PLN
    - Consolidated profit and loss account for the period between 1 January and 31 December 2015
        - Selling costs – adjusted by 82 111 thousand PLN
        - General and administrative costs – adjusted by (43 907) thousand PLN
        - Other operating expenses – adjusted by (38 204) thousand PLN
    - Consolidated statement of cash flows for the period between 1 January and 31 December 2015
        - Changes in provisions – adjusted by 19 935 thousand PLN

- Changes in liabilities, except credits and loans – adjusted by (19 531) thousand PLN
- Other inflows from financial activities – adjusted by (404) thousand PLN

In the parent Company Management Board's opinion these adjustments more accurately reflect the character of the relevant expenses. The above adjustments have no effect on the Group's financial result or equity

- In the consolidated statement of cash flows for the period between 1 January and 31 December 2015 the presentation of expenses associated with ongoing construction of assets has been adjusted as follows:
    - Purchases of intangibles and fixed assets – adjusted by 1 941 thousand PLN
    - Other outflows from investment activities – adjusted by (1 941) thousand PLN
- In the consolidated statement of cash flows for the period between 1 January and 31 December 2015 the presentation of liabilities resulting from purchases of fixed assets and intangible assets has been adjusted as follows:
    - Purchases of intangible assets and fixed assets – adjusted by (217) thousand PLN
    - Changes in inventories except credits and loans – adjusted by (217) thousand PLN
- Pursuant to IAS 12, in the consolidated statement of financial position for 31 December 2015 the presentation of deferred income tax has been adjusted as follows:
    - Current income tax receivables – adjusted by (14 771) thousand PLN
    - Liabilities from current income tax – adjusted by (14 771) thousand PLN

  These adjustments have no effect on the Group's financial result or equity.
- In the consolidated profit and loss account for the period between 1 January and 31 December 2015 the presentation of depreciation costs and business travel expenses has been adjusted as follows:
    - Consolidated profit and loss account for the period between 1 January and 31 December 2015
        - Selling costs – adjusted by 2 362 thousand PLN
        - General and administrative expenses – adjusted by (2 362) thousand PLN

  These adjustments have no effect on the Group's financial result or equity.
- In the consolidated statement of cash flows for the period between 1 January and 31 December 2015 the presentation of acquire short-term financial liabilities has been adjusted as follows:
    - Consolidated statement of cash flows for the period between 1 January and 31 December 2015
        - Change in liabilities except credits and loans – adjusted by (1 912) thousand PLN
        - Other adjustments – adjusted by 1 956 thousand PLN
        - Interest and profit sharing – adjusted by (47) thousand PLN
        - Other inflows from investment activities – adjusted by 3 thousand PLN
- In the consolidated statement of cash flows for the period between 1 January and 31 December 2015 the presentation of interest received has been adjusted as follows:
    - Liquidation of financial assets – adjusted by (1 792) thousand PLN
    - Other inflows from investment activities (dividends and interest) – adjusted by 1 792 thousand PLN
- In the consolidated statement of financial position for 31 December 2015 and in the consolidated statement of cash flows for the period between 1 January and 31 December 2015 the presentation of short-term bank deposits with a maturity period in excess of 3 months has been adjusted as follows:
    - Consolidated statement of financial position for 31 December 2015:
        - Other monetary assets – adjusted by 40 000 thousand PLN
        - Cash and cash equivalents – adjusted by (40 000) thousand PLN
    - Consolidated statement of cash flows for the period between 1 January and 31 December 2015
        - Creation of bank deposits – adjusted by 40 000 thouand PLN
        - Cash assets at end of period – adjusted by (40 000) thousand PLN

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

- In the consolidated statement of financial position for 31 December 2015 the "Other fixed assets" line item was renamed to "Other long-term receivables".

Supplementary information – activity segments of the CD PROJEKT Capital Group

3

Activity segments

Presentation of results by activity segment

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

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

Compared to the consolidated financial statements for 2015 and for earlier years, the Group has changed the names of two of its activity segments without introducing changes in their differentiation. The segment formerly referred to as “videogame development” is now called CD PROJEKT RED while the segment formerly referred to as “global digital distribution” is now called GOG.com. This change concerns naming only and has no bearing on the presentation of financial data.

Sales revenues by territory – detailed geographical breakdown

	01.01.2016 - 31.12.2016		01.01.2015 - 31.12.2015	
	PLN thousands	%	PLN trhousands	%
Domestic sales	26 456	4.53%	37 338	4.68%
Exports, including:	**557 447**	**95.47%**	**760 676**	**95.32%**
EU member states	155 184	26.58%	199 048	24.94%
Russia	6 016	1.03%	10 108	1.27%
USA	323 773	55.45%	453 508	56.83%
Asian countries	45 294	7.76%	52 594	6.59%
Other territories	27 180	4.65%	45 418	5.69%
Total	**583 903**	**100.00%**	**798 014**	**100.00%**

	Continuing operations			Consolidation eliminations (incl. from business combinations)	Total
	CD PROJEKT RED	GOG.com	Other activities*		
01.01.2016 – 31.12.2016					
Sales revenues:	**475 822**	**133 518**	**8 883**	**(34 320)**	**583 903**
sales to external clients	450 260	133 510	133	-	583 903
sales between segments	25 562	8	8 750	(34 320)	-
Segment profit (loss)	**267 175**	**4 811**	**82 401**	**(103 873)**	**250 514**
Total assets per segment	**612 735**	**65 041**	**251 974**	**(54 790)**	**874 960**

** The financial result of the "Other activities" segment comprises part of the separate result of CD PROJEKT S.A. in the amount of 82 401 thousand PLN, which represents the activities of its Invest department. The presented result also includes, among others, a dividend received by CD PROJEKT S.A. from its GOG Ltd. subsidiary in the amount of 1 000 thousand USD (3 873 thousand PLN), subject to consolidation eliminations, as well as part of the profit of the CD PROJEKT RED segment in the amount of 100 000 thousand PLN transferred to the "Other activities" segment, reported in the same way as other intragroup dividends and also subject to consolidation eliminations.*

	Continuing operations			Consolidation eliminations (incl. from business combinations)	Total
	CD PROJEKT RED	GOG.com	Other activities*		
01.01.2015 – 31.12.2015**					
Sales revenues:	**697 033**	**115 823**	**6 972**	**(21 814)**	**798 014**
sales to external clients	681 923	115 823	268	-	798 014
sales between segments	15 110	-	6 704	(21 814)	-
Segment profit (loss)	**360 240**	**10 442**	**8 305**	**(36 557)**	**342 430**
Total assets per segment	**509 502**	**52 134**	**144 596**	**(47 057)**	**659 175**

** The financial result of the "other activities" segment comprises part of the separate profit of CD PROJEKT S.A. in the amount of 8 305 thousand PLN, which corresponds to the activities of its investment branch. The reported result is also inclusive of a dividend obtained by CD PROJEKT S.A. from its GOG Ltd. subsidiary in the amount of 7 337 thousand PLN (which is subject to consolidation exclusions), as well as of a portion of the net profit of the videogame development segment in the amount of 30 million PLN, which has been turned over to the "other activities" segment and reported in the same manner as the aforementioned dividend, while also being subject to consolidation exclusions.*

*** Changes in the value of particular items in relation to data published on March 10, 2016 in the Consolidated Financial Statement of the CD PROJEKT Capital Group for the period between 1 January and 31 December 2015, are a consequence of the presentation changes described in the chapter "Comparability of financial statements and changes in accounting policies".*

(all figures quoted in PLN thousands unless otherwise indicated)

Segmented profit and loss account for the period between 01.01.2016 and 31.12.2016

	CD PROJEKT RED	GOG.com	Other activities	Consolidation eliminations (incl. from business combinations)	Total
Sales revenues	**475 822**	**133 518**	**8 883**	**(34 320)**	**583 903**
Revenues from sales of products	457 700	4 704	-	(23 641)	438 763
Revenues from sales of services	1 915	-	8 848	(10 671)	92
Revenues from sales of goods and materials	16 207	128 814	35	(8)	145 048
Cost of products, goods and materials sold	**48 592**	**88 938**	**785**	**(24 358)**	**113 957**
Cost of products and services sold	33 119	711	760	(711)	33 879
Value of goods and materials sold	15 473	88 227	25	(23 647)	80 078
Gross profit (loss) from sales	**427 230**	**44 580**	**8 098**	**(9 962)**	**469 946**
Other operating revenues	2 498	508	488	(1 035)	2 459
Selling costs	82 986	34 072	24 958	(232)	141 784
General and adminitrative costs	16 969	3 799	10 493	(9 917)	21 344
Other operating expenses	5 485	818	195	(848)	5 650
Operating profit (loss)	**324 288**	**6 399**	**(27 060)**	**-**	**303 627**
Financial revenues	7 601	41	105 459	(104 514)	8 587
Financial expenses	124	565	228	(641)	276
Profit (loss) before taxation	**331 765**	**5 875**	**78 171**	**(103 873)**	**311 938**
Income tax	64 590	1 064	(4 230)	-	61 424
Profit (loss) from continuing operations	**267 175**	**4 811**	**82 401**	**(103 873)**	**250 514**
Net profit (loss)	**267 175**	**4 811**	**82 401**	**(103 873)**	**250 514**

(all figures quoted in PLN thousands unless otherwise indicated)

Segmented profit and loss account for the period between 01.01.2015 and 31.12.2015*

	CD PROJEKT RED	GOG.com	Other activities	Consolidation eliminations (incl. from business combinations)	Total
Sales revenues	**697 033**	**115 823**	**6 972**	**(21 814)**	**798 014**
Revenues from sales of products	644 924	60	-	(14 128)	630 856
Revenues from sales of services	872	-	6 943	(7 686)	129
Revenues from sales of goods and materials	51 237	115 763	29	-	167 029
Cost of products, goods and materials sold	**148 638**	**76 131**	**683**	**(14 831)**	**210 621**
Cost of products and services sold	101 842	11	666	(703)	101 816
Value of goods and materials sold	46 796	76 120	17	(14 128)	108 805
Gross profit (loss) from sales	**548 395**	**39 692**	**6 289**	**(6 983)**	**587 393**
Other operating revenues	1 680	200	264	(211)	1 933
Selling costs	88 861	23 602	35 021	(903)	146 581
General and adminitrative costs	10 836	2 832	6 918	(6 066)	14 520
Other operating expenses	3 961	97	187	(213)	4 032
Operating profit (loss)	**446 417**	**13 361**	**(35 573)**	**(12)**	**424 193**
Financial revenues	7 951	19	38 048	(37 619)	8 399
Financial expenses	9 816	1 335	91	(235)	11 007
Profit (loss) before taxation	**444 552**	**12 045**	**2 384**	**(37 396)**	**421 585**
Income tax	84 254	1 603	(5 921)	(781)	79 155
Net profit (loss) of acuired entities	(58)	-	-	58	-
Profit (loss) from continuing operations	**360 240**	**10 442**	**8 305**	**(36 557)**	**342 430**
Net profit (loss)	**360 240**	**10 442**	**8 305**	**(36 557)**	**342 430**

