SEPARATE FINANCIAL STATEMENT OF

CD PROJEKT S.A.

FOR 2016

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, services, goods and materials	476 152	698 225	108 817	166 848
Cost of products, goods and materials sold	49 372	149 321	11 283	35 682
Operating profit (loss)	296 243	407 527	67 702	97 383
Profit (loss) before tax	308 961	413 546	70 608	98 821
Net profit (loss)	249 702	336 200	57 066	80 338
Net cash flows from operating activities	246 868	390 833	56 418	93 393
Net cash flows from investment activities	(52 444)	(80 104)	(11 985)	(19 142)
Net cash flows from financial activities	(263)	2 546	(60)	608
Total net cash flows	194 161	313 275	44 373	74 860
Stock volume (thousands)	95 390	94 950	95 390	94 950
Net earnings per ordinary share (PLN/EUR)	2.62	3.54	0.60	0.85
Diluted net earnings per ordinary share (PLN/EUR)	2.61	3.54	0.60	0.85
Book value per share (PLN/EUR)	7.94	5.06	1.80	1.19
Diluted book value per share (PLN/EUR)	7.91	5.06	1.79	1.19
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	828 529	604 332	187 281	141 812
Liabilities and provisions for liabilities (less accrued charges)	69 429	123 401	15 694	28 957
Long-term liabilities	8 705	4 358	1 968	1 023
Short-term liabilities	62 248	119 887	14 071	28 133
Equity	757 576	480 087	171 242	112 657
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 December 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

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Profit and loss account

	Note	01.01.2016 – 31.12.2016	01.01.2015 – 31.12.2015*
Sales revenues	**1**	**476 152**	**698 225**
Revenues from sales of products		457 700	644 924
Revenues from sales of services		2 216	2 035
Revenues from sales of goods and materials		16 236	51 266
Cost of products, goods and materials sold	**3**	**49 372**	**149 321**
Cost of products and services sold		33 879	102 508
Value of goods and materials sold		15 493	46 813
Gross profit (loss) from sales		**426 780**	**548 904**
Other operating revenues	1,4	2 954	1 943
Selling costs	3	109 290	128 286
General and administrative costs	3	18 551	10 887
Other operating expenses	4	5 650	4 147
Operating profit (loss)		**296 243**	**407 527**
Financial revenues	1,5	12 909	15 737
Financial expenses	5	191	9 718
Profit (loss) before tax		**308 961**	**413 546**
Income tax	6	59 259	77 400
Net financial result of acquiree		-	54
Net profit (loss)		**249 702**	**336 200**
Net earnings per share (in PLN)			
Basic for the reporting period	8	2.62	3.54
Diluted for the reporting period	8	2.61	3.54
Net earnings per share from continuing operations (in PLN)			
Basic for the reporting period	8	2.62	3.54
Diluted for the reporting period	8	2.61	3.54

** adjusted data*

Statement of comprehensive income

	Note	01.01.2016 – 31.12.2016	01.01.2015 – 31.12.2015
Net profit (loss)		**249 702**	**336 200**
Other comprehensive income which will be entered as profit (loss) following fulfillment of specific criteria		-	-
Other comprehensive income which will not be entered as profit (loss)		-	-
Total comprehensive income	**10**	**249 702**	**336 200**

(all figures quoted in PLN thousands unless otherwise indicated)

Statement of financial position

	Note	31.12.2016	31.12.2015*
Fixed assets		**169 607**	**121 607**
Fixed assets	12	10 952	6 579
Intangibles	13	84 075	69 028
Expenditures on development projects	13	60 049	33 488
Investments in subsidiaries	16	13 850	11 750
Other financial assets	18	194	547
Other long-term receivables	17	487	215
WORKING ASSETS		**658 922**	**482 725**
Inventories	20	401	618
Trade receivables	22	73 372	87 591
Other receivables	23	23 701	27 426
Other financial assets	41	53	165
Prepaid expenses	24	1 012	703
Cash and cash equivalents	25	520 383	326 222
Other monetary assets	41	40 000	40 000
TOTAL ASSETS		**828 529**	**604 332**

** adjusted data*

	Note	31.12.2016	31.12.2015*
EQUITY		**757 576**	**480 087**
Equity attributable to shareholders of the parent company		**757 576**	**480 087**
Share capital	26	96 120	94 950
Supplementary capital	28	390 518	110 936
Other reserve capital	28	4 795	3 354
Retained earnings	29	16 441	(65 353)
Net profit (loss) for the reporting period		249 702	336 200
LONG-TERM LIABILITIES		**8 705**	**4 358**
Other financial liabilities	31,37	76	-
Deferred income tax liabilities	6	7 638	3 912
Deferred revenues	38	937	415
Provisions for employee benefits and similar liabilities	39	54	31
SHORT-TERM LIABILITIES		**62 248**	**119 887**
Other financial liabilities	31,37	63	293
Trade liabilities	33	7 204	4 660
Current income tax liabilities		3 678	7 349
Other liabilities	34,35	7 035	51 754
Deferred revenues	38	587	429
Provisions for employee benefits and similar liabilities	39	182	137
Other provisions	40	43 499	55 265
TOTAL LIABILITIES AND EQUITY		**828 529**	**604 332**

** adjusted data*

(all figures quoted in PLN thousands unless otherwise indicated)

CD PROJEKT

Statement of changes in equity

	Share capital	Supplementary capital	Other reserve capital	Retained earnings	Net profit (loss) for the reporting period	Total equity
01.01.2016 – 31.12.2016						
Equity as of 01.01.2016	**94 950**	**110 936**	**3 354**	**270 847**	**-**	**480 087**
Equity after adjustments	**94 950**	**110 936**	**3 354**	**270 847**	**-**	**480 087**
Cost of incentive program	-	-	6 315	-	-	6 315
Payment in own shares	1 170	8 735	(4 874)	-	-	5 031
Allocation of net profit / coverage of losses	-	270 847	-	(270 847)	-	-
Retained earnings at acquiree	-	-	-	16 441	-	16 441
Total comprehensive income	-	-	-	-	249 702	249 702
Equity as of 31.12.2016	**96 120**	**390 518**	**4 795**	**16 441**	**249 702**	**757 576**
01.01.2015 – 31.12.2015						
Equity as of 01.01.2015	**94 950**	**110 936**	**1 716**	**(65 338)**	**-**	**142 264**
Equity after adjustments	**94 950**	**110 936**	**1 716**	**(65 338)**	**-**	**142 264**
Cost of incentive program	-	-	1 638	-	-	1 638
Retained earnings at acquiree	-	-	-	(15)	-	(15)
Total comprehensive imcome	-	-	-	-	336 200	336 200
Equity as of 31.12.2015	**94 950**	**110 936**	**3 354**	**(65 353)**	**336 200**	**480 087**

(all figures quoted in PLN thousands unless otherwise indicated)

