CD PROJEKT®

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENT OF THE

CD PROJEKT CAPITAL GROUP

FOR THE PERIOD BETWEEN 1 JANUARY AND 31 MARCH 2017

Disclaimer

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

CD PROJEKT Capital Group – selected financial highlights converted into EUR

	PLN		EUR	
	01.01.2017 - 31.03.2017	01.01.2016 - 31.03.2016*	01.01.2017 - 31.03.2017	01.01.2016 - 31.03.2016*
Net revenues from sales of products, goods and materials	99 342	86 995	23 162	19 972
Cost of products, goods and materials sold	14 823	17 014	3 456	3 906
Operating profit (loss)	53 830	38 580	12 550	8 857
Profit (loss) before tax	56 835	40 178	13 251	9 224
Net profit (loss) from continuing operations	45 259	32 562	10 552	7 475
Net profit (loss) attributable to equity holders of parent entity	45 259	32 562	10 552	7 475
Net cash flows from continuing operations	64 297	52 879	14 991	12 140
Net cash flows from investment activities	(497 051)	(12 318)	(115 887)	(2 828)
Net cash flows from financial activities	(295)	679	(69)	156
Aggregate net cash flows	(433 049)	41 240	(100 965)	9 467
Stock volume (in thousands)	96 120	94 950	96 120	94 950
Net profit (loss) per ordinary share	0.47	0.34	0.11	0.08
Diluted profit (loss) per ordinary share	0.47	0.34	0.11	0.08
Book value per share	8.56	5.76	2.03	1.35
Diluted book value per share	8.56	5.76	2.03	1.35
Declared or paid out dividend per share	-	-	-	-

** adjusted data*

	PLN		EUR	
	31.03.2017	31.12.2016	31.03.2017	31.12.2016
Total assets	908 735	874 960	215 350	197 776
Liabilities and provisions for liabilities (less accrued charges)	81 004	94 214	19 196	21 296
Long-term liabilities	2 225	8 275	527	1 870
Short-term liabilities	83 274	89 747	19 734	20 286
Equity	823 236	776 938	195 089	175 619
Share capital	96 120	96 120	22 778	21 727

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

- Elements of the consolidated profit and loss account and consolidated statement of cash flows were converted into EUR by applying the arithmetic average of exchange rates for the final day of each month belonging to the reporting period, as published by the National Bank of Poland. The corresponding exchange rates were: 4.2891 PLN/EUR for the period between 1 January and 31 March 2017 and 4.3559 PLN/EUR for the period between 1 January and 31 March 2016 respectively.

- Assets and liabilities listed in the consolidated statement of financial positions were converted into EUR by applying the exchange rate for the final day of the reporting period, as published by the National Bank of Poland. These exchange rates were: 4.2198 PLN/EUR on 31 March 2017 and 4.4240 PLN/EUR on 31 December 2016 respectively.

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Consolidated financial statement of the CD PROJEKT Capital Group

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Condensed interim consolidated profit and loss account

	Note	01.01.2017 – 31.03.2017	01.01.2016 – 31.03.2016*
Sales revenues		**99 342**	**86 995**
Revenues from sales of products		77 710	64 802
Revenues from sales of services		43	105
Revenues from sales of goods and materials		21 589	22 088
Cost of products, goods and materials sold		**14 823**	**17 014**
Cost of products and services sold	13	62	1 635
Value of goods and materials sold	13	14 761	15 379
Gross profit (loss) from sales		**84 519**	**69 981**
Other operating revenues	14	433	205
Selling costs	13	22 434	26 014
General and administrative costs	13	8 440	5 293
Other operating expenses	14	248	299
Operating profit (loss)		**53 830**	**38 580**
Financial revenues	15	3 869	3 272
Financial expenses	15	864	1 674
Profit (loss) before tax		**56 835**	**40 178**
Income tax	8	11 576	7 616
Net profit (loss) from continuing operations		**45 259**	**32 562**
Net profit (loss)		**45 259**	**32 562**
Net profit (loss) attributable to minority interests		-	-
Net profit (loss) attributable to equity holders of parent entity		45 259	32 562
Net earnings per share (in PLN)			
Basic for the reporting period		0.47	0.34
Diluted for the reporting period		0.47	0.34
Net earnings per share from continuing operations (in PLN)			
Basic for the reporting period		0.47	0.34
Diluted for the reporting period		0.47	0.34
Net earnings per share from discontinued operations (in PLN)			
Basic for the reporting period		-	-
Diluted for the reporting period		-	-

** adjusted data*

The greatest contribution to CD PROJEKT Capital Group revenues in the first quarter of 2017 was from licensing royalties associated with continuing strong sales of The Witcher 3: Wild Hunt and its two expansion packs – Hearts of Stone and Blood and Wine. Thes revenues are reported in the **Revenues from sales of products** line item. Regarding **Revenues from sales of goods and materials**, the bulk of the reported figure comprises sales realized by GOG.com sales, and – to a lesser extent – sales of physical components of videogame box editions (carrier media, packaging etc.) carried out by CD PROJEKT RED.

The reported **Cost of products and services sold** is lower than the corresponding Q1 2016 figure due the fact that all development expenses associated with CD PROJEKT RED games (including The Witcher, The Witcher 2 and The Witcher 3 along with Hearts of Stone and Blood and Wine expansion packs) were fully discounted in the preceding periods.

Regarding costs, the largest contribution was from **Selling costs**. The reported figure comprises expenses and provisions for expenses associated with conditional compensation dependent upon the Group's financial result, promotion and advertising costs borne by each activity segment and costs of other bought-in services qualified as selling costs.

(all figures quoted in PLN thousands unless specified otherwise)

General and administrative costs include employee compensation and various bought-in services. The reported increase (compared to the corresponding period in 2016) is due to an upscaling of the Group's operations, along with an increase in the number of people employed by the Group.

The reported surplus of financial revenues was mostly due to interest collected on short-term bank deposits.

The Group's consolidated **Net profit** in the first quarter of 2017 was 45 269 thousand PLN, which is 12 697 thousand PLN more than in Q1 2016 (39% increase). Net profitability, calculated as the ratio of net profit vs. revenues, was 46%.

Condensed interim consolidated statement of comprehensive income

	01.01.2017-31.03.2017	01.03.2016-31.03.2016
Net profit (loss)	**45 259**	**32 562**
Other comprehensive income which will be entered as profit (loss) following fulfillment of specific criteria	**(1 444)**	**(662)**
Exchange rate differences on valuation of foreign entities	(1 444)	(662)
Other comprehensive income which will not be entered as profit (loss)	**-**	**-**
Total comprehensive income	**43 815**	**31 900**
Total comprehensive income attributable to minority interests	-	-
Total comprehensive income attributable to equity holders of CD PROJEKT S.A.	**43 815**	**31 900**

(all figures quoted in PLN thousands unless specified otherwise)

Condensed interim consolidated statement of financial position

	Note	31.03.2017	31.12.2016	31.03.2016*
FIXED ASSETS		**188 377**	**170 644**	**153 534**
Tangible assets	2	16 146	14 423	10 529
Intangibles	3	46 263	47 112	46 794
Expenditures on development projects	3	79 064	62 011	46 170
Goodwill	3,4	46 417	46 417	46 417
Other financial assets	12	-	194	547
Deferred income tax assets	8	-	-	2 862
Other long-term receivables		487	487	215
WORKING ASSETS		**720 358**	**704 316**	**530 371**
Inventories	5	490	401	2 005
Trade receivables	6	39 963	71 554	45 908
Current income tax receivables	6	5 378	112	21 222
Other receivables	6,12	15 844	20 268	15 043
Other financial assets	12	-	53	-
Prepaid expenses	7	12 251	14 724	11 316
Cash and cash equivalents	12	124 155	557 204	434 877
Bank deposits (maturity beyond 3 months)		522 277	40 000	-
TOTAL ASSETS		**908 735**	**874 960**	**683 905**

** adjusted data*

The value and breakdown of **Fixed assets** did not undergo appreciable changes throughout Q1 2017, except for **Expenditures on development projects**, which increased as a result of continued investment in ongoing development of new videogames – among them Cyberpunk 2077 and GWENT: The Witcher Card Game (the latter of which is undergoing public beta tests as of the publication date of this statement).

The reduction in **Trade receivables** is mostly due to collection of receivables previously reported in the 2016 annual financial statement and associated with strong sales revenues in the final quarter of the past year.

The Group's **Other receivables** consist mainly of withholding tax receivables deducted at source by foreign purchasers of CD PROJEKT S.A. licenses and reportable by the Company in its annual income tax settlement, advance payments remitted to suppliers and VAT receivables.

The total value of **Cash and cash equivalents** at the end of March was 124 155 thousand PLN, with an additional 522 277 thousand PLN allocated to **Bank deposits (maturity beyond 3 months)**. The aggregate value of monetary assets held by the Company was 646 432 thousand PLN, which is 49 228 thousand PLN more than at the end of 2016.

(all figures quoted in PLN thousands unless specified otherwise)

	Note	31.03.2017	31.12.2016	31.03.2016*
EQUITY		**823 236**	**776 938**	**547 119**
Equity attributable to shareholders of the parent company		**823 236**	**776 938**	**547 119**
Share capital	16	96 120	96 120	94 950
Supplementary capital		403 001	403 001	120 199
Other reserve capital		7 278	4 795	4 837
Exchange rate differences		2 474	3 918	1 852
Retained earnings		269 104	18 590	292 719
Net profit (loss) for the reporting period		45 259	250 514	32 562
Minority interest equity		**-**	**-**	**-**
LONG-TERM LIABILITIES		**2 225**	**8 275**	**553**
Other financial liabilities		233	76	124
Deferred income tax liabilities	8	1 038	7 198	-
Deferred revenues		897	944	394
Provisions for employee benefits and similar liabilities	9	57	57	35
SHORT-TERM LIABILITIES		**83 274**	**89 747**	**136 233**
Credits and loans		2	-	-
Other financial liabilities		234	63	290
Trade liabilities		18 570	27 971	22 126
Current income tax liabilities		484	3 762	182
Other liabilities	11	7 660	9 762	60 054
Deferred revenues		3 598	2 864	8 526
Provisions for employee benefits and similar liabilities	9	147	294	187
Other provisions	10	52 579	45 031	44 868
TOTAL LIABILITIES		**908 735**	**874 960**	**683 905**

** adjusted data*

The reported increase in the Group's **Equity** is mainly due to profit obtained in the reporting period (45 259 thousand PLN).

As of 31 March 2017, the CD PROJEKT Capital Group **Trade liabilities** comprised mainly liabilities of the GOG.com segment (including liabilities due to CD PROJEKT S.A. – licensing royalties associated with CD PROJEKT RED products distributed by GOG.com, subject to consolidation eliminations), and, to a much lesser extent, trade liabilities of the CD PROJEKT RED segment.

The reported decrease in **Other liabilities** compared to the end of Q1 2016 is mainly due to full discounting of licensing royalties previously advanced to the Group in association with preorders of The Witcher 3: Wild Hunt Expansion Pass, which occurred after the release of the Blood and Wine expansion pack. At the end of Q1 2017 the bulk of the Group's other liabilities comprised advance payments from foreign clients and current VAT liabilities.

Regarding **Other provisions**, the reported figure is mostly due to provisions for future compensation dependent on the financial result of CD PROJEKT S.A.

(all figures quoted in PLN thousands unless specified otherwise)

Condensed interim statement of changes in consolidated equity

	Share capital	Supplementary capital	Other reserve capital	Exchange rate differences	Retained earnings	Net profit (loss) for the reporting period	Equity attributable to shareholders of parent entity	Minority interest equity	Total equity
01.01.2017 – 31.03.2017									
Equity as of 01.01.2017	**96 120**	**403 001**	**4 795**	**3 918**	**269 104**	**-**	**776 938**	**-**	**776 938**
Equity after adjustments	**96 120**	**403 001**	**4 795**	**3 918**	**269 104**	**-**	**776 938**	**-**	**776 938**
Cost of incentive program	-	-	2 483	-	-	-	2 483	-	2 483
Total comprehensive income	-	-	-	(1 444)	-	45 259	43 815	-	43 815
Equity as of 31.03.2017	**96 120**	**403 001**	**7 278**	**2 474**	**269 104**	**45 259**	**823 236**	**-**	**823 236**

(all figures quoted in PLN thousands unless specified otherwise)

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

(all figures quoted in PLN thousands unless specified otherwise)

	Share capital	Supplementary capital	Other reserve capital	Exchange rate differences	Retained earnings	Net profit (loss) for the reporting period	Equity attributable to shareholders of parent entity	Minority interest equity	Total equity
01.01.2016 – 31.03.2016									
Equity as of 01.01.2016	**94 950**	**120 199**	**3 354**	**2 514**	**292 658**	**-**	**513 675**	**-**	**513 675**
Adjustments due to rectification of fundamental erorrs	-	-	-	-	61	-	61	-	61*
Equity after adjustments	**94 950**	**120 199**	**3 354**	**2 514**	**292 719**	**-**	**513 736**	**-**	**513 736**
Payment for shares issued under the incentive program	-	-	903	-	-	-	903	-	903
Cost of incentive program	-	-	580	-	-	-	580	-	580
Total comprehensive income	-	-	-	(662)	-	32 562	31 900	-	31 900
Equity as of 31.03.2016	**94 950**	**120 199**	**4 837**	**1 852**	**292 719**	**32 562**	**547 119**	**-**	**547 119**

*This adjustment is due to erroneous recognition of income tax payable by CD PROJEKT Brands S.A., as reported in the consolidated financial statement for 31 December 2015.