** Changes in the value of particular items in relation to data published on March 10, 2016 in the Consolidated Financial Statement of the CD PROJEKT Capital Group for the period between 1 January and 31 December 2015, are a consequence of the presentation changes described in the chapter "Comparability of financial statements and changes in accounting policies".*

(all figures quoted in PLN thousands unless otherwise indicated)

Segmented consolidated statement of financial position as of 31.12.2016

	CD PROJEKT RED	GOG.com	Other activities	Consolidation eliminations (incl. from business combinations)	Total
Fixed assets	**97 150**	**8 483**	**99 731**	**(34 720)**	**170 644**
Fixed assets	9 765	2 872	1 786	-	14 423
Intangible assets	27 115	3 452	59 901	(43 356)	47 112
Expenditures on development projects	60 050	1 961	-	-	62 011
Goodwill	-	-	-	46 417	46 417
Investments in subsidiaries	-	-	36 117	(36 117)	-
Other financial assets	-	-	194	-	194
Deferred income tax assets	-	198	1 466	(1 664)	-
Other long-term receivables	220	-	267	-	487
WORKING ASSETS	**515 585**	**56 558**	**152 243**	**(20 070)**	**704 316**
Inventories	376	-	25	-	401
Trade receivables	73 535	3 904	128	(6 013)	71 554
Current income tax receivables	-	112	3 294	(3 294)	112
Other receivables	27 389	2 532	1 184	(10 837)	20 268
Other financial assets	53	-	-	-	53
Prepaid expenses	937	13 712	75	-	14 724
Cash and cash equivalents	373 295	36 298	147 537	74	557 204
Other monetary assets	40 000	-	-	-	40 000
TOTAL ASSETS	**612 735**	**65 041**	**251 974**	**(54 790)**	**874 960**

(all figures quoted in PLN thousands unless otherwise indicated)

	CD PROJEKT RED	GOG.com	Other activities	Consolidation eliminations (incl. from business combinations)	Total
EQUITY	**561 377**	**26 276**	**220 952**	**(31 667)**	**776 938**
Equity attributable to shareholders of the parent company	**561 377**	**26 276**	**220 952**	**(31 667)**	**776 938**
Share capital	7 055	136	96 120	(7 191)	96 120
Supplementary capital	269 188	5 669	40 285	87 859	403 001
Other reserve capital	2 125	524	2 146	-	4 795
Exchange rate differences on valuation of foreign entities	54	3 394	-	470	3 918
Retained earnings	15 780	11 742	-	(8 932)	18 590
Net profit (loss) for the reporting period	267 175	4 811	82 401	(103 873)	250 514
Noncontrolling interest equity	**-**	**-**	**-**	**-**	**-**
LONG-TERM LIABILITIES	**10 751**	**9**	**568**	**(3 053)**	**8 275**
Other financial liabilities	-	-	76	-	76
Deferred income tax liabilities	10 251	-	-	(3 053)	7 198
Deferred revenues	471	7	466	-	944
Provisions for employee benefits and similar liabilities	29	2	26	-	57
SHORT-TERM LIABILITIES	**40 607**	**38 756**	**30 454**	**(20 070)**	**89 747**
Other financial liabilities	-	-	63	-	63
Trade liabilities	5 456	28 196	258	(5 939)	27 971
Liabilities from current income tax	6 972	84	-	(3 294)	3 762
Other liabilities	6 041	6 555	8 003	(10 837)	9 762
Deferred revenues	413	2 277	174	-	2 864
Provisions for retirement benefits and similar liabilities	1	112	181	-	294
Other provisions	21 724	1 532	21 775	-	45 031
TOTAL LIABILITIES AND EQUITY	**612 735**	**65 041**	**251 974**	**(54 790)**	**874 960**

(all figures quoted in PLN thousands unless otherwise indicated)

Segmented consolidated statement of financial position as of 31.12.2015*

	CD PROJEKT RED	GOG.com	Other activities	Consolidation eliminations (incl. from business combinations)	Total
Fixed assets	**65 687**	**6 521**	**95 493**	**(29 704)**	**137 997**
Fixed assets	5 482	2 168	1 730	-	9 380
Intangible assets	26 695	4 140	60 378	(43 356)	47 857
Expenditures on development projects	33 487	94	-	-	33 581
Goodwill	-	-	-	46 417	46 417
Investments in subsidiaries	-	-	32 117	(32 117)	-
Other financial assets	-	-	547	-	547
Deferred income tax assets	-	119	529	(648)	-
Other long-term receivables	23	-	192	-	215
WORKING ASSETS	**443 815**	**45 613**	**49 103**	**(17 353)**	**521 178**
Inventories	605	-	14	-	619
Trade receivables	87 677	2 166	67	(2 206)	87 704
Current income tax receivables	-	-	323	(323)	-
Other receivables	25 644	6 016	9 694	(14 824)	26 530
Other financial assets	165	-	-	-	165
Prepaid expenses	845	11 636	42	-	12 523
Cash and cash equivalents	288 879	25 795	38 963	-	353 637
Other monetary assets	40 000	-	-	-	40 000
TOTAL ASSETS	**509 502**	**52 134**	**144 596**	**(47 057)**	**659 175**

(all figures quoted in PLN thousands unless otherwise indicated)

	CD PROJEKT RED	GOG.com	Other activities	Consolidation eliminations (incl. from business combinations)	Total
EQUITY	**391 035**	**19 449**	**130 858**	**(27 667)**	**513 675**
Equity attributable to shareholders of the parent company	**391 035**	**19 449**	**130 858**	**(27 667)**	**513 675**
Share capital	7 055	86	94 950	(7 141)	94 950
Supplementary capital	-	1 657	110 936	7 606	120 199
Other reserve capital	-	-	3 354	-	3 354
Exchange rate differences on valuation of foreign entities	15	2 109	-	390	2 514
Retained earnings	23 725	5 155	(86 687)	8 035	(49 772)
Net profit (loss) for the reporting period	360 240	10 442	8 305	(36 557)	342 430
Noncontrolling interest equity	**-**	**-**	**-**	**-**	**-**
LONG-TERM LIABILITIES	**5 265**	**13**	**402**	**(2 037)**	**3 643**
Other financial liabilities	-	-	-	-	-
Deferred income tax liabilities	5 222	-	-	(2 037)	3 185
Deferred revenues	27	9	387	-	423
Provisions for employee benefits and similar liabilities	16	4	15	-	35
SHORT-TERM LIABILITIES	**113 202**	**32 672**	**13 336**	**(17 353)**	**141 857**
Other financial liabilities	-	-	293	-	293
Trade liabilities	4 609	19 775	147	(1 928)	22 603
Liabilities from current income tax	7 672	175	-	(323)	7 524
Other liabilities	54 339	4 082	3 646	(15 102)	46 965
Deferred revenues	324	7 435	105	-	7 864
Provisions for retirement benefits and similar liabilities	1	87	137	-	225
Other provisions	46 257	1 118	9 008	-	56 383
TOTAL LIABILITIES AND EQUITY	**509 502**	**52 134**	**144 596**	**(47 057)**	**659 175**

** Changes in the value of particular items in relation to data published on March 10, 2016 in the Consolidated Financial Statement of the CD PROJEKT Capital Group for the period between 1 January and 31 December 2015, are a consequence of the presentation changes described in the chapter "Comparability of financial statements and changes in accounting policies".*

(all figures quoted in PLN thousands unless otherwise indicated)

Supplementary information – additional notes and explanations concerning the consolidated financial statement

4

Note 1. Sales revenues

In accordance with **IAS 18** revenues from sales of products, goods and services, less the applicable value added tax and any discounts or rebates, are recognized when the substantial risks and rewards of ownership are transferred to the buyer.

	01.01.2016– 31.12.2016	01.01.2015 – 31.12.2015
Sales revenues	**583 903**	**798 014**
Revenues from sales of products	438 763	630 856
Revenues from sales of services	92	129
Revenues from sales of goods and materials	145 048	167 029
Other revenues	**11 046**	**10 332**
Other operating revenues	2 459	1 933
Financial revenues	8 587	8 399
Revenues from continuing operations	**594 949**	**808 346**

Note 2. Operating costs

	01.01.2016 – 31.12.2016	01.01.2015 – 31.12.2015*
Depreciation of fixed and intangible assets, and impairment write-downs	4 242	2 698
Consumption of materials and energy	895	1 189
Bought-in services	57 460	47 785
Taxes and fees	416	455
Employee compensation, social security and other benefits	73 168	97 696
Business travel	1 571	1 398
Other costs, including:	**25 376**	**9 880**
hosting and upkeep of external servers	2 769	3 555
recruitment and relocation costs	219	191
participation in fairs, exhibitions and conferences	6 310	750
use of company cars	95	123
representation and advertising	14 478	4 188
insurance	263	218
other expenses	1 242	855
Value of goods and materials sold	80 078	108 805
Cost of products and services sold	33 879	101 816
Total	**277 085**	**371 722**
Selling costs	141 784	146 581
General and adminstrative costs	21 344	14 520
Cost of products, goods and materials sold	113 957	210 621
Total	**277 085**	**371 722**

** adjusted data*

(all figures quoted in PLN thousands unless otherwise indicated)

Note 3. Other operating revenues and expenses

Other operating revenues

	01.01.2016 – 31.12.2016	01.01.2015 – 31.12.2015
Dissolution of provisions for write-downs on receivables	73	110
Dissolution of provisions for employee benefits	41	-
Dissolution of unused provisions for expenses	117	67
Subsidies	809	702
Write-down on expired liabilities	12	41
Fines, damages and other forms of legal redress received	2	1
Reinvoicing revenues	702	806
Profit from sales of fixed assets	51	-
Settlement of financial lease liabilities	13	-
Other revenues, including:	**639**	**206**
provisions dissolved	41	-
repossession gains received	20	8
goods and materials received free of charge	7	63
other sales	457	117
other miscellaneous operating revenues	114	18
Total	**2 459**	**1 933**

Other operating expenses

	01.01.2016 – 31.12.2016	01.01.2015 – 31.12.2015*
Creation of provisions for future liabilities	-	1 016
Revaluation of trade receivables	3 216	96
Reinvoicing costs	702	806
Receivables written off	348	-
Unrecoverable withholding tax	252	606
Other expenses, including:	**1 132**	**1 508**
liquidation of fixed assets	-	84
disposal of materials and goods	32	102
nonculpable shortages in working assets	25	46
post-project expenses	-	1 227
expenses associated with other sales	1 047	-
other miscallaneous expenses	28	49
Total	**5 650**	**4 032**

** adjusted data*

(all figures quoted in PLN thousands unless otherwise indicated)