Statement of cash flows

	Note	01.01.2016 – 31.12.2016	01.01.2015 – 31.12.2015*
OPERATING ACTIVITIES			
Net profit / (loss)		**249 702**	**336 200**
Total adjustments:	**52**	**(2 106)**	**44 574**
Depreciation of fixed assets and intangibles/legal assets		2 170	1 468
Depreciation of development projects		31 398	96 924
Interest and profit sharing (incl. dividends)		(10 828)	(9 092)
Profit (loss) from investment activities		329	(29)
Change in provisions		(10 917)	55 180
Change in inventories		217	7 382
Change in receivables		17 348	(97 651)
Change in liabilities excluding credits and loans		(41 967)	(8 752)
Change in other assets and liabilities		365	(699)
Other adjustments		9 779	(157)
Cash flow from continuing operations		**247 596**	**380 774**
Income tax on profit (loss) before taxation		59 259	77 400
Income tax (paid) / reimbursed		(59 987)	(67 341)
Net cash flow from operating activities		**246 868**	**390 833**
INVESTMENT ACTIVITIES			
Inflows		**50 972**	**11 973**
Liquidation of intangibles and fixed assets		55	62
Liquidation of financial assets		85	2 781
Bank deposits held to maturity		40 000	-
Other inflows from investment activities (dividends and interest)		10 832	9 130
Outflows		**103 416**	**92 077**
Purchases of intangibles and fixed assets		9 478	11 925
Expenditures on development projects		53 938	40 090
Creation of bank deposits		40 000	40 000
Purchases of financial assets		-	62
Net cash flow from investment activities		**(52 444)**	**(80 104)**
FINANCIAL ACTIVITIES			
Inflows		**5 031**	**2 962**
Net inflows from issue of securities (stock) and other equity instruments, and from capital contributions		5 031	-
Other inflows from financial activities		-	2 962
Outflows		**5 294**	**416**
Capital contributions at subsidiary		4 000	-
Repayment of credits and loans		-	4
Payment of liabilities under financial lease agreements		499	374
Interest payments		4	38
Other financial expenses (incl. cash pool expenses)		791	-

(all figures quoted in PLN thousands unless otherwise indicated)

Net cash flows from financial activities	**(263)**	**2 546**
Total net cash flow	**194 161**	**313 275**
Change in cash and cash equivalents on balance sheet	**194 161**	**313 275**
Cash and cash equivalents at beginning of period	**326 222**	**12 947**
Cash and cash equivalents at end of period	**520 383**	**326 222**

** 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

Changes in accounting practices

The accounting practices applied in preparing this separate financial statement, the Management Board's professional judgment concerning the Company's accounting practices as well as the main sources of uncertainty in estimations are in all material aspects consistent with the practices applied in preparing the Separate Financial Statement of CD PROJEKT S.A. for 2015, except for presentation-related adjustments described in the section titled "Assumption of comparability of financial statements".

Assumption of going concern

This financial statement is prepared under the assumption that the Company intends 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 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 30 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.

(all figures quoted in PLN thousands unless otherwise indicated)

CD PROJEKT

Regulated market listings

General information

Stock exchange	Warsaw Stock Exchange (Giełda Papierów Wartościowych w Warszawie S.A.) Książęca 4 00-498 Warsaw
WSE ticker symbol	CDR

Depository and settlement system

Depository and settlement system	National Deposit for Securities (Krajowy Depozyt Papierów Wartościowych S.A.; KDPW) Książęca 4 00-498 Warsaw

Investor relations

Investor relations	gielda@cdprojekt.com

Compliance with International Financial Reporting Standards

This separate 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 separate financial statement for 2016 the Company applied the same accounting standards as in its separate 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.

(all figures quoted in PLN thousands unless otherwise indicated)

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

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

Early application of standards

The Company did not avail itself of the possibility of early application of any standards or changes in standards approved by the EU and applicable to reporting period beginning on or after 1 January 2016.

Standards published and endorsed by the EU which have not yet entered into force, and their impact on the Company's financial statement

The Management Board is currently assessing the influence of the new standards and changes in existing standards upon the Company's financial statement following their entry into force. In approving this financial statement the Company 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 Company 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 Company's fiunancial 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 Company's financial statement.

- **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 Company'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 Company 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 Company's financial statements.

Determininng the eventual effect of the standards and changes listed above upon the Company's separate 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 Company 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 **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

The Company is currently performina an analysis of the effect of the abovementioned standards and changes in standards upon its separate financial statement.

CD PROJEKT

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 Company 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 Company, 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 Company. 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 Company 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 Company 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 Company'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 Company 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 Company offsets projects costs against sales revenues using the natural method, in proportion to realized sales. Amortization of development expenditures is presented in the profit and loss account as the cost of products and services sold.

In its financial statement the Company 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 the Company 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 the 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 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 the 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 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 the 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

The Company includes in its statement of deferred and accrued charges any prepayments and charges related in part or in full to subsequent reporting periods.

Deferred charges are recognized by the Company 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.

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 Company 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 the contracts to which the Company is a party.

Share capital is reported at nominal value, in the amount consistent with the 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 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 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 Company does not provide any employee benefit programs following termination of employment.

On 24 May 2016 the Extraordinary 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 Company's equity less any applicable liabilities.

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 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 Company operates (functional currency). The financial statement is presented in Polish Zlotys (PLN), which is the functional and presentation currency of the Company.

Transactions and balances

Transactions denominated in foreign currencies are converted to the functional currency according to the exchange rate on the date of the transaction. Exchange rate losses and gains on settlement of transactions and on valuation of assets and liabilities denominated in foreign currencies are reported in the profit and loss 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

The Company classifies 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 benefits settled in own shares were estimated on the basis of actuarial valuation methods.

Deferred tax assets

The Company srecognize 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

The Company recognizes 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 Company applies its professional judgment.

Depreciation rates

Depreciation rates are determined on the basis of the expected useful economic life of tangible equity assets and intangible assets. The 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 separate financial statement, the Management Board's professional judgment concerning the Company's accounting practices as well as the main sources of uncertainty in estimations are in all material aspects consistent with the practices applied in preparing the Separate Financial Statement of CD PROJEKT S.A. for 2015, except for changes in accounting policies and presentation-related adjustments described below.

In preparing this separate financial statement for the period between 1 January and 31 December 2016 a policy change has been introduced compared to the separate 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 solutions 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 Company 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 separate 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:

- W In the statement of financial position for 31 December 2015 and in the 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.
  - Statement of financial position for 31 December 2015:
    - Expenditures on development projects – adjusted by 33 488 thousand PLN

- Inventories – adjusted by (33 488) thousand PLN

- 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 (1 925) thousand PLN
  - Expenditures on development projects – adjusted by 40 090 thousand PLN
  - Changes in inventories – adjusted by (55 023) thousand PLN
  - Other adjustments - adjusted by 114 thousand PLN

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

- In the statement of financial position for 31 December 2015, in the profit and loss account for the period between 1 January and 31 December 2015 and in the statement of cash flows for the period between 1 January and 31 December 2015 the presentation of expenses associated with bonuses contingent upon the Company's financial result has been adjusted as follows:
  - Statement of financial position for 31 December 2015
    - Other financial liabilities – adjusted by (19 531) thousand PLN
    - Other provisions – adjusted by 19 531 thousand PLN
  - 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
  - Statement of cash flows for the period between 1 January and 31 December 2015
    - Changes in provisions – adjusted by 19 531 thousand PLN
    - Changes in liabilities, except credits and loans – adjusted by (19 531) thousand PLN

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

- In the 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 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 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 (14 285) thousand PLN
  - Liabilities from current income tax – adjusted by (14 285) thousand PLN

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

- In the 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 statement of financial position for 31 December 2015 and in the 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:
  - 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
  - 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 Company's financial result or equity.

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

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

3

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	**476 152**	**698 225**
Revenues from sales of products	457 700	644 924
Revenues from sales of services	2 216	2 035
Revenues from sales of goods and materials	16 236	51 266
Other revenues	**15 863**	**17 680**
Other operating revenues	2 954	1 943
Financial revenues	12 909	15 737
Revenues from continuing operations	**492 015**	**715 905**

Note 2. Operating segments

Information concerning the Company's operating segments is provided in Section 3 of the Consolidated Financial Statement of the CD PROJEKT Capital Group for the period between 1 January and 31 December 2016.