(all figures quoted in PLN thousands unless specified otherwise)

Condensed interim consolidated statement of cash flows

	Note	01.01.2017 – 31.03.2017	01.01.2016 – 31.03.2016*
OPERATING ACTIVITIES			
Net profit / (loss)		**45 259**	**32 562**
Total adjustments:	24	**33 731**	**54 861**
Depreciation of fixed assets and intangibles/legal assets		961	1 059
Depreciation of development projects		-	1 565
Interest and profit sharing (dividends)		(3 401)	(2 393)
Profit (loss) from investment activities		249	79
Change in provisions		7 401	(11 552)
Change in inventories		(89)	(1 387)
Change in receivables		36 016	53 283
Change in liabilities excluding credits and loans		(12 059)	12 121
Change in other assets and liabilities		3 160	1 838
Other adjustments		1 493	248
Cash flows from operating activities		**78 990**	**87 423**
Income tax on profit (loss) before taxation		11 576	7 616
Income tax (paid) / reimbursed		(26 269)	(42 160)
Net cash flows from operating activities		**64 297**	**58 879**
INVESTMENT ACTIVITIES			
Inflows		**3 402**	**2 478**
Liquidation of intangibles and fixed assets		1	-
Liquidation of financial assets		-	85
Other inflows from investment activities		3 401	2 393
Outflows		**500 453**	**14 796**
Purchases of intangibles and fixed assets		2 157	1 263
Expenditures on development projects		16 019	13 533
Creation of bank deposits (maturity beyond 3 months)		482 277	-
Net cash flows from investment activities		**(497 051)**	**(12 318)**

(all figures quoted in PLN thousands unless specified otherwise)

FINANCIAL ACTIVITIES

Inflows	**2**	**903**
Net inflows from issue of securities (stock) and other equity instruments, and from capital contributions	-	903
Credits and loans	2	-
Outflows	**297**	**224**
Payment of liabilities under financial lease agreements	297	224
Net cash flows from financial activities	**(295)**	**679**
Total net cash flows	**(433 049)**	**41 240**
Change in cash and cash equivalents on balance sheet	**(433 049)**	**41 240**
Cash and cash equivalents at beginning of period	**557 204**	**393 637**
Cash and cash equivalents at end of period	**124 155**	**434 877**

** adjusted data*

Cash flows from operating activities in Q1 2017 were reported at 64 297, mostly due to current sales, as well as the overall decrease in the Group's trade receivables following strong sales in the fourth quarter of 2016.

The negative value of **Cash flows from investment activities** is mainly due to recognition (as outflows) of cash assets allocated to bank deposits with maturity periods beyond 3 months. In the scope of ongoing videogame development activities, current-period expenses amounted to 16 019 thousand PLN, most of which was allocated towards Cyberpunk 2077 and GWENT: The Witcher Card Game.

In spite of positive cash flows from operating activities, the total balance of the Group's cash flows in Q1 2017 was negative. This was mainly caused by creation of the aforementioned bank deposits with maturity periods beyond 3 months. At the end of March 2017 the Group held 124 155 thousand PLN in cash and 522 277 thousand PLN in other monetary assets (bank deposits with maturity periods beyond 3 months), for a total of 646 432 thousand PLN, which is 49 228 more than at the end of 2016.

(all figures quoted in PLN thousands unless specified otherwise)

Clarifications regarding the condensed interim consolidated financial statement

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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 focuses on videogame development (CD PROJEKT RED) as well as global digital videogame distribution (GOG.com).
Keeper of records:	District Court for the City of Warsaw in Warsaw – Poland; 13th Commercial Department of the National Court Register (Sąd Rejonowy dla m.st. Warszawy w Warszawie, XIII Wydział Gospodarczy Krajowego Rejestru Sądowego)
Statistical Identification Number (REGON):	492707333

The Group is established for an unlimited period. No changes in the composition of the Group occurred between 1 January and 31 March 2017.

Structure of the Capital Group

Affiliates

Consolidation principles

Entities subjected to consolidation

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

Subsidiaries

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

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

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

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

Basis for the preparation of the condensed interim consolidated financial statement

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

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

Changes in accounting standards or policies

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

(all figures quoted in PLN thousands unless specified otherwise)

Assumption of going concern

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

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

As of the day of preparation of this financial statement covering the period between 1 January and 31 March 2017 the Management Board is not aware of any events which should have been reflected in the accounts for that period but have not been reflected therein. Additionally, no important events have occurred in relation to the preceding years.

Compliance with International Financial Reporting Standards

This condensed interim consolidated financial statement has been prepared in accordance with International Accounting Standard (IAS) 34, Interim Financial Reporting, as well as with International Financial Reporting Standards (IFRS) applicable to interim financial reporting, endorsed by the International Accounting Standard Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) and approved by the EU under the relevant Regulation on the Application of International Accounting Standards (European Council 1606/2002), hereafter referred to as UE IFRS, valid for 31 March 2017.

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

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

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

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

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

- **IFRS 14** Regulatory deferral accounts – applicable to reporting periods beginning on or after 1 January 2016
- **IFRS 16** Leases – applicable to reporting periods beginning on or after 1 January 2019
- **IFRS 17** Insurance contracts – applicable to reporting periods beginning on or after 1 January 2021
- Changes in **IFRS 2** Share-based payment: classification and recognition of share-based payments – applicable to reporting periods beginning on or after 1 January 2018
- Changes in **IFRS 4** Insurance contracts associated with the introduction of **IFRS 9** Financial instruments – applicable to reporting periods beginning on or after 1 January 2018
- Changes in **IFRS 10** Consolidated financial statements and **IAS 28** Investments in subsidiaries and joint-ventures: transfers of assets between an investor and its associates or joint ventures – deferred indefinitely
- Changes in **IAS 12** Income taxes: recognition of deferred income tax assets for unrealized losses – applicable to reporting periods beginning on or after 1 January 2017
- Changes in **IAS 7** Statement of cash flows: disclosure initiative – applicable to reporting periods beginning on or after 1 January 2017

- Changes in **IFRS (2014-2016)** adopted under the annual IFRS improvements cycle – applicable to reporting periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate
- **IFRIC 22** Foreign currency transactions and advance consideration – interpretation applicable to reporting periods beginning on or after 1 January 2018
- Changes in **IAS 40** Investment property: reclassification of investment properties – applicable to reporting periods beginning on or after 1 January 2018

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

Functional currency and presentation currency

Functional currency and presentation currency

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

Transactions and balances

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

Assumption of comparability of financial statements and changes in accounting policies

Changes in accounting policies

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

Presentation adjustments

In preparing this condensed interim consolidated financial statement for the period between 1 January and 31 March 2017 several changes have been introduced in the presentation of selected financial data. In order to ensure comparability of financial statements, the financial data for the period between 1 January and 31 March 2016 has been adjusted as follows:

- In the consolidated statement of financial position for 31 March 2016 and in the consolidated statement of cash flows for the period between 1 January and 31 March 2016 the presentation of videogame development expenses incurred prior to commencement of sales has been adjusted as follows.
    - Consolidated statement of financial position for 31 March 2016:
        - Expenditures on development projects – adjusted by 46 170 thousand PLN
        - Inventories – adjusted by (46 170) thousand PLN
    - Consolidated statement of cash flows for the period between 1 January and 31 March 2016:
        - Depreciation of development projects – adjusted by 1 565 thousand PLN
        - Depreciation of fixed assets and intangible assets – adjusted by (837) thousand PLN

- Expenditures on development projects – adjusted by 13 533 thousand PLN
- Changes in inventories – adjusted by 12 589 thousand PLN
- Other adjustments – adjusted by 216 thousand PLN

These adjustments have no effect on the Group's financial result or equity and are consequence of changes in practices described in the Consolidated Financial Statement of the CD PROJEKT Capital Group for 2016.

- In the consolidated statement of financial position for 31 March 2016, in the consolidated profit and loss account for the period between 1 January and 31 March 2016 and in the consolidated statement of cash flows for the period between 1 January and 31 March 2016 the presentation of expenses associated with bonuses contingent upon the Group's financial result has been adjusted as follows:
  - Consolidated statement of financial position for 31 March 2016
    - Other financial liabilities – adjusted by (3 827) thousand PLN
    - Other provisions – adjusted by 3 827 thousand PLN
  - Consolidated profit and loss account for the period between 1 January and 31 March 2016
    - Selling costs – adjusted by 9 247 thousand PLN
    - General and administrative costs – adjusted by (4 026) thousand PLN
    - Other operating expenses – adjusted by (5 221) thousand PLN
  - Consolidated statement of cash flows for the period between 1 January and 31 March 2016
    - Changes in provisions – adjusted by (16 108) thousand PLN
    - Changes in liabilities, except credits and loans – adjusted by 15 704 thousand PLN
    - Outflow of other financial liabilities - adjusted by (404) thousand PLN

  The above adjustments have no effect on the Group's financial result or equity

- In the consolidated statement of cash flows for the period between 1 January and 31 March 2016 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 (536) thousand PLN
    - Changes in inventories except credits and loans – adjusted by (536) thousand PLN
- Pursuant to IAS 12, in the consolidated statement of financial position for 31 March 2016 the presentation of deferred income tax has been adjusted as follows:
    - Current income tax receivables – adjusted by (9 792) thousand PLN
    - Liabilities from current income tax – adjusted by (9 792) thousand PLN

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

- In the consolidated profit and loss account for the period between 1 January and 31 March 2016 the presentation of depreciation costs and business travel expenses has been adjusted as follows:
  - Consolidated profit and loss account for the period between 1 January and 31 March 2016
    - Selling costs – adjusted by 447 thousand PLN
    - General and administrative expenses – adjusted by (447) thousand PLN

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

- In the consolidated profit and loss account for the period between 1 January and 31 March 2016 the presentation of administrative costs generated by the "Other activities" segment has been adjusted as follows:
  - Consolidated profit and loss account for the period between 1 January and 31 March 2016
    - Selling costs – adjusted by (513) thousand PLN
    - General and administrative expenses – adjusted by 688 thousand PLN
    - Cost of products and services sold – adjusted by (175) thousand PLN

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

- In the consolidated statement of financial position for 31 March 2016 the "Other fixed assets" line item was renamed to "Other long-term receivables".

- In the consolidated statement of financial position for 31 December 2016 the “Other monetary assets” line item was renamed to “Bank deposits (maturity beyond 3 months)”.
- In the consolidated statement of financial position for 31 March 2016 the presentation of liabilities associated with licensing royalties has been adjusted as follows:
  - Other liabilities – adjusted by 238 thousand PLN
  - Trade liabilities – adjusted by (238) thousand PLN

  These adjustments have no effect on the Group’s financial result or equity.
- In the consolidated profit and loss statement for the period between 1 January and 31 March 2016 the presentation of revenues from sales of the Group’s own products by GOG Ltd. was adjusted as follows:
  - Revenues from sales of products – adjusted by 1 135 thousand PLN
  - Revenues from sales of goods and materials – adjusted by 1 135 thousand PLN

  These adjustments have no effect on the Group’s financial result or equity.
- In the consolidated statement of cash flows for the period between 1 January and 31 March 2016 the presentation of expenses associated with ongoing construction of assets has been adjusted as follows:
  - Purchases of intangibles and fixed assets – adjusted by 984 thousand PLN
  - Other outflows from investment activities – adjusted by (984) thousand PLN

Audit of the financial statement

This condensed interim consolidated financial statement incorporating elements of the condensed interim separate financial statement has not been subjected to an independent audit or review.