Note 4. Financial revenues and expenses

Financial revenues

	01.01.2016 – 31.12.2016	01.01.2015 – 31.12.2015
Revenues from interest	**7 039**	**1 799**
on bank deposits	6 953	1 799
on trade settlements	6	-
discount of long-term receivables	80	-
Other financial revenues	**1 548**	**6 600**
revenues from investment fund shares	-	72
forward contract valuation	-	59
valuation of shares in other entities	-	43
profit from sales of shares	678	-
forward currency transactions	856	6 403
other miscellaneous financial revenues	14	23
Total financial revenues	**8 587**	**8 399**

Financial expenses

	01.01.2016 – 31.12.2016	01.01.2015 – 31.12.2015
Interest payments	**174**	**50**
on trade settlements	1	-
on lease agreements	9	20
on budget commitments	164	29
miscellaneous	-	1
Other financial expenses	**102**	**10 957**
surplus negative interest rate differences	76	10 860
forward currency transactions	6	-
bank fees	-	17
net loss from sales of investments (shares)	20	-
discount of long-term receivables	-	80
Total financial expenses	**276**	**11 007**
Net balance of financial activities	**8 311**	**(2 608)**

(all figures quoted in PLN thousands unless otherwise indicated)

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

	Financial assets designated at fair value through financial result	Financial assets held to maturity	Loans granted and receivables	Trade and other liabilities	Total estimation of financial instruments
01.01.2016 – 31.12.2016					
Revenues/expenses from interest	-	3 889	3 070	(165)	6 794
Creation of write-downs	-	-	(3 216)	-	(3 216)
Revenues from shares held	658	-	-	-	658
Dissolution of write-downs	-	-	73	-	73
Profit/(loss) from sales of financial instruments	856	-	-	-	856
Valuation of forward contracts	(6)	-	-	-	(6)
Total profit/(loss)	**1 508**	**3 889**	**(73)**	**(165)**	**5 159**

	Financial assets designated at fair value through financial result	Financial assets held to maturity	Loans granted and receivables	Trade and other liabilities	Total estimation of financial instruments
01.01.2015 – 31.12.2015*					
Revenues/expenses from interest	-	1 094	705	(29)	1 770
Creation of write-downs	-		(96)	-	(96)
Dissolution of write-downs	-		110	-	110
Profit/(loss) from sales of financial instruments	6 475		-	-	6 475
Valuation of shares in other entities	43		-	-	43
Valuation of forward contracts	59		-	-	59
Total profit/(loss)	**6 577**	**1 094**	**719**	**(29)**	**8 361**

** adjusted data*

(all figures quoted in PLN thousands unless otherwise indicated)

Note 5. Current and deferred income tax

The main components of the tax burden for the years ending on 31 December 2016 and 31 December 2015 respectively are as follows:

	01.01.2016 – 31.12.2016	01.01.2015 – 31.12.2015
Current income tax	**57 472**	**75 932**
For the fiscal year	57 451	76 572
Adjustments from preceding years	21	(640)
Deferred income tax	**3 952**	**3 223**
Due to creation and reversal of temporary differences	3 952	3 223
Tax burden reported in profit and loss account	**61 424**	**79 155**

Deferred tax reported in the profit and loss account is calculated as the difference between deferred tax liabilities and assets at the beginning and end of each reporting period.

	01.01.2016 – 31.12.2016	01.01.2015 – 31.12.2015*
Pre-tax income	**311 938**	**421 585**
Revenues applicable to future reporting periods	(15 764)	81 940
Tax-exempt revenues	1 563	508
Revenues from advance payments subject to fiscal disclosures	(15 820)	15 820
Expenses from preceding years reducing the tax base	31 522	12 167
Non-deductible expenses	28 352	63 545
Taxable income	**307 149**	**406 335**
Deductions from income (incl. losses sustained in preceding years and deductions associated with rollout of new technologies)	3 520	-
Tax base	**303 629**	**406 335**
Income tax due (assumed rate: 19%)	57 690	77 204
Tax rates applicable to foreign entities	**(625)**	**(718)**
Cyprus (12.5%)	(552)	(719)
USA (15.0%)	(73)	1
Income tax	**57 065**	**76 486**
Effective tax rate	**19,69%**	**18,78%**

** adjusted data*

Current income tax is estimated by applying a tax rate of 19% to the reported tax base.
As of 31 December 2016 and 31 December 2015 respectively the Group reported unsettled tax losses at GOG Poland Sp. z o.o. and CD PROJEKT S.A. in the amount of 386 thousand PLN and 86 thousand PLN respectively, for which no corresponding deferred tax assets were identified due to the lack of certainty concerning possible future settlement of these losses.

(all figures quoted in PLN thousands unless otherwise indicated)

Negative temporary differences requiring recognition of deferred tax assets

	31.12.2015	increases	reductions	31.12.2016
Provisions for other employee benefits	35 089	24 702	46 157	13 634
Valuation of futures contracts under the incentive program	19 935	29 820	19 953	29 802
The Witcher trademark	1 930	-	1 930	-
Negative exchange rate differences	751	4 191	3 915	1 027
Compensation and social security expenses payable in future reporting periods	218	750	325	643
Prepayments recognized as taxable income	15 820	-	15 820	-
Difference between the balance sheet value and the net tax value of fixed assets and intangibles	-	241	84	157
Deposit discount	80	152	232	-
Incentive program	3 354	970	4 324	-
Other provisions	564	2 168	2 050	682
Total negative temporary differences	**77 741**	**62 994**	**94 790**	**45 945**
Tax rate (Poland)	19.0%	19.0%	19.0%	19.0%
Tax rate (Cyprus)	12.5%	12.5%	12.5%	12.5%
Tax rate (USA)	15.0%	15.0%	15.0%	15.0%
Total deferred tax assets	**14 771**	**11 969**	**18 010**	**8 730**

Positive temporary differences requiring recognition of deferred tax liabilities

	31.12.2015*	increases	reductions	31.12.2016
Difference between the balance sheet value and the net tax value of fixed assets and intangibles	7 760	8 001	-	15 761
Revaluation of forward contracts (cash flow hedge) at fair value	59	53	59	53
Income in the current period invoiced in the following period	81 936	383 890	399 128	66 698
Positive exchange rate differences	442	1 881	1 319	1 004
The Witcher trademark	-	5 790	5 790	-
Costs related to advance payments recognized as taxable income	3 532	-	3 532	-
Valuation of shares in other entities	475	-	306	169
Other sources	299	3 906	4 059	146
Total positive temporary differences	**94 503**	**403 521**	**414 193**	**83 831**
Tax rate (Poland)	19.0%	19.0%	19.0%	19.0%
Tax rate (Cyprus)	12.5%	12.5%	12.5%	12.5%
Tax rate (USA)	15.0%	15.0%	15.0%	15.0%
Total deferred tax liabilities	**17 956**	**76 669**	**78 697**	**15 928**

** adjusted data*

Net deferred tax assets/liabilities

	01.01.2016 – 31.12.2016	01.01.2015 – 31.12.2015
Deferred tax assets	8 730	14 771
Deferred tax liabilities – continuing operations	15 928	17 956
Net deferred tax assets/liabilities	**(7 198)**	**(3 185)**

Note 6. Discontinued operations

No discontinued operations were reported in the current or in the preceding year.

(all figures quoted in PLN thousands unless otherwise indicated)

Note 7. Earnings per share

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

During the 12-month period ending on 31 December 2016 dilutive instruments comprised subscription warrants issued under the incentive program and entitling certain parties to claim shares of the parent Company. Information regarding the quantity of warrants issued is provided in Note 41.

No dilutive instruments were issued during the period ending on 31 December 2015.

Net profit and number of shares for the purpose of calculating earnings per share

	01.01.2016 – 31.12.2016	01.01.2015 – 31.12.2015
Average weighted number of shares for the purpose of calculating base earnigs per share (units)	95 390 000	94 950 000
Average weighted number of shares for the purpose of calculating diluted earnigs per share (units)	95 753 333	94 950 000
Net profit / (loss) from continuing operations for the purpose of calculating diluted earnings per share	250 514	342 430
Base earnings per share from continuing operations (PLN)	**2.63**	**3.61**
Diluted earnings per share from continuing operations (PLN)	**2.62**	**3.61**

Note 8. Dividends proposed or approved by the date of approval of this financial statement

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

Note 9. Disclosure of other components of the reported comprehensive income

	01.01.2016 – 31.12.2016	01.01.2015 – 31.12.2015
Net profit (loss)	**250 514**	**342 430**
Exchange rate differences on valuation of foreign entities	1 404	1 590
Differences from rounding to PLN thousands	(1)	(1)
Total comprehensive income	**251 917**	**344 019**
Total comprehensive income attributable to minority interests	**-**	**-**
Total comprehensive income attributable to parent entity	**251 917**	**344 019**

Note 10. Tax effects of other components of the reported comprehensive income

Not applicable.

Note 11. Tangible fixed assets

Ownership structure of fixed assets

	31.12.2016	31.12.2015
Wholly owned	14 139	8 814
Held under a hire purchase, hire or other contract contract, including leasing contracts	284	566
Total	**14 423**	**9 380**

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

	31.12.2016	31.12.2015
Held under a financial leasing contract	284	566
Fixed assets subsidized by the EU	1 905	2 414
Value of fixed assets whose title is restricted and fixed assets pledged as collateral for liabilities	**2 189**	**2 980**

Contractual commitments for future acquisition of fixed assets

	31.12.2016	31.12.2015
Leasing of passenger cars	284	566
Total	**284**	**566**

Changes in fixed assets (by category) between 01.01.2016 and 31.12.2016

	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:	**2 683**	**5 299**	**352**	**319**	**3 642**	**12 295**
purchases	347	5 207	6	274	3 642	9 476
leasing agreements	-	-	346	-	-	346
reclassification from fixed assets under construction	2 336	56	-	-	-	2 392
acquisition free of charge	-	7	-	-	-	7
other	-	29	-	45	-	74
Reductions from:	**126**	**16**	**179**	**-**	**2 395**	**2 716**
sales	126	7	179	-	3	315
liquidation	-	9	-	-	-	9
reclassification from fixed assets under construction	-	-	-	-	2 392	2 392
Gross carrying amount as of 31.12.2016	**6 559**	**16 062**	**1 537**	**1 134**	**1 860**	**27 152**
Depreciation as of 01.01.2016	**1 587**	**5 821**	**637**	**148**	**-**	**8 193**
Increases from:	**569**	**3 479**	**313**	**372**	**-**	**4 733**
depreciation	569	3 469	313	359	-	4 710
other	-	10	-	13	-	23
Reductions from:	**3**	**15**	**179**	**-**	**-**	**197**
liquidation	-	9	-	-	-	9
sales	3	6	179	-	-	188
Depreciation as of 31.12.2016	**2 153**	**9 285**	**771**	**520**	**-**	**12 729**
Impairment write-downs as of 01.01.2016	-	-	-	-	-	-
Impairment write-downs as of 31.12.2016	-	-	-	-	-	-
Net carrying amount as of 31.12.2016	**4 406**	**6 777**	**766**	**614**	**1 860**	**14 423**