Note 3. Operating costs

	01.01.2016 – 31.12.2016	01.01.2015 – 31.12.2015*
Depreciation of fixed and intangible assets, and impairment write-downs	2 170	1 468
Consumption of materials and energy	817	1 174
Bought-in services	34 382	34 596
Taxes and fees	389	425
Employee compensation, social security and other benefits	70 217	96 002
Business travel	869	1 016
Other costs, including:	**18 997**	**4 492**
recruitment and relocation costs	209	188
use of company cars	95	123
representation and advertising	12 849	3 153
insurance	208	142
participation in fairs, exhibitions and conferences	4 855	670
other expenses	781	216
Value of goods and materials sold	15 493	46 813
Cost of products and services sold	33 879	102 508
Total	**177 213**	**288 494**
Selling costs	109 290	128 286
General and adminstrative costs	18 551	10 887
Cost of products, goods and materials sold	49 372	149 321
Total	**177 213**	**288 494**

** adjusted data*

(all figures quoted in PLN thousands unless otherwise indicated)

Depreciation and impairment write-downs recognized in the profit and loss account

	01.01.2016 – 31.12.2016	01.01.2015 – 31.12.2015*
Items aggregated with selling costs	**675**	**588**
Depreciation of fixed assets	165	241
Depreciation of intangible assets	510	347
Items aggregated with general and administrative costs	**1 496**	**880**
Depreciation of fixed assets	901	698
Depreciation of intangible assets	595	182

** adjusted data*

Employee benefits

	01.01.2016 – 31.12.2016	01.01.2015 – 31.12.2015*
Employee compensation	67 298	92 795
Social security and other similar expenses	1 849	967
Other employee benefits	1 070	2 240
Total employee benefits	**70 217**	**96 002**
Items aggregated with selling costs	57 717	89 858
Items aggregated with general and administrative costs	12 500	6 144

** adjusted data*

Note 4. Other operating revenues and expenses

Other operating revenues

	01.01.2016 – 31.12.2016	01.01.2015 – 31.12.2015
Dissolution of provisions for employee benefits	41	-
Dissolution of provisions for liabilities	116	67
Profit from sales of fixed assets	48	-
Subsidies	806	694
Reinvoicing revenues	1 049	920
Elimination of write-downs for receivables	73	110
Write-downs on expired liabilities	7	40
Settlement of financial lease liabilities	13	-
Other revenues, including:	**801**	**112**
repossession gains received	20	8
goods and materials received free of charge	7	63
other sales	450	30
consortium settlements	232	-
other miscalleneous operating revenus	92	11
Total	**2 954**	**1 943**

(all figures quoted in PLN thousands unless otherwise indicated)

Other operating expenses

	01.01.2016 – 31.12.2016	01.01.2015 – 31.12.2015*
Creation of provisions for future liabilities	-	1 016
Reinvoicing costs	1 049	920
Revaluations of trade receivables	3 216	96
Unrecoverable withholding tax	252	606
Other expenses, including:	**1 133**	**1 509**
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	1 048	-
other miscallaneous expenses	28	50
Total	**5 650**	**4 147**

** adjusted data*

Creation of inventory revaluation write-downs

	01.01.2016 – 31.12.2016	01.01.2015 – 31.12.2015
Receivables	3 216	96
Total	**3 216**	**96**

Note 5. Financial revenues and expenses

Financial revenues

	01.01.2016 – 31.12.2016	01.01.2015 – 31.12.2015*
Revenues from interest	**7 038**	**1 792**
on short-term bank deposits	6 920	1 785
on trade settlements	6	-
on loands (incl. cash pool loans)	32	7
on long-term receivables	80	-
Other financial revenues	**5 871**	**13 945**
dividends received	3 873	7 338
forward currency transactions	856	6 403
surplus positive exchange rate differences	444	-
profit from sales of shares	678	-
revenues from investment fund shares	-	72
forward contract valuation	-	59
revenues from sureties granted	10	9
valuation of shares in other entities	-	43
other miscallaneous financial revenues	10	21
Total financial revenues	**12 909**	**15 737**

** adjusted data*

(all figures quoted in PLN thousands unless otherwise indicated)

Financial expenses

	01.01.2016 – 31.12.2016	01.01.2015 – 31.12.2015*
Interest payments	**164**	**86**
on loands (incl. cash pool loans)	3	37
on lease agreements	9	20
on budget commitments	152	28
miscellaneous	-	1
Other financial expenses	**27**	**9 632**
surplus negative interest rate differences	-	9 534
net losses from sales of investments (shares)	21	-
forward currency transactions	6	-
compensation due to sureties	-	1
bank fees	-	17
discount of long-term receivables	-	80
Other financial expenses	**191**	**9 718**
Net balance of financial activities	**12 718**	**6 019**

** adjusted data*

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	-	3 888	3 070	(155)	**6 803**
Revenues from shares held	657	-	-	-	**657**
Creation of write-downs	-	-	(3 216)	-	**(3 216)**
Dissolution of write-downs	-	-	73	-	**73**
Profit/(loss) from sales of financial instruments	856	-	-	-	**856**
Valuation of forward contracts	(6)	-	-	-	**(6)**
Total profit/(loss)	**1 507**	**3 888**	**(73)**	**(155)**	**5 167**

	Financial assets/liabilities 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	698	(65)	1 727
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**	**712**	**(65)**	**8 318**

** adjusted data*

(all figures quoted in PLN thousands unless otherwise indicated)

Note 6. 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	**56 316**	**74 192**
For the fiscal year	56 296	74 832
Adjustments from preceding years	20	(640)
Deferred income tax	**2 943**	**3 208**
Due to creation and reversal of temporary differences	2 943	3 208
Tax burden reported in profit and loss account	**59 259**	**77 400**

Current income tax

	01.01.2016 – 31.12.2016	01.01.2015 – 31.12.2015
Pre-tax income	**308 961**	**413 546**
Revenues applicable to future reporting periods	(15 764)	81 940
Tax-exempt revenues	5 155	7 721
Revenues from advance payments subject to fiscal disclosures	(15 820)	15 820
Expenses from preceding years reducing the tax base	31 520	8 524
Non-deductible expenses	27 583	62 670
Taxable income	**299 813**	**393 851**
Deductions from income (incl. losses sustained in preceding years and deductions associated with rollout of new technologies)	3 520	-
Tax base	**296 293**	**393 851**
Income tax due (assumed rate: 19%)	56 296	74 832
Effective tax rate	**19.18%**	**18.72%**

Current income tax is estimated by applying a tax rate of 19% to the reported tax base.

Negative temporary differences requiring recognition of deferred tax assets

	31.12.2015	increases	reductions	31.12.2016
Provisions for other employee benefits	35 086	24 702	46 153	13 635
Valuation of futures contracts under the incentive program	19 531	29 654	19 531	29 654
Negative exchange rate differences	750	4 191	3 915	1 026
Prepayments recognized as taxable income	15 820	-	15 820	-
Deposit discount	80	152	232	-
Incentive program	3 354	970	4 324	-
Other provisions	563	1 700	1 913	350
Total negative temporary differences	**75 184**	**61 369**	**91 888**	**44 665**
Tax rate (Poland)	19%	19%	19%	19%
Deferred tax assets at end of period	**14 285**	**11 660**	**17 459**	**8 486**

(all figures quoted in PLN thousands unless otherwise indicated)

Positive temporary differences requiring recognition of deferred tax liabilities

	31.12.2015*	increases	reductions	31.12.2016
Difference between balance sheet value and tax value of fixed assets and intangibles	9 029	8 001	-	17 030
Revaluation of forward contracts (cash flow hedge) at fair value	59	53	59	53
Positive exchange rate differences	442	1 879	1 319	1 002
Income in the current period invoiced in the following period	81 941	383 652	399 128	66 465
Costs related to advance payments recognized as taxable income	3 532	-	3 532	-
Valuation of shares in other entities	475	-	306	169
Other sources	298	3 906	4 059	145
Total negative temporary differences	**95 776**	**397 491**	**408 403**	**84 864**
Tax rate (Poland)	19%	19%	19%	19%
Deferred tax liabilities at end of period	**18 197**	**75 523**	**77 596**	**16 124**

** adjusted data*

Net deferred tax assets/liabilities

	01.01.2016 – 31.12.2016	01.01.2015 – 31.12.2015
Deferred tax assets	8 486	14 285
Deferred tax liabilities	16 124	18 197
Net deferred tax assets/liabilities	**(7 638)**	**(3 912)**

Note 7. Discontinued operations

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

Note 8. Earnings per share

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

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 Company. Information regarding the quantity of warrants issued is provided in Note 43.

