



CD PROJEKT®

MANAGEMENT BOARD REPORT ON
CD PROJEKT CAPITAL GROUP
ACTIVITIES BETWEEN 1 JANUARY AND 30 JUNE 2017

Disclaimers

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.

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CD PROJEKT S.A. market cap:

8 billion PLN*

Key financial highlights of H12017:

254.8 million PLN
in consolidated sales revenues

Consolidated net profit:
118.6 million PLN



Net profitability:
47%

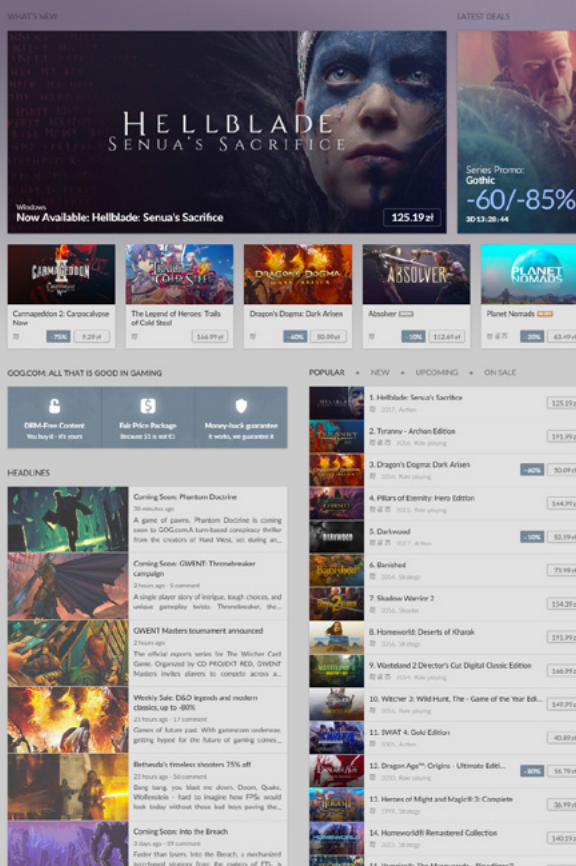


101 million PLN dividend
paid to stockholders on 13 June 2017

** at the end of August 2017*



in GOG.com catalogue*



Global gaming community engaged in
**10 different
languages***

A photograph of four people (three men and one woman) sitting around a wooden table in a rustic, dimly lit room, engaged in playing board games. The table is covered with various board games, including one with a large wooden board and another with a grid board. There are also some drinks and snacks on the table. The background shows shelves with various items, including what looks like a large wooden barrel and some hanging plants. The overall atmosphere is cozy and social.

Games from
over 550
publishers and developers
distributed on GOG.com*

* at the end of August 2017

CD PROJEKT Capital Group – introduction



Key accomplishments of the Group in the first half of 2017



CD PROJEKT RED

On 31 May 2017 the first official edition of the **GWENT Challenger** tournament took place in Katowice, with a prize pool of 100 thousand USD. Four winners of the open phase took on four progamers in a playoff session. The event proved very popular – webcasts attracted 1.25 million views, thousand while the average number of people viewing the 10-hour live stream was 31 thousand.

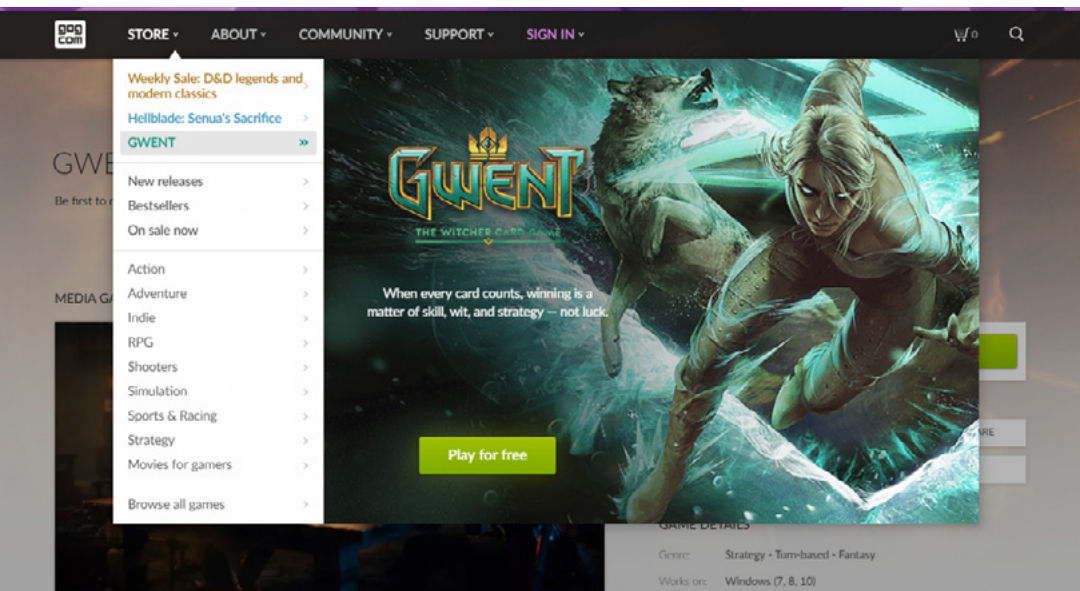
On 24 May 2017 the Company initiated **public beta tests of GWENT: The Witcher Card Game**, open to all users of PC, Xbox One and – for the first time ever – PlayStation 4. The launch of the public beta produced a quantitative leap in player activity, which in turn resulted in increased sales associated with the project.



GOG.com



From the point of view of GOG.com revenues, the key project of the first half of 2017 was **GWENT: The Witcher Card Game**. Revenues generated by this game were the principal factor behind the reported overall increase in GOG.com revenues in H1 2017, compared to the first half of the previous year.



In April 2017 GOG.com released a **new version of the GOG Galaxy client**. Update 1.2 supports – among others – cloud savegames and client customization based on the ability to turn individual features on or off. A hibernation feature was also implemented, reducing the overall CPU and memory footprint of the client software.

In June 2017 GOG.com launched its annual **summer sale**. This year's edition covered over 1500 games.



Other events



In March 2017 CD PROJEKT S.A. was named **Stock Exchange Company of the Year** by capital market experts, as revealed in the prestigious annual ranking published by Puls Biznesu. The Company carried 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 – voted to present the Company with the prestigious **2016 WSE Master** award.



Source: Puls Biznesu



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.

On 23 May 2017 the General Meeting of CD PROJEKT S.A. voted to appropriate the Company's net profit for 2016 (totaling 249 701 262.92 PLN) in such a way that **100 926 000.00 PLN would be returned to shareholders as a dividend**, with the remainder, i.e. 148 775 262.92 PLN assigned to reserve capital. The corresponding DPS (dividend per share) ratio was 1.05 PLN. The dividend date was set at 30 May 2017, with the payment occurring on 13 June 2017.

Brief description of the CD PROJEKT Capital Group

Activity profile



CD PROJEKT S.A. (also referred to as CD PROJEKT or the Company), headquartered in Warsaw, conducts business activities in the dynamically developing global digital entertainment segment. These activities have been ongoing for over 20 years and originally focused on the Polish market. The Company – then called CD PROJEKT – began by distributing foreign games in Poland (note that the corresponding activity segment, handled by the Group's CDP.pl subsidiary, was disaggregated in 2014). A pivotal moment in the Group's history came in 2002 with the establishment of the CD PROJEKT RED development studio, which initiated work on the Company's first major RPG¹ – *The Witcher*.

The CD PROJEKT Group currently conducts operating activities in two key segments: CD PROJEKT RED and GOG.com.



¹ Role Playing Game – a storyline-driven game based on a consistent narrative.

CD PROJEKT RED



Development and publication of the Group's own top-quality videogames is handled by CD PROJEKT RED, a development studio made famous by the globally acclaimed *The Witcher* series – games based upon Andrzej Sapkowski's fantasy novels.

The newest instalment in the series – *The Witcher 3: Wild Hunt* – debuted on 19 May 2015. On 13 October 2015 the Studio published the first expansion pack for *The Witcher 3* – *Hearts of Stone*, with the second expansion pack wrapping up the saga (Blood and Wine) following on 31 May 2016.

Sales of the base game along with its two expansion packs constituted the bulk of CD PROJEKT RED revenues in the first half of 2017.



CD PROJEKT RED has formed a consortium with GOG.com to carry out work, among others, on *GWENT: The Witcher Card Game*. Originally announced in June 2016 at the industry's largest trade fair – E3 in Los Angeles – *GWENT* is a free-to-play online game with support for micro-transactions, providing both multiplayer. Since 25 May 2017 the game is in public beta phase, available to all users of PC, PlayStation 4 and Xbox One.

At gamescom in August 2017 CD PROJEKT announced a single-player campaign for *GWENT* titled *Thronebreaker*, which will deliver multiple hours of gameplay. The campaign is scheduled for release on the PC, Xbox One and PlayStation 4 by the end of 2017.

In order to ensure publication of *GWENT* on the promising Chinese market, CD PROJEKT S.A. is collaborating with GAEA - one of the fastest-growing digital entertainment providers in China. A closed beta of the Chinese edition of *GWENT* was officially launched on 29 August 2017.

More information can be found at www.playgwent.com.

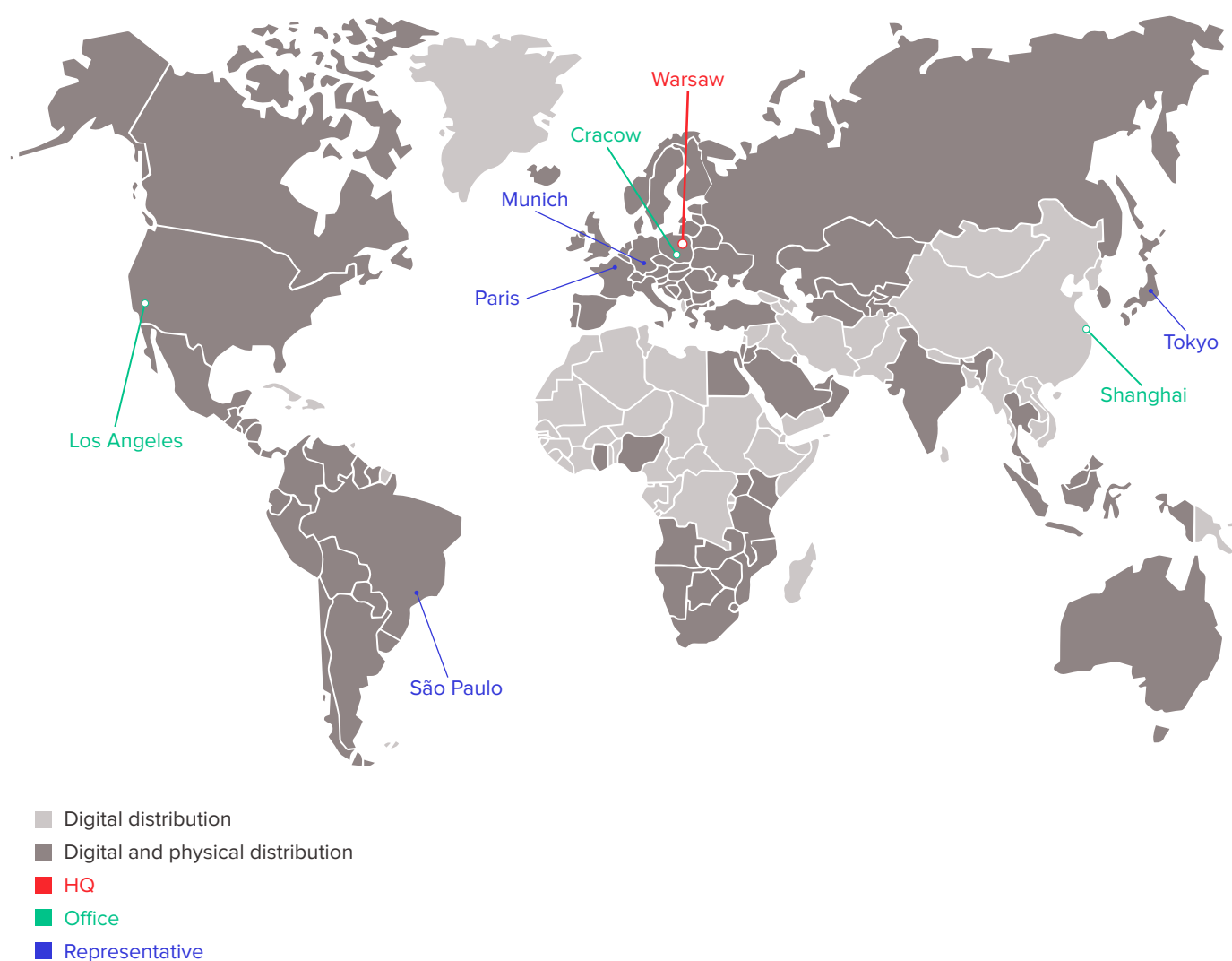
The largest development project currently underway at CD PROJEKT RED is *Cyberpunk 2077*. No further information regarding the game has been released by the Company as of the publication date of this report.



In the first half of 2017 97% of CD PROJEKT S.A. sales revenues were generated by exports. The US market accounted for 60% of sales, with the EU in second place at 24.4%.

At present the Company markets box versions of its games in collaboration with 23 distributors covering 110 countries. Digital editions of CD PROJEKT games are carried globally by major online distribution platforms, including GOG.com, Steam, Origin, App Store, Google Store, PlayStation Store and Xbox Games Store.

Map 1 Global presence of CD PROJEKT Capital Group



Source: Company data



The Warsaw-based headquarters of CD PROJEKT S.A. are equipped, among others, with a full-fledged motion capture studio², three sound recording studios, two in-house canteens and a gym.