Supplementary information – activity segments of the CD PROJEKT Capital Group

3

Activity segments

Presentation of results by activity segment

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

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

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

Disclosure of activity segments

	Continuing operations		Consolidation eliminations (incl. from business combinations)	Total
	CD PROJEKT RED	GOG.com		
01.01.2017 – 31.03.2017				
Sales revenues	**75 521**	**32 871**	**(9 050)**	**99 342**
sales to external clients	66 475	32 867	-	99 342
sales between segments	9 046	4	(9 050)	-
Segment profit/(loss)	**43 700**	**1 559**	**-**	**45 259**

	Continuing operations		Consolidation eliminations (incl. from business combinations)	Total
	CD PROJEKT RED	GOG.com		
01.01.2016 – 31.03.2016*				
Sales revenues	**68 652**	**20 114**	**(1 771)**	**86 995**
sales to external clients	66 881	20 114	-	86 995
sales between segments	1 771	-	(1 771)	-
Segment profit/(loss)	**32 300**	**262**	**-**	**32 562**

** Changes with respect to data published on 12 May 2016 in the consolidated financial statement of the CD PROJEKT Capital Group for the period between 1 January and 31 March 2016 result from presentation-related adjustments described in the section titled "Assumption of comparability of financial statements and changes in accounting policies" and from merging the "Other activities" segment with the CD PROJEKT RED segment.*

(all figures quoted in PLN thousands unless specified otherwise)

Segmented consolidated profit and loss account for the period between 01.01.2017 and 31.03.2017

	CD PROJEKT RED	GOG.com	Consolidation eliminations (incl. from business combinations)	Total
Sales revenues	**75 521**	**32 871**	**(9 050)**	**99 342**
Revenues from sales of products	72 784	1 566	3 360)	77 710
Revenues from sales of services	1 189	-	(1 146)	43
Revenues from sales of goods and materials	1 548	31 305	(11 264)	21 589
Cost of products, goods and materials sold	**1 834**	**21 409**	**(8 420)**	**14 823**
Cost of products and services sold	420	158	(516)	62
Value of goods and materials sold	1 414	21 251	(7 904)	14 761
Gross profit (loss) from sales	**73 687**	**11 462**	**(630)**	**84 519**
Other operating revenues	439	127	(133)	433
Selling costs	14 966	8 126	(658)	22 434
General and adminitrative costs	7 064	1 348	28	8 440
Other operating expenses	272	109	(133)	248
Operating profit (loss)	**51 824**	**2 006**	**-**	**53 830**
Financial revenues	3 850	23	(4)	3 869
Financial expenses	860	8	(4)	864
Profit (loss) before taxation	**54 814**	**2 021**	**-**	**56 835**
Income tax	11 114	462	-	11 576
Profit (loss) from continuing operations	**43 700**	**1 559**	**-**	**45 259**
Profit (loss) from discontinued operations	**-**	**-**	**-**	**-**
Net profit (loss)	**43 700**	**1 559**	**-**	**45 259**
Net profit (loss) attributable to noncontrolling interests	**-**	**-**	**-**	**-**
Net profit (loss) attributable to equity holders of the parent entity	**43 700**	**1 559**	**-**	**45 259**

(all figures quoted in PLN thousands unless specified otherwise)

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

	CD PROJEKT RED	GOG.com	Consolidation eliminations (incl. from business combinations)	Total
Sales revenues	**68 652**	**20 114**	**(1 771)**	**86 995**
Revenues from sales of products	64 501	11	290	64 802
Revenues from sales of services	1 031	-	(926)	105
Revenues from sales of goods and materials	3 120	20 103	(1 135)	22 088
Cost of products, goods and materials sold	**4 529**	**13 487**	**(1 002)**	**17 014**
Cost of products and services sold	1 634	179	(178)	1 635
Value of goods and materials sold	2 895	13 308	(824)	15 379
Gross profit (loss) from sales	**64 123**	**6 627**	**(769)**	**69 981**
Other operating revenues	187	276	(258)	205
Selling costs	21 612	5 056	(654)	26 014
General and adminitrative costs	4 252	1 412	(371)	5 293
Other operating expenses	262	39	(2)	299
Operating profit (loss)	**38 184**	**396**	**-**	**38 580**
Financial revenues	3 262	14	(4)	3 272
Financial expenses	1 673	5	(4)	1 674
Profit (loss) before taxation	**39 773**	**405**	**-**	**40 178**
Income tax	7 473	143	-	7 616
Profit (loss) from continuing operations	**32 300**	**262**	**-**	**32 562**
Profit (loss) from discontinued operations	**-**	**-**	**-**	**-**
Net profit (loss)	**32 300**	**262**	**-**	**32 562**
Net profit (loss) attributable to noncontrolling interests	**-**	**-**	**-**	**-**
Net profit (loss) attributable to equity holders of the parent entity	**32 300**	**262**	**-**	**32 562**

** Changes with respect to data published on 12 May 2016 in the consolidated financial statement of the CD PROJEKT Capital Group for the period between 1 January and 31 March 2016 result from presentation-related adjustments described in the section titled "Assumption of comparability of financial statements and changes in accounting policies" and from merging the "Other activities" segment with the CD PROJEKT RED segment.*

(all figures quoted in PLN thousands unless specified otherwise)

Segmented consolidated statement of financial position as of 31.03.2017

	CD PROJEKT RED	GOG.com	Consolidation eliminations (incl. from business combinations)	Total
Fixed assets	**193 540**	**8 864**	**(14 027)**	**188 377**
Tangible assets	13 205	2 941	-	16 146
Intangible assets	43 447	2 816	-	46 263
Expenditures on development projects	76 032	3 032	-	79 064
Goodwill	46 417	-	-	46 417
Investments in subsidiaries	13 952	-	(13 952)	-
Deferred income tax assets	-	75	(75)	-
Other long-term receivables	487	-	-	487
WORKING ASSETS	**680 280**	**46 913**	**(6 835)**	**720 358**
Inventories	490	-	-	490
Trade receivables	40 716	3 350	(4 103)	39 963
Current income tax receivables	5 266	112	-	5 378
Other receivables	17 442	1 134	(2 732)	15 844
Prepaid expenses	1 232	11 019	-	12 251
Cash and cash equivalents	92 857	31 298	-	124 155
Other monetary assets	522 277	-	-	522 277
TOTAL ASSETS	**873 820**	**55 777**	**(20 862)**	**908 735**

(all figures quoted in PLN thousands unless specified otherwise)

	CD PROJEKT RED	GOG.com	Consolidation eliminations (incl. from business combinations)	Total
EQUITY	**810 493**	**26 695**	**(13 952)**	**823 236**
Equity attributable to shareholders of the parent company	**810 493**	**26 695**	**(13 952)**	**823 236**
Share capital	96 120	136	(136)	96 120
Supplementary capital	402 004	5 669	(4 672)	403 001
Other reserve capital	7 278	263	(263)	7 278
Exchange rate differences on valuation of foreign entities	13	1 991	470	2 474
Retained earnings	261 378	17 077	(9 351)	269 104
Net profit (loss) for the reporting period	43 700	1 559	-	45 259
Noncontrolling interest equity	**-**	**-**	**-**	**-**
LONG-TERM LIABILITIES	**2 292**	**8**	**(75)**	**2 225**
Other financial liabilities	233	-	-	233
Deferred income tax liabilities	1 113	-	(75)	1 038
Deferred revenues	891	6	-	897
Provisions for employee benefits and similar liabilities	55	2	-	57
SHORT-TERM LIABILITIES	**61 035**	**29 074**	**(6 835)**	**83 274**
Credits and loans	-	2	-	2
Other financial liabilities	234	-	-	234
Trade liabilities	3 888	18 785	(4 103)	18 570
Liabilities from current income tax	83	401	-	484
Other liabilities	4 718	5 674	(2 732)	7 660
Deferred revenues	748	2 850	-	3 598
Provisions for retirement benefits and similar liabilities	71	76	-	147
Other provisions	51 293	1 286	-	52 579
TOTAL LIABILITIES	**873 820**	**55 777**	**(20 862)**	**908 735**

(all figures quoted in PLN thousands unless specified otherwise)

Segemented consolidated statement of financial position as of 31.12.2016*

	CD PROJEKT RED	GOG.com	Consolidation eliminations (incl. from business combinations)	Total
Fixed assets	**176 047**	**8 483**	**(13 886)**	**170 644**
Tangible assets	11 551	2 872	-	14 423
Intangible assets	43 660	3 452	-	47 112
Expenditures on development projects	60 050	1 961	-	62 011
Goodwill	46 417	-	-	46 417
Investments in subsidiaries	13 688	-	(13 688)	-
Other financial assets	194	-	-	194
Deferred income tax assets	-	198	(198)	-
Other long-term receivables	487	-	-	487
WORKING ASSETS	**658 721**	**56 558**	**(10 963)**	**704 316**
Inventories	401	-	-	401
Trade receivables	73 654	3 904	(6 004)	71 554
Current income tax receivables	-	112	-	112
Other receivables	22 769	2 532	(5 033)	20 268
Other financial assets	53	-	-	53
Prepaid expenses	1 012	13 712	-	14 724
Cash and cash equivalents	520 832	36 298	74	557 204
Bank deposits (maturity beyond 3 months)	40 000	-	-	40 000
TOTAL ASSETS	**834 768**	**65 041**	**(24 849)**	**874 960**

(all figures quoted in PLN thousands unless specified otherwise)

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

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

(all figures quoted in PLN thousands unless specified otherwise)

Segmented consolidated statement of financial position as of 31.03.2016*

	CD PROJEKT RED	GOG.com	Consolidation eliminations (incl. from business combinations)	Total
Fixed assets	**158 634**	**6 488**	**(11 588)**	**153 534**
Tangible assets	8 039	2 490	-	10 529
Intangible assets	43 188	3 606	-	46 794
Expenditures on development projects	45 787	383	-	46 170
Goodwill	46 417	-	-	46 417
Investments in subsidiaries	11 588	-	(11 588)	-
Other financial assets	547	-	-	547
Deferred income tax assets	2 853	9	-	2 862
Other long-term receivables	215	-	-	215
WORKING ASSETS	**498 524**	**40 527**	**(8 680)**	**530 371**
Inventories	2 005	-	-	2 005
Trade receivables	44 330	2 624	(1 046)	45 908
Current income tax receivables	21 158	64	-	21 222
Other receivables	16 272	6 407	(7 636)	15 043
Prepaid expenses	1 121	10 195	-	11 316
Cash and cash equivalents	413 638	21 237	2	434 877
TOTAL ASSETS	**657 158**	**47 015**	**(20 268)**	**683 905**

(all figures quoted in PLN thousands unless specified otherwise)

	CD PROJEKT RED	GOG.com	Consolidation eliminations (incl. from business combinations)	Total
EQUITY	**539 651**	**19 056**	**(11 588)**	**547 119**
Equity attributable to shareholders of the parent company	**539 651**	**19 056**	**(11 588)**	**547 119**
Share capital	94 950	86	(86)	94 950
Supplementary capital	119 263	1 657	(721)	120 199
Other reserve capital	4 837	-	-	4 837
Exchange rate differences on valuation of foreign entities	8	1 455	389	1 852
Retained earnings	288 293	15 596	(11 170)	292 719
Net profit (loss) for the reporting period	32 300	262	-	32 562
Noncontrolling interest equity	**-**	**-**	**-**	**-**
LONG-TERM LIABILITIES	**541**	**12**	**-**	**553**
Other financial liabilities	124	-	-	124
Deferred revenues	386	8	-	394
Provisions for employee benefits and similar liabilities	31	4	-	35
SHORT-TERM LIABILITIES	**116 966**	**27 947**	**(8 680)**	**136 233**
Other financial liabilities	290	-	-	290
Trade liabilities	6 862	15 826	(562)	22 126
Liabilities from current income tax	-	182	-	182
Other liabilities	64 600	3 572	(8 118)	60 054
Deferred revenues	429	8 097	-	8 526
Provisions for retirement benefits and similar liabilities	152	35	-	187
Other provisions	44 633	235	-	44 868
TOTAL LIABILITIES	**657 158**	**47 015**	**(20 268)**	**683 905**

** Changes with respect to data published on 12 May 2016 in the consolidated financial statement of the CD PROJEKT Capital Group for the period between 1 January and 31 March 2016 result from presentation-related adjustments described in the section titled “Assumption of comparability of financial statements and changes in accounting policies” and from merging the “Other activities” segment with the CD PROJEKT RED segment.*

(all figures quoted in PLN thousands unless specified otherwise)

Activity segments

In the first quarter of 2017 the Capital Group conducted business activities in two business segments:

- CD PROJEKT RED,
- GOG.com.