(all figures quoted in PLN thousands unless otherwise indicated)

Changes in fixed assets (by category) between 01.01.2015 and 31.12.2015*

	Buildings and structures	Machinery and equipment	Vehicles	Other fixed assets	Fixed assets under construction	Total
Gross carrying amount as of 01.01.2015	**3 540**	**6 054**	**1 491**	**147**	**-**	**11 232**
Increases from:	**627**	**4 821**	**4**	**668**	**1 145**	**7 265**
purchases	95	4 777	4	653	1 145	6 674
reclassification from fixed assets under construction	532	-	-	-	-	532
acquisition free of charge	-	41	-	-	-	41
other	-	3	-	15	-	18
Reductions from:	**165**	**96**	**131**	**-**	**532**	**924**
sales	13	96	131	-	-	240
liquidation	152	-	-	-	-	152
reclassification from fixed assets under construction	-	-	-	-	532	532
Gross carrying amount as of 31.12.2015	**4 002**	**10 779**	**1 364**	**815**	**613**	**17 573**
Depreciation as of 01.01.2015	**1 295**	**3 972**	**394**	**72**	**-**	**5 733**
Increases from:	**364**	**1 854**	**298**	**76**	**-**	**2 592**
depreciation	364	1 854	298	76	-	2 592
Reductions from:	**72**	**5**	**55**	**-**	**-**	**132**
liquidation	68	-	-	-	-	68
sales	4	5	55	-	-	64
Depreciation as of 31.12.2015	**1 587**	**5 821**	**637**	**148**	**-**	**8 193**
Impairment write-downs as of 01.01.2015	-	-	-	-	-	-
Impairment write-downs as of 31.12.2015	-	-	-	-	-	-
Net carrying amount as of 31.12.2015	**2 415**	**4 958**	**727**	**667**	**613**	**9 380**

** adjusted data*

Fixed assets under construction

	01.01.2016	Expenditures in fiscal year	Expenditure settlements	31.12.2016
Adaptation of office and social space	594	3 353	2 336	1 611
Construction of motion capture studio	-	229	-	229
Other	19	60	59	20
Total	**613**	**3 642**	**2 395**	**1 860**

	01.01.2015	Expenditures in fiscal year	Expenditure settlements	31.12.2015
Adaptation of office and social space	-	1 076	482	594
Other	-	19	-	19
Total	**-**	**1 095**	**482**	**613**

Value and area of land holdings in perpetuity

Not applicable.

(all figures quoted in PLN thousands unless otherwise indicated)

Fixed assets held under lease agreements

	31.12.2016			31.12.2015		
	Gross value	Depreciation	Net value	Gross value	Depreciation	Net value
Vehicles	348	64	284	810	244	566
Total	**348**	**64**	**284**	**810**	**244**	**566**

Note 12. Intangibles and expenditures on development projects

Changes in intangibles and expenditures on development projects between 01.01.2016 and 31.12.2016

	Development projects in progress	Development projects completed	Trademarks	Patents and licenses	Copyrights	Computer software	Goodwill	Intangible assets under construction	Others	Total
Gross carrying amount as of 01.01.2016	**28 483**	**135 855**	**32 199**	**903**	**6 624**	**19 424**	**46 417**	**462**	**1**	**270 368**
Increases from:	**59 828**	**26 300**	**-**	**687**	**-**	**3 837**	**-**	**3**	**-**	**90 655**
purchases	-	-	-	655	-	3 019	-	-	-	3 674
reclassification from intangible assets under construction	-	-	-	-	-	414	-	-	-	414
reclassification from development projects in progress	-	26 300	-	-	-	-	-	-	-	26 300
own creation	59 828	-	-	-	-	-	-	-	-	59 828
other	-	-	-	32	-	404	-	3	-	439
Reductions from:	**26 300**	**-**	**-**	**94**	**-**	**1 076**	**-**	**414**	**-**	**27 884**
liquidation	-	-	-	94	-	1 076	-	-	-	1 170
reclassification from intangible assets under construction	-	-	-	-	-	-	-	414	-	414
reclassification from development projects in progress	26 300	-	-	-	-	-	-	-	-	26 300
Gross carrying amount as of 31.12.2016	**62 011**	**162 155**	**32 199**	**1 496**	**6 624**	**22 185**	**46 417**	**51**	**1**	**333 139**
Depreciation as of 01.01.2016	**-**	**130 757**	**-**	**466**	**33**	**11 256**	**-**	**-**	**1**	**142 513**
Increases from:	**-**	**31 398**	**-**	**128**	**-**	**4 730**	**-**	**-**	**-**	**36 256**
depreciation	-	31 398	-	127	-	4 536	-	-	-	36 061
other	-	-	-	1	-	194	-	-	-	195
Reductions from:	**-**	**-**	**-**	**94**	**-**	**1 076**	**-**	**-**	**-**	**1 170**
liquidation	-	-	-	94	-	1 076	-	-	-	1 170
Depreciation as of 31.12.2016	**-**	**162 155**	**-**	**500**	**33**	**14 910**	**-**	**-**	**1**	**177 599**
Impairment write-downs as of 01.01.2016	-	-	-	-	-	-	-	-	-	-
Impairment write-downs as of 31.12.2016	-	-	-	-	-	-	-	-	-	-
Net carrying amount as of 31.12.2016	**62 011**	**-**	**32 199**	**996**	**6 591**	**7 275**	**46 417**	**51**	**-**	**155 540**

(all figures quoted in PLN thousands unless otherwise indicated)

Changes in intangibles and expenditures on development projects between 01.01.2015 and 31.12.2015*

	Development projects in progress	Development projects completed	Trademarks	Patents and licenses	Copyrights	Computer software	Goodwill	Intangible assets under construction	Others	Total
Gross carrying amount as of 01.01.2015	**88 460**	**33 883**	**32 199**	**834**	**491**	**13 745**	**46 417**	**1 412**	**1**	**217 442**
Increases from:	**41 995**	**101 972**	**-**	**69**	**6 133**	**5 679**	**-**	**3 757**	**-**	**159 605**
purchases	-	-	-	69	6 133	526	-	3 757	-	10 485
reclassification from intangible assets under construction	-	-	-	-	-	4 697	-	-	-	4 697
reclassification from development projects in progress	-	101 972	-	-	-	-	-	-		101 972
own creation	41 995	-	-	-	-	-	-	-	-	41 995
acquisition free of charge	-	-	-	-	-	4	-	-	-	4
other	-	-	-	-	-	452	-	-	-	452
Reductions from:	**101 972**	**-**	**-**	**-**	**-**	**-**	**-**	**4 707**	**-**	**106 679**
reclassification from intangible assets under construction	-	-	-	-	-	-	-	4 697	-	4 697
reclassification from development projects in progress	101 972	-	-	-	-	-	-	-	-	101 972
other	-	-	-	-	-	-	-	10	-	10
Gross carrying amount as of 31.12.2015	**28 483**	**135 855**	**32 199**	**903**	**6 624**	**19 424**	**46 417**	**462**	**1**	**270 368**
Depreciation as of 01.01.2015	**-**	**33 833**	**-**	**355**	**-**	**8 724**	**-**	**-**	**1**	**42 913**
Increases from:	**-**	**96 924**	**-**	**111**	**33**	**2 532**	**-**	**-**	**-**	**99 600**
depreciation	-	96 924	-	111	33	2 410	-	-	-	99 478
other	-	-	-	-	-	122	-	-	-	122
Reductions	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Depreciation as of 31.12.2015	**-**	**130 757**	**-**	**466**	**33**	**11 256**	**-**	**-**	**1**	**142 513**
Impairment write-downs as of 01.01.2015	-	-	-	-	-	-	-	-	-	-
Impairment write-downs as of 31.12.2015	-	-	-	-	-	-	-	-	-	-
Net carrying amount as of 31.12.2015	**28 483**	**5 098**	**32 199**	**437**	**6 591**	**8 168**	**46 417**	**462**	**-**	**127 855**

** adjusted data*

Ownership structure of intangible assets

	31.12.2016	31.12.2015
Wholly owned assets	47 112	47 857
Total	**47 112**	**47 857**

(all figures quoted in PLN thousands unless otherwise indicated)

Intangible assets under construction

	01.01.2016	Expenditures in fiscal year	Expenditure settlements	Other	31.12.2016
GOG licenses	68	-	20	3	51
GOG localization rights	49	-	49	-	-
Galaxy SDK dev pipeline	345	-	345	-	-
Total	**462**	**-**	**414**	**3**	**51**

	01.01.2015	Expenditures in fiscal year	Expenditure settlements	31.12.2015
Deployment of ERP B2B software	1 143	1 397	2 540	-
B&C Games, GOG	269	-	269	-
GOG licenses	-	975	907	68
GOG localization rights	-	49	-	49
Galaxy client	-	355	355	-
Galaxy SDK	-	703	703	-
Galaxy SDK dev pipeline	-	345	-	345
Total	**1 412**	**3 824**	**4 774**	**462**

Contractual commitments for future acquisition of intangible assets

None reported.

Intangible assets whose title is restricted

None reported.

Note 13. Goodwill

Goodwill

	31.12.2016	31.12.2015
CDP Investment Group companies	46 417	46 417
Total	**46 417**	**46 417**

Goodwill breakdown

	31.12.2016	31.12.2015
Goodwill from mergers with subsidiaries	39 147	39 147
Goodwill from consolidation	7 270	7 270
Net goodwill	**46 417**	**46 417**

Goodwill and trademark impairment tests require assessment of the value in use of each cash generating unit. When conducting these assessments the Company prepared estimates of future cash flows generated by each cash generating unit, and applied a projected discount rate to estimate the current value of said cash flows. The most recent impairment tests of the CD PROJEKT brand, The Witcher trademark and Company goodwill were performed on 31 December 2016 and did not indicate impairment of any of these assets. The most recent impairment tests concerning shares in subsidiaries were performed on 31 December 2016 and did not indicate impairment of any such shares.