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	249 702	336 200
Base earnings per share from continuing operations (PLN)	2,62	3,54
Diluted earnings per share from continuing operations (PLN)	**2,61**	**3,54**

(all figures quoted in PLN thousands unless otherwise indicated)

Note 9. 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 10. Disclosure of other components of the reported comprehensive income

	01.01.2016 – 31.12.2016	01.01.2015 – 31.12.2015
Net profit (loss)	**249 702**	**336 200**
Exchange rate differences on valuation of foreign entities	-	-
Share in profits and losses of affiliates and joint ventures calculated using the equity method	-	-
Total comprehensive income	**249 702**	**336 200**

Note 11. Tax effects of other components of the reported comprehensive income

Not applicable.

Note 12. Tangible fixed assets

Ownership structure of fixed assets

	31.12.2016	31.12.2015
Wholly owned	10 668	6 013
Held under a hire purchase, hire or leasing contract	284	566
Total	**10 952**	**6 579**

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

	31.12.2016	31.12.2015
Held under a leasing contract	284	566
Fixed assets subsidized by the EU	1 905	2 413
Value of fixed assets whose title is restricted and fixed assets pledged as collateral for liabilities	**2 189**	**2 979**

Contractual commitments for future acquisition of tangible fixed assets

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

(all figures quoted in PLN thousands unless otherwise indicated)

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	**3 530**	**7 943**	**1 365**	**157**	**12**	**13 007**
Increases from:	**1 532**	**3 932**	**352**	**181**	**3 069**	**9 066**
purchases	291	3 925	6	181	3 069	7 472
reclassification from fixed assets under construction	1 241	-	-	-	-	1 241
leasing agreements	-	-	346	-	-	346
acquisition free of charge	-	7	-	-	-	7
Reductions from:	**6**	**3**	**179**	**-**	**1 241**	**1 429**
sales	6	3	179	-	-	188
reclassification from fixed assets under construction	-	-	-	-	1 241	1 241
Gross carrying amount as of 31.12.2016	**5 056**	**11 872**	**1 538**	**338**	**1 840**	**20 644**
Amortization as of 01.01.2016	**1 429**	**4 312**	**639**	**48**	**-**	**6 428**
Increases from:	**440**	**2 535**	**313**	**159**	**-**	**3 447**
depreciation	440	2 535	313	159	-	3 447
Reductions from:	**1**	**3**	**179**	**-**	**-**	**183**
sales	1	3	179	-	-	183
Amortization as of of 31.12.2016	**1 868**	**6 844**	**773**	**207**	**-**	**9 692**
Impairment write-downs as of 01.01.2016	-	-	-	-	-	-
Impairment write-downs as of 31.12.2016	-	-	-	-	-	-
Net carrying amount as of 31.12.2016	**3 188**	**5 028**	**765**	**131**	**1 840**	**10 952**

(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	**3 087**	**4 536**	**1 492**	**64**	**-**	**9 179**
Increases from:	**595**	**3 407**	**4**	**93**	**544**	**4 643**
purchases	63	3 366	4	93	544	4 070
reclassification from fixed assets under construction	532	-	-	-	-	532
acquisition free of charge	-	41	-	-	-	41
Reductions from:	**152**	**-**	**131**	**-**	**532**	**815**
sales	-	-	131	-	-	131
liquidation	152	-	-	-	-	152
reclassification from fixed assets under construction	-	-	-	-	532	532
Gross carrying amount as of 31.12.2015	**3 530**	**7 943**	**1 365**	**157**	**12**	**13 007**
Amortization as of 01.01.2015	**1 183**	**2 989**	**396**	**9**	**-**	**4 577**
Increases from:	**314**	**1 323**	**298**	**39**	**-**	**1 974**
depreciation	314	1 323	298	39	-	1 974
Reductions from:	**68**	**-**	**55**	**-**	**-**	**123**
liquidation	68	-	-	-	-	68
sales	-	-	55	-	-	55
Amortization as of of 31.12.2015	**1 429**	**4 312**	**639**	**48**	**-**	**6 428**
Impairment write-downs as of 01.01.2015	-	-	-	-	-	-
Impairment write-downs as of 31.12.2015	-	-	-	-	-	-
Net carrying amount as of 31.12.2015	**2 101**	**3 631**	**726**	**109**	**12**	**6 579**

Fixed assets under construction

	01.01.2016	Expenditures in fiscal year	Expenditure settlements	31.12.2016
Adaptation of office and social space	12	2 840	1 241	1 611
Construction of motion capture studio	-	229	-	229
Total	**12**	**3 069**	**1 241**	**1 840**

	01.01.2015	Expenditures in fiscal year	Expenditure settlements	31.12.2015
Adpatation of office and social space	-	494	482	12
Total	**-**	**494**	**482**	**12**

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	Amortization	Net value	Gross value	Amortization	Net value
Vehicles	348	64	284	810	244	566
Total	**348**	**64**	**284**	**810**	**244**	**566**

Note 13. 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	**28 390**	**135 855**	**18 364**	**903**	**6 624**	**14 072**	**39 147**	**-**	**1**	**243 356**
Increases from:	**57 959**	**26 300**	**15 103**	**60**	**-**	**2 855**	**-**	**-**	**-**	**102 277**
purchases	-	-	-	60	-	2 855	-	-	-	2 915
reclassification from development projects in progress	-	26 300	-	-	-	-	-	-	-	26 300
business combinations	-	-	15 103	-	-	-	-	-	-	15 103
own creation	57 959	-	-	-	-	-	-	-	-	57 959
Reductions from:	**26 300**	**-**	**-**	**94**	**-**	**1 076**	**-**	**-**	**-**	**27 470**
liquidation	-	-	-	94	-	1 076	-	-	-	1 170
reclassification from development projects in progress	26 300	-	-	-	-	-	-	-	-	26 300
Gross carrying amount as of 31.12.2016	**60 049**	**162 155**	**33 467**	**869**	**6 624**	**15 851**	**39 147**	**-**	**1**	**318 163**
Amortization as of 01.01.2016	**-**	**130 757**	**-**	**466**	**33**	**9 583**	**-**	**-**	**1**	**140 840**
Increases from:	**-**	**31 398**	**-**	**117**	**-**	**2 854**	**-**	**-**	**-**	**34 369**
depreciation	-	31 398	-	117	-	2 854	-	-	-	34 369
Reductions from:	**-**	**-**	**-**	**94**	**-**	**1 076**	**-**	**-**	**-**	**1 170**
liquidation	-	-	-	94	-	1 076	-	-	-	1 170
Amortization as of 31.12.2016	**-**	**162 155**	**-**	**489**	**33**	**11 361**	**-**	**-**	**1**	**174 039**
Impairment write-downs as of 01.01.2016	-	-	-	-	-	-	-	-	-	-
Impairment write-downs as of 31.12.2016	-	-	-	-	-	-	-	-	-	-
Net carrying amount as of 31.12.2016	**60 049**	**-**	**33 467**	**380**	**6 591**	**4 490**	**39 147**	**-**	**-**	**144 124**