CD PROJEKT RED

Videogame development is the main area of activity of the CD PROJEKT RED studio, a distinct operating segment of the CD PROJEKT Capital Group. The activity covers creation and publication of videogames, licensing the associated distribution rights and manufacturing tie-in products which exploit the commercial appeal of brands owned by the Company.

The segment's key products include videogames – The Witcher, The Witcher 2: Assassins of Kings, The Witcher 3: Wild Hunt (released on 19 May 2015) and two expansion packs for the latter – Hearts of Stone (released on 13 October 2015) and Blood and Wine (released on 31 May 2016). Since 2016 The Witcher 3 is also available as a Game of the Year Edition, bundled with both expansion packs.

In October 2016 the CD PROJEKT RED studio unveiled the latest addition to The Witcher universe – GWENT: The Witcher Card Game, a multiplayer online F2P game with support for microtransactions. Following seven months of closed beta tests, on 24 May 2017, the game progressed to an open beta phase in which all interested parties may participate.

CD PROJEKT RED is also working on another major RPG release – Cyberpunk 2077.

GOG.com

Digital distribution of videogames on a global scale is carried out by the GOG.com platform, owned by GOG Ltd. (with technical support from GOG Poland Sp. z o.o.). The activity comprises selling and delivering game binaries directly to the user's devices via the GOG.com platform and the associated GOG Galaxy application. As of the publication date of this report the GOG.com catalogue comprises nearly 2000 videogames licensed from over 470 developers, copyright holders and publishers from all over the world.

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

In addition to English, the platform is also available in French, German, Russian and Portuguese (targeted for the Brazilian market), complete with native customer support. GOG.com currently accepts payments in 11 currencies, including Polish Zlotys.

The GOG.com team has also formed a consortium with CD PROJEKT RED for the purposes of developing GWENT: The Witcher Card Game. GOG.com responsibilities include operating the game's platform, provisioning online services and hardware, and handling customer support (jointly with CD PROJEKT RED).

Disclosure of the issuer's significant accomplishments and shortcomings in each activity segment in the first quarter of 2017

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

CD PROJEKT RED

In 2017 the CD PROJEKT RED studio continued development of Cyberpunk 2077 and GWENT: The Witcher Card Game, and also carried out marketing activities in support of GWENT.

GWINT: development and production

In the first quarter of the year a number of improvements and updates were rolled out, affecting the user interface, gameplay mechanisms and balance. A new faction – Nilfgaard – was added, together with over 60 new cards (including additional cards for existing factions).

Between 31 March and 3 April 2017 the Company carried out technical beta tests of GWENT for PlayStation 4. During this period all interested PS4 users could engage in online battles with one another. This event market the first time a large group of gamers had the opportunity to try out GWENT on PS4.

Further work on GWENT continues, progressing towards more advanced stages of the publishing process. On 24 May 2017 (after the balance sheet date) the game's public beta version was released.

GWENT: marketing activities

In the framework of marketing support, between 23 and 27 January 2017 GWENT was showcased to Polish and foreign journalists and popular Youtubers. The presentation focused on the upcoming update to GWENT, and was attended by more than 50 viewers from the United Kingdom, France, Germany, Brazil and Russia. Selected reactions are quoted below:

- “The Nilfgaard faction shows Gwent has a life after The Witcher 3” – PC Gamer
- “The new faction makes a good impression” – Igromania
- “GWENT’s new faction makes the game more fun” – IGN Brasil

In the first half of March GWENT was presented at PAX East 2017 in Boston, which included a discussion panel focused on animation of in-game cards. The panel was locally attended by several hundred participants and streamed live on the Internet.

On 13 March 2017 the studio announced the first-ever official GWENT tournament: GWENT Challenger, co-organized by CD PROJEKT RED and a professional international e-sports league – ESL. The tournament itself was held after the close of the reporting period, on 13 May 2017, in Katowice. In the finals, four winners of the open playoff phase squared off against four professional gamers. The total prize pool was 100,000 USD.

The Group continued with sales of its existing products – The Witcher 3: Wild Hunt, the game’s expansion packs (Hearts of Stone and Blood and Wine), as well as older releases – The Witcher and The Witcher 2: Assassins of Kings. The Group’s consolidated revenues are also affected by microtransactions carried out as part of the closed beta testing campaign of GWENT: The Witcher Card Game.

GOG.com

With regard to the functionality and underlying technology of the GOG.com platform, an important highlight of Q1 2017 was the release of the largest-yet update for the GOG Galaxy client. The reporting period was also replete with publishing events, involving fresh releases as well as classic games. As of the publication date of this reports, customers may choose from nearly 2 000 games. With regard to revenues, the most important product offered by the GOG.com segment in the first thiree months of 2017 was GWENT: The Witcher Card Game. GOG.com revenues associated with GWENT in-game transactions represented an important component of the segment’s Q1 revenues, compared to the corresponding period in 2016.

GOG Galaxy update

On 22 March 2017 the company released its largest-yet update for the GOG Galaxy – an optional client facilitating game library management, online gaming and community interactions.

On the release date users who had previously opted to participate in testing of upcoming features received access to the GOG Galaxy 1.2 client. The newest version introduces, among others, cloud save features and a range of client customization options. The application’s CPU and memory footprint has been reduced thanks to the new hibernation functionality; in addition, numerous additional features, prompted by player requests, have been added. The update attracted significant interest on the part of gaming media – the resulting publications indicate that GOG Galaxy is steadily gaining visibility on the digital distribution market as an alternative to other established platforms.

New additions to the GOG.com catalogue

The GOG.com classic PC game catalogue was expanded by Activision games: SWAT 4 and Emperor: Rise of the Middle Kingdoms. Both games are offered exlusively on GOG.com. Other additions included a selection of war-themed shooters: Hidden & Dangerous and Delta Force.

The first quarter of 2017 also brought a large number of premiere releases, the most important of which was Torment: Tides of Numenera (spiritual successor to the hugely popular Planetscape: Torment RPG series). The GOG.com catalogue was also expanded by Thimbleweed Park, Night in the Woods, Beat Cop and Vikings – Wolves of Midgard.

Active sales support

Starting in 2017, GOG.com implements a new schedule of weeklong sales. These events begin on Monday and end on the following Monday, with additional games offered on the intervening Friday. Additionally, two large sales events were carried out in the reporting period: in February, the company celebrated Valentine’s Day with its weeklong “From Wishlists With Love” campaign, offering 60 most sought-after releases at bargain prices. A grand Spring Sale followed in March, involving more than 500 titles.

In order to expand the Group’s presence on local markets, in Q1 2017 GOG.com launched dedicated Facebook fanpages in Russia, Germany, France and Brazil. In each case, social media communications are carried out in local language, with the Facebook environment providing support for further targeted marketing activities.

Other achievements

CD PROJEKT S.A. was once again named Stock Exchange Company of the Year by capital market experts, as revealed in the prestigious annual ranking published by Puls Biznesu. The Company won first place in two categories – “Innovation” and “Growth prospects”, and was the runner-up in three additional categories – “Management excellence”, “Investor relations” and “Success in the past year”. In addition, users of two financial portals – pb.pl and bankier.pl – awarded the Company with the prestigious “2016 WSE Master” accolade.

Disclosure of factors which may affect future Group results

Similarly to other commercial entities which conduct activities on the local and international markets, the standing of the CD PROJEKT Capital Group member companies is affected by a variety of factors, including micro- and macroeconomic conditions, legal regulations and taxation.

Regarding internal factors, in the CD PROJEKT S.A. Management Board's opinion, the results of the **CD PROJEKT RED** activity segment and – consequently – of the entire Capital Group will, in the second quarter of 2017 and in subsequent quarters strongly depend on continued sales of The Witcher 3: Wild Hunt and the game's two expansion packs – Hearts of Stone and Blood and Wine. In 2017 sales of these titles will be animated by seasonal events involving both traditional and digital distribution channels.

Another important factor affecting future Group results is the growing popularity and positive reception of GWENT: The Witcher Card Game. On 24 May 2017, following 7 months of closed beta testing, the company initated the game's open beta testing phase, supplying the game to all interested parties with no need for prior registration. On the same date GWENT was also released for the PlayStation 4 gaming console. In future months CD PROJEKT RED and GOG.com will continue with joint development activities. A separate Chinese beta testing campaign will begin later this year. Further activities related to the Chinese edition of GWENT depend on the outcome of the game's local certification process, which is currently underway.

Commercial success of GWENT will be determined by the players' eagerness to participate in successive stages of testing, and by the media reception of new elements and mechanisms currently under development. The effectiveness of ongoing intensive promotional activities, targeting key markets – the US, Germany, France, the UK, Russia, Poland, Brazil, Latin America and Australia – and conducted primarily through online and social media channel will affect GWENT's monetization prospects, as well as the market potential of other games from The Witcher universe.

Given the fact that **GOG.com** growth dynamics are dependent on the activity of existing users along with the platform's ability to attract new users by offering appealing products, future growth in this segment in subsequent quarters of 2017 will depend on the Company's success in securing access to new releases from the world's leading publishers and developers.

In terms of attracting new customers, GOG.com will, in the coming months, focus on territories where its customer base is not currently well developed. The company also intends to reach new customers through GWENT: The Witcher Card Game – this game requires the GOG Galaxy client, which also provides full access to the GOG.com store. In future reporting periods GOG.com will undertake marketing campaigns specifically targeting GWENT players, with the aim to display the full product range offered on GOG.com. Adding support for further language versions, currencies and payment channels is also being contemplated.

GOG.com financial results will be strongly affected by sales of GWENT: The Witcher Card Game. GOG Poland has established a consortium with CD PROJEKT RED to carry out joint development of the game. In the framework of this consortium GOG.com is responsible for all online gameplay features and matchmaking. Consequently, a portion of the game's development costs and revenues are attributable to GOG.com.

Another specific factor which may affect the financial standing of CD PROJEKT S.A. is the outcome of the Company's lawsuit against the State Treasury. A favorable judgment in this case would entitle the Company to collect substantial damages.

Disclosure of seasonal or cyclical activities

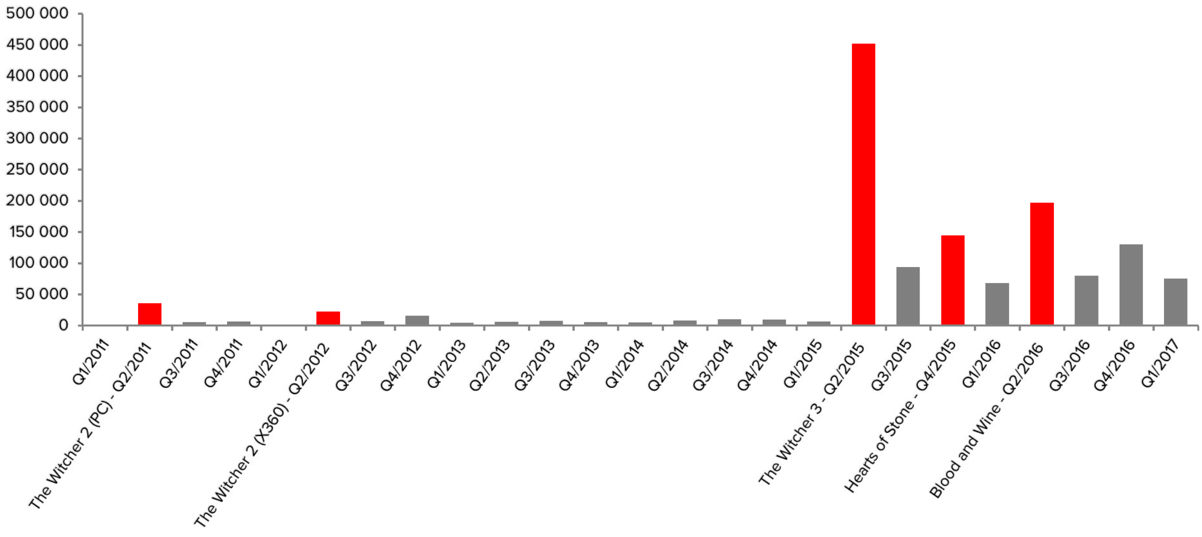
CD PROJEKT RED

CD PROJEKT RED usually takes between 2 and 4 years to produce a game. Initial development work occurs before the previous game in the series is complete and ready to be released. The Witcher 2 debuted on the PC in May 2011 while the Xbox 360 edition was released on 17 April 2012. The release of CD PROJEKT RED's newest game – The Witcher 3: Wild Hunt – took place on 19 May 2015. Sales of the base game were bolstered by two expansion packs: Hearts of Stone and Blood and Wine. On 30 August 2016 The Witcher 3: Wild Hunt was released as a Game of the Year Edition bundle consisting of the base game, both expansion packs and all existing DLC content.