(all figures quoted in PLN thousands unless otherwise indicated)

Changes in goodwill from consolidation

	01.01.2016 – 31.12.2016	01.01.2015 – 31.12.2015
Gross goodwill at beginning of period	**46 417**	**46 417**
Increases from business combinations	-	-
Reductions from mergers	-	-
Gross goodwill at end of period	**46 417**	**46 417**
Impairment write-downs	-	-
Net goodwill	**46 417**	**46 417**

Business combinations

Entity	Takeover date	Takeover cost	Percentage of voting shares taken over	Fair value of net assets of acquiree taken over by acquirer	Goodwill acquired in business combinations
CD PROJEKT Brands S.A.	30.12.2016	-	100.00%	23 609	-

The principal scope of activity of the Company is development of videogames and selling the associated distribution rights, in addition to manufacturing and selling tie-in products which exploit the popularity of Company brands. The principal goal of CD PROJEKT Brands S.A. was to manage intangible assets so as to maximize the Group's revenues associated with licensing of The Witcher brand. The merger facilitates implementation of the CD PROJEKT Capital Group strategy, which stipulates focusing on a small set of brands and expanding their reach to cover new activity fields as a means of streamlining management practices and reducing administrative overheads within the Capital Group.
The merger was carried out under Art. 492 § 1 item 1 of the Commercial Company Code (merger by takeover) by transferring all assets and liabilities of CD PROJEKT Brands S.A. (the Acquiree) to CD PROJEKT (the Acquirer). In accounting terms, the merger was recognized by summing up the assets and liabilities of both entities with exclusion of Acquiree capital shares and any mutual settlements, receivables and liabilities which existed between the Acquirer and the Acquiree. The profit and loss account reports aggregate financial data for both entities since the merger date.
The legal merger between the parent Company and its subsidiary is recognized on the basis of the subsidiary's financial data disclosed in the parent Company's consolidated financial statement; these figures include changes which occur at the parent Company as a result of merging with the subsidiary. The reported financial result and financial position of the subsidiary are determined prospectively from the merger date.

Note 14. Investment properties

Not applicable.

Note 15. Other long-term receivables

	31.12.2016	31.12.2015
Other receivables – office space rental deposit	487	215
Total	**487**	**215**

Note 16. Financial assets held for sale

	31.12.2016	31.12.2015
Shares in other entities	194	547
Total	**194**	**547**

(all figures quoted in PLN thousands unless otherwise indicated)

Note 17. Inventories

	31.12.2016	31.12.2015*
Goods	373	585
Other materials	28	34
Gross inventories	**401**	**619**
Inventory impairment write-downs	-	-
Net inventories	**401**	**619**

** adjusted data*

The “Other materials” line item comprises components (intermediates) of box editions of videogames as well as marketing materials.

Changes in inventory revaluation write-downs

None reported.

Inventories pledged as collateral for liabilities

Not applicable

Note 18. Construction contracts

Not applicable.

Note 19. Trade receivables

	31.12.2016	31.12.2015
Net trade receivables	**71 554**	**87 704**
from affiliates	-	-
from external entities	71 554	87 704
Impairment write-downs	3 479	382
Gross trade receivables	**75 033**	**88 086**

Changes in impairment write-downs on trade receivables

	01.01.2016 – 31.12.2016	01.01.2015 – 31.12.2015
AFFILIATES		
Impairment write-downs at beginning of period	**-**	**116**
Increases	**-**	**-**
Reductions, including:	**-**	**116**
elimination of impairment write-downs by write-offs	-	116
Impairment write-downs at end of period	**-**	**-**
OTHER ENTITIES		
Impairment write-downs at beginning of period	**382**	**405**
Increases, including:	**3 216**	**85**
impairment write-downs on past-due and contested receivables	3 216	85
Reductions, including:	**119**	**108**
elimination of impairment write-downs due to collection of receivables	79	81
elimination of impairment write-downs by write-offs	40	27
Impairment write-downs at end of period	**3 479**	**382**
Aggregate impairment write-downs at end of period	**3 479**	**382**

(all figures quoted in PLN thousands unless otherwise indicated)

Current and past-due trade receivables as of 31.12.2016

	Total	Days overdue					
		<0	0 – 60	61 – 90	91 – 180	181 – 360	>360
OTHER ENTITIES							
gross receivables	75 033	71 422	132	2 663	47	259	510
impairment write-downs	3 479	-	-	2 663	47	259	510
Net receivables	**71 554**	**71 422**	**132**	**-**	**-**	**-**	**-**
TOTAL							
gross receivables	75 033	71 422	132	2 663	47	259	510
impairment write-downs	3 479	-	-	2 663	47	259	510
Net receivables	**71 554**	**71 422**	**132**	**-**	**-**	**-**	**-**

Current and past-due trade receivables as of 31.12.2015

	Total	Days overdue					
		<0	0 – 60	61 – 90	91 – 180	181 – 360	>360
OTHER ENTITIES							
gross receivables	88 086	85 953	1 280	9	322	140	382
impairment write-downs	382	-	-	-	-	-	382
Net receivables	**87 704**	**85 953**	**1 280**	**9**	**322**	**140**	**-**
TOTAL							
gross receivables	88 086	85 953	1 280	9	322	140	382
impairment write-downs	382	-	-	-	-	-	382
Net receivables	**87 704**	**85 953**	**1 280**	**9**	**322**	**140**	**-**

Trade receivables by currency

thousands	31.12.2016		31.12.2015	
	currency units	PLN equivalent	currency units	PLN equivalent
PLN	60 845	60 845*	81 391	81 391*
USD	1 324	5 536	1 573	6 137
EUR	1 009	4 465	21	95
GBP	39	202	10	60
BRL	83	106	-	-
RUB	1 357	92	-	-
AUD	30	91	7	19
CAD	28	87	-	-
SEK	102	47	-	-
CHF	8	32	-	-
NOK	47	23	-	-
DKK	35	21	-	-
JPY	209	7	56	2
Total		**71 554**		**87 704**

** This field also aggregates foreign-currency receivables obtained in association with foreign licensing reports during the current period but invoiced in future reporting periods and recognized in the current period in PLN.*

(all figures quoted in PLN thousands unless otherwise indicated)

Note 20. Other receivables

	31.12.2016	31.12.2015*
Other receivables, including:	**20 268**	**26 530**
tax returns except corporate income tax	17 229**	24 785
advance payments for supplies	1 838	448
deposits	83	67
employee compensation settlements	38	357
sale of shares	1 031	799
other	49	74
Impairment write-downs	**732**	**732**
Other gross receivables	**21 000**	**27 262**

** adjusted data*

*** This item also includes withholding tax in the amount of 14 363 thousand PLN, which will be deducted by the parent Company in its annual tax declaration once the parent Company has received certificates from foreign clients confirming that the tax has been paid abroad.*

	31.12.2016	31.12.2015
Other receivables, including:	**20 268**	**26 530**
from affiliates	10	4
from other entities	20 258	26 526
Impairment write-downs	**732**	**732**
Other gross receivables	**21 000**	**27 262**

Other receivables subject to court proceedings

	31.12.2016	31.12.2015
Other receivables subject to court proceedings	732	732
Impairment write-downs on contested receivables	732	732
Net other receivables subject to court proceedings	**-**	**-**

Other receivables by currency

thousands	31.12.2016		31.12.2015	
	currency units	PLN equivalent	currency units	PLN equivalent
PLN	20 136	20 136*	26 246	26 246*
USD	31	127	36	139
EUR	1	5	34	145
Total	**-**	**20 268**	**-**	**26 530**

** This field also aggregates withholding tax deducted at source by the Group's foreign collaborators and reportable in the Company's annual corporate income tax declaration filed with domestic fiscal authorities.*

Trade and other receivables from affiliates

	31.12.2016	31.12.2015
Gross receivables from affiliates	**10**	**4**
trade receivables	-	-
other receivables	10	4
Impairment write-downs	**-**	**-**
Net receivables from affiliates	**10**	**4**

(all figures quoted in PLN thousands unless otherwise indicated)

Note 21. Prepaid expenses

	31.12.2016	31.12.2015
Non-life insurance	98	64
Business travel insurance	3	3
Minimum guarantees, licenses acquired by GOG	13 207	11 518
Access to online legal support portal	23	15
Software, licenses	866	666
Airfare	-	15
Other prepaid expenses	527	242
Total prepaid expenses	**14 724**	**12 523**

Note 22. Cash and cash equivalents

	31.12.2016	31.12.2015*
Cash on hand and bank deposits	**25 527**	**30 297**
cash on hand	1	1
current bank accounts	25 526	30 296
Other monetary assets:	**531 677**	**323 340**
monetary assets in transit	73	117
overnight deposits	6 111	2 027
short-term bank deposits (maturity up to 3 months)	525 493	321 196
Total	**557 204**	**353 637**

** adjusted data*

Restricted cash

Not applicable.

Note 23. Share capital

Share capital structure as of 31.12.2016

Series	Shares issued	Nominal value of series/issue	Capital paid up in
A	500 000	500 000	Cash
B	2 000 000	2 000 000	Cash
C	6 884 108	6 884 108	Cash
C1	18 768 216	18 768 216	Cash
D	35 000 000	35 000 000	Non-cash assets
E	6 847 676	6 847 676	Cash
F	3 500 000	3 500 000	Cash
G	887 200	887 200	Cash
H	3 450 000	3 450 000	Cash
I	7 112 800	7 112 800	Cash
J	5 000 000	5 000 000	Cash
K	5 000 000	5 000 000	Cash
L	1 170 000	1 170 000	Cash
Total	**96 120 000**	**96 120 000**	

(all figures quoted in PLN thousands unless otherwise indicated)

Changes in share capital

	01.01.2016 – 31.12.2016	01.01.2015 – 31.12.2015
Share capital at beginning of period	**94 950**	**94 950**
Increases from:	**1 170**	**-**
issue of shares paid up in cash – incentive program	1 170	-
Reductions	**-**	**-**
Share capital at end of period	**96 120**	**94 950**

Note 24. Changes in supplementary capital, incl. from sales of shares above nominal price

	01.01.2016 – 31.12.2016	01.01.2015 – 31.12.2015
At beginning of period	**120 199**	**119 730**
Increases from:	**282 802**	**469**
issue of shares	8 735	-
allocation of net profit	274 067	469
Reductions	**-**	**-**
At end of period	**403 001**	**120 199**

Note 25. Other capital contributions

	01.01.2016 – 31.12.2016	01.01.2015 – 31.12.2015
Reserve capital	403 001	120 199
Other capital contributions – incentive program	4 795	3 354
Total	**407 796**	**123 553**

Changes in other capital contributions

	Reserve capital	Other capital contributions – incentive program	Total
As of 01.01.2016	**120 199**	**3 354**	**123 553**
Increases from:	**282 802**	**1 441**	**284 243**
allocation of net profit	274 067	-	274 067
contributions associated with incentive program	8 735	1 441	10 176
Reductions	**-**	**-**	**-**
As of 31.12.2016	**403 001**	**4 795**	**407 796**

	Reserve capital	Other capital contributions – incentive program	Total
As of 01.01.2015	**119 730**	**1 716**	**121 446**
Increases from:	**469**	**1 638**	**2 107**
allocation of net profit	469	-	469
contributions associated with incentive program	-	1 638	1 638
Reductions	**-**	**-**	**-**
As of 31.12.2015	**120 199**	**3 354**	**123 553**

(all figures quoted in PLN thousands unless otherwise indicated)

Note 26. Retained earnings

	31.12.2016	31.12.2015
Amount aggregated in the Retained earnings line item and not subject to dividend payments	18 590	(49 772)
Total	**18 590**	**(49 772)**

Changes in retained earnings

	31.12.2016	31.12.2015
At beginning of period	**(49 772)**	**(54 514)**
Increases from:	**342 429**	**5 211**
allocation of profit from preceding years	342 430	5 211
differences from rounding to PLN thousands	(1)	-
Reductions from:	**274 067**	**469**
reclassification as reserve capital	274 067	469
At end of period	**18 590**	**(49 772)**

Note 27. Minority interest capital

None reported.