(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 01.01.2016	**88 460**	**33 883**	**18 364**	**834**	**491**	**11 055**	**39 147**	**1 143**	**1**	**193 378**
Increases from:	**41 902**	**101 972**	**-**	**69**	**6 133**	**3 017**	**-**	**1 397**	**-**	**154 490**
purchases	-	-	-	69	6 133	473	-	1 397	-	8 072
reclassification from intangible assets under construction	-	-	-	-	-	2 540	-	-	-	2 540
reclassification from development projects in progress	-	101 972	-	-	-	-	-	-	-	101 972
acquisition free of charge	-	-	-	-	-	4	-	-	-	4
own creation	41 902	-	-	-	-	-	-	-	-	41 902
Reductions from:	**101 972**	**-**	**-**	**-**	**-**	**-**	**-**	**2 540**	**-**	**104 512**
reclassification from intangible assets under construction	-	-	-	-	-	-	-	2 540	-	2 540
reclassification from development projects in progress	101 972	-	-	-	-	-	-	-	-	101 972
Gross carrying amount as of 31.12.2015	**28 390**	**135 855**	**18 364**	**903**	**6 624**	**14 072**	**39 147**	**-**	**1**	**243 356**
Amortization as of 01.01.2015	**-**	**33 833**	**-**	**355**	**-**	**8 307**	**-**	**-**	**1**	**42 496**
Increases from:	**-**	**96 924**	**-**	**111**	**33**	**1 276**	**-**	**-**	**-**	**98 344**
depreciation	-	96 924	-	111	33	1 276	-	-	-	98 344
Reductions	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Amortization as of 31.12.2015	**-**	**130 757**	**-**	**466**	**33**	**9 583**	**-**	**-**	**1**	**140 840**
Impairment write-downs as of 01.01.2015	-	-	-	-	-	-	-	-	-	-
Impairment write-downs as of 31.12.2015	-	-	-	-	-	-	-	-	-	-
Net carrying amount as of 31.12.2015	**28 390**	**5 098**	**18 364**	**437**	**6 591**	**4 489**	**39 147**	**-**	**-**	**102 516**

** adjusted data*

Ownership structure of intangible assets

	31.12.2016	31.12.2015
Wholly owned assets	84 075	69 028
Total	**84 075**	**69 028**

(all figures quoted in PLN thousands unless otherwise indicated)

Intangible assets under construction

	01.01.2016	Expenditures in fiscal year	Expenditure settlements	31.12.2016
Total	**-**	**-**	**-**	**-**

	01.01.2015	Expenditures in fiscal year	Expenditure settlements	31.12.2015
Deployment of ERP B2B software	1 143	1 397	2 540	-
Total	**1 143**	**1 397**	**2 540**	**-**

Contractual commitments for future acquisition of intangible assets

None reported.

Intangible assets whose title is restricted

None reported.

Note 14. Goodwill

Goodwill acquired in business combinations

	31.12.2016	31.12.2015
CD Projekt Red sp. z o.o.	39 147	39 147
Total	**39 147**	**39 147**

Changes in goodwill

	01.01.2016 – 31.12.2016	01.01.2015 – 31.12.2015
Gross goodwill at beginning of period	**39 147**	**39 147**
Increases from business combinations	-	-
Reductions from business combinations	-	-
Gross goodwill at end of period	**39 147**	**39 147**
Impairment write-downs	-	-
Net goodwill	**39 147**	**39 147**

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.

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

(all figures quoted in PLN thousands unless otherwise indicated)

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 the management practices and reducing administrative overheads within the Capital Group. Recognition of the merger resulted in an increase of the balance of assets and liabilities by 21 291 thousand PLN, a decrease in the reported value of investments in affiliates by 1 900 thousand PLN and an increase in the Company's net financial result by 2 751 thousand PLN representing the net financial result of the Acquiree.

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 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 15. Investment properties

Not applicable.

Note 16. Investments in affiliates

Investments in affiliates held at purchase price

	31.12.2016	31.12.2015
Investments in affiliates (subsidiaries)	13 850	11 750

Changes in investments in affiliates

	01.01.2016 – 31.12.2016	01.01.2015 – 31.12.2015
At beginning of period	**11 750**	**9 855**
Increases from:	**4 000**	**1 900**
recognition of business combinations	-	1 900
share capital contributions	4 000	-
Reductions from:	**1 900**	**5**
recognition of business combinations	1 900	5
At end of period	**13 850**	**11 750**

Investments in affiliates as of 31.12.2016

	GOG Poland sp. z o.o.	GOG Ltd.	CD PROJEKT INC.
Registered office	Warsaw	Nicosia	Los Angeles, Venice
Percentage of shares held as of 01.01.2016	100%	100%	100%
Percentage of votes controlled as of 31.12.2016	100%	100%	100%
Capital investment	5 330	8 358	162

(all figures quoted in PLN thousands unless otherwise indicated)

Investments in affiliates as of 31.12.2015

	GOG Poland sp. z o.o.	GOG Ltd.	CD PROJEKT Brands S.A.	CD PROJEKT INC.
Registered office	Warsaw	Nicosia	Warsaw	Los Angeles, Venice
Percentage of shares held as of 01.01.2015	100%	100%	100%	100%
Percentage of votes controlled as of 31.12.2015	100%	100%	100%	100%
Capital investment	1 900	1 330	8 358	162

Note 17. Other long-term receivables

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

Note 18. Financial assets held for sale

	31.12.2016	31.12.2015
Investments in subsidiaries	194	547
Total	**194**	**547**

Note 19. Joint ventures

The Company takes part in the following significant joint ventures

Name of venture	Location of venture	Contract signed on (year)	Scope of venture	Participant	Main areas of responsibility
Consortium	Warsaw	2016	Cooperation in the scope of development, marketing, distribution and maintenance of the GWENT videogame	CD PROJEKT S.A.	Conceptual development, rule setup, visuals, frontend development, localizations, marketing and communication activities
				GOG Poland Sp. z o.o.	Backend software, in-game transactions, maintenance of server infrastructure

From the accounting point of view, the joint venture between CD PROJEKT S.A. and GOG Poland Sp. z o.o. in the scope of development of GWENT is settled in monthly cycles. The basis of such settlements, in accordance with the previously agreed participation ratio, is the joint sales margin achieved by both entities, set against the totality of revenues and costs directly attributable to GWENT. The first settlement occurred at the end of 2016 and covered all costs and revenues previously reported by both entities in conjunction with their involvement in the GWENT consortium.

Note 20. Inventories

	31.12.2016	31.12.2015*
Goods	373	584
Other materials	28	34
Gross inventories	**401**	**618**
Inventory impairment write-downs	-	-
Net inventories	**401**	**618**

** adjusted data*

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

(all figures quoted in PLN thousands unless otherwise indicated)

Inventories between 01.01.2016 and 31.12.2016

	Goods	Total
Value of inventories recognized as cost during the reporting period	15 493	15 493

Inventories between 01.01.2015 and 31.12.2015*

	Goods	Total
Value of inventories recognized as cost during the reporting period	46 813	46 813

** adjusted data*

Changes in inventory revaluation write-downs

None reported.

Inventories pledged as collateral for liabilities

Not applicable

Note 21. Construction contracts

Not applicable.