GWENT – The Witcher Card Game (currently under development) is conceived as a "game as a service" where the scope of development, resources committed to the project and future sales revenues depend on the popularity of the service. The game will be offered under a "free to play" license, with optional microtransactions.

CD PROJEKT RED is also continuing with its work on Cyberpunk 2077 – the largest development project in the Company's history.

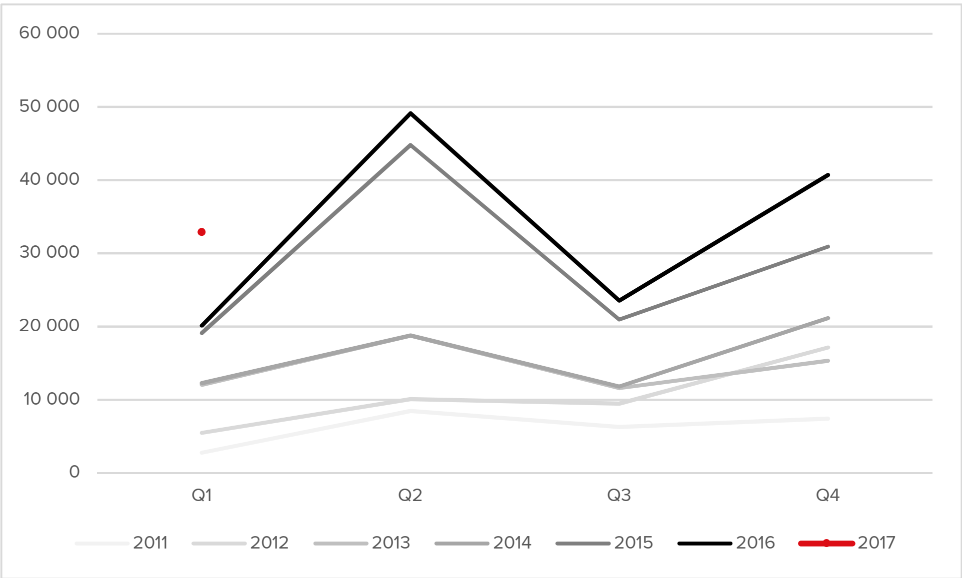
Figure 1 Effect of new videogame releases on quarterly sales revenues in the CD PROJEKT RED segment (in PLN thousands)



GOG.com

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

Figure 2 Revenues from GOG.com sales to external clients, by quarter (2011-2017; PLN thousands)



GOG.com sales revenues in the second quarter of 2015 were primarily affected by revenues associated with the release of The Witcher 3: Wild Hunt. The most important new release of the second quarter of 2016 was that of Blood and Wine – the second expansion pack for The Witcher 3.

Disclosure of key clients

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

Within the **CD PROJEKT RED** activity segment trade activities carried out by CD PROJEKT S.A. in collaboration with two clients generated sales revenues exceeding 10% of the Group's consolidated sales revenues.

- Client I – 25 347 thousand PLN, which represents 25.5% of the consolidated sales revenues of the Capital Group.
- Client II – 13 560 thousand PLN, which represents 13.6% of the consolidated sales revenues of the Capital Group.

Neither client is affiliated with CD PROJEKT S.A. or its subsidiaries. In other activity segments no single client accounted for more than 10% of the Group's consolidated sales revenues.

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

4

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

In the first quarter of 2017 the Group's financial result, assets, liabilities, equity and cash flows continued to be dominated by sales of The Witcher 3: Wild Hunt, together with its expansion packs (Hearts of Stone and Blood and Wine), as well as ongoing work on upcoming CD PROJEKT RED releases (Cyberpunk 2077 and The Witcher Card Game).

No circumstances affecting assets, liabilities, equity, net financial result and cash flows which could be considered unusual due to their type, size or effect occurred in the reporting period.

Note 2. Tangible assets

Changes in PP&E assets (by category) for the period between 01.01.2017 and 31.03.2017

	Buildings and structures	Machinery and equipment	Vehicles	Other fixed assets	Fixed assets under construction	Total
Gross carrying amount as of 01.01.2017	**6 559**	**16 062**	**1 537**	**1 134**	**1 860**	**27 152**
Increases from:	**2 230**	**1 250**	**625**	**53**	**642**	**4 800**
purchases	648	1 162	-	44	642	2 496
lease agreements	-	-	625	-	-	625
reclassification from fixed assets under construction	1 582	7	-	-	-	1 589
reclassification	-	68	-	9	-	77
others	-	13	-	-	-	13
Reductions from:	**2**	**89**	**-**	**64**	**1 589**	**1 744**
sales	2	-	-	-	-	2
reclassification from fixed assets under construction	-	-	-	-	1 589	1 589
reclassification	-	63	-	14	-	77
others	-	26	-	50	-	76
Gross carrying amount as of 31.03.2017	**8 787**	**17 223**	**2 162**	**1 123**	**913**	**30 208**
Depreciation as of 01.01.2017	**2 153**	**9 285**	**771**	**520**	**-**	**12 729**
Increases from:	**214**	**1 029**	**84**	**97**	**-**	**1 424**
depreciation	214	971	84	88	-	1 357
reclassification	-	58	-	9	-	67
Reductions from:	**-**	**70**	**-**	**21**	**-**	**91**
reclassification	-	58	-	9	-	67
others	-	12	-	12	-	24
Depreciation as of 31.03.2017	**2 367**	**10 244**	**855**	**596**	**-**	**14 062**
Impairment write-downs as of 01.01.2017	-	-	-	-	-	-
Impairment write-downs as of 31.03.2017	-	-	-	-	-	-
Net carrying amount as of 31.03.2017	**6 420**	**6 979**	**1 307**	**527**	**913**	**16 146**

Contractual commitments for future acquisition of PP&E assets

	31.03.2017	31.12.2016	31.03.2016
Leasing of passenger cars	882	284	860
Total	**882**	**284**	**860**

(all figures quoted in PLN thousands unless specified otherwise)

Note 3. Intangibles and R&D expenditures

Changes in intangibles between 01.01.2017 and 31.03.2017

	Development projects in progress	Development projects finished	Trademarks	Patents and licenses	Copyrights	Computer software	Goodwill	Intangibles under construction	Others	Total
Gross carrying amount as of 01.01.2017	**62 011**	**162 155**	**32 199**	**1 496**	**6 624**	**22 185**	**46 417**	**51**	**1**	**333 139**
Increases from:	**17 053**	**-**	**-**	**-**	**-**	**216**	**-**	**-**	**-**	**17 269**
purchases	-	-	-	-	-	216	-	-	-	216
own creation	17 053	-	-	-	-	-	-	-	-	17 053
Reductions from:	**-**	**-**	**-**	**35**	**-**	**341**	**-**	**3**	**-**	**379**
others	-	-	-	35	-	341	-	3	-	379
Gross carrying amount as of 31.03.2017	**79 064**	**162 155**	**32 199**	**1 461**	**6 624**	**22 060**	**46 417**	**48**	**1**	**350 029**
Depreciation as of 01.01.2017	**-**	**162 155**	**-**	**500**	**33**	**14 910**	**-**	**-**	**1**	**177 599**
Increases from:	**-**	**-**	**-**	**55**	**-**	**826**	**-**	**-**	**-**	**881**
depreciation	-	-	-	55	-	826	-	-	-	881
Reductions from:	**-**	**-**	**-**	**1**	**-**	**194**	**-**	**-**	**-**	**195**
others	-	-	-	1	-	194	-	-	-	195
Depreciation as of 31.03.2017	**-**	**162 155**	**-**	**554**	**33**	**15 542**	**-**	**-**	**1**	**178 285**
Impairment write-downs as of 01.01.2017	-	-	-	-	-	-	-	-	-	-
Impairment write-downs as of 31.03.2017	-	-	-	-	-	-	-	-	-	-
Net carrying amount as of 31.03.2017	**79 064**	**-**	**32 199**	**907**	**6 591**	**6 518**	**46 417**	**48**	**-**	**171 744**

Contractual commitments for future acquisition of intangible assets

Not applicable.

Note 4. Goodwill

No changes in goodwill occurred between 1 January and 31 March 2017.

Note 5. Inventories

Changes in inventories

	31.03.2017	31.12.2016	31.03.2016*
Other materials	28	28	34
Goods	462	373	1 971
Gross inventories	**490**	**401**	**2 005**
Inventory impairment write-downs	-	-	-

(all figures quoted in PLN thousands unless specified otherwise)

Net inventories	490	401	2 005

** adjusted data*

Changes in inventory impairment write-downs

None reported.

Note 6. Trade and other receivables

Changes in receivables

	31.03.2017	31.12.2016	31.03.2016
Trade and other receivables	**61 185**	**91 934**	**82 173**
from affiliates	10	10	1
from external entities	55 797	91 812	60 950
income tax receivables	5 378	112	21 222
Impairment lossess	**4 123**	**4 211**	**1 124**
Gross receivables	**65 308**	**96 145**	**83 297**

Changes in impairment write-downs on receivables

	Trade receivables	Other receivables
OTHER ENTITIES		
Impairment losses as of 01.01.2017	**3 479**	**732**
Increases from:	**-**	**-**
creation of write-downs for past-due and contested receivables	-	-
Reductions from:	**88**	**-**
elimination of write-downs due to collection of receivables	1	-
elimination of write-downs by write-offs	87	-
Impairment losses as of 31.03.2017	**3 391**	**732**

Current and overdue trade receivables as of 31.03.2017

	Total	Days overdue					
		<0	0 – 60	61 – 90	91 – 180	181 – 360	>360
OTHER ENTITIES							
gross receivables	43 354	39 593	370	-	2 664	305	422
impairment write-downs	3 391	-	-	-	2 664	305	422
Net receivables	**39 963**	**39 593**	**370**	**-**	**-**	**-**	**-**

Other receivables as of 31.03.2017

The bulk of the "other receivables" line item comprises tax receivables – mostly withholding tax deducted at source, reportable in annual tax statement. Additionally, this line item aggregates VAT receivables and advances paid out to the suppliers.

Note 7. Prepaid expenses

	31.03.2017	31.12.2016*	31.03.2016*
Non-life insurance	51	98	24
Minimum guarantees; payments advanced to GOG	10 527	13 207	10 084
Access to online legal support portal	50	23	30
Software, licenses	965	866	716
Business travel (airfare, accommodation, insurance)	92	25	15
Other prepaid expenses	566	505	447

(all figures quoted in PLN thousands unless specified otherwise)

Total prepaid expenses	**12 251**	**14 724**	**11 316**

** adjusted data*

Note 8. Deferred income tax

Negative temporary differences requiring recognition of deferred tax assets

	31.12.2016	increases	reductions	31.03.2017
Provisions for other employee benefits	13 634	2 829	113	16 350
Valuation of futures contracts under the incentive program	29 802	5 241	-	35 043
Negative exchange rate differences	1 027	266	1 027	266
Employee compensation and social security expenses payable in future reporting periods	643	2	38	607
Difference between the balance sheet value and tax value of fixed and intangible assets	157	151	158	150
Other provisions	682	-	151	531
Total negative temporary differences	**45 945**	**8 489**	**1 487**	**52 947**
Domestic tax rate	19.0%	19.0%	19.0%	19.0%
Total deferred tax assets	**8 730**	**1 613**	**283**	**10 060**

Positive temporary differences requiring recognition of deferred tax provisions

	31.12.2016	increases	reductions	31.03.2017
Difference between the balance sheet value and tax value of tangible and intangible assets	15 761	1 968	-	17 729
Revaluation of forward contracts (cash flow hedge) at fair value	53	-	53	-
Income in the current period invoiced in the following period	66 698	40 153	66 703	40 148
Positive exchange rate differences	1 004	113	1 002	115
Valuation of shares in other entities	169	-	169	-
Other sources	146	270	1	415
Total negative temporary differences	**83 831**	**42 504**	**67 928**	**58 407**
Domestic tax rate	19.0%	19.0%	19.0%	19.0%
Total deferred tax assets	**15 928**	**8 076**	**12 906**	**11 098**