CD PROJEKT also operates an office in Kraków, staffed by an independent development team, as well as branches in Los Angeles and Shanghai, tasked with coordinating marketing and sales activities throughout the United States and China respectively. In addition, the Company employs representatives in Germany, Japan, France and Brazil.

GOG.com

The activities of the GOG.com segment focus on sales and delivery of games directly to the customer's digital devices through the proprietary GOG.com platform and the GOG Galaxy application.

GOG.com is among the world's foremost digital distribution platforms, carrying over 2100 handpicked games from 550 developers and publishers. All games are distributed without cumbersome DRM³ restrictions.



The GOG.com platform is available in six languages: English, German, French, Russian, Portuguese (Brazilian edition) and Chinese. Customers may remit payment in thirteen currencies and choose from a variety of convenient electronic payment methods, depending on their country of residence.

² The motion capture technology uses special cameras and sensors to accurately register the movements of a human actor and store them in computer memory for further processing. This enables computer-generated characters to act in a smooth, realistic fashion, replicating the original actor's personal style.

³ Digital Rights Management – restrictions intended to enforce intellectual property rights.

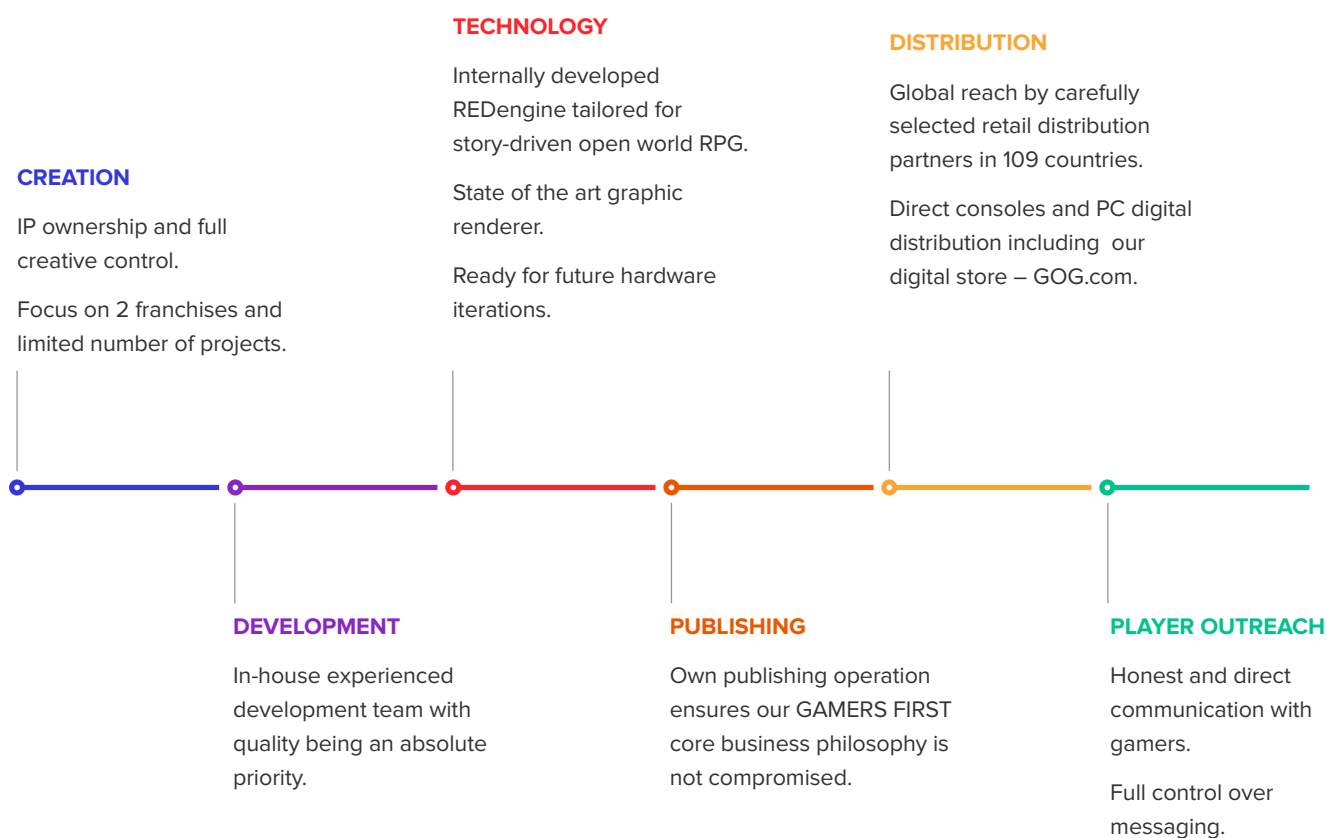
Business philosophy



The business philosophy of the CD PROJEKT Capital Group rests upon two pillars: uncompromising dedication to quality in the videogame development process and retention of financial and creative independence (itself necessary to facilitate the former goal). The Group regards these two factors as decisive in ensuring success on the competitive global digital entertainment market.

The CD PROJEKT Group stands apart from other major videogame developers and publishers in that it emphasizes control over every stage of the game development and marketing process – from initial design, through work on technological solutions, publishing activities, promotion and distribution, all the way to player relations. This model is implemented by operating a proprietary digital distribution and online gaming platform – part of a broad user-friendly and player-centric ecosystem.

Scheme 1 CD PROJEKT RED videogame development model

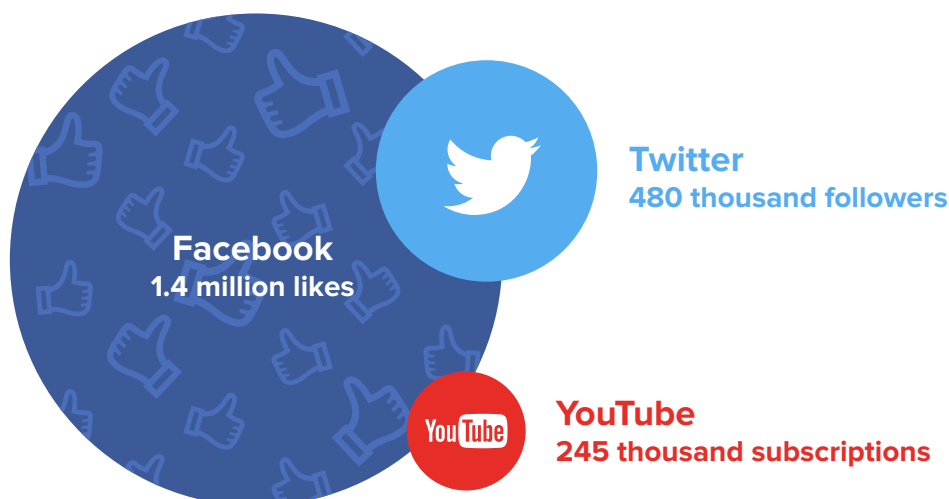


Source: Company data

CD PROJEKT RED attaches great weight to direct and honest communications with the global gaming community. This “Gamers first” approach consistently prioritizes customer needs in the course of the Studio’s daily activities. Player relations are carried out primarily through social media.



Scheme 2 Popularity of *The Witcher* social media profile maintained by CD PROJEKT RED as of the end of August 2017



Source: Company data

CD PROJEKT RED’s Facebook, Twitter, YouTube and Instagram profiles, along with the Group’s dedicated investor relations profile on Twitter, enjoy popularity among fans of the Studio and sympathizers of the Capital Group.

Capital Group growth outlook

The growth outlook of the CD PROJEKT Capital Group is closely tied to the implementation of the CD PROJEKT Capital Group Strategy for the years 2016-2021, originally announced in March 2016. A detailed overview of the Company’s corporate strategy can be found at www.cdprojekt.com/en/capital-group/strategy.

On 24 May 2016 the General Meeting adopted resolution no. 20, which institutes an incentive program covering the 2016-2021 period. The resolution specifies two types of goals: the result goal and the market goal. Attainment of the result goal will enable entitled parties to claim 80% of the total number of subscription warrants issued under the program, as long as the following criteria are met:

- for the years 2016-2019 – net profit not lower than 618.4 million PLN (6.51 PLN per share), or
- for the years 2016-2020 – net profit not lower than 855.5 million PLN (9.01 PLN per share), or
- for the years 2016-2021 – net profit not lower than 1.09 billion PLN (11.51 PLN per share)⁴.

⁴ The result goal is based on the consolidated net profit of the Capital Group within a given period.



The market goal stipulates that the price change of CD PROJEKT S.A. stock on the Warsaw Stock Exchange must outperform the corresponding change in the WIG index by at least 100% during the period covered by the program. Attainment of this goal will enable entitled parties to claim 20% of the total number of subscription warrants issued under the program. The incentive program covers the years 2016-2021, but warrants may be assigned before the end of this period should both goals be met early.

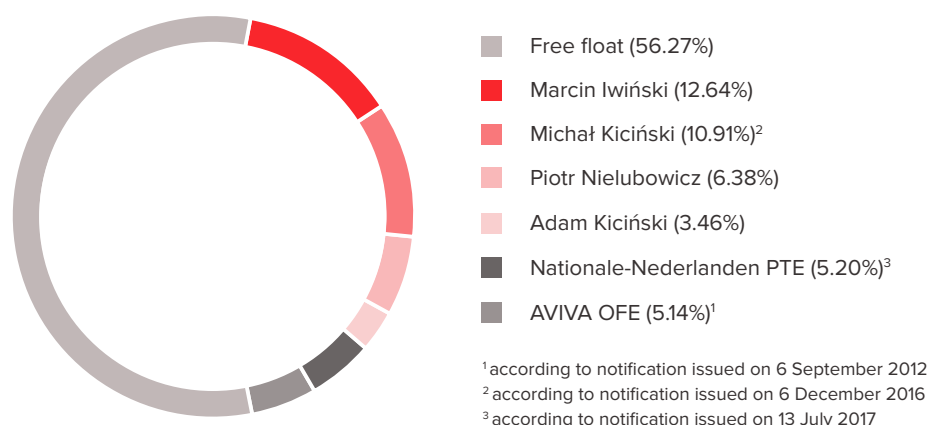
The full text of resolution no. 20 can be found in Current Report no. 18/2016.

CD PROJEKT S.A. on the capital market

The CD PROJEKT brand has been present on the Warsaw Stock Exchange since 2010, when – as a result of an investment agreement concluded in 2009 by CDP Investment sp. z o.o.⁵ and Optimus S.A., along with their respective shareholders – Optimus purchased 100% of shares in CDP Investment while existing shareholders of CDP Investment acquired Optimus S.A. shares. The formal merger between both companies was carried out in December 2010.

As of the publication date of this report 96 120 000 Company shares are traded on the Main Market of the Warsaw Stock Exchange under the continuous trading system. Key shareholders of CD PROJEKT S.A. are its co-founders – Marcin Iwiński and Michał Kiciński. Other major shareholders who are also members of the Company's Management Board are Adam Kiciński – President of the Board, and Piotr Nielubowicz – Vice President and CFO. Free float accounts for 56.27% of shares of CD PROJEKT S.A. stock.

Figure 1 Company shareholder structure as of the publication date of this report



Source: Company data

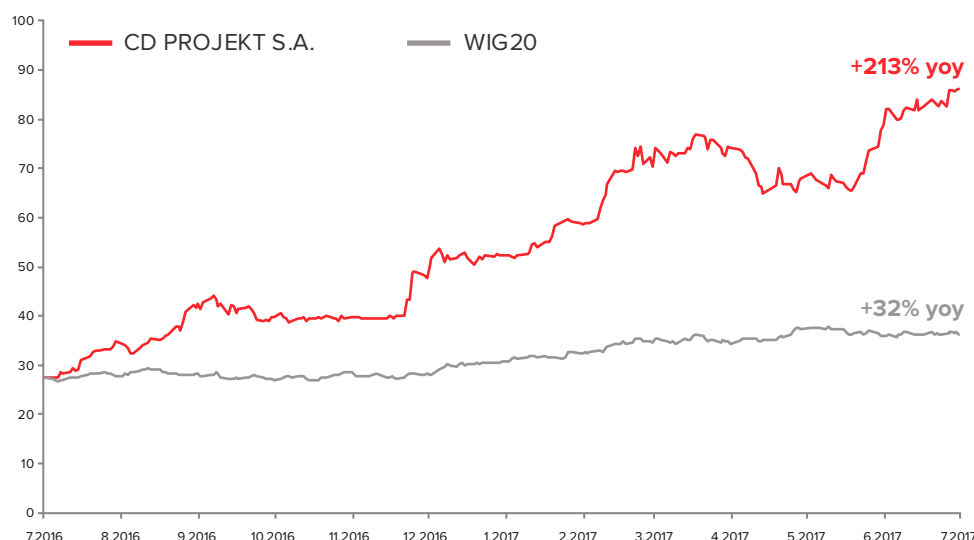
⁵ Former name of the „CD PROJEKT” group holding company



Throughout the first half of 2017 CD PROJEKT S.A. participated in the WIG30 and mWIG40 indices, contributing 2.6% to the WIG30 index as of 30 June 2017. As announced by the Management of the Warsaw Stock Exchange on 31 August 2017, following the quarter index revision procedure CD PROJEKT S.A. was ranked #1 on the WIG20 reserve list.

According to the FTSE Russell public release of 30 August 2017, following the semiannual review of the FTSE Global Equity Index Series – Emerging Europe, CD PROJEKT S.A. will join the Mid Cap index at the end of business on 15 September 2017.