Note 22. Trade receivables

	31.12.2016	31.12.2015
Net trade receivables	**73 372**	**87 591**
from affiliates	5 669	2 053
from external entities	67 703	85 538
Impairment write-downs	3 478	382
Gross trade receivables	**76 850**	**87 973**

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	**-**	**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:	**120**	**108**
elimination of impairment write-downs due to collection of receivables	80	81
elimination of impairment write-downs by write-offs	40	27
Impairment write-downs at end of period	**3 478**	**382**
Aggregate impairment write-downs at end of period	**3 478**	**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
AFFILIATES							
gross receivables	5 669	2 838	2 831	-	-	-	-
impairment write-downs	-	-	-	-	-	-	-
Net receivables	**5 669**	**2 838**	**2 831**	**-**	**-**	**-**	**-**
OTHER ENTITIES							
gross receivables	71 181	67 571	132	2 663	46	259	510
impairment write-downs	3 478	-	-	2 663	46	259	510
Net receivables	**67 703**	**67 571**	**132**	**-**	**-**	**-**	**-**
TOTAL							
gross receivables	76 850	70 409	2 963	2 663	46	259	510
impairment write-downs	3 478	-	-	2 663	46	259	510
Net receivables	**73 372**	**70 409**	**2 963**	**-**	**-**	**-**	**-**

Current and past-due trade receivables as of 31.12.2015

	Total	Days overdue					
		<0	0 – 60	61 – 90	91 – 180	181 – 360	>360
AFFILIATES							
gross receivables	2 053	2 040	12	1	-	-	-
impairment write-downs	-	-	-	-	-	-	-
Net receivables	**2 053**	**2 040**	**12**	**1**	**-**	**-**	**-**
OTHER ENTITIES							
gross receivables	85 920	83 787	1 280	9	322	140	382
impairment write-downs	382	-	-	-	-	-	382
Net receivables	**85 538**	**83 787**	**1 280**	**9**	**322**	**140**	**-**
TOTAL							
gross receivables	87 973	85 827	1 292	10	322	140	382
impairment write-downs	382	-	-	-	-	-	382
Net receivables	**87 591**	**85 827**	**1 292**	**10**	**322**	**140**	**-**

Trade receivables by currency

	31.12.2016		31.12.2015	
	currency units	PLN equivalent	currency units	PLN equivalent
PLN	63 509	63 509*	82 050	82 050*
USD	1 534	6 411	1 454	5 673
EUR	779	3 445	(32)	(138)
JPY	209	7	56	2
GBP	-	-	1	4
Total		**73 372**		**87 591**

** This field also aggregates receivables obtained in association with foreign licensing reports during the current period but invoiced in future reporting periods*

(all figures quoted in PLN thousands unless otherwise indicated)

Note 23. Other receivables

	31.12.2016	31.12.2015*
Other receivables, including:	**23 701**	**27 426**
tax returns except corporate income tax	16 810**	24 215
provisions for sales revenues – advances	-	289
advance payments for supplies	1 834	438
cash pool agreements	995	1 319
consortium settlements	2 973	-
deposits	21	10
employee compensation settlements	37	356
sale of shares	1 031	799
Impairment write-downs	**732**	**732**
Other gross receivables	**24 433**	**28 158**

** adjusted data*

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

	31.12.2016	31.12.2015
Other receivables, including:	**23 701**	**27 426**
from affiliates	3 979	1 612
from other entities	19 722	25 814
Impairment write-downs	**732**	**732**
Other gross receivables	**24 433**	**28 158**

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

	31.12.2016		31.12.2015	
	currency units	PLN equivalent	currency units	PLN equivalent
PLN	22 685	22 685*	26 335	26 335*
USD	242	1 011	243	946
EUR	1	5	34	145
Total		**23 701**		**27 426**

** 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	**9 648**	**3 665**
trade receivables	5 669	2 053
other receivables	3 979	1 612
Impairment write-downs	**-**	**-**
Net receivables from affiliates	**9 648**	**3 665**

(all figures quoted in PLN thousands unless otherwise indicated)

Note 24. Prepaid expenses

	31.12.2016	31.12.2015
Non-life insurance	93	61
Business travel insurance	2	2
Access to online legal support portal	23	15
Software, licenses	784	588
Other prepaid expenses	110	37
phone subscriptions	-	3
domains, servers	-	1
civil law transactions tax on conditional capital contributions	34	9
access to texture repository	-	1
employment ads	38	3
business travel (airfare, hotels etc.)	22	19
conferences and training courses	13	-
miscellaneous	3	1
Total prepaid expenses	**1 012**	**703**

Note 25. Cash and cash equivalents

	31.12.2016	31.12.2015*
Cash on hands and bank deposits:	**6 376**	**4 460**
current bank accounts	6 376	4 460
Other monetary assets:	**514 007**	**321 762**
overnight deposits	6 111	2 027
short-term bank deposits (maturity up to 3 months)	507 896	319 735
Total	**520 383**	**326 222**

** adjusted data*

Restricted cash

Not applicable.

(all figures quoted in PLN thousands unless otherwise indicated)

Note 26. 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**	

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 27. Own shares

No transactions settled in own shares occurred during the reporting period.

(all figures quoted in PLN thousands unless otherwise indicated)

Note 28. Other capital contributions

	01.01.2016 – 31.12.2016	01.01.2015 – 31.12.2015
Reserve capital	390 518	110 936
Other reserve capital – incentive program	4 795	3 354
Total	**395 313**	**114 290**

Changes in other capital contributions

	Reserve capital	Other reserve capital – incentive program	Total
As of 01.01.2016	**110 936**	**3 354**	**114 290**
Increases from:	**279 582**	**1 441**	**281 023**
allocation of net profit	270 847	-	270 847
contributions associated with incentive program	8 735	1 441	10 176
Reductions	**-**	**-**	**-**
As of 31.12.2016	**390 518**	**4 795**	**395 313**

	Reserve capital	Other reserve capital – incentive program	Total
As of 01.01.2015	**110 936**	**1 716**	**112 652**
Increases from:	**-**	**1 638**	**1 638**
contributions associated with incentive program	-	1 638	1 638
Reductions	**-**	**-**	**-**
As of 31.12.2015	**110 936**	**3 354**	**114 290**

Note 29. Retained earnings

	31.12.2016	31.12.2015
Amount aggregated in the Retained earnings line item and not subject to dividend payments	-	(65 353)
Finencial result of acquiree in preceding years	16 441	-
Total	**16 441**	**(65 353)**

Changes in retained earnings

	31.12.2016	31.12.2015
At beginning of period	**(65 353)**	**(52 931)**
Increases from:	**352 641**	**(12 422)**
allocation of profit from preceding years	336 200	(12 407)
recognition of financial result of acquiree in preceding years	16 441	(15)
Reductions from:	**270 847**	**-**
reclassification as reserve capital	270 847	-
At end of period	**16 441**	**(65 353)**

Note 30. Credits and loans

None reported.

(all figures quoted in PLN thousands unless otherwise indicated)

Note 31. 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 32. Other long-term liabilities

Not applicable.

Note 33. Trade liabilities

	31.12.2016	31.12.2015
Trade liabilities:	**7 204**	**4 660**
payable to affiliates	1 690	233
payable to external entities	5 514	4 427

Current and past-due trade liabilities

	Total	Days overdue					
		<0	0 – 60	61 – 90	91 – 180	181 – 360	>360
As of 31.12.2016	**7 204**	**5 263**	**1 920**	**8**	**11**	**-**	**2**
payable to affiliates	1 690	1 690	-	-	-	-	-
payable to external entities	5 514	3 573	1 920	8	11	-	2

	Total	Days overdue					
		<0	0 – 60	61 – 90	91 – 180	181 – 360	>360
As of 31.12.2015	**4 660**	**3 736**	**739**	**70**	**99**	**15**	**1**
payable to affiliates	233	233	-	-	-	-	-
payable to external entities	4 427	3 503	739	70	99	15	1

(all figures quoted in PLN thousands unless otherwise indicated)

Trade liabilities by currency

	31.12.2016		31.12.2015	
	currency units	PLN equivalent	currency units	PLN equivalent
USD	1 082	4 522	496	1 936
PLN	2 102	2 102	1 093	1 093
EUR	71	314	239	1 017
JPY	4 188	150	18 742	607
CNY	171	103	-	-
RUB	88	6	-	-
AUD	1	4	1	4
GBP	1	3	-	3
Total		**7 204**		**4 660**