Note 28. Credits and loans

None reported.

Note 29. Other financial liabilities

	31.12.2016	31.12.2015*
Lease liabilities	139	293
Other financial liabilities, including:	**139**	**293**
long-term liabilities	76	-
short-term liabilities	63	293

** adjusted data*

Lease liabilities

	31.12.2016	31.12.2015
Short-term lease liabilities	**63**	**293**
Long-term lease liabilities, including:	**76**	**-**
between 1 and 5 years	76	-
Total	**139**	**293**

Note 30. Other long-term liabilities

Not applicable.

Note 31. Trade liabilities

	31.12.2016	31.12.2015
Trade liabilities:	**27 971**	**22 603**
payable to affiliates	-	-
payable to external entities	27 971	22 603

Current

and past-due trade liabilities

	Total	Days overdue					
		<0	0 – 60	61 – 90	91 – 180	181 – 360	>360
As of 31.12.2016	**27 971**	**26 031**	**1 920**	**8**	**11**	**-**	**1**
payable to affiliates	-	-	-	-	-	-	-
payable to external entities	27 971	26 031	1 920	8	11	-	1

	Total	Days overdue					
		<0	0 – 60	61 – 90	91 – 180	181 – 360	>360
As of 31.12.2015	**22 603**	**21 667**	**751**	**70**	**99**	**15**	**1**
payable to affiliates	-	-	-	-	-	-	-
payable to external entities	22 603	21 667	751	70	99	15	1

Trade liabilities by currency

thousands	31.12.2016		31.12.2015	
	currency units	PLN equivalent	currency units	PLN equivalent
USD	5 832	24 375	4 932	19 239
PLN	2 458	2 458	1 177	1 177
EUR	190	840	358	1 568
JPY	4 188	150	18 742	607
CNY	171	103	-	-
GBP	3	13	1	7
AUD	3	10	2	5
CAD	3	8	-	-
BRL	6	8	-	-
RUB	88	6	-	-
Total		**27 971**		**22 603**

(all figures quoted in PLN thousands unless otherwise indicated)

Note 32. Other liabilities

	31.12.2016	31.12.2015
Liabilities from other taxes, duties, social security payments and others, except corporate income tax	**4 508**	**3 819**
Value added tax	3 487	3 021
Flat-rate withholding tax	12	32
Personal income tax	659	469
Social security (ZUS) payments	327	283
National Disabled Persons Rehabilitation Fund (PFRON) payments	19	11
PIT-8A settlements	4	3
Other liabilities	**5 254**	**43 146**
Employee compensation liabilities	1 204	-
Other liabilities payable to employees	25	297
Other liabilities payable to Group company executives	10	50
Other Internal Social Benefits Fund (ZFŚS) liabilities	(34)	50
Advance payments received from foreign clients	4 049	42 749
Accrued charges	**-**	**-**
Total other liabilities	**9 762**	**46 965**

Current and past-due other short-term liabilities

	Total	Days overdue					
		<0	0 – 60	61 – 90	91 – 180	181 – 360	>360
As of 31.12.2016	**9 762**	**9 729**	**33**	**-**	**-**	**-**	**-**
payable to affiliates	10	-	10	-	-	-	-
payable to external entities	9 752	9 729	23	-	-	-	-

	Total	Days overdue					
		<0	0 – 60	61 – 90	91 – 180	181 – 360	>360
As of 31.12.2015	**46 965**	**46 729**	**171**	**35**	**24**	**6**	**-**
payable to affiliates	50	50	-	-	-	-	-
payable to external entities	46 915	46 679	171	35	24	6	-

Other short-term liabilities by currency

thousands	31.12.2016		31.12.2015	
	currency units	PLN equivalent	currency units	PLN equivalent
USD	2 129	8 574	9 642	36 599
PLN	1 081	1 081	1 659	1 659
EUR	24	107	2 071	8 679
CNY	-	-	15	9
JPY	-	-	158	5
PHP	-	-	9	2
GBP	-	-	2	10
AUD	-	-	1	2
Total	**-**	**9 762**	**-**	**46 965**

(all figures quoted in PLN thousands unless otherwise indicated)

Note 33. Internal Social Benefits Fund (ZFŚS): assets and liabilities

	31.12.2016	31.12.2015
Cash assets	40	38
Liabilities associated with the Internal Social Benefits Fund (ZFŚS)	6	38
Adjusted balance	**34**	**-**
Internal Social Benefits Fund (ZFŚS) write-downs in the financial year	**196**	**145**

Note 34. Conditional liabilities

Conditional liabilities from operating lease agreements

Not applicable.

Promissory note liabilities from loans received

Not applicable.

(all figures quoted in PLN thousands unless otherwise indicated)

	Pledged in association with	Currency	31.12.2016	31.12.2015
Agora S.A.				
Promissory note payable		PLN	11 931	11 931
Declaration of submission to enforcement with respect to guaranteed execution of distribution agreement		PLN	11 931	11 931
mBank S.A.				
Declaration of submission to enforcement	Collateral for credit card agreement	PLN	920	920
Promissory note agreement	Collateral for framework agreement concerning forward and derivative transactions	PLN	7 710	-
Promissory note agreement	Collateral for lease agreement	PLN	667	-
Millennium Leasing sp. z o.o.				
Promissory note agreement	Lease agreement no. K 182762	PLN	-	470
Global Collect Services BV				
Contract of guarantee	Guarantee of discharge of liabilities by GOG Ltd.	EUR	155	155
Ministry of the Economy				
Promissory note agreement	Co-financing agreement no. POIG.06.05.02-00-146/13-00	PLN	265	265
Promissory note agreement	Co-financing agreement no. POIG.06.05.02-00-148/13-00	PLN	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	798	839
Raiffeisen Bank Polska S.A.				
Guarantee of discharge of cash pool liabilities	Cash pool agreement	PLN	15 000	15 000
Guarantee of discharge of cash pool liabilities	Cash pool agreement	USD	500	500
Declaration of submission to enforcement	Framework agreement concerning forward and derivative transactions	PLN	75 000	75 000

(all figures quoted in PLN thousands unless otherwise indicated)

Millenium Bank S.A.				
Declaration of submission to enforcement	Framework agreement concerning forward and derivative transactions	PLN	-	28 800
BZ WBK Leasing S.A.				
Promissory note agreement	Lease agreement no. CZ5/00019/2016	PLN	320	-
BZ WBK S.A.				
Promissory note agreement	Framework agreement concerning treasury transactions	PLN	6 500	-

Note 35. Short- and long-term financial lease liabilities

	31.12.2016		31.12.2015	
	Minimum payments	Payments outstanding	Minimum payments	Payments outstanding
Due within 1 year	67	63	298	293
Due between 1 and 5 years	76	76	-	-
Total minimum lease payments	**143**	**139**	**298**	**293**
Future interest	4	-	5	-
Current minimum value of lease payments, including:	**139**	**139**	**293**	**293**
short-term payments	63	63	293	293
long-term payments	76	76	-	-

Assets subject to financial leasing as of 31.12.2016

	Asset category					Total
	Land holdings	Buildings and structures	Machinery and equipment	Vehicles	Other fixed assets	
Passenger cars	-	-	-	284	-	284
Net value of leased assets	**-**	**-**	**-**	**284**	**-**	**284**

(all figures quoted in PLN thousands unless otherwise indicated)

Financial lease agreements as of 31.12.2016

Financier	Contract no.	Base value	Base value in currency units	Currency	Contract expiration date	Payments outstanding at end of reporting period	Prolongation conditions and buyout options
BZ WBK Leasing S.A.	CZ5/00019/2016	346	346	PLN	2018-02-20	139	Lessee is entitled to buy out the leased asset – the contractual net residual value is 59 thousand PLN
Total		**346**	**346**			**139**	

(all figures quoted in PLN thousands unless otherwise indicated)

Note 36. Deferred revenues

	31.12.2016	31.12.2015
Subsidies	**1 524**	**855**
Construction of data processing and communications center of the CD PROJEKT Group	48	66
Functional upgrade of ICT architecture with ERP B2B software facilitating automated electronic data exchange	624	475
The Witcher 3: Blood and Wine	-	314
CPF (Working Title)	452	-
Promised Land	400	-
Future revenues	**2 284**	**7 432**
sales reportable in future periods	97	6 296
other	2 187	1 136
Total, including:	**3 808**	**8 287**
long-term deferrals	944	423
short-term deferrals	2 864	7 864

	Co-financing received on	Contractual co-financing amount		Amount outstanding		Co-financing settlement deadline
CPF (Working Title)	20.09.2016	150 thousand	EUR	150 thousand	EUR	2023
Promised Land	04.11.2016	132 thousand	EUR	132 thousand	EUR	2023

The subsidies reported in this financial statement concern the following co-financing agreements:

- CPF (Working Title) – project currently underway
- Promised Land – international videogame and cinematic art festival; project currently underway

The above projects are co-financed by the European Union.

Note 37. Provisions for employee benefits and similar liabilities

	31.12.2016	31.12.2015
Provisions for retirement benefits and pensions	58	37
Provisions for other employee benefits	293	223
Total, including:	**351**	**260**
long-term provisions	57	35
short-term provisions	294	225

The following assumptions have been made by the actuary when calculating provisions:

	31.12.2016	31.12.2015
Discount rate (%)	3.59	2.94
Projected inflation rate (%)	3.59	2.94
Employee turnover rate (%) – adjusted for age	8% at age 31	10.5% at age 31
Projected annual rate of salary growth (%)	2.5%	2.5%
Mortality rates published by the Central Statistical Office (year of estimation)	2015	2014
Likelihood of disability during the fiscal year	0.1%	0.25%

(all figures quoted in PLN thousands unless otherwise indicated)

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

Changes in provisions for employee benefits and similar liabilities

	Provisions for retirement benefits and pensions	Provisions for other employee benefits	Total
As of 01.01.2016	**37**	**223**	**260**
Provisions created	23	586	609
Benefits paid out	-	456	456
Provisions dissolved	2	60	62
As of 31.12.2016, including:	**58**	**293**	**351**
long-term provisions	57	-	57
short-term provisions	1	293	294

	Provisions for retirement benefits and pensions	Provisions for other employee benefits	Total
As of 01.01.2015	**28**	**204**	**232**
Provisions created	9	395	404
Benefits paid out	-	315	315
Provisions dissolved	-	61	61
As of 31.12.2015, including:	**37**	**223**	**260**
long-term provisions	35	-	35
short-term provisions	2	223	225