Balance of deferred tax assets/provisions

	31.03.2017	31.12.2016	31.03.2016
Deferred tax assets	10 060	8 730	12 654
Deferred tax provisions	11 098	15 928	9 792
Net deferred tax assets/(provisions)	**(1 038)**	**(7 198)**	**2 862**

Income tax reported in profit/loss account

	01.01.2017 -31.03.2017	01.01.2016 -31.03.2016
Current income tax	17 737	13 663
Changes in deferred income tax	(6 161)	(6 047)
Income tax reported in profit/loss account	**11 576**	**7 616**

(all figures quoted in PLN thousands unless specified otherwise)

Note 9. Provisions for employee benefits and similar liabilities

Provisions for employee benefits and similar liabilities

	31.03.2017	31.12.2016	31.03.2016
Provisions for retirement benefits and pensions	58	58	36
Provisions for other employee benefits	146	293	186
Total, including:	**204**	**351**	**222**
long-term provisions	57	57	35
short-term provisions	147	294	187

Changes in provisions

	Provisions for retirement benefits and pensions	Provisions for other employee benefits	Total
As of 01.01.2017	**58**	**293**	**351**
Benefits paid out	-	28	28
Provisions dissolved	-	119	119
As of 31.03.2017, including:	**58**	**146**	**204**
long-term provisions	57	-	57
short-term provisions	1	146	147

Note 10. Other provisions

	31.03.2017	31.12.2016	31.03.2016*
Provisions for warranty-covered repairs and returns	**46**	**21**	**-**
Provisions for liabilities, including:	**52 533**	**45 010**	**44 868**
financial statement audit expenses	67	68	-
provisions for bought-in services	314	644	234
provisions for bonuses dependent on financial result	51 965	43 906	43 976
provisions for license fees	56	81	-
provisions for licenses and fixed assets	52	72	188
provisions for other expenses	79	239	470
Total, including:	**52 579**	**45 031**	**44 868**
long-term provisions	-	-	-
short-term provisions	52 579	45 031	44 868

** adjusted data*

Changes in other provisions

	Provisions	Provisions	Other	Total

(all figures quoted in PLN thousands unless specified otherwise)

	for warranty-covered repairs and returns	for bonuses dependent on financial result	provisions	
As of 01.01.2017	**21**	**43 906**	**1 104**	**45 031**
Provisions created during the fiscal year	27	8 059	579	8 665
Benefits paid out	-	-	1 092	1 092
Adjustments due to exchange rate differences	(2)	-	(23)	(25)
As of 31.03.2017, including:	**46**	**51 965**	**568**	**52 579**
long-term provisions	-	-	-	-
short-term provisions	46	51 965	568	52 579

Note 11. Other liabilities

	31.03.2017	31.12.2016	31.03.2016*
Liabilities due to other taxes, duties, social security and similar expenses except corporate income tax	**3 775**	**4 508**	**2 737**
VAT	2 811	3 487	2 042
Withholding tax deducted at source	17	12	23
Civil law transaction tax	-	-	60
Personal income tax	343	659	252
Social security (ZUS) payments	528	327	338
National Fund for the Rehabilitation of the Disabled (PFRON) payments	39	19	14
PIT-8A settlements	37	4	8
Other liabilities	**3 885**	**5 254**	**57 317**
Compensation-related libilities due to employees	-	1 204	-
Other settlements with employees	22	25	129
Other settlements with members of the management boards of Capital Group member companies	28	10	57
Social Benefits Fund (ZFŚS) – other settlements	(19)	(34)	1 468
Advance payments from foreign clients	3 854	4 049	55 663
Total other liabilities	**7 660**	**9 762**	**60 054**

** adjusted data*

(all figures quoted in PLN thousands unless specified otherwise)

Note 12. Disclosure of financial instruments

Fair value of financial instruments per class

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

Changes in financial instruments

	01.01.2017 – 31.03.2017				
	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	**53**	**40 000**	**649 026**	**194**	**37 872**
Increases	**-**	**482 277**	**179 962**	**-**	**26 699**
Monetary assets	-	-	124 155	-	-
Trade and other receivables	-	-	55 807	-	-
Trade and other liabilities	-	-	-	-	26 230
Credits and loans	-	-	-	-	2
Financial lease agreements	-	-	-	-	467
Short-term deposits (maturity beyond 3 months)	-	482 277	-	-	-
Reductions	**53**	**-**	**649 026**	**194**	**37 872**
Monetary assets	-	-	557 204	-	-
Trade and other receivables	-	-	91 822	-	-
Trade and other liabilities	-	-	-	-	37 733
Financial lease agreements	-	-	-	-	139
Shares of company stock	-	-	-	194	-
Forward contracts	53	-	-	-	-
At end of period	**-**	**522 277**	**179 962**	**-**	**26 699**

The reduction in financial assets held for sale is due to sale of 16 shares in cdp.pl Sp. z o.o., carried out on 31 March 2017. As a result of this transaction the Group's share in cdp.pl decreased from 3.11% to 0%.

(all figures quoted in PLN thousands unless specified otherwise)

Hierarchy of financial instruments carried at fair value

	31.03.2017	31.12.2016	31.03.2016
LEVEL 2			
Assets carried at fair value			
Derivatives:	**-**	**53**	**-**
forward currency contract – USD	-	53	-

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

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

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

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

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

Note 13. Operating expenses

	01.01.2017 – 31.03.2017	01.01.2016 – 31.03.2016*
Depreciation and impairment of fixed assets and intangibles	961	1 059
Consumption of materials and energy	168	134
Bought-in services	12 934	13 830
Taxes and fees	182	72
Employee compensation, social security and other benefits	13 161	12 783
Business travel	333	561
Other costs, including:	**3 135**	**2 868**
upkeep of Internet hosts and external servers	517	725
advisory services	15	152
representation and advertising	1 483	1 185
use of company cars	26	27
insurance	63	66
participation in fairs, exhibitions and conferences	721	52
recruitment and relocation costs	34	41
other costs	276	620
Value of goods and materials sold	14 761	15 379
Cost of products and services sold	62	1 635
Total	**45 697**	**48 321**
Selling costs	22 434	26 014
General and administrative costs	8 440	5 293
Cost of products, goods and materials sold	14 823	17 014
Total	**45 697**	**48 321**

** adjusted data*

(all figures quoted in PLN thousands unless specified otherwise)

Note 14. Other operating revenues and expenses

Other operating revenues

	01.01.2017 – 31.03.2017	01.01.2016 – 31.03.2016
Dissolution of provisions for employee benefits	52	7
Dissolution of unused provisions for liabilities	10	66
Subsidies	46	29
Write-downs on expired liabilities	33	5
Penalties, fines and compensation received	118	-
Reinvoicing revenues	95	66
Other revenues, including:	**79**	**32**
provisions dissolved	10	-
repossession gains received	3	5
goods and materials received free of charge	-	2
other sales	43	8
other miscalleneous operating revenus	23	17
Total	**433**	**205**

Other operating expenses

	01.01.2017 – 31.03.2017	01.01.2016 – 31.03.2016*
Revaluations of receivables	-	12
Losses from sales of fixed assets	1	2
Reinvoicing costs	95	150
Unrecoverable withholding tax	3	131
Other costs, including:	**149**	**4**
disposal of materials and goods	-	1
own cost of other sales	108	-
other miscallaneous operating expenses	41	3
Total	**248**	**299**

** adjusted data*

(all figures quoted in PLN thousands unless specified otherwise)

Note 15. Financial revenues and expenses

Financial revenues

	01.01.2017 – 31.03.2017	01.01.2016 – 31.03.2016
Revenues from interest:	**3 401**	**2 393**
on short-term bank deposits	3 401	2 393
Other financial revenues, including:	**468**	**879**
profit from sales of investments	-	23
forward currency transactions	94	856
revenues from the sale of shares	374	-
Total financial revenues	**3 869**	**3 272**

Financial expenses

	01.01.2017 – 31.03.2017	01.01.2016 – 31.03.2016
Interest payments:	**2**	**30**
on lease agreements	1	3
on budget commitments	1	27
Other financial expenses, including:	**862**	**1 644**
surplus negative exchange rate differences	809	1 542
forward currency transactions	53	59
net loss from sales of investments (shares)	-	43
Total financial expenses	**864**	**1 674**
Net financial revenues/(expenses)	**3 005**	**1 598**

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

Issue of debt securities

Not applicable.

Issue of capital securities

	31.03.2017	31.12.2016	31.03.2016
Stock volume (thousands)	96 120	96 120	94 950
Nomnal value per share (PLN)	1	1	1
Share capital	**96 120**	**96 120**	**94 950**

Note 17. Dividends declared or paid out

On 23 May 2017 the Ordinary General Meeting of the parent entity adopted a resolution whereby a portion of the Company's 2016 net profit in the amount of 100 926 thousand PLN shall be paid out to Company shareholers as a dividend.

Note 18. Transactions with affiliates

Rules governing transactions with affiliates

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

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

Transactions with affiliates following consolidation eliminations

	Sales to affiliates		Purchases from affiliates	
	01.01.2017 – 31.03.2017	01.01.2016 – 31.03.2016	01.01.2017 – 31.03.2017	01.01.2016 – 31.03.2016
MEMBERS OF MANAGEMENT BOARDS OF GROUP COMPANIES				
Marcin Iwiński	2	1	-	-
Adam Kiciński	1	1	-	-
Piotr Nielubowicz	1	1	-	-
Michał Nowakowski	2	2	-	-
SUPERVISORY BOARD MEMBERS				
Katarzyna Szwarc	-	-	5	-

Transactions with affiliates following consolidation eliminations

	Receivables from affiliates			Liabilities due to affiliates		
	31.03.2017	31.12.2016	31.03.2016	31.03.2017	31.12.2016	31.03.2016*
MEMBERS OF MANAGEMENT BOARDS OF GROUP COMPANIES						
Marcin Iwiński	7	1	-	19	-	9
Adam Kiciński	-	-	-	5	7	2
Piotr Nielubowicz	-	-	-	-	-	4
Michał Nowakowski	2	-	-	4	3	33
Adam Badowski	1	9	1	-	-	6
Piotr Karwowski	-	-	-	-	-	2
Oleg Klapovskiy	-	-	-	-	-	1

** adjusted data*

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

Not applicable.

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

Conditional liabilities associated with sureties and collateral pledged

	Pledgd in association with	Currency	31.03.2017	31.12.2016	31.03.2016
Agora S.A.					
Promissory note payable	Collateral for licensing and distribution agreement	PLN	-	11 931	11 931
Declaration of submission to enforcement with respect to guaranteed execution of distribution agreement	Collateral for licensing and distribution agreement	PLN	-	11 931	11 931
mBank S.A.					
Declaration of submission to enforcement	Collateral for credit card agreement	PLN	920	920	920
Promissory note agreement	Framework agreement concerning forward and derivative transactions	PLN	7 710	7 710	7 710
Promissory note agreement	Collateral for lease agreement	PLN	667	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	155
Ministry of the economy					
Promissory note agreement	Co-financing agreement no. POIG.06.05.02-00-146/13-00	PLN	265	265	265
Promissory note agreement	Co-financing agreement no. POIG.06.05.02-00-148/13-00	PLN	235	235	235

(all figures quoted in PLN thousands unless specified otherwise)

Polish Agency for Enterprise Development (Polska Agencja Rozwoju Przedsiębiorczości)					
Promissory note agreement	Co-financing agreement no. UDA-POIG.08.02.00-14-524/13-00; POIG Task 8.2	PLN	798	798	839
The National Centre for Research and Development (Narodowe Centrum Badań i Rozwoju)					
Promissory note agreement	Co-financing agreement no. POIR.01.02.00-00-0105/16	PLN	7 934	-	-
Promissory note agreement	Co-financing agreement no. POIR.01.02.00-00-0110/16	PLN	5 114	-	-
Promissory note agreement	Co-financing agreement no. POIR.01.02.00-00-0112/16	PLN	3 857	-	-
Promissory note agreement	Co-financing agreement no. POIR.01.02.00-00-0118/16	PLN	5 324	-	-
Raiffeisen Bank Polska S.A.					
Guarantee of discharge of cash pool liabilities	Cash pool agreement	PLN	-	15 000	15 000
Guarantee of discharge of cash pool liabilities	Cash pool agreement	USD	-	500	500
Declaration of submission to enforcement	Framework agreement concerning forward and derivative transactions	PLN	75 000	75 000	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	320	320
Promissory note agreement	Lease agreement no. CZ5/00013/2017	PLN	403	-	-
Promissory note agreement	Lease agreement no. CZ5/00036/2017	PLN	175	-	-
BZ WBK S.A.					
Promissory note agreement	Framework agreement concerning treasury transactions	PLN	6 500	6 500	-

(all figures quoted in PLN thousands unless specified otherwise)

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

None reported.