Note 34. Other liabilities

	31.12.2016	31.12.2015*
Liabilities from other taxes, duties, social security payments and others, except corporation tax	**940**	**698**
Value added tax	59	-
Flat-rate withholding tax	12	31
Personal income tax	577	417
Social security (ZUS) payments	271	237
National Disabled Persons Rehabilitation Fund (PFRON) payments	17	11
PIT-8A settlements	4	2
Other liabilities	**6 095**	**51 056**
Other employee-related liabilities	4	294
Other liabilities payable to Management Board members	10	50
Other liabilities payable to affiliates	2 060	3 175
Other liabilities	(28)	50
Advance payments received from foreign clients	4 049	47 487
Accrued charges	**-**	**-**
Total other liabilities	**7 035**	**51 754**

** adjusted data*

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	**7 035**	**7 022**	**13**	**-**	**-**	**-**	**-**
payable to affiliates	2 070	2 061	9	-	-	-	-
payable to external entities	4 965	4 961	4	-	-	-	-

	Total	Days overdue					
		<0	0 – 60	61 – 90	91 – 180	181 – 360	>360
As of 31.12.2015	**51 754**	**51 477**	**208**	**39**	**24**	**6**	**-**
payable to affiliates	7 962	7 918	40	4	-	-	-
payable to external entities	43 792	43 559	168	35	24	6	-

(all figures quoted in PLN thousands unless otherwise indicated)

Other short-term liabilities by currency

	31.12.2016		31.12.2015	
	currency units	PLN equivalent	currency units	PLN equivalent
USD	1 021	3 942	10 253	38 986
PLN	2 986	2 986	4 061	4 061
EUR	24	107	2 071	8 679
GBP	-	-	2	10
CNY	-	-	15	9
JPY	-	-	158	5
AUD	-	-	1	2
PHP	-	-	9	1
CAD	-	-	-	1
Total		**7 035**		**51 754**

Note 35. Internal Social Benefits Fund (ZFŚS): assets and liabilities

	31.12.2016	31.12.2015
Cash assets	35	27
Liabilities associated with the Internal Social Benefits Fund (ZFŚS)	7	27
Adjusted balance	**28**	**-**
Internal Social Benefits Fund (ZFŚS) write-downs in the financial year	**174**	**125**

Note 36. Conditional liabilities

Promissory note liabilities from loans received

Not applicable.

(all figures quoted in PLN thousands unless otherwise indicated)

Conditional liabilities due to guarantees and sureties issued granted

	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

(all figures quoted in PLN thousands unless otherwise indicated)

Declaration of submission to enforcement	Framework agreement concerning forward and derivative transactions	PLN	75 000	75 000
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	-

(all figures quoted in PLN thousands unless otherwise indicated)

Note 37. 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 38. Deferred revenues

	31.12.2016	31.12.2015*
Subsidies	**1 515**	**844**
Construction of data processing and communications center of the CD PROJEKT Group	39	55
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 period revenues	**9**	**-**
Renting official phones	9	-
Total, including:	**1 524**	**844**
long-term deferrals	937	415
short-term deferrals	587	429

** adjusted data*

	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 39. Provisions for employee benefits and similar liabilities

	31.12.2016	31.12.2015
Provisions for retirement benefits and pensions	55	33
Provisions for other employee benefits	181	135
Total, including:	**236**	**168**
long-term provisions	54	31
short-term provisions	182	137

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 Company employees, based on the Multiple Decrement paradigm. The model was calibrated using historical data supplied by the Company. 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	**33**	**135**	**168**
Provisions created	23	397	420
Benefits paid out	-	314	314
Provisions dissolved	1	37	38
As of 31.12.2016, including:	**55**	**181**	**236**
long-term provisions	54	-	54
short-term provisions	1	181	182

	Provisions for retirement benefits and pensions	Provisions for other employee benefits	Total
As of 01.01.2015	**24**	**137**	**161**
Provisions created	9	308	317
Benefits paid out	-	249	249
Provisions dissolved	-	61	61
As of 31.12.2015, including:	**33**	**135**	**168**
long-term provisions	31	-	31
short-term provisions	2	135	137

Note 40. Other provisions

	31.12.2016	31.12.2015*
Provisions for financial statement audit expenses	49	35
Provisiosn for bought-in services	17	132
Provisions for compensation dependent on the Company's financial result	43 044	54 459
Provisions for pruchases of licenses and fixed assets	72	304
Provisions for other expenses	236	214
Provisions for licensing royalties	81	121
Total, including:	**43 499**	**55 265**
long-term provisions	-	-
short-term provisions	43 499	55 265

** adjusted data*

(all figures quoted in PLN thousands unless otherwise indicated)

Changes in other provisions

	Provisions for compensation dependent on the Company's financial results	Other provisions	Total
As of 01.01.2016	**54 459**	**806**	**55 265**
Provisions created during fiscal year	53 801	1 686	55 487
Provisions used	65 216	1 187	66 403
Provisions dissolved	-	850	850
As of 31.12.2016, including:	**43 044**	**455**	**43 499**
long-term provisions	-	-	-
short-term provisions	43 044	455	43 499

	Provisions for compensation dependent on the Company's financial results*	Other provisions	Total
As of 01.01.2015	**-**	**91**	**91**
Provisions created during fiscal year	59 010	3 024	62 034
Provisions used	4 528	2 152	6 680
Provisions dissolved	23	157	180
As of 31.12.2015, including:	**54 459**	**806**	**55 265**
long-term provisions	-	-	-
short-term provisions	54 459	806	55 265

** adjusted data*

Note 41. Disclosure of financial instruments

Fair value of financial instruments per class

Following an analysis of each class of financial instruments held by the Company the Management Board 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.

(all figures quoted in PLN thousands unless otherwise indicated)

Changes in financial instruments

	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**	**441 239**	**547**	**56 707**	**2 745**	**-**	**31 288**	**547**	**63 684**
Increases	**53**	**40 000**	**617 456**	**-**	**14 378**	**165**	**40 000**	**441 239**	**-**	**56 707**
Cash assets	-	-	520 383	-	-	-	-	326 222	-	-
Trade and other receivables	-	-	97 073	-	-	-	-	115 017	-	-
Trade and other liabilities	-	-	-	-	14 239	-	-	-	-	56 414
Financial lease agreements	-	-	-	-	139	-	-	-	-	293
Short-term deposits (maturity beyond 3 months)	-	40 000	-	-	-	-	40 000	-	-	-
Shares in other entities	-	-	-	-	-	106	-	-	-	-
Forward contracts	53	-	-	-	-	59	-	-	-	-
Reductions	**165**	**40 000**	**441 239**	**353**	**56 707**	**2 745**	**-**	**31 288**	**-**	**63 684**
Cash assets	-	-	326 222	-	-	-	-	12 947	-	-
Trade and other receivables	-	-	115 017	-	-	-	-	18 341	-	-
Trade and other liabilities	-	-	-	-	56 414	-	-	-	-	63 023
Financial lease agreements	-	-	-	-	293	-	-	-	-	657
Short-term deposits (maturity beyond 3 months)	-	40 000	-	-	-	-	-	-	-	-
Repayment of credits and loans	-	-	-	-	-	-	-	-	-	4
Shares in other entities	106	-	-	353	-	-	-	-	-	-
Investment fund shares						2 745				
Forward contracts	59	-	-	-	-	-	-	-	-	-
At end of period	**53**	**40 000**	**617 456**	**194**	**14 378**	**165**	**40 000**	**441 239**	**547**	**56 707**

** 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 Company'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)

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
LEVE 2		
Assets carried at fair value		
Derivatives:	**53**	**59**
forward exchange contract – USD	53	59

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

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

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

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

Note 42. Equity management

The main goal of equity management at the Company is to retain a good credit rating and safe capital indicators, facilitating Company operations, enabling implementation of future development and publishing plans, and increasing shareholder value.