Figure 2 CD PROJEKT S.A. stock price and the WIG20 index between 1 July 2016 and 30 June 2017



Source: Company data

Between 1 July 2016 and 30 June 2017 the Company stock price fluctuated between 27.38 PLN (4 July 2016) and 86.04 PLN (30 June 2017). The y/y stock price increase was 213%, closing at 86.04 PLN on 30 June 2017. Over the same period the WIG20 index increased by 32%. As of the end of June 2017 the Company market capitalization was 8.3 billion PLN.

On 19 May 2017 in a [current report no. 7/2017](#) the Company announced that it has concluded an agreement with Bank Zachodni WBK S.A. – BZ WBK Brokerage House with a registered office in Wrocław, under which BZ WBK will act in the capacity of the Issuer's Maker on the Warsaw Stock Exchange. BZ WBK has committed to performing the duties of the market maker with regard to the volume and liquidity of trading in the Issuer's shares, pursuant to relevant legal regulations, Stock Exchange bylaws and any other statutes issued by the Financial Supervision Authority, competent Stock Exchange authorities and the Central Securities Repository of Poland. The agreement has been concluded for an indefinite period and entered into force on 1 June 2017.

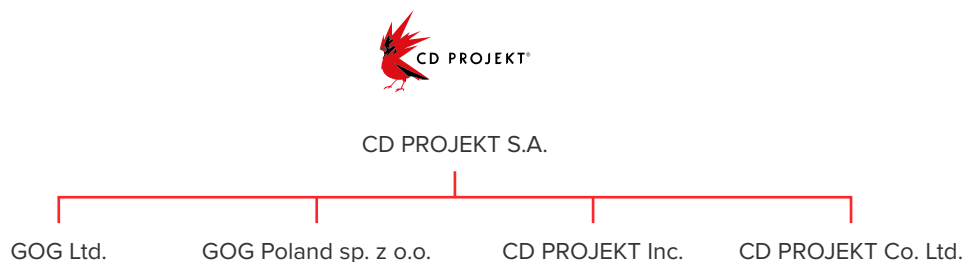
CD PROJEKT Capital Group activities

CD PROJEKT Capital Group – organizational structure



As of 30 June 2017 the CD PROJEKT Capital Group consists of the parent entity – CD PROJEKT S.A. and four subsidiaries – GOG Ltd., GOG Poland sp. z o.o., CD PROJEKT Inc. and CD PROJEKT Co. Ltd.

Figure 3 CD PROJEKT Capital Group



Source: Company data

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.

As disclosed in Current Report no. 6/2017 of 15 May 2017, the Boards of two CD PROJEKT S.A. subsidiaries, namely GOG Poland Sp. z o.o. and GOG Ltd., have adopted resolutions aimed at carrying out a merger between these companies. The process entails a cross-border merger between GOG Poland Sp. z o.o. (the Acquirer) and GOG Ltd. (the Acquiree), which will result in transferring all activities heretofore carried out by GOG Ltd. to Poland. The goal of this activity is to streamline the organizational structure of the CD PROJEKT Capital Group.

Table 1 Summary of business activities of the parent company and other members of the CD PROJEKT Capital Group as of 30 June 2017.



Company	Activity profile
CD PROJEKT S.A.	The core activities of the Company, carried out by its CD PROJEKT RED studio, include development of videogames, publishing its own videogames, selling the associated distribution rights as well as manufacturing, selling and/or licensing tie-in products which exploit the popularity of brands owned by the Company. CD PROJEKT S.A. also acts as the holding company of the CD PROJEKT Capital Group and coordinates the activities of other companies belonging to the Group.
GOG Ltd.	This company concerns itself with online distribution of videogames, enabling customers from around the world to purchase games, render payment and download game binaries to their personal devices. To this end the company owns and maintains the global digital distribution platform at GOG.com.
GOG Poland sp. z o. o.	This company provides a wide range of programming services (including development work on GOG Galaxy), IT systems administration and product testing (QA-related activities). Its core business partner and customer is GOG Ltd. Additionally, the company has established a targeted consortium with CD PROJEKT S.A. to provide development and maintenance services for <i>GWENT: The Witcher Card Game</i> , focusing on its networking features.
CD PROJEKT Inc.	This company coordinates publishing and promotional activities covering the Group's own products and the GOG.com platform throughout North America. To facilitate this goal, the company operates an office in Los Angeles.
CD PROJEKT Co. Ltd.	This company coordinates publishing and promotional activities covering the Group's products, particularly <i>GWENT: The Witcher Card Game</i> , in the People's Republic of China.

Source: Company data

As of 30 June 2017 all member companies of the CD PROJEKT Capital Group, except CD PROJEKT Co. Ltd., are subject to full consolidation. CD PROJEKT Co. Ltd. is excluded from consolidation due to lack of materiality. Further information can be found in the Consolidated Financial Statement of the CD PROJEKT Capital Group for the period between 1 January and 30 June 2017.



Disclosure of business segments, products, services, outlets, suppliers and customers

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

- CD PROJEKT RED,
- GOG.com.

As a result of a material change in the Group's activity profile, including the disaggregation of the activities of cdp.pl sp. z o.o. and subsequent divestment of the control share in this entity, as well as major upscaling of CD PROJEKT RED activities, a range of business processes previously included in the "Other activities" segment have, in the recent quarters, been effectively integrated with the common organizational structures of CD PROJEKT S.A., whose to-date business activities were subsumed under the CD PROJEKT RED segment. Consequently, the Management Board decided to discontinue separate presentation of "Other activities", effective on 1 January 2017. Starting with 1 January 2017, all activities of the CD PROJEKT Capital Group are carried out and reported within two distinct segments – CD PROJEKT and GOG.com. Together, these segments will represent the entirety of the Group's activities.

CD PROJEKT RED

Target and scope of business activities

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. In the scope of its publishing activities the Company also assumes responsibility for its promotional and advertising campaigns, and maintains direct relations with the player base through regular participation in trade fairs, as well as via electronic and social media channels.

We create games we would like to play ourselves: complex, nonlinear and focused on audiences appreciating deep storylines and genuine emotions. We believe that hard work, attention to detail, and genuine affection towards the stories we tell resonates in gamers, who, upon finishing our games, feel that they've spent their money well.

Key products

Videogame development commenced in 2002 and initially focused on the studio's RPG debut: *The Witcher*. This game, set in Andrzej Sapkowski's fantasy world, was released in 2007 to global acclaim. The Studio followed up in May 2011 with its second release – *The Witcher 2: Assassins of Kings* for the PC. In April 2012 an extended edition of *The Witcher 2* was released for the PC and Xbox 360. Both *The Witcher* and *The Witcher 2 Extended Edition* are now also available for Apple and Linux machines.

In addition to both aforementioned games, the Company's portfolio also includes *The Witcher 3: Wild Hunt*, which launched on 19 May 2015, along with two expansion packs – *Hearts of Stone* (released on 13 October 2015) and *Blood and Wine* (released on 31 May 2016). In June 2016 the Company publicly announced an upcoming videogame set in *The Witcher* universe – *GWENT*, an online multiplayer card game with microtransaction support. Public beta tests of *GWENT* commenced on 24 May 2017.



The Company is actively developing its franchise and expanding its list of tie-in products set in *The Witcher* universe, often in collaboration with external partners. Examples of such products include *The Witcher Adventure Game* (a board game also available as a digital release for PCs and tablets), two series of comic books published by Dark Horse Comics, an official Prima Strategy Guide, a book titled *The Witcher Universe: Compendium*, two sets of collectible figurines and numerous *Witcher*-themed gadgets and apparel distributed internationally by www.witcherstore.com. Soundtracks from all three games, as well as from *GWENT*, are available on Spotify, Apple Music, Google Play Music and other distribution platforms.

Key sources of revenue

Sales of CD PROJEKT RED games are mainly carried out under the following business models:

- territorial distribution of rights (for box and digital editions), including in-game microtransactions supported by *GWENT: The Witcher Card Game* (kegs and meteorite dust), accounted for post factum on the basis of monthly or quarterly sales reports submitted by the Company's business partners, or license reports;
- supplies of physical box editions to the Company's business partners for retail resale;
- supplies of batches of activation codes which permit the game to be downloaded and installed.

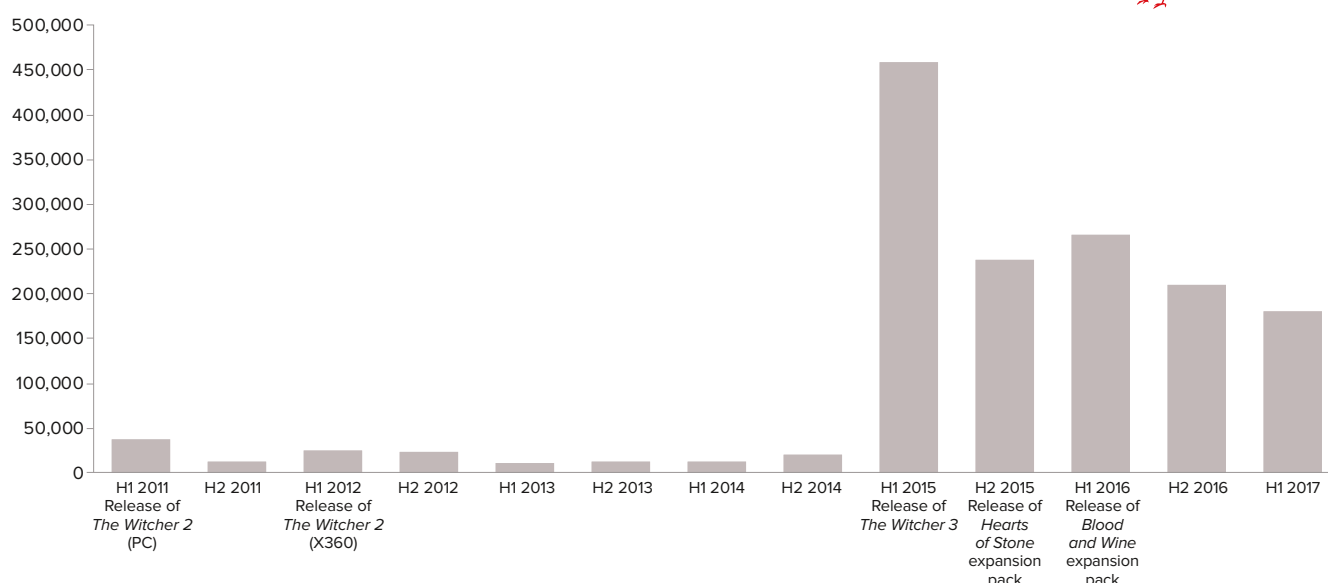
Sales of CD PROJEKT S.A. products are governed by several dozen long-term licensing and distribution agreements concluded with publishers and distributors, both global (e.g. BANDAI NAMCO Entertainment Europe S.A.S., GOG Ltd., Microsoft, Sony, VALVE Corporation, Warner Bros. Home Entertainment) and domestic (including cdp.pl sp. z o.o.) Digital distribution agreements are typically settled in monthly cycles, while distribution of physical videogame editions relies on quarterly reporting and settlement cycles. Depending on the specific partner or contract, the Company also collects licensing reports – these are submitted 30, 45 or 60 days following the end of each reporting period (typically each month or quarter).

In the first half of 2017 the bulk of CD PROJEKT RED revenues were associated with sales of *The Witcher 3: Wild Hunt*, along with its two expansion packs – *Hearts of Stone* and *Blood and Wine* – as well as its *Game of the Year* edition (published in August 2016). The Company also continued to obtain revenues from sales of *The Witcher*, *The Witcher 2* and numerous tie-in products set in *The Witcher* universe, including three series of comic books published by Dark Horse Comics, game soundtracks, board games, guides, figurines, apparel and gadgets.

The transition of *GWENT* to the public beta phase was associated with a positive increase of revenues generated by that game. Currently, revenues are obtained from sales of card sets (kegs) and, to a lesser extent, sales of cosmetic items (such as animated cards). In the future, additional revenues are expected to be generated by the complex single-player add-on campaign for *GWENT – Thronebreaker*, scheduled for release in 2017.



Figure 4 Semiannual revenues of the CD PROJEKT RED segment from sales of products, goods and materials in 2011-2017 (PLN millions)



Key suppliers and clients

Within the CD PROJEKT RED activity segment the Group carries out active distribution of its games for various hardware platforms, using both traditional distribution channels and leading digital distribution platforms (e.g. Steam, GOG.com, Origin, PlayStation Store, Xbox Store, AppStore and Google Play).

In the first half of 2017 sales to one client exceeded 10% of the Group's consolidated sales revenues and totaled 58 046 thousand PLN (23% of the Group's revenues). This client is not affiliated with CD PROJEKT S.A. or any of its subsidiaries. No other client accounted for more than 10% of the Group's consolidated sales revenues.

The videogame development process relies on certain bought-in tools and technological solutions; however, these do not result in significant concentration of supply. No supplier accounted for more than 10% of the consolidated revenues of the Capital Group.

Key product and marketing events

In the first half of 2017 CD PROJEKT RED continued development of *Cyberpunk 2077* and *GWENT: The Witcher Card Game*, and carried out marketing activities related to the upcoming release of *GWENT*.

GWENT: development

In the first half of the year a number of improvements and updates were rolled out. The February update introduced changes in the user interface, gameplay mechanisms and faction balance. A new faction – Nilfgaard – was added, along with over 60 new cards (including additional cards for existing factions). Another major update, published on 20 June, improved the ranking system and matchmaking algorithms, allowing players to easily find evenly matched opponents.

The *GWENT* update rolled out after the balance sheet date on 29 August 2017 contains 30 new cards and emphasizes the game's social features, e.g. by introducing player profiles. A new gameplay mode called Pro Ladder was also added as an extension of the *GWENT* e-sports tournament schedule. Finally, a new starter pack was added to the store, consisting of a guaranteed legendary card, 10 kegs and Meteorite Dust, which can be used to forge animated cards.