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

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

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

Note 23. Fiscal settlements

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

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

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

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

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

	01.01.2017 – 31.03.2017	01.01.2016 – 31.03.2016*
Total cash and cash equivalents reported in the cash flow statement	**124 155**	**434 877**
Cash on balance sheet	124 155	434 377
Depreciation	**961**	**2 624**
Depreciation of intangible assets	616	814
Depreciation of development projects	-	1 565
Depreciation of fixed assets	345	245
Interest and profit sharing consists of:	**(3 401)**	**(2 393)**
Interest collected	(3 401)	(2 393)
Profit (loss) from investment activities consists of:	**249**	**79**
Revenues from sales of fixed assets	(1)	-
Net value of fixed assets sold	2	-
Net value of shares sold	195	-
Revaluation of short-term financial assets	53	102
Revenues from sales of investments	-	(23)
Changes in provisions consist of:	**7 401**	**(11 552)**
Balance of changes in provisions for liabilities	7 548	(11 515)
Balance of changes in provisions for employee benefits	(147)	(37)
Changes in inventories consist of:	**(89)**	**(1 387)**
Balance of changes in inventories	(89)	(1 387)
Changes in receivables consist of:	**36 016**	**53 283**
Balance of changes in short-term receivables	30 749	32 061
Income tax set against withholding tax	7 133	15 870
Adjustments for current income tax	(1 866)	5 291
Rectification of fundamental errors – income tax	-	61
Changes in short-term liabilities except financial liabilities consist of:	**(12 059)**	**12 121**
Balance of changes in short-term liabilities	(14 608)	5 268
Adjustments for current income tax	3 278	7 387
Changes in financial liabilities	(171)	2
Changes in credits and loans	(2)	-
Adjustments for liabilities associated with purchases of fixed assets	(431)	(511)
Adjustments for liabilities associated with purchases of intangible assets	(125)	(25)
Changes in other assets and liabilities consist of:	**3 160**	**1 838**
Balance of changes in prepaid expenses	2 473	1 207
Balance of changes in deferred revenues	687	633
Elimination of fixed assets received free of charge	-	(2)

(all figures quoted in PLN thousands unless specified otherwise)

Other adjustments consist of:	1 493	248
Costs of incentive program	2 483	580
Depreciation aggregated with cost of sales and consortium settlements	243	216
Exchange rate differences	(1 233)	(548)

** adjusted data*

Note 25. Events following the balance sheet date

Creation of new subsidiary

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

Merger between subsidiaries

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

Appointment of members of the parent Company governing bodies for new term

Due to the expiry of the term of office of the Members of the Supervisory Board, on 23 May 2017 the Ordinary General Meeting of Shareholders of the parent Company appointed the following persons to the Supervisory Board for its new term:

- Mrs Katarzyna Szwarc
- Mr Piotr Pągowski
- Mr Krzysztof Kilian
- Mr Maciej Majewski
- Mr Michał Bień

Simultaneously due to the expiry of the term of office of the Members of the Management Board, the Supervisory Board of the parent Company appointed the following persons to the Management Board for its new term:

- Mr Adam Kiciński - as President of the Management Board
- Mr Marcin Iwiński - as Vice President of the Management Board for International Affairs
- Mr Piotr Nielubowicz - as Vice President of the Management Board and CFO
- Mr Adam Badowski
- Mr Michał Nowakowski
- Mr Piotr Karwowski

(all figures quoted in PLN thousands unless specified otherwise)

CD PROJEKT

Supplementary information

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Legal proceedings

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

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

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

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

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

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

On 9 October 2014 the Company filed an appeal against the District Court’s judgment with regard to those sections in which the District Court dismissed the Company’s claims, and also the section concerning the cost of legal proceedings associated with the case. A parallel appeal against the section in which the District Court affirms the Company’s claims was filed by the State Treasury. On 7 December 2015 the Appellate Court in Kraków decided to petition the Supreme Court for resolution of a legal issue which, in the Appellate Court's opinion, gives rise to significant legal controversies, and to adjourn the proceeding until such time as a resolution is obtained. The issue concerns the question whether the State Treasury can be held liable to CD PROJEKT when the decisions concerning tax arrears were issued not with respect to Optimus itself, but to the company which existed prior to disaggregation of technological operations into Optimus Technologie. The Supreme Court concurred with the Company’s request and declined to adjudicate the issue. Consequently, the case will be further tried by the Appellate Court in Kraków.

CD PROJEKT S.A. (formerly Optimus S.A.) vs. Michał Lorenc

On 10 April 2009 Optimus S.A. filed a lawsuit in the District Court for the City of Warsaw against Mr. Michał Lorenc – its former President of the Board. The Company seeks damages in the amount of 507.3 thousand PLN for losses incurred as a result of violation of disclosure obligations associated with the Company’s listing on the Warsaw Stock Exchange regarding the issuance of D series shares and purchase of Zatra S.A. stock during Mr. Michał Lorenc’s tenure as President of the Management Board. This case has been suspended until a resolution is obtained in case no. XVIII K 126/09 (described below).

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

Case against Michał Lorenc, Piotr Lewandowski and Michał Dębski

On 27 April 2009 the District Attorney’s Office filed an indictment in the District Court for the City of Warsaw against Michał Lorenc, Piotr Lewandowski and Michał Dębski charged with violating sections 296 §1, 296 §3 and others of the Penal Code. The corresponding neutral citation number is XVIII K 126/09. The Company is acting as an auxiliary prosecutor in the court of first instance, and will retain this status until the trial has concluded. Having found the defendants guilty, the Court awarded the Company 210 thousand PLN in damages under Art. 46 of the Penal Code. According to the operative part of the judgement total losses sustained by the Company as a result of the defendants’ actions were estimated at 15.6 million PLN (this figure follows from standard regulations applicable to criminal trials). The sentence is not legally valid and has been appealed by all parties involved, including the Company. The Company is currently waiting for the case to be remanded to an appelate court and for an appeal date to be determined.

Shareholder structure

Shareholders who control, directly or through subsidiaries, at least 5% of the total number of votes at the General Meeting of Shareholders of the parent entity as of the publication date of this quarterly statement

	Qty. of votes at the GM	% share in total number of votes at the GM
Marcin Iwiński	12 150 000	12.64%
Michał Kiciński [1]	10 486 106	10.91%
Piotr Nielubowicz	6 135 197	6.38%
AVIVA OFE [2]	4 940 000	5.14%
Other shareholders	62 408 697	64.93%

(1) As disclosed in Current Report no. 49/2016 of 6 December 2016.

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

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

Changes in shareholder structure of the parent entity

In the reporting period there were no changes in the structure of shareholders holding more than 5% of votes of the parent entity at the General Meeting of Shareholders.

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

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

Name	Position	as of 01.01.2017	as of 31.03.2017	as of 25.05.2017
Adam Kiciński	President of the Board	3 322 481	3 322 481	3 322 481
Marcin Iwiński	Vice President of the Board	12 150 000	12 150 000	12 150 000
Piotr Nielubowicz	Vice President of the Board	6 135 197	6 135 197	6 135 197
Adam Badowski	Board Member	150 000	150 000	150 000
Michał Nowakowski	Board Member	101 149	101 149	101 149
Piotr Karwowski	Board Member	8 000	8 000	8 000
Katarzyna Szwarc	Chairwoman of the Supervisory Board	10 010	10 010	10 010

Validation of published estimates

The Group had not published any estimates referring to the reporting period.

(all figures quoted in PLN thousands unless specified otherwise)

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

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Condensed interim separate profit and loss account

	Note	01.01.2017 – 31.03.2017	01.01.2016 – 31.03.2016*
Sales revenues		**75 037**	**68 311**
Revenues from sales of products		72 784	64 501
Revenues from sales of services		705	690
Revenues from sales of goods and materials		1 548	3 120
Cost of products, goods and materials sold		**1 834**	**4 987**
Cost of products and services sold		420	2 092
Value of goods and materials sold		1 414	2 895
Gross profit / (loss) from sales		**73 203**	**63 324**
Other operating revenues		452	197
Selling costs		15 401	22 134
General and administrative costs		6 329	3 615
Other operating expenses		282	259
Operating profit / (loss)		**51 643**	**37 513**
Financial revenues		3 860	3 272
Financial expenses		861	1 692
Profit / (loss) before tax		**54 642**	**39 093**
Income tax	A	11 030	6 293
Net profit / (loss)		**43 612**	**32 800**
Net earnings per share (in PLN)			
Basic for the reporting period		0.45	0.35
Diluted for the reporting period		0.45	0.35
Net earnings per share from continuing operations (in PLN)			
Basic for the reporting period		0.45	0.35
Diluted for the reporting period		0.45	0.35

** adjusted data*

(all figures quoted in PLN thousands unless specified otherwise)

Condensed interim separate statement of comprehensive income

	01.01.2017 – 31.03.2017	01.01.2016 – 31.03.2016
Net profit (loss)	**43 612**	**32 800**
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	**43 612**	**32 800**

Condensed interim separate statement of financial position

	Note	31.03.2017	31.12.2016	31.03.2016*
Fixed assets		**188 568**	**169 607**	**137 619**
Tangible assets		12 679	10 952	7 396
Intangibles	B	83 862	84 075	68 498
Expenditures on development projects		76 032	60 049	45 787
Investments in subsidiaries	D	14 135	13 850	11 750
Other financial assets		1 373	194	547
Deferred income tax assets	A	-	-	3 426
Other long-term receivables		487	487	215
WORKING ASSETS		**679 009**	**658 922**	**493 803**
Inventories		490	401	2 005
Trade receivables		40 521	73 372	44 368
Current income tax receivables		5 267	-	21 098
Other receivables		17 384	23 701	17 896
Other financial assets		480	53	-
Prepaid expenses		1 182	1 012	1 119
Cash and cash equivalents		91 408	520 383	407 317
Other monetary assets		522 277	40 000	-
TOTAL ASSETS		**867 577**	**828 529**	**631 422**

** adjusted data*

(all figures quoted in PLN thousands unless specified otherwise)

	Note	31.03.2017	31.12.2016	31.03.2016*
EQUITY		**803 671**	**757 576**	**514 370**
Equity attributable to shareholders of the parent company		**803 671**	**757 576**	**514 370**
Share capital	16**	96 120	96 120	94 950
Supplementary capital		390 518	390 518	110 936
Other reserve capital		7 278	4 795	4 837
Retained earnings		266 143	16 441	270 847
Net profit (loss) for the reporting period		43 612	249 702	32 800
LONG-TERM LIABILITIES		**2 531**	**8 705**	**540**
Other financial liabilities		233	76	124
Deferred income tax liabilities	A	1 353	7 638	-
Deferred revenues		891	937	385
Provisions for employee benefits and similar liabilities		54	54	31
SHORT-TERM LIABILITIES		**61 375**	**62 248**	**116 512**
Other financial liabilities		234	63	290
Trade liabilities		4 312	7 204	6 452
Current income tax liabilities		-	3 678	-
Other liabilities		4 718	7 035	64 554
Deferred revenues		748	587	430
Provisions for employee benefits and similar liabilities		71	182	153
Other provisions		51 292	43 499	44 633
TOTAL LIABILITIES		**867 577**	**828 529**	**631 422**

** adjusted data*

*** Detailed information regarding changes in this line item can be found in notes attached to the condensed interim consolidated financial statement.*

(all figures quoted in PLN thousands unless specified otherwise)

CD PROJEKT

Condensed interim statement of changes in separate equity

	Share capital	Supplementary capital	Other reserve capital	Retained earnings	Net profit (loss) for the reporting period	Total equity
01.01.2017 – 31.03.2017						
Equity as of 01.01.2017	**96 120**	**390 518**	**4 795**	**266 143**	**-**	**757 576**
Equity after adjustments	**96 120**	**390 518**	**4 795**	**266 143**	**-**	**757 576**
Cost of incentive program	-	-	2 483	-	-	2 483
Total comprehensive income	-	-	-	-	43 612	43 612
Equity as of 31.03.2017	**96 120**	**390 518**	**7 278**	**266 143**	**43 612**	**803 671**