** adjusted data*

Note 38. Other provisions

	31.12.2016	31.12.2015*
Provisions for warranty-covered repairs and returns	**21**	**6**
Provisions for liabilities, including:	**45 010**	**56 377**
provisions for financial statement audit expenses	68	50
provisions for bought-in services	644	825
provisions for compensation dependent on the Group's financial result	43 906	54 863
provisions for licensing royalties	81	121
provisions for purchases of licenses and fixed assets	72	304
provisions for other expenses	239	214
Total, including:	**45 031**	**56 383**
long-term provisions	-	-
short-term provisions	45 031	56 383

** adjusted data*

(all figures quoted in PLN thousands unless otherwise indicated)

Changes in other provisions

	Provisions for warranty-covered repairs and returns	Provisions for compensation dependent on the Group's financial result	Other provisions	Total
As of 01.01.2016	**6**	**54 863**	**1 514**	**56 383**
Provisions created during fiscal year	69	54 682	5 633	60 384
Provisions used	55	65 621	5 219	70 895
Provisions dissolved	-	18	858	876
Adjustments due to exchange rate differences	1	-	34	35
As of 31.12.2016, including:	**21**	**43 906**	**1 104**	**45 031**
long-term provisions	-	-	-	-
short-term provisions	21	43 906	1 104	45 031

	Provisions for warranty-covered repairs and returns	Provisions for compensation dependent on the Group's financial result*	Other provisions	Total
As of 01.01.2015	**-**	**-**	**95**	**95**
Provisions created during fiscal year	41	59 414	5 524	64 979
Provisions used	35	4 528	3 964	8 527
Provisions dissolved	-	23	157	180
Adjustments due to exchange rate differences	-	-	16	16
As of 31.12.2015, including:	**6**	**54 863**	**1 514**	**56 383**
long-term provisions	-	-	-	-
short-term provisions	6	54 863	1 514	56 383

** adjusted data*

Note 39. Disclosure of financial instruments

Fair value of financial instruments per class

Following an analysis of each class of financial instruments held by the Group the Management Board of the parent entity has reaced the conclusion that their carrying amounts in all cases reflect their corresponding fair value, both as of 31 December 2016 and as of 31 December 2015.

Hierarchy of financial instruments carried at fair value

	31.12.2016	31.12.2015
LEVEL 1		
Assets carried at fair value		
Financial assets carried at fair value through financial result, including:	**-**	**106**
shares in other entities	-	106
LEVEL 2		
Assets carried at fair value		
Derivatives:	**53**	**59**
forward exchange contract – USD	53	59

(all figures quoted in PLN thousands unless otherwise indicated)

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.

	01.01.2016 – 31.12.2016					01.01.2015 – 31.12.2015*				
	Financial assets carried at fair value through profit or loss	**Financial assets held to maturity**	**Loans granted and receivables**	**Financial assets held for sale**	**Other financial liabilities**	**Financial assets carried at fair value through profit or loss**	**Financial assets held to maturity**	**Loans granted and receivables**	**Financial assets held for sale**	**Other financial liabilities**
At beginning of period	**165**	**40 000**	**467 871**	**547**	**69 861**	**2 745**	**-**	**51 781**	**547**	**73 457**
Increases	**53**	**40 000**	**649 026**	**-**	**37 872**	**165**	**40 000**	**467 871**	**-**	**69 861**
Monetary assets	-	-	557 204	-	-	-	-	353 637	-	-
Trade and other receivables	-	-	91 822	-	-	-	-	114 234	-	-
Trade and other liabilities	-	-	-	-	37 733	-	-	-	-	69 568
Financial lease agreements	-	-	-	-	139	-	-	-	-	293
Short-term deposits (maturity beyond 3 months)	-	40 000	-	-	-	-	40 000	-	-	-
Shares in other companies	-	-	-	-	-	106	-	-	-	-
Forward contracts	53	-	-	-	-	59	-	-	-	-
Reductions	**165**	**40 000**	**467 871**	**353**	**69 861**	**2 745**	**-**	**51 781**	**-**	**73 457**
Cash assets	-	-	353 637	-	-	-		34 395	-	-
Trade and other receivables	-	-	114 234	-	-	-	-	17 386	-	-
Trade and other liabilities	-	-	-	-	69 568	-	-	-	-	72 796
Financial lease agreements	-	-	-	-	293	-	-	-	-	657
Short-term deposits (maturity beyond 3 months)	-	40 000	-	-	-	-	-	-	-	-
Repayment of credits and loans	-	-	-	-	-	-	-	-	-	4
Shares in other companies	106	-	-	-	-	-	-	-	-	-
Forward contracts	59	-	-	353	-	2 745	-	-	-	-
At end of period	**53**	**40 000**	**649 026**	**194**	**37 872**	**165**	**40 000**	**467 871**	**547**	**69 861**

** adjusted data*

The reduction in assets held for sale is due to the sale of 29 of 45 shares in cdp.pl sp z o.o. held by CD PROJEKT S.A., carried out on 15 September 2016. Consequently, following a decrease in the share capital of cdp.pl sp. z o.o., the Group's share in cdp.pl sp. z o.o. will be reduced from 8.29% to 3.11%.

(all figures quoted in PLN thousands unless otherwise indicated)

Note 40. Equity management

The main goal of equity management at the Group is to retain a good credit rating and safe capital indicators, facilitating Group operations, enabling implementation of future development and publishing plans, and increasing shareholder value.
The Group actively manages its equity structure, resulting in changes which reflect changing economic conditions. In order to retain or adjust said structure, the parent entity may pay out dividends to shareholders, return capital to shareholders or issue new shares. The Group monitors its capital status by applying a leverage ratio which is calculated as the ratio of net borrowing versus total equity increased by net borrowing. As of 31 December 2016 the value of cash assets held by the Group was in excess of the aggregate value of liabilities associated with provisionining of services and delivery of goods, together with all other liabilities. Consequently, the Group reports a positive cash balance.

Note 41. Employee benefits programs

2012-2015 incentive program

On 16 December 2011 the Extraordinary General Meeting of Shareholders of CD PROJEKT S.A. voted to institute an incentive program for personnel viewed as crucially important for theCapital Group , as described in note 47 of the Consolidated Financial Statement for 2015. The conditional increase in parent Company capital carried out in the framework of implementing the incentive program amounted to not more than 1.9 million PLN, which represents 2% of the parent Company share capital. A total of 1.45 million warrants were granted under the program. Following verification of the attainment of the incentive program's goals, a total of 1.17 million Series A subscription warrants were assigned to entitled parties, authorizing them to claim 1 170 000 Series L shares with a nominal value of 1 PLN per share.
At the close of the program, following redemption of Series A subscription warrants, a total of 1 170 000 Series L shares were issued and claimed by entltled parties.

Incentive program valuation – assumed indicators

Indicator	Warrants granted on 08.06.2015	Warrants granted on 19.03.2014	Warrants granted on 05.09.2012	Warrants granted on 06.03.2012
CDR volatility index	29%	45%	45%	45%
WIG volatility index	13%	19%	25%	25%
WIG correlation index	39%	52%	30%	30%
Risk-free rate	1.8%	3.1%	4.0%	5.0%

Grant date

Over the four-year duration of the incentive program the parent Company issued grants of eligibility in four batches. For each batch the fair value of assigned warrants was calculated on the corresponding grant date using modern financial engineering methods and numerical algorithms by a licensed actuary entered in the register of actuaries maintained by the Financial Supervision Authority (cf. above table).

Classification of valuation conditions

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

Number of shares on grant date

The parent Company stock volume during the incentive program was 94 950 000 shares.

Quantity of warrants granted

As of 31 December 2015 1 450 000 warrantes had been granted under the incentive program.

Implementation of the program

Implementation of the incentive program was contingent upon meeting two types of goals:

(all figures quoted in PLN thousands unless otherwise indicated)

- 20% of warrants – market goal – the change in the parent Company stock price on the Warsaw Stock Exchange, calculated as the difference between the closing price on the final trading day preceding 31 December 2015 and the closing price on the day of enactment of the program, i.e. 16 December 2011, must exceed the corresponding change in the WIG index calculated over the same period (i.e. 16 December 2011 – 31 December 2015) by at least 100%.

	16.12.2011	30.12.2015	Change
WIG	37 001.49	46 467.38	26%
CD PROJEKT S.A. stock price	4.89	22.15	353%

In accordance with the data provided above, the market goal of the incentive program is considered met. Following the balance sheet date, in Current Report no. 2/2016 of 29 January 2016 the Management Board of the parent Company announced that subscription warrants associated with the abovementioned market goal had been granted to entitled parties. Based on subscriptions filed on 29 January 2016, the entitled parties claimed a total of 290 000 Series A subscription warrants.

- 80% of warrants – result goal
  - With regard to entitled parties deemed as having significant influence on the results of the Capital Group in all of its activity segments, the result goal for the years 2012-2015 stipulates that the aggregate consolidated net earnings per share for the target period must be equal to or greater than 2.436 PLN. Given the total stock volume of the parent Company (94 950 000 shares) the aggregate consolidated net earnings of the Capital Group must be at least 231 298.2 thousand PLN. The actual aggregate consolidated net earnings of the Capital Group for the period covered by the incentive program are 389 704 thousand PLN, which corresponds to 4.11 PLN per parent Company share. Consequently, the result goal for entitled parties deemed as having significant influence on the results of the entire Capital Group is considered met.
  - With regard to entitled parties deemed as having significant influence on the results of individual activity segments result goals are set and assessed for each segment separately.

In Current Report no. 24/2016 the Management Boartd announced the assignment of subscription warrants in light of fulfillment of the abovementioned result goal. On 30 July 2016 the entitled parties filed subscription forms and subsequently claimed a total of 880 000 Series A subscription warrants.

Changes in warrants granted under the 2012-2015 incentive program

Breakdown	31.12.2016		31.12.2015	
	Number of warrants granted	Exercise price (PLN)	Number of warrants granted	Exercise price (PLN)
Unexercised at beginning of period	1 900 000	4.30	1 900 000	4.30
Granted but unexercised at beginning of period	1 450 000	4.30	1 300 000	4.30
Granted	-	-	150 000	4.30
Forfeited	280 000	4.30	-	-
Exercised	1 170 000	4.30	-	-
Unexercised at end of period	-	-	1 900 000	4.30
Granted but unexercised at end of period	-	-	1 450 000	4.30

2016-2021 incentive program

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

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

As of the balance sheet date a total of 5.69 million entitlements have been granted under the new incentive program. The conditional increase in the parent Company share capital associated with implementation of the program amounts to not more than 6 000 thousand PLN, which represents 6.24% of the parent entity's current share capital.

(all figures quoted in PLN thousands unless otherwise indicated)

Incentive program valuation – assumed indicators

Indicator	Entitlements granted on 17.11.2016	Entitlements granted on 05.07.2016
CDR volatility index	32%	32%
WIG volatility index	16%	16%
WIG correlation index	37%	39%
Risk-free rate	2.4%	2.5%

Grant date

In 2016 the parent Company issued grants of eligibility in two batches. For each batch the fair value of assigned warrants was calculated on the corresponding grant date using modern financial engineering methods and numerical algorithms by a licensed actuary entered in the register of actuaries maintained by the Financial Supervision Authority (cf. above table).