From the product development perspective, a highlight of H1 2017 was the launch (on 24 May) of the public beta testing of *GWENT*. These public beta tests are open to all users of PC, Xbox One and – for the first time ever – PlayStation 4. The launch was accompanied by another slew of changes and updates, including animated versions of all cards, new starter decks and a system of challenges aimed at introducing newcomers to the mechanisms of *GWENT* while enabling them to obtain in-game rewards.

Following the balance sheet date, on 22 August 2017, at Gamescom in Cologne CD PROJEKT RED showcased *Thronebreaker* – a single-player campaign for *GWENT*. The campaign is scheduled for release in 2017 and will be available on the PC, Xbox One and PlayStation 4.

GWENT: marketing events

In the first half of 2017 the marketing activities of CD PROJEKT RED focused on attracting new users and continuing to engage the existing *GWENT* player base.

A key aspect of the *GWENT* marketing strategy was the rollout of a major update, enriching the game with another faction – Nilfgaard. During this time the marketing campaign was carried out primarily in social media and focused on key markets, which include the United States, Germany, the United Kingdom, France, Brazil, Russia, Poland and Australia.

In the scope of marketing support for the abovementioned update, on 23-27 January 2017 the game was showcased to a group of Polish and foreign media representatives and Youtube celebrities as a “sneak peek” presentation of the soon-to-be-released features. This event was attended by over 50 people from the United Kingdom, France, Germany, Brazil and Russia. In the first half of March *GWENT* was presented at PAX East 2017 in Boston, accompanied by a discussion panel devoted to animating in-game cards. The panel was locally attended by several hundred spectators and broadcast live on the Internet.

In the second quarter of 2017 the pivotal moment of the *GWENT* marketing campaign was the game’s public beta, which was launched to the tune of a broad marketing campaign, significantly expanding the pool of targeted media channels (incorporating, among others, Xbox Store and PlayStation Store) and further expanding the player base. The campaign also targeted additional markets, such as Japan, where the launch of the public beta coincided with the first-ever release of the game’s Japanese localization.

On 13 May 2017 the first official *GWENT* Challenger tournament was held in Katowice, with a prize pool of 100 thousand USD. Four winners of the open playoff phase squared off against four progamers: Trump (Jeffrey Shih), Lifecoach (Adrian Koy), Noxious (Kac Khilaji) and ppd (Peter Dagger). Following an exciting set of finals the grand prize was claimed by Adrian “Lifecoach” Koy.

CD PROJEKT RED currently communicates with the *GWENT* player community in 10 languages (Polish, English, Russian, German, French, Italian, Spanish, Portuguese (Brazilian), Japanese and Chinese), using thirty social media profiles. As of the end of August 2017, updates posted on the *GWENT* Facebook profile are viewed by 437 thousand of people from all around the world.



Participation in trade fairs

On 27-30 July 2017 CD PROJEKT presented *GWENT: The Witcher Card Game* at one of the largest gaming fair in the world – Chinajoy in Shanghai. The stand set up by GAEA (the game's Chinese distributor) was visited by over 60 thousand attendees. Visitors could try their own hand at playing *GWENT* on one of 48 PCs set up for this purpose. At Chinajoy CD PROJEKT representatives met with over 50 Chinese media personalities and influencers. As a result of active promotion of *GWENT* at the fair approximately 4.5 million posts devoted to the game appeared in Chinese social media.



On 22-26 August 2017 CD PROJEKT took part in one of the biggest gaming fairs in the world – Gamescom, held in Cologne. In the closed business area, available during the first three days of the fair, more than 900 journalists, influencers and business partners from around the world had the opportunity to view a presentation of *Thronebreaker* – the upcoming single-player campaign for *GWENT* – and familiarize themselves with CD PROJEKT's e-sports plans associated with the *GWENT* Masters tournament series.

In the fair's public zone the Company set up 24 stands where attendees could try their own hand at an unreleased version of *GWENT*, containing new cards and gameplay improvements. Having played a round of *GWENT* each participant could register on the GOG.com site and obtain attractive rewards.

GWENT: schedule of e-sports activities

At Gamescom in Cologne CD PROJEKT announced GWENT Masters – a series of professional e-sports tournaments culminating in the fight for the title of GWENT World Champion.



GWENT Masters is based on a new, independent gameplay mode called Pro Ladder, which follows a bimonthly schedule.

Three tiers of GWENT Masters tournaments are foreseen:

- GWENT Open – 8 tournaments with a prize pool of 25 thousand USD each,
- GWENT Challenger – 4 tournaments held every other season, with a prize pool of 100 thousand USD,
- GWENT World Masters – capstone the GWENT Masters series and the event at which the first GWENT World Master will be crowned. This tournament has a prize pool of 250 thousand USD.



On Friday, 25 August 2017 the CD PROJEKT arena during the Gamescom trade fairs hosted the Wild Card Qualifiers round for the first GWENT Open tournament, which subsequently took place on Friday and Saturday. The winner of the Wild Card – Elias “Shaggy” Sagmeister – went on to win the entire tournament. The total prize pool was 25 thousand USD.

Further information and a detailed schedule of GWENT Masters tournaments can be found at masters.playgwent.com.

GOG.com



The GOG.com platform was launched in August 2008. Its initial mission was to revitalize major PC cult classics and offer them for sale to international clients with particular focus on English-speaking countries, i.e. United States, Canada, United Kingdom and Australia. In addition to English, the platform is now offered in French, German, Russian, Portuguese (Brazilian edition) and Chinese – this includes full game localizations as well as dedicated customer support and integration with locally popular payment channels (accepting payments in thirteen currencies). Since 2012 GOG.com carries games for Apple computers while in 2014 its catalogue was expanded with releases for the Linux OS.

GOG.com activities focus on:

- digital distribution of videogames via the Company's proprietary GOG.com distribution platform and the GOG Galaxy application, on the basis of contracts signed by GOG Ltd. with producers, IPR holders and external publishers. The platform enables customers to purchase games, remit payment and download game files to their personal devices.
- development and support for the Company's proprietary GOG Galaxy client to provide user-friendly and straightforward purchase, launch and update features for all games in the GOG.com catalogue, and to facilitate cross-platform gameplay. GOG Galaxy is currently responsible for all networking features of *GWENT*, including in-game sales and payment processing in the PC edition.
- collaboration with CD PROJEKT S.A. in the framework of a consortium set up to develop and operate *GWENT: The Witcher Card Game*. In this scope, GOG Poland Sp. z o.o. is responsible for delivering the required IT infrastructure and implementing networking features.

Payments collected by GOG Ltd. from customers are split with the Company's suppliers as agreed upon in distribution contracts. Typical contracts require the Company to submit sales reports in monthly or quarterly cycles, not later than 30 days following the close of the given reporting period. With regard to certain older products, the Company may be contractually permitted to adapt them to the requirements of modern operating systems, or to enable multiplayer gameplay if such features were originally provided by the given game.

We adopt a boutique approach and carefully select titles to be added to the GOG.com's catalogue. Given that CD PROJEKT RED creates games while GOG.com distributes them and provides support for online gaming features, our activity segments are mutually reinforcing and together underpin the commercial advantage of the CD PROJEKT Capital Group.



Key products

As of the publication date of this report, the GOG.com catalogue comprises over 2 100 products from 550 publishers and producers of videogames, including such well-known brands as Activision, Bethesda, Disney, Electronic Arts, Ubisoft and Warner Bros. The key difference between GOG.com and its competitors (i.e. other independent platforms – Steam, Gamersgate, Humble Bundle etc.) is its set of core principles. As a rule, the Company ensures that all of its games are free of cumbersome DRM measures. Products offered on GOG.com are richly featured and usually include bonus content such as soundtracks, maps and wallpapers. GOG Ltd. also ensures full compatibility of its games with popular versions of the MS Windows, Mac OS and Linux operating systems, and provides technical support in case of installation problems. If a game cannot be made to run on the user's computer, it can be returned within 30 days of purchase for a full refund. Owing to these values GOG.com has become one of the most popular digital videogame distribution platforms in the world.

The Group uses GOG.com to market its own products directly to end users – this includes *The Witcher* and *The Witcher 2: Assassins of Kings*, *The Witcher 3: Wild Hunt* (along with its expansion packs – *Hearts of Stone* and *Blood and Wine*, also offered as a *Game of the Year Edition*) and *The Witcher Adventure Game*. Owing to GOG Galaxy support for *GWENT* networking features, distribution of *GWENT* to PC users can take advantage of the sales and payment mechanisms offered by GOG.com.

Key sources of revenue

Revenues obtained in the GOG.com segment are directly dependent on the popularity of the offered games and their respective sales volumes. The Company continuously expands the scope of its cooperation with suppliers and seeks access to new, attractive products. GOG.com is also home to seasonal and one-off sales campaigns, including summer, fall and Christmas bargain packages as well as other events which introduce new means of attracting gamers.

In the first half of 2017 the majority of GOG.com revenues were generated by *GWENT: The Witcher Card Game*. These revenues comprise:

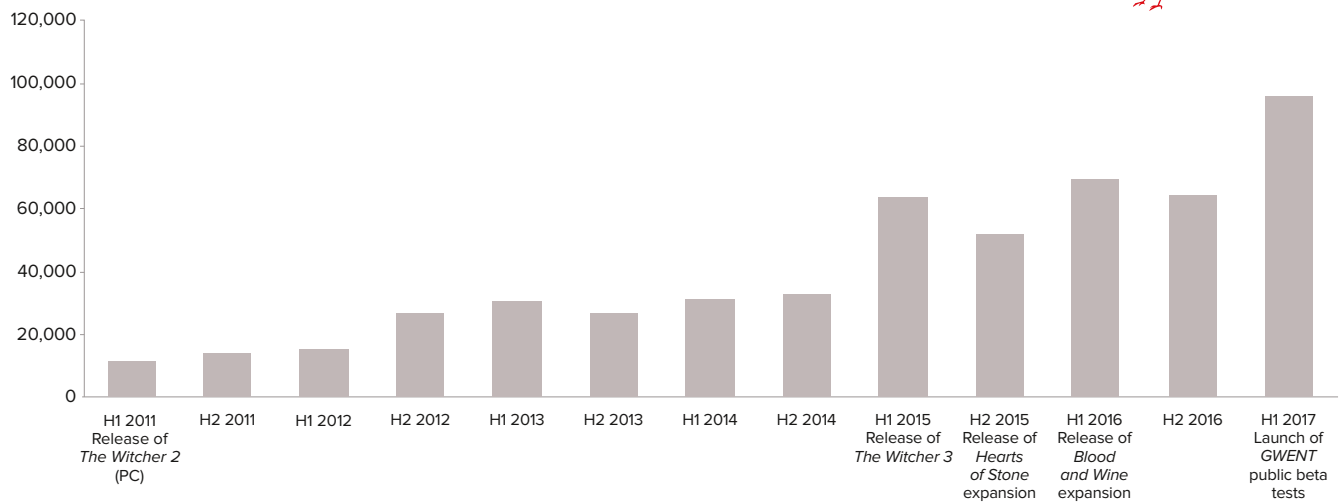
- all revenues from in-game sales carried out in the PC edition, which are processed by GOG Ltd. and subsequently split in the framework of the project consortium between CD PROJEKT S.A. and GOG Poland,
- the share of revenues and costs justifiably attributable to GOG Poland from consortium settlements for all hardware platforms supported by *GWENT*.

In previous years the most important products offered by GOG.com (from the point of view of revenues) were as follows:

- 2015 – *The Witcher 3: Wild Hunt*
- 2016 – *Blood and Wine* expansion pack (distributed as a standalone purchase and as part of the *Game of the Year Edition*).



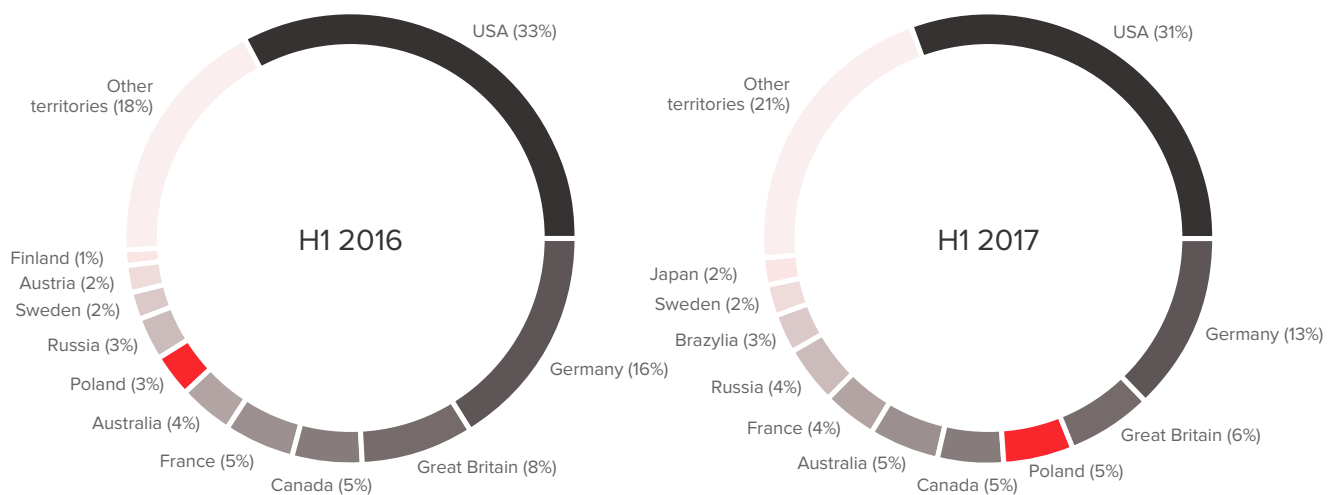
Figure 5 GOG.com sales revenues to external clients in 2011-2017 (semiannually) in PLN million



Key suppliers and clients

Following its creation, GOG Ltd. quickly secured a strong position on the global digital entertainment market, establishing itself as one of the foremost digital distributors in the world. GOG Ltd. markets games via online channels directly to millions of individual users worldwide. As such, the Company does not have key clients in the usual sense of the term.