	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 o flosses	-	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**

(all figures quoted in PLN thousands unless specified otherwise)

	Share capital	Supplementary capital	Other reserve capital	Retained earnings	Net profit (loss) for the reporting period	Total equity
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	-	-	580	-	-	580
Payment for shares issued under the incentive program	-	-	903	-	-	903
Total comprehensive income	-	-	-	-	32 800	32 800
Equity as of 31.03.2016	**94 950**	**110 936**	**4 837**	**270 847**	**32 800**	**514 370**

(all figures quoted in PLN thousands unless specified otherwise)

Condensed interim separate statement of cash flows

	01.01.2017 – 31.03.2017	01.01.2016 – 31.03.2016*
OPERATING ACTIVITIES		
Net profit / (loss)	**43 612**	**32 800**
Total adjustments	**43 733**	**58 839**
Depreciation of fixed assets and intangibles/legal assets	432	606
Depreciation of development projects	-	1 565
Profit (loss) from exchange rate differences	77	-
Interest and profit sharing (dividends)	(3 389)	(2 382)
Profit (loss) from investment activities	248	79
Change in provisions	7 682	(10 616)
Change in inventories	(89)	(1 387)
Change in receivables	40 225	54 385
Change in liabilities excluding credits and loans	(3 629)	16 408
Change in other assets and liabilities	(55)	(446)
Other adjustments	2 231	627
Cash flows from continuing operations	**87 345**	**91 639**
Income tax on profit (loss) before taxation	11 030	6 293
Income tax (paid) / reimbursed	(26 260)	(42 079)
Net cash flows from operating activities	**72 115**	**55 853**
INVESTMENT ACTIVITIES		
Inflows	**3 514**	**2 476**
Sales of intangibles and fixed assets	1	-
Sales of financial assets	-	86
Repayment of long-term loans granted	124	-
Other inflows from investment activities	3 389	2 390
Outflows	**501 191**	**14 021**
Purchases of intangibles and fixed assets	1 820	778
Expenses associated with development projects	15 039	13 243
Long-term loans granted	2 055	-
Creation of bank deposits (maturity beyond 3 months)	482 277	-
Net cash flows from investment activities	**(497 677)**	**(11 545)**

(all figures quoted in PLN thousands unless specified otherwise)

FINANCIAL ACTIVITIES

Inflows	**-**	**903**
Net inflows from issue of shares (stock) and other capital market instruments, and capital contributions	-	903
Outflows	**3 413**	**4 116**
Payment of liabilities associated with financial lease agreements	297	224
Interest payments	-	8
Other outflows from financial activities (incl. cash pool)	3 116	3 884
Net cash flows from financial activities	**(3 413)**	**(3 213)**
Total net cash flows	**(428 975)**	**41 095**
Change in cash and cash equivalents on balance sheet	**(428 975)**	**41 095**
Cash and cash equivalents at beginning of period	**520 383**	**366 222**
Cash and cash equivalents at end of period	**91 408**	**407 317**

** adjusted data*

Clarifications concerning the separate statement of cash flows

	01.01.2017 – 31.03.2017	**01.01.2016 – 31.03.2016***
The “other adjustments” line item comprises:	**2 231**	**627**
Cost of incentive program	2 198	580
Depreciation aggregated with cost of sales and consortium settlements	33	47

** adjusted data*

(all figures quoted in PLN thousands unless specified otherwise)

Assumption of comparability of financial statements and changes in accounting policies

Changes in accounting policies

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

Presentation changes

In preparing this condensed interim separate financial statement for the period between 1 January and 31 March 2017 several changes have been introduced in the presentation of selected financial data. In order to ensure comparability of financial statements, the financial data for the period between 1 January and 31 March 2016 has been adjusted as follows:

- In the separate statement of financial position for 31 March 2016 and in the separate statement of cash flows for the period between 1 January and 31 March 2016 the presentation of videogame development expenses incurred prior to commencement of sales has been adjusted as follows:
  - Separate statement of financial position for 31 March 2016:
    - Expenditures on development projects – adjusted by 45 787 thousand PLN
    - Inventories – adjusted by (45 787) thousand PLN
  - Separate statement of cash flows for the period between 1 January and 31 March 2016:
    - Depreciation of development projects – adjusted by 1 565 thousand PLN
    - Depreciation of fixed assets and intangible assets – adjusted by (668) thousand PLN
    - Expenditures on development projects – adjusted by 13 243 thousand PLN
    - Changes in inventories – adjusted by 12 299 thousand PLN
    - Other adjustments – adjusted by 47 thousand PLN

  These adjustments have no effect on the Company's financial result or equity and are consequence of changes in practices described in the Consolidated Financial Statement of the CD PROJEKT Capital Group for 2016.

- In the separate statement of financial position for 31 March 2016, in the separate profit and loss account for the period between 1 January and 31 March 2016 and in the separate statement of cash flows for the period between 1 January and 31 March 2016 the presentation of expenses associated with bonuses contingent upon the Company's financial result has been adjusted as follows:
  - Separate statement of financial position for 31 March 2016
    - Other financial liabilities – adjusted by (3 827) thousand PLN
    - Other provisions – adjusted by 3 827 thousand PLN
  - Separate profit and loss account for the period between 1 January and 31 March 2016
    - Selling costs – adjusted by 9 247 thousand PLN
    - General and administrative costs – adjusted by (4 026) thousand PLN
    - Other operating expenses – adjusted by (5 221) thousand PLN
  - Separate statement of cash flows for the period between 1 January and 31 March 2016
    - Changes in provisions – adjusted by (15 704) thousand PLN
    - Changes in liabilities, except credits and loans – adjusted by 15 704 thousand PLN

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

- In the separate statement of cash flows for the period between 1 January and 31 March 2016 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 (435) thousand PLN
    - Changes in inventories except credits and loans – adjusted by (435) thousand PLN
- Pursuant to IAS 12, in the separate statement of financial position for 31 March 2016 the presentation of deferred income tax has been adjusted as follows:
    - Current income tax receivables – adjusted by (9 220) thousand PLN
    - Liabilities from current income tax – adjusted by (9 220) thousand PLN

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

- In the separate profit and loss account for the period between 1 January and 31 March 2016 the presentation of administrative costs generated by the “Other activities” segment has been adjusted as follows:
    - Selling costs – adjusted by (513) thousand PLN
    - General and administrative expenses – adjusted by 306 thousand PLN
    - Cost of products and services sold – adjusted by (207) thousand PLN

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

- In the separate statement of financial position for 31 March 2016 the “Other fixed assets” line item was renamed to “Other long-term receivables”.
- In the separate statement of financial position for 31 December 2016 the “Other financial assets” line item was renamed to “Bank deposits (maturity beyond 3 months)”.
- In the separate statement of cash flows for the period between 1 January and 31 March 2016 the presentation of expenses associated with ongoing construction of assets has been adjusted as follows:
    - Purchases of intangibles and fixed assets – adjusted by 568 thousand PLN
    - Other outflows from investment activities – adjusted by (568) thousand PLN

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

Changes in write-downs and provisions reported in the condensed interim separate financial statement of CD PROJEKT S.A. for the period between 1 January and 31 March 2017 are as follows:

- 1 thousand PLN – dissolution of write-downs due to collection of receivables,
- 87 thousand PLN – dissolution of write-downs due to repayment of receivables,
- 111 thousand PLN – dissolution of unused provisions for other employee benefits,
- 8 013 thousand PLN – creation of provisions for compensation dependent on financial result,
- 220 thousand PLN – reductions in other provisions due to partial use.

A. Deferred tax

Negative temporary differences requiring recognition of deferred tax assets

	31.12.2016	increases	reductions	31.03.2017
Provisions for other employee benefits	13 635	2 781	113	16 303
Valuation of forward contracts under the incentive program	29 654	5 241	-	34 895
Negative exchange rate differences	1 026	267	1 027	266
Other provisions	350	-	116	234
Total negative temporary differences	**44 665**	**8 289**	**1 256**	**51 698**
Domestic tax rate	19%	19%	19%	19%
Total deferred tax assets	**8 486**	**1 575**	**239**	**9 822**

Positive temporary differences requiring recognition of deferred tax provisions

	31.12.2016	increases	reductions	31.03.2017
Difference between net balance sheet value and tax value of fixed assets and intangibles	17 030	1 968	-	18 998
Revaluation of forward contracts (cash flow hedge) at fair value	53	-	53	-
Income in the current period invoiced in the following period	66 465	39 295	66 465	39 295
Positive exchange rate differences	1 002	113	1 002	113
Valuation of shares in other entities	169	-	169	-
Other sources	145	270	1	414
Total positive temporary differences	**84 864**	**41 646**	**67 690**	**58 820**
Domestic tax rate	19%	19%	19%	19%
Total deferred tax provisions	**16 124**	**7 913**	**12 861**	**11 176**

Net deferred tax assets/provisions

	31.03.2017	31.12.2016	31.03.2016
Deferred income tax assets	9 823	8 486	12 646
Deferred income tax provisions	11 176	16 124	9 220
Net deferred income tax assets (provisions)	**(1 353)**	**(7 638)**	**3 426**

Income tax reported in profit and loss account

	01.01.2017 - 31.03.2017	01.01.2016 - 31.03.2016
Current income tax	17 315	13 632
Changes in deferred income tax	(6 285)	(7 339)
Income tax reported in profit and loss account	**11 030**	**6 293**

B. Goodwill

Goodwill from business combinations

	31.03.2017	31.12.2016	31.03.2016
CD Projekt Red sp. z o.o.	39 147	39 147	39 147
Total	**39 147**	**39 147**	**39 147**

(all figures quoted in PLN thousands unless specified otherwise)

Changes in goodwill

No changes in goodwill occurred between 1 January and 31 March 2017.

C. Business combinations

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

D. Investments in subsidiaries

Investments in subsidiaries estimated at purchase price

	31.03.2017	31.12.2016	31.03.2016
Shares in subsidiaries	14 135	13 850	11 750

E. Dividends paid out and received

The Company did not receive any dividends between 1 January and 31 March 2017.

On 23 May 2017 the Ordinary General Meeting of the parent entity adopted a resolution whereby a portion of the Company's 2016 net profit in the amount of 100 926 thousand PLN shall be paid out to Company shareholers as a dividend.

(all figures quoted in PLN thousands unless specified otherwise)

F. Transactions with affiliates

	Sales to affiliates		Purchases from affiliates	
	01.01.2017 – 31.03.2017	01.01.2016 – 31.03.2016	01.01.2017 – 31.03.2017	01.01.2016 – 31.03.2016
SUBSIDIARIES				
GOG Poland sp. z o.o.	545	539	4	2
GOG Ltd.	7 692	848	50	212
CD PROJEKT Brands S.A.	-	23	-	871
CD PROJEKT Inc.	183	76	1 402	7 730
MANAGEMENT BOARD MEMBERS				
Marcin Iwiński	2	1	-	-
Adam Kiciński	1	1	-	-
Piotr Nielubowicz	1	1	-	-
Michał Nowakowski	2	2	-	-
SUPERVISORY BOARD MEMBERS				
Katarzyna Szwarc	-	-	5	-

(all figures quoted in PLN thousands unless specified otherwise)

	Receivables from affiliates			Liabilities due to affiliates		
	31.03.2017	31.12.2016	31.03.2016	31.03.2017	31.12.2016	31.03.2016
SUBSIDIARIES						
GOG Poland sp. z o.o.	2 774	3 093	1 301	2	2 061	-
GOG Ltd.	3 809	5 540	1 260	52	53	6 346
CD PROJEKT Brands S.A.	-	-	5	-	-	322
CD PROJEKT Inc.	3	1 004	1 757	570	1 637	755
MANAGEMENT BOARD MEMBERS						
Marcin Iwiński	7	1	-	16	-	9
Adam Kiciński	-	-	-	5	7	2
Piotr Nielubowicz	-	-	-	-	-	4
Michał Nowakowski	2	-	-	4	3	33
Adam Badowski	1	9	1	-	-	6

(all figures quoted in PLN thousands unless specified otherwise)

Statement of the Management Board of the parent entity

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

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

With regard to the entity charged with reviewing the semiannual financial statement and auditing the annual consolidated financial statement

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

Approval of financial statement

This statement covering the period between 1 January and 31 March 2017 was signed and approved for publication by the Management Board of CD PROJEKT S.A. on 25 May 2017.

Warsaw, 25 May 2017

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

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

(all figures quoted in PLN thousands unless specified otherwise)

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