The Company actively manages its equity structure, resulting in changes which reflect changing economic conditions. In order to retain or adjust said structure, the Company may pay out dividends to shareholders, return capital to shareholders or issue new shares. The Company 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 Company 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 Company reports a positive cash balance.

Note 43. Employe 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 the Company, as described in note 47 of the Consolidated Financial Statement for 2015. The conditional increase in Company capital carried out in the framework of implementing the incentive program amounted to not more than 1 900 thousand PLN, which represents 2% of the Company share capital. A total of 1 450 000 warrants were granted under the program. Following verification of the attainment of the incentive program's goals, a total of 1 170 000 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%

(all figures quoted in PLN thousands unless otherwise indicated)

Grant date

Over the four-year duration of the incentive program the 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 changes in Company stock price vs. changes in the value of 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 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:

- 20% of warrants – market goal – the change in the 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 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 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 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.

(all figures quoted in PLN thousands unless otherwise indicated)

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 Company shares issued as a conditional increase in the Company share capital, or by presenting entitled parties with an offer to buy existing shares which the Company will have previously bought back on the open market. In either case, implementation of the program is contingent upon meeting specific result goals (80% of entitlements) and market goals (20% of entitlements), in addition to a loyalty criterion which applies to each entitled party until such time as the attainment of either goal is officially declared.

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

As of the balance sheet date a total of 5 690 000 entitlements have been granted under the new incentive program. The conditional increase in the 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.

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 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 changes in the Company stock price vs. changes in the value of 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.

(all figures quoted in PLN thousands unless otherwise indicated)

Number of shares on grant date

As of 31 December 2016 the 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 44. 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)

Transactions with affiliates

	Sales to affiliates		Purchase 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
AFFILIATES								
GOG Poland sp. z o.o.	1 749	1 825	18	5	3 094	452	2 060	-
GOG Ltd.	23 823	14 268	349	8	5 540	2 310	53	5 361
CD PROJEKT Brands S.A.	-	27	-	3 514	-	13	-	2 552
CD PROJEKT Inc.	278	5	17 151	4 506	1 004	886	1 637	233
GROUP MEMBER COMPANY EXECUTIVES								
Marcin Iwiński	5	7	-	-	1	1	-	41
Adam Kiciński	4	3	-	-	-	2	7	5
Piotr Nielubowicz	5	5	-	-	-	-	-	1
Michał Nowakowski	10	10	-	-	-	-	3	1
Adam Badowski	-	1	-	-	9	1	-	1

(all figures quoted in PLN thousands unless otherwise indicated)

Note 45. Compensation of top management and Supervisory Board members

Benefits paid out to Management Board members

	01.01.2016 – 31.12.2016	01.01.2015 – 31.12.2015*
Compensation for duties performed	1 919	1 810
Bonuses and compensation dependent on the Company's financial result	19 730	24 376
Total	**21 649**	**26 186**

** adjusted data*

Benefits paid out to other top executives

	01.01.2016 – 31.12.2016	01.01.2015 – 31.12.2015*
Base salaries	1 394	1 257
Compensation for duties performed	12	123
Bonuses and compensation dependent on the Company's financial result	2 778	1 702
Total	**4 184**	**3 082**

** 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 46. Employment

Average employment

Breakdown	01.01.2016 – 31.12.2016	01.01.2015 – 31.12.2015
Average employment	178	131
Total	**178**	**131**

Employee rotation

Breakdown	01.01.2016 – 31.12.2016	01.01.2015 – 31.12.2015
Employees hired	64	55
Employees dismissed	17	18
Total	**47**	**37**

(all figures quoted in PLN thousands unless otherwise indicated)

Note 47. 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	2660	1 855
between 1 and 5 years	6 147	6 116
more than 5 years	-	-
Total	**8 807**	**7 971**

Note 48. Activated borrowing costs

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 goal and substance of the applicable tax laws. Under GAAR, such activities provide no fiscal relief if carried out under false pretense. Specifically, all cases of (i) unnecessary partitioning of activities; (ii) involving intermediaries despite the lack of economic justification for such involvement; (iii) 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 pretense and therefore subject to GAAR. The introduction of GAAR will mandate much more diligent assessment of the fiscal consequences of transactions carried out by the Company.

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

Note 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	75	35
for reviewing financial statements and the consolidated financial statement	51	18
for other services	3	5
Total	**129**	**58**

Note 52. Clarifications regarding the cash flow statement

	01.01.2016 – 31.12.2016	01.01.2015 – 31.12.2015*
Cash on balance sheet	520 383	326 222
Cash and cash equivalents reported in cash flow statement	**520 383**	**326 222**

	01.01.2016 – 31.12.2016	01.01.2015 – 31.12.2015*
Depreciation:	**33 568**	**98 392**
depreciation of intangibles	1 104	528
depreciation of expenditures on development projects	31 398	96 924
depreciation of fixed assets	1 066	940
Interest and share in profits (dividends) consist of:	**(10 828)**	**(9 092)**
interest paid on cash pool loans	4	38
interest received	(6 959)	(1 792)
dividends received	(3 873)	(7 338)
Profit (loss) from investment activities results from:	**329**	**(29)**
revenues from sales of fixed assets	(55)	(62)
net value of fixed assets sold	5	76
net value of fixed assets liquidated	-	84
net value of assets sold	46	-
revaluation of fixed assets	-	9
revaluation of short-term financial assets	-	(21)
fair-value assessment of cdp.pl shares	306	-
revaluation of short-term financial assets	50	-
revenues from sales of investments	(23)	(115)
Changes in provisions result from:	**(10 917)**	**55 180**
balance of changes in provisions for liabilities	(11 766)	55 173
balance of changes in provisions for employee benefits	68	7
elimination of changes in withholding tax	781	-
Changes in inventory status result from:	**217**	**7 382**
balance of changes in inventory status	217	7 382
Changes in receivables result from:	**17 348**	**(97 651)**
balance of changes in short-term receivables	17 944	(96 676)
balance of changes in long-term receivables	(272)	61
cash pool eliminations	(324)	(1 036)
Changes in short-term liabilities except financial liabilities result from:	**(41 967)**	**(8 752)**
balance of changes in short-term liabilities	(46 076)	136
current income tax adjustments	3 671	(6 853)
changes in financial liabilities	230	104
adjustments for changes in liabilities due to purchase of fixed assets	(473)	(217)
adjustments for changes in liabilities due to purchase of intangibles	(434)	-

(all figures quoted in PLN thousands unless otherwise indicated)

adjustments for cash pool liabilities	1 115	(1 926)
adjustment for changes in credit and loan status	-	4
Changes in other assets and liabilities result from:	**365**	**(699)**
balance of changes in prepaid expenses	(309)	(493)
balance of changes in deferred revenues	680	(162)
balance of changes in other monetary assets	-	(40 000)
elimination of fixed assets received free of charge	(6)	(44)
adjustment for bank deposits with maturity periods in excess of 3 months	-	40 000
Other adjustments include:	**9 779**	**(157)**
cost of incentive program	6 315	1 638
acquisition of trademark through merger	(15 104)	-
acquisition of subsidiary shares through merger	200	(1 895)
acquiree financial results in preceding years	18 142	-
depreciation included in cost of products sold and settlement of consortium	226	114
acquiree net profit	-	(15)
corporate income tax adjustments – Brand Projekt (tax capital group)	-	1

** adjusted data*

Statement of the Management Board

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

This annual separate financial statement has been prepared in accordance with International Financial Reporting Standards (IFRS) approved by the EU and in force as of 31 December 2016. Where these 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 annual separate financial statement

On 1 June 2016 the Supervisory Board of the Company concurred with the recommendation submitted by the Management Board 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).

(all figures quoted in PLN thousands unless otherwise indicated)

Approval of financial statement

This annual separate 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	Marcin Iwiński	Piotr Nielubowicz
President of the Board	Vice President of the Board	Vice President of the Board

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

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