Figure 6 GOG.com sales revenues in H1 2016 and H1 2017 by territory



When comparing the geographical distribution of GOG.com revenues in H1 2016 and H1 2017 it should be noted that during the latter period GOG.com obtained revenues associated with monetization of *GWENT: The Witcher Card Game* on PCs, in both of its beta testing phases (closed beta and public beta launched on 24 May 2017).

Much like during the preceding year, the bulk of H1 2017 sales was generated by US-based customers (31%), although this group shrank by 2% compared to the previous reporting period. Further down the list were German (reduction from 16% to 13%), British (reduction from 8% to 6%) and Polish customers (increase from 3% to 5%). For the first time ever the list of key markets included Brazil (4% of GOG.com sales revenues) and Japan (2% of revenues in H1 2017).



The observed increase in the contribution of non-English-speaking markets to the overall GOG.com sales figure is due to activities aimed at attracting new user groups – including the rollout of additional language localizations of the GOG.com platform, complete with support for local currencies and native customer support. Certain changes in the sales structure are also attributable to ongoing work on *GWENT: The Witcher Card Game*.

At the end of the first half of 2017 GOG Ltd. distributed products from 550 suppliers, with no single supplier accounting for more than 10% of the consolidated sales revenues of the Capital Group.

Key product and marketing events

GOG Galaxy update

In April 2017 GOG.com published an updated version of the GOG Galaxy client. Update 1.2 introduced support for cloud-based savegames, both in new releases and in classic games which had not previously provided such an option. The client interface was enriched with customization options, enabling users to turn selected features on and off. Additionally, the CPU and memory footprint of the client software was reduced by adding a hibernation mode.

New games in the GOG.com catalogue

In the first half of 2017 the volume of the GOG.com catalogue exceeded 2000 titles – both new releases and PC classics. Games released concurrently with their global debuts included *Torment: Tides of Numenera*, *Hellblade: Senua's Sacrifice*, *Absolver*, *Little Nightmares*, *Outlast 2*, *Tacoma* and *Thimbleweed Park*. The classic games portfolio was expanded with such titles as *Saints Row 4*, *Fallout 3*, *Fallout: New Vegas*, *The Elder Scrolls III: Oblivion*, *Dragon's Dogma*, a set of classic SNK Corporation games, *SWAT 4* and the standalone *Homeworld: Cataclysm* expansion (available exclusively on GOG.com), as well as remastered versions of *Full Throttle* and *Planetscape: Torment*.

As of the publication date of this report GOG.com customers can choose from over 2100 videogames.

Sales support

In addition to offering new games, GOG.com also seeks to bolster sales by organizing periodic sales events.

Starting in 2017 GOG.com introduced a new schedule of weekly sales, which last from Monday until the following Monday, and are expanded with additional games each Friday.

In this scope, the most important event of 2017 was the annual summer sale held in June. This two-week event involved over 1500 games, with discounts reaching 90%. In order to enable gamers to quickly identify interesting products GOG.com also prepared a set of special bargain bundles – e.g. the best games representing a given genre. GOG.com also reached to popular videogame media channels and streamers, asking them to name their favorite games. This activity resulted in a list of 20 bundles, based on recommendations from popular gaming media and online personalities, including PC Gamer, Destructoid, Eurogamer, Rock Paper Shotgun, Jessie Cox, Day9, Yogscast and RAZER. Finally, users who made purchases during the summer sale were also rewarded with additional free games – *Rebel Galaxy* for their first purchase and *Alan Wake's American Nightmare* for purchases exceeding \$10.

The summer sale is not the only example of active collaboration between GOG.com and global gaming media. In the second quarter of 2017 the Company organized a dedicated weeklong campaign together with PC Gamer – one of the most popular English-language media devoted to PC gaming. PC Gamer editors handpicked over 50 games which were subsequently discounted on GOG.com in the "PC Gamer Picks" sale. The event was promoted on the GOG.com website



and in social media channels. Another example of successful collaboration with a popular online service was the engagement with ArsTechnica – a popular American platform devoted to technology and popular science. Registered users of ArsTechnica were offered free copies of *The Witcher* on GOG.com.

Two other large-scale sales were organized in the first half of 2017: “From Wishlists With Love”, which coincided with Valentine’s Day, lasted for one week and covered 60 popular games, as well as Spring Sale 2017, covering over 500 games.

GWENT: The Witcher Card Game – launch of the public beta phase

With regard to GOG.com revenues, by far the most important product of H1 2017 was *GWENT: The Witcher Card Game*. A key milestone was reached on 24 May 2017, with the launch of the public beta, which immediately registered as a quantitative leap in revenues associated with this project. *GWENT* revenues are responsible for the bulk of the reported increase in semiannual revenues in GOG.com segment compared to the first half of 2016.

Events following the balance sheet date

On 27-30 July 2017 CD PROJEKT presented *GWENT: The Witcher Card Game* one of the largest gaming fair in the world – Chinajoy in Shanghai. The stand set up by GAEA (the game’s Chinese distributor) was visited by over 60 thousand attendees. Visitors could try their own hand at playing *GWENT* on one of 48 PCs set up for this purpose. At Chinajoy CD PROJEKT representatives met with the Chinese media personalities and influencers. As a result of active promotion of *GWENT* at the fair approximately 4.5 million posts devoted to the game appeared in Chinese social media.

At Gamescom in Cologne in August 2017 CD PROJEKT announced *GWENT* Masters – a series of professional e-sports tournaments culminating in the fight for the title of *GWENT* World Champion.

On Friday, 25 August 2017 the CD PROJEKT arena in the public zone hosted the Wild Card Qualifiers round for the first *GWENT* Open tournament, which subsequently took place on Friday and Saturday. The winner of the Wild Card – Elias “Shaggy” Sagmeister – went on to win the entire tournament. The total prize pool was 25 thousand USD.

Further information and a detailed schedule of *GWENT* Masters tournaments can be found at masters.playgwent.com.

On 22 August 2017, at gamescom in Cologne CD PROJEKT RED showcased *Thronebreaker* – a single-player campaign for *GWENT*. The campaign is scheduled for release in 2017 and will be available on the PC, Xbox One and PlayStation 4.

On 29 August 2017 a closed beta of the Chinese edition of *GWENT* was officially launched. More information can be found on www.playgwent.com.



Disclosure of seasonal or cyclical activities

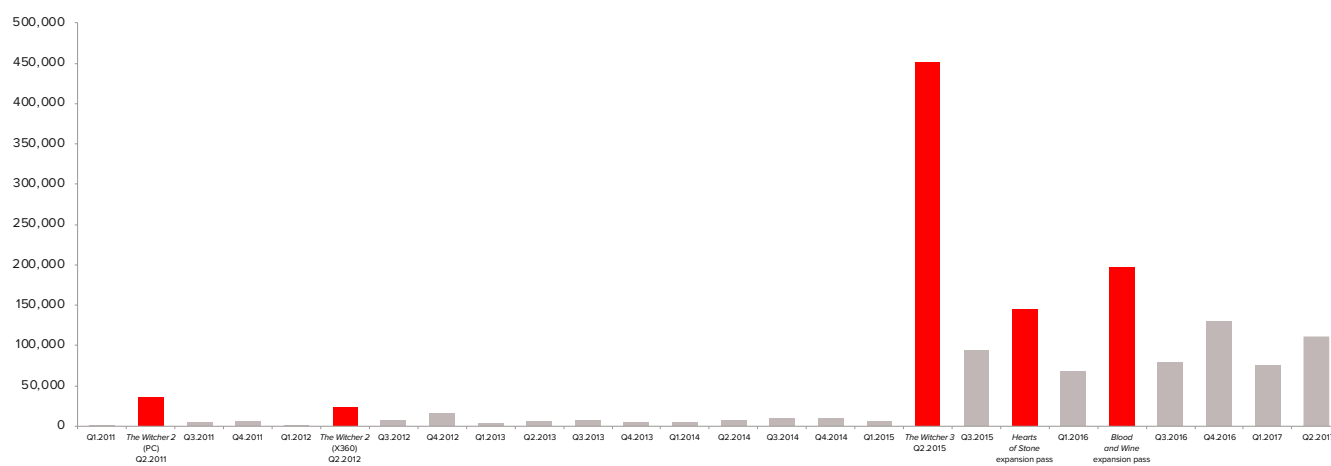
CD PROJEKT RED

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* (both released within twelve months of the original launch) as well as by *The Witcher 3: Wild Hunt – Game of the Year Edition*, released in August 2016.

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. *GWENT* will be offered as both a multiplayer and single-player game.

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

Figure 7 CD PROJEKT RED release quarters – revenues from sales of products, goods and materials in 2011-2017 (PLN millions)

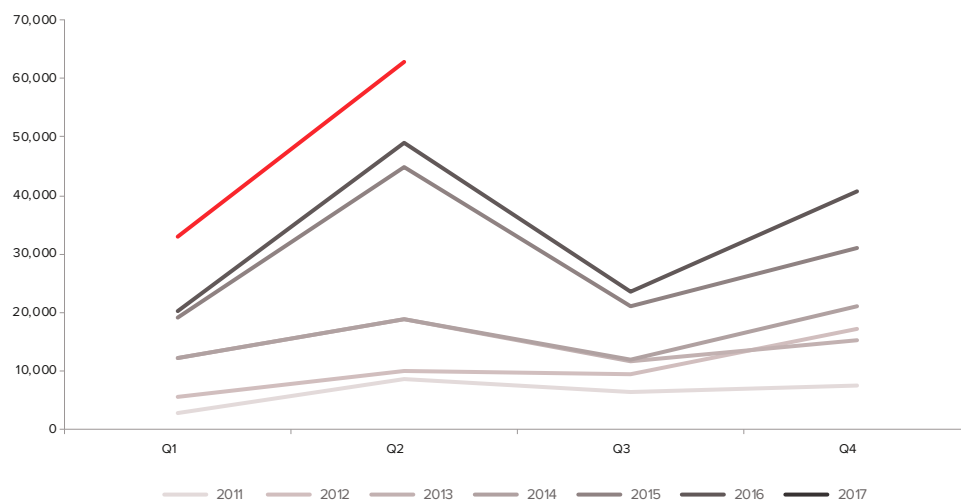


GOG.com

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 fourth quarter while the lowest revenues correspond to the 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 8 Revenues from GOG.com sales to external clients, by quarter (2011-2017; PLN million)



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 release of the second quarter of 2016 was that of *Blood and Wine* – the second expansion pack for *The Witcher 3*.

Strong revenues reported in the second quarter of 2017 were primarily due to microtransactions carried out in *GWENT: The Witcher Card Game* PC edition, released as a public beta on 24 May 2017. All such transactions are processed by GOG Galaxy.



Disclosure of external and internal factors affecting the CD PROJEKT Capital Group

The activities of CD PROJEKT Capital Group member companies are affected by external factors such as the global macroeconomic conditions, legal reforms and changes in taxation. In this sense, CD PROJEKT is in a similar position to many other companies conducting business on domestic and international markets. Key internal and external factors which may prove detrimental to the Group's activities and growth prospects are listed in the risk assessment section of the Management Board Report on CD PROJEKT Capital Group activities in 2016, available on the Company's website at www.cdprojekt.com.

The most important identified factors which may affect the Group's future performance are briefly outlined below.

With regard to the second half of 2017 and on into 2018, the CD PROJEKT Capital Group intends to develop its activities in parallel in two key segments: CD PROJEKT RED and GOG.com. A description of further growth plans can be found in the Strategy of the CD PROJEKT Capital Group for the years 2016-2021, announced in March 2016. The full text of this document is available on the Company's corporate website at www.cdprojekt.com/en/capital-group/strategy.

Key factors which will determine activities in the CD PROJEKT RED segment include ongoing projects, the scale of development work associated with those projects and their perceived popularity among players. Accordingly, the Group's further growth is dependent on progress with the development of *GWENT: The Witcher Card Game* – as well as on the game's reception among players and gaming media. In this scope, enriching the game with new content and gameplay elements maximizing player retention should be regarded as an important goal, along with the Company's ability to carry out promotional activities related to *GWENT*.

In the future, additional revenues are expected to be generated by the complex single-player add-on campaign for *GWENT – Thronebreaker*, scheduled for release in 2017. Its reception by gamers, journalists and influencers will affect the financial results of the CD PROJEKT Capital Group in both of its activity segments (CD PROJEKT RED and GOG.com) in the next quarters. Favorable reviews published after the game's release may, on the one hand, entice *GWENT* players to purchase RPGs which follow the adventures of Geralt of Rivia, while on the other hand they may also attract fans of *The Witcher* trilogy to *GWENT*, owing to the detailed storyline upon which the recently announced campaign is based.

The financial result posted by the CD PROJEKT Capital Group will also depend on customer interest in professional e-sports events organized in the framework of the *GWENT* Masters series. These events are scheduled for late 2017 and for 2018. The involvement of CD PROJEKT S.A. in recurring large-scale e-sports activities may foster interest in the game, thereby increasing revenues from microtransactions carried out in *GWENT*, while on the other hand it may incur additional costs associated with organizing and promoting such activities.