Classification of valuation conditions

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

Number of shares on grant date

As of 31 December 2016 the parent Company stock volume was 96 120 000 shares.

Quantity of entitlements granted

As of 31 December 2016 5 690 000 entitlements had been granted under the incentive program.

Implementation of the program

As of 31 December 2016 implementation of the incentive program for 2016-2021 is underway.

Changes in entitlements granted under the 2016-2021 incentive program

Breakdown	31.12.2016	
	Number of entitlements granted	Exercise price (PLN)
Granted	5 700 000	25.70 or 22.35
Forfeited	10 000	25.70 or 22.35
Unexercised at end of period	6 000 000	25.70 or 22.35
Granted but unexercised at end of period	5 690 000	25.70 or 22.35

Note 42. 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.

(all figures quoted in PLN thousands unless otherwise indicated)

Note 43. Changes affecting the structure of the CD PROJEKT Capital Group

On 30 December 2016 CD PROJEKT S.A. merged with CD PROJEKT Brands S.A. The merger was carried out by transferring all assets and liabilities of CD PROJEKT Brands S.A. (the Acquiree) to CD PROJEKT S.A. (the Acquirer). The goal of the merger was to streamline the Capital Group's business processes and reduce operating overheads by reducing the number of entities comprising the Group.

Transactions with affiliates following consolidation eliminations

	Sales to affiliates		Purchases from affiliates		Receivables from affiliates		Liabilities payable to affiliates	
	01.01.2016 – 31.12.2016	01.01.2015 – 31.12.2015	01.01.2016 – 31.12.2016	01.01.2015 – 31.12.2015	01.01.2016 – 31.12.2016	01.01.2015 – 31.12.2015	01.01.2016 – 31.12.2016	01.01.2015 – 31.12.2015
Marcin Iwiński	5	7	-	-	1	1	-	41
Adam Kiciński	4	3	-	-	-	2	7	5
Piotr Nielubowicz	5	5	-	-	-	-	-	2
Michał Nowakowski	10	10	-	-	-	-	3	1
Adam Badowski	-	1	-	-	9	1	-	1

(all figures quoted in PLN thousands unless otherwise indicated)

Note 44. Compensation of top management and Supervisory Board members

Benefits paid out to Capital Group Management Board members

	01.01.2016 – 31.12.2016	01.01.2015 – 31.12.2015*
Base salaries	869	1 216
Compensation for duties performed	2 454	2 098
Bonuses and compensation dependent on the Group's financial result	21 056	24 585
Total	**24 379**	**27 899**

** adjusted data*

Benefits paid out to other top executives at the Capital Group

	01.01.2016 – 31.12.2016	01.01.2015 – 31.12.2015*
Base salaries	2 577	1 610
Compensation for duties performed	174	143
Bonuses and compensation dependent on the Group's financial result	2 800	1 731
Total	**5 551**	**3 484**

** adjusted data*

Benefits paid out to Supervisory Board members

	01.01.2016 – 31.12.2016	01.01.2015 – 31.12.2015
Compensation for duties performed	236	156
Total	**236**	**156**

Note 45. Employment

Average employment

	01.01.2016 – 31.12.2016	01.01.2015 – 31.12.2015
Average employment	214	158
Total	**214**	**158**

Employee rotation

	01.01.2016 – 31.12.2016	01.01.2015 – 31.12.2015
Employees hired	81	68
Employees dismissed	26	24
Total	**55**	**44**

(all figures quoted in PLN thousands unless otherwise indicated)

Note 46. Operating lease agreements

The Company has concluded office space lease agreements which, in light of their substance, qualify as operating lease agreements. The Company does not report assets covered by these agreements in its financial statement. As of 31 December 2016 and 31 December 2015 future minimum payments associated with irrevocable operating lease agreements are as follows:

	31.12.2016	31.12.2015
less than 1 year	2 688	2 185
between 1 and 5 years	6 147	6 144
more than 5 years	-	-
Total	**8 835**	**8 329**

Note 47. Activated borrowing costs

Not applicable.

Note 48. Seasonal, cyclical or sporadic revenues

Not applicable.

Note 49. Fiscal settlements

Fiscal settlements and other areas of activity governed by legal regulations (such as import duties or currency exchange) may be subject to audits by administrative bodies authorized to impose high penalties and sanctions. The lack of entrenched legal regulations in Poland leads to numerous ambiguities and inconsistencies in this regard. Interpretation of existing tax law frequently varies from state organ to state organ as well as between state organs and business entities, giving rise to areas of uncertainty and conflict. These conditions increase tax risks in Poland beyond the level encountered in states with more developed fiscal systems.
Fiscal settlements may be subject to state audits within five years following the end of the period in which tax payment was effected.
On 15 July 2016 the Tax Code was amended to reflect the stipulations of the General Anti-Avoidance Rule (GAAR). The goal of GAAR is to discourage creation and exploitation of fictitious legal structures which serve primarily as a means of avoiding taxation. GAAR defines tax avoidance as any activity which is carried out specifically to obtain fiscal relief in a manner contrary to the spirit and substance of the applicable tax laws. Under GAAR, such activities provide no fiscal relief if carried out under false pretenses. Specifically, all cases of (i) unnecessary partitioning of activities; (ii) involving intermediaries despite the lack of economic justification for such involvement; (iii) elements leading to a state that is identical to or similar to that existing prior to the activities; (iv) mutually supportive or compensating elements and (v) economic risks higher than expected benefits other than taxation which would not have been chosen by reasonably acting entrepreneur, may be regarded as carried out under false pretenses and therefore subject to GAAR. The introduction of GAAR will mandate much more diligent assessment of the fiscal consequences of transactions carried out by the Group.
GAAR is applicable to transactions carried out following its introduction as well as to preceding transactions, if such transactions continued to generate tax benefits on the date of introduction of GAAR. Implementation of the abovementioned rules will enable Polish tax authorities to question legal agreements concluded by taxable entities, such as restructurization and reorganization of the Capital Group.

Note 50. Events following the balance sheet date

Information regarding events which occurred after the balance sheet date can be found in the Management Board report on CD PROJEKT Capital Group activities in the period between 1 January and 31 December 2016.

Note 51. Disclosure of transactions with entities charged with performing audits of financial statements

Compensation paid out or payable during the fiscal year (PLN thousands)	01.01.2016 – 31.12.2016	01.01.2015 – 31.12.2015
for auditing annual financial statements and the consolidated financial statement	90	59
for reviewing financial statements and the consolidated financial statement	53	18
for other services	3	5
Total	**146**	**82**

CD PROJEKT

Note 52. Clarifications regarding the cash flow statement

	01.01.2016 – 31.12.2016	01.01.2015 – 31.12.2015
Cash on balance sheet	557 204	353 637
Cash and cash equivalents reported in cash flow statement	**557 204**	**353 637**

	01.01.2016 – 31.12.2016	01.01.2015 – 31.12.2015*
Depreciation:	**35 640**	**99 622**
depreciation of intangibles	2 764	1 630
depreciation of expenditures on development projects	31 398	96 924
depreciation of fixed assets	1 478	1 068
Interest and share in profits (dividends) consist of:	**(6 959)**	**(1 799)**
interest received	(6 959)	(1 799)
Profit (loss) from investment activities results from:	**325**	**(117)**
revenues from sales of fixed assets	(181)	(250)
net value of fixed assets sold	127	176
net value of fixed assets liquidated	-	84
net vale of shares sold	46	-
revaluation of fixed assets	-	10
revaluation of short-term financial assets	-	(22)
revenues from sales of investments	(23)	(115)
fair-value assessment of cdp.pl shares	306	-
revaluation of short-term financial assets	50	-
Changes in provisions result from:	**(11 261)**	**56 315**
balance of changes in provisions for liabilities	(11 352)	56 288
balance of changes in provisions for employee benefits	91	27
Changes in inventory status result from:	**218**	**7 382**
balance of changes in inventory status	218	7 382
Changes in receivables result from:	**22 140**	**(96 789)**
balance of changes in short-term receivables	22 300	(96 850)
balance of changes in long-term receivables	(272)	61
current income tax adjustments	112	-
Changes in short-term liabilities except financial liabilities result from:	**(32 944)**	**(3 445)**
balance of changes in short-term liabilities	(35 827)	3 533
current income tax adjustments	3 762	(6 869)
changes in financial liabilities	230	104
adjustment for changes in credit and loan status	-	4
adjustments for changes in liabilities due to purchase of fixed assets	(675)	(217)
adjustments for changes in liabilities due to purchase of intangibles	(434)	-
Changes in other assets and liabilities result from:	**(6 687)**	**(5 241)**
balance of changes in prepaid expenses	(2 201)	(7 869)
balance of changes in deferred revenues	(4 479)	2 673

(all figures quoted in PLN thousands unless otherwise indicated)

profit from sales of forward transactions	-	(1)
balance of changes in other monetary assets	-	(40 000)
change in bank deposits with maturity periods in excess of 3 months	-	40 000
elimination of fixed assets received free of charge	(7)	(44)
Other adjustments include:	**8 337**	**3 549**
cost of incentive program	6 315	1 638
depreciation included in cost of products sold	909	636
exchange rate differences	1 113	1 275

** adjusted data*

Statement of the Management Board of the parent entity

With regard to the correctness of the 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 Company hereby declares that, to the best of its knowledge, this consolidated financial statement and comparative data contained herein have been prepared in accordance with all accounting regulations applicable to the CD PROJEKT Capital Group and that they constitute a true, unbiased and clear description of the finances and assets of the Capital Group as well as its current profit and loss balance.

This consolidated financial statement has been prepared in accordance with International Financial Reporting Standards (IFRS) approved by the EU and valid for 31 December 2016. Where the above mentioned standards are not applicable the statement conforms to the Accounting Act of 29 September 1994 (Journal of Laws of the Republic of Poland, 2013, item no. 330 with subsequent changes) and to any secondary legislation based on said Act, as well as to the directive of the Finance Minister of 19 February 2009 regarding the publication of periodic and current reports by issuers of securities (Journal of Laws of the Republic of Poland, No. 2014/33).

With regard to the entity charged with auditing the consolidated financial statement

On 1 June 2016 the Supervisory Board of the parent Comoany concurred with the recommendation submitted by the Management Board of the parent Company and selected Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp.k., headquartered in Warsaw, as the entity charged with reviewing the semiannual financial statement and performing an audit of the annual financial statement of the Company and its Capital Group for 2016. Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp.k. is included on the list of entities authorized to perform audits of financial statement, maintained by the National Chamber of Statutory Auditors (no. 130).

Approval of financial statement

This consolidated financial statement of CD PROJEKT S.A. was signed and approved for publication by the Management Board of CD PROJEKT S.A. on 30 March 2017, and is duly submitted to the General Meeting of CD PROJEKT S.A. for approval.
Warsaw, 30 March 2017

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

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

(all figures quoted in PLN thousands unless otherwise indicated)

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