In an attempt to attract as many potential customers as possible, the Company has initiated cooperation with a Chinese partner. The agreement with GAEA will enable CD PROJEKT RED to undertake wide-ranging publishing, localization, promotional and sales-related activities. The agreement with GAEA contains provisions for so-called minimum guarantees, payable to



CD PROJEKT in installments. These payments represent advances for future licensing royalties associated with sales of *GWENT* on the Chinese market. Should the actual amount of royalties payable to CD PROJEKT exceed the reported minimum guarantees, CD PROJEKT will be entitled to collect further payments, as appropriate. The launch of the closed beta of *GWENT: The Witcher Card Game* represents the first stage of monetizing the game in China.

The market success of the Company's future releases is important from the point of view of the overall commercial appeal of *The Witcher* series, as well as that of existing tie-in products and other games currently under development at CD PROJEKT RED.

Preserving the observed dynamic growth will depend on further enhancement of the Group's world-class videogame development skillset and on maintaining effective communication channels with the global gaming community. From the point of view of project management, maintaining two separate major franchises (*The Witcher* and *Cyberpunk*), in addition to several other independent development teams, enables the Company to conduct parallel work on several projects and smoothen its long-term publishing schedule. This migration towards a two-franchise model supported by several independent product lines also permits optimization of manufacturing and financial activities, mitigates important risk factors and makes it easier for Company employees to seek professional fulfillment.

The capability for effective management of production and publishing activities which span multiple projects carried out at several geographically distributed offices, with a growing number of involved individuals, is both a risk factor and an opportunity for continued growth of the CD PROJEKT Capital Group.

In the GOG.com segment, maintaining the current high sales volume should be supported by the customers' increasing tendency to turn to online channels for purchases. In the near term GOG.com growth will depend on expanding its catalogue and seeking additional brand-new products. Since April 2017 GOG Ltd. offers access to an updated version of GOG Galaxy, which enables (among others) unhindered online multiplayer gaming. Favorable reception of GOG Galaxy by videogame developers and publishers may result in its incorporation in future releases distributed by GOG.com and thereby bolster the GOG.com revenue stream. Releasing additional products with inbuilt multiplayer features powered by GOG Galaxy may also entice users to purchase other games offered on GOG.com.

GOG Ltd. is in talks with leading global videogame publishers and continues to expand its portfolio. Each new release on GOG.com contributes to the platform's popularity and drives up sales. In addition to adding new products GOG Ltd. also seeks to increase its user base by attracting new players – those who have not yet set up a GOG.com account. The Company has been successful in this regard, owing to its PR activities and synergies resulting from cooperation with CD PROJEKT S.A. The GOG.com customer pool continues to grow at a steady pace.

The profitability and growth of activities carried out in the GOG.com segment, including acquisition of unique talent and experience, and broad exploitation of the Company's proprietary technologies, will be affected by involvement of GOG Poland sp. z o.o. in the *GWENT* project, where GOG is responsible for implementing networking features and for user support. The success and popularity of *GWENT* will contribute to increased visibility of GOG.com on the global stage, enabling the Company to attract further customers. From the Company's perspective, participation in the *GWENT* project and use of GOG Galaxy to deliver free-to-play online features marks the first foray into an entirely new market segment. The resulting technologies and experience will, in the Board's opinion, facilitate future development and other activities on this heretofore unexplored market.



Disclosure of significant agreements

No significant agreements were concluded by the Group in the first half of 2017.

Risk management at the Capital Group

The CD PROJEKT Capital Group carries out ongoing assessment and mitigation of risk factors which may affect its financial or material standing. The Group is exposed to common risks typical for commercial entities which carry out economic activities in Poland, export products and maintain subsidiaries (including foreign subsidiaries), and also to risks specific to the electronic entertainment industry.

Pursuing complex, innovative projects which call for multiple iterations to ensure that the final product meets the stated requirements translates into higher-than-average operating risk. With each release the Group gains valuable publishing and development experience, enabling it to adapt its practices in the scope of project management, progress monitoring and risk mitigation.

A detailed risk analysis can be found in the Management Board Report on CD PROJEKT Capital Group activities in 2016, available on the Company's website at www.cdprojekt.com.

CD PROJEKT Group – financial results



Description of key economic and financial indicators disclosed in the consolidated and separate financial statement

Disclosure and assessment of factors and unusual circumstances affecting the Group's financial result in the first half of 2017

In the first half of 2017 the Group's financial result, both in the CD PROJEKT RED segment and in the GOG.com segment, was most significantly affected by ongoing sales of *The Witcher 3: Wild Hunt* and the game's expansion packs (including the Game of the Year Edition). The second important product of this period was *GWENT: The Witcher Card Game*. Its public beta release, which took place on 24 May 2017, resulted in a significant leap in revenues attributable to this project. The reported *GWENT* revenues in H1 2017 comprise the Group's share in revenues generated by in-game microtransactions as well as one of the installments collected by the Group in light of minimum guarantees associated with distribution of *GWENT* on the Chinese market. As of the publication date of this report, *GWENT* remains in the testing phase.

In June 2017 for the first time in its history, CD PROJEKT S.A. paid out a dividend in the amount of 100 926 thousand PLN).

No unusual circumstances affecting the Group's financial result were noted in the first half of 2017.

Consolidated profit and loss account



Table 2 Consolidated profit and loss account (PLN thousands)

	01.01.2017-30.06.2017	01.01.2016-30.06.2016*
Sales revenues	254 824	318 996
Revenues from sales of products	199 621	258 867
Revenues from sales of services	61	165
Revenues from sales of goods and materials	55 142	59 964
Cost of products, goods and materials sold	38 086	74 936
Cost of products and services sold	488	32 292
Value of goods and materials sold	37 598	42 644
Gross profit (loss) from sales	216 738	244 060
Other operating revenues	2 603	834
Selling costs	58 470	70 235
General and administrative costs	16 329	10 851
Other operating expenses	1 295	690
Operating profit (loss)	143 247	163 118
Financial revenues	5 459	4 808
Financial expenses	2 435	410
Profit (loss) before tax	146 271	167 516
Income tax	27 622	32 834
Net profit (loss) from continuing operations	118 649	134 682
Net profit (loss)	118 649	134 682
Net profit (loss) attributable to minority interests	–	–
Net profit (loss) attributable to equity holders of parent entity	118 649	134 682
Net earnings per share (in PLN)		
Basic for the reporting period	1.23	1.42
Diluted for the reporting period	1.20	1.40
Net earnings per share from continuing operations (in PLN)		
Basic for the reporting period	1.23	1.42
Diluted for the reporting period	1.20	1.40

* adjusted data



Discussion of the consolidated profit and loss account of the CD PROJEKT Capital Group

The sales revenues obtained by the CD PROJEKT Capital Group in the first half of 2017 were 254 824 thousand PLN, which is 20.1% less than the corresponding figure in H1 2016 – the release period for *Blood and Wine*, a major expansion pack for *The Witcher 3: Wild Hunt*.

The greatest contribution to CD PROJEKT sales revenues was from the CD PROJEKT RED segment (184 835 thousand PLN). This figure comprises 179 671 thousand PLN from sales of products – mostly licensing royalties associated with distribution of *The Witcher 3: Wild Hunt* and its two expansions (*Hearts of Stone* and *Blood and Wine*), as well as revenues attributable to *GWENT: The Witcher Card Game*, which began its beta testing phase on 24 May 2017. Additionally, the CD PROJEKT RED segment reported 2 911 thousand PLN in revenues from sales of goods and materials (mostly physical component of videogame box sets).

In the GOG.com segment the Group posted 96 164 thousand PLN in H1 sales revenues – 38.8% more than during the corresponding period in 2016 (which, notably, represented the high water mark for GOG.com, owing to the release of a major expansion for *The Witcher 3: Wild Hunt*). From the point of view of revenues, the most important product distributed by GOG.com in the first half of 2017 was *GWENT: The Witcher Card Game*.

On the costs side, an important line item is the cost of products, goods and material sold, at 38 086 thousand PLN. This figure mostly covers the cost of goods and materials sold by GOG.com (58 853 thousand PLN, including 23 983 thousand PLN in intragroup purchases made by GOG.com).

The reported increase in gross profit from sales in each of the Group's activity segment is mirrored by an increase of gross profitability of the Group as a whole (i.e. the share of gross profit from sales in the Group's total sales revenues). This figure increased from 76.5% in H1 2016 to 85.1% in the current reporting period.

Altogether, the Group's gross profit from sales in the first two quarters of 2017 amounted to 216 738 thousand PLN, compared to 244 060 thousand PLN in the first half of 2016 (which, notably, covered the release period of *Blood and Wine*, a major expansion pack for *The Witcher 3: Wild Hunt*).

Selling costs reported in the profit and loss account comprise advertising and promotional expenses borne in each segment – especially costs related to the global promotional campaign of *GWENT*, where the Group itself carries out the promotional activities and bears most of the associated costs. In addition, selling costs include costs and provisions for compensation dependent on the Group's financial result, as well as costs of bought-in services which qualify as selling costs. The bulk of these costs are borne in the CD PROJEKT RED segment (39 704 thousand PLN). The aggregate value of the Group's selling costs was 58 470 thousand PLN – 11 765 thousand PLN less than in the first half of 2016.

General and administrative expenses, reported at 16 329 thousand PLN, comprise employee compensation (including additional compensation related to the incentive program) and selected bought-in services. In the first half of the year these costs were 5 478 thousand PLN higher than in the corresponding period in 2016, mostly due to a general upscaling of the Group's activities, increases in employee compensation (including compensation related to the incentive program) and recruitment of additional personnel.



The surplus of financial revenues over expenses was valued at 3 024 thousand PLN. The Group obtained 5 041 thousand PLN in interest from short-term bank deposits. Financial costs were mostly related to negative exchange rate differences.

Pre-tax profit was reported at 146 271 thousand PLN and subject to 27 622 thousand PLN in taxation.

The Group's consolidated net profit in the first half of 2017 was 118 649 thousand PLN, which is 11.9% less than in the first half of 2016, but 2.4% more than during the previous reporting period (i.e. H2 2016). The reported result is mostly due to ongoing strong sales of *The Witcher 3: Wild Hunt* (including its Game of the Year edition released in the second half of 2016), along with both of its expansion packs. In addition, the Group's bottom line was positively influenced by *GWENT: The Witcher Card Game*.

The Group's net profitability (share of net profit in groupwide sales revenues) was 46.6%, compared to 42.2% in the first half of 2016.

Segmented consolidated profit and loss account of the CD PROJEKT Capital Group for the period from 01.01.2017 to 30.06.2017 (PLN thousands)



Table 3 Sales revenues, individual cost categories and financial results by activity segment

	CD PROJEKT RED	GOG.com	Consolidation eliminations (incl. from business combinations)	Total
Sales revenues	184 835	96 164	(26 175)	254 824
Revenues from sales of products	179 671	9 719	10 231	199 621
Revenues from sales of services	2 253	–	(2 192)	61
Revenues from sales of goods and materials	2 911	86 445	(34 214)	55 142
Cost of products, goods and materials sold	3 831	59 071	(24 816)	38 086
Cost of products and services sold	1 103	218	(833)	488
Value of goods and materials sold	2 728	58 853	(23 983)	37 598
Gross profit (loss) from sales	181 004	37 093	(1 359)	216 738
Other operating revenues	2 731	219	(347)	2 603
Selling costs	39 704	20 052	(1 286)	58 470
General and administrative costs	13 526	2 876	(73)	16 329
Other operating expenses	1 458	184	(347)	1 295
Operating profit (loss)	129 047	14 200	–	143 247
Financial revenues	5 425	215	(181)	5 459
Financial expenses	2 604	12	(181)	2 435
Profit (loss) before taxation	131 868	14 403	–	146 271
Income tax	25 787	1 835	–	27 622
Net profit (loss)	106 081	12 568	–	118 649



Discussion of the segmented consolidated profit and loss account

In the first half of 2017 the CD PROJEKT RED segment reported 106 081 thousand PLN in net profit, while the corresponding GOG.com figure was 12 568 thousand PLN.

In both segments, the largest contribution to revenues and net profit was from continuing sales of *The Witcher 3: Wild Hunt* along with its expansion packs, as well as from *GWENT: The Witcher Card Game*, which entered its public beta testing phase on 24 May 2017. In addition, CD PROJEKT RED (as well as GOG.com, where digital releases are concerned) continued to market the Group's earlier releases, i.e. *The Witcher*, *The Witcher 2: Assassins of Kings* and numerous other tie-in products.

Of note is the best-ever sales result posted by GOG.com in the first half of this year. Strong sales were reported across the GOG.com product catalogue, and particularly as relates to *GWENT*, which is supported by GOG Galaxy. This technology enabled GOG.com to exclusively process all microtransactions carried out by users of the game's PC edition.

A notable milestone – from the point of view of both activity segments – was the launch of the public beta of *GWENT: The Witcher Card Game*, occurring on 24 May 2017. Releasing the game to all interested users resulted in a quantitative leap in revenues, distributed between GOG.com and CD PROJEKT RED. The aggregate value of revenues generated by *GWENT* in the first half of the year was greater than the sum of promotional expenses and other costs associated with this game in H12017. As of the end of the reporting period *GWENT* remains in the public beta phase and the Company has not yet begun to discount its development expenses (which are recognized as Fixed assets – expenditures on development projects).

Consolidated statement of financial position of the CD PROJEKT Capital Group



Table 4 Consolidated statement of financial position (PLN thousands)

	30.06.2017	31.12.2016*
FIXED ASSETS	209 672	170 644
Tangible assets	18 140	14 423
Intangibles	47 626	47 112
Expenditures on development projects	96 967	62 011
Goodwill	46 417	46 417
Other financial assets	–	194
Other long-term receivables	522	487
WORKING ASSETS	692 324	704 316
Inventories	555	401
Trade receivables	78 139	71 554
Current income tax receivables	2 483	112
Other receivables	14 507	20 268
Other financial assets	–	53
Prepaid expenses	13 924	14 724
Cash and cash equivalents	85 169	217 639
Bank deposits (maturity beyond 3 months)	497 547	379 835
TOTAL ASSETS	901 996	874 960

* adjusted data



	30.06.2017	31.12.2016
EQUITY	796 373	776 938
Equity attributable to shareholders of the parent company	796 373	776 938
Share capital	96 120	96 120
Supplementary capital	549 335	403 001
Other reserve capital	9 777	4 795
Exchange rate differences	648	3 918
Retained earnings	21 844	18 590
Net profit (loss) for the reporting period	118 649	250 514
Minority interest equity	–	–
LONG-TERM LIABILITIES	6 476	8 275
Other financial liabilities	205	76
Deferred income tax liabilities	5 782	7 198
Deferred revenues	432	944
Provisions for employee benefits and similar liabilities	57	57
SHORT-TERM LIABILITIES	99 147	89 747
Other financial liabilities	220	63
Trade liabilities	28 569	27 971
Current income tax liabilities	1 497	3 762
Other liabilities	12 876	9 762
Deferred revenues	2 689	2 864
Provisions for employee benefits and similar liabilities	54	294
Other provisions	53 242	45 031
TOTAL EQUITY AND LIABILITIES	901 996	874 960



Discussion of the consolidated statement of financial position of the CD PROJEKT Capital Group

Assets

At the end of June 2017 the Group held 18 140 thousand PLN in tangible fixed assets – 3 717 thousand PLN more than on 31 December 2016. The bulk of this figure is attributable to adaptation of office space used by the Group's member companies to carry out their activities ("Buildings and structures" line item, 7 828 thousand PLN) as well as the Group's machinery and equipment (7 156 thousand PLN) – computers, servers and other electronic devices used in the videogame development process, including the furnishings of the Company's own motion capture studio. The reported increase in the value of tangible fixed assets results from acquiring additional office space, as well as from purchases of new electronic and other equipment associated with the expansion in the Group's activities and recruitment of additional personnel.

Intangibles, valued at 47 626 thousand PLN, reflect the value of the CD PROJEKT brand name and *The Witcher* trademark (32 199 thousand PLN in total). In addition, this figure includes the value of computer software (7 914 thousand PLN) and copyrights held by the Group (6 591 thousand PLN). The aggregate value of intangibles did not undergo appreciable changes since the end of 2016.

Expenses associated with ongoing development projects are, since 2016, aggregated with fixed assets as a separate line item ("Expenditures on development projects"). As of 30 June 2017 these expenses were valued at 96 967 thousand PLN and borne mostly by the parent Company. Following full discounting of development costs associated with already-published products (both as of 31 December 2016 and as of 30 June 2017), the value of costs for "Development projects completed" is 0 PLN. Consequently, the reported figure of 96 967 thousand PLN in development expenses is fully attributable to products which have not yet been released as of the balance sheet date, including two large-scale development projects: *Cyberpunk 2077* and *GWENT: The Witcher Card Game*.

An important component of the Group's fixed assets is its goodwill, valued at 46 417 thousand PLN. Goodwill represents the positive difference between the cost of establishing a business combination (also known as acquisition or takeover cost) and the parent company's share in the net fair value of all assets and liabilities (including contingent liabilities) of the controlled entity on the date of acquisition. The reported figure was calculated following the merger of the parent entity with the CDP Investment Capital Group on 30 April 2010 and did not change during the reporting period.

Consolidated trade receivables, estimated at 78 139 thousand PLN on 30 June 2017, were mostly attributable to CD PROJEKT RED, with a separate figure of 83 290 thousand PLN (including receivables from GOG.com, which are subject to consolidation eliminations). This figure comprises CD PROJEKT S.A. royalties associated with second-quarter sales reports, which were received by the Company after the close of the reporting period (total value – 63 819 thousand PLN).

The Group's other receivables, valued at 14 507 thousand PLN, decreased by 5 761 thousand PLN compared to the end of 2016. The bulk of this figure consists of withholding tax deducted at source by CD PROJEKT S.A. trade partners and reportable in the Company's annual financial statement, in addition to VAT receivables.

Prepaid expenses were reported at 13 924 thousand PLN and did not significantly change compared to the end of 2016. The reported figure mostly comprises licenses purchased by GOG Ltd. from suppliers and minimum guarantees payable to the Group in future periods (11 441 thousand PLN as of 30 June 2017).



At the end of June 2017 the Group held 582 716 thousand PLN in cash and other financial assets (bank deposits with maturity periods longer than 3 months). This represents a decrease by 14 488 thousand PLN compared to 31 December 2016. The reported decrease was mostly due to a dividend paid out by the parent Company (total value of 100 926 thousand PLN) as well as expenses on ongoing videogame development projects (33 412 thousand PLN). The Group's other activities produced positive cash flows. As of 30 June 2017 CD PROJEKT RED held 531 554 thousand PLN in cash assets while the corresponding share of GOG Ltd. was 49 585 thousand PLN.

The aggregate value of the Group's fixed assets increased by 39 028 thousand PLN, i.e. 18.6%, mostly as a result of ongoing development work carried out at CD PROJEKT S.A (increase by 34 956 thousand PLN). Over the same period the value of working assets decreased by 11 992 thousand PLN, i.e. 1.7%, mostly as a result of the aforementioned dividend in the amount of 100 926 thousand PLN. At the end of the reporting period fixed assets comprised 23.2% of the Group's total assets, with the remaining 76.8% made up of working assets.

Liabilities

Equity accounted for 88.3% of the Group's equity and liabilities, with the remaining 11.7% divided into short- and long-term liabilities. At the end of 2016 the corresponding figures were 88.8% and 11.2% respectively.

The reported increase in the Group's equity (by 19 435 thousand PLN, reaching 796 373 thousand PLN) is due to the net profit obtained by the Group during the reporting period (118 649 thousand PLN), offset by the dividend paid out by CD PROJEKT S.A. from the net profit obtained in 2016.

As of 30 June 2017 the trade liabilities of the CD PROJEKT Capital Group were worth 28 569 thousand PLN and mostly attributable to GOG.com (28 665 thousand PLN in trade liabilities, including 8 628 thousand PLN payable to other members of the Group and subject to consolidation eliminations). CD PROJEKT RED reported 8 532 thousand PLN in trade liabilities. The consolidated figure did not undergo significant changes compared to the balance of the Group's trade liabilities at the end of 2016.

Other liabilities, valued at 12 876 thousand PLN, increased by 3 114 thousand PLN (i.e. by 31.9%) compared to 31 December 2016. This increase was mostly due to an increase in tax liabilities (VAT, PIT) and social security liabilities. The main contribution to the reported figure was from current VAT liabilities (4 906 thousand PLN) and advance payments received from the Group's foreign clients (4 214 thousand PLN).

The value of other provisions – 53 242 thousand PLN at the end of June 2017 – was 8 211 thousand PLN higher than at the end of 2016. This figure consists mostly of provisions for future liabilities, including compensation dependent on the Group's financial result – both with regard to the current fiscal year and the preceding year for which some compensation has not yet been remitted as of the balance sheet date.

A detailed segmented consolidated statement of financial position can be found in the Condensed Interim Consolidated Financial Statement of the CD PROJEKT Capital Group for the period between 1 January and 30 June 2017.



Analysis of the structure of the Group's consolidated assets and liabilities from the point of view of liquidity

In the first half of 2017 the Group's equity increased by 19 435 thousand PLN for a 2.5% increase compared to the end of 2016 (even though the Group paid out a dividend in the amount of 100 926 thousand PLN). As of 30 June 2017 equity represented 88.3% of the Group's total equity and liabilities, while short- and long-term liabilities (11.7% of the aggregate figure) increased by 7 601 thousand PLN (7.8% increase compared to the end of 2016).

As of 30 June 2017 and as of 31 December 2016 the Group had no outstanding debt under any credit or loan agreements.

The aggregate cash and monetary asset balance (including bank deposits with maturity periods longer than 3 months) was 582 716 thousand PLN, i.e. 2.4% less than at the end of 2016. Cash and near-cash represented 64.6% of the Group's assets at the end of the reporting period.

With regard to management of cash assets, surplus assets are made available to other Group member companies under a cash pooling agreement and also as internal loans. Unused cash is typically placed in overnight or longer-term bank deposits.

Consolidated trade receivables decreased by 6 585 thousand PLN (9.2% decrease). At the end of June 2017 this figure comprised mostly licensing royalties associated with Q2 2017 sales reports, payable in future reporting periods (with a total value of 66 457 thousand PLN).

An important and increasing contribution to the Group's assets, as well as the bulk of the Group's investments, is represented by expenditures on development projects, valued at 96 967 thousand PLN at the end of June 2017 (increase by 34 956 thousand PLN compared to the end of 2016). This figure is associated with ongoing development work, including on CD PROJEKT Capital Group's flagship projects in 2017 – *Cyberpunk 2077* and *GWENT: The Witcher Card Game*.

Condensed interim consolidated statement of cash flows**Tabela 5** Condensed interim consolidated statement of cash flows (PLN thousands)

	01.01.2017 – 30.06.2017	01.01.2016 – 30.06.2016*
OPERATING ACTIVITIES		
Net profit / (loss)	118 649	134 682
Total adjustments:	11 252	14 756
Depreciation of fixed assets and intangibles	2 350	2 564
Depreciation of development projects	–	31 397
Interest and profit sharing (dividends)	(5 041)	(3 967)
Profit (loss) from investment activities	945	23
Change in provisions	7 971	9 791
Change in inventories	(154)	136
Change in receivables	(825)	15 028
Change in liabilities excluding credits and loans	3 799	(36 816)
Change in other assets and liabilities	113	(4 980)
Other adjustments	2 094	1 580
Cash flows from operating activities	129 901	149 438
Income tax on profit (loss) before taxation	27 622	32 834
Income tax (paid) / reimbursed	(33 626)	(42 104)
Net cash flows from operating activities	123 897	140 168



	01.01.2016- 30.06.2016*	01.01.2016- 30.06.2016*
INVESTMENT ACTIVITIES		
Inflows	384 935	309 139
Liquidation of intangibles and fixed assets	59	179
Liquidation of financial assets	–	85
Bank deposits held to maturity (maturity beyond 3 months)	379 835	304 908
Other inflows from investment activities	5 041	3 967
Outflows	539 766	219 457
Purchases of intangibles and fixed assets	8 807	5 431
Expenditures on development projects	33 412	28 826
Creation of bank deposits (maturity beyond 3 months)	497 547	185 200
Net cash flows from investment activities	(154 831)	89 682
FINANCIAL ACTIVITIES		
Inflows	–	903
Net inflows from issue of securities (stock) and other equity instruments, and from capital contributions	–	903
Outflows	101 266	359
Dividends and other payments due to equity holders	100 926	–
Payment of liabilities under financial lease agreements	340	359
Net cash flows from financial activities	(101 266)	544
Total net cash flows	(132 200)	230 394
Change in cash and cash equivalents on balance sheet	(132 200)	230 394
Cash and cash equivalents at beginning of period	217 369	111 629
Cash and cash equivalents at end of period	85 169	342 023

* adjusted data



Discussion of the condensed interim consolidated statement of cash flows

In the scope of its operating activities, the CD PROJEKT Capital Group reported 123 897 thousand PLN in positive cash flows in H1 2017. This is 16 271 thousand PLN (10.9%) less than in the corresponding period in 2016 (which included the release of *Blood and Wine* – an expansion pack for *The Witcher 3: Wild Hunt*). At the same time, the aggregate cash flows from operating activities in H1 2017 was 5 248 thousand PLN greater than the corresponding net profit for the same period.

A major adjustment compared to the end of the previous reporting period was the reported increase in the Group's provisions (by 7 971 thousand PLN) – mostly resulting from changes in the balance of provisions for liabilities, including compensation dependent on the Group's financial result, which has not yet been remitted as of the balance sheet date.

Another adjustment concerned exclusion of accrued interest on bank deposits collected by the Company, in the amount of 5 041 thousand PLN.

Extensive ongoing development work, coupled with active surplus cash allocation, resulted in outflows from investment activities valued at 154 831 thousand PLN. This figure is primarily composed of new bank deposits with maturity periods exceeding 3 months (497 547 thousand PLN in total) – these are reported as outflows, along with 379 835 thousand PLN in inflows from maturation of previously created bank deposits. Development expenses incurred during the reported period are valued at 33 412 thousand PLN, compared to 28 826 thousand PLN in the first half of 2016. This increase is chiefly due to expansion of CD PROJEKT S.A. and GOG Poland Sp. z o.o. development activities in the current year. The Group is currently pursuing two major announced development projects: *Cyberpunk 2077* and *GWENT: The Witcher Card Game*. Purchases of fixed assets and intangibles generated outflows in the amount of 8 807 thousand PLN – this includes acquisition of new office and social space in each of the Group's activity segments, purchases of electronics, computer software and other equipment, and other miscellaneous investment expenses associated with the Group's activities.

Following the payment of a dividend by CD PROJEKT S.A. (in the amount of 100 926 thousand PLN) the Group posted 101 266 thousand PLN in negative net cash flows from financial activities.

Throughout the first half of 2017 the balance of the Group's financial assets (excluding bank deposits with maturity periods beyond 3 months) decreased by 132 200 thousand PLN, while the corresponding balance of bank deposits with maturity periods beyond 3 months grew by 117 712 thousand PLN. Over the first six months of 2016 the aggregate balance of cash assets and bank deposits held by the Group decreased by 14 488 thousand PLN. The Group paid out 100 926 thousand PLN in dividends and spent 33 412 thousand PLN on development of new videogames. Consequently, the Group's net positive cash flows from remaining activity (adjusted for dividends, development expenses and bank deposits created/held to maturity) were valued at 119 850 thousand PLN – slightly more than the net profit for the reporting period.

At the end of June 2017 the Group held 85 169 thousand PLN in cash assets and 497 547 thousand PLN in bank deposits with maturity periods longer than 3 months.



Disclosure of credits and loans in the first half of 2017

In the first half of 2017 the CD PROJEKT Capital Group had no outstanding liabilities under any credit or loan agreements.

Disclosure of loans granted in the first half of 2017

No member company of the CD PROJEKT Capital Group granted any loans to third parties in the first half of 2017. A cash pool agreement is in place at the Group, enabling member companies to consolidate their bank accounts in order to optimize management of financial resources.

Disclosure of guarantees and sureties granted in the first half of 2017, and other off-balance sheet items

A presentation of guarantees and sureties granted, and other off-balance sheet items is included in the Consolidated Financial Statement of the CD PROJEKT Capital Group for the period between 1 January and 30 June 2017.

Disclosure of transactions with affiliates

The following types of transactions between the parent company and its affiliates have occurred as part of the activities of the CD PROJEKT Group in the first half of 2017:

- sales of licenses between CD PROJEKT S.A. and GOG Ltd., as required by these companies' respective business profiles,
- intragroup loan agreements and groupwide consolidation of bank accounts under a cash pooling agreement,
- procurement of accounting, HR, legal, financial, administrative and managerial services from CD PROJEKT S.A. by its subsidiaries,
- subletting of office space,
- procurement of GOG Poland sp. z o.o. services by GOG Ltd. in the scope of maintenance of the GOG.com platform,
- procurement of CD PROJEKT Inc. services by CD PROJEKT S.A. and GOG Ltd. in the scope of coordinating promotional and publishing activities in North America,
- other minor transactions associated with day-to-day activities (e.g. re-invoicing joint expenses).

In addition, in 2016 CD PROJEKT S.A. formed a consortium with GOG Poland sp. z o.o. to jointly develop *GWENT: The Witcher Card Game*. This cooperation continues in 2017 and it is the intent of both parties to carry out collaborative activities in the scope of post-release support and further expansion of the game. All revenues and expenses associated with *GWENT* are apportioned to consortium members in agreed-upon ratios.

Transactions between affiliates are concluded on market terms as required by the business profiles of each member of the CD PROJEKT Capital Group. A detailed description of procedures which govern transactions between affiliates is included in the Condensed Interim Consolidated Financial Statement of the CD PROJEKT Capital Group for the period between 1 January and 30 June 2017.



Explanation of differences between the financial results reported in the annual financial statement and previously published projections for the corresponding fiscal year

The CD PROJEKT Capital Group did not publish any projections regarding the 2017 fiscal year. Consequently, no explanation of differences between its financial results and the corresponding projections is required.

Corporate governance



Disclosure of entities charged with audits and attestation of financial statements

On 23 May 2017 the Supervisory Board of the parent entity concurred with the recommendation submitted by the Management Board of the Company and selected Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp.k., headquartered in Warsaw, as the entity charged with assessing the correctness of the semiannual financial statement and performing an audit of the annual financial statement of the Company and its Capital Group for 2017 (Current Report no. 12/2017) Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp.k. is present on the list of entities authorized to perform audits of financial statements, maintained by the National Chamber of Statutory Auditors (no. 130).

The Company had previously selected Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp.k. as the entity responsible for auditing its consolidated and separate financial statement for 2016, as well as for reviewing its semiannual consolidated and separate financial statement for the first half of 2016.

Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp.k. is also responsible for auditing the financial statement of GOG Poland Sp. z o.o.



Shareholders who control at least 5% of votes at the General Meeting

The Company share capital is 92 120 000 PLN, divided into 96 120 000 shares with a nominal value of 1 PLN per share.

Shareholder structure is determined on the basis of formal notices submitted by shareholders who control at least 5% of votes at the General Meeting.

Table 6 Shareholders who control at least 5% of votes at the General Meeting as of the publication date of this report

	Qty. of shares	% share in share capital	Qty. of votes at the GM	% share in total number of votes at the GM
Marcin Iwiński	12 150 000	12.64%	12 150 000	12.64%
Michał Kiciński ¹	10 486 106	10.91%	10 486 106	10.91%
Piotr Nielubowicz	6 135 197	6.38%	6 135 197	6.38%
Nationale Nederlanden PTE ²	4 998 520	5.20%	4 998 520	5.20%
AVIVA OFE ³	4 940 000	5.14%	4 940 000	5.14%
other shareholders	57 410 177	59.73%	57 410 177	59.73%

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

² As disclosed in Current Report no. 15/2017 of 13 July 2017

³ As disclosed in Current Report no. 25/2012 of 6 September 2012

The percentage share in the Company's share capital and in the total number of votes at the General Meeting is calculated on the basis of the most recent notices received from Company shareholders as of the publication date of this report.

In Current Report no. 15/2017 of 13 July 2017 the Company disclosed that a notice had been filed by Nationale-Nederlanden Powszechne Towarzystwo Emerytalne S.A., stating that as a result of purchase of Company stock carried out on 10 July 2017, the investment funds managed by Nationale-Nederlanden Powszechne Towarzystwo Emerytalne S.A. (specifically Nationale-Nederlanden Otwarty Fundusz Emerytalny and Nationale-Nederlanden Dobrowolny Fundusz Emerytalny) had increased their aggregate share in the number of votes at the GM to above 5%. Following the aforementioned transactions both funds jointly hold 4 998 520 shares of Company stock, which represents 5.20% of the Company share capital and affords 4 998 520 votes at the General Meeting (5.20% of the total number of votes).



Agreements which may result in changes in the proportions of shares held by shareholders and bondholders

In 2016 the Company instituted an incentive program for its key employees and collaborators.

Implementation of the incentive program may result in changes in the proportion of shares held by Company shareholders. As of 30 June 2017 warrants have been granted to program participants entitling them to claim up to 5 730 000 Company shares, depending on the manner in which the program is implemented. The total number of warrants which may potentially be assigned under the incentive program is 6 000 000.

Information regarding the purchase of own shares

The Company has never held its own shares.



Shares held by members of the Management Board and Supervisory Board

Table 7 Shares held by members of the Company's Management Board and Supervisory Board

Name	Position	as of 01.01.2017	as of 30.06.2017	as of 06.09.2017
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

Members of the executive and supervisory organs of CD PROJEKT S.A. do not directly hold any shares of the Company's subsidiaries.

Composition of the Management Board and Supervisory Board of CD PROJEKT S.A.

Management Board of CD PROJEKT S.A.

Management Board members represent the Company and its Management Board. Management Board members cooperate with one another, share information regarding important matters affecting the Company, jointly manage the Company and jointly bear the associated responsibility. The Management Board, acting as a collective body, formulates the Company's strategies, develops its financial plans and manages the Company in such a way as to ensure implementation of these strategies and plans. The Management Board has embraced the concept of collective management in order to enhance its own capabilities for strategic thinking, build upon its positive energy and uphold the belief that nothing is truly impossible.

Deep mutual trust, coupled with a shared set of core beliefs and ethics, enable the Management Board to discharge its duties efficiently and without undue bureaucracy.



In addition to the above, individual members of the Management Board focus on specific areas of activity:

Adam Kiciński

President of the Board

Oversees formulation of the Company's and its Capital Group's business strategies and supports their practical implementation, coordinates Company activities in the scope of investor relations.

Adam Badowski

Board Member

Heads the CD PROJEKT RED development studio which is owned by the Company, coordinates the Company's game development activities.

Marcin Iwiński

Vice President for International Affairs

Coordinates the Company's international activities and the corresponding policies, takes part in supervising and managing the Company's foreign subsidiaries.

Michał Nowakowski

Board Member

Oversees formulation and implementation of the Company's sales policies, and participates in shaping the Company's international activities and policies; participates in game development activities carried out by the Company.

Piotr Nielubowicz

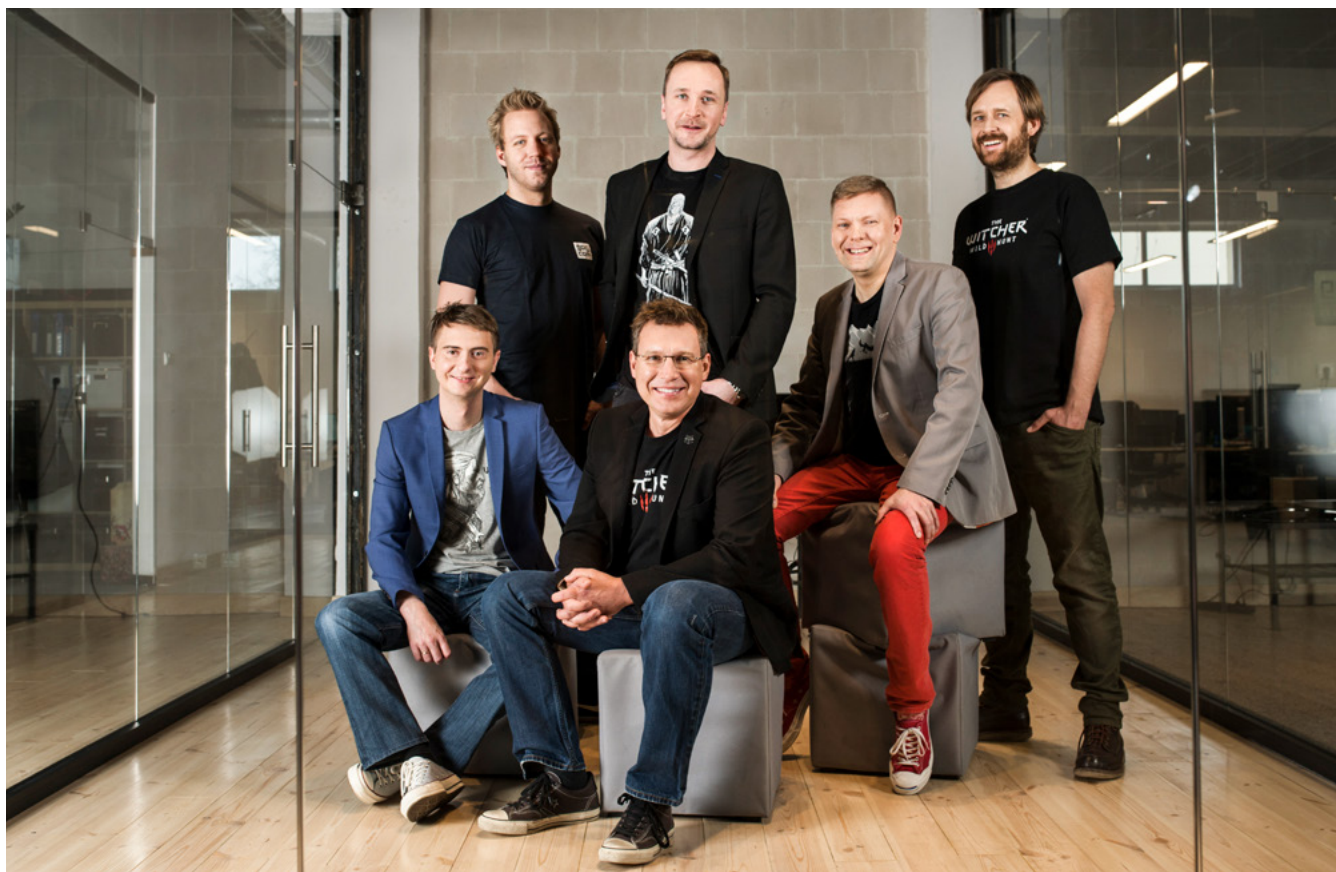
Vice President for Financial Affairs

Coordinates the Company's financial and accounting branches; ensures that the Company meets its financial reporting obligations, participates in investor relations.

Piotr Karwowski

Board Member

Bears responsibility for the Company's and its Capital Group's activities in the scope of digital distribution, manages the GOG.com activity segment.





Changes in Management Board composition

No changes in the composition of the Management Board occurred during the reporting period.

On 23 May 2017, following the expiration of the Management Board's term, the Supervisory Board reappointed all existing Board members to a new term (Current Report no. 11/2017).

Supervisory Board of CD PROJEKT S.A.

Katarzyna Szwarc	Chairwoman of the Supervisory Board
Piotr Pągowski	Deputy Chairman of the Supervisory Board
Maciej Majewski	Secretary of the Supervisory Board
Krzysztof Kilian	Supervisory Board Member
Michał Bień	Supervisory Board Member

Changes in Supervisory Board composition

No changes in the composition of the Supervisory Board occurred during the reporting period.

On 23 May 2017, following the expiration of the Supervisory Board's term the General Meeting reappointed all existing Supervisory Board members to a new term (Current Report no. 10/2017).



Changes in basic management practices at the Company and its Capital Group

No significant changes in basic management policies affecting the Company and its Capital Group occurred in the first half of 2017.

Disclosure of significant ongoing legal proceedings

The following legal proceedings took place during the reporting period (the presented status is valid for the publication date of this report):

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

In case no. XVIII K 126/09, following indictment filed by the District Attorney in the District Court for the City of Warsaw, on 27 October 2016 the District Court convicted Mr. Michał Lorenc, Mr. Piotr Lewandowski and Mr. Michał Dębski of violating sections 296 §1, 296 §3 and others of the Penal Code. The Company acted 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 the Company with regard to the amount of damages awarded.

